Navigating a volatile world: Insights for corporates

19 May 2025

CORPORATE & INSTITUTIONAL INSIGHTS

LLOYDS

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Foreword

Global events have spawned recurrent turbulence and resurgent volatility. Many organisations are coping with frequent market dislocations and a pervasive sense of uncertainty.

Despite these challenging conditions, building resilience and maintaining optimism remain dominant sentiments among the majority of our clients in the UK. Changes could present new business opportunities, and the chance to fortify operations may make firms better prepared for the future.

Lloyds remains staunchly committed to supporting our clients as they navigate the risks and seize the opportunities that the current climate presents. We are dedicated to providing our clients with the expertise, tools and information they require in an increasingly complex and volatile world.

Over the course of the following pages, we have set out the thoughts and insights of some of our senior leaders based on their conversations with clients. We hope that our readers will benefit from seeing how firms can weather the storm and emerge stronger and more resilient.

John Winter, CEO,
Lloyds Corporate & Institutional

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Calm before the storm: How are UK corporates anticipating disruption driven by trade tariffs?

Mansour Davarian,
Head of Transaction Banking Solutions,
Lloyds Corporate & Institutional

International businesses have watched the recent imposition of trade tariffs with a degree of trepidation as to the effect on their own supply chains and business operations. With the establishment of a UK-US trade deal and further announcements likely, **Mansour Davarian**, Head of Transaction Banking Solutions, Lloyds Corporate & Institutional, explains what the focus on tariffs could mean for UK corporates moving forward.

Waiting with bated breath

Global supply chains have become extremely complex and intricate networks through which corporates move components, parts and products both internally, between their own businesses, and externally, via third parties. UK supply chains are also incorporated into finished goods that are ultimately destined for the United States. As a result, the global events of 2025 are likely to have a consequential impact on the way that UK corporates operate.

We have been working closely with our clients to help them prepare for significant change in the trade landscape. The predominant short-term sentiment is one of adjournment over action. With US trade policy – and the global response – changing rapidly, clients are keen to 'wait and see' whether the result will be a seismic shift in global trading relationships, or an economic ripple with little consequence to their operations.

While clients are of course concerned about if, when and how they should act, there is perhaps an even greater concern over the propensity to make knee-jerk reactions that ultimately prove to be impulsive and counterproductive. This is perhaps the greatest motivation behind clients' desire to watch and wait for now.

> "The focus on mitigating disruption over the past decade will make it easier to navigate forthcoming volatility, however significant it may be."
>
> Mansour Davarian,
> Head of Transaction Banking Solutions,
> Lloyds Corporate & Institutional

Prioritising preparation

UK businesses face numerous challenges when trading this year, however many firms are already well equipped to deal with the uncertainty they face. Part of this can be attributed to the effect of global volatility over the past decade. From Covid-19 to the conflict in Ukraine and the Red Sea crisis, many businesses have already recalibrated their supply chains to be more resilient and resistant to disruption.

Some firms have already moved manufacturing to the US, which will mitigate the impact of any incoming tariffs. Others have taken an active stance in managing their supply chains through analysis and mapping, ultimately providing end-to-end visibility and the means to understand logistics routes, diversify suppliers, and prepare for disruption.

A number of clients are choosing to stockpile inventory in anticipation of tariffs being implemented. Although this may have limited disruption, it still comes at a cost to working capital so should be considered carefully.

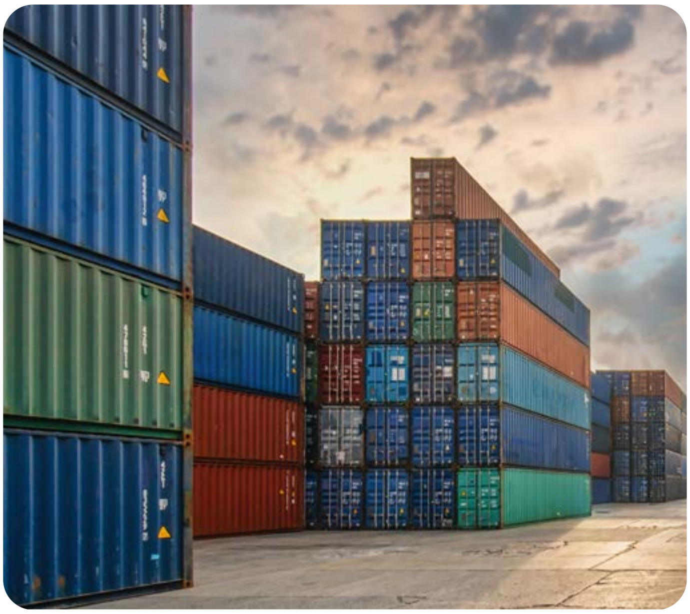
Either way, the focus on mitigating disruption over the past decade will mean that corporates are better prepared for the forthcoming volatility, however significant it may be.

The main challenge for our clients will come if, and when, reciprocal tariffs are established around the world, depending on their severity. This is where firms will feel the most material impact, and where they could potentially see the most significant consequences on their supply chain and operations.

For UK firms, most of this impact has been avoided through the UK-US trade deal, which revises many of the levies imposed earlier this year. While the deal is yet to be finalised, it could have broadly positive consequences for sectors that rely on US exports, such as the automotive industry.

Although corporates are hesitant to act impulsively, there are still measures that can be taken now to prepare for any future action. Diving deep into supply chains through mapping and stress-testing exercises can help corporate treasurers understand where components are located and avoid over-reliance on particular regions or territories, instead ensuring diversification. This process can also help to reveal a corporate's risk exposure while identifying new markets to enter.

Using this time to prepare can ensure that the business is ready to act when the path ahead is clearer – the timing of which will depend on individual businesses, sectors, and circumstances.



Reasons to be cheerful

While companies watch the news agenda for further tariff announcements, there are positive developments to consider. A change in commodity prices – particularly lower oil prices – will benefit some of our corporate clients, and there may be further benefits seen through higher inward investments.

In addition to the UK-US trade deal, the thawing in trading relationships between the US and China could spell positive news for firms with international supply chains. While much is still to be negotiated, the de-escalation of trade tensions could reduce the level of global uncertainty that firms are facing into.

The defence sector also continues to remain very positive. With significant political focus this year on the requirement for defence spending, many firms in this segment believe that the months ahead offer a positive and prosperous environment when it comes to trade.

Charting the course to resilient trade

As a relationship-led bank, Lloyds has a deep understanding of the challenges faced by corporates operating in today's volatile environment. Internationally connected with a UK focus, we can support our clients' trading ambitions by working alongside them to provide innovative and impactful trade and working capital solutions.

Our specialist team can offer rich and detailed expertise and help firms in managing the broader suite of risks associated with international trade during periods of volatility.

Command and control: How can a technology-first approach to cash management keep corporates one step ahead?

Rogier van Lammeren,
Head of Transaction Banking Propositions,
Lloyds Corporate & Institutional

Global unpredictability can turn the management of complex payment flows into an extremely challenging task. With fluctuations in both global policy and economic activity amplifying the climate of uncertainty, **Rogier van Lammeren,** Head of Transaction Banking Propositions, Lloyds Corporate & Institutional, explores how businesses can leverage technology in their cash management strategies to stay ahead during turbulence.

An environment of continuous change

The oscillation of economic forecasts and business confidence witnessed throughout 2025 has tested treasury teams' ability to be responsive, nimble and analytical. For these teams, managing huge volumes of inbound and outbound payments when economic conditions are in flux can be exceptionally challenging, making it difficult to maintain stable cash reserves and potentially impacting the organisation's working capital.

As a result, gaining robust control over payment flows is crucial for mitigating risks, meeting financial obligations, and preparing for all eventualities. Effective cash management strategies that leverage technology and innovation can help UK corporates navigate these complexities.

The technological toolkit

The drive towards digital transformation – from enhanced bank connectivity to real-time analytics and automated financial processes – can significantly improve visibility over payment flows and bolster a company's ability to manage its working capital efficiently. Such advanced technologies offer treasury teams real-time access to up-to-date financial positions, supporting quick and strategic decision making. This offers treasurers new means of scrutinising the financial status of the business and can help them prepare for all possible eventualities.

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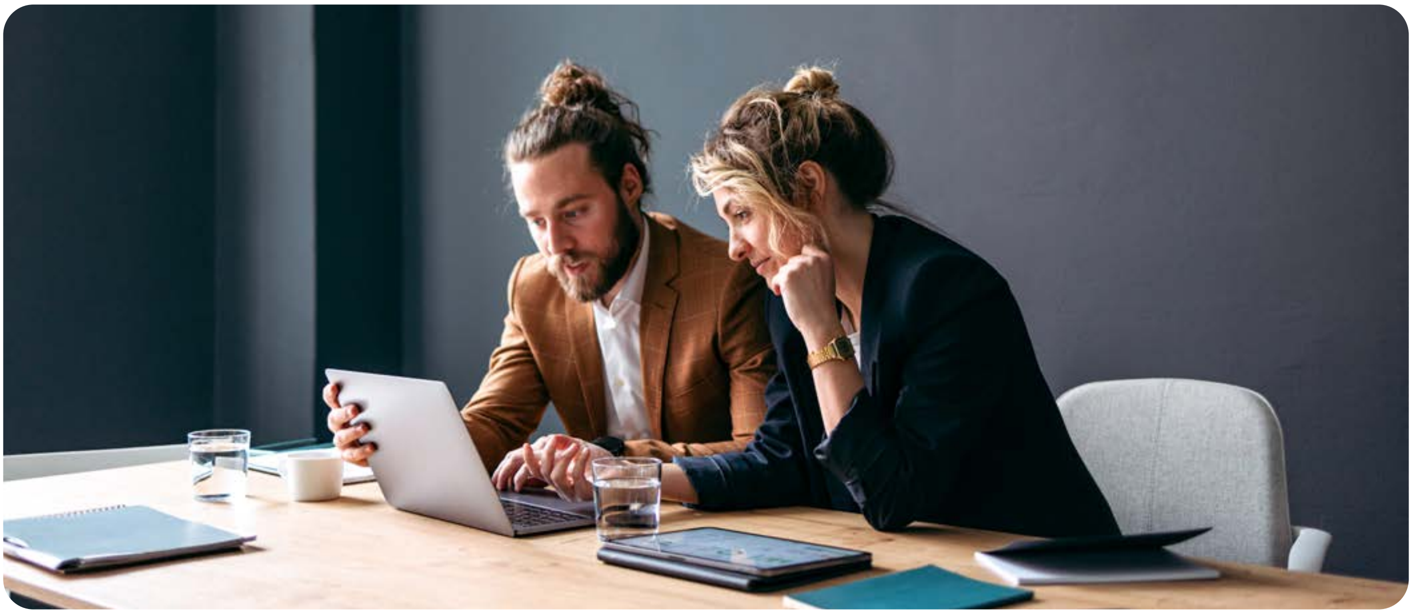

In addition, by automating key financial processes such as cash management, payment processing and reconciliation, treasury teams can reduce the need for manual intervention, minimise errors, enhance efficiency and accuracy, and save precious resources.

Next-generation connectivity

Embracing Host-to-Host (H2H) and Application Programming Interface (API) technologies can further augment these benefits. H2H connectivity offers real-time access to account information, transaction details and financial positions which can provide treasury teams with the necessary information to optimise liquidity in the business. Direct system integration also reduces the risk of data breaches, since it offers robust security and eliminates the intermediary steps where data could be compromised.

Similarly, API technology facilitates real-time payments and enhanced data integration, both of which can be key in maintaining a healthy cash flow during periods of uncertainty when time is of the essence. Our suite of APIs offers clients the ability to personalise their financial applications and cash management service. They allow clients to quickly initiate payments – including Faster Payments, CHAPS, international payments and more – while also offering immediate reporting information including account balances and statements. With 24/7 access and direct integration, using APIs in cash management and payments can offer treasurers the control and flexibility they need to manage working capital effectively in volatile periods.

Implementing these technologies can enable seamless communication between banks and corporates, allowing businesses to enhance their resilience, efficiency and strategic capabilities. They can provide corporates with the data to understand their position, and the means to respond quickly.

A digital-centric approach

At Lloyds, we're proud to be working at the cutting edge of technology to deliver benefits to our corporate customers. We have a broad range of flexible and effective digital solutions which can transform the treasury to provide better insight, faster operations and more efficient processes. Lloyds Bank Gem®, for example, is our digital-first and future-proofed cash management platform, built to be omnichannel, API-ready and ISO 20022-native. The platform combines cloud computing with data-led solutions to offer clients the control and flexibility they need to optimise their cash management activities.

Collaborating with our clients to develop solutions that work for them, we can help treasury teams navigate periods of uncertainty with confidence. By embedding technology at the heart of their cash management strategies, we're providing treasury teams with the means to adapt to evolving market conditions, prioritise robust command and control mechanisms, manage volatility, and prepare for tomorrow.

History repeating? Can treasury teams learn lessons from previous periods of uncertainty?

Colin McKee,
Head of Financial Risk & Accounting Advisory,
Lloyds Corporate & Institutional

So far, 2025 has been defined by resurgent volatility stemming from pervasive economic uncertainty and geopolitical tensions. How can treasury teams manage risk across foreign exchange (FX), interest rates and commodities in this context – and what lessons can be learned from recent years? **Colin McKee**, Head of Financial Risk & Accounting Advisory, Lloyds Corporate & Institutional, explains more.

> "Treasury teams can use their banks to provide market insight and analysis to help inform hedging decisions and manage risks effectively."
>
> Colin McKee,
> Head of Financial Risk & Accounting Advisory,
> Lloyds Corporate & Institutional

Understanding the impact

The key question on the minds of many clients we speak to is what the impact of this most recent chapter of uncertainty will be on their underlying businesses, cash flows and KPIs. From there, they want to understand how it may impact their risk tolerance, and how they should adapt their hedging policies and decision making as a result.

Flexibility in FX hedging

When it comes to managing FX risks, the Covid-19 pandemic is fresh in the minds of many treasurers. Companies found themselves taking losses on hedges they no longer required as forecast business cash flows evaporated.

This experience reinforced the need to build flexibility and agility into FX hedging policies to deal with changing forecasts, timing uncertainty, and rapidly moving markets. This approach should help companies navigate today's uncertainty.

While we see companies continuing to take a systematic approach to transaction hedging, some are flexing policies to hedge towards the lower end of FX hedging ratios or are delaying placing 'top-up' hedges to avoid over-hedge scenarios. This effectively 'buys time' in the expectation that greater clarity over trade policy impacts will allow a more confident assessment of future needs.

Adapting hedge execution approaches to include the use of orders – under which FX hedges are executed only when a particular market rate is reached – is another approach that can help to capture favourable market movements or to protect against worst-case scenarios.

High interest rates with uncertain path ahead

In relation to interest rate risk, increased uncertainty over the future path of rates and central banks' policy responses have led to a degree of nervousness around decision making, with some companies waiting to implement hedges where they can – not necessarily for better rates, but to weather the storm and let some of the uncertainty pass.

Companies continue to proactively review the fixed/floating mix of their debt portfolios as they adapt to the higher rates environment. Many had been considering increasing the proportion of floating rate debt in their mix to take advantage of falling interest rates. However, the timing of this decision is now more nuanced given the uncertainty over the future path of interest rates.

On the flipside, diverging central bank policies across major currencies present an opportunity for companies to rebalance their debt currency mix to take advantage of increased interest rate differentials and potentially reduce overall funding costs.

On near-term funding requirements, pre-hedging is an important consideration and, in volatile markets, can provide a means of 'averaging into' a benchmark interest rate over a period of time, rather than being subject to a single pricing point. Again, this approach needs to be tailored to take account of any uncertainties in funding plans.

Opportunities for commodity hedgers

Commodity price risk has moved up the risk management agenda in recent years due to historically high prices and volatility. The recent economic uncertainty has, if anything, offered a degree of respite for clients – especially as crude oil prices have decreased to levels not seen since early 2021.

Accordingly, alongside raising hedging ratios towards the upper end of existing policy remits, many UK-based corporate fuel consumers have also looked to maximise the tenor on existing credit lines to take advantage of attractive price levels. Confidence about underlying domestic business conditions offers an opportunity to benefit from the downturn in global prices.

A wealth of expertise

Typically, our clients seek our expertise and experience to help navigate their financial risk requirements. We can offer market insights to keep teams informed on prevailing conditions, opportunities and execution approaches. We help clients review and enhance hedging policies to build in an appropriate level of flexibility and agility. This can both protect against, and take advantage of, potential market movements.

Peer analysis enables clients to understand how their risk management approach aligns to other companies in their sector, minimising the risk of unintentionally being a relative outlier. We also provide our clients with bespoke quantitative analysis, helping them to understand and quantify the impact of market risks to which they are exposed, and how changes to their fixed/floating mix, currency mix of debt or transactional hedging approach may impact their key financial metrics.

With many years of experience operating in volatile market environments, we are well positioned to help clients navigate this current wave of uncertainty.

The problem of unpredictability: Strategic financing in volatile conditions

Niall Coakley,
Co-Head of Corporate Debt Capital Markets and Rates,
Lloyds Corporate & Institutional

Geopolitical uncertainty has provoked high levels of market volatility. For corporates engaged in bond refinancing, the already difficult task of navigating market movements has become more important. **Niall Coakley**, Co-Head of Corporate Debt Capital Markets and Rates, Lloyds Corporate & Institutional, explains how corporates can think strategically in a financial market landscape in flux.

Striking the balance between strategy and action

After a period of relative calm, corporate treasurers are contending with an unpredictable financing environment yet again. Current conditions have added additional challenges in terms of getting the timing right when it comes to financial transactions such as bond issuance. Tight credit markets over the last 12-18 months have made issuance a little more straight-forward, as benign markets allowed borrowers to pick their windows. The current market puts a premium on accessing windows of liquidity when they are available, highlighting the importance of preparing to be ready to go when the window opens.

Treasurers can adapt their approach to funding in order to cater for potentially large market fluctuations. Corporates typically operate with a 12-18 month forward look on liquidity to ensure that they are supplying the business with robust financing. In times of stress, liquidity buffers can substantially increase as companies value liquidity over cost, as was seen in the extreme at the outset of the Covid-19 pandemic. Its arguable that in current volatile markets, the priority is risk management, rather than trying to call the market.

Engaging early with the board and securing approvals for a potential range of outcomes can help to ensure that treasury teams are able to respond at pace to changing market conditions. By making strategic decisions about structure and currency, alongside predefined approval ranges for execution, treasurers can put themselves in the position to act swiftly. The best strategy in today's conditions is to be ready to act, but expect to delay.

> "By developing predefined approval ranges and making strategic decisions about timing, structure and currency, treasurers can put themselves in the position to act swiftly when the opportunity presents itself."
>
> Niall Coakley,
> Co-Head of Corporate Debt Capital Markets and Rates, Lloyds Corporate & Institutional

Flexibility first

Alongside proactive preparation, treasurers can navigate the volatile environment by exploring the range of financing options available. Pre-hedging or swaps to floating can help diversify the risk to setting fixed coupons on a specific day and single point in time.

Similarly, some sectors with specific investment requirements, such as utilities or real estate, may also benefit from exploring discrete financing opportunities such as medium-term notes, taps of existing issues, or private placements. While any particular solution may not always be suitable, a flexible approach to financing is likely to prove beneficial given the current unpredictability of the markets.

Holistic support

We have been working closely with our clients to help them navigate this market environment. Our clients have looked to us for our views on how to navigate current market conditions and access pools of liquidity to ensure a successful transaction. We've been able to provide support during the transaction by minimising their time in the market and managing exposure to fluctuations. Having approval for interest rate hedging strategies that might not be used in normal market conditions may enhance outcomes for the client.

Although the market remains volatile, Lloyds has significant experience in managing risk and optimising financing strategies for our clients. By combining our deep sector knowledge and financial markets expertise, we're well placed to help our clients achieve successful outcomes in an unpredictable market.

Balancing act: Reconciling immediate pressures with long-term sustainability goals

Hannah Simons,
Head of Sustainability, Corporate Markets,
Lloyds Corporate & Institutional

A volatile and evolving business landscape has resulted in the recalibration of corporate priorities. While sustainability remains high on the long-term agenda, it's now competing with short-term and urgent economic and geopolitical pressures. **Hannah Simons**, Head of Sustainability, Corporate Markets, Lloyds Corporate & Institutional, explains more.

Synthesising now with next

Rising costs and economic uncertainty have left some corporates closely considering the price tag of the green transition. While a steadfast commitment to sustainability remains, the ongoing disruption has meant that their long-term vision now needs to be considered within the context of new and evolving pressures.

Many corporates still recognise that investment in sustainability is crucial in delivering long-term value in terms of growth and innovation. The challenge for them will therefore lie in responding to the urgency of today's environment while keeping sustainability commitments at the heart of their strategy.

In addition, relationships with investors are beginning to change. While investors' assessment methodologies are consistent in their consideration of sustainability criteria and responsible investment objectives, improved reporting and access to quality data means that many investor questions are now being answered through company reports or via third parties. It's therefore easier for investors to complete their assessments without contact, and some corporates have received less active guidance on investors' priorities within this field as a result.

> "The challenge for many corporates will lie in responding to the urgency of today's environment while keeping sustainability commitments at the heart of their strategy."
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> Hannah Simons,
> Head of Sustainability, Corporate Markets,
> Lloyds Corporate & Institutional

A tale of two narratives

Underpinning these issues is the need to navigate an increasingly diverging and fragmented landscape in terms of the perception of, and approach to, sustainability-related issues. Businesses operating within the EU are contending with the continued fast-paced regulatory landscape, including the current proposals under the EU Omnibus. Although aiming to simplify and harmonise reporting in the long-term, the policy package represents a significant regulatory shift requiring corporates to adjust their approach to sustainability. In the United States, on the other hand, the past year has witnessed a growing scepticism surrounding sustainability-focused initiatives with many organisations revising or scaling back their commitments.

This ideological divergence has left those corporates operating in both jurisdictions in a difficult position. They are now required to walk a tightrope between the two, avoiding both greenwashing and greenhushing, in order to present an acceptable corporate narrative to all parties.

Sustainability in supply chains

The potential impact of trade tariffs is making corporates look closely at their supply chain to minimise disruption, and sustainability represents a key element in their decision-making process. Sustainability is already embedded in procurement processes and supply chain criteria, and it remains a crucial factor when assessing or diversifying suppliers. Recent research undertaken by Lloyds in partnership with Make UK found that 77% of manufacturers are subject to ESG conditions set by customers, and 74% set ESG conditions for suppliers. While supply chains may change to reflect the new trade landscape, we're seeing that sustainability commitments are remaining consistent.

Strong relationships with suppliers is important in the context of potential trade disruption, so setting sustainability conditions – such as Lloyds' own Emerald Standard initiative – can make expectations clear, therefore encouraging suppliers to keep engaged with their customers and maintain the business relationship in volatile periods.

Investing in the future

Despite the current volatility resulting in shifting priorities, sustainability remains on the corporate agenda for commercial reasons – think supply chain resilience and competitiveness – and there is appetite for fulfilling prior commitments such as net zero targets. When surveyed, 83% of executives said that they believe their company could do more for the economy-wide transition. In addition, 71% of Lloyds Banking Group clients classified the development of their Credible Transition Plans (CTPs) as either 'emerging beyond early stages' or 'progressing well'.

Ultimately, managing today's volatility and fulfilling sustainability goals can work hand-in-hand. Through the reimagination of business operations and the alignment of short-term goals with core sustainability aims, corporates can address pressing issues while paving the way towards higher profitability, long-term value creation and a sustainable business model.

Strategic sustainability

We are actively working with our clients to navigate this new and evolving landscape. For corporates and financial institutions, we ranked first in terms of deals led on sustainable bonds by UK issuers in 2024. Additionally, we were number one for GBP sustainable bonds in 2024[1].

We can assist businesses in this process of reimagination through the provision of innovative financial tools, data-driven insights, and guidance on both the development of CTPs and funding strategies. As a result, Lloyds can help when it comes to embedding sustainability within an organisation's short- and long-term strategy. Our support ranges from sustainable bond structuring through to sustainability ratings advisory and investor insights.

Investment in sustainability today can deliver real value for the future in terms of resilience, reputation, innovation, and long-term business performance.

[1] Bondradar, as of 31 December 2024.

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