About Santander Corporate & Commercial

We know that ambitious businesses want to grow, which is why Santander Corporate & Commercial has a deep, holistic and tailored approach to help them achieve this. We connect businesses to opportunities around the world through our connectivity programmes including virtual and physical trade missions and Meet The Buyer programmes. We also do this via platforms such as the Trade Portal, which provides access to a global database of trusted importers and suppliers, and the Trade Club, which introduces Santander clients to a community of importers and exporters in over 30 countries to help them conduct business overseas.

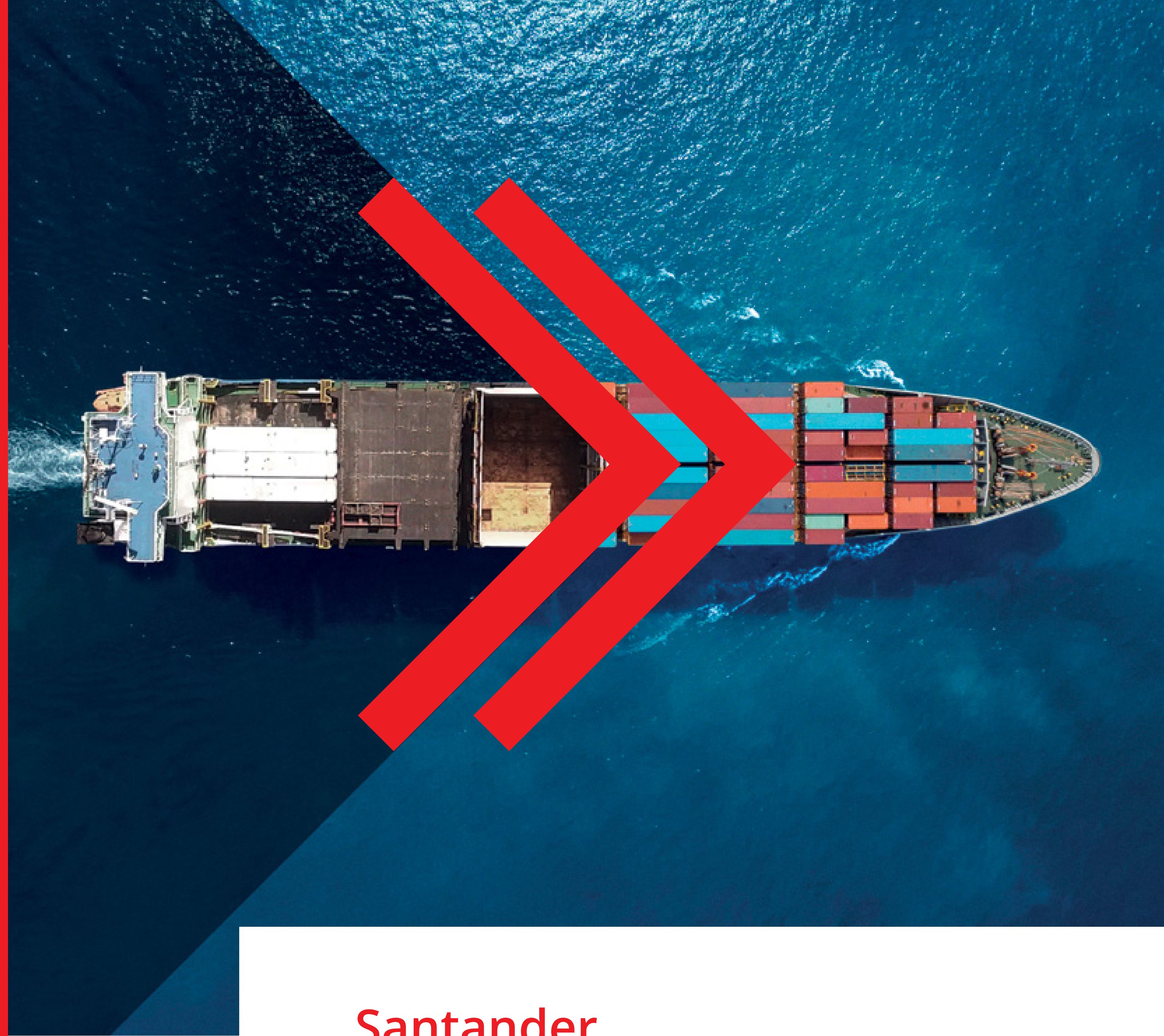
We help them **build** on these connections by facilitating their business operations, including arranging local banking facilities, helping with working capital, and providing foreign payments and trade services. Our Sector Experts and Country Specialists - alongside our partnerships with trade, sector and industry bodies, and network of strategic alliances - support businesses as they navigate local markets and explore further ones abroad.

Finally, we help them **grow** their business by managing their needs as they establish themselves in new markets, such as sourcing local services and managing day-to-day banking. We continually work hand-in-hand with businesses to explore further opportunities for them to achieve their global ambitions and prosper.

On our website **www.santandercb.co.uk/international** there are more details of our award-winning international proposition. Awards include Business Moneyfacts Best International Solution Provider for the last four years, and being named on 'The Innovators 2018' list by Global Finance.

Products and services are subject to eligibility, status, terms and conditions and availability.

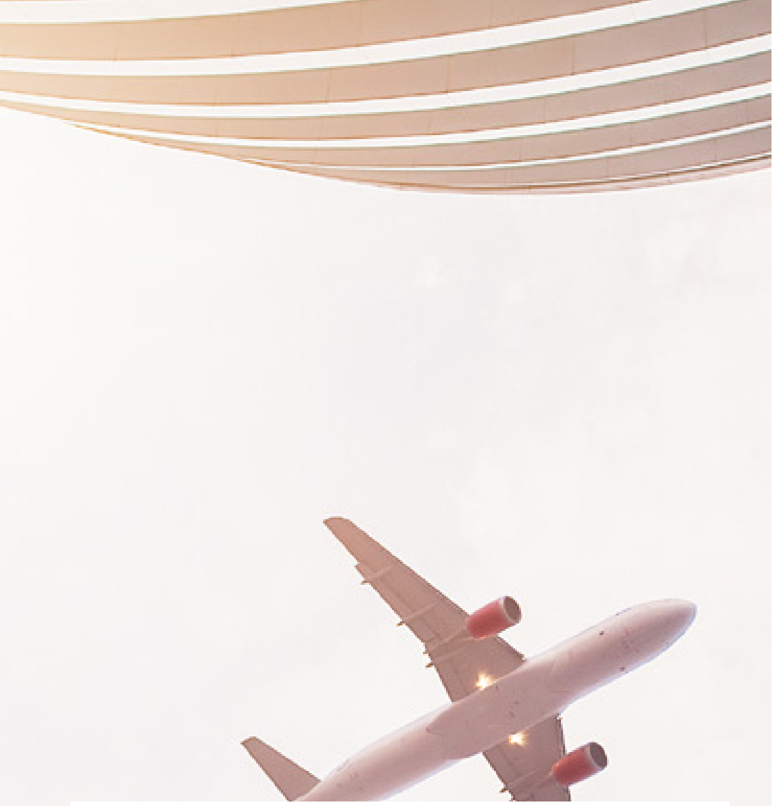
Santander Corporate & Commercial



Santander Trade Barometer

Autumn 2018 Annual Report

Santander Corporate & Commercial



Contents

Foreword

We are delighted to publish the Santander Trade Barometer Autumn 2018 Annual Report, our landmark research into the attitudes of British businesses towards growth, risk and international trade. Published quarterly, the Trade Barometer provides crucial insights into the changing views and needs of businesses in every economic sector across all the regions of the UK.

This report presents the findings of the most in-depth research we have conducted so far. In addition to the latest snapshot of businesses' views on the risks and opportunities they face, we have added new data on the attitudes of small and medium-sized enterprises, as well as qualitative interviews with six leading trade associations.

The good news is that British businesses remain upbeat. While they recognise challenging headwinds, confidence has proved resilient over the past 12 months, since the first Santander Trade Barometer was published. Businesses recognise that Europe will still be a key market over the years to come, but they are also seeing other growth opportunities emerging globally, particularly in North America and the Asia-Pacific region.

Certainly, there are risks on the horizon. The post-Brexit landscape remains uncertain while concerns about protectionism, exchange-rate volatility and the prospects for global growth are also potential clouds. Yet the majority of businesses remain optimistic. Significantly, those businesses now showing greater international ambition are the most confident of all.

Santander's challenge is to support these businesses as they seek to turn aspiration into reality – and long-term, sustainable success. Our research suggests that for many businesses, the key barriers to international trade include pressure on resources as they locate and analyse markets, and seek to identify business opportunities. We can provide crucial support here. We believe British businesses have a huge opportunity to move into new markets and to increase their sales all around the world. And we are determined to help them prosper by fulfilling those ambitions.

In practical terms, that means providing a broad range of support both here in the UK and abroad through our network of partners. We are focused on support that is:

- Deep – we want to help businesses of all sizes identify and connect to new opportunities in key markets all around the world via our group and alliance partners. This enables them to manage barriers to entry such as local regulation, and to build vital relationships with local partners. In China, for example, our partnership with e-commerce platform JD.com INC. is already helping British businesses increase their sales in this exciting market.

- Holistic – we want to provide help at every stage of a business's journey expanding abroad, not just in terms of financing. We enable businesses to connect with partners, distributors and customers, and to find new opportunities as they establish themselves overseas. Our aim is to help grow overall trade, as well as facilitate it.

- Tailored – we want to understand what companies themselves see as opportunities and challenges for international trade, not what we as a bank think they *might* be. Our experienced sector and country specialists in the UK provide crucial insight and solutions for our customers back home, while our on-the-ground relationship teams work with businesses to provide the personal local support to help them succeed in overseas markets.

This latest Santander Trade Barometer underlines the unprecedented opportunity for British businesses on the global stage. Working together, we can turn that potential into reality.

John Carroll
Head of International and Transactional Banking,
Santander UK

It is a huge privilege to have worked with Santander over the past 18 months on the Trade Barometer.

During that time, businesses have become less concerned about the uncertainties that they face in the market, like Brexit. But they have also become more pragmatic about how they deal with these uncertainties. They are now actively managing risks and are seeing opportunities across the world, not just in the UK. Above all, over the time since the survey started, businesses of all sizes have remained hugely confident about their performance and prospects for growth in the future.

What is unique about this survey is its focus on the UK's international businesses, their growth, their challenges and their opportunities. It is a telling insight into what keeps them awake at night, as well as what gets them up in the morning. One year on from the first survey report, they have converted many of the uncertainties they saw a year ago into risks they can manage. This augers well for UK export prospects.

Dr Rebecca Harding
CEO,
Rebeccanomics

Executive summary

Businesses across the UK need better support to help them convert confidence and optimism into the ability to seize international trade opportunities.

One year after Santander began publishing the Trade Barometer, providing a quarterly snapshot of business sentiment and attitudes, the latest edition of the research continues to provide key insights into how businesses see the future.

Many are confident about their prospects for growth and excited to explore new opportunities to increase revenues in international markets all around the world. However, challenges and barriers stand in their way; to maximise opportunities, these businesses now require carefully tailored assistance and support.

The **Santander Trade Barometer** captures the attitudes and views on a quarterly basis of more than a thousand businesses in the UK. All are already trading internationally or have the size, scale and ambition to do so.

The UK's businesses are confident about growth

More than two-thirds of businesses (68%) are confident they will grow over the next three years, with UK business optimism holding up well over the past 12 months, despite significant headwinds such as geo-political tensions and the uncertainty around Brexit. Businesses that plan to begin trading internationally in the next 12 months are especially confident, with 75% expecting to grow. Our results show there is a clear link between international ambition and business confidence.

Businesses are expanding their trade horizons

More businesses intend to invest in international expansion, with 69% planning to expand their international activities during the next 12 months, a higher percentage than in any previous edition of the Trade Barometer. Brexit is not deterring businesses from pursuing growth opportunities in the European Union, but many also see attractive opportunities in other global markets, where growth prospects may be greater. Almost a third (31%) now expect growth to be strongest in the Asia-Pacific region. Markets such as China, India and the United Arab Emirates (UAE) are attracting increasing interest from UK exporters.

Brexit is a headache, but businesses are dealing with it

While more than a third of businesses (35%) regard Brexit as a significant risk in the current market environment, this percentage has fallen over the past 12 months. This may be due to the fact that increasing numbers of businesses are planning for Brexit or that businesses are more focused on improving their efficiency and competitiveness, in order to prepare for possible future shocks to the economy. Economic and political risk is also now feared by fewer businesses: for example, only 20% are concerned about sluggish growth in their core markets, down from 35% in the previous quarter. Instead, more businesses are focusing on operational risks such as the burden of regulation and access to finance.

Domestic businesses are more international than they realise

It will be important to help businesses recognise and build on the knowledge and experience they already have as they face the challenges of trading overseas. While 27% of businesses currently class themselves as domestic, three-quarters (75%) of these businesses have some international exposure, including overseas sales, dealings in currencies other than sterling and a supply chain that includes overseas suppliers.

Businesses need support to drive international trade growth

While businesses acknowledge that international trade can drive growth, they are concerned about barriers to overseas expansion. Brexit is one of the main concerns, but businesses also face other challenges: 38% of businesses already trading internationally say they are struggling to recruit the right talent to support their activities and 35% face issues relating to bureaucracy. Meanwhile 79% of domestic businesses worry about their lack of representation in foreign markets. Providing tailored help to these businesses will be crucial in ensuring they can seize the global opportunities to which they aspire. Digital trade may also offer a good entry point for many businesses.

1. The macroeconomic outlook

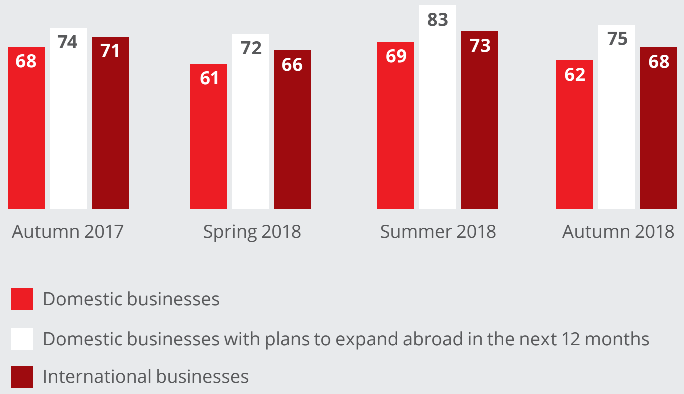
The Autumn 2018 Santander Trade Barometer shows that UK businesses remain optimistic about their prospects. More than two-thirds (68%) are confident they will grow over the next three years. While this is down on the summer edition of the Trade Barometer, when 73% of businesses were optimistic, confidence has remained broadly consistent over the past 12 months.

This confidence, sustained despite some tough headwinds, stems largely from businesses' determination to expand their client base. Some 47% now expect to grow by increasing sales of existing products in their existing markets; 37% look forward to selling existing products in new markets; and 34% are planning on developing new products with which to target new customers.

Those businesses exploring international expansion are especially likely to be optimistic: three-quarters (75%) of businesses with international plans describe themselves as confident or very confident. This has been a consistent Trade Barometer finding: buoyed by the new opportunities that global markets offer, businesses with plans to expand abroad consistently have higher growth expectations.

Chart 1: Business Confidence Tracker

Percentage of businesses confident they will grow over the next three years.



Business performance

More than half of businesses (55%) say their performance has improved over the past 12 months, while only 12% report a deterioration. However, this quarter's figure is down on the 61% that reported improved performance in the Summer 2018 Santander Trade Barometer.

The UK's slower economic growth in recent quarters, which has seen it fall behind the rest of Europe and especially the US, now appears to be reflected in businesses' day-to-day performance. Even among businesses that report improved performance over the past 12 months, fewer regard stronger domestic economic conditions as a driver for their success than in previous editions of the Trade Barometer.

Nevertheless, the number of businesses that report improving performance remains solid – and well above the 43% recorded in the first edition of the Trade Barometer 12 months ago.

Businesses that report improved performance are most likely to point to new client acquisition (cited by 50%) as underpinning their performance, though greater efficiencies in international operations (31%) and identifying new strategic partners (31%) have also been important factors.

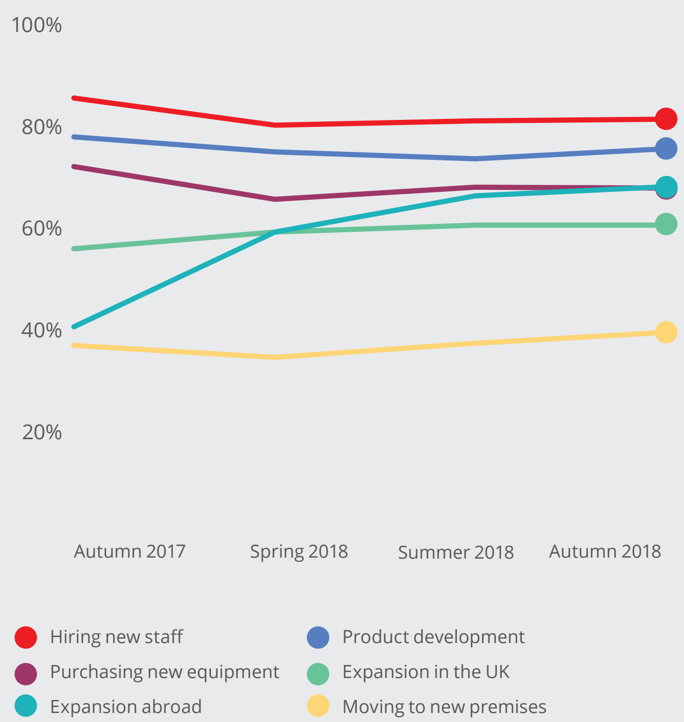
Investment plans for the next 12 months

Many businesses have ambitious plans for investment in the next 12 months: 81% plan to hire new staff, 76% plan to invest in product development and 69% plan to purchase new equipment.

In addition, 69% of businesses say they will invest in international expansion over the year ahead, the highest proportion of businesses with such plans recorded in any edition of the Trade Barometer to date. As Chart 2 shows, the percentage of businesses investing in overseas expansion has risen steadily over the past 12 months, as increasing numbers have recognised the growth potential of international markets.

Chart 2: Investment plans over the next 12 months

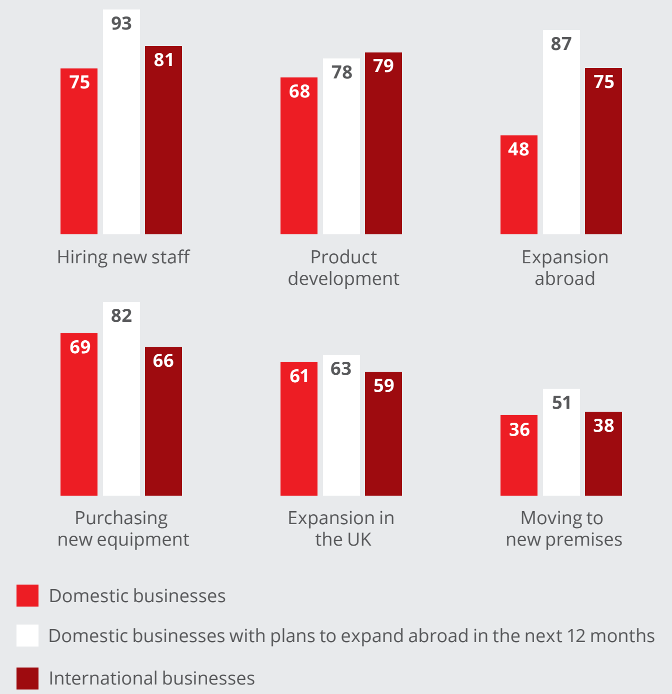
Percentage of businesses with the following plans.



Moreover, the Trade Barometer suggests there is a clear link between businesses with plans to trade internationally and investment ambition. Businesses expecting to expand abroad over the next 12 months not only intend to invest more than their peers in expansion abroad, but in nearly every other area. Plans to hire new staff remain high, but there are concerns about the availability of adequately skilled workers.

Chart 3: Investment plans: domestic versus international businesses

Percentage of businesses with the following plans.



Elgood's is a family run brewery based in Cambridgeshire that now exports to Spain, Chile and Argentina thanks to Santander.

"Initially our first contact with the Spanish market was through Santander's Trade Club, which introduces Santander clients to a community of importers and exporters in more than 30 countries to help them carry out business abroad. Santander gave us a list of email addresses, we emailed potential customers, and I went out to Barcelona to meet one and he's been trading with us for about two years now.

"Santander, in conjunction with the Department for International Trade (DIT), has helped us with things like the Global Food forum, and Meet the Buyer forums. We've met buyers from all over the world and we're really hopeful that in at least four of those countries we can convert that into meaningful business.

"We probably wouldn't export at all if it wasn't for Santander and the DIT."

Marcus Beecher, Sales Manager
Elgood's Brewery

The Quarterly Tracker

The Santander Trade Barometer includes our Quarterly Tracker, which records businesses' views about their key business drivers, prices and costs (Chart 4). While the Summer 2018 Trade Barometer recorded spikes in many of the factors monitored in the Quarterly Tracker, including both drivers and costs, in most cases these have now fallen back to levels seen in previous editions.

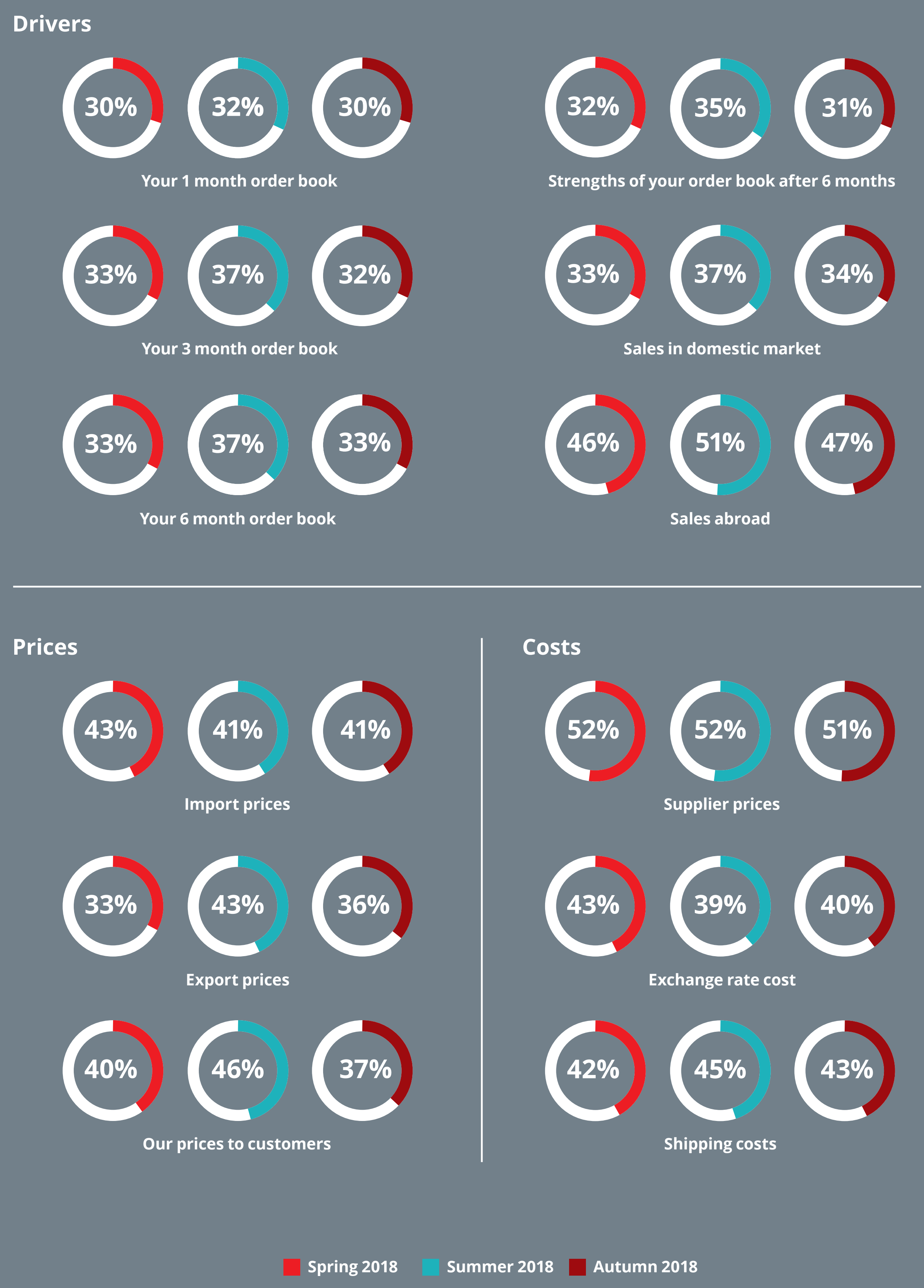
In particular, inflationary pressures appear to have eased, with a reduction in the number of businesses citing increasing export prices, shipping costs and supplier prices over the past quarter. As a result, the number of businesses reporting increases in their own prices has fallen.

Equally, the value of businesses' forward order books has also deteriorated. Fewer businesses are now reporting increased order books for the next one, three or six months, or increased sales domestically and abroad. Overall, several factors in the Tracker have fallen back to the levels recorded in the Spring 2018 Trade Barometer, suggesting that the increase in inflationary pressure and sales recorded over the summer of 2018 was temporary.

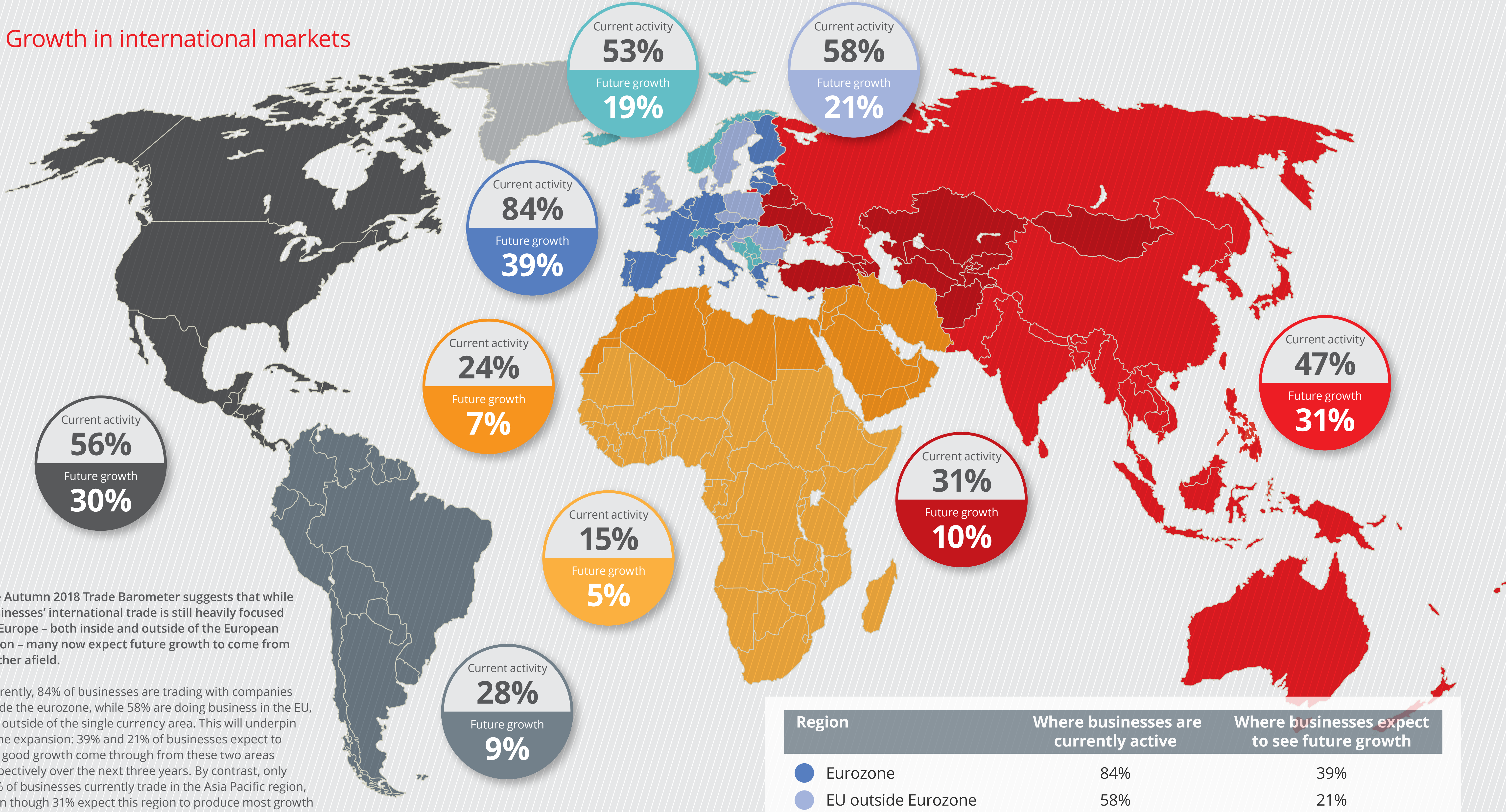
Exchange rate volatility is a key driver of these trends, influencing the sterling value of both imported goods such as raw materials and the value of orders placed by international buyers. More broadly, the uncertainties of the political and economic environment are weighing on businesses' views, possibly causing additional variation in these figures.

Chart 4: Quarterly Tracker – increases in business drivers, prices and costs

Percentage of businesses saying the following indicators have increased in the last quarter.



2. Growth in international markets



The Autumn 2018 Trade Barometer suggests that while businesses' international trade is still heavily focused on Europe – both inside and outside of the European Union – many now expect future growth to come from further afield.

Currently, 84% of businesses are trading with companies inside the eurozone, while 58% are doing business in the EU, but outside of the single currency area. This will underpin some expansion: 39% and 21% of businesses expect to see good growth come through from these two areas respectively over the next three years. By contrast, only 47% of businesses currently trade in the Asia Pacific region, even though 31% expect this region to produce most growth in the years ahead. Similarly, 56% of businesses are trading in North America, picked out as the likely source of the greatest growth by 30%.

The potential for growth is clear, but businesses need support in seizing these opportunities. While many businesses are well-placed to capitalise on emerging growth opportunities close to home, fewer are in a position to do so in other global markets. Access to finance is the second least important factor in operational challenges abroad but finding people and dealing with bureaucracy are important for 38% and 35% of respondents respectively.

This has been a recurring theme throughout previous editions of the Trade Barometer, with significant numbers of businesses consistently identifying regions outside of Europe as potential growth hotspots, while also looking forward to further growth in Europe itself.

Still, not all regions offer the same allure for future growth. The percentage of businesses that see the most future growth potential in Asia-Pacific has increased from 28% to 31% in the past three months while the percentage citing North America has fallen back from 33% to 30% over the same period.

Region	Where businesses are currently active	Where businesses expect to see future growth
Eurozone	84%	39%
EU outside Eurozone	58%	21%
Europe non–EU	53%	19%
Eurasia	31%	10%
North America	56%	30%
South America	28%	9%
Asia Pacific	47%	31%
MENA (Middle East North Africa)	24%	7%
SSA (Sub-Saharan Africa)	15%	5%

naturya

Naturya is a fast growing, leading superfood brand based in Bath in the UK.

"The Meet the Buyer Mission exceeded my highest expectations.

"I met high quality buyers and distributors and had very relevant conversations with them.

"It would have taken me at least two years to achieve the same results. The event also allowed me to have a much better understanding of the market which will definitely help Naturya make the best possible choices for the Spanish market."

Claudio Stein, International Sales
Naturya Superfoods

As Chart 5 shows, four out of the five countries where UK companies are currently trading are in Europe, the US being the only non-EU country. Canada and Australia make the top 10, while India takes 12th position, underlining the UK's continuing strong links with Commonwealth countries.

Businesses expect these markets, including the Commonwealth nations, to offer good growth prospects in the years ahead. More than a third (34%) expect the US to grow strongly, while 22% expect growth from Germany and 15% from France.

Other markets also offer opportunities: some 16% of businesses expect to see China generate good growth, while 11% highlight the United Arab Emirates. For businesses able to expand their overseas operations, these countries' growth prospects offer the potential for attractive returns on investment.

The implications of the Trade Barometer data are clear. Despite the uncertainties of Brexit (see page 19), businesses expect Europe to continue to offer solid growth prospects. But other global markets also offer exciting opportunities for businesses currently trading there or planning to do so in the future.

Chart 5: Activity and expected growth in individual countries

Percentage of international businesses which a) expect the most growth in the next three years and b) currently do business in the following countries.

3. Risks and challenges in the current operating environment

This year's exchange rate volatility, with the value of sterling continuing to fluctuate amid ongoing political and economic uncertainty, continues to pose a significant threat to many businesses. In the Autumn 2018 Trade Barometer, more than a third (39%) cite currency fluctuations as the risk that currently concerns them most. Significant numbers of businesses also regard Brexit-related uncertainties (cited by 35%) as a risk, along with regulation in overseas markets (30%) and sluggish global economic growth (29%).

However, fears over current broader economic and geo-political risks appear to have eased over time. As Chart 6 shows. Just 20% of businesses are now concerned by sluggish growth in their core markets, down from 35% in the previous quarter. Fewer businesses point to political threats. Even concern about global growth, while still a leading risk factor, has fallen back compared to previous editions of the Trade Barometer.

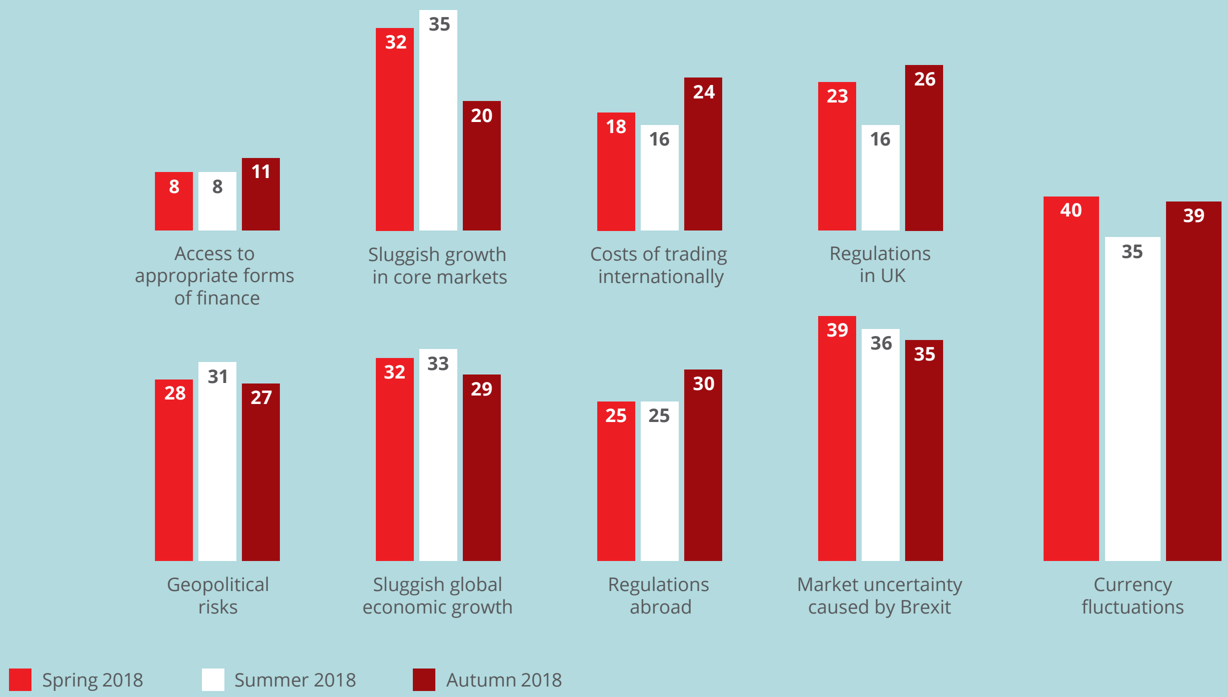
Chart 6: Risks in the current market environment

Percentage of businesses which see the following factors as risks affecting growth.

By contrast, concern about operational risk is on the increase. There is rising anxiety about overseas regulation: 30% of businesses see this as a risk, up from 25% in the previous quarter. This is mirrored by growing concern about regulation in the UK, now seen as a risk by 26% of businesses, up from 16%. And while businesses recognise the potential of international markets to drive growth, almost a quarter (24%) are worried by the costs of trading internationally (only 16% cited the risk in the previous quarter).

There is also nervousness about access to finance, which will be crucial as businesses seek to invest for future growth. While only 11% of businesses are concerned this is a risk, this represents an upwards spike from the 8% recorded in the summer edition of the Trade Barometer.

Some of these fears may be linked to Brexit even though direct concern about the uncertainties of how the UK will withdraw from the EU has fallen slightly over the past three months. Regulatory risk, in particular, has been heightened by the lack of clarity over how rulebooks will be applied across Europe's markets following Brexit. Concerns over higher international trade costs may have increased as a result of the uncertainty associated with the potential post-Brexit agreement with the EU and third countries, as well as the rise in global trade tensions.



Negative impacts

Businesses are now[1] most likely to worry that Brexit will have a negative impact on their activity in the next 12 months, with 43% fearing they could be adversely affected as a result, as Chart 7 shows. A similar proportion (42%) are concerned about the potential impact of an economic slowdown in the UK and 38% worry fluctuations in the value of the pound will negatively affect their business.

Concerns about Brexit and potential economic slowdown in the UK have remained significant, although over the past three quarters we have seen a gradual decline in concern relating to domestic economic conditions. In contrast, fewer businesses expect interest rate changes to adversely affect their growth.

Elsewhere, some 24% of businesses surveyed expect increased protectionism to have a negative impact on their business – up from 11% in the previous quarter. Additionally, concerns over the geopolitical environment have increased over time.

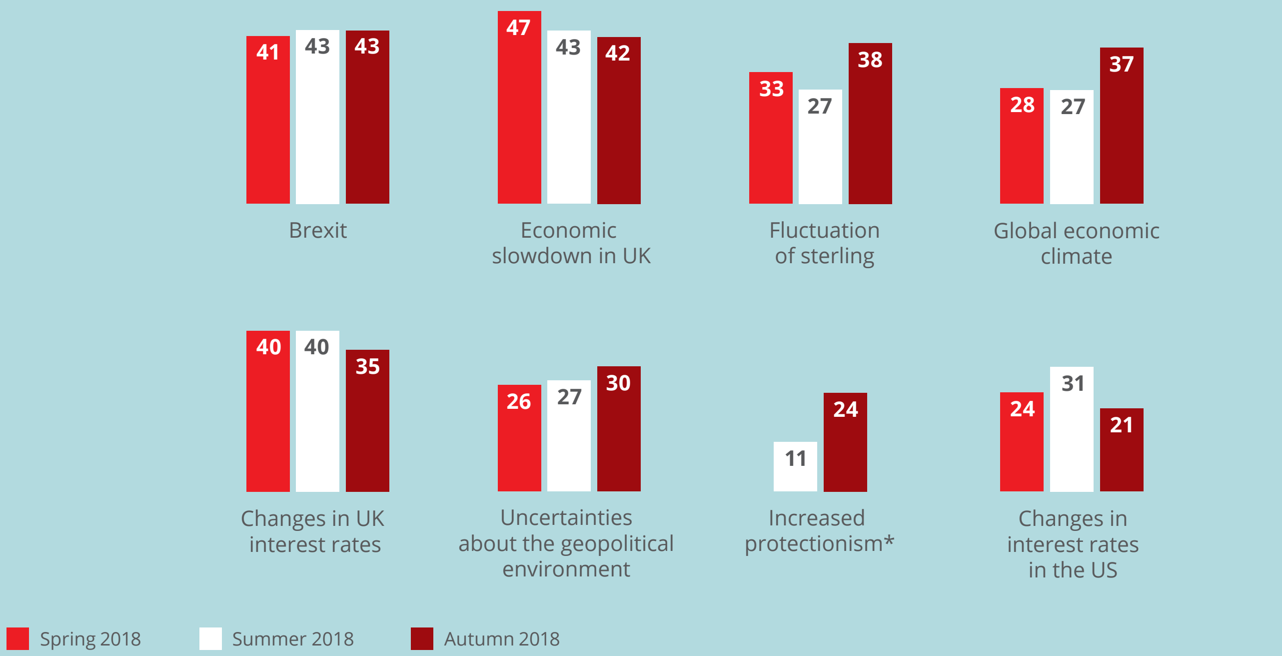
The proportion of businesses concerned about the impact of Brexit remains similar to the previous quarter (43%), but much lower than a year ago (66%). Businesses may now be taking a more pragmatic approach by focusing on day-to-day operations and improving competitiveness and productivity in order to soften the impact of potential future shocks. This fall in negative sentiment compared with a year ago may also reflect the increased number of businesses that have now started to make plans for Brexit.

However, it is important to note that businesses which trade abroad are markedly more concerned about the potential for negative impacts from many of these threats. International businesses face greater levels of exposure to the global trading environment and are more aware of the impacts of related risks on different parts of their operations.

Businesses respond to negative impacts in different ways. Some 54% suggest they will be less likely to hire new staff, while 52% and 49% warn they will ease back on expansion overseas and in the UK respectively. However, fewer businesses now anticipate having to act in this way. For example, in the summer edition of the Trade Barometer, 65% feared they would have to rein back hiring plans.

Chart 7: Sources of negative impact

Percentage of businesses saying the following factors will negatively affect them over the next 12 months.



[1]The results quoted in this section are from a supplementary survey conducted in August 2018. The objective of this study was to check whether the latest details emerging from the Brexit negotiations have had an impact on business attitudes.
*The option 'Increased protectionism' was added in summer 2018.

Managerial challenges

Almost a third of businesses (32%) are concerned about how they will maintain profitability as they grow, while 26% worry about building the right international team and 25% are focused on specific sector difficulties.

In this edition of the Trade Barometer, we see recruitment and access to skills as a key concern to UK businesses, many of which see creating the right international team as a potential obstacle to growth. This has been a consistent concern in previous editions.

Profitability has also been a regular concern in previous editions of the Trade Barometer, but pressures may now be increasing. As businesses face the increasing costs of international trade, as well as tough competition both domestically and in new markets, it may be difficult to sustain margins.

The number of businesses concerned about finance remains low in absolute terms although there has been a sharp rise in the number of businesses concerned about this issue since the last quarter. Some 15% now describe accessing finance for growth as a challenge, up from 10% in the summer edition of the Trade Barometer, while 12% are concerned about their credit profile, up from 4%.

Chart 8: Core management challenges to growth

Percentage of businesses saying the following factors are core management challenges to growth.

4. Barriers to international trade

The UK's departure from the European Union could create barriers to international trade for business. While the Autumn 2018 Trade Barometer suggests many businesses are now less worried about Brexit, concerns certainly remain about the practicalities of the UK's departure from the EU and its subsequent relationship with other non-EU countries. Over a third (35%) are concerned about the prospect of tariffs on sales of their products to the EU, 32% fear reduced trade with the bloc, and 31% are nervous about their supply chain links to the EU[2].

Businesses already trading internationally share these concerns – and feel them more acutely, as Chart 9 shows. Businesses expecting to trade internationally in the next 12 months are most concerned about tariffs on EU sales (35%), supply chain links to the EU (30%) and reduced trade with non-EU countries (29%).

Domestic businesses are also concerned about the practicalities of Brexit, even though they may not be directly exposed to all of the problems. More than a quarter (26%) are worried about tariffs on goods they import as part of their supply chain, which underlines that even businesses that class themselves as domestic have international exposure (see Chapter 6).

Another possible Brexit-linked barrier to trade is the potential for costs to increase following the UK's departure. Almost a third of businesses (31%) expect customs procedures to increase their costs, while 30% fear regulatory compliance costs and 28% see extra time and costs arising from administration. Just 16% of businesses anticipate incurring no extra costs at all as a result of Brexit.

Chart 10 shows aspiring international businesses are especially concerned about many of these issues. Some 37% worry about regulatory compliance, while businesses are also anxious about customs procedures (35%), the cost of producing rules of origin certificates (32%) and the cost of administration (30%).

Chart 9: Concerns about Brexit practicalities

Percentage of businesses saying the following factors are concerns.

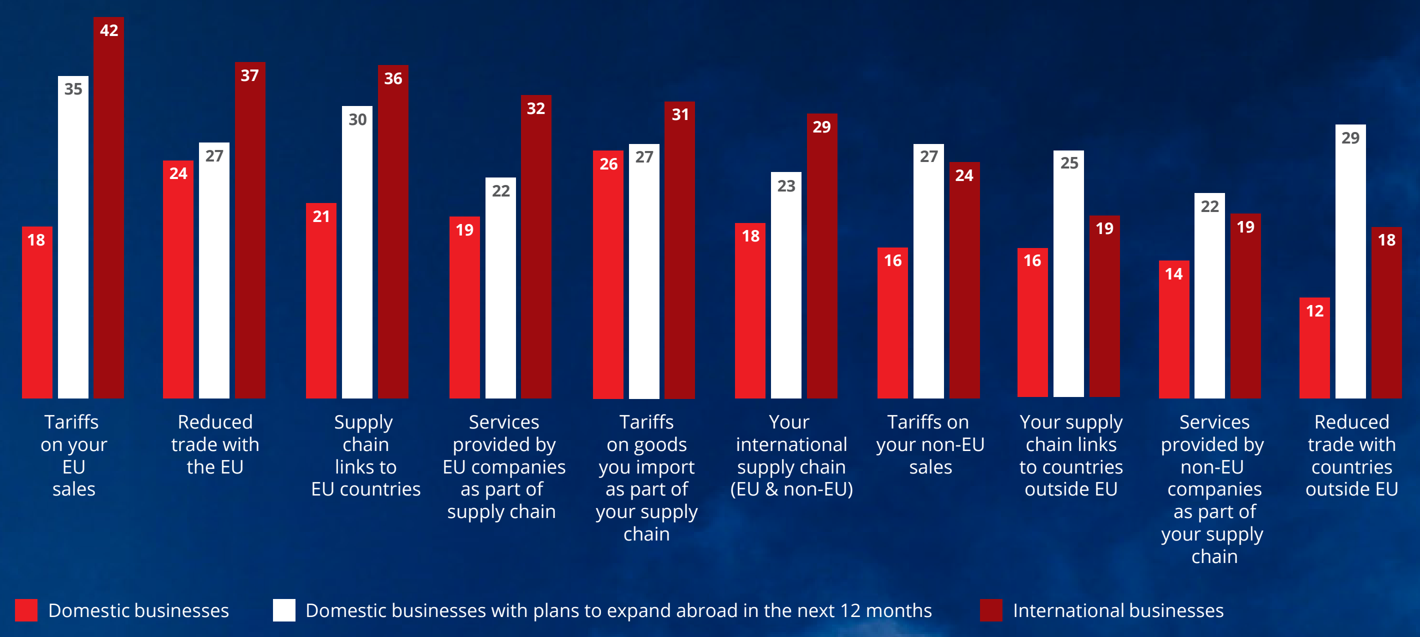
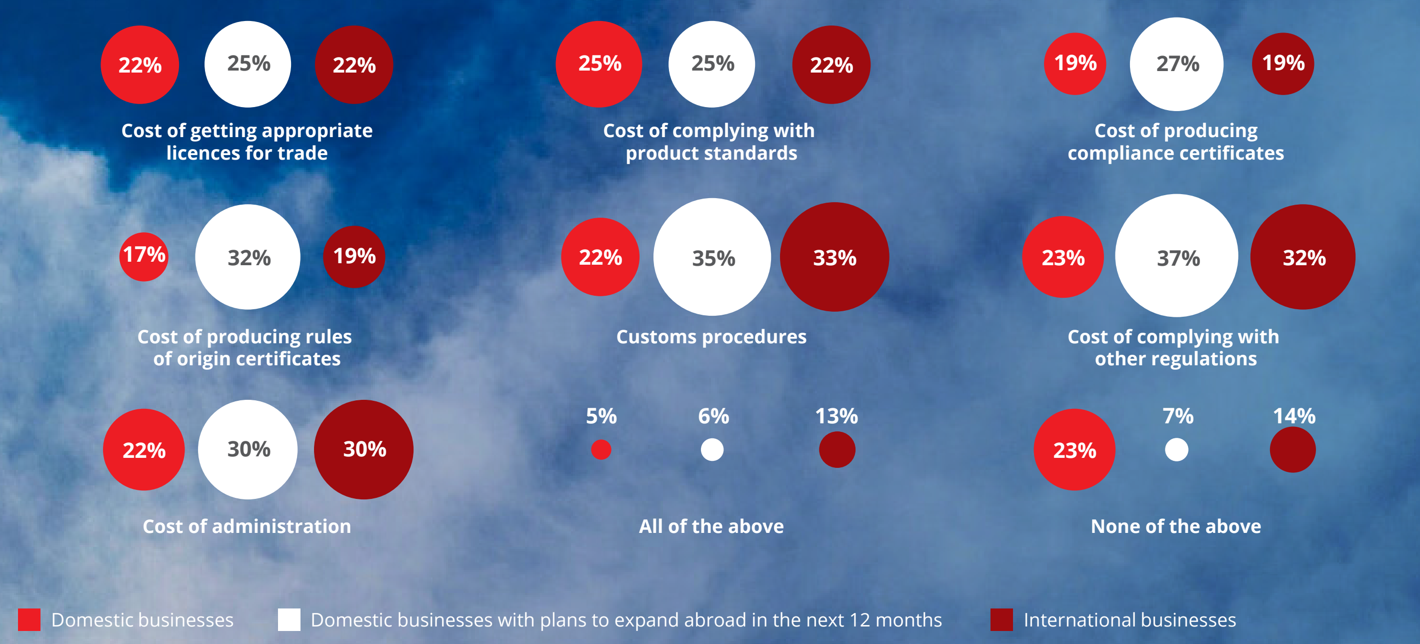


Chart 10: Brexit-linked trade barriers

Percentage of businesses saying the following factors will be a concern after Brexit.



[2]The results quoted in this section are from a supplementary survey conducted in August 2018. The objective of this study was to check whether the latest details emerging from the Brexit negotiations have had an impact on business attitudes.

Operational challenges for international businesses

Talent is a key issue for international businesses as they pursue further growth opportunities. More than a third (38%) say they find it challenging to recruit the right people when operating internationally, while more than a quarter (28%) say access to the right skills can be problematic.

Confronting these challenges will not be straightforward, particularly while the UK labour market remains tight, limiting businesses' options for recruiting the talent they need to prosper in international markets. Access to European labour is also influencing these statistics, as sectors with a high percentage of EU workers or with high dependence on EU skills are particularly concerned.

However, while talent has been a challenge consistently cited by businesses in the Trade Barometer, other issues are now riding up the agenda. Some 35% of businesses are now challenged by bureaucracy when operating in international markets, up from 27% in the summer edition of the Trade Barometer.

Operational challenges for domestic businesses

The Autumn 2018 Trade Barometer reveals that the proportion of purely domestic UK businesses now thinking about exporting has increased markedly. Some 15% of these businesses now say they are considering trading abroad over the next two years, up from only 9% in the previous quarter.

This is still a low number given that so many businesses are exposed internationally. Yet there are good reasons why domestic businesses do not export: as Chart 11 shows, 79% of domestic companies perceive their lack of overseas representation as a significant barrier to international expansion. Meanwhile, 75% say they do not have sufficient information to locate or analyse markets, and 74% are concerned about how to identify overseas opportunities. Shortage of working capital is also an issue for three-quarters (75%) of domestic businesses.

For some businesses, the priority is still to build a strong domestic base – 77% see this as a barrier standing in the way of trading abroad. But for businesses ready to seek new opportunities overseas, it is now crucial to provide assistance - in particular, support in helping them to identify and analyse the right markets, for example, and in helping them to find partners at both ends of the trading corridor.

Chart 11: Trade barriers for domestic businesses

Percentage of businesses saying the following factors have been barriers to international expansion over the past three years.

5. Brexit planning

The Autumn 2018 Trade Barometer shows that the number of businesses making plans for Brexit continues to inch up but still remain relatively low. Almost two-thirds (65%) of businesses now say they have made plans for Brexit, up from 51% three months ago and from 44% at the end of last year[3].

However, 35% of businesses still report they have not made plans for Brexit. Given the uncertain outcome of the Brexit negotiations, some businesses may have decided a wait-and-see approach is the right way to proceed, even if time is now increasingly tight given that the UK is due to leave the EU in March 2019. For smaller businesses in particular, where resources are often limited, there may be more focus on strengthening the business, driving efficiency and maximising growth, than on committing time and resources to Brexit plans that may be quickly rendered out-of-date.

Still, for many of those businesses that are now preparing for Brexit, the planning process has become more urgent and specific in recent months. Half (50%) are scenario-planning for possible outcomes of Brexit while 44% are investing in solutions to manage those scenarios. An increasing number of businesses are making more practical plans, including developing a Brexit-specific media strategy (34%), up from 24% in the summer edition, and recruiting British staff (30% – up from 11% in the previous quarter).

As the Brexit date moves closer, more businesses will need to think about these options in greater detail, including ideas for coping with a 'no deal' Brexit, until recently seen as unlikely. Talent and skills are a particular issue. Already seen as a barrier to expanding abroad (see Chapter 4), businesses' inability to recruit staff with the skills they need has the potential to become a serious headache. It may not be possible to increase recruitment of British staff sufficiently to compensate for loss of access to EU workers, as skills gaps are likely to remain in some areas.

Looking forward, it will be crucial to see how businesses respond to Brexit as it moves ever closer to reality. Currently, many businesses envisage a mix of both defensive and proactive measures, as Chart 12 shows.

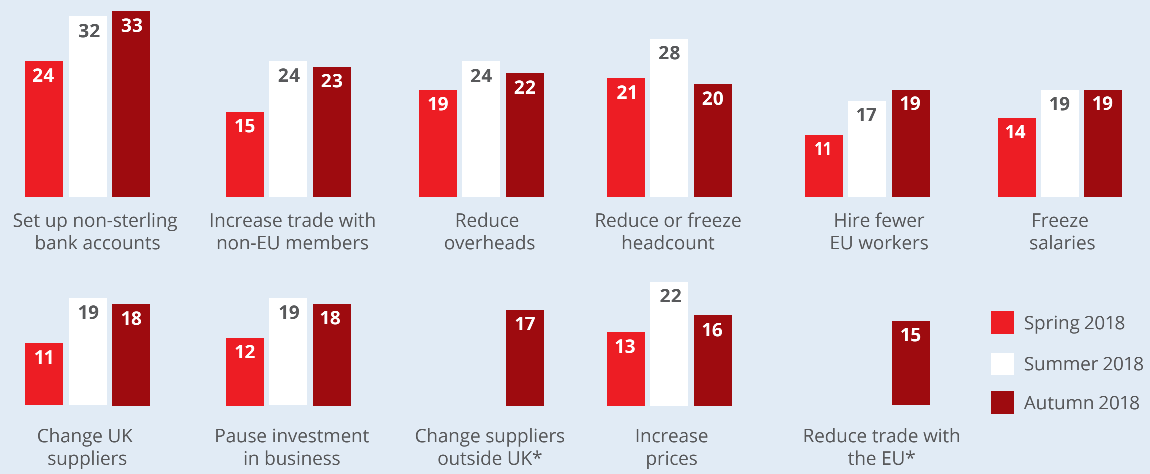
Certainly, cost reduction will be an ongoing priority: 22% of businesses have reduced overheads, 20% have reduced or frozen headcount and 18% have paused business investment. These percentages remain significantly up compared to the end of last year: as the UK moves closer to Brexit, more businesses are taking action.

Equally, however, many businesses are trying to take positive steps. Not least, almost a quarter (23%) have increased trade with non-EU countries, up from 15% at the end of last year, while 33% have set up non-sterling bank accounts, up from 24% at the end of last year.

Businesses are reducing costs where they can to protect margins and reining in investment plans while so much uncertainty remains. But many are also looking to soften the possible shocks of Brexit with more proactive measures.

Chart 12: Changes made as a consequence of Brexit

Percentage of businesses saying they have implemented the following changes in response to Brexit.



[3]The results quoted in this section are from a supplementary survey conducted in August 2018. The objective of this study was to check whether the latest details emerging from the Brexit negotiations have had an impact on business attitudes.
*The option 'Reduce trade with the EU' and 'Change suppliers outside UK' was added in autumn 2018.

6. International identity

One common theme underlying many businesses' fears about trading internationally is a fear of the unknown – a concern that their lack of experience or knowledge of overseas markets will leave them vulnerable to difficulties and setbacks. However, the Trade Barometer has repeatedly found that many businesses have much more international experience than they realise. Businesses may therefore be better placed to increase their overseas exposure than they realise, especially with the right support.

Some 27% of businesses currently identify themselves as domestic. However, in reality, only 9% of all businesses in the survey have no international exposure at all; they may not sell overseas, but they still transact in overseas markets – they own assets outside the UK, for example, or their supply chain relies on overseas goods. Indeed, among the businesses that identify as domestic, only 25% actually have no international activity, down sharply from 31% in the previous edition.

More international than they realise

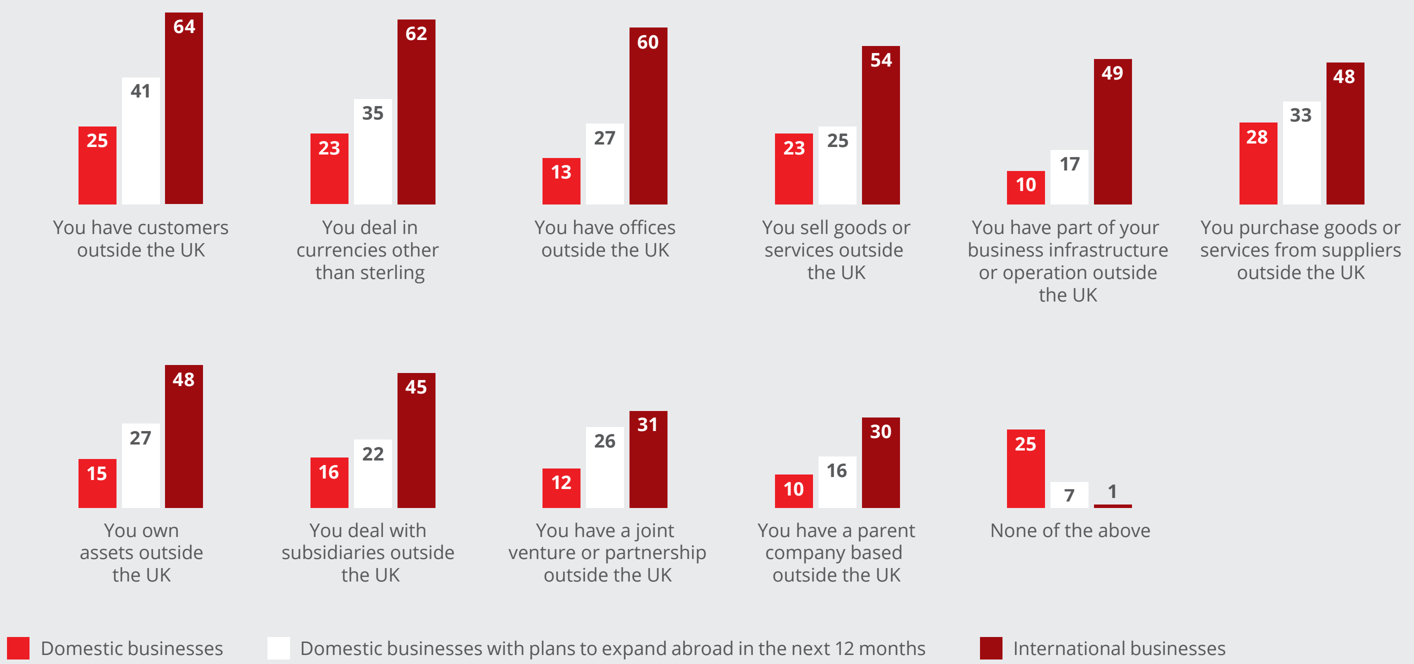
In fact, businesses' international activities are wide-ranging: 48% are used to dealing in currencies other than sterling, 44% have offices outside the UK and 41% purchase goods or services from suppliers outside the UK. This is important: selling overseas is not the only way in which businesses are operating in international markets.

The implication for all businesses is they may have less reason to feel uncomfortable about international trade than they realise. Even businesses considering themselves as purely domestic are already building their understanding of what is required for cross-border trade: 28% purchase goods or services from suppliers outside the UK, 25% have customers outside the UK and 23% deal in currencies other than sterling.

The Trade Barometer's data on how businesses operate overseas is also significant in this context. More than half (52%) of businesses now use locally based agents; nearly half (45%) sell from their base in the UK. The use of locally-based agents has grown over time, as more businesses have begun to build more sophisticated international networks and exploit digital opportunities. Their knowledge and experience of cross-border trade is increasing too.

Chart 13: International exposure: domestic versus international businesses

Percentage of businesses saying the following statements apply to them.



Cross-border trade boosts confidence

Moreover, the Trade Barometer data suggests there is a clear link between trading abroad and business confidence. Businesses that intend to begin trading internationally in the near future tend to be more confident of growth.

Businesses intending to set up internationally in the next six months are more optimistic than any of their peers about their growth prospects, with 85% expressing confidence in this edition of the Trade Barometer. In many cases, these businesses have already focused on competitiveness and innovation in readiness for the increased competition they will face in new markets.

Businesses that intend to set up abroad over the next 6 to 12 months are most concerned about the impact of any economic slowdown in the UK, followed by changes in UK interest rates, fluctuations of sterling, and Brexit. Stability in the domestic economy is vital, as businesses are taking on additional risk to expand abroad.

As for negative impacts, businesses that have been international for more than five years are the most concerned about Brexit, followed by businesses that have been international for between one and five years. Domestic and international businesses are also showing more concern over the economic slowdown in the UK.

International businesses and Brexit

Our results on Brexit-related concerns among businesses at varying stages of international activity, suggest that mature international businesses are concerned about reduced trade with the EU and tariffs on EU and non-EU sales. Businesses that have been international for a shorter period are less concerned about Brexit practicalities overall. For businesses that intend to go international in the next 6 to 12 months, the main concerns are tariffs on EU sales, reduced trade with the EU and services provided by EU companies as a part of the supply chain.

There are also differences in how businesses view possible burdens after Brexit. Businesses aspiring to go international as well as those that are established in overseas markets are worried about regulatory compliance and costs arising from customs procedures. Businesses that are mature or newly international are also concerned about administration costs. Businesses that intend to begin trading internationally in the next 6 to 12 months also worry about the cost of obtaining appropriate licences for trade, the cost of complying with product standards and the expense involved in producing rules-of-origin certificates.

Tailoring support for businesses according to their stage of expanding abroad – including helping domestic businesses overcome their perceptions of lack of experience – will therefore be crucial if more UK businesses are to confidently trade overseas.

7. Innovation and R&D investment

The Autumn 2018 Trade Barometer suggests that businesses continue to invest in innovation and research and development (R&D) as they seek to differentiate their customer proposition. In particular, businesses with international exposure – and especially those that are planning to expand abroad – are focused on such investment.

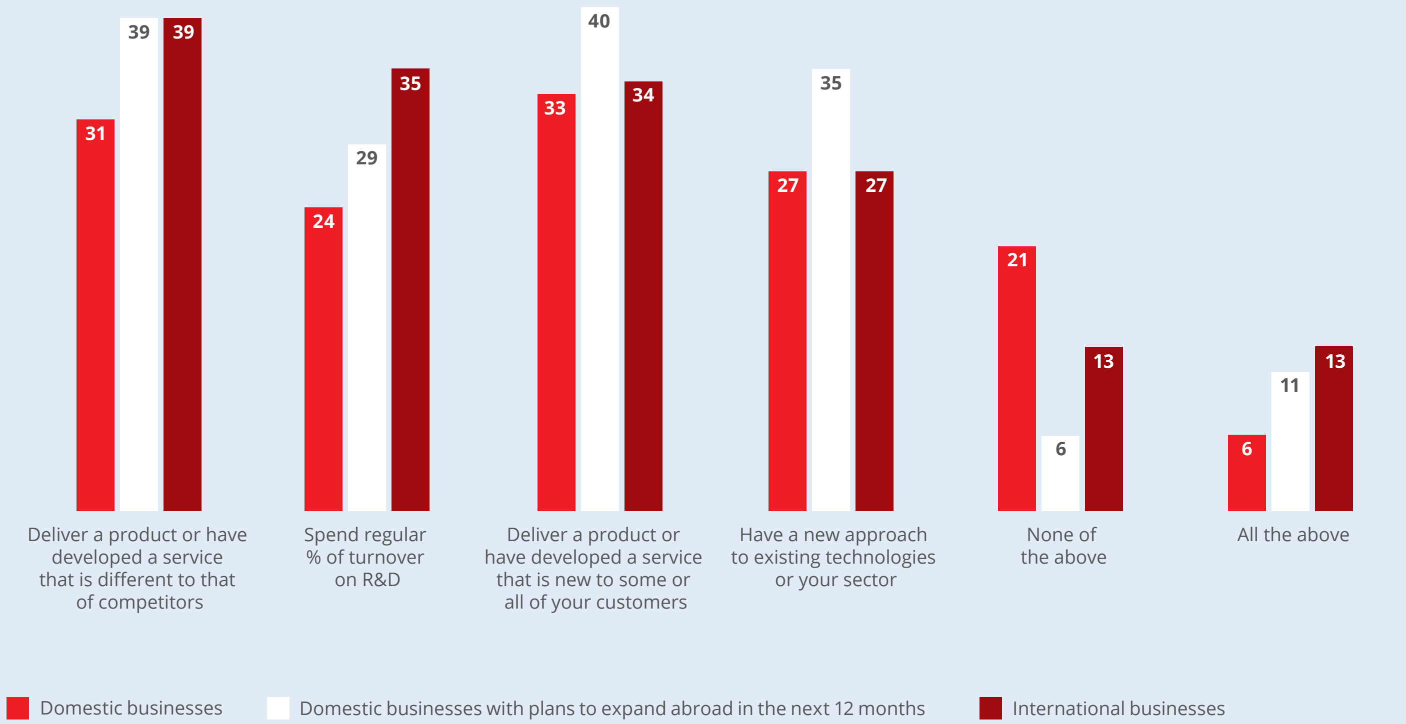
For example, as Chart 14 reveals, 40% of businesses planning to trade internationally in the next 12 months have developed a new product or service for some or all of their customers. At the same time, 39% are seeking to differentiate themselves from competitors and 35% have a new approach to existing technologies in their sector. In each case, these businesses are ahead of their domestic-only peers on innovation and R&D.

Being innovative is particularly important to businesses that aspire to being international, as they need to develop products and services that are about to be exposed to foreign competition. As investment costs increase and the time period to profitability extends, these businesses must be more innovative; those that succeed will maintain profitability with improved productivity and differentiation.

However, it will be important to maintain this investment in order to remain ahead of the competition, whether domestic or international. Significantly, the Trade Barometer shows that more than a third of businesses with established international sales spend a regular proportion of their turnover on R&D (35%), ahead of both newly international businesses and domestic-only businesses.

Chart 14: Innovation and R&D: domestic versus international businesses

Percentage of businesses saying the following statements apply to them.



GES
Abrasive wear plate

GES is one of Northern Ireland's leading manufacturers and suppliers of abrasive wear plates and special steels for the global mining, construction, agriculture and recycling industries.

"With the support from Santander we will be able to expand further into international markets, in particular Germany and the US, and to fulfil our growth aspirations by increasing our members of staff.

"The funding has also allowed us to free up cashflow while continuing to invest in plant equipment and research and development."

Barry O'Neill, Sales Director
Global Equipment Spares Ltd

8. Digital trade

For UK businesses with ambitions to sell in global markets, the remarkable growth in e-commerce is hugely important: digital trade offers businesses a much more straightforward entry point into international markets and ongoing potential for significant revenue growth.

Global e-commerce sales hit $2.3 trillion (£1.8 trillion) in 2017, a 25% increase on 2016[4]. By 2021, the global e-commerce market will have more than doubled in size from today, to $4.9 trillion (£3.8 trillion).

The Autumn 2018 Trade Barometer suggests that increasing numbers of businesses are now exploiting digital opportunities to target international markets. Close to half of businesses selling internationally (45%) are now using e-commerce platforms to generate at least some of their sales.

This route to market offers clear advantages for many businesses, including lower costs than a physical presence would require. E-commerce provides an opportunity to connect directly with customers in overseas markets without having to set up local operations or build relationships with local agents or distributors. It may also offer an affordable and manageable means for testing the appetite for the business's products and services in new markets. E-commerce activity can be scaled up or down relatively quickly according to demand. Nevertheless, digital trade carries its own challenges, with many businesses surveyed citing a number of barriers to overcome to maximise e-commerce opportunities. Some of these barriers are universal, while others are sector or industry-specific.

The most common barriers cited include the existence of restrictive regulation or legislation in target markets, the issue of how e-commerce is taxed, and the lack of technology or physical infrastructure in destination markets, which may make distribution more difficult.

In some markets and geographies, the barriers posed by burdens such as regulation, safety standards and customs-related bureaucracy will be more demanding. Businesses need support to navigate their way around such difficulties while staying on top of costs. Intellectual property rights may be an issue, with counterfeiting and fraud rife in certain markets. Businesses will also need efficient payment systems that facilitate reliable and timely online transactions.

Nevertheless, these potential barriers to digital trade can be overcome, particularly with advice and support from trusted sources. The value of the global e-commerce market to businesses with ambitions to sell internationally, or already doing so, is too great to ignore.

[4] source: eMarketer, January 2018

9. SMEs and international trade

Macroeconomic outlook

The Autumn 2018 Santander Trade Barometer highlights a number of differences in the attitudes and views of small and large businesses.

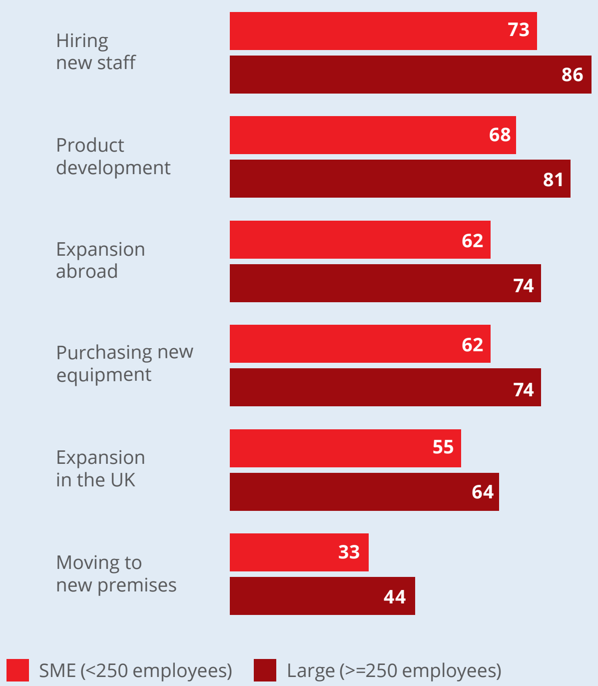
Small and medium-sized enterprises (SMEs) – those with fewer than 250 employees – are less likely to be confident they will grow in the next three years (61% take this view against 72% among large businesses). Meanwhile, 53% of SMEs say their performance has improved over the past 12 months against 56% of larger businesses.

Similarly, smaller businesses are less likely to plan investment in areas such as hiring new staff, product development, and expansion both in the UK and abroad (see Chart 15). However, investment plans among SMEs are still robust - some 62% of SMEs say they intend to expand internationally over the coming year.

SMEs are currently most likely to operate in the eurozone (cited by 83%), in the EU outside Europe (61%) and North America (54%). They anticipate the most growth coming from the eurozone (36%), Asia Pacific (30%) and North America (26%) – aligned with the figures for large businesses. But while there are only small differences in statistics between small and large businesses for markets outside the EU, we find that SMEs see more growth potential in the Middle East North Africa (MENA) and Sub-Saharan Africa (SSA) regions.

Chart 15: Plans over the next 12 months – SMEs versus large businesses

Percentage of businesses saying they have the following plans.



International trade

The potential impact of Brexit worries both SMEs and larger businesses but the former are less concerned. Some 24% of SMEs are worried about lower trade with the EU following Brexit against 31% of larger businesses. Among smaller companies, the issue of tariffs on EU sales (29%) is the most commonly cited concern.

Chart 16: Brexit concerns – SMEs versus large businesses

Percentage of businesses saying the following are current concerns.

Elsewhere, the costs that could potentially be associated with customs procedures post-Brexit are a concern for 29% of SMEs, closely followed by administrative costs (27%) and the cost of complying with other regulations (26%).

Risks in the operating environment

The uncertainty caused by the UK's Brexit negotiations and volatility in the value of sterling are key risks for SMEs in today's operating environment. More than 4 in 10 (43%) SMEs that already trade internationally say currency fluctuations are a risk, while 39% say the same of market uncertainty caused by Brexit. Large businesses see these issues as less of a concern – 36% and 33% respectively – perhaps because they are better able to manage such risks through currency hedging, for example.

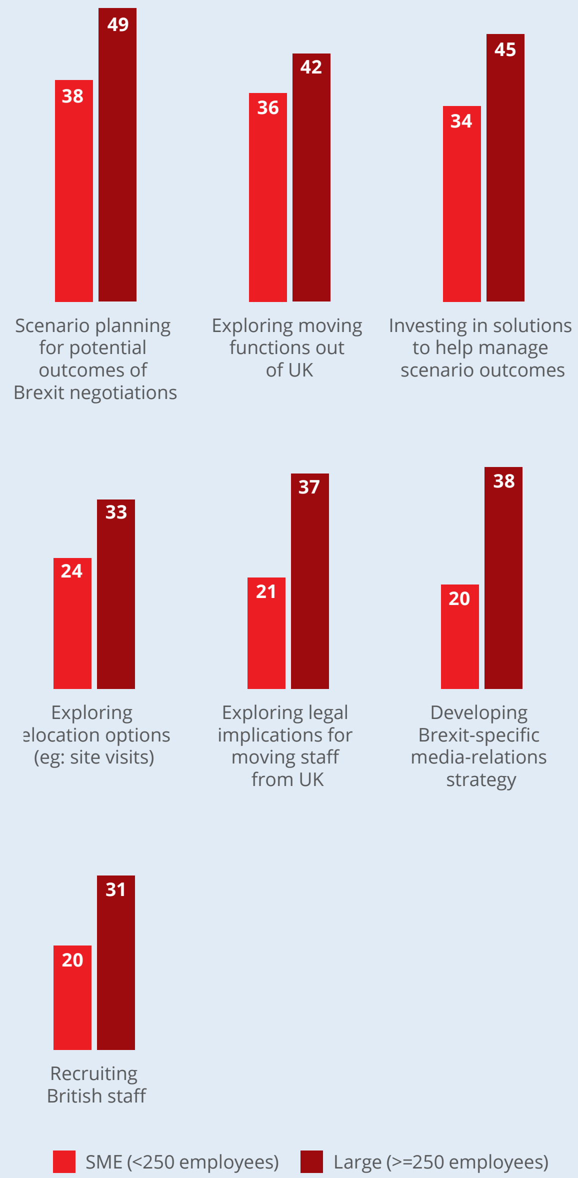
However, as Chapter 3 of this report shows, currency volatility is the top risk among businesses of all sizes currently. The factors that international SMEs say are most likely to negatively affect their operations over the next 12 months are fluctuations in sterling (38%), changes in UK interest rates (29%) and the global economic climate (also 29%). SMEs are less likely to be concerned about economic slowdown in the UK (14% versus 40% of large businesses).

SMEs are worried about the impact of these issues on their businesses, although the percentage of smaller firms reporting these concerns is lower than for large businesses: 46% of SMEs say these factors will limit hiring activity while 46% also say they will restrict overseas expansion (against 61% and 60% of large businesses respectively).

Overall, fewer SMEs (44%) have made plans for Brexit than large businesses (59%). As Chart 17 shows, among those SMEs that have made preparations, scenario-planning for various possible Brexit outcomes is the most common course of action (38%) followed by exploring moving functions out of the UK (36%).

Chart 17: Brexit planning – SMEs versus large businesses

Percentage of businesses saying they have taken the following steps.



10. Insights from key sector trade bodies

To support the Autumn 2018 Trade Barometer, Santander has conducted qualitative research to provide more detail on some of the key themes of the main survey. The research aims to give some sector leaders the opportunity to speak freely regarding key topics that influence how businesses currently operate. The aim is also to gather some deeper insights over and above what it is possible to capture in a numerical survey.

This section includes sector specific insight into how UK businesses regard the macroeconomic outlook, the risks in the operating environment, their expectations of international trade and Brexit. Santander conducted a series of face-to-face interviews over the course of summer 2018, with participating representatives from several of the UK's leading trade organisations: highlights of these interviews are presented as follows.

The British Retail Consortium (BRC)

Interviews with William Bain, Brexit Specialist, and Rachel Lund, Head of Insight and Analytics.

Macroeconomic outlook

The retail sector in the UK is focused on domestic businesses, as retailers mainly operate in the UK only or import from overseas. Many retailers do have overseas operations, but there has been a decline, as some operations have failed. Still, some businesses are expanding internationally, albeit while managing the general difficulties in the sector. Looking at global opportunities, Asia, US, Eastern Europe and the eurozone have the most potential for growth.

Retailers are investing in R&D and digital infrastructure in particular, mainly due to the structural change in the industry - moving from in-store to online sales. Since the financial crisis, retail has been seen as an industry with low productivity and one possible future obstacle to increasing productivity is likely to be the decrease in the supply of labour from the EU.

Risks in the operating environment

The impact of the risks listed above varies by company size and product category. However, the key risks in the current operating environment are low real earnings growth, the structural shift from in-store to online, a growing cost base and now Brexit. An uncertain domestic economy and the potential impact on EU workers following Brexit could also reduce demand.

Access to skilled workers is a common concern and businesses are looking into automation as well as hiring more domestic workers. Currency movements are a particular issue for smaller businesses which do not or cannot hedge against the risk. The numerical findings of the Trade Barometer in Chapters 3 and 4 also support these concerns around recruitment and currency fluctuations.

International trade

In the long term, accessing the right markets and understanding consumer preferences is a real challenge. Businesses need to understand the difference in trends between countries, in order to adjust their approach accordingly.

In addition, speed of delivery, rules of origin requirements and tax laws are causing issues for exporters. Speed of delivery is an issue for sectors such as fashion, where consumers want products from order to design to delivery in approximately two weeks. This is challenging given physical distances and market access. Rules of origin requirements are an issue for products with a wide range of different components, whereas tax laws and patchy regulation are possible issues in the destination market.

Only a minority of retail SMEs export at the moment. The main barriers to exporting are the complexity of getting started and difficulties in identifying the best target markets. Domestic businesses that do not export also struggle to find the right partners in target markets and the required market knowledge. This is due to issues such as finding the right distributors, suppliers or business partners.

Brexit

The level of Brexit planning is uneven and there are considerable differences between businesses. Some of the largest food companies are making contingency plans, including increasing the use of local produce, and moving activities to non-EU countries. In general, large companies have made plans, medium-sized businesses are just waiting for more clarity and small businesses are not doing anything as there is too much uncertainty of the outcome.

Key concerns around Brexit relate to customs checks and rules of origin requirements, as well as product standards and the post-Brexit VAT regime. VAT could cause issues for cashflow and the organisation of refunds; it will also increase bureaucracy and increase costs to the consumer from VAT payments in business-to-consumer transactions. Delays and additional costs from non-tariff trade barriers and losing efficiency in large supply chains are also key concerns.

fdf food & drink federation
passionate about food & drink

The Food & Drink Federation (FDF)

Interview with Ian Wright, CEO.

Macroeconomic outlook and risks in the operating environment

The FDF is doubtful about the prospects for strong future growth in the sector, though not expecting the sector to contract. The main threats to growth over the next 12 months are Brexit-related uncertainty, currency fluctuations, the availability of skilled labour from the EU and continued competition between large supermarkets.

Brexit uncertainty is an issue, as businesses cannot plan without clarity on the deal with the EU or the specific terms of the transition period. Another possible issue that will arise from any deal is that Ireland will have regulatory alignment; 60% of trade with Ireland is food, so businesses would be forced to comply with multiple sets of standards.

Investments in innovation and R&D are on hold in the sector, with four to five large companies pausing investment in bold or new projects due to the uncertain operating environment. However, investment remains normal for product development such as product design, finding alternatives to carbon dioxide in packaging and developing health conscious alternatives.

International trade

In the short term, the EU will be the largest market for food and drink exports, although North America has considerable potential. In the long-term, Asia – particularly China, India, South Korea and Japan – and Africa are the key markets for opportunities.

Finding the right markets and getting products to market at a profitable cost are considerable barriers for food and drink. For China and India in particular, checks and difficulties when crossing borders may be causing issues. Rather than export, larger UK businesses will tend to manufacture products in their target markets. A large proportion of medium-sized businesses do export, but the main issues for smaller businesses are time and focus: starting to export abroad can be a lengthy process.

Brexit

A significant proportion of businesses have made plans for Brexit, but the key problem is the absence of facts on issues such as rules of origin requirements and customs arrangements. As a result, businesses need to plan for multiple possible outcomes.

The main concerns in terms of practical challenges to trade post-Brexit are issues related to access to workers, customs, tariffs, rules of origin requirements, free-trade agreements with third countries and the impact of Brexit on confidence levels in the UK.

eef The manufacturers' organisation

EEF, the manufacturers' organisation

Interviews with Lee Hopley, Chief Economist, and Martyn Jenkins, Economist.

Macroeconomic outlook

The EEF is not as confident as it was a year ago. Momentum is easing, and we are expecting a period of slower growth over the next three years. Growth in Europe is declining and there are some challenges in the domestic market that may also have an impact. The results from the Autumn 2018 Santander Trade Barometer very much support this finding, as confidence in the sector has fallen considerably, compared to the previous quarter (from 69% to the current 58%).

EEF sees the most potential in Europe. Emerging markets are also showing promising growth levels, although this growth may be impacted by global trade tensions. The findings in Chapter 3 also support this view, as manufacturing businesses have consistently seen the most growth potential in Europe (EU and outside). However, trade tension could have an impact on China and the steel industry is a case in point.

Risks in the operating environment

Brexit is a key concern, as are geopolitical tensions, protectionism and other global trade issues. Businesses are also worried about access to skills as they will still need to recruit despite slower economic growth in the UK. In addition, cybersecurity, future tax increases and weaker productivity among UK manufacturing businesses could have an impact on growth potential in the sector.

In practice, these issues have made businesses more wary, and making long-term investment plans is more challenging, as uncertainty about the Brexit outcome remains.

SMEs in particular are struggling to make contingency plans in relation to Brexit. Businesses in general are also focusing on being more competitive and productive: as planning for unknown future external environments is difficult, companies are concentrating on improving their own business.

International trade

Exchange-rate volatility is a significant problem for manufacturing businesses operating in international markets. The main barriers to trade in manufacturing relate to non-tariff barriers while some countries tend to support local producers/suppliers over foreign businesses, which makes exporting difficult. This is a trend that has become visible since the financial crisis, in particular in the US.

There is appetite for more support in entering new markets, including in-country support for EEF members regarding issues such as complying with product standards and drafting contracts.

Brexit

Approximately a third of manufacturing businesses say they have made contingency plans for Brexit, though SMES have been slower to take action. These plans include mapping out staffing implications: businesses which employ a high proportion of EU nationals have explored long-term residency and legal issues in relation to these workers. Manufacturing businesses have also planned for potential tariffs and mapped out the impact of Brexit on their supply chains.

Aerospace, Defence, Security and Space (ADS)

Interviews with Paul Everitt, CEO, and Jeegar Kakkad, Chief Economist and Director of Policy.

Macroeconomic outlook

ADS is very confident of growth in the sector over the next three years. This will mainly come from South-East Asia, the Middle East, North America and Europe, particularly the US, China, Vietnam, Canada and India, as well as France and Germany. For these growing markets, however, volumes are growing but margins are in decline: competitive pressures are high.

Being cost-effective and delivering high-quality outputs is a key issue that businesses need to tackle – getting the trade-off between quality and fast delivery wrong can prove very expensive.

Risks in the operating environment

A key risk to business growth is competitiveness and maintaining high productivity in the supply chain. SMEs are less competitive and showing lower levels of productivity. Brexit is also a risk to the sector, due to the political uncertainty and the impact on investment decisions, as well as the practical implications and the potential impact of increased costs on competitiveness.

International trade

Tariffs are not an issue for civil aerospace. However, non-tariff barriers, such as border controls, standards and regulatory regimes may cause indirect costs and delays impacting trade in the sector.

For businesses in defence, access to European programmes in areas such as R&D and industrial development could be a future challenge.

Overall, the operating environment is becoming more difficult, as a result of trade disputes and markets becoming less open. Losing efficiency in supply chains due to delays and additional costs, as well as changes in the regulatory regime, may also cause issues in the future.

Brexit

Large businesses have task forces and are analysing potential Brexit-related consequences for various parts of their business, such as exposure to regulatory regime and certification requirements. For SMEs, only about 5% to 15% are making plans.

Finally, the regulations that arise post-Brexit are likely to make it necessary to increase monitoring and tracking across the international supply chain. Businesses in the sector are also concerned about increased administration burdens and delays at borders.

The Society of Motor Manufacturers and Traders (SMMT)

Interview with Mike Hawes, CEO.

Macroeconomic outlook

Looking at global markets, SMMT expects stable growth from Europe, although this is very reliant on the Brexit outcome and the future relationship between the EU and the UK. Asia-Pacific is a key growth market while the Middle East has fallen back over the past few years, and America is stable.

Key concerns about these opportunities include the tariffs and non-tariff barriers that may be associated with any new trading relationship, as well as increased protectionism and global trade tensions.

Risks in the operating environment

Brexit is seen as a key risk in the operating environment. Brexit uncertainty could have an adverse impact on demand via a decrease in consumer confidence. The extent of the damage to the industry is dependent on the future relationship with the EU and third countries, and the impact on the UK economy.

Elsewhere, technological change will have an impact on large cities in particular, as there could be a shift in demand from owning a car towards mobility services. There is also a move towards leasing instead of full ownership, to which the industry is already adapting.

International trade

The main challenges to operating internationally are increased protectionism and global trade tensions that could cause problems such as difficulties with the purchase of steel and aluminium and also other raw materials.

Key trade barriers depend to a large degree on the destination country – at present in Europe, for example, there are practically none. For countries outside the Single Market, businesses need to build market knowledge and analyse the best opportunities; their challenge is to develop the innovation and the products to compete internationally.

Smaller businesses might not have access to the expert knowledge required to understand export challenges and how to tackle them. These include understanding administrational requirements and how to successfully make the move from domestic to international, step-by-step. Domestic businesses need to learn how to win business and build relationships in foreign markets.

Brexit

Large businesses and large OEMs [original equipment manufacturers] have undertaken scenario-based planning to address the different potential Brexit outcomes. But making plans for several sets of scenarios takes considerable time and resources; businesses must map out exposure in the supply chain, including people and access to skills, as well as possible challenges for logistics. One key point is to make sure that smaller businesses in the supply chain also have these plans in place.

The key practical concerns post-Brexit relate to possible tariffs on raw materials, intermediate production and final products. Depending on the new UK-EU trade deal, there could be issues with potential tariffs customs procedures, changes in the regulatory framework impacting the automotive sector and access to the right skills.

fta Leading UK Logistics

The Freight Transport Association (FTA)

Interview with James Hookham, Deputy Chief Executive.

Macroeconomic outlook

The FTA is confident of growth in the sector over the next three years, subject to a satisfactory deal with the EU. The main sources for this expected growth are the continuation of growth in online sales and home deliveries assuming consumer confidence remains strong. Export trade looks promising, assuming sterling is relatively stable over this period.

Risks in the operating environment

The main risks for those operating in the sector are Brexit and potential rises in fuel costs. The proposed new clean air objectives will also add cost pressure as operators will require the latest and most efficient vehicles in their fleets to meet the requirements of clients in the affected towns and cities.

This is a risk to most businesses operating in the sector as the majority of operators use diesel powered vehicles and machinery; with the lack of alternative options, this is not something that will change in the short-term. Also, a future increase in fuel cost could have a detrimental impact on operators especially as most operators will have anything between a 14 and 90-day gap between credit on fuel and settlement from customers.

International trade

The main obstacles to trade for international businesses include non-tariff barriers which can often make it tough to open up opportunities to new markets. The reliability and quality of service is an issue – for example, while 10 years ago there were 40 independent shipping lines, now there are effectively three as a result of shipping alliances.

Brexit

There are two main camps for businesses in terms of planning: some are already preparing and have contingencies even for a no-deal scenario. But the majority of businesses still believe they have enough time to plan later during the transition period. However, the real possibility of a no-deal Brexit means all scenarios should be prepared for.

The main issue facing businesses in the sector is checks at borders – regulatory checks and inspections – and getting goods across borders without delay. Ports such as Dover and Calais do not have room for facilities that have the capacity to do these checks. In a no-deal scenario businesses may need to re-arrange their supply chains and business models accordingly.

Other issues include air travel, in particular mutual recognition of the ability to fly as well as the safety of aircraft parts and recognition of licences and other professional qualifications. Skills and recruitment shortages are also key concerns as the transport and logistics sector continues to employ thousands of EU citizens.

Conclusion

The Santander Trade Barometer Autumn 2018 Annual Report reveals that British businesses remain resilient and confident in their ability to grow despite recognising that challenges lie ahead. They see new opportunities in global markets, particularly in North America and Asia-Pacific, but they are also determined to pursue growth closer to home. In Europe, businesses are concerned about the uncertainties of Brexit but are eager to pursue new types of relationship with customers, suppliers and other partners in the wake of the UK's forthcoming departure from the European Union.

The Santander Trade Barometer shows a clear link between business confidence and international aspiration: those businesses with the ambition to explore new opportunities in international markets are also those that show the **greatest** optimism about the future.

However, businesses need support to fulfil their potential. Some businesses are nervous about international expansion, even though they already have more experience of trading overseas than they realise. Others recognise that there are barriers to overcome, from regulatory hurdles to forging partnerships on the ground – or even identifying new customers.

Providing the support that these businesses need will be crucial; businesses that are currently trading in three markets need help in entering the next three. Given the right help and assistance by expert and experienced advisers, British businesses have a golden opportunity to be even more successful on the global stage, increasing their sales in markets all around the world.