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## **Canada's unsung corporate heroes: mid-market enterprises are the overlooked engine of our national economy**

HSBC today released a global report highlighting the unsung role that mid-market enterprises (MMEs) play in the life of nations. The report, titled *Hidden Impact: The vital role of mid-market enterprises* and commissioned by HSBC from Oxford Economics, showcases the enormous contribution to Gross Domestic Product (GDP), employment, and the supply chain that MMEs contribute to developing and developed economies.

Globally, HSBC analysed publicly available data from MMEs across 15 countries and territories spanning Asia, Europe, the Middle East and the Americas, and calculated 161,800 MMEs, with a combined turnover of US\$16.6 trillion that contribute US\$11.5 trillion to GDP and directly employ 169 million people. There is significant variation between countries, though, with MMEs globally contributing from 20% to nearly 40% of GDP.

Canada is home to 5,950 MMEs – which we define as companies with earnings between \$50 – 500 million – ranking 8<sup>th</sup> among the economies featured in our study, generating approximately US\$667.5 billion in turnover, and employing 1.9 million Canadians (or 14.5% of jobs in the country). Canadian MMEs also contribute 31.8% to Canada's GDP (excluding health, education and public administration).

Other Canadian MME sector highlights include:

- direct contribution of US\$221 billion to the national economy;
- companies are often privately-owned, usually with a professional management team that has replaced the owner-manager leadership structure common to many small and medium enterprises (SMEs);
- the largest proportion of Canadian MMEs falls in the wholesale & retail sector (27.2%), followed by the manufacturing sector (19.2%).

Canadian MMEs in the wholesale and retail sector generate the largest amount of turnover, at US\$182.7 billion. However, at only 2%, the sector only provides the third largest contribution to Canada's economy. Instead, the higher value-adding business services sector provides US\$71.1 billion (equivalent to 5.1% of the national total). To put this in context, manufacturing MMEs provide the second largest contribution to the national economy, with US\$31.3 billion.

By contrast, the United States (U.S.) is home to the largest number of MMEs in this study with around 55,700 firms supporting 16.5 million jobs, or 13% of employment, and directly contributing US\$1.7 trillion to the U.S. economy. China has an estimated 40,200 MMEs, contributing a staggering 74 million jobs, or 12% of employment, and directly contributing US\$4.5 trillion to the Chinese economy. These two countries combined account for 60% of all MMEs in this study, and both are important strategic partners for Canada – through historic trade and commerce with the U.S., and a recent agreement with China designating Canada as the first renminbi clearing center for the Americas.

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**Linda Seymour, Executive Vice President and Head of Commercial Banking, HSBC Bank Canada said:** “Mid-market firms are in many ways the unsung heroes of the global economy — not large enough to influence government policy, but too big to benefit from incentives and support afforded to smaller companies. Despite their substantial contribution to their respective national economies, MMEs often reach a point where, having grown successfully for some time, they plateau – in some instances, they outgrow their banker. At HSBC, we find this both unfortunate and preventable because we have a long history of helping MMEs reach new heights. Our report therefore serves to spark discussion about the most appropriate ways to convert their ambition to continued growth and prosperity.”

Understanding their characteristics, the choices and the challenges they face is often the first step towards helping MMEs flourish and grow – through better domestic and global cash management, more effective sourcing of goods and services and, most importantly, creating a diversity in sources of working capital. In Canada and globally, where some MMEs aspire to move from the regional to the national stage, others aim to progress from being disruptive upstarts to sector leaders. Others still master a particular product or technology and now seek to branch out into new fields or tap into global trade corridors. In order to grow, MMEs must shake things up by adopting new operating models and by finding the right kind of professional skills to help them get there faster and more efficiently.

Statistics Canada research tells us that companies that trade internationally grow faster over the long term, and HSBC research shows that greater economic growth is taking place in emerging markets over developed ones. When deciding to grow internationally, it is as important to be clear on which global markets to target as it is to bring on the right kind of professional skills, and to understand how to diversify sources of funding beyond the traditional bank loans that helped build MMEs.

Broadly, MMEs tend to be highly productive, contributing more to GDP for each employee than do smaller companies, employing and training more staff, exporting more, and investing more in research and development. They can be counted on to support local, regional and national communities through employment, to trade with other local firms, and to pay local taxes. They also contribute to the diversity and dynamism of the economy as a whole – often working in its fast-growing and innovative parts and providing an alternative to increasingly dominant multinationals, forcing them to raise their game.

**Added Seymour:** “The economic contribution of MMEs to the Canadian and global economy is vast: they sustain millions of jobs and contribute to a large proportion of national GDP in every country we’ve surveyed. Beyond their direct contributions, their role in stimulating the innovation and competition so essential to a vibrant economy must not be overlooked. A healthy MME sector is the key to a prosperous, dynamic economy, and Canadians deserve no less.”

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#### **Notes to Editors:**

**1. About the MME Report - Modelled by Oxford Economics**

The objective of this study was to highlight the importance of the MME sector across a select group of economies, namely Brazil, Canada, China, France, Germany, Hong Kong, India, Mexico, Poland, Singapore, Saudi Arabia, Turkey, UAE, UK and USA. For the purposes of this work, we have used a combination of public data and prudent assumptions to analyse companies with earnings of between \$50-500 million. We have taken 2012 figures as the latest globally available source data for our models. We exclude public administration, education, and health from the analysis, as these sectors are subject to large fluctuations and have different ownership and regulatory regimes across our sample countries, making international comparison difficult. A copy of the global report is available at <http://www.globalconnections.hsbc.com/>

**2. HSBC Commercial Banking**

For nearly 150 years we have been where the growth is, connecting customers to opportunities. Today, HSBC Commercial Banking serves businesses ranging from small enterprises to large multinationals in almost 60 developed and faster-growing markets around the world. Whether it is working capital, trade finance or payments and cash management solutions, we provide the tools and expertise that businesses need to thrive. With a network covering three quarters of global commerce, we make HSBC the world's leading international trade and business bank. For more information see [www.hsbc.com/1/2/business-and-commercial](http://www.hsbc.com/1/2/business-and-commercial)

**3. HSBC Bank Canada**

HSBC Bank Canada, a subsidiary of HSBC Holdings plc, is the leading international bank in Canada. The HSBC Group serves customers worldwide from over 6,100 offices in 73 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of US\$2,634bn at 31 December 2014, HSBC is one of the world's largest banking and financial services organizations.

*Ends all*