



# Santander Trade Barometer

*Spring 2024*



## Foreword

**We're delighted to bring you the Spring 2024 Santander Trade Barometer report. The Trade Barometer continues to deliver substantial insights into the attitudes of UK businesses towards growth, risk, and international trade and highlights opportunities and barriers to trade for businesses. Conducted twice yearly, it focuses on the evolving challenges and needs of businesses across economic sectors and all regions of the UK.**

In this latest wave, we have for the first time expanded the scope of the research beyond the UK to include perspectives from businesses in Poland, Spain and the US. This report offers high-level findings from these markets and enables a comparative analysis to the experiences of UK businesses. This international perspective will continue to build in future waves of the Trade Barometer.

Domestically, UK businesses are facing economic headwinds. The UK entered a shallow recession at the end of last year. This points to a wider, prolonged period of stagnant economic performance. The UK economy grew by 0.1% across the whole of 2023<sup>1</sup>, the weakest annual change in GDP since the 2009 financial crisis.

Given this context, the Spring 2024 Santander Trade Barometer has uncovered a significant finding: **international trade is becoming increasingly vital to UK businesses**. Almost half (47%) of those polled in our research say international trade is of increasing importance – more than double the number from 3 years ago.

There should be calmer waters ahead in the UK economy. In March this year, UK inflation hit 3.4%, its lowest rate since 2021. Within our findings, it is clear that businesses can see light at the end of the tunnel when it comes to inflationary pressures. And, whatever the outcome of the upcoming UK general election, both major political parties will promote a pro-business, pro-trade agenda.

Global developments continue to impact the UK's importers and exporters. Since the last wave of research, the conflict between Israel and Hamas has rippled throughout the Middle East region and disruption to trade routes in the Red Sea has directly impacted those dependent on the physical movement of goods.

Overarching geopolitical tensions continue to shape the global reality of international trade. Our findings reveal a trend of increased 'reshoring' among UK businesses. In particular, supply chain dependency on China is receiving greater attention. Almost a quarter (23%) of UK businesses who rely on China for inputs are in the process of moving their supply chain out of the country. The outcome of the US presidential election in November will likely set the mood music for global trade over the next 4 years. However, beyond the rhetoric, whoever wins the race seems likely to continue along the protectionist policy path we have seen in recent times.

Navigating the complexities of trade remains a challenge for businesses. Our latest findings indicate growing demand among UK businesses for support with regulatory requirements and bureaucracy overseas – as well as help to find customers, partners and suppliers in international markets. We can provide crucial support here. We have a strong, ongoing commitment to support businesses as they seek to convert their dreams of trade ambition into reality. UK businesses have a huge opportunity to move into new markets and increase their sales all around the world. Working together, we can turn that potential into reality.



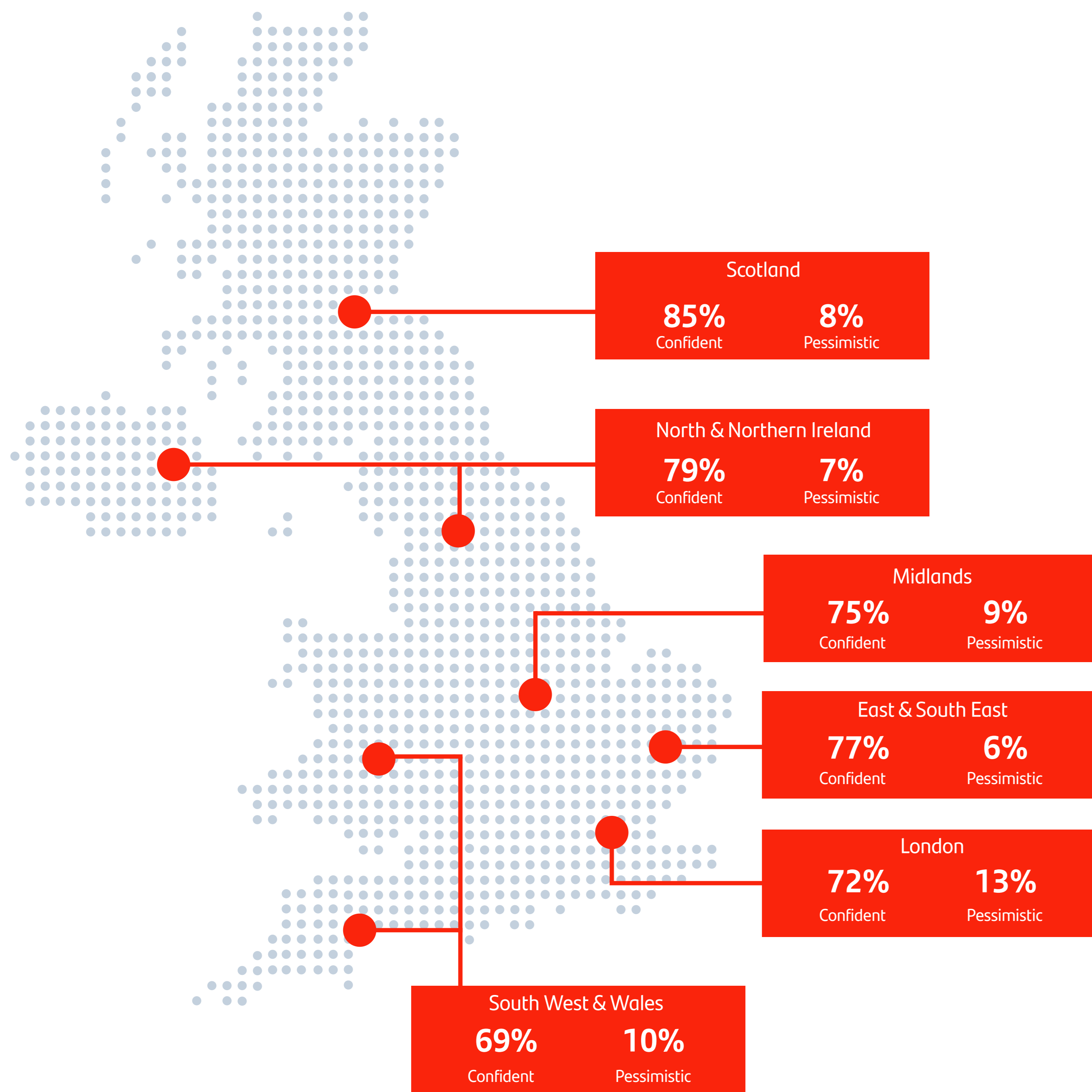
**John Carroll**  
Head of International &  
Transactional Banking,  
Santander UK

<sup>1</sup>Office for National Statistics, [GDP first quarterly estimate, UK: October to December 2023](#), February 2024

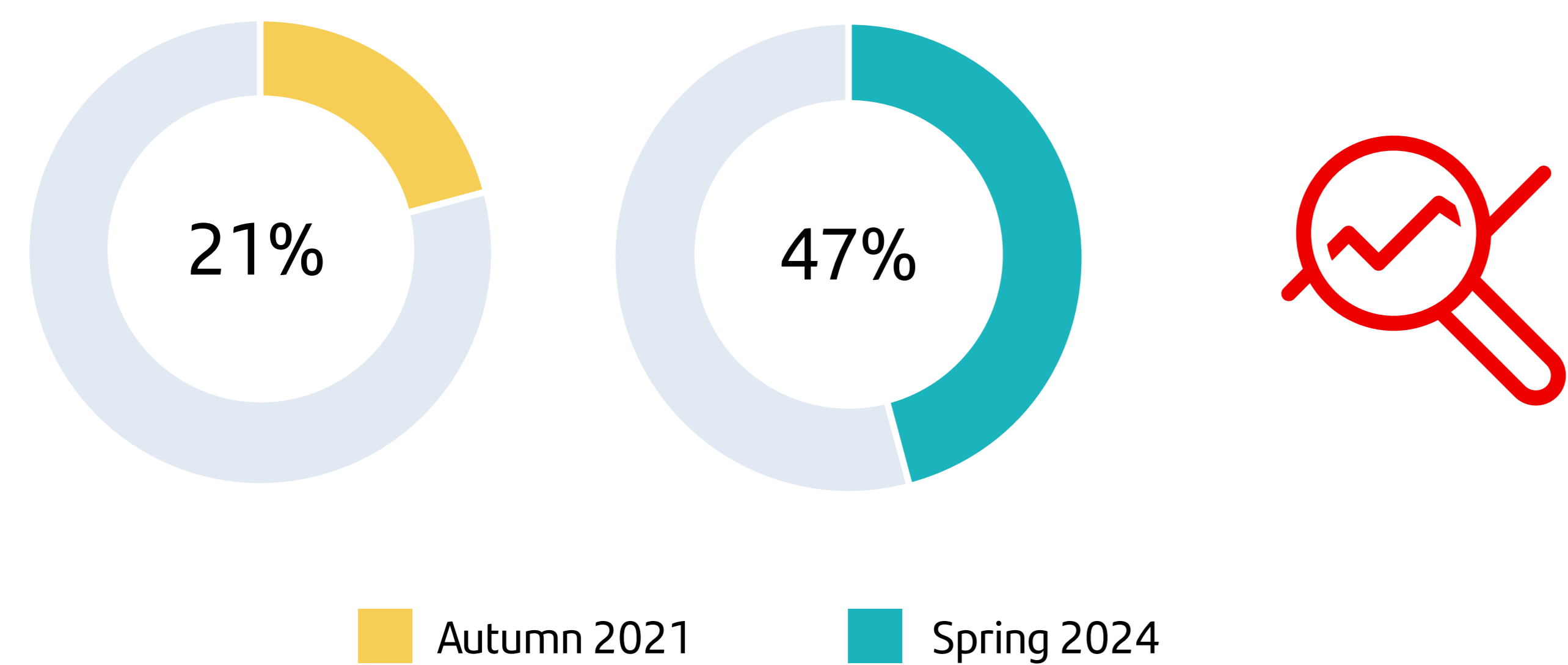
# Executive Summary

Overall UK business confidence has risen but there are still notable disparities between regions and countries. The importance of international trade has more than doubled since Autumn 2021 with the United States, Canada and Australia being the top markets that attract UK businesses. Businesses are asking for more support with barriers to trade and just 22% of internationally trading businesses in the UK say international trade is easier than it was 5 years ago.

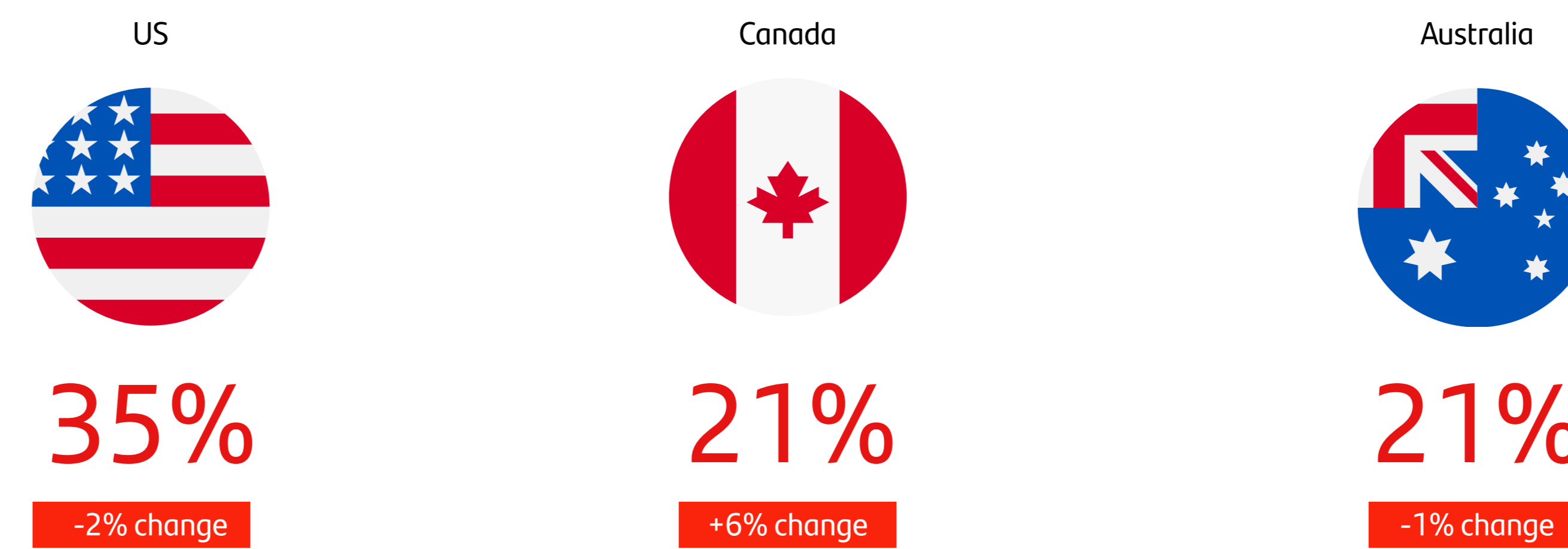
## Business confidence



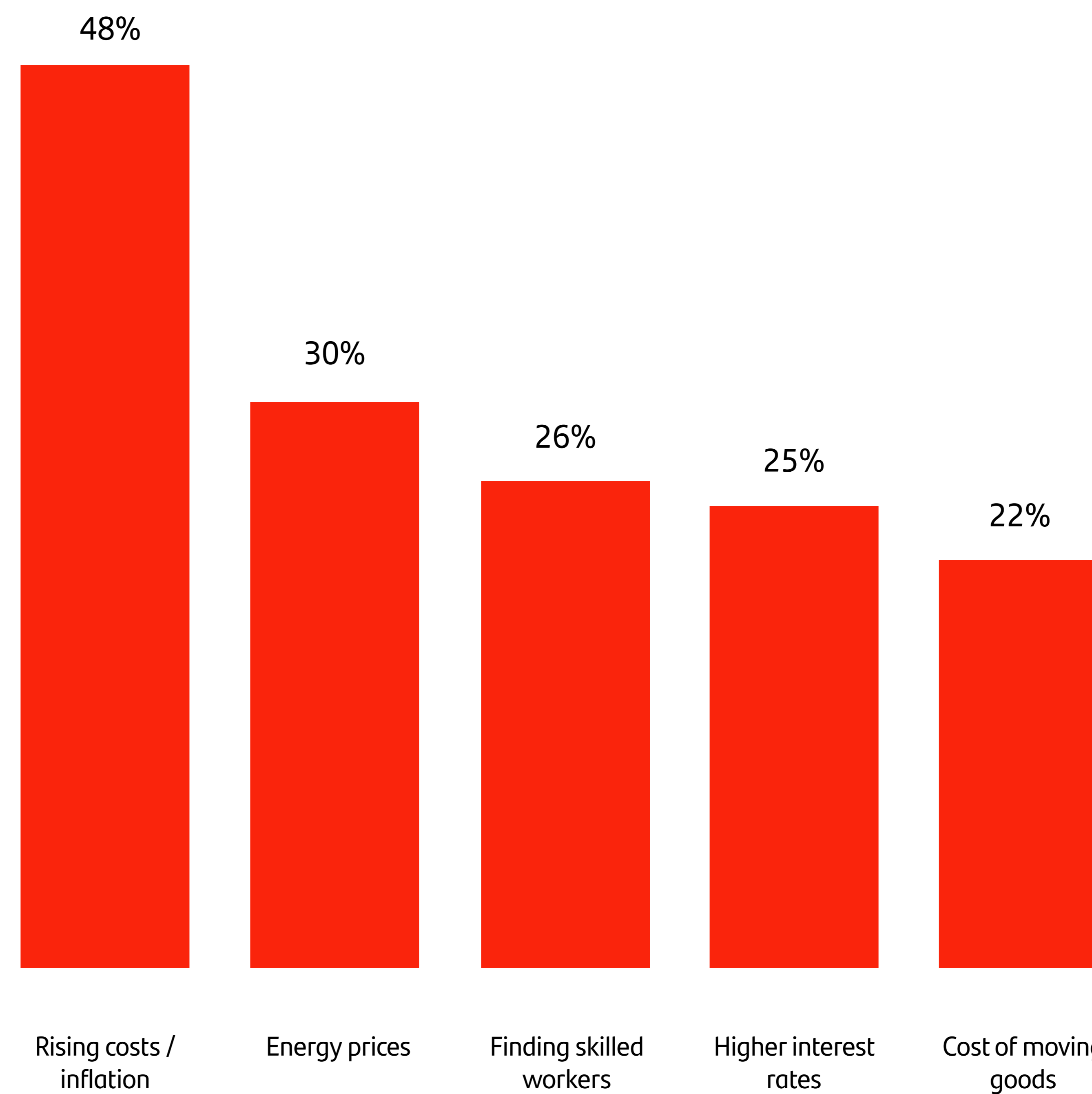
## Importance of international trade among businesses



## Top 3 markets of opportunity for those trading internationally



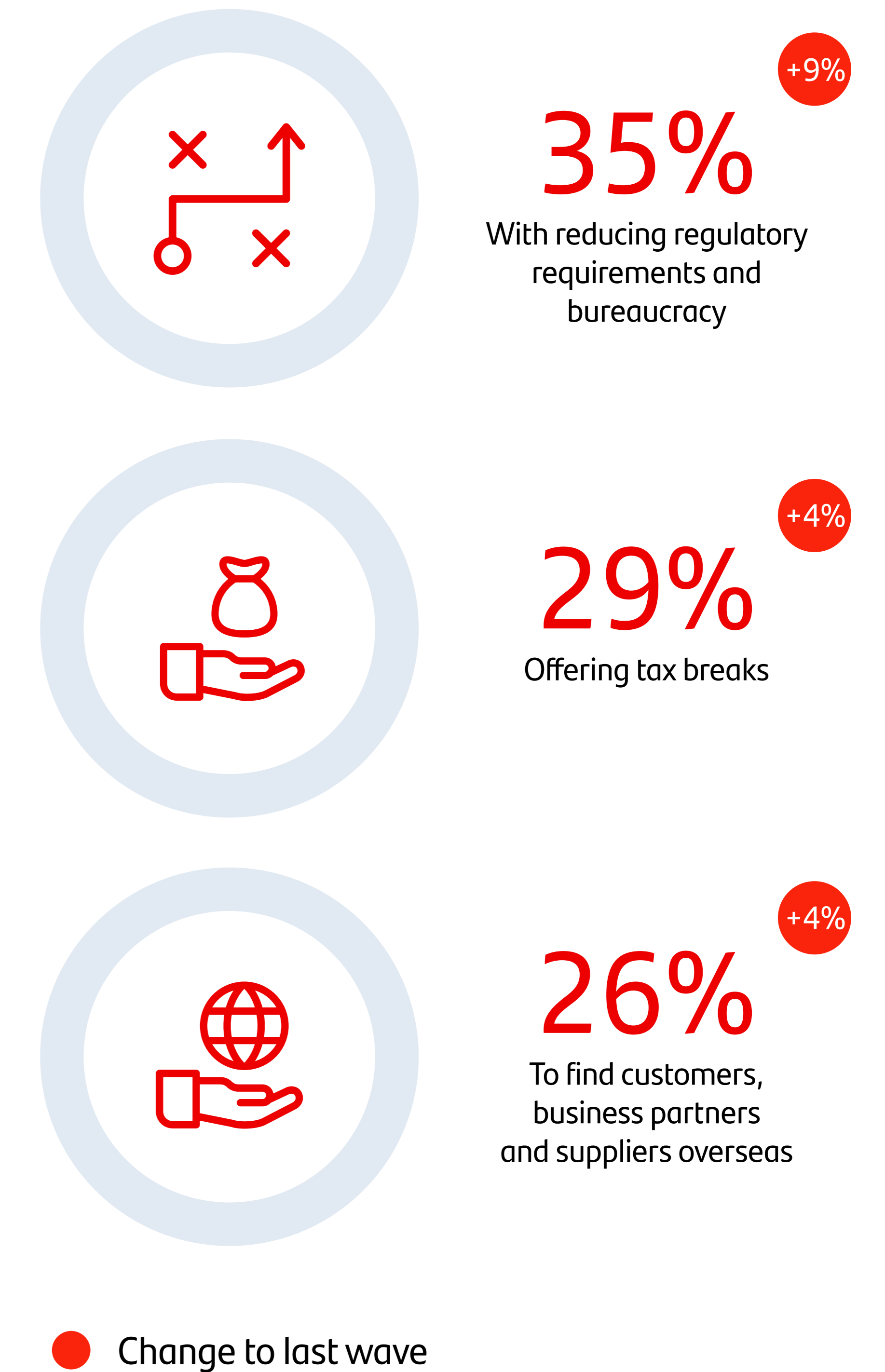
## Top 5 business risks



## The trading landscape...



## The desire for support



Section 1

# Business confidence and trade outlook

Optimism and the growing importance of international trade

The Spring 2024 Santander Trade Barometer shows that UK businesses are optimistic about their future prospects. Overall, 3 in 4 UK businesses (75%) are confident they will grow in the next 3 years, with 30% saying they are very confident, up from 22% in Autumn 2023 (Figure 1).

UK businesses have been operating in a tough domestic economy over the last 2 years. As a result, they're increasingly looking to international trade for growth. Almost half (47%) say that international trade is of increasing importance to them – more than double the number saying this in Autumn 2021 (Figure 2).

A consistent Trade Barometer finding across 7 years of research is that businesses with an international footprint or international

ambitions are healthier and more resilient. Clearly, tougher domestic economic conditions have brought this into sharper focus.

Our evidence shows that 28% of internationally trading businesses surveyed expect to have more than half of their revenue generated by international trade, a figure that has doubled in the last 2 years. This is also compared to 20% of US, 25% of Spanish and 17% of Polish businesses who said the same thing (Figure 3).



Figure 1: Business confidence over time

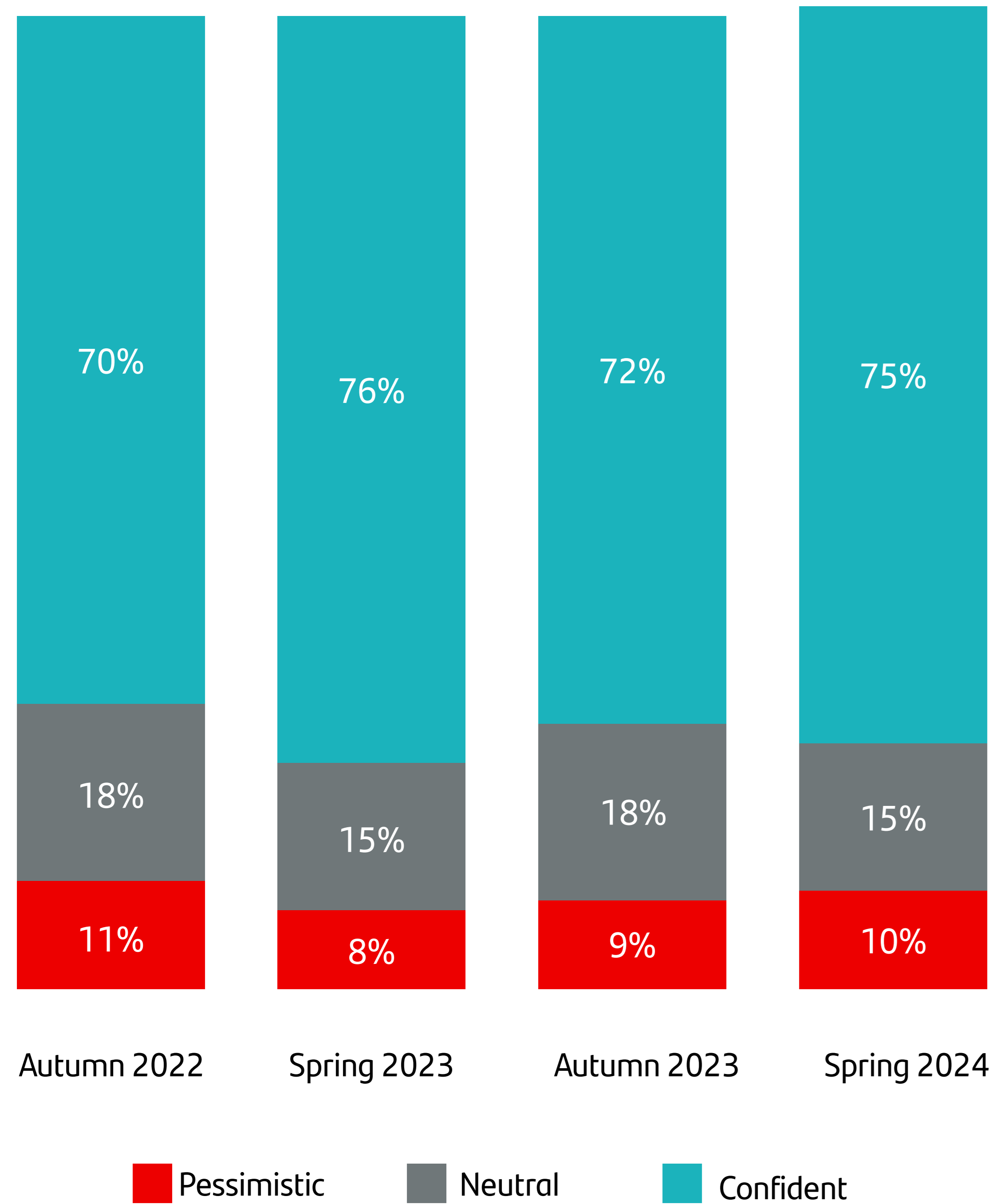
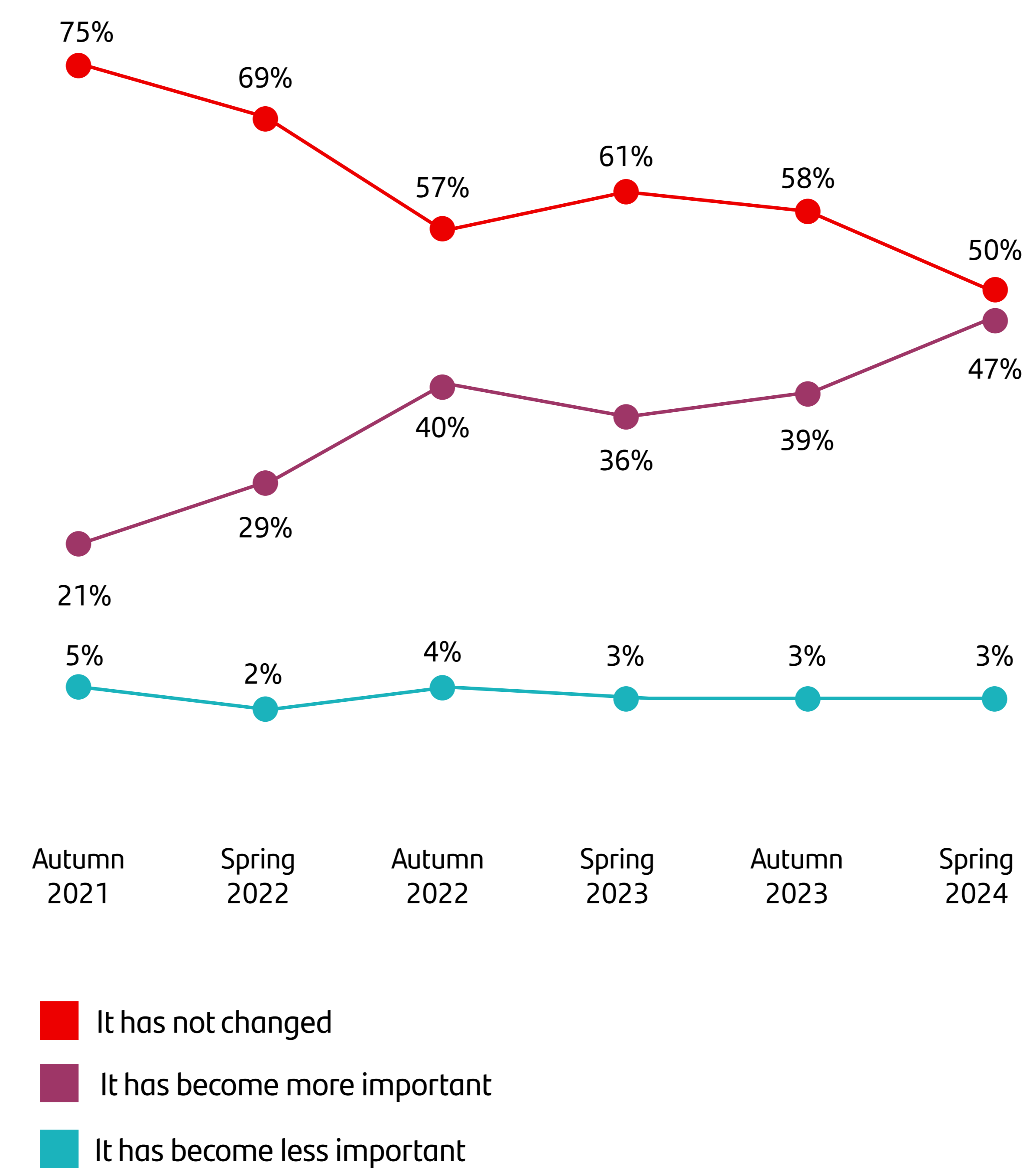


Figure 2: Increasing importance of international trade among all businesses

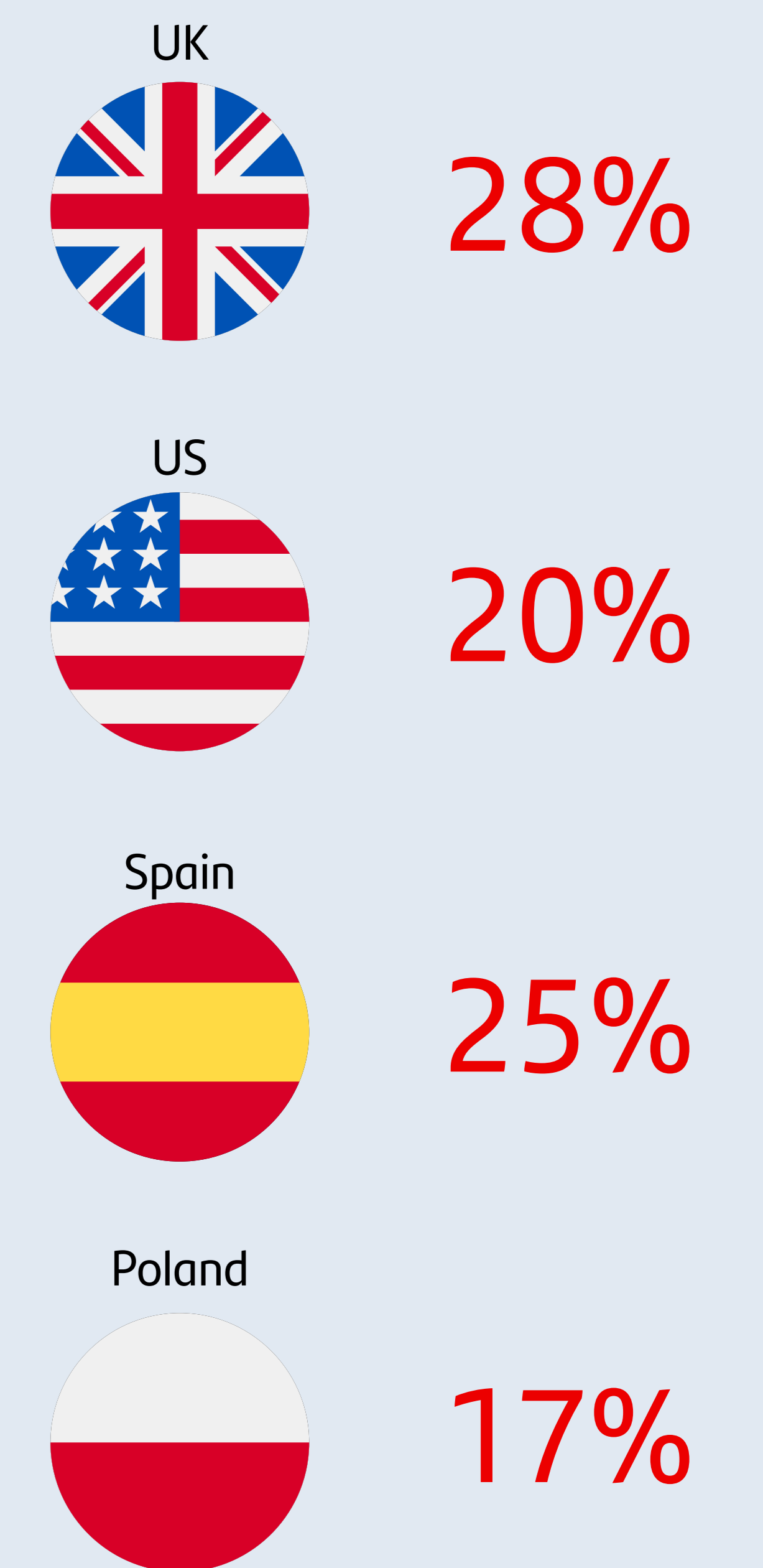


Increased importance of trade



Country comparison

Figure 3: Expected revenue from international trade over the next 12 months (those saying more than 50%)



Section 1

It therefore comes as no surprise that trade ambitions are on an upward trajectory among domestic (UK only) businesses. More than a quarter (28%) of UK only businesses (up from 21% in Autumn 2023) are considering international expansion in the next 3 years (Figure 4). Significantly, this is the highest level in 4 waves of the Trade Barometer.

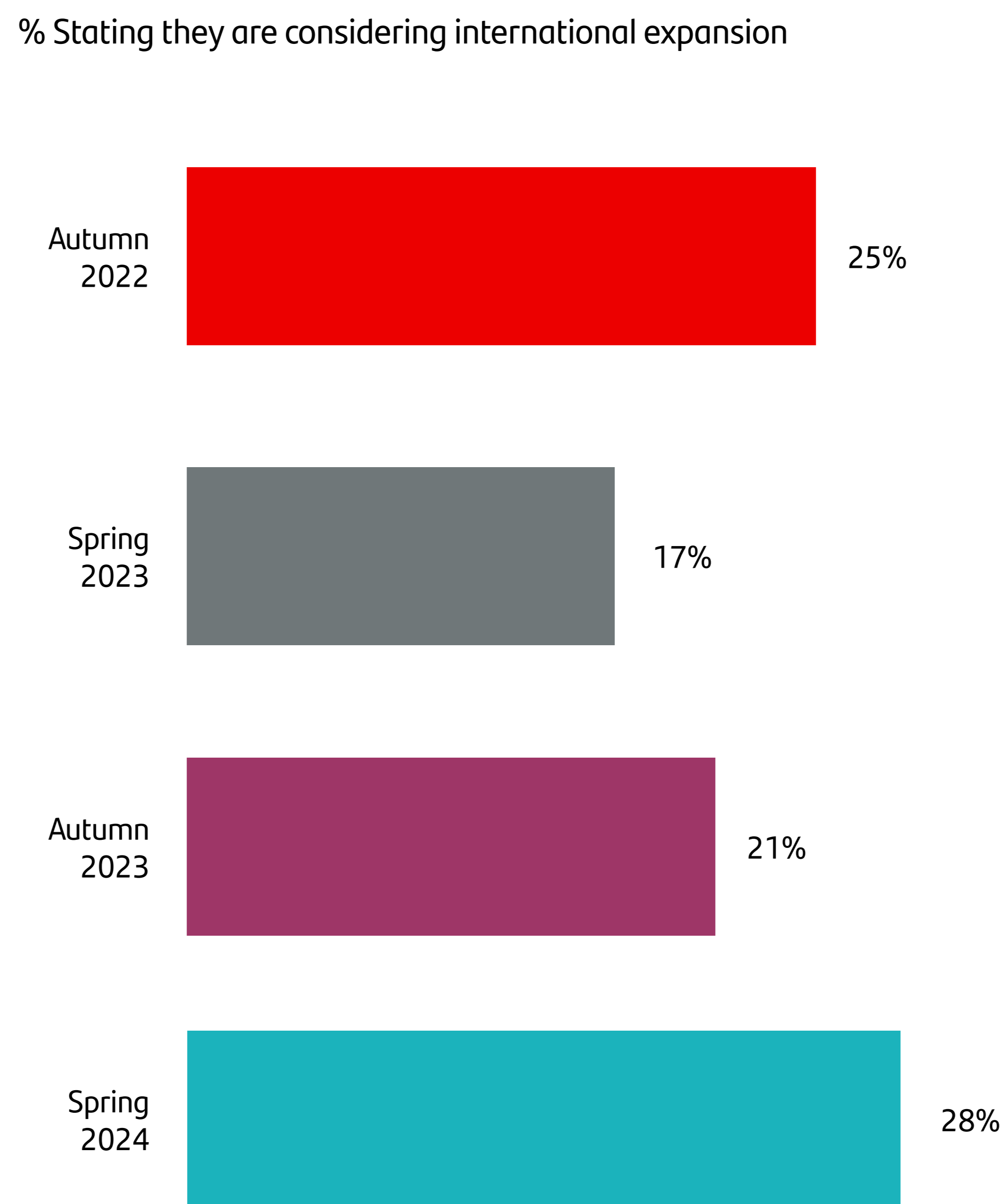
**Horizons of opportunity**

Naturally, this raises the question of where British businesses see the opportunity? As a collective, EU countries continue to provide the most attractive growth prospects to UK businesses. But respondents say they expect the greatest future opportunities to come from markets that are further afield, including the US, Canada and Australia (Figure 5).

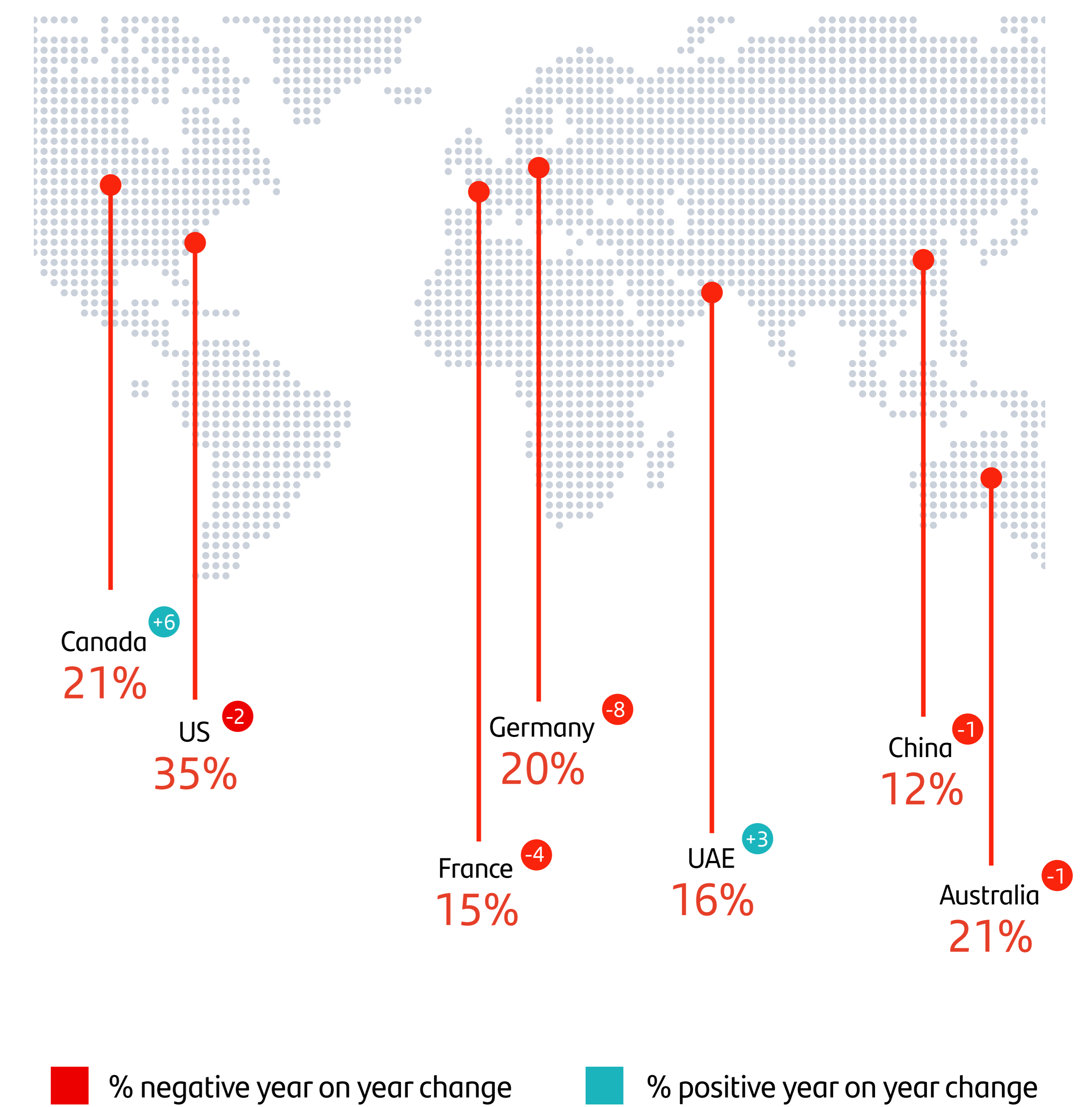
Many practical factors are likely feeding into the future attractiveness of these markets to internationally trading businesses in the UK. The first and most obvious being a shared language, in addition to the cultural similarities the UK shares with each country.

Given the size, strength and resilience of the US economy, UK businesses will always look across the Atlantic for opportunities. Meanwhile, the latest wave of the Trade Barometer reveals a significant improvement in perceptions of Canada as a market of opportunity – despite the suspension of negotiations for a new UK-Canada trade agreement at the start of this year.<sup>2</sup> Alongside this development, the percentage of internationally trading UK businesses considering Germany or France as an attractive future growth opportunity has declined notably over the past year (Figure 5).

**Figure 4: Increased consideration of international expansion among domestic businesses**



**Figure 5: Markets of opportunity identified by international UK businesses**  
% UK businesses seeing as a growth opportunity - top 7 markets



Country comparison

Figure 6

Across the 4 markets now included in the Trade Barometer, business confidence (how confident businesses are that they'll grow), was highest in the US and lowest in Poland

Net Confidence



Businesses in the US and Spain are most likely to place importance on international trade due to challenges in the domestic economy

International trade has become more important due to challenges facing the economy



<sup>2</sup> There is an existing trade agreement with Canada which largely replicates the one that Canada has with the EU. Negotiations for a new UK-Canada trade agreement were launched in March 2022. Negotiations were suspended in January 2024 due to disagreements over access to agricultural markets.

## Case Study 1



**Rupert Duke**  
Co-Founder,  
G&I Spirit Group Limited

**G&I Spirit Group is an Essex based family run business born in 2017, creating beautifully smooth vodka, gins and flavoured tequilas, many of which are genuinely unique to them. They have clients all around the world, from North America and Europe to Asia. We're proud to have played a supporting role in their growth journey to date.**



### The attraction to international markets

Owing to strong supply chains, and good partner relationships, G&I Spirits' exports are expanding, with them recently increasing sales to 39 different states in the USA as well as many states in India. Rupert notes that for his business, international trade is a big motivating factor. 'Seeing your product being ordered and shipped to someone on the other side of the world provides a real buzz for the whole team here and a real time sense of achievement and purpose – it's great for morale and also gives a sense of purpose to everyone, so good for our well-being too.'

This feel-good factor can be as important as the financial reasons. He says, 'if we receive an order from India or America, you're not going to have an order for half a pallet, it will likely be a big placement. Not only are we moving large quantities of produce which turns into more revenue, but we see large swathes of people from all over the world enjoying what we have created.'

### Country difficulties and the reliance on good local partners

G&I Spirits want to increase business to more countries. However, Rupert acknowledges the issues with going international. 'Each country has different regulations, and even the 50 US mainland states are different – it's not about the cost of the license it is more about getting it right so there are no breaks in the supply chain. It's difficult to keep up but ultimately very rewarding.'

Time zone differences can also be challenging. 'When we finish the normal hours at work, America is just getting going for the day, and when asleep, India is in full swing – it's hard to combat all of these with a smallish team but luckily everyone here is conscientious, hard-working, professional and a team member. Some issues are combated with good local partners – we have great partners abroad who we trust to help us

with their expertise and we help them with ours, again it is all about being part of a team, wherever in the world you are based.'

### Difficult domestic environment

The other difficulty for the industry is the high domestic tax burden in the UK for drinks. 'We think this negatively impacts small businesses in the drinks industry from pubs and restaurants to clubs and bars. We have one of the highest duty payments on alcohol anywhere in the world.' Rupert's worry is the high burden is stifling innovation which other countries embrace, given 'other countries with lower duties have a wider variety of new drinks coming to market from within. Here in the UK the large brewers, many from abroad, are adjusting their ABV strengths to combat the rises in duty and taxes. They are introducing 3.2%, 3.4% and 4.2% beer, whereas the smaller craft brewers have difficulty adjusting this way and then struggle to compete.' Because of these changes, the Treasury actually received hundreds of millions of pounds less in duty since the increase in 2023. An action that is penny wise pound foolish you could say.

### The unique challenges for small businesses

Rupert believes politicians on all sides don't understand how small businesses work and with the high levels of tax in the UK, small businesses can't compete. 'It seems harder now for us [smaller businesses] to get in and show our produce because the industry giants have such vast resources, but there is little or no help from government. We are lucky in this, that we do work with a phenomenal lady from the Department for Business and Trade. We can't always afford to go to the large trade shows abroad. It costs too much for craft distillers but you need to be seen. Again, this is where overseas partners can assist and again we are missing the boat on exports around the world for this and other industries as a country.'

These conditions are some of the things Rupert wished he had understood before embarking on going global. 'We try to be proactive and dynamic as well as ahead of the game. Being ready for new challenges can be a worry but also rewarding when you get it right and pre-empt circumstances that are not within your control. For example, bottles from Eastern Europe are not available now and the companies remaining have full order books so they can't take on new clients. Luckily, we partnered with a fantastic company 6 months before the issue arose.'



# 79%

of businesses in the South East are confident they will grow over the next 3 years.

Section 2

# International trade in a challenging and increasingly divided world economy

Operating in the face of macroeconomic headwinds

**Inflation is still the single greatest economic challenge for UK business. 4 of the top 5 business risks identified in the Trade Barometer are directly cost related. Nearly half (48%) of respondents say rising costs/inflation is a major risk, followed by energy prices (30%), high interest rates (i.e. cost of servicing debt) (25%) and the cost of moving goods more generally (22%) (Figure 9).**



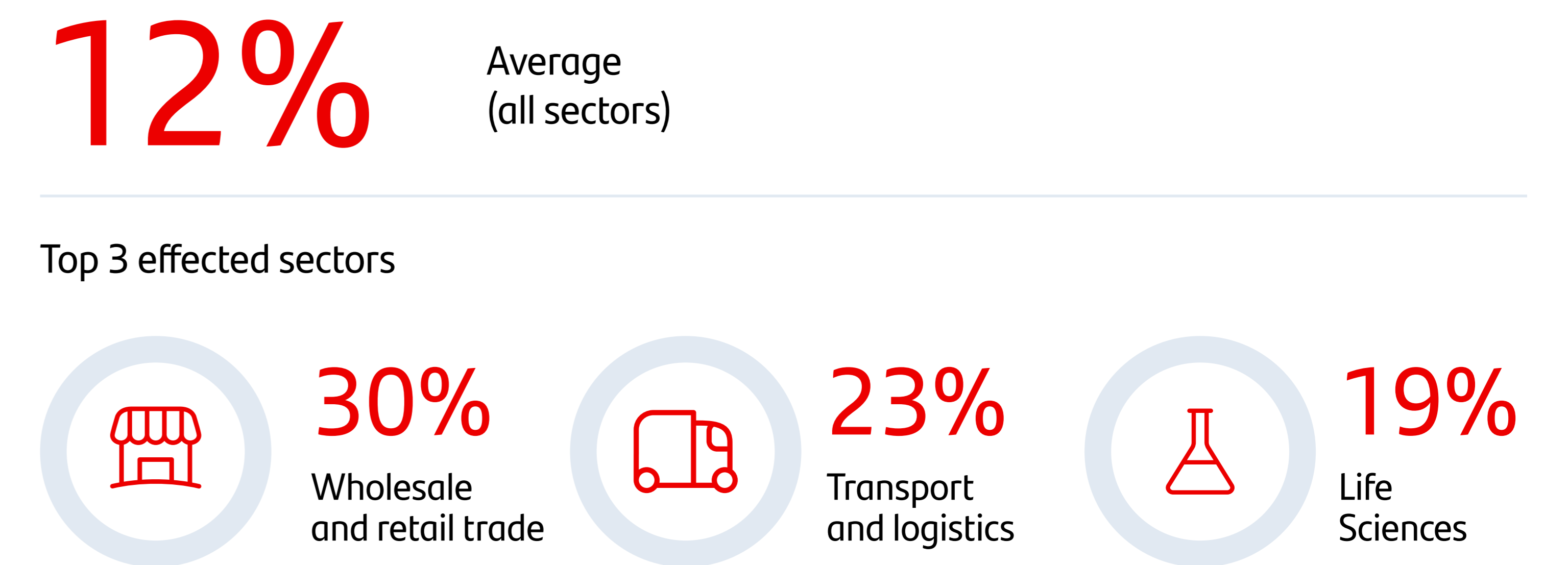
Labour and energy are the primary drivers of the inflation induced cost pressures that businesses are feeling. 57% of businesses said labour costs were difficult (up from 47% a year ago and 40% 2 years ago). However, after peaking at 61% last year, the percentage of respondents saying energy related cost pressures has declined to 47% in Spring 2024. This aligns with falling wholesale energy prices, but although prices have come down from their peak during the Ukraine conflict, they remain substantially higher than before the conflict. Other cost pressures, such as input/material costs (39%) and transportation costs (28%) have been on a steady decline compared to 2 years ago.

### Geopolitical developments

Our research also reveals the extent to which some sectors have experienced heightened risk because of geopolitical developments. For example, almost a third (30%) of UK businesses in wholesale and retail trade say the attacks on shipping in the Red Sea, and resultant impact on logistics, currently pose a threat to their business.

Approximately 15% of global maritime trade passes through the Suez Canal. Amid insecurity in the Red Sea, vessels are rerouting around southern Africa, increasing delivery times by 10 days or more on average.<sup>3</sup>

Figure 7: Impact of Red Sea shipping disruption on key sectors

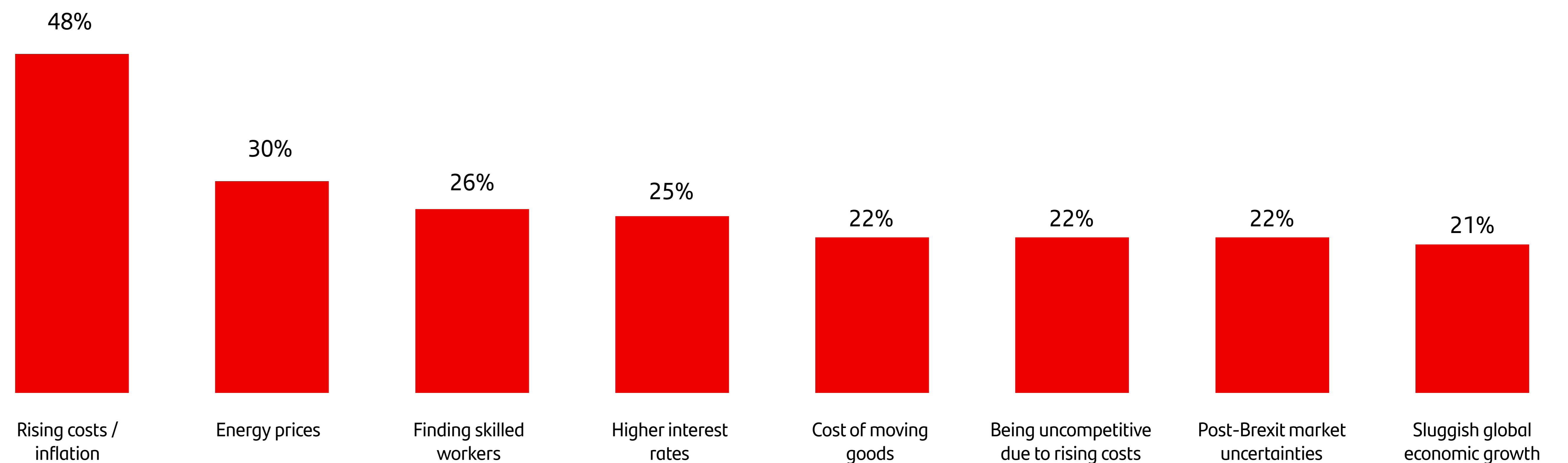


### Country comparison

Figure 8: Businesses in Poland are particularly exposed to high inflation and energy prices

	Rising costs/inflation	Energy prices
UK	48%	30%
US	40%	29%
Spain	37%	26%
Poland	47%	42%

Figure 9: Greatest risks to business growth – Top 8



<sup>3</sup> IMF, Red Sea Attacks Disrupt Global Trade, March 2024

*Light at the end of the tunnel*

UK businesses expect increasingly benign market conditions to emerge in the next 12-24 months. Significantly, inflationary pressures are perceived as a temporary issue: while 48% of businesses say inflation is currently a risk to their growth, just 26% expect it to be a risk in 12-24 months' time (Figure 10).

Of greater concern for the future is the sluggish nature of economic growth globally (28%) and in primary markets (23%), the market where goods and services are first produced or provided before being exported to other countries. The sense among businesses is that while the economic slowdown has been shallow, there will also be a shallow recovery, rather than a weighty bounce back (Figure 10). For businesses in the life sciences, 36% see the costs of trading internationally

as the primary risk, followed by geopolitical risks (26%). Manufacturing firms (26%) and technology, media and telecomms firms (25%) are the other 2 sectors most worried about geopolitical issues impacting their businesses over the next 2 years. Food and Beverage companies still see issues related to the cost of moving goods (30%), energy prices (30%) and generally rising costs / inflation (28%) as the major risks.

**Action on supply chains**

Beyond the macro environment, many businesses are looking inwards at their own operations and dependencies. As consumer, investor, regulatory, and employee expectations heighten and pressure for supply chain disclosures increases, the Trade Barometer finds heightened focus on visibility in supply chains (Figure 11).



Figure 10: Calmer waters ahead, with a slow emergence to growth rather than a bounce back

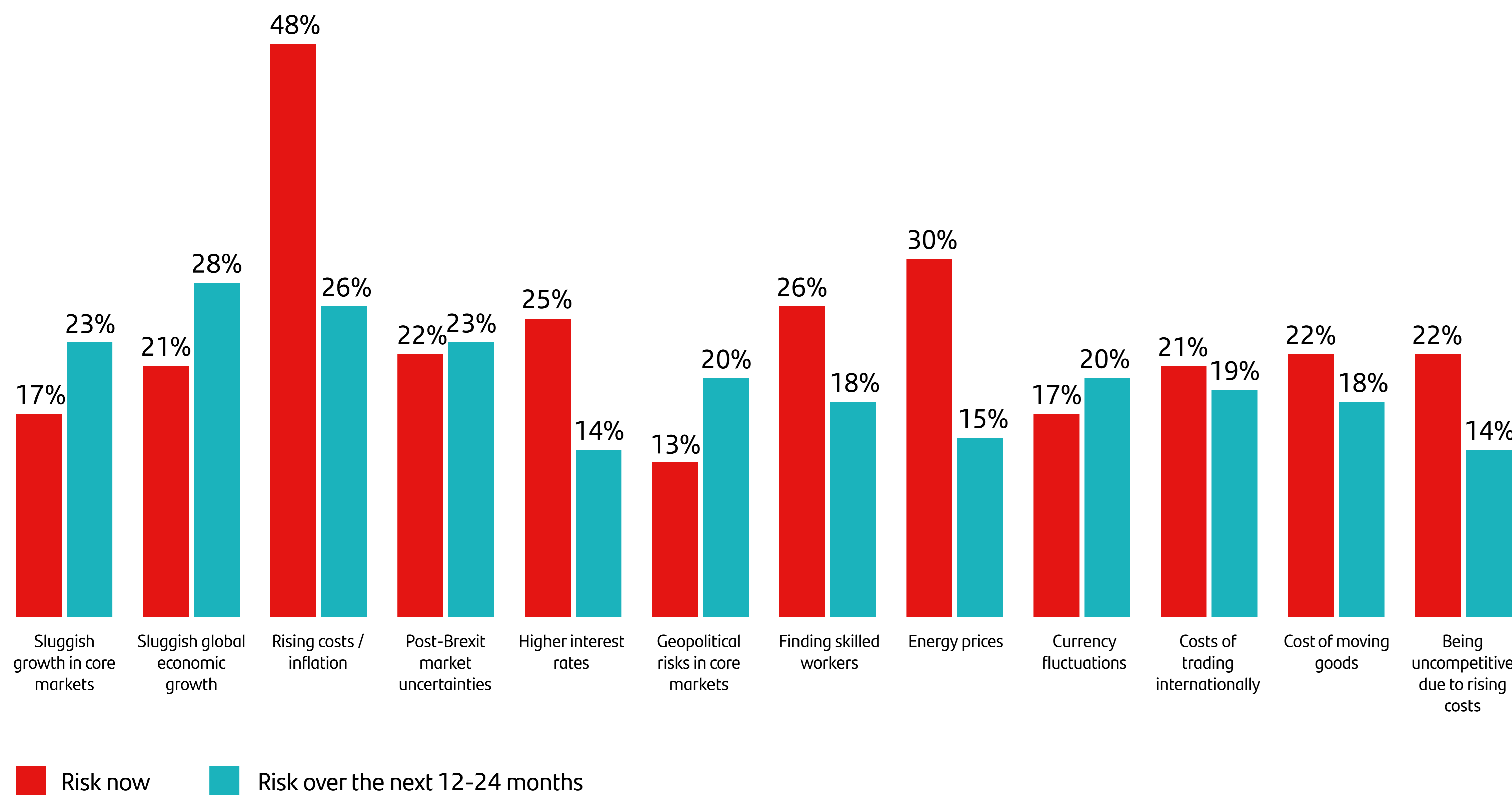
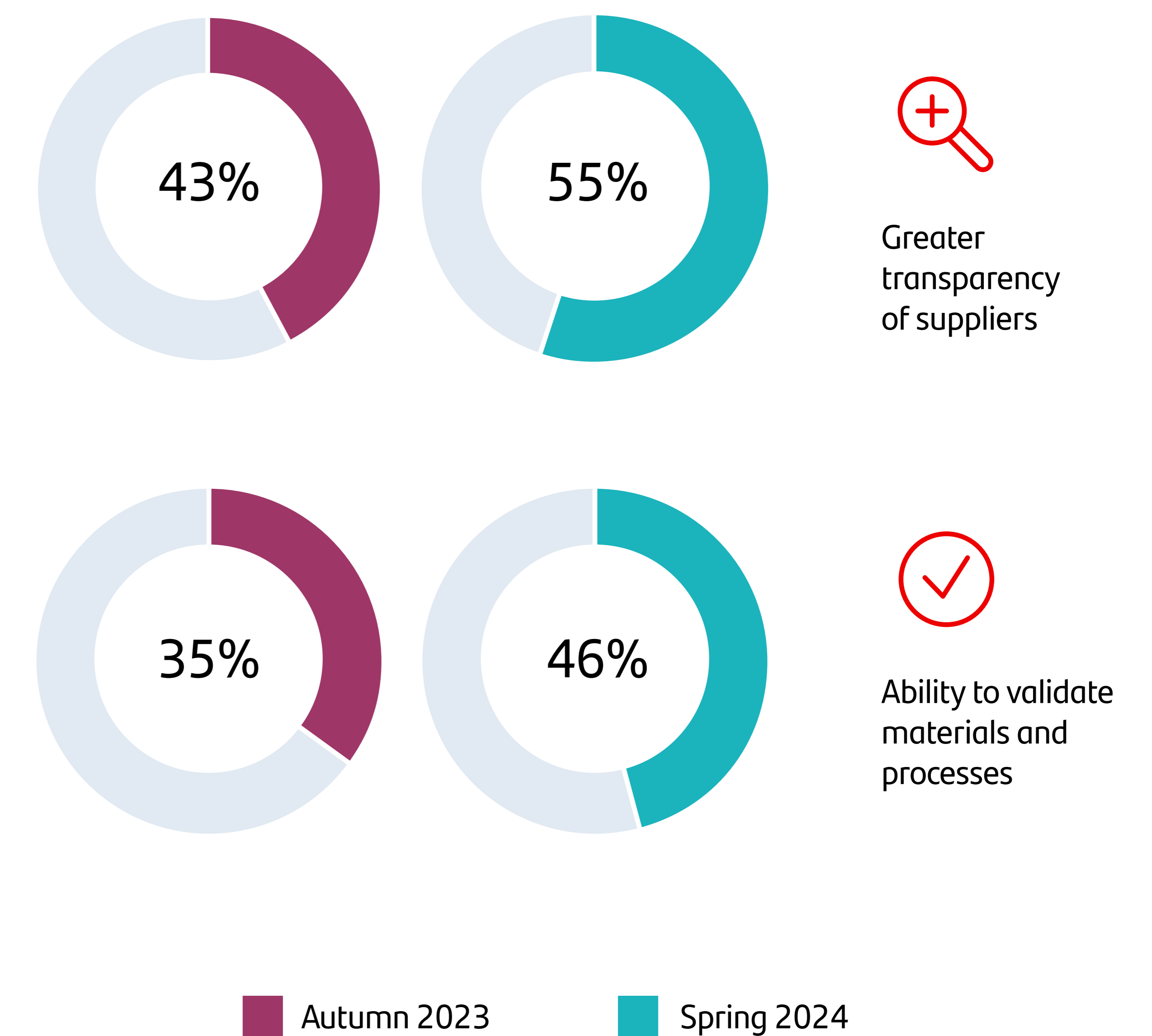


Figure 11: Among businesses taking action on their supply chain, the key drivers of activity are transparency and the ability to validate materials and processes





Section 2

More than 1 in 10 (13%) businesses in the Spring wave of the Trade Barometer plan to invest in supply chain transformation or diversification over the next 12 months, down from 20% in the Autumn 2023 wave. Action is being driven by a desire to gain insight and understanding of supply chains, through greater supplier transparency (55%) and validating materials and processes (46%). Supply chain transformation is also being driven by reshoring trends, the practice of transferring a business operation to a nearby country, which continue to develop.

Over a third (38%) of UK businesses already have (22%) or have recently (16%) moved their supply chains closer to the UK. Another 14% have not moved their supply chains but are planning to do so in the next 2 years and 18% have not done so but are exploring alternative options. 27% of UK businesses are not planning to move supply chains closer to home, but this is down from 34% a year ago. UK businesses that have moved or are planning to move their supply chains are targeting the UK market or the EU as their alternative (Figure 12).

Figure 12: Steps taken to move supply chains closer to home

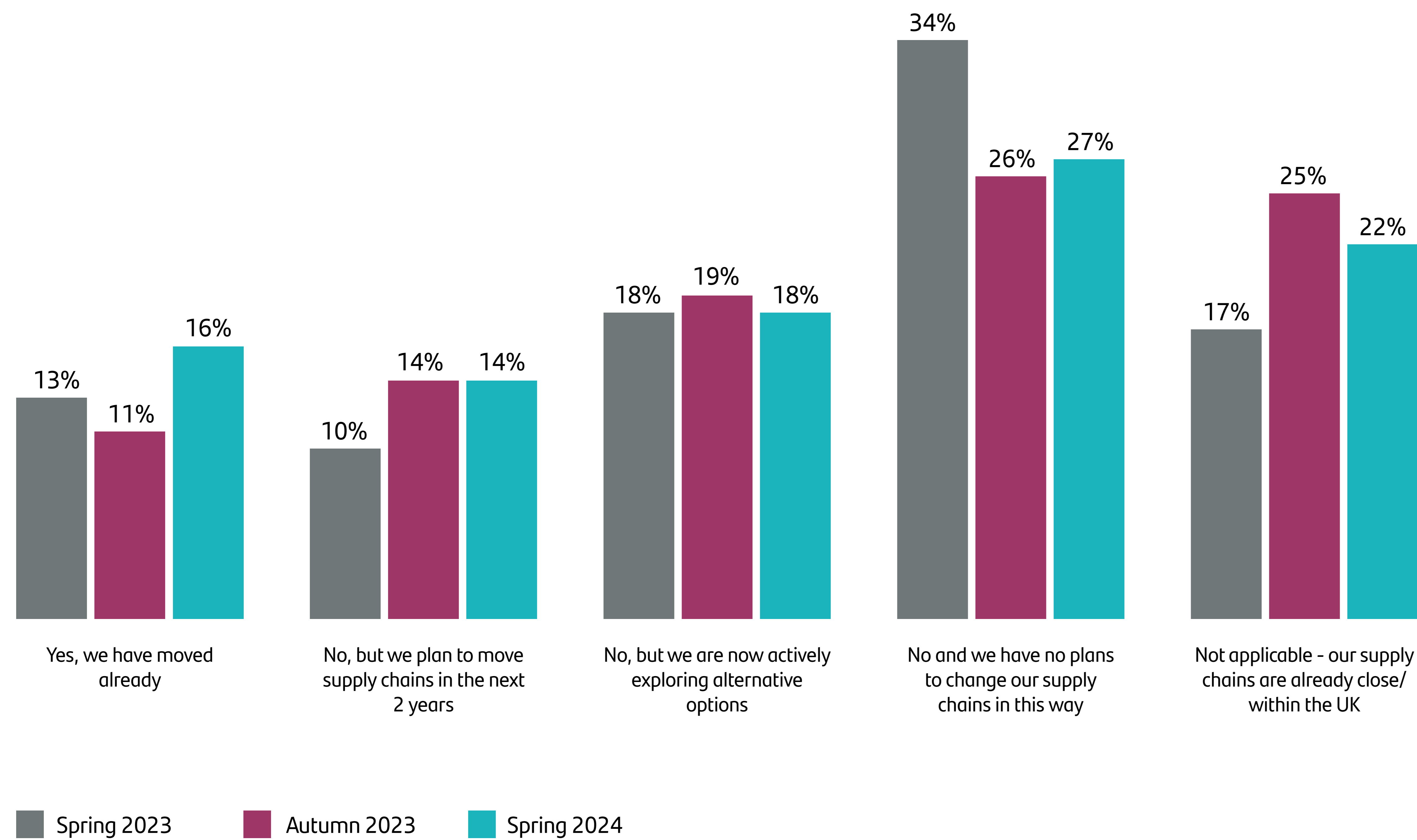


Figure 13: Top locations UK businesses want new suppliers to be located

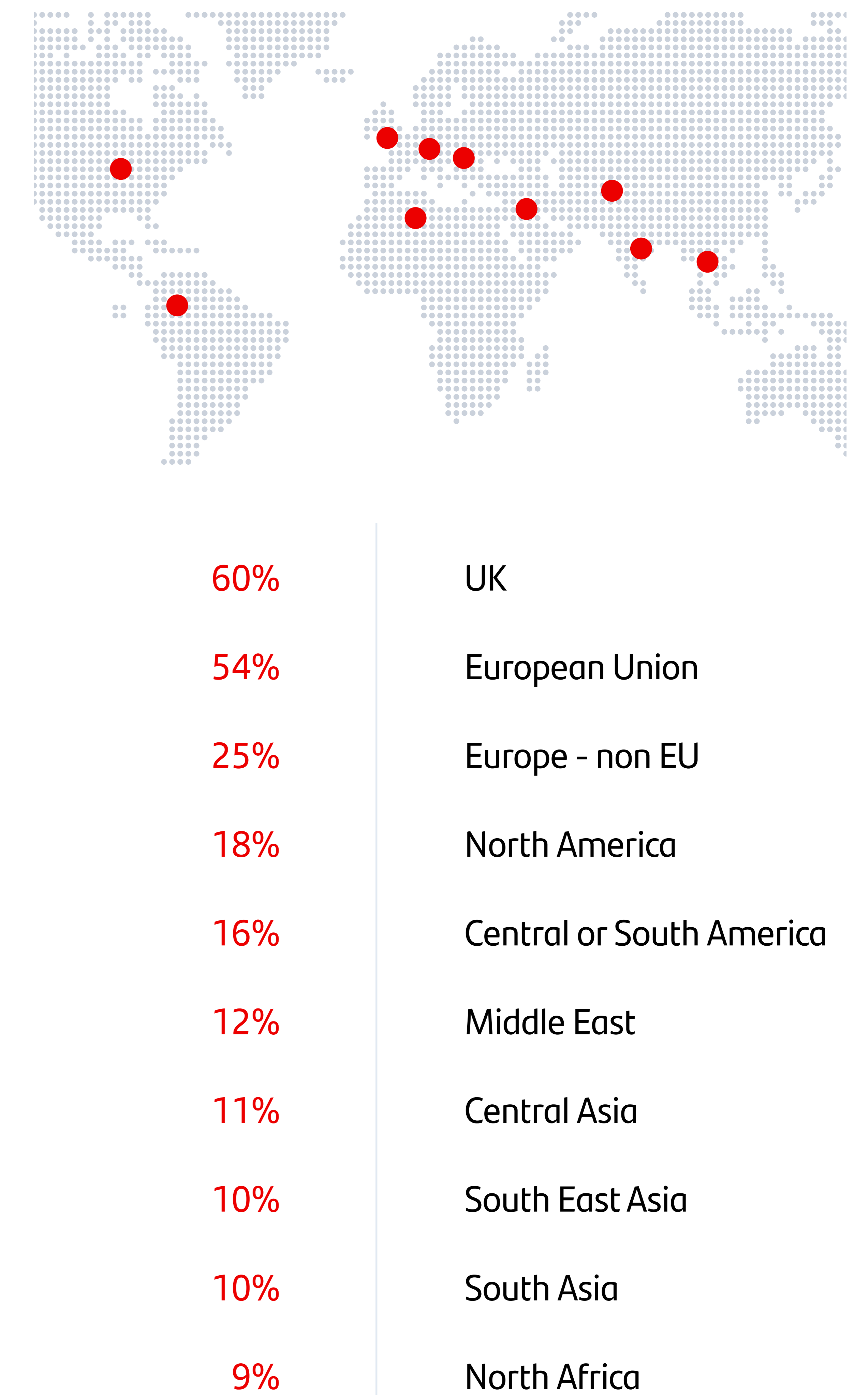
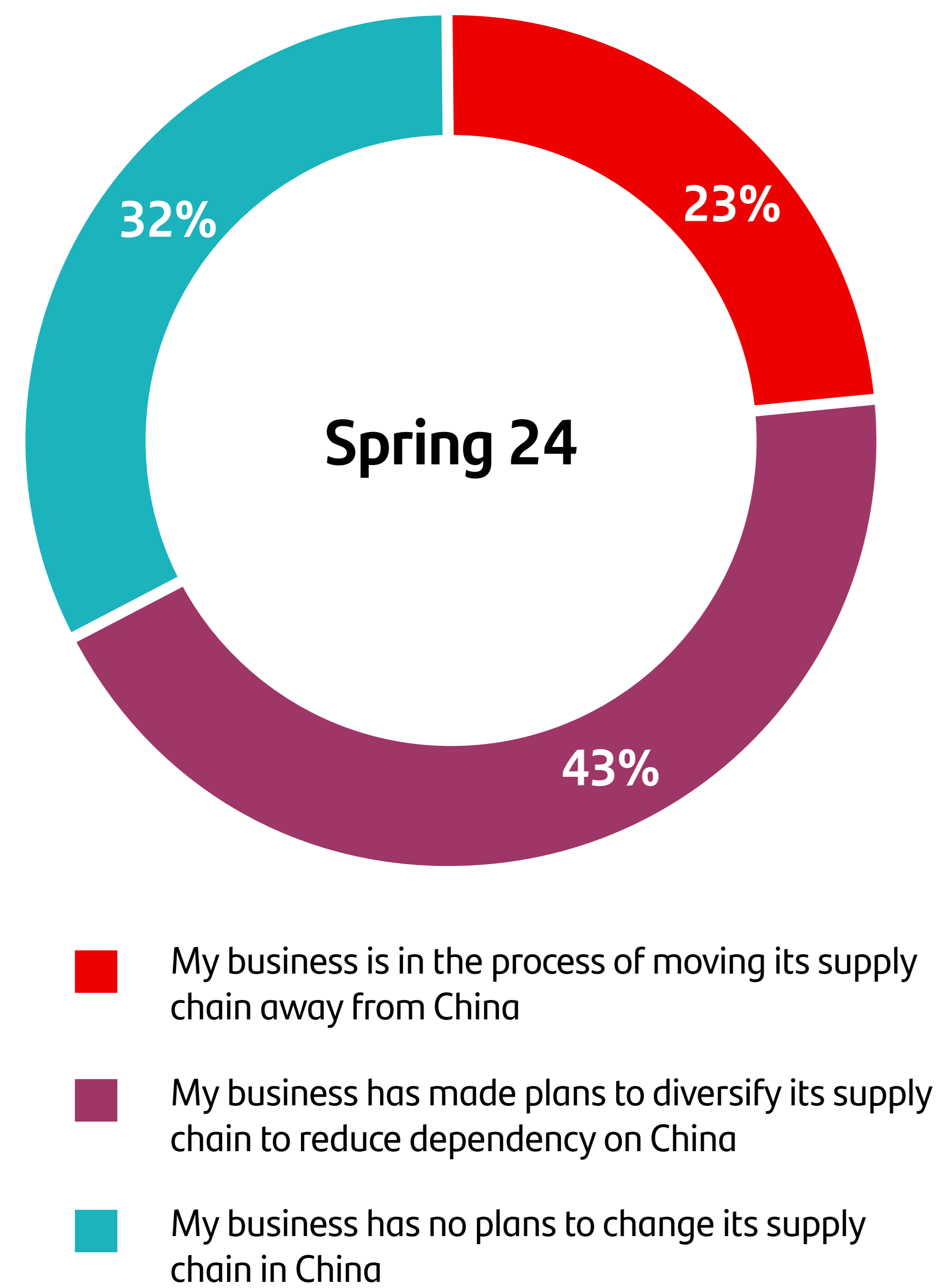


Figure 14: Movement away from China by UK businesses

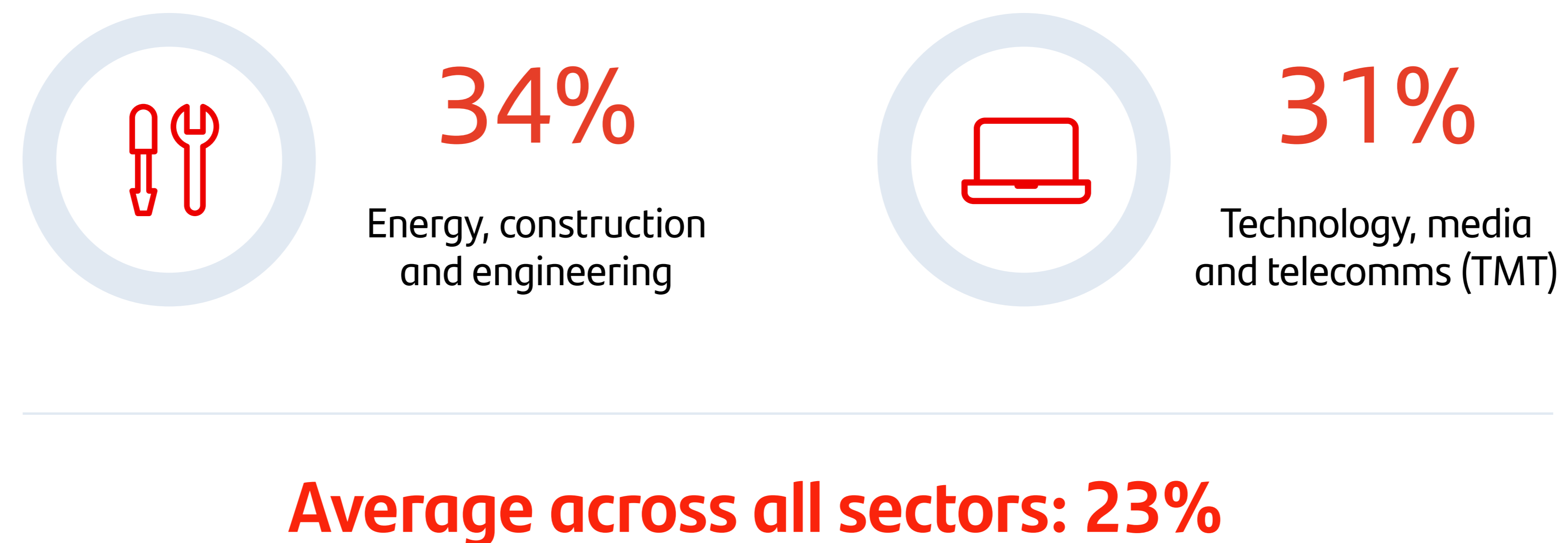


The issues of supply chain risk are particularly acute for businesses with dependency on China.

Within our research, 41% of UK businesses said they relied on China for at least part of their supply chain. Of those, two thirds (66%) are taking steps to mitigate their supply chain exposure to China, with 43% developing plans to diversify away and 23% already in the process of moving their supply chain away from the country, compared to 14% who said the same in Autumn of 2023 (Figure 14).

UK businesses in the energy, construction and engineering sector (34%) and in technology, media and telecomms (TMT) (31%) are most likely to say that they are in the process of moving supply chains away from China (Figure 16).

Figure 16: Sectors most likely to be in the process of moving supply chains away from China



Country comparison

Figure 15: US businesses are much more likely to be taking action on their supply chain dependency in China

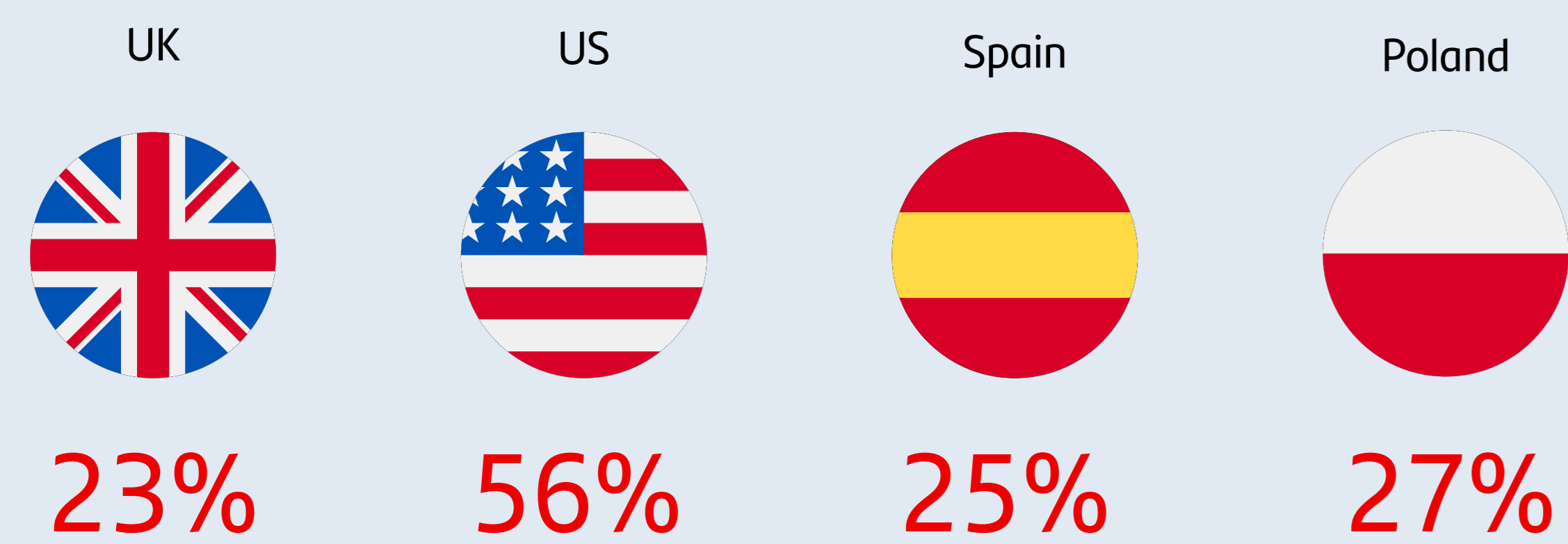


Figure 17: Sectors least likely to be in the process of moving supply chains away from China



## Case Study 2



**Stuart Hames**  
Head of E-commerce & Marketing,  
Zabou Casualwear Ltd

**With almost 2 decades operating in marketing and e-commerce roles for fashion labels, Stuart Hames shares his perspectives on the challenges facing Zabou's international growth.**



### Pursuing the benefits of international markets

Zabou Casualwear Ltd is a Lancashire based distributor for denim and clothing products. Over the last 50 years, Zabou has grown and now owns a variety of brands such as 883Police and Humanrace. The business now has more than 100 team members in various countries around the world.

Today, their international sales are emerging rather than established, but Zabou recognise the strategic importance of international trade. Stuart states, 'International markets represent a great opportunity to increase our revenue stream. The UK is congested and competitive, providing stiff challenges and therefore the natural place to increase our revenues is overseas.'

### Facilitating trade by cutting red tape

One of the main barriers Zabou experiences when it comes to increasing international sales is 'excessive bureaucracy' surrounding international trade. Stuart says that 'post-Brexit, the emergence of higher taxes, duties and red tape has put the brakes on the international trade.'

The burden is greater on smaller businesses, many of whom can't afford to have a dedicated international trade team. 'Unlike previous jobs I've had, Zabou doesn't have the wealth of experience when it comes to trade logistics, meaning the international sale elements fall to me in my role overseeing commerce. Some of the areas I've been trying to connect end to end... logistics, duties... are completely new to me.'

### Driving efficiency

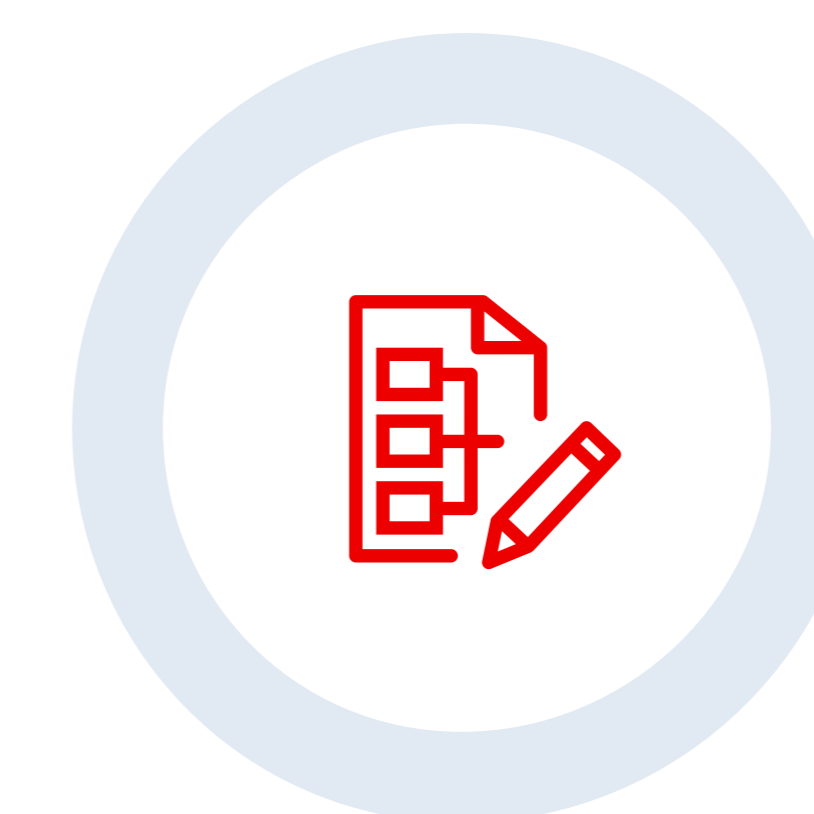
'Shipping internationally from the UK is possible, but it's costly and has a long process attached to it.' However, 'there are other issues which make trading harder. Zabou operate on a number of legacy systems, which presents an issue and contribute to a lack of efficiency.'

'We want to modernise Zabou's technology and data usage to have a better e-commerce and marketing offering, believing this will pump up international sales. If Zabou invests in a market leading Enterprise Resource Planning programme, that could help prevent us from missing out on international opportunities.'

Stock distribution is also an issue. However, there's no sure-fire solution. Stuart has contemplated trying to open a European distribution centre, which will facilitate easier deliveries to key Eastern European markets where demand is high. However, this also runs a risk if sales don't go to plan – if the stock doesn't sell it's more difficult to bring back to the UK than stock produced and stored domestically.

### Overcoming barriers to trade

Despite challenges, Stuart recognises that businesses need to 'invest the time and resource, and to shift their mindset away from focussing solely on the UK' to enable them to realise their full potential. 'But there is also support out there. Santander has been very helpful when trying to solve these international trade queries. The main issue is committing the time to promoting trade whilst also trying to do the rest of your day job to maintain the current UK performance.'



# 33%

of businesses based in North West England see excessive bureaucracy as a major challenge.



However

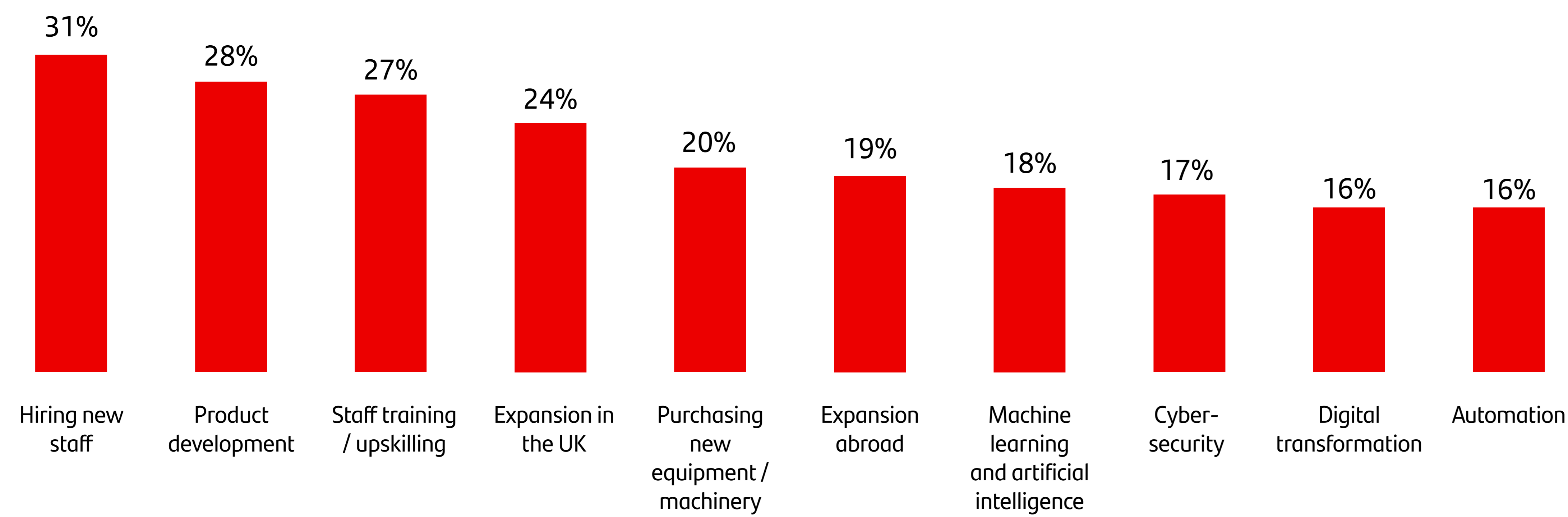
# 74%

of businesses in the North West are confident in their growth over the next 3 years.

# Charting a course for the future

Many factors will shape the future of trade for UK businesses with international ambitions, from internal drivers and investment plans to developing economic conditions and free trade agreements.

Figure 18: Priority investment plans



Over the course of the next 12 months 'People' and 'Product' are the top investment plans for UK businesses. UK businesses want to access new talent through hiring new staff (31%), but also wish to increase the productivity/output of their existing workforce by investing in training and upskilling (27%). 1 in 5 UK businesses (19%) have set investment plans for international expansion, a figure which rises to nearly 1 in 3 (32%) among aspiring businesses, those UK based businesses who are looking to expand internationally (Figure 18).

UK businesses must navigate many hurdles when pursuing opportunities overseas. Responses from internationally established businesses in the Trade Barometer suggest an increasing amount of time is required each week to deal with bureaucracy related to trade. And just a minority (22%) of UK firms trading internationally feel that the process of trading globally is easier than it was 5 years ago. More than double that number (50%) disagree that international trade has become easier over the past 5 years (Figure 20).

### Country comparison

Figure 19: Businesses in the UK, US and Spain are prioritising investment into people and talent, Polish businesses see investment into machinery as the top priority

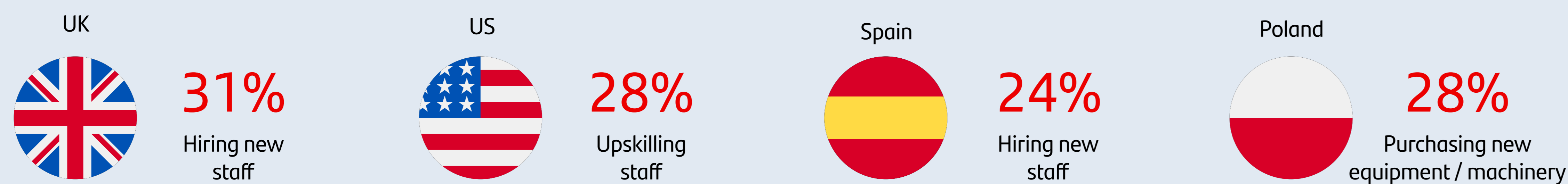
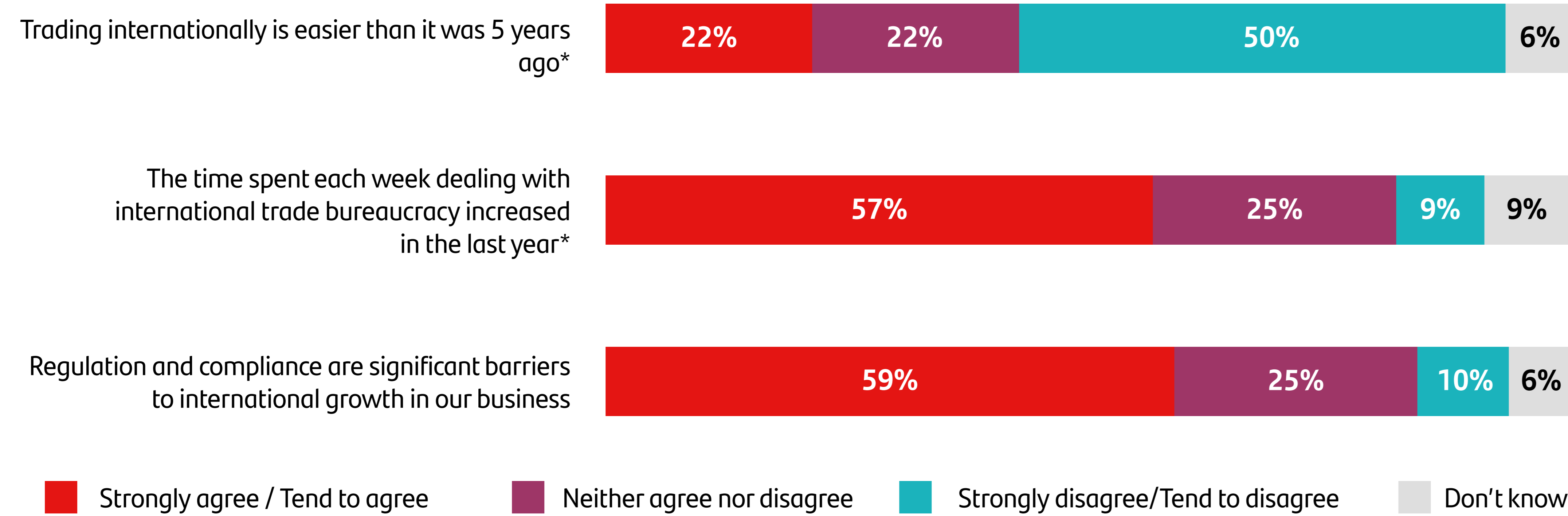


Figure 20: Perceptions about the ease of conducting trade

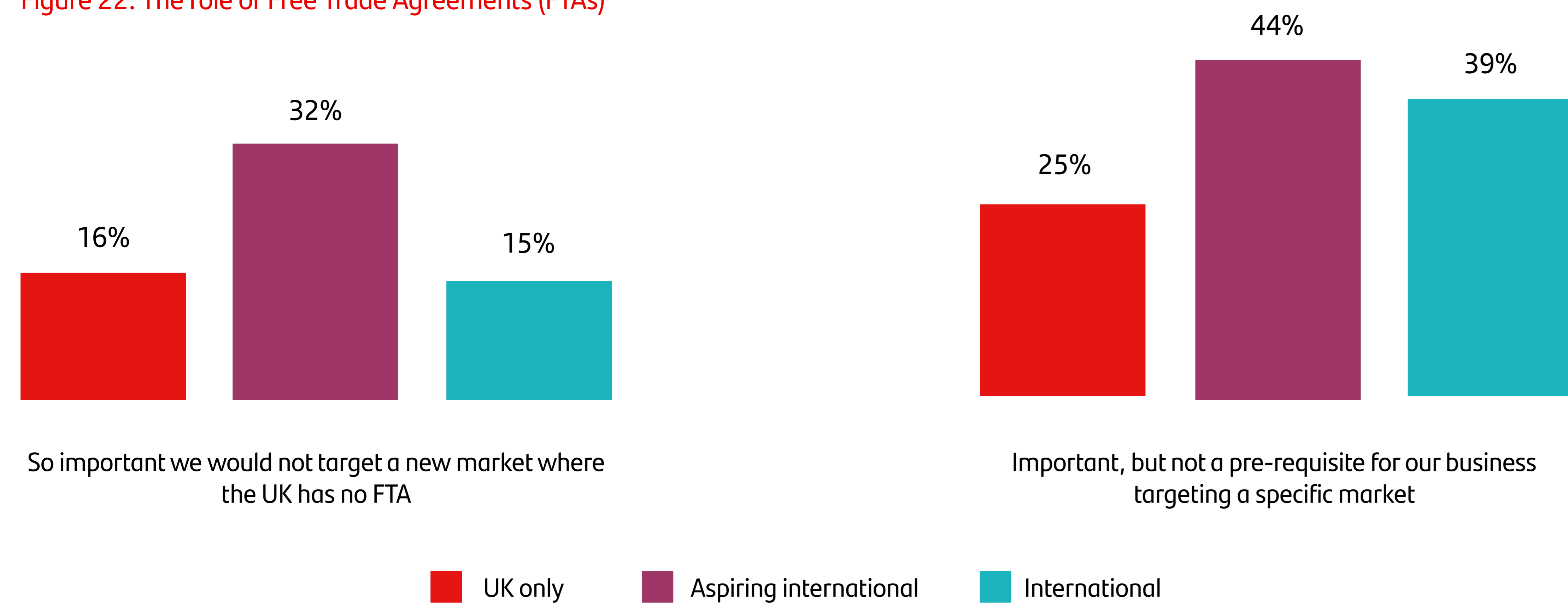


\*Statements answered by UK businesses trading internationally.

Free trade agreements (FTAs) act as a backdrop for trade, rather than a key enabler. Just 16% of UK only businesses trading internationally feel that FTAs are so important that they would not consider trade in a new market without one. But FTAs clearly act to boost confidence, as demonstrated by the 32% of

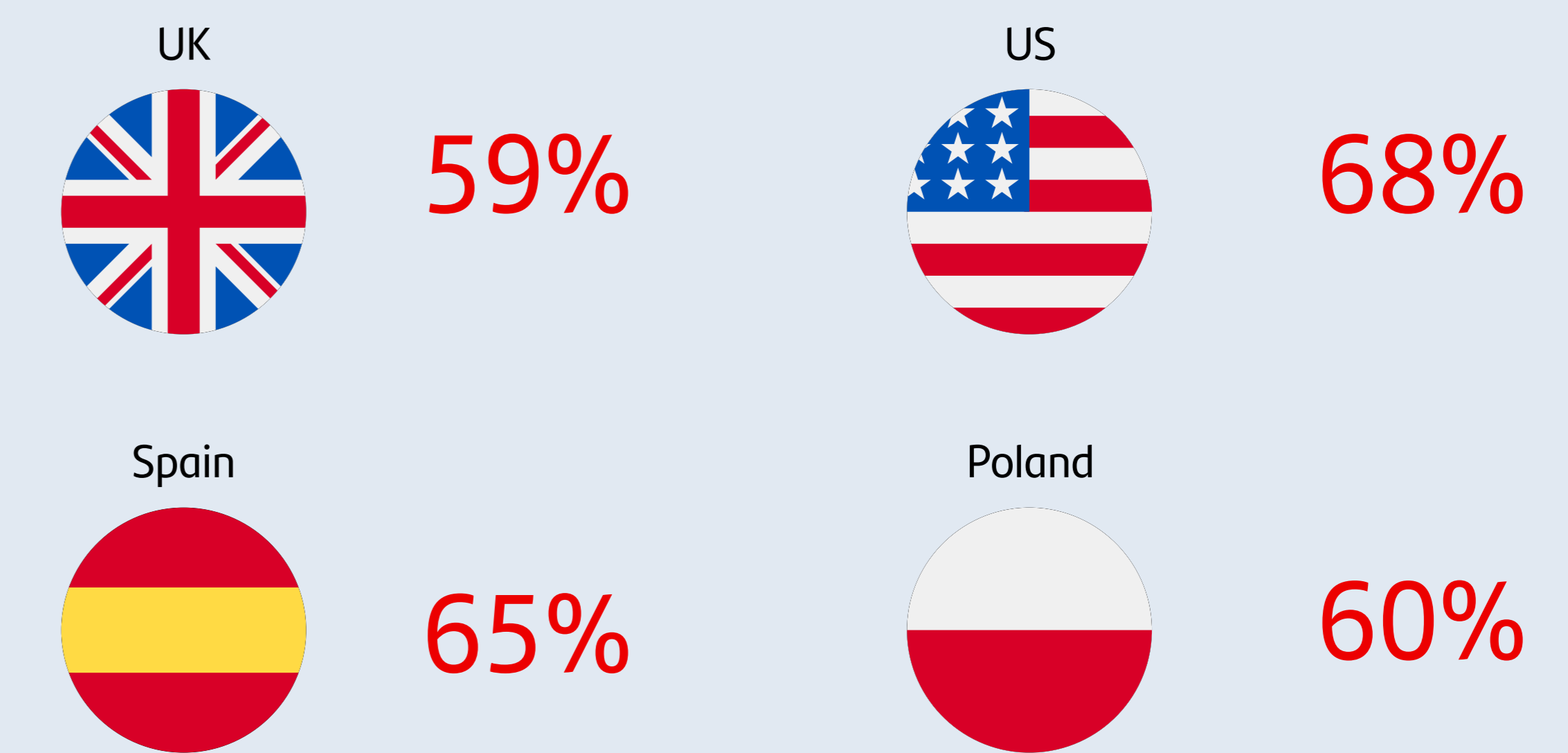
aspiring businesses who say they are of vital importance. That said, for the largest proportion of both internationally trading and aspiring businesses, the view is that FTAs are important but not a prerequisite for activity (Figure 22).

Figure 22: The role of Free Trade Agreements (FTAs)



Country comparison

Figure 21: The majority of businesses in all surveyed markets view regulation as a barrier to trade



% that strongly agree/ tend to agree that regulation and compliance are significant barriers to international growth in our business

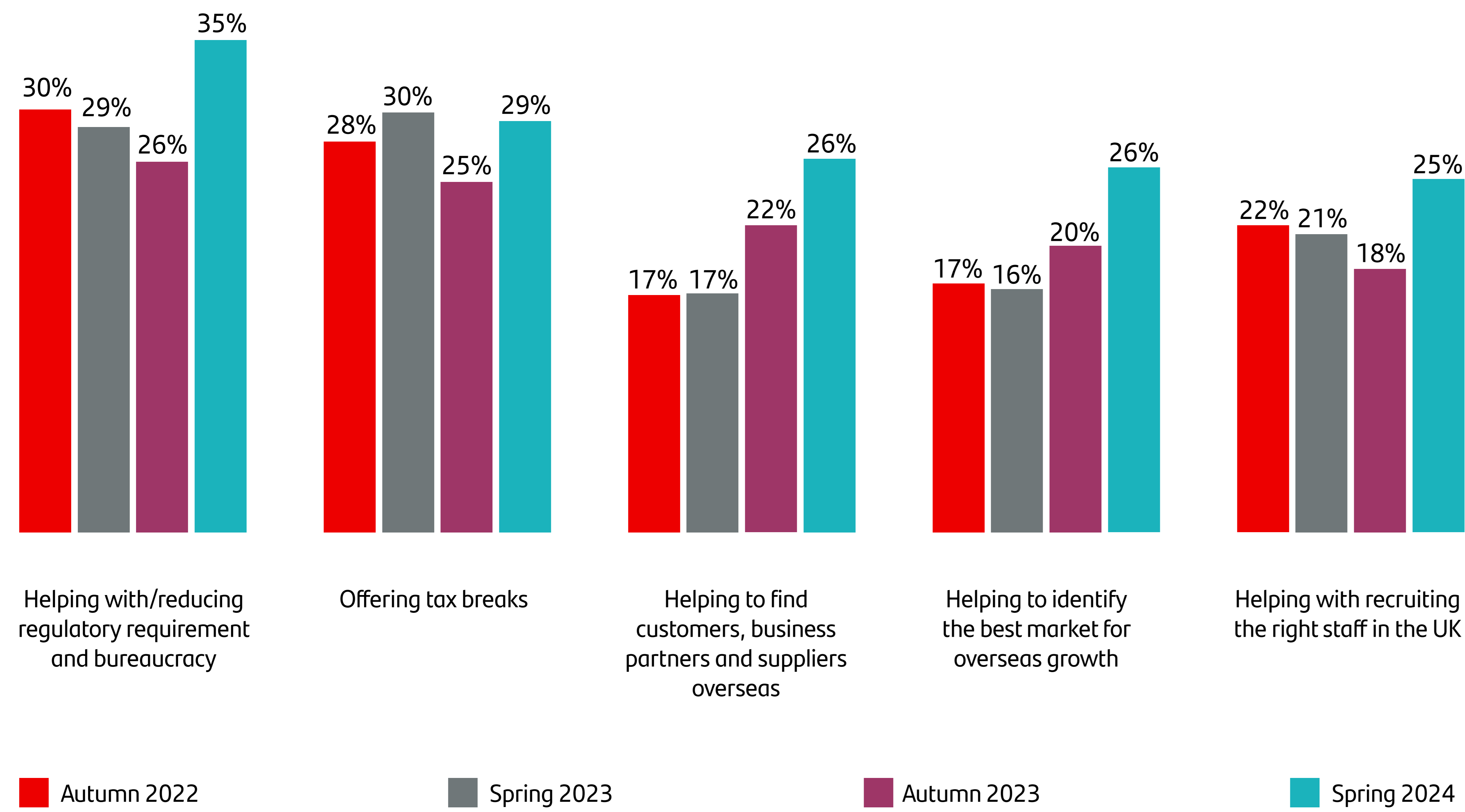


Section 3

FTAs aside, there are heightened calls among UK businesses for government and third parties to support international trade ambitions. Over a third (35%) call for help with reducing regulatory requirements and bureaucracy overseas (compared to 26% last wave) (Figure 23). There is an uptick in demand across all forms of support / facilitation in relation to international trade. Beyond trade agreements, government can act to facilitate paperless or digital trade, and even take

steps to make sure greater signposting of resources and tools available – particularly for SMEs. Beyond government, third parties such as Santander can support businesses in a number of meaningful ways, such as identifying the best markets for growth, to supporting businesses to find customers and set up in new markets.

Figure 23: Desired government and third-party support



## Conclusion

**The Santander Trade Barometer Spring 2024 report shows that over a turbulent couple of years, UK businesses have placed increasingly more emphasis on the importance of international trade.**

Our findings also suggest that domestically, businesses expect easier operating conditions to emerge in the next 12-24 months and in turn, we have seen business confidence improve. Our research continues to show a clear link between business confidence and international aspiration. Businesses with the ambition to expand and explore new opportunities in international markets are also those that show the greatest optimism about the future.

Businesses see new opportunities in global markets, particularly in the US, Canada, and Australia. The dust is settling on a post-Brexit reality, with UK business interest in EU markets declining but nonetheless remaining important.

Recent geopolitical shocks are still vivid in the memory of businesses, heightening awareness of supply chain vulnerability. We see a continual trend of action taken to improve supply chain visibility and accountability, as well as derisking from certain regions when possible.

Overall, UK businesses need support to fulfil their potential. Regulation and bureaucracy weigh heavily on ambitious businesses. Providing the support for businesses is vital. Given the right help and assistance by expert and experienced advisers and the right operating environment in the economy, businesses have the opportunity to unleash their full potential on a global level, increasing their sales around the world.



## Sample and methodology

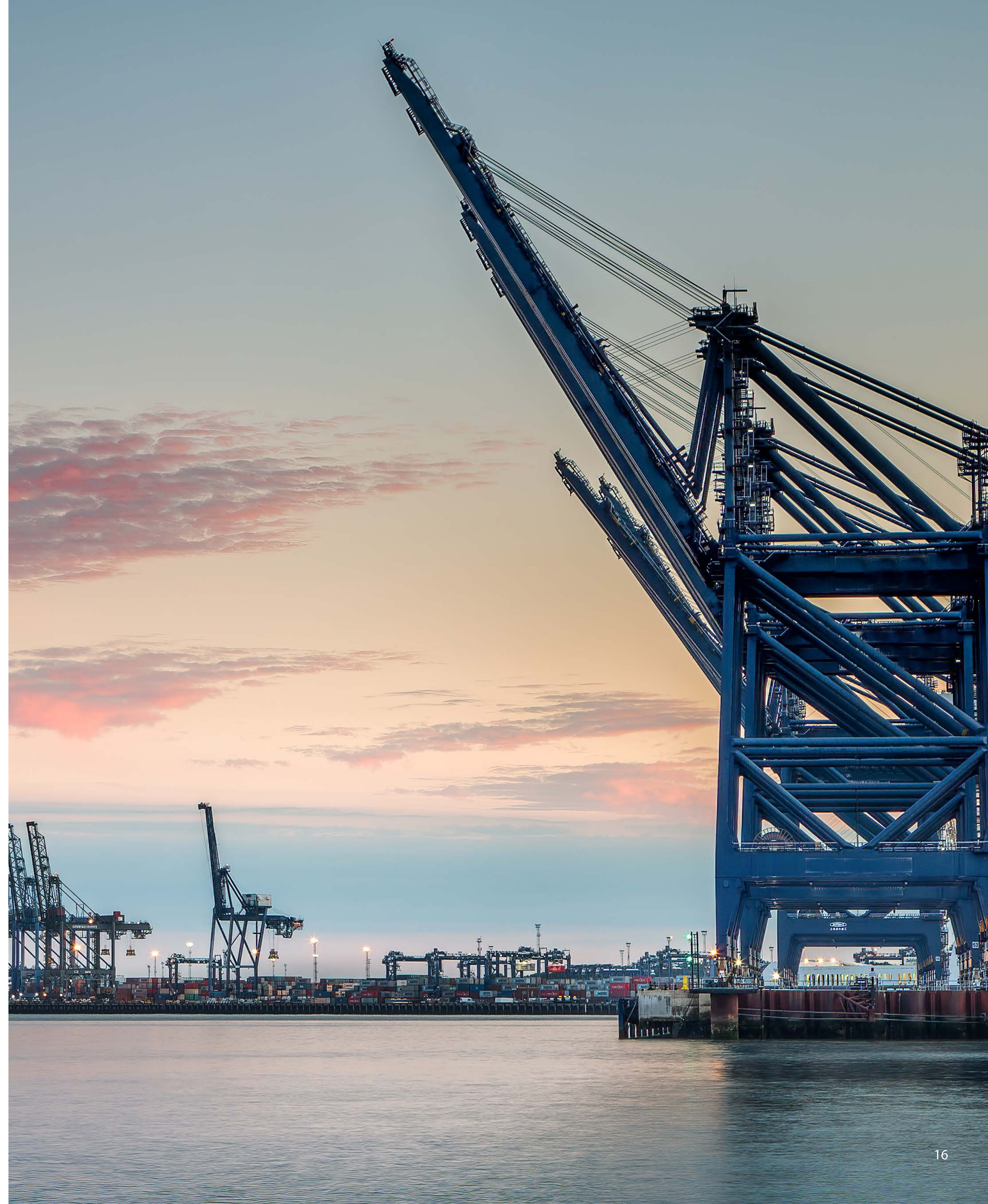
Fieldwork carried out between 21st February – 12th March 2024 by YouGov. Total sample size of 1025 UK businesses with minimum £1m annual turnover. Quotas were applied to create a weighted sample with the following proportion of businesses according to international activity:



Respondents were screened to exclude those without input into their company's domestic / international sales and procurement decision-making process.

To provide an additional dimension to the quantitative research, a series of in-depth interviews were undertaken with leading industry organisations and business leaders. Special thanks go to our contributors:

- o **Rupert Duke**, G&I Spirit Group Limited
- o **Stuart Hames**, Zabou Casualwear Limited







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