



Santander Trade Barometer

Autumn 2024

Foreword

This latest wave of the Santander Trade Barometer clearly demonstrates that the importance of international trade continues to grow for UK businesses. We also have strong evidence from our work with corporate and commercial clients that shows internationally trading businesses are more robust and more resilient than their domestic only counterparts. Because of this, we have a longstanding and ongoing commitment to helping businesses succeed and overcome barriers to international trade.



UK businesses who are looking to move from purely domestic operations to growing internationally need to create a solid foundation before branching out. Without a healthy economy to rely on, this can feel like an impossible task.

That's why our Trade Barometer acts as more than a read on trade. It also puts UK growth under an important spotlight.

This latest wave is in a unique position, as it was conducted in the wake of the UK general election in July 2024. With the UK changing to a Labour government for the first time in 14 years, economic growth will not only be a yardstick for success, but it will also greatly impact the ability to trade internationally for many UK businesses.

Compared to our Spring 2024 wave, confidence about future growth remains broadly unchanged among businesses at a total level. But when we scratch below the surface, it appears there are some more polarising opinions about the future.

There's a particular focus on strategically important sectors including technology and life sciences. However, all industries across every corner of the UK have a part to play in creating strong and sustainable growth for the country.

There are also wider macro-environment factors to consider, with further developments since our Spring 2024 publication. UK inflation (which was named the top risk for businesses) remained at, or around, the 2% target. The Bank of England rate was cut by 0.25 percentage points in August.

Looking beyond the UK, there's ongoing caution about the global economic outlook. Conflicts in Ukraine and the Middle East continue. There was some notable volatility in the global stock markets in August, and as businesses look ahead to the winter, a new president in the US also comes into sharp focus.

There's no doubt that trading internationally comes with complexities – and navigating these remains a core challenge for UK businesses. Our research points to the need for support with regulatory requirements and bureaucracy. As well as help to find customers, partners and suppliers in international markets.

We're dedicated to supporting more businesses as they look to turn their international growth dreams into a reality. UK businesses have a huge opportunity to move into new markets and increase their sales all around the world. Working together, we can make it happen.



John Carroll
Head of International &
Transactional Banking,
Santander UK

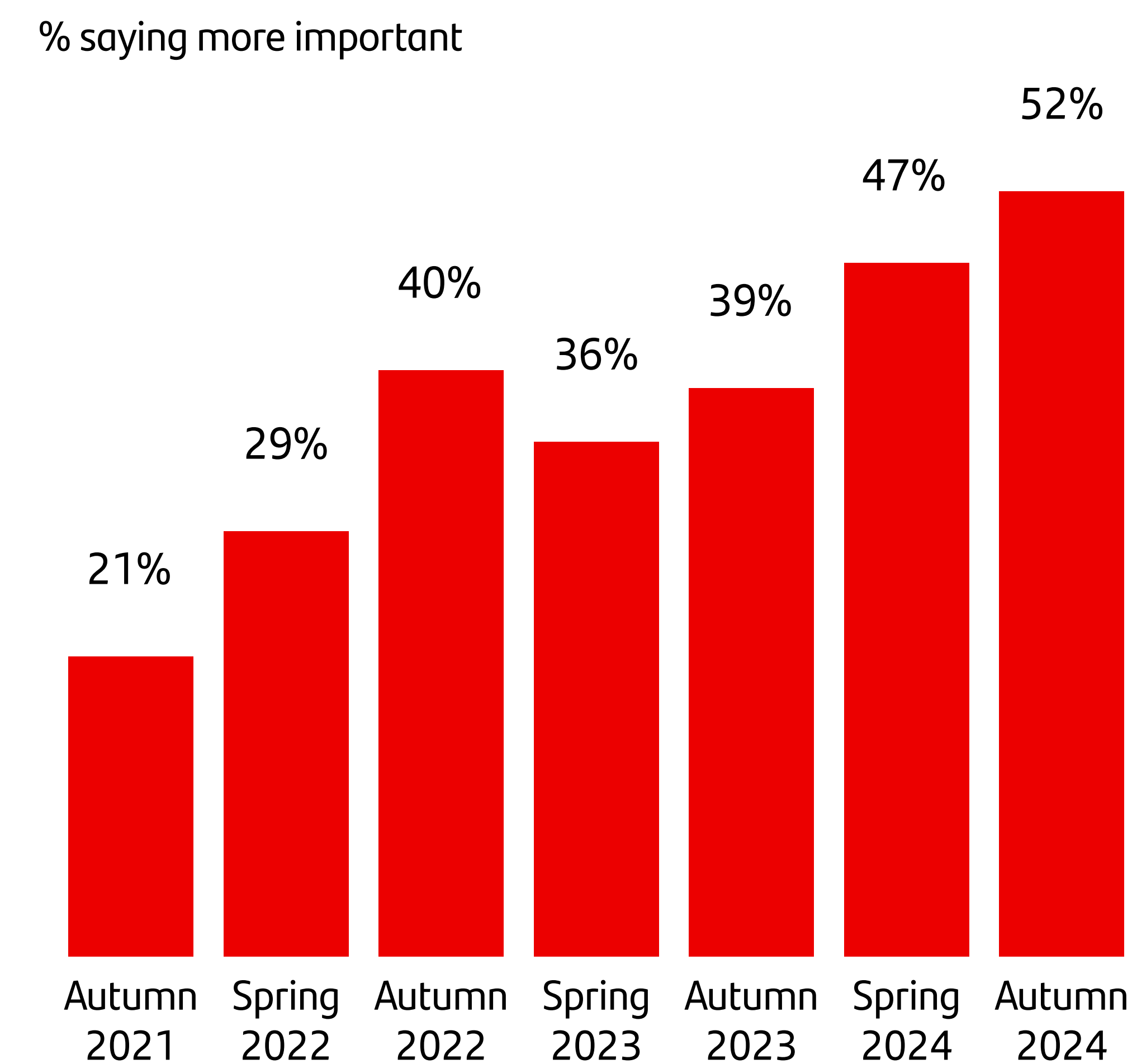


Jane Galvin
Head of Corporate Clients,
Santander UK

Executive summary

UK businesses indicate that the importance of international trade has more than doubled in the last 3 years. New horizons are being explored, with Japan, Australia and Nigeria featuring more heavily as trading destinations for internationally established businesses. There are growing investment plans into strategic technology projects such as machine learning and AI, cyber-security and cloud computing. Top line business confidence has remained stable between waves.

Importance of international trade over time



Markets UK businesses are currently trading with



Spring 2024

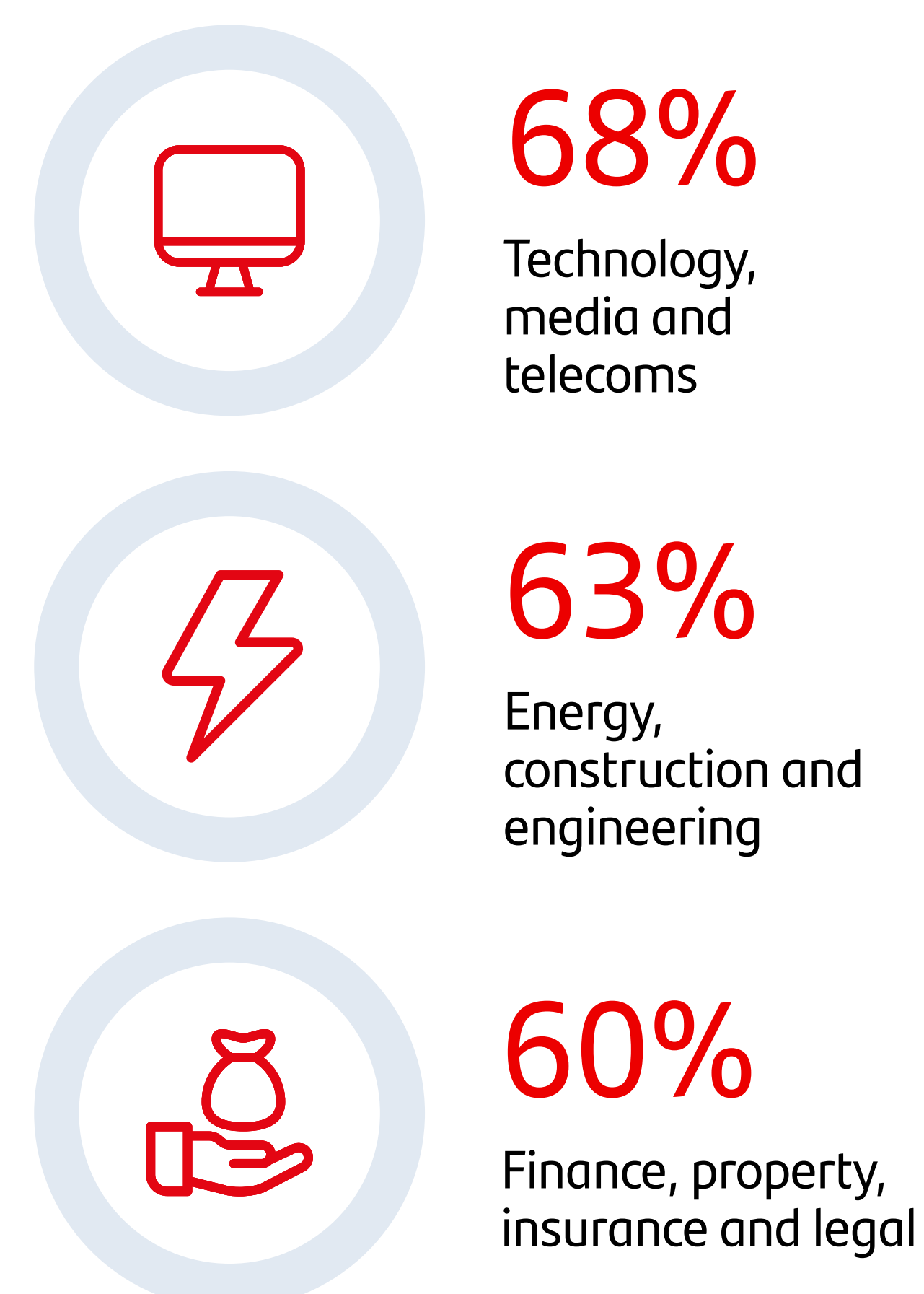
20%
41%
7%
41%
22%
48%
17%
8%
5%
7%

Japan
Australia
Nigeria
Canada
India
France
South Africa
Lithuania
Tunisia
Kenya

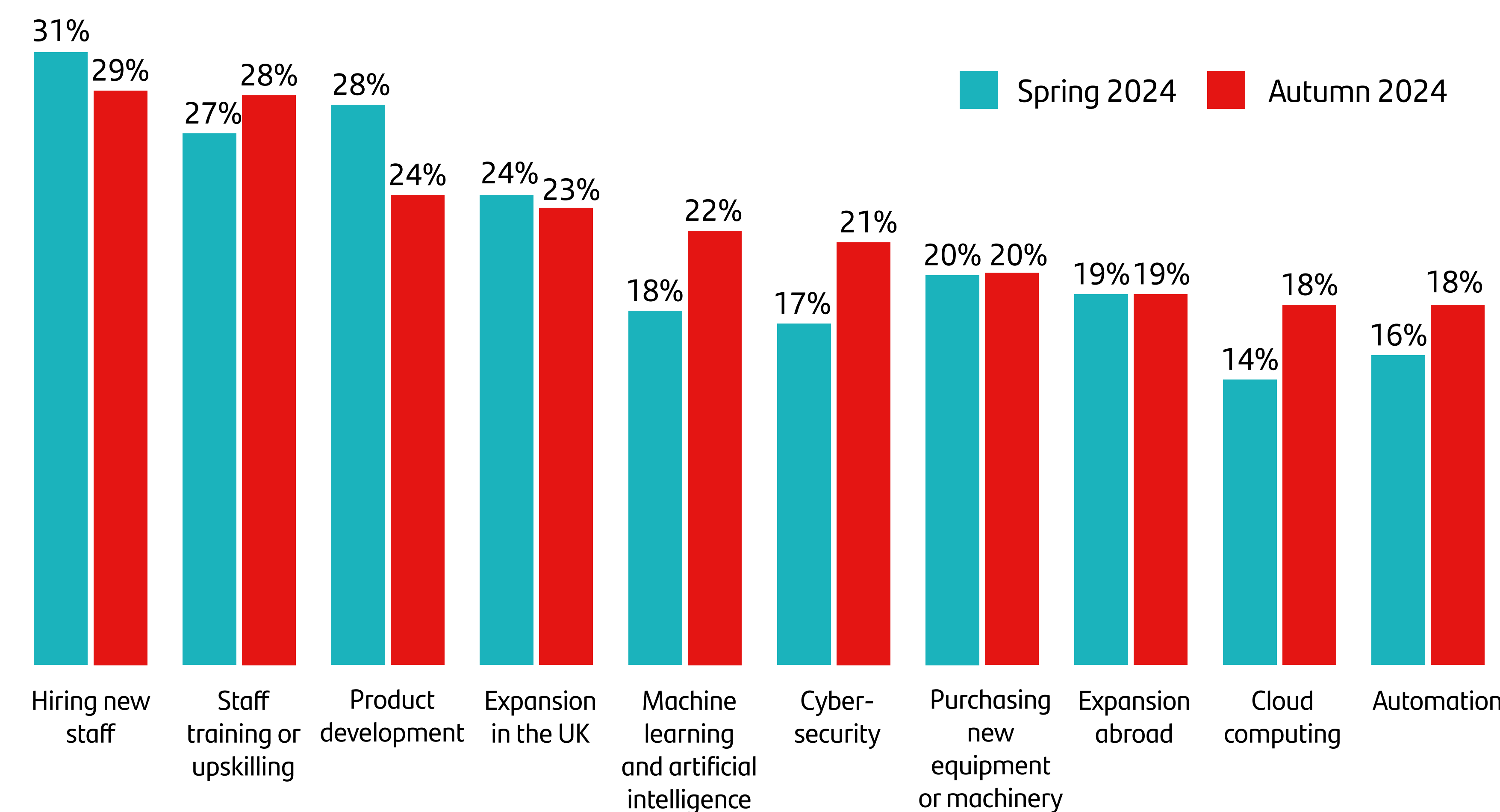
Autumn 2024

28% +8%
46% +5%
10% +5%
44% +3%
24% +3%
50% +2%
19% +2%
10% +2%
6% +2%
8% +2%

Top 3 sectors saying trading internationally has become more important

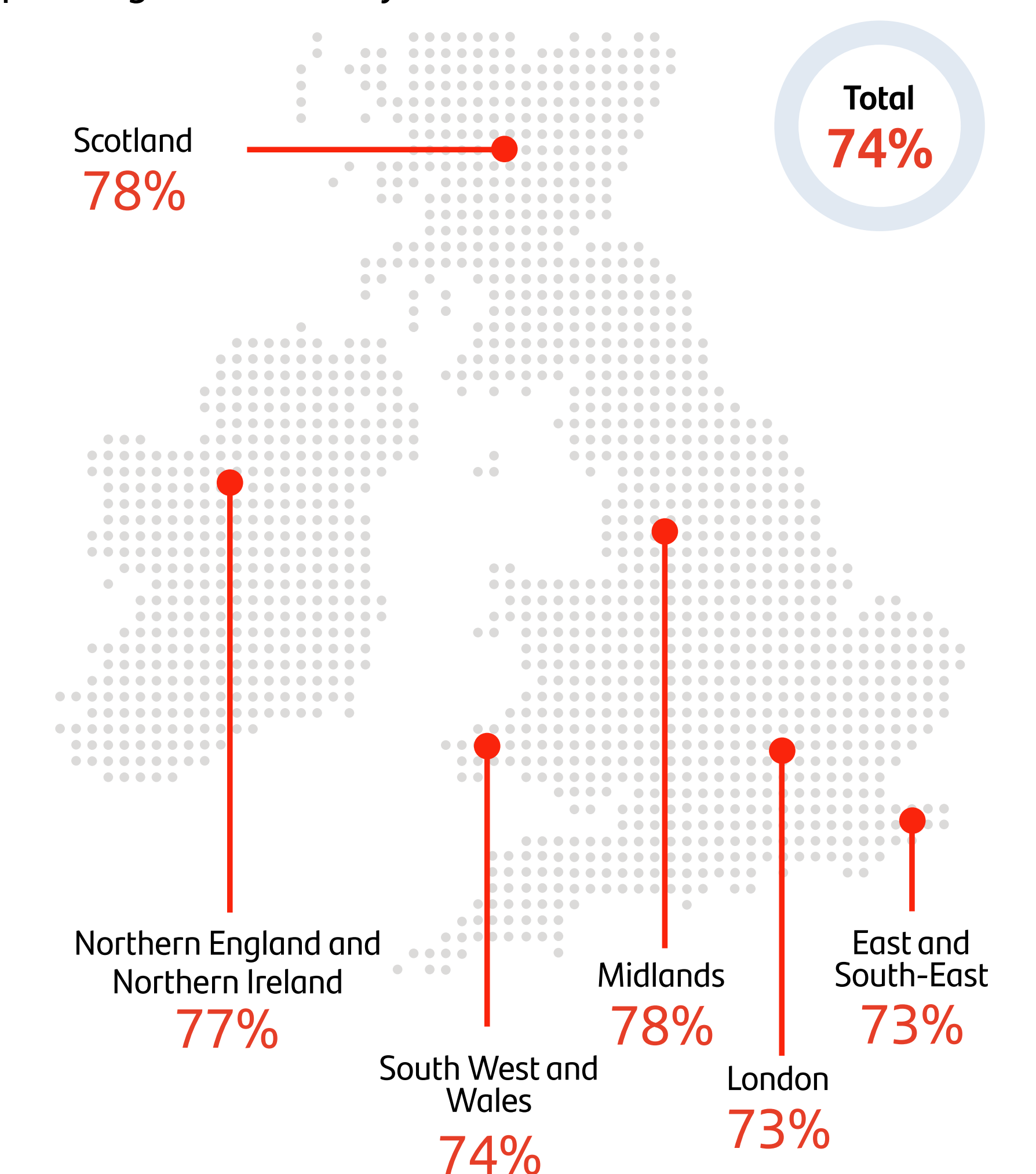


Business investment plans



UK market environment - business confidence

% expect to grow in next 3 years



International trade outlook

Measures of income and productivity growth in the UK have been very slow dating back to the global financial crisis of 2008-09. The UK economy is not unique in its struggles. There are other developed economies that haven't experienced strong growth too. On a per capita basis, UK economic growth has been slower than the US and European Union in the last decade and a half.¹

The reasons for weak growth are well documented. Ranging from the economic hangover of the global financial crisis, political instability and the pandemic. The upshot for UK businesses has been a difficult domestic market, where spending power has waned, and consumer confidence has wobbled. Despite this, there are many business success stories to celebrate in the UK. Fighting against harsh economic headwinds, entrepreneurial, innovative and ambitious businesses have grown.

The mood music in other economies has been more positive in recent years, and so, international markets have offered an alternative audience to the domestic UK market. For example, the US has delivered robust economic growth in the face of its own challenges (both domestic and abroad). Further afield, the Asian economic giants of China and India currently enjoy GDP growth rates of 4.7% and 8.2% respectively.² And both markets have a large, increasing established middle class with a growing disposable income. Emerging economies in Africa and South America present opportunities on a historically less well travelled path for UK businesses. While firm, enduring bonds continue with markets in South East Asia and Australasia.

We know through our research, and years of acting as an enabler for businesses to pursue their trade ambitions, that businesses who trade internationally are more dynamic and more resilient. The benefits of exporting are diverse but, in short, exporting offers protection against slowdown in one single domestic economy and is the upside of tapping into higher growth economies.

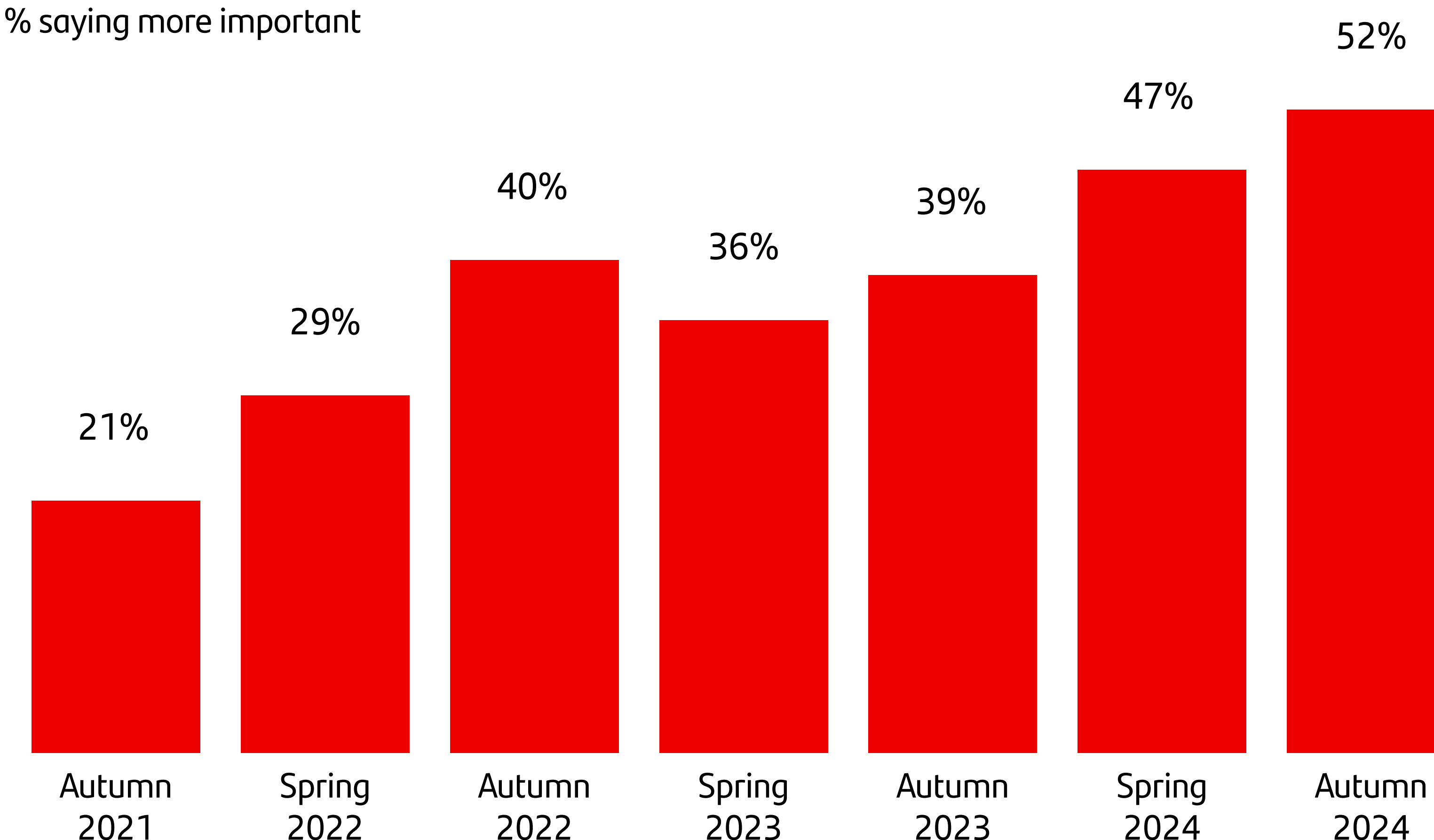
The latest findings support this outlook. More than half of businesses (52%) state that, because of current challenges facing the UK economy, international trade is of increasing importance. As Figure 1 shows, the number of businesses who see international trade as increasingly important has grown gradually over the last 7 waves. Significantly, the score from this wave is more than double the number of businesses who stated international trade was important 3 years ago (21%).

There are notable differences by region and sector. London is the region of the UK most likely to say international trade is becoming more important, followed by North West England and Scotland. Technology businesses and those in the energy, construction and engineering and financial services sectors are most likely to say it's becoming more important.



Figure 1: Importance of international trade over time

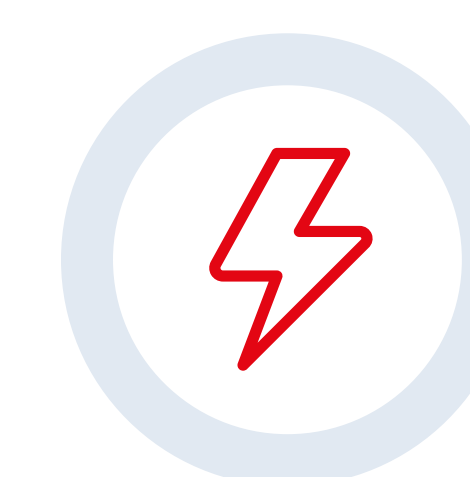
% saying more important



Top 3 sectors saying trading internationally has become more important



68%
Technology,
media and
telecoms



63%
Energy,
construction and
engineering



60%
Finance, property,
insurance and legal

Top 3 regions saying trading internationally has become more important



¹ Institute for Fiscal Studies, [A decade and a half of historically poor growth has taken its toll](#), June 2024

² It should be noted that Chinese economic growth has slowed since the double digit growth it saw between 2003 and 2010. See [China GDP data](#) and [India GDP data](#).

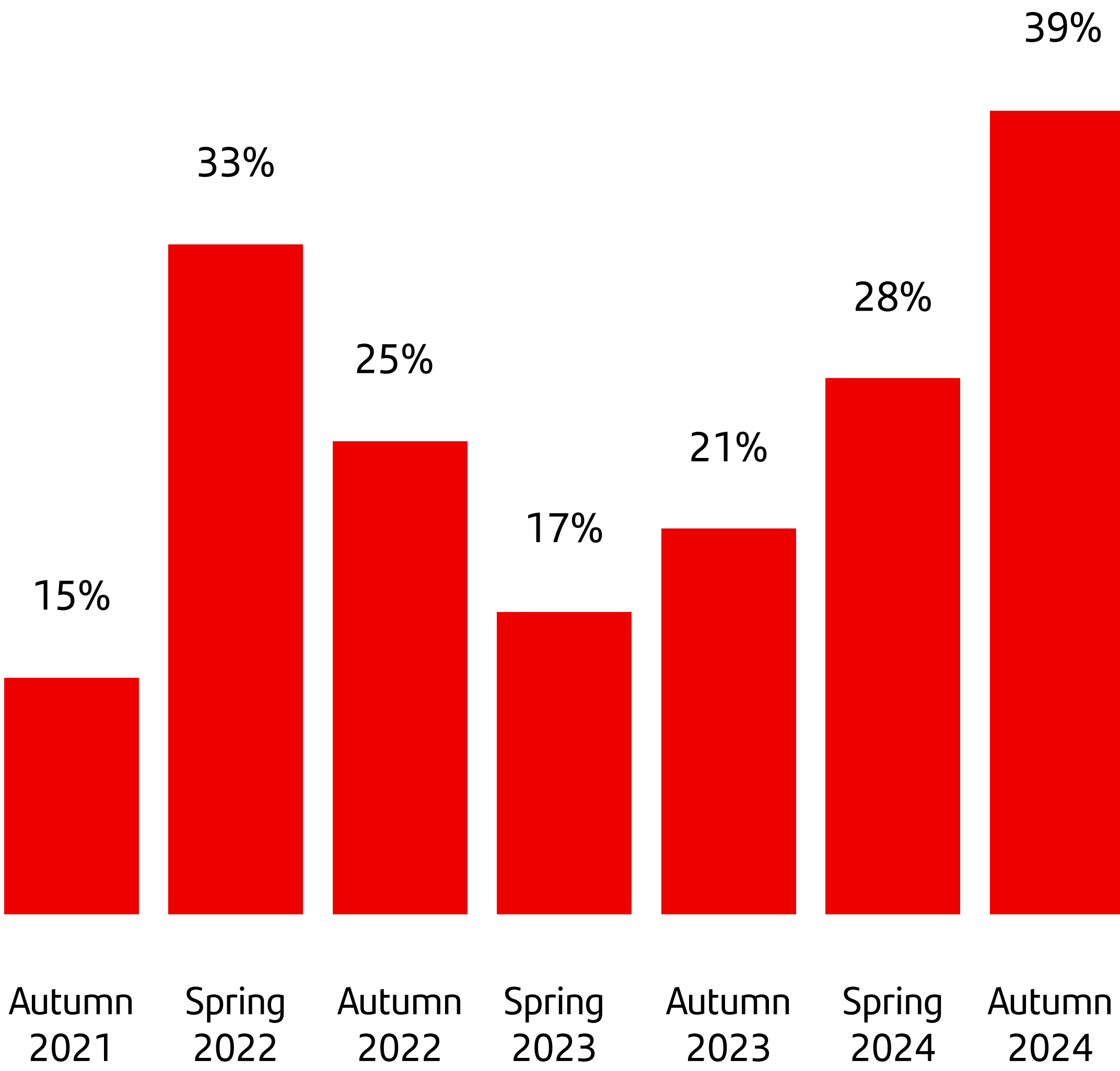
Growing consideration of international trade

Alongside the rising number of UK businesses who view trade as increasingly important, we find a growing number of businesses actively considering expansion into international markets in the coming years. Of businesses not exporting, 39% are considering international expansion in the next 3 years. This is up from 15% 3 years ago. Although there's been some variation in scores across the last 7 waves, consideration has increased for the last 4 consecutive waves.

Differences emerge by sectors, with the greatest consideration being among technology firms (82%) who don't currently export. This is followed by manufacturing businesses (68%) and financial services (67%).

Figure 2: Consideration of international expansion (next 3 years)

% saying 'Yes, our business is considering expanding abroad in th next 3 years'.



Case study 1



Simon Stevens
Founder and CEO,
VOW nutrition

VOW nutrition is a UK-based sports supplement brand, with the goal of 'bringing the consumer a brand that truly represents commitment to quality, innovation and sustainability'.

Founded in 2019, VOW has gone from strength to strength, with the brand becoming the official nutrition provider for Team GB at the Paris 2024 Olympic Games. Simon Stevens, Founder and CEO, is optimistic about the future.

For Simon, international trade is important, and closely linked to growth and expansion. 'The goal is to be the biggest sports brand in the world, and to do that we have to look at being stocked and supplied globally, which isn't easy to do'.

Understanding the landscape

Despite VOW's success and positive growth story, it hasn't been a smooth ride. One of the main difficulties Simon experienced is the difference between trading domestically and internationally. When trading with the UK, there can be cash flow issues. This is because distributors often want large numbers of products, which need to be replenished long before they're sold and the supplier is paid. Simon feels this creates big challenges for a new business. So he'd like to see some measures put in place to promote small, growing UK businesses, making it easier for them to break into the distributor markets.

While this is frustrating when looking to sell in the UK, this pushes VOW to explore international markets, where distributors are willing to pay upfront for orders. However, trading relationship issues with the EU create difficulties, which hinders VOW's international efforts. They were

previously able to freely trade within the EU on the online market, whereas now there are challenges which haven't been resolved. Many of the grants given by the EU haven't been transferred over to the UK government. Similarly, as a consumed good, VOW still abides by all the EU regulations, even when produced in the UK, to avoid issues when shipping to the EU, adding further bureaucracy. With the change of government, however, Simon is optimistic there will be an improved relationship with the EU.

Putting trust in Santander

Simon believes that perseverance is key, and that putting in the work now will pay off: 'Companies which are willing to put up with pain, to put everything on the line, will be the winners in the future'. VOW already has a good distributor in Spain, and is about to move into Ireland. It's also exploring having a warehouse in Germany which will allow VOW to trade more in the EU.

Santander Navigator has paved the way for the growth VOW has seen. It's allowed them to explore where the market opportunity is overseas, including the UAE. It's also helped them understand the regulations in the market, and introduced them to companies in Dubai, such as Spinneys, which utilises the Waitrose brand in the region.



New horizons

At a top line level, there’s a clear direction of travel. More businesses are considering international trade in the future. This latest wave also shows export destinations are changing for UK businesses.

Figure 3: Shifting international landscape – markets currently trading with (showing top 10 increases Spring 2024 vs Autumn 2024)



Spring 2024		Autumn 2024
20%	Japan	28% +8%
41%	Australia	46% +5%
7%	Nigeria	10% +5%
41%	Canada	44% +3%
22%	India	24% +3%
48%	France	50% +2%
17%	South Africa	19% +2%
8%	Lithuania	10% +2%
5%	Tunisia	6% +2%
7%	Kenya	8% +2%

Figure 4: Expectations of future international landscape – markets for future growth opportunity (showing top 10 increases Spring 2024 vs Autumn 2024)



Spring 2024		Autumn 2024
15%	France	19% +4%
6%	Japan	10% +4%
20%	Germany	23% +2%
2%	Indonesia	3% +1%
2%	Hungary	3% +1%
3%	Nigeria	3% +1%
8%	Italy	9% +1%
3%	Greece	4% +1%
8%	Spain	9% +0%
3%	Czech Republic	3% +0%

Since 2016 Brexit has changed the UK’s trading relationship with the world. As the dust settles on this trading reset, new opportunities in alternative markets will develop.

Among businesses trading internationally, the greatest wave-over-wave growth in any single market is seen in Japan (up 8%), followed by Australia (up 5%) and Nigeria (up 3%).

Japan also features in the top 3 biggest wave-over-wave for internationally active businesses considering future growth opportunities (up 4%), alongside France (up 4%) and Germany (up 2%).



Spotlight on supply chains

While a large part of the international trade conversation centres around exports, supply chain activity also forms a vital part of the picture. UK businesses are adjusting their supply chains primarily to reduce vulnerability with long-distance shipping and exposure to geopolitical issues, as well as enhancing their ESG credentials. Gaining greater transparency over suppliers, and having the ability to validate materials and processes are crucial for a sustainability perspective, where many businesses are feeling pressure.

Nearshoring, reshoring and friendshoring have all entered the playbook of supply chain management, as businesses look to move production closer to home or towards countries where supply chain disruptions can be reduced.

We find 21% of UK business have already moved supply chains closer to home. While a further 13% have plans to move supply chains to closer geographies in the next 2 years and 16% are actively exploring options.

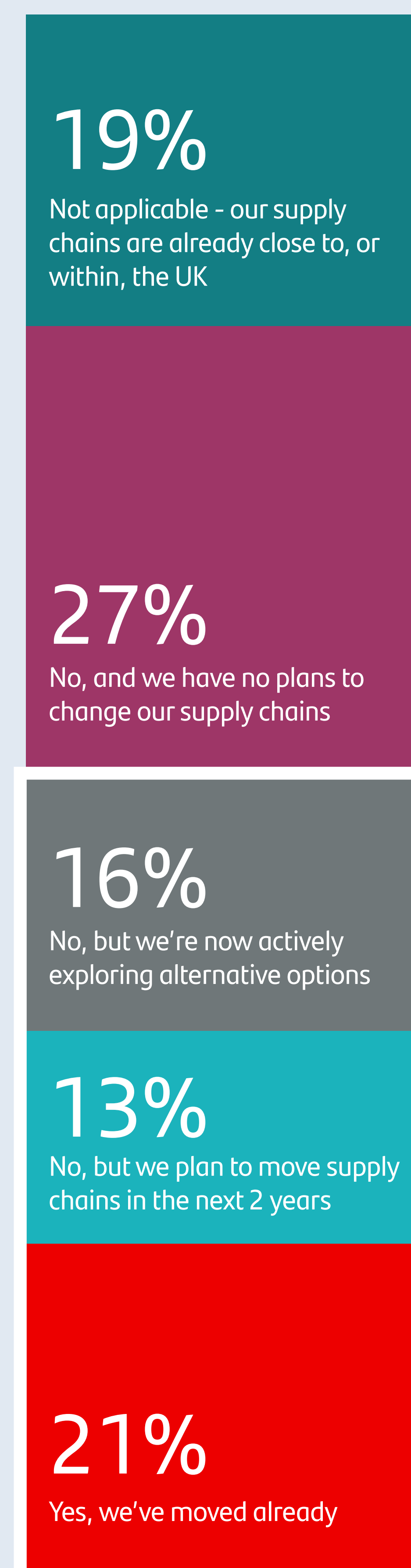
Of those who have moved, or are planning to move, supply chains, 65% are to the UK, 49% to the EU and 19% to Europe (non-EU). Redeployment of supply chains offers a growth opportunity for UK businesses (both domestic and international) who can take advantage of the upsides of increased demand.

Focusing on region-specific risk, 41% of businesses have supply chain dependency in China. Globally, there's heightened sensitivity in Western-Chinese trade relations, with the focus largely on the US-China trade war.

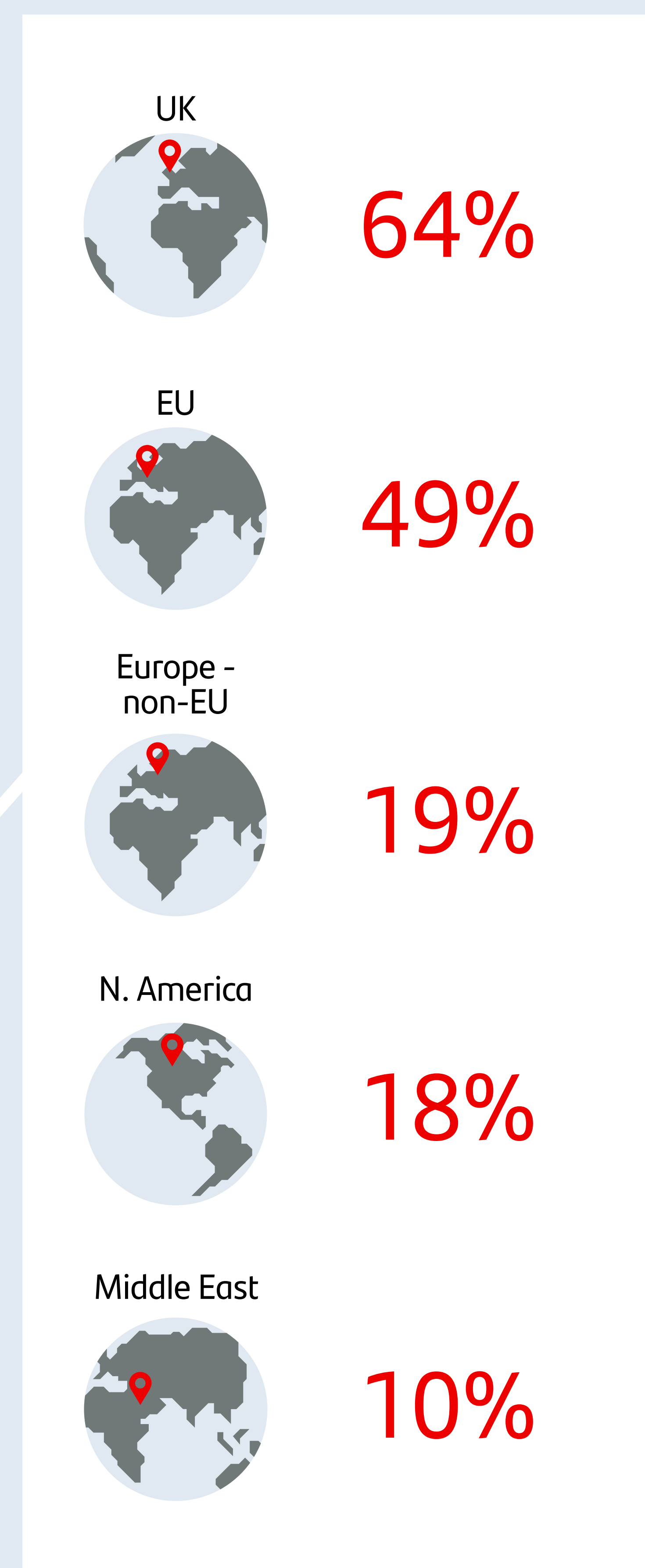
UK businesses are mindful of the geopolitical and logistical risks associated with supply chains in the region. As such, 22% of firms who have a dependency in China are in the process of moving away. A further 27% have made plans to diversify away, but have not yet acted.

Figure 5: Nearshoring trends

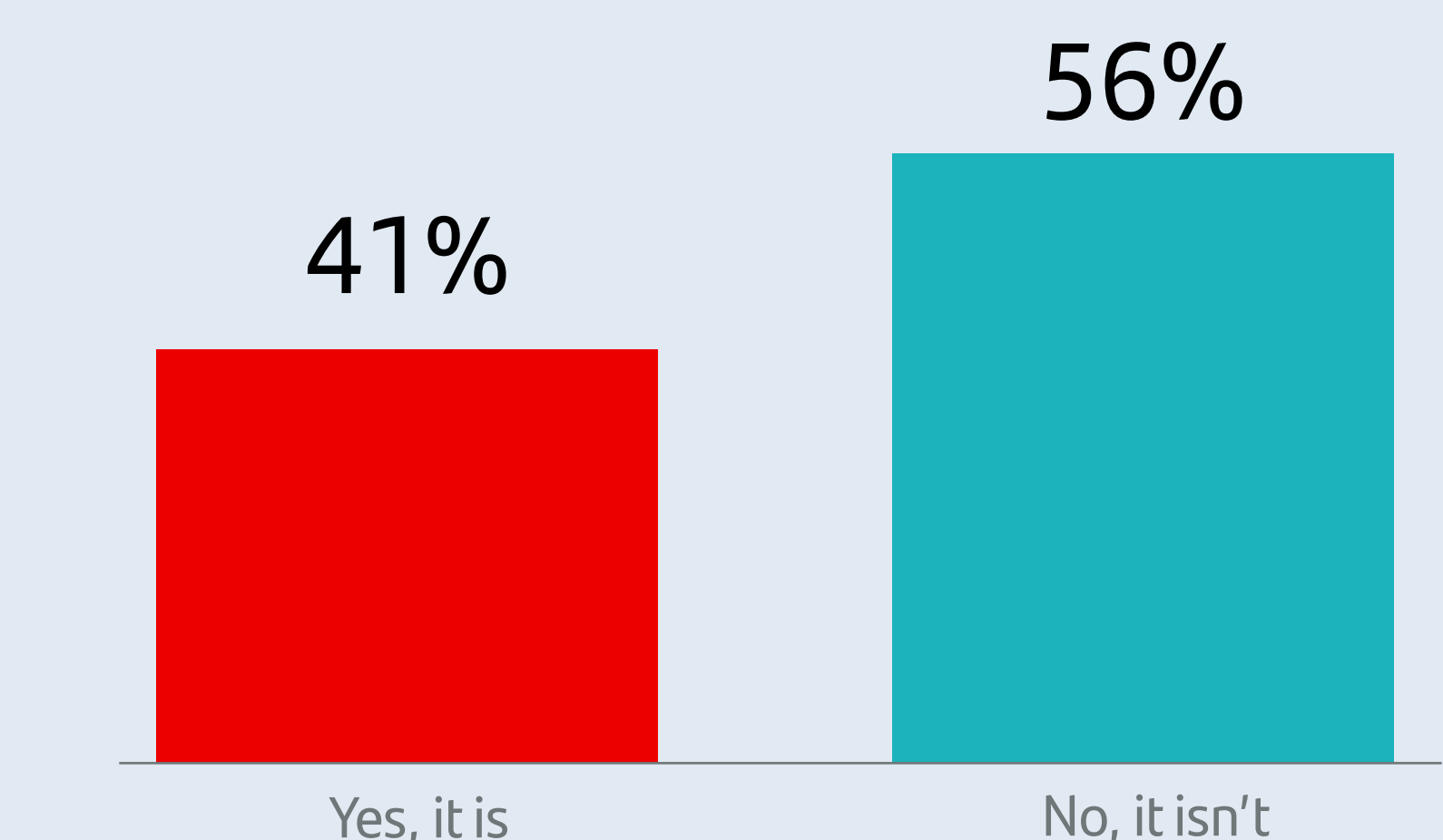
Steps taken to move supply chains closer to home



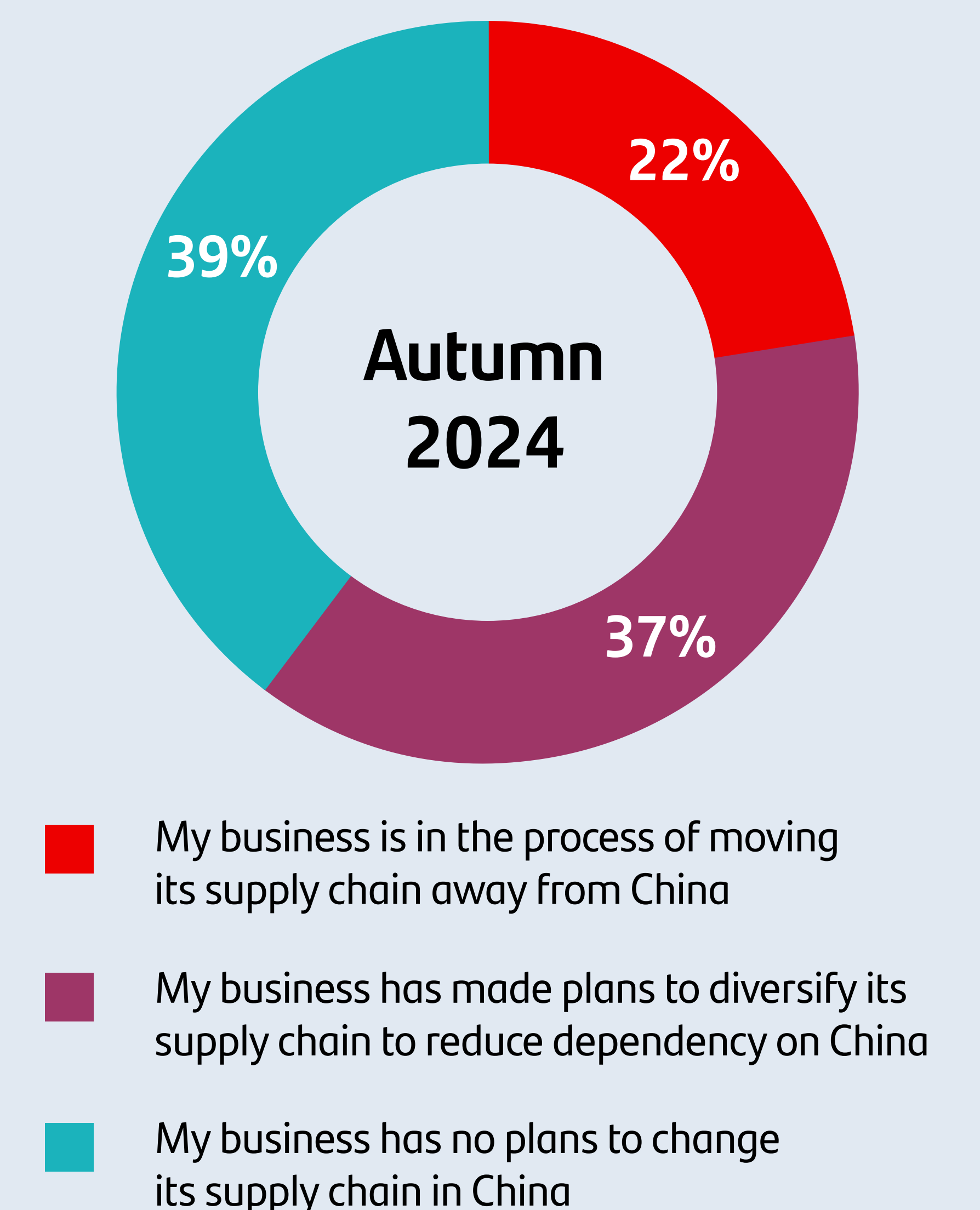
Expectations of where new supply chains will be located



Supply chain dependency on China



Action taken to move away from China



Case study 2



Scott Davies

Founder and CEO,
Hilltop Honey

Hilltop Honey is a UK-based honey manufacturer, dedicated to 'celebrating honey and the artistry of beekeeping'. They specialise in a wide range of products including honey, maple syrup, agave and health and beauty.



Founded in 2011, CEO and founder Scott Davies started the business labelling honey from his parents' kitchen table. Hilltop has continually grown to new heights since its humble beginnings. Scott formed Hilltop with a passion for beekeeping and has taken the manufacturer from a sole trader to the second largest honey producer in the UK. Having solidified its foothold in the domestic market, Scott sees expansion as the central ambition for the next 5 years. He aims to grow exports and bring at least 2 retailers from abroad into their top 10 performing distributors.

Nailing the fundamentals

Scott believes having a good domestic base is crucial before starting to export overseas. Nailing the fundamentals and honing their craft in the UK was vital. Without domestic growth the business would struggle to expand its foothold. Put simply, it's a platform for international growth. Santander has helped support their growth in many ways, including providing them with trade finance to helping them achieve better terms and prices with suppliers. We've provided trade finance to help Hilltop achieve better terms and prices with suppliers.

In terms of exports, Scott notes that a major positive has been growth in Ireland, which now forms 3% of their business. Outside of this though, the challenge of international expansion is proving stubborn, with 'barely a dent' made in international markets in the last 13 years. The main source of frustration in trading internationally has been the product itself. Most countries, especially warmer countries, have their own honey packers and domestic honey markets, making the landscape a particularly difficult nut to crack. The financial and legal backdrop also adds complications.

In the post-Brexit world, there are large duty differences between countries when exporting. This means that many markets are easier to expand and grow into, such as the US and Australia, rather than across the Channel. There are legal barriers too, where they've run into compliance and regulation blockers lasting over a year. Whilst Santander has helped navigate these international financial and regulatory challenges, Scott stresses the importance of having a distinctive national brand identity as a bedrock to encourage domestic sales.

Leveraging export prowess

To overcome these barriers, Scott would like to see the UK leveraging its geographical advantage, and existing relationships with major economies, to facilitate better trade agreements elsewhere. Though it remains too early to see how high up exporting will be on the new government's agenda, Scott believes that leaning into Brexit, and being as supportive of exporting as the Welsh government are, could reap huge rewards. Having felt the benefits of our support domestically, Scott is optimistic that as Hilltop continues its journey of export expansion, our services are 'there to be utilised', when the time is right.

The UK market environment

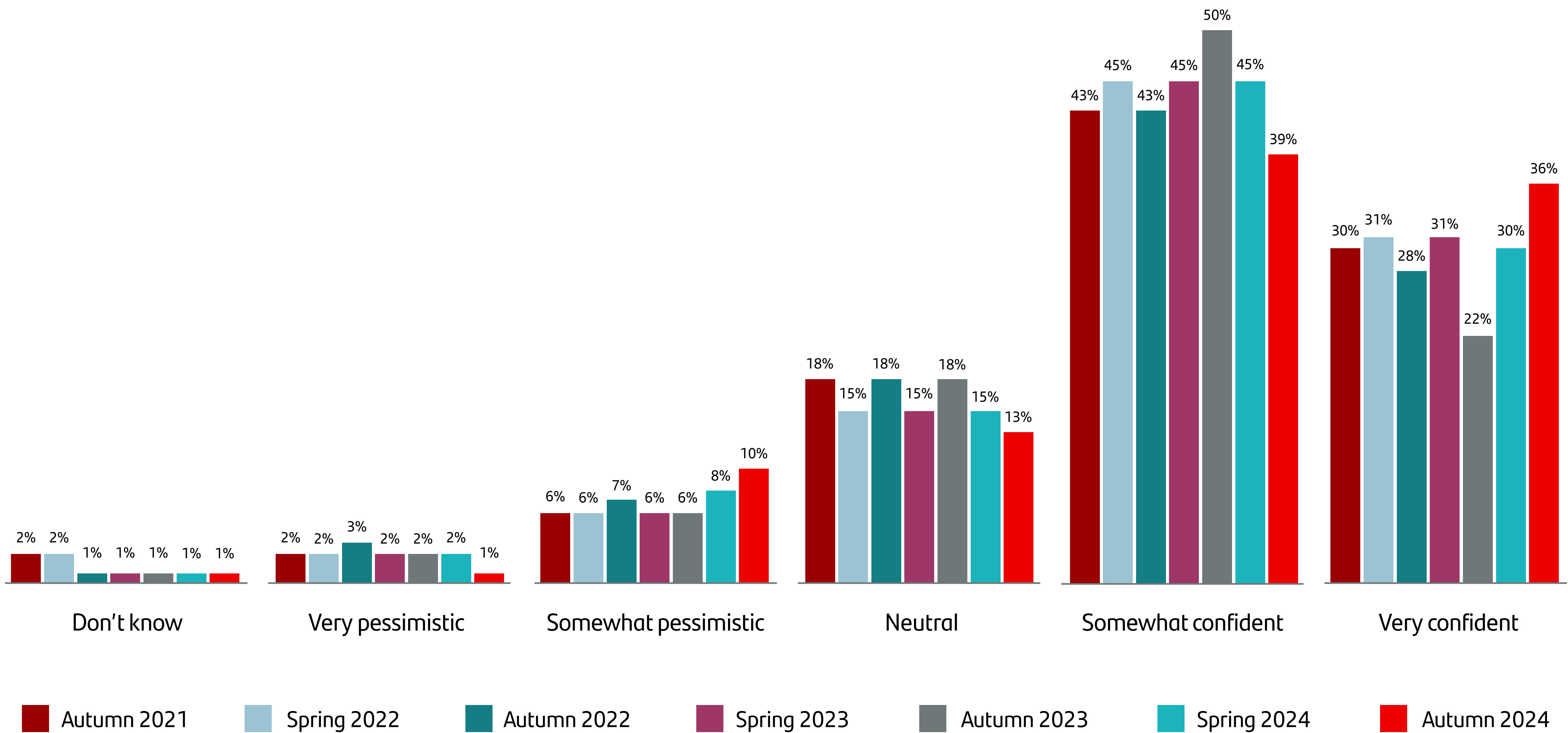
At a headline level, business confidence has flatlined between Spring and Autumn 2024 – moving only slightly from 75% to 74%. But, scratch below the surface, and there’s an increasing proportion of businesses who feel very confident about future growth. Timing may be a contributing factor, with inflation moving closer to normal levels and the decisive election results in July 2024 creating more political certainty.



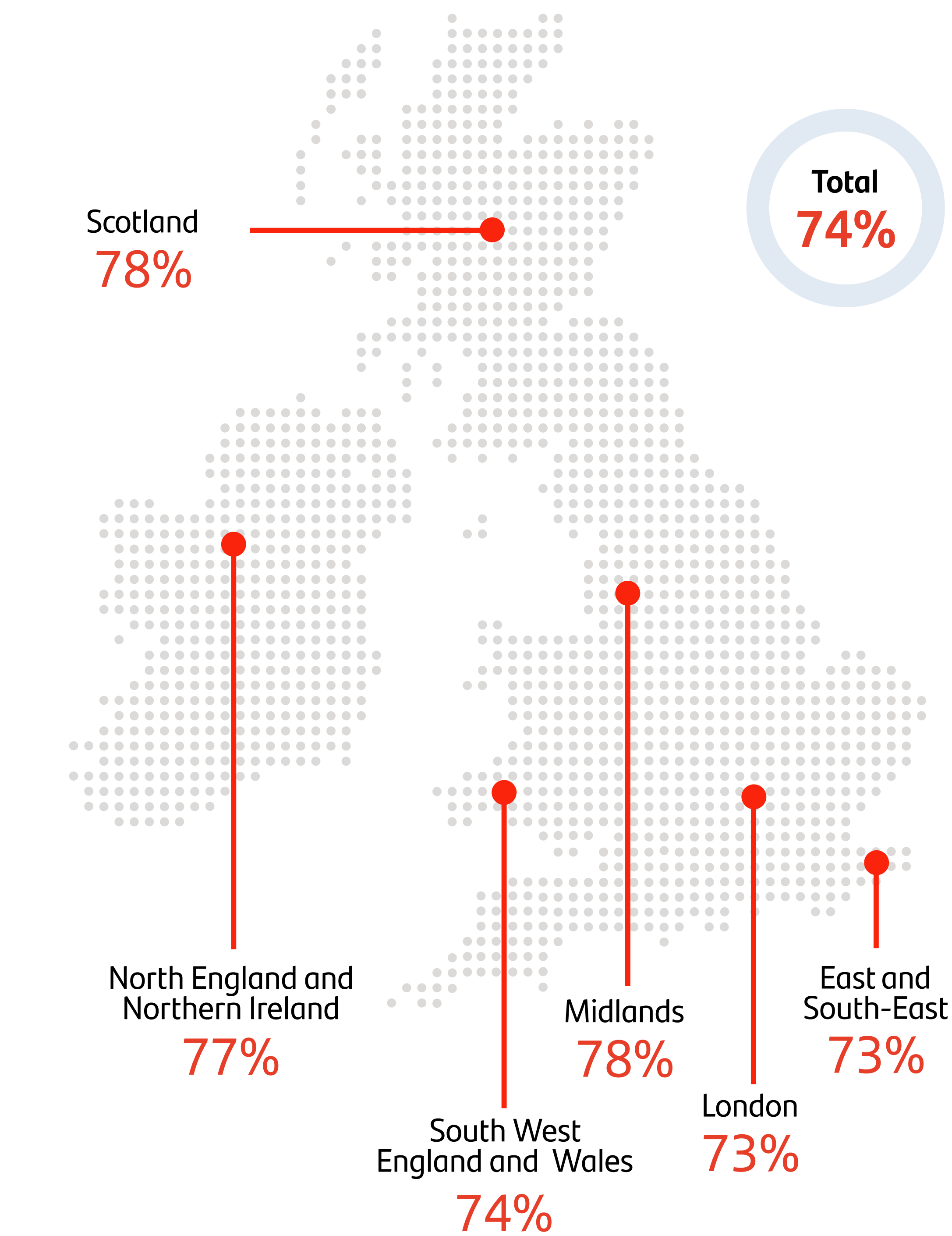
That said, it appears that businesses are more polarised in their outlook. More businesses are feeling ‘somewhat pessimistic’ (10%) compared to any of the last 7 waves. There are also more businesses feeling ‘very confident’ than at any time over the same period. In terms of regional disparities, confidence is strongest in the Midlands, Scotland and London.

Figure 6: Business confidence

NET: Confident



NET: Confident



Section 3

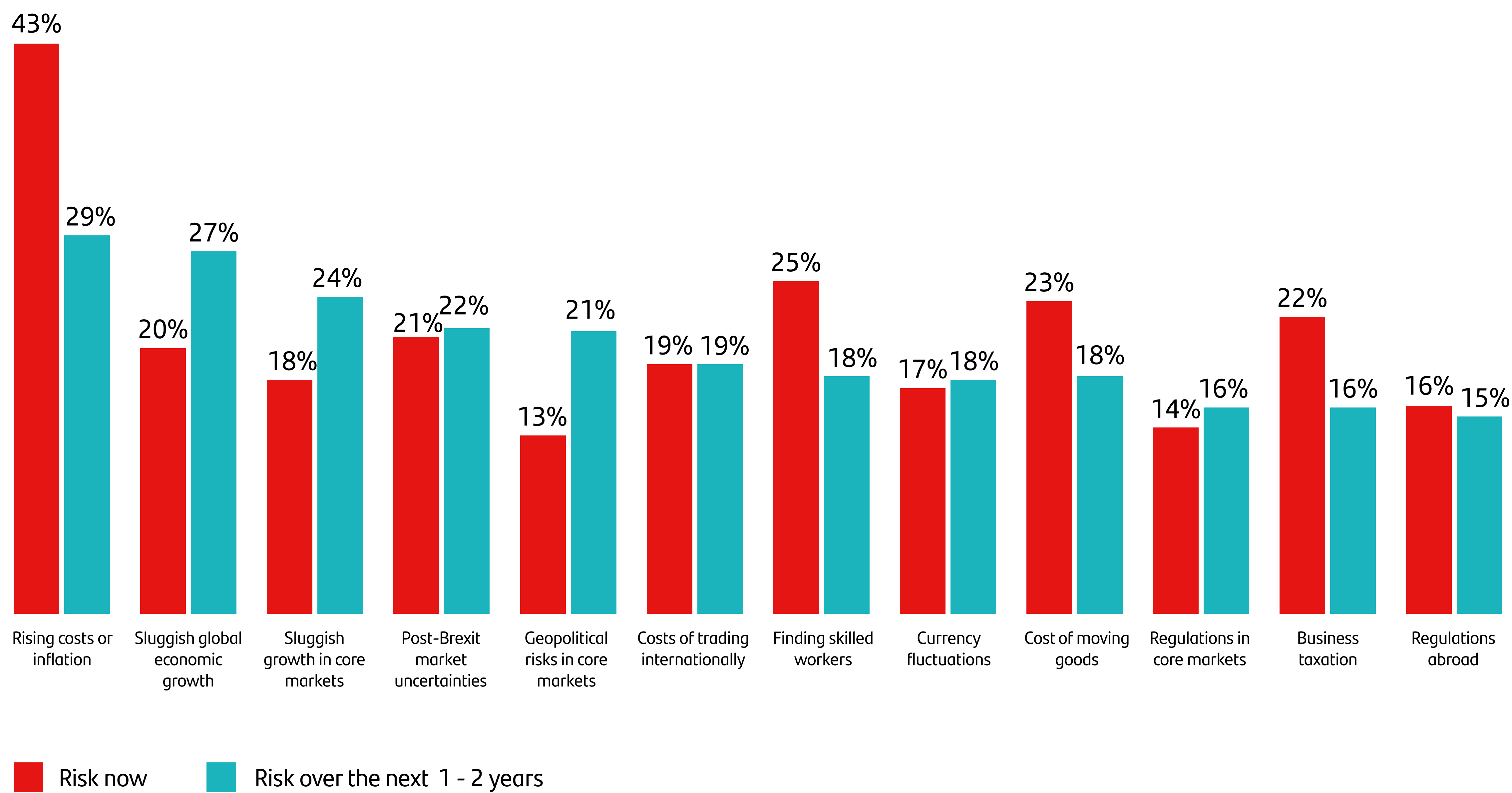
Despite ongoing economic pressure, there's light at the end of the tunnel. 43% of businesses see inflation as a risk at this current time, whereas just 29% see it as a risk to business growth in the next 1-2 years. While inflation is subsiding, there's a real possibility of it returning, given the exposure of UK businesses to global supply chains and continued geopolitical conflicts.

Sluggish growth across both the global economy and core markets is viewed as an increasing risk. So, one way to mitigate the risk of a single economy affecting growth is to diversify into different regions of the world.

Looking at sectoral differences, businesses in wholesale and retail and energy and construction are most sensitive to continued inflation as an emerging risk. Businesses in the finance sector are most aware of sluggish economic growth being a risk in the 1-2 years.



Figure 7: Macroeconomic headwinds



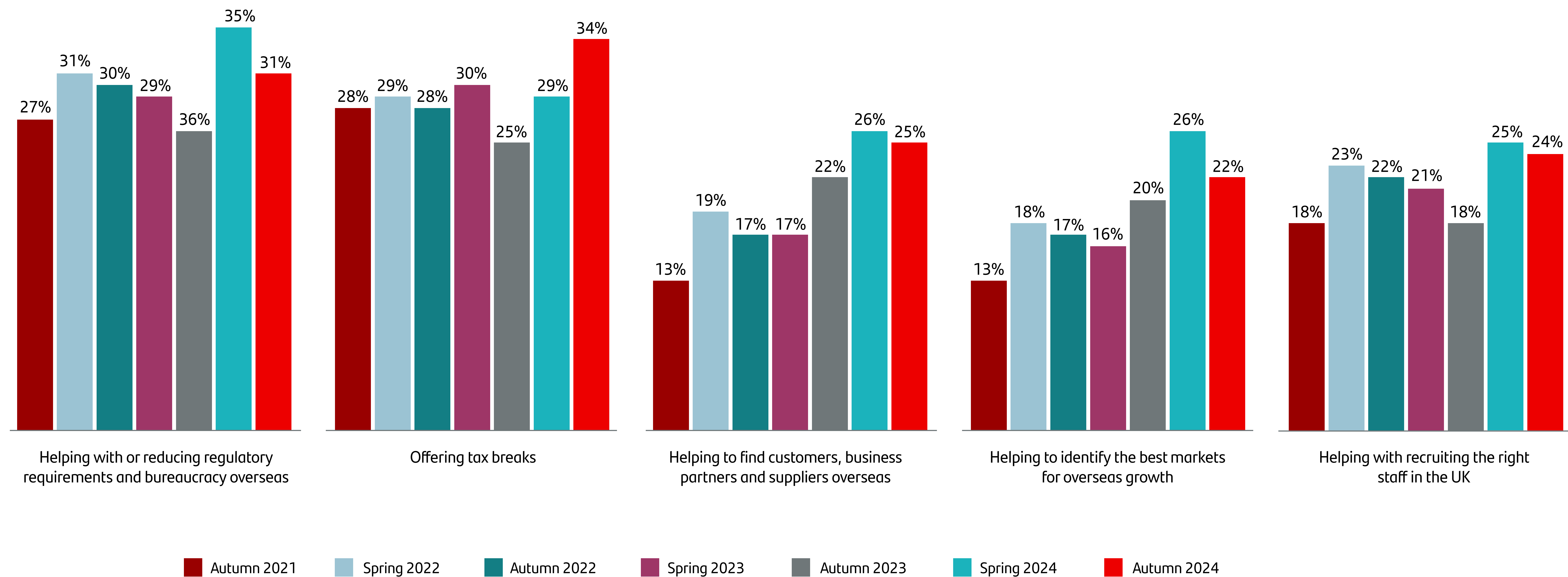
	Rising costs or inflation	Sluggish global economic growth	Sluggish growth in core markets	Geopolitical risks in core markets
Total	29%	27%	24%	21%
Manufacturing	23%	31%	24%	22%
Energy, construction and engineering	40%	20%	14%	13%
Wholesale and retail	41%	21%	30%	16%
Technology, media and telecoms	22%	31%	23%	25%
Finance, property insurance and legal	19%	34%	30%	38%
Professional and admin services	29%	31%	20%	25%
Travel, tourism and leisure	37%	29%	30%	14%

Section 3

Businesses want stability and government action to help with their trade journey. By doing so, businesses can deliver on the current confident outlook and mitigate some of the operating risks we've talked about.

There are heightened calls among UK businesses for government and third parties to support with international trade ambitions. 31% want help with reducing regulatory requirements and bureaucracy overseas (compared to 26% this time last year). There's also increased demand across all forms of international trade support compared to a year ago.

Figure 8: Support from government and third-party facilitators



Drivers of growth

The context to this latest wave is a landmark change of government in the UK. The Labour Party's victory in July 2024 was the first time we've seen a change of government in the history of our research. A major agenda item for the new government is facilitating an environment for growth and prosperity in the UK.

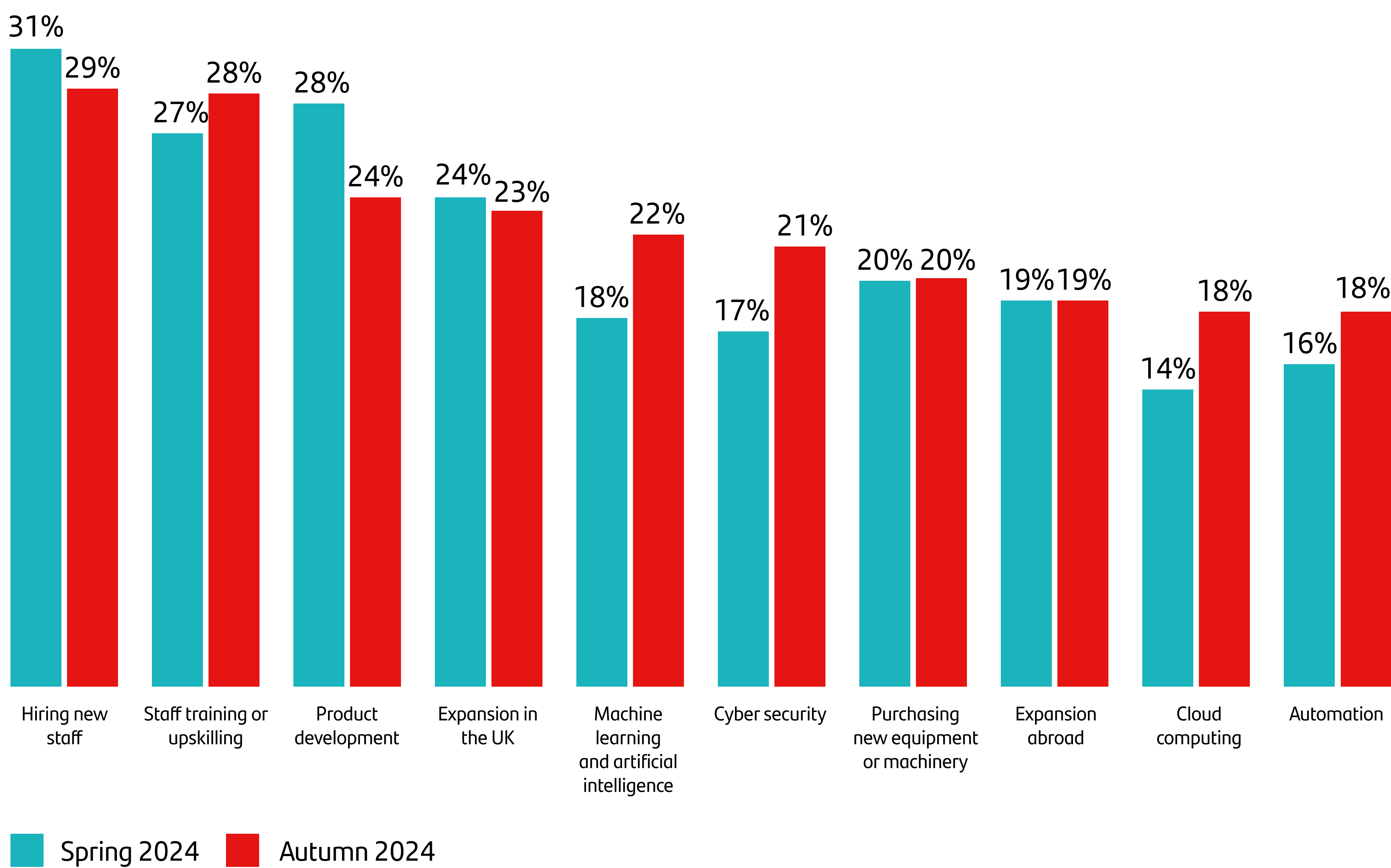
There are macroeconomic levers that can be pulled to stimulate economic growth. Notably, the Chancellor has made announcements related to planning, critical major infrastructure and energy security coupled with efforts to attract inward investment. But 'micro' action taken by businesses on the ground will also be key to drive growth both domestically and internationally.




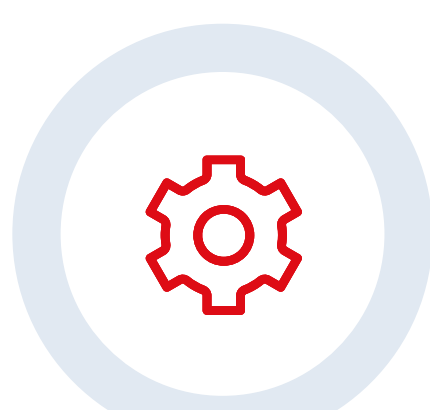
Technology as a growing business investment priority

Investments in people and skills development are the top investment plans for UK businesses in the year ahead. Machine learning and AI (22%) and cyber security (21%) are emerging as growing priorities for UK businesses. But investment plans differ by business profile. The largest businesses (by revenue) are developing investment plans into machine learning, AI, cloud technology and automation. Whereas, for small and mid-sized companies, staffing needs are top priority



Figure 9: Business investment plans over the next year



	Business size (revenue)		
	Under £10 million (net)	£10 million to £99.9 million (net)	£100 million or more (net)
 Machine learning and artificial intelligence	13%	20%	32%
 Cyber security	13%	21%	29%
 Cloud computing	10%	14%	31%
 Automation	10%	13%	32%

Harnessing innovation and technological developments

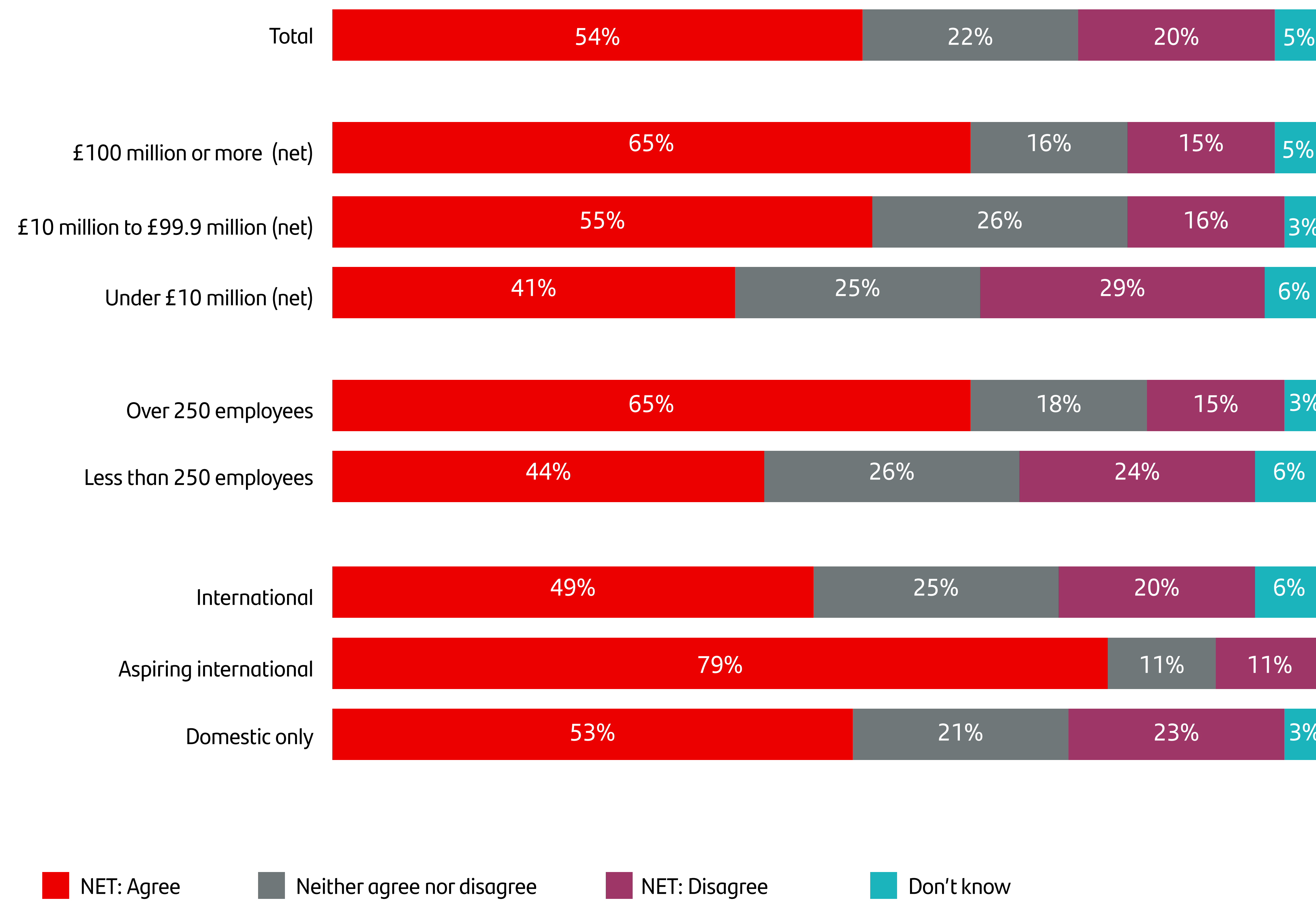
Overall, more than half (54%) of businesses are optimistic about the opportunities presented by AI. But, as seen with technology investment plans, large businesses (by revenue and headcount) are the most confident about AI's role in helping them become more productive and profitable.

We also find that aspiring international businesses (not currently exporting, but with plans to in the near future) are more likely to feel confident that AI will benefit their productivity and profitability for their business. Businesses in London and Scotland are most confident about AI bringing growth to their business.

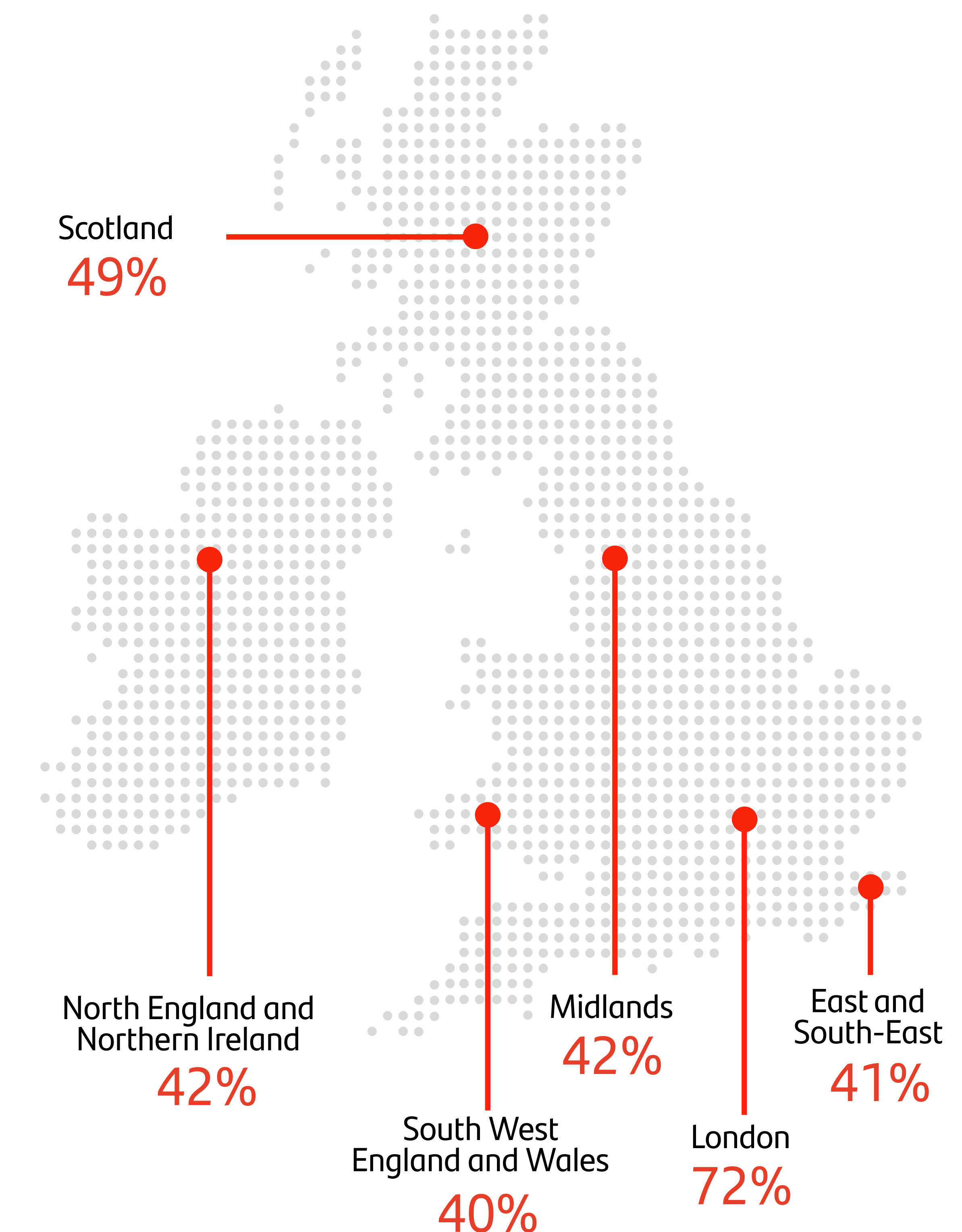


Figure 10: Confidence that AI will mean more productive and profitable business

'I'm confident AI will mean our organisation will become more productive and profitable'



Net: Agree *'I'm confident AI will mean our organisation will become more productive and profitable'*



Case study 3



Giuseppe Bomboi

Head of Key Accounts,
Netcall

Netcall empowers organisations to achieve business goals faster in a rapidly changing world. They offer versatile, high-impact solutions for process automation and customer engagement, all within a single, easy-to-use platform.

Their Liberty platform allows organisations to map and optimise processes, build game-changing business applications and automate workflows, driving significant productivity and efficiency savings. By delivering exceptional customer experiences, Liberty helps bring the best ideas to life—at speed and scale.

Customers see Netcall as genuine partners. More than 9 out of 10 customers are happy to recommend them.

Navigating local regulations

Netcall's solutions are cloud native, so selling internationally comes without the challenges that many UK exporters face when moving physical goods.

Head of Key Accounts, Giuseppe Bomboi says 'It doesn't really matter whether the data is stored in the UK, EU, the US or the Asia Pacific, we work with our customers to understand the regulations appropriate to the applications and services they build on the Liberty platform, especially when it comes to operating within the European Union and the UK GDPR.'

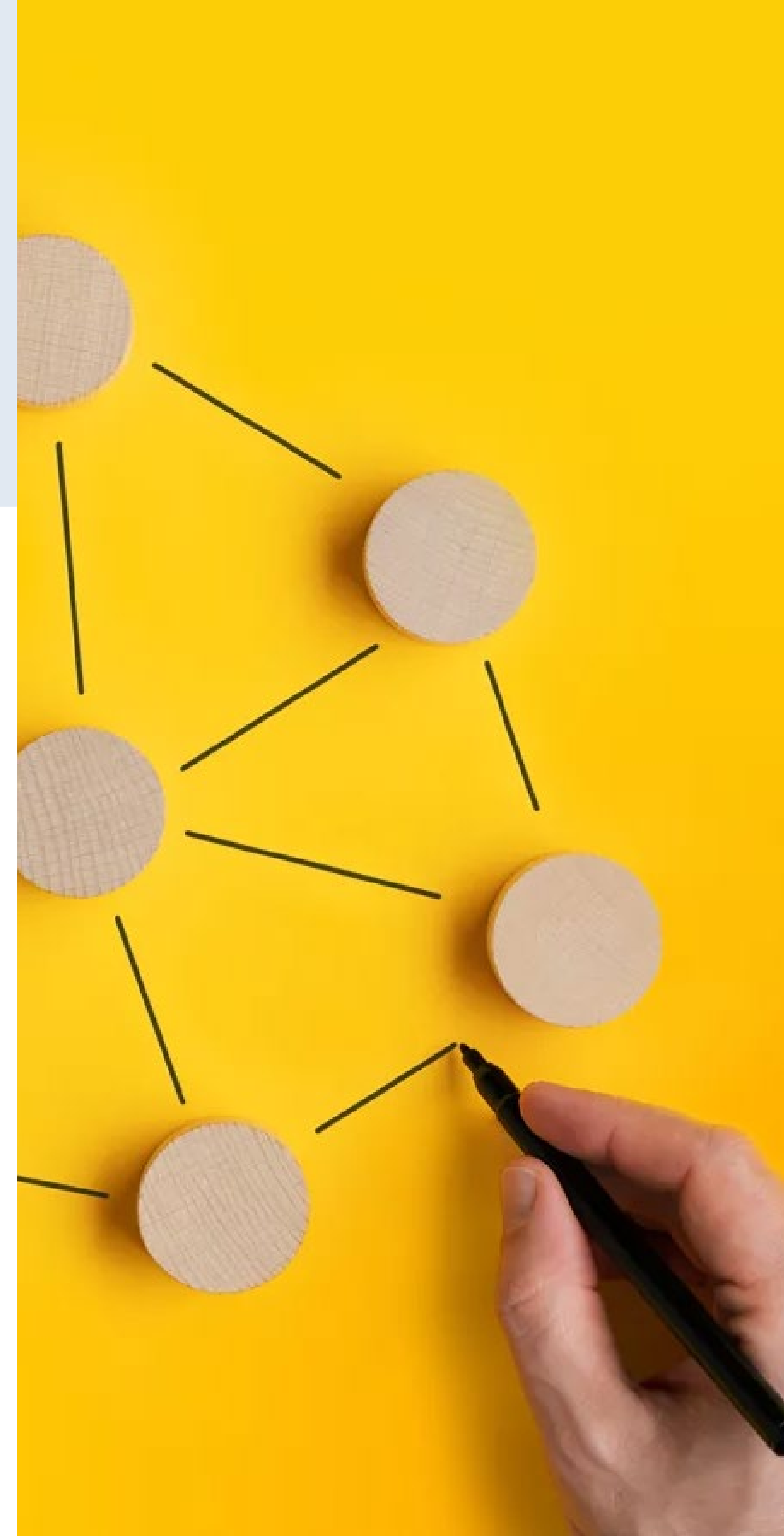
Expansion strategy

Operating in a business-to-business marketplace Giuseppe says that 'We have enjoyed organic growth, with many of our large-scale clients originally using the software we offer in just a single country. After a positive experience with us in one market, we are then able to upsell and further expand with the same client in their other locations around the world. Naturally, this goes beyond the software, we are now building on these experiences and expanding our partner ecosystem that includes niche specialists and global advisory firms.'

Working with Santander and taking every opportunity

Giuseppe says that 'Santander has helped to facilitate introductions with contacts in parts of the world where we did not have connections through networking and events. We now have connections in the US and are building networks in Europe, Canada, Saudi Arabia and Australia thanks to Santander. We can only go so far on our own, so being able to identify the right partners in other markets where we have ambitions is a real help.'

Netcall is growing quickly and enjoying great international expansion. This is helped by the type of solutions they offer and their ability to evidence the transformation and business efficiency improvements they can deliver. Building on Netcall's experiences in the UK marketplace across healthcare, local government, housing, financial services and insurance, as well as field services allows Netcall to leverage these experiences. Plus contribute to the UK tech sector's international success by continuing to focus on making innovation accessible to all. Their recent acquisition of Govtech, experts in digital process automation, further enhances their automation offer.



Conclusion

There's great opportunity for UK businesses in international markets. We're seeing shifts towards new horizons in Japan and Nigeria in particular. In addition to this, and despite the post-Brexit reality, the EU represents a significant marketplace for the UK.

However, as our findings clearly indicate, businesses need support to unleash their full potential. Regulation and bureaucracy weigh heavily on ambitious businesses. Providing this support to businesses is vital. Providing expert support and guidance is vital to help businesses grow globally and increase sales around the world.

We continue to see clear trends within supply chain management. Geopolitical events of the last 2 years are still fresh in the mind of UK businesses. As a result, there's heightened awareness of supply chain vulnerability. We see continued moves to improve supply chain visibility and accountability, as notable action to nearshoring.

Harnessing technology is also becoming increasingly important for businesses with both domestic and international plans. There's a gap in the ambition and resources that smaller businesses are putting into strategic technology projects, compared to larger businesses who have the benefit of resources. Making sure all businesses feel that AI, and other advances in technology, will provide opportunities to become more productive and profitable, is vital to the success of the entire UK economy.

We're committed to providing strategic support to businesses that goes beyond traditional banking services.



Sample and methodology

Fieldwork carried out between 12 August and 1 September 2024 by YouGov. Total sample size of 1,001 UK businesses with minimum £1m annual turnover. Weighting targets have been applied in the UK to create a weighted sample, with the following proportion of businesses according to international activity:



Quotas were also applied to make sure that the proportions of businesses in various turnover bands corresponded with those of previous waves of the Trade Barometer. There have been 12 waves in total. Respondents were screened to exclude those without input into their company's domestic or international sales and procurement decision-making process.





Corporate & Commercial Banking