

LLOYDS BANK



HALF OF EXPORTERS YET TO REVAMP FUTURE TRADING PLANS AFTER EU REFERENDUM

- Almost half of British exporters surveyed are yet to review their international trade plans a year after the UK's decision to leave the EU
- 85 per cent of exporters trade with the EU and 54 per cent say it is their main foreign market
- One in four of those who have reviewed their strategies are looking beyond Europe for opportunities
 - But nearly one in three have decided to focus on domestic growth instead

Almost half (48 per cent) of Britain's exporters surveyed haven't reviewed their exporting strategies as a result of the UK's decision to leave the European Union last year, new research from Lloyds Bank Commercial Banking has found.

That's despite the fact that the EU is a trading partner for 85 per cent of firms that have exported in the past year, and is the region they have exported to the most in the last 12 months for 54 per cent.

Of those that have reviewed their strategies since the referendum, more than a quarter (27 per cent) said they planned to look further afield to take opportunities outside the EU.

But almost a third (30 per cent) planned to focus on domestic opportunities instead. This creates a greater concentration risk on the UK economy, and exposes companies to UK economic cycles.

Clive Higglesden, head of trade & supply chain product for Lloyds Bank Global Transaction Banking, said: "With a year since the vote and negotiations to leave the EU now underway, it's concerning to consider that almost half of British exporters have yet to assess what changes may occur and what action needs to be taken.

"Wait-and-see is not really an adequate strategy for exporters, and businesses should be acting now to manage any risks on the horizon and possibly explore new opportunities. However it is comforting to see that a quarter of firms are already looking at new markets beyond the European Union, which is important for ensuring reduced impact from any loss of access to the EU Single Market.

"For companies that have elected to focus on the UK, they need to be conscious that they will be more greatly impacted by UK business cycles. Diversification into new markets is an important way of managing this risk"

Lloyds Bank Commercial Banking questioned more than 1,000 exporting businesses of all sizes across the UK about the challenges and opportunities they currently face.

It found that volatility in exchange rates was exporters' biggest fear in the next five years, with a quarter (25 per cent) of those who have exported in the last 12 months rating it as their top challenge, closely followed by the potential introduction of trade tariffs, chosen by 19 per cent.

Even among businesses that have exported to non-EU markets in the last 12 months, half (51 per cent) said they would be negatively affected if the UK left the EU without a replacement trade deal, the survey found.

Yet even considering these challenges, businesses expect to become more competitive during the next five years.

Almost half (45 per cent) of exporters who would seek any support or advice if they were to encounter any market access barriers expect their businesses will be more competitive internationally by 2022, compared with just 17 per cent who think they will be less competitive.

While traditional partners in Europe and in English-speaking regions remain popular destinations for those looking to export, one in eight (13 per cent) of those who haven't exported in the last year but think they might in the future would like to trade with Japan, and a similar number (12 per cent) want to trade with the Middle East.

Region	Businesses want to trade with this region in future
EU	80 per cent
USA	46 per cent
Non-EU countries in Europe	43 per cent
Australasia	23 per cent
Canada	17 per cent
Japan	13 per cent
Middle East	12 per cent
India	12 per cent
China	11 per cent
South America	11 per cent
Southeast Asia (excl Australasia)	11 per cent
Russia	7 per cent
Asia (excl. Southeast Asia, Russia, China, India and Japan)	7 per cent
Africa	6 per cent
Central America	6 per cent
Mexico	5 per cent

Regional picture

Businesses in London were among the most confident, with around half (48 per cent) of exporters who would seek any support and/or advice if they were to encounter any market barriers saying they expected to become more competitive internationally during the next five years, followed by 46 per cent in the North.

Only 41% of those who work in the South of England said their business would be more competitive over the next five years, making it the least confident region, slightly behind those in Scotland (43 per cent)¹.

Transport firms on the road to growth

Businesses in hospitality and leisure were the most positive about future prospects, with 14 out of 19 surveyed expecting to become more competitive internationally between now and 2022. This was followed by businesses in transport and distribution (16 out of 26 surveyed), and finance and accounting (55 per cent).

Businesses in the legal sector were least confident about becoming more competitive, with only 10 out of 30 surveyed expecting their situation to improve in the next five years, with 8 out of 19 medical and health services businesses surveyed the next least optimistic.

Speak to trusted advisers

Clive Higglesden added: “New markets means new risks and ways of doing business, so it’s important that they seek the support and guidance of trusted advisers. But, they also represent new opportunities and new revenue streams

“In uncertain times, businesses need support to identify and manage both risks and opportunities. We also know that those that proactively look to optimise their working capital are better placed to weather any storms that are on the horizon.

“If international trade has taught exporters anything, it is probably that, with the right support, there are opportunities out there and partners closer to home that can help them to succeed.

“We have worked with the Department for International Trade and developed our own International Trade Portal, as well as other trade tools, to give our customers the practical help they need to do business overseas - from researching market conditions to accessing live opportunities, in territories all around the world.

“We’re committed to supporting 25,000 new businesses to export for the first time by 2020, and offering trusted advice and the security of having strong partners on your side are just two ways that we’re helping British businesses prosper not just in the UK, but globally.”

-Ends-

¹ The sample of businesses in Wales and in the East of England were in sufficient for comparison purposes.

Notes to editors

- YouGov questioned 2,287 businesses between May 23 and June 19, 2017, on their plans and ambitions for international trade. Of the sample, 1,037 were businesses that had ever exported.
 - 713 respondents had an annual turnover of between £1m and £24.9m
 - 173 respondents had an annual turnover of between £25m and £749.9m
 - 101 respondents had an annual turnover of more than £750m
- Lloyds Bank is committed to helping 25,000 businesses export for the first time before 2020. Among the tips it advises businesses to follow when looking to export for the first time are:
 - Select a target market – Identify and research the best market for your product and services
 - Create a clear business plan – A thorough plan will set out how a firm plans to grow at a manageable rate, when it will need to invest, hire new staff or increase production
 - Make sure you’re protected – Making sure all contracts are clear, ensuring payment times are agreed and adhered to, and making sure good accounting processes are in place are a good foundation to trading in new markets for the first time
 - Unlock working capital – International trade can place more pressure on working capital than a business might be used to, but there are products and other practices businesses can adopt that can protect against this and ensure they have access to cash flow even when launching in new markets
 - Trusted advice – Even with the best planning, first-time exporters are likely to encounter challenges they had not foreseen. Having a wide range of trusted advisers will be essential to overcoming those challenges successfully