

# Trading Internationally 2020

A post COVID-19  
perspective





**The views of  
businesses have  
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the global economy.**

# Contents

|  |    |
|--|----|
| Introduction   | 4  |
| Research highlights  | 5  |
| Who we surveyed  | 6  |
| Experiences of trading internationally –<br><a href="#">A pre COVID-19 view</a>    | 7  |
| Trading internationally –<br><a href="#">The impact of COVID-19</a>                | 8  |
| Barriers to international trade  | 11 |
| Overcoming barriers to international trade   | 12 |
| The future of international trade –<br><a href="#">Europe versus the new world</a> | 13 |
| About Kreston  | 15 |



# Introduction

**At the end of 2019, Kreston surveyed 1,109 business leaders of small and medium enterprises (SMEs) across the UK to explore the views of businesses towards international trade as the country looked to exit the EU. The research was produced in a report called *Trading Internationally 2020: A UK business perspective* just before the UK and the rest of the world went into lockdown following the outbreak of COVID-19.**

In late May 2020, Kreston conducted a follow-up survey of 514 UK business leaders to explore how COVID-19 might change their plans for international trade.

The views of businesses have never been more important as we begin to emerge from what has been the biggest shock to the global economy and as we approach December's deadline to secure a trade deal with the EU.

In this report, we revisit our original research looking at international trade before the COVID-19 pandemic, the anticipated impact on export and import markets, and the barriers to international trade and how they can be overcome. And as we look to build a new trading relationship with the EU, we look to where UK business leaders' priorities and aspirations will lie.

**Kreston.**  
**Knowing you.**



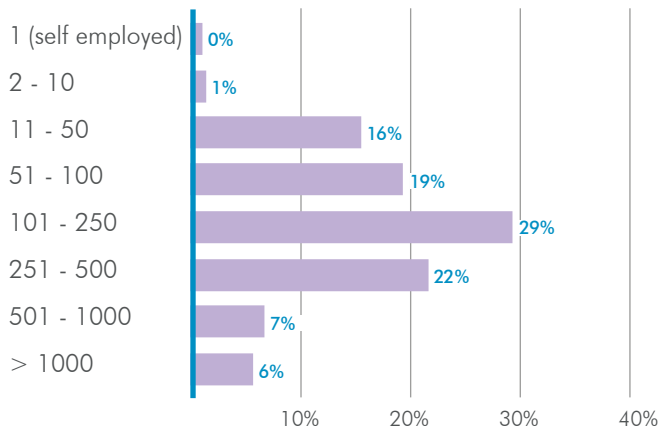
# Research highlights

- 71% of businesses in this survey told us that pre COVID-19 they were exporting or trading internationally.
- 43% of businesses say COVID-19 has placed them under a little stress, with a further 37% saying it has placed them under a lot of stress.
- 55% of businesses have delayed or cancelled plans to export to new markets and trade overseas as a result.
- 51% of business leaders say that their view on the importance of exporting goods and services has increased in a post COVID-19 world.
- 40% of business leaders surveyed expect to see import trade increase.
- 45% of business leaders expect international trade to return within 12 months, suggesting they are expecting a v-shaped recovery. With a further 19% expecting it to return within months.
- Of those businesses trading internationally, 63% have generated more than 40% of their revenue from international trade in the past 12 months, and 67% of them expect to generate more than 40% of revenue in the next 12 months. 29% are planning for more than 60% of revenues to come from overseas in the next 12 months.
- Of those businesses that were not trading internationally before the outbreak of COVID-19, 34% say they are likely or very likely to expand internationally in the next three years.
- 39% of business leaders believe COVID-19 will provide opportunities for their business, whilst 38% believe it will lead to obstacles. A further 15% believe it will not affect their business.
- 31% of businesses expect European markets the most likely to grow for their business over the next five years.

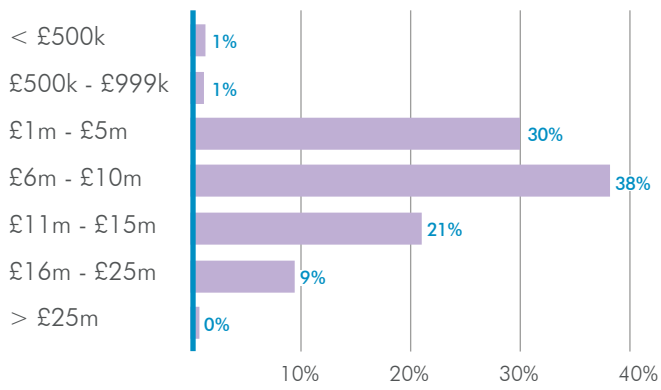
# Who we surveyed

A survey of 514 UK business leaders was conducted in May 2020.

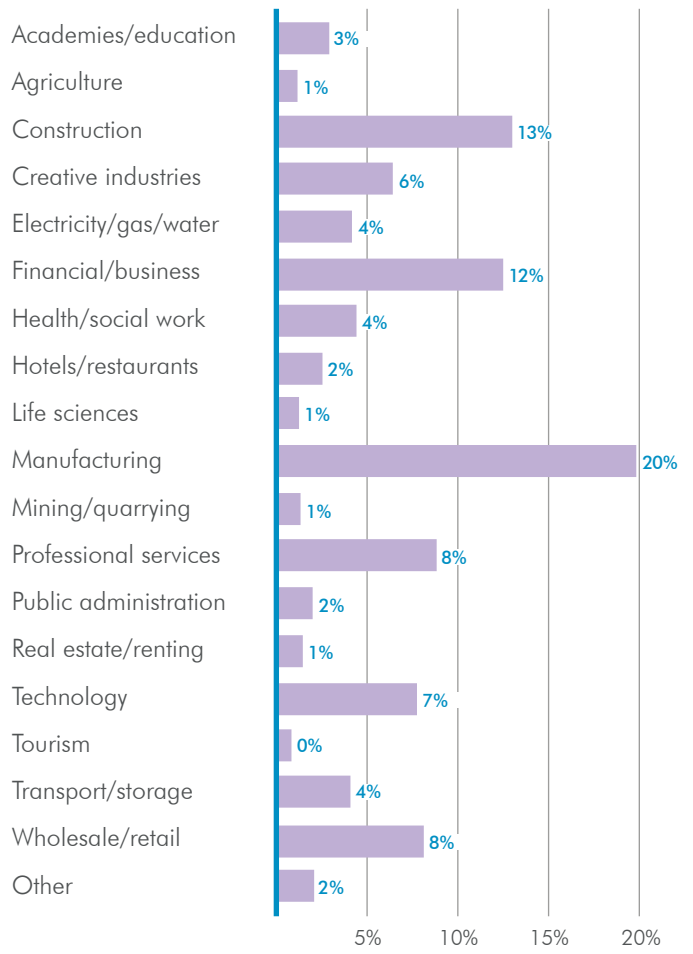
## Size of business by employees



## Size of business by turnover



## Respondents by industry

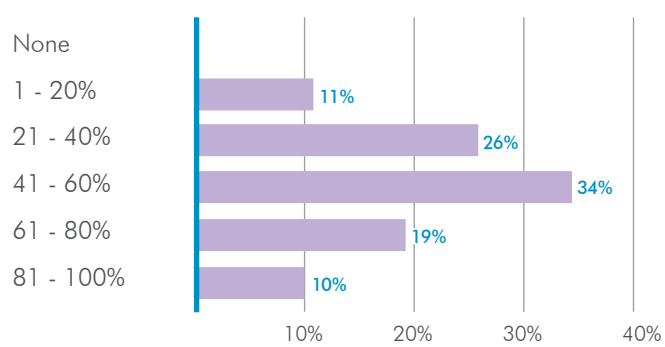


# Experiences of trading internationally - A pre COVID-19 view

**Our original research conducted at the end of 2019 showed that 90% of businesses surveyed have some degree of international trade, and for 40% of businesses, that trade accounts for 40% or more of annual turnover.**

In asking the same question again six months' later, 71% of businesses surveyed told us that pre COVID-19 they were exporting or trading internationally. The percentage of turnover from international trade quite naturally varies from business to business but contributes sizeable revenues, as the chart below illustrates.

## What proportion of revenues came from exports/international trade in the last 12 months?



Put bluntly, international markets matter to the success of UK businesses and our economy.

Pre COVID-19, the build-up to Brexit was another very significant factor. That is why in our original survey we asked whether the international reputation of the UK had changed in the last three years. Just 24% of business leaders surveyed believed it had deteriorated, with the majority (52%) believing it had improved.

Business leaders told us they believe that it is the efforts of well-known entrepreneurs (30%) together with the skills and expertise of the UK workforce (40%) that drives our international reputation. Over three quarters (79%) believe that the efforts of our politicians and government policy have damaged the reputation and standing of the UK on the world stage.

UK businesses have broadly found trading overseas to be a positive experience, with just 4% of December's respondents saying it had been negative.

Before the outbreak of COVID-19, just under half (47%) of UK business leaders believed Brexit to have had the biggest negative impact on UK businesses. At that stage, nobody had any notion that the biggest challenge was on the immediate horizon.

**Further reading: pp11-17 *Trading Internationally 2020: A UK business perspective*.**

# Trading internationally - The impact of COVID-19

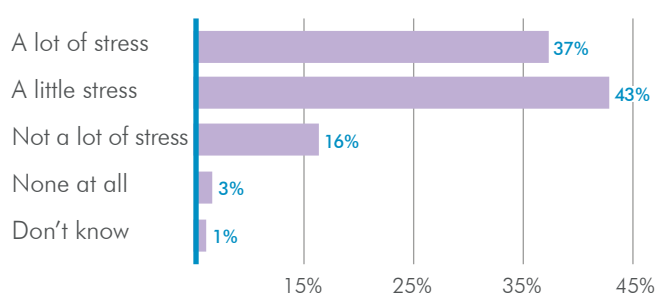
**On the 23 March, the UK went into lockdown. Many businesses have had no choice but to temporarily cease all activity and/or find new ways of working. The Government swiftly stepped in with a package of measures that have been a lifeline for many businesses.**

The impact of COVID-19 and the lockdown is as yet unmeasurable, but there can be no doubt that it will have the single largest impact ever felt on the UK and global economy. Business leaders and Government have taken extraordinary measures to protect jobs, businesses and the economy, yet it is likely to take years for the economy to recover completely.

However, and as our research shows, business leaders across the UK are optimistic that international trade will return and continue to contribute significant revenues.

It will be of no surprise that businesses have been placed under considerable stress, as the chart below indicates.

## How much stress, if any, do you perceive the COVID-19 pandemic is currently placing on your business?

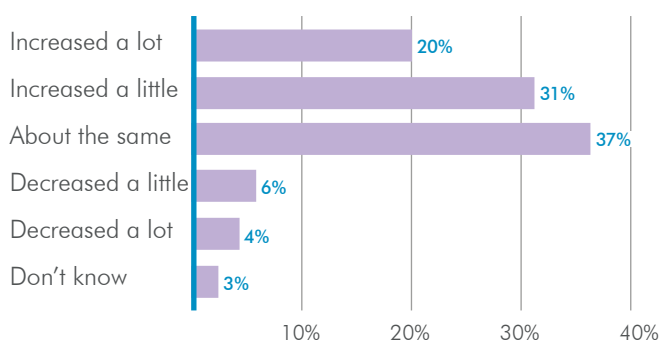


Stressed businesses can be vulnerable, and we have already begun to see businesses respond with redundancy programmes, debt restructuring and revisiting physical footprints. Our survey reports that 55% of businesses have delayed or cancelled plans to export to new markets or trade overseas as a result of COVID-19.

The importance of international markets cannot be under-estimated in underpinning the recovery of UK businesses and the economy. Despite the rise of a more inward-looking global politics, now is not the time for businesses to retreat into purely domestic markets.

Business leaders in our survey agree, with 51% saying that exporting goods and services and/or trading internationally will be even more important in a post COVID-19 world.

## As a result of COVID-19 has your view on the importance of exporting/trading internationally increased or decreased?



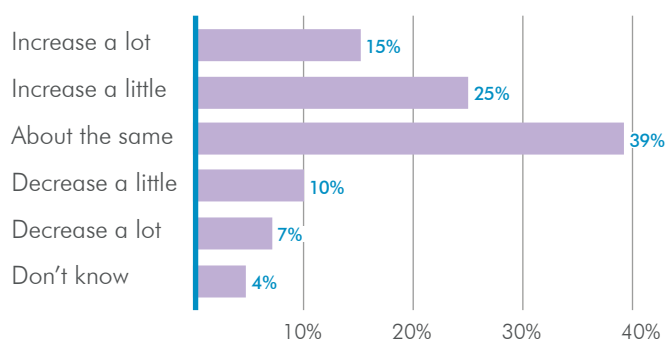
## Has your business delayed or cancelled any plans to export to a new market or trade overseas due to COVID-19?

**Yes: 55%**  
**No: 34%**



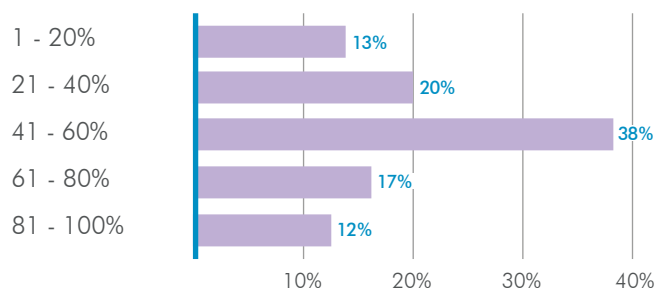
Business leaders in our survey are also gearing up to increase their levels of imports. 40% of business leaders surveyed expect to see import trade increase, with a further 39% believing it will remain unchanged when compared to pre COVID-19 levels.

**As a result of COVID-19 do you expect your level of imports to increase or decrease?**



Our survey suggests that businesses are ambitious in how much of their revenues will be generated from international trade, with 38% expecting between 41-60% and a further 29% planning for more than 61% of revenues to come from overseas. On [page 13](#) of this report, we look to where those markets are expected to be.

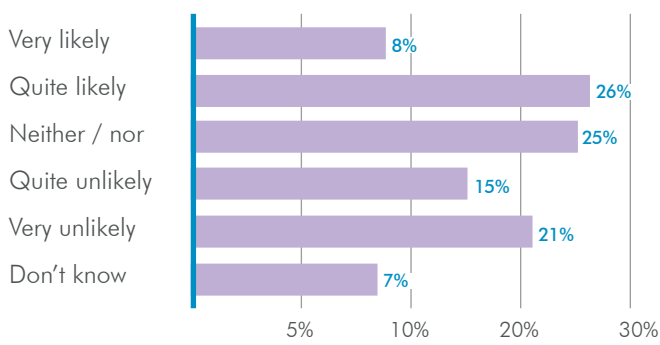
**What proportion of your revenues do you project coming from international trade/exports in the next 12 months?**



Not all (29%) of the businesses in our survey were trading internationally before the outbreak of COVID-19. We asked those businesses whether they are now actively considering exploring international markets. Over a third (34%) are quite likely or very likely to expand internationally post COVID-19, with just over a fifth (21%) saying it is very unlikely.

Businesses exploring international trade for the very first time will find the later parts of this report and our earlier research where we look at the barriers to trade particularly helpful.

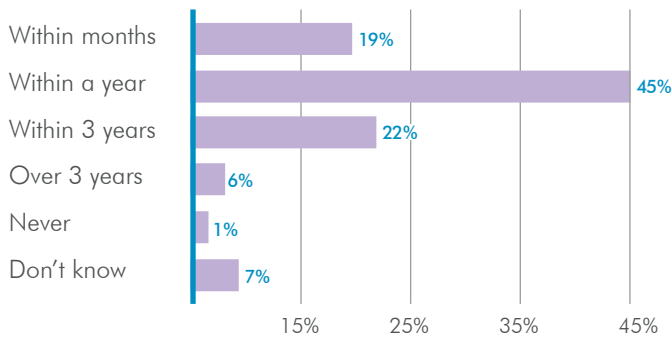
**How likely is your company to consider expanding its international trade in the next 3 years?**



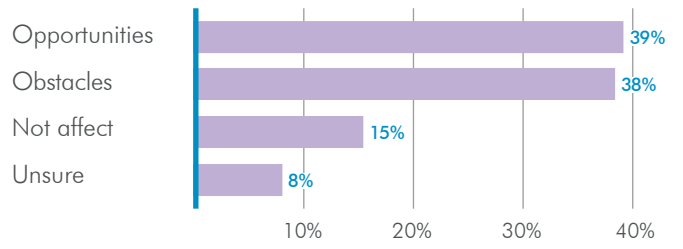
The speed and shape of the UK recovery remains under scrutiny and will undoubtedly vex economists, politicians and business leaders for many months to come.

They will be encouraged by the views of business leaders in our survey, with 45% believing international trade will return within a year, suggesting they are expecting a V-shaped recovery, where the speedy downturn is followed by an equally speedy recovery. A further 19% are expecting it to return within months.

**How quickly do you expect international trade and export markets to return?**



**Do you believe the current situation with COVID-19 will present opportunities or obstacles to your business over the next 12 months?**



Businesses are equally divided as to whether COVID-19 will provide opportunities (39%) or leave obstacles (38%) for their business. We believe that this is, in part, because many businesses at the time of the survey were still focused on managing the immediate impact of COVID-19.

It is clear that COVID-19 will change the economic landscape for many businesses. Some, sadly, will not survive, others will emerge in very different forms, and many new businesses will be created. The importance of international trade will continue to underpin the success of many businesses in the months and years to come.



# Barriers to international trade

**The Kreston Trading Internationally 2020: A UK business perspective research conducted at the end of 2019 asked business leaders what they consider to be the barriers to trading internationally. In a separate question, we asked whether they had postponed any decision to expand overseas trade in the past three years because of Brexit.**

In November / December 2019, 39% of businesses told us that they had cancelled or postponed plans to trade internationally. The uncertainty surrounding our trading relationship with our closest neighbours left businesses adopting a ‘wait and see’ position with regards trade and investment.

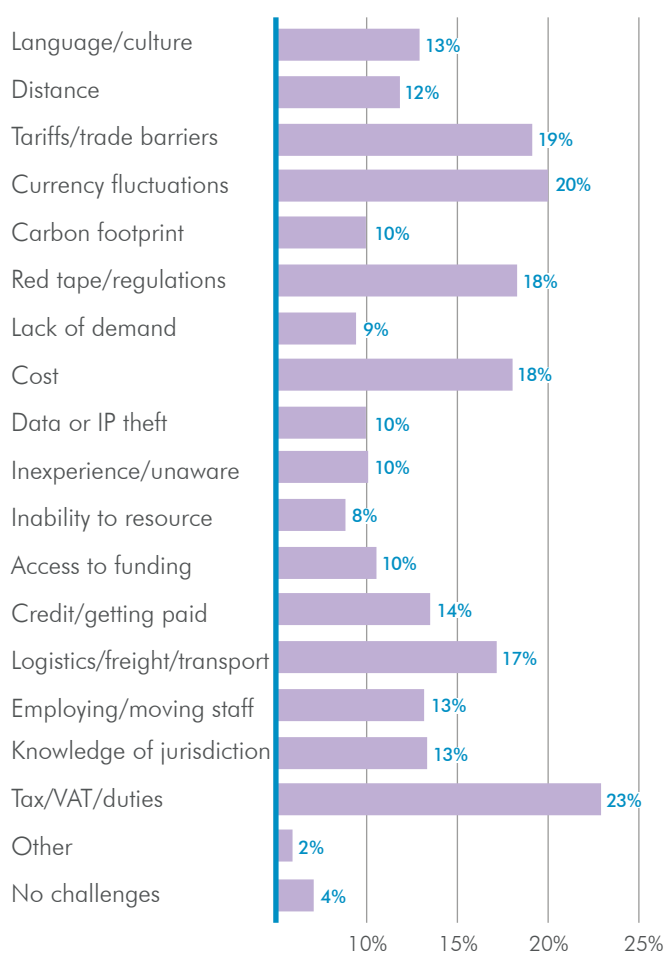
But Brexit aside, businesses face many other challenges when trading internationally, from tax and duties to language and compliance.

It is clear from the chart to the right that tax, VAT and duties are seen by many businesses (23%) as a particular challenge, but it is interesting to note that no one challenge dominates. Businesses that trade internationally have to address a mosaic of challenges, all equally as important as the other.

International tax and duties, whilst currently only applying to trade with nations outside of the EU, are likely to become more of an issue for UK businesses should our Government fail to reach a tariff-free trade deal. It may be that tariffs and duties will become significantly more of an issue for businesses from 2021.

Many of these challenges can be readily addressed by early discussions with your customs and duties expert, tax advisers and accountants.

**What do you consider the biggest challenge(s) to trading internationally?**



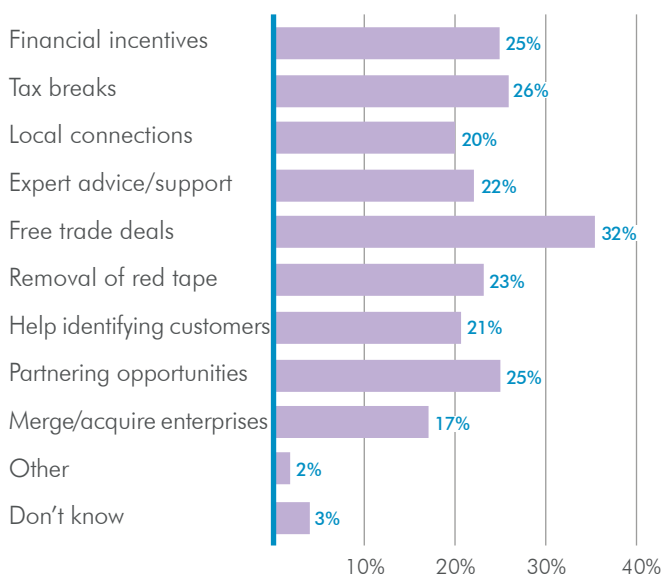
**Further reading: pp20-23 Trading Internationally 2020: A UK business perspective.**

# Overcoming barriers to international trade

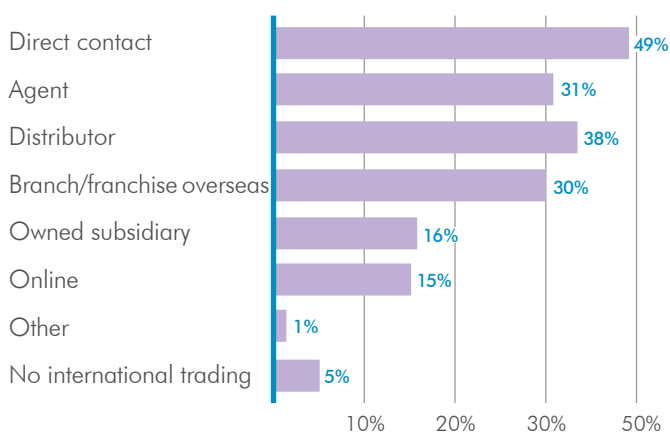
**The challenges of trading internationally are many and it will be of no surprise that there is not one single measure to which businesses can turn to make it easier. In our surveys, business leaders have told us that there is a need for a mix of measures to make it easier to trade internationally.**

The hand of government plays a major role in easing international trade, which has never been more apparent and important as we leave the EU and recover from the COVID-19 pandemic.

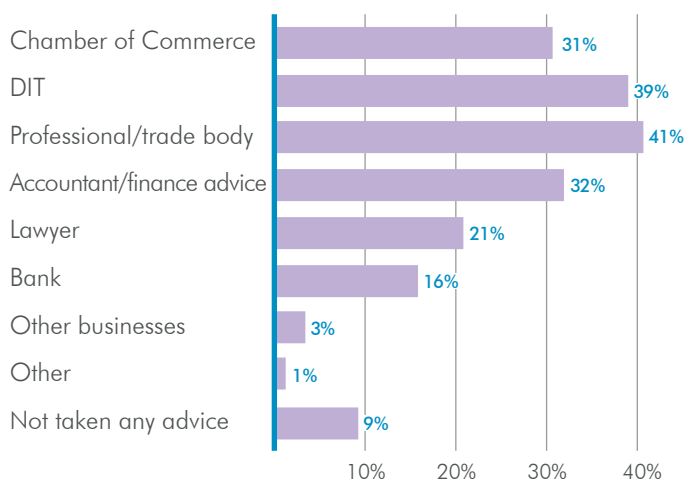
## Which of the following would help you to increase international trade?



## If you trade internationally, how do you access these markets?



## Which, if any, of the following has your business ever taken advice or guidance from regarding trading internationally?



Not all measures are financial and that is where businesses can turn to their professional bodies, chambers of commerce, the Department for International Trade (DIT) or their advisers.

The levels of satisfaction in the advice and support they receive is high, with on average 80% of business leaders telling us the advice they received was useful.

How businesses approach trade is also interesting, with the majority (64%) preferring the direct to customer route. In the short term, this is likely be a particular challenge and an increased emphasis may be needed via local agents or representatives. Different markets and industry sectors will dictate the most appropriate method to adopt, and each will come with its challenges, costs and benefits. Taking advice as early as possible will help businesses reach the best approach for them more efficiently.

**Further reading: pp26-29 *Trading Internationally 2020: A UK business perspective.***

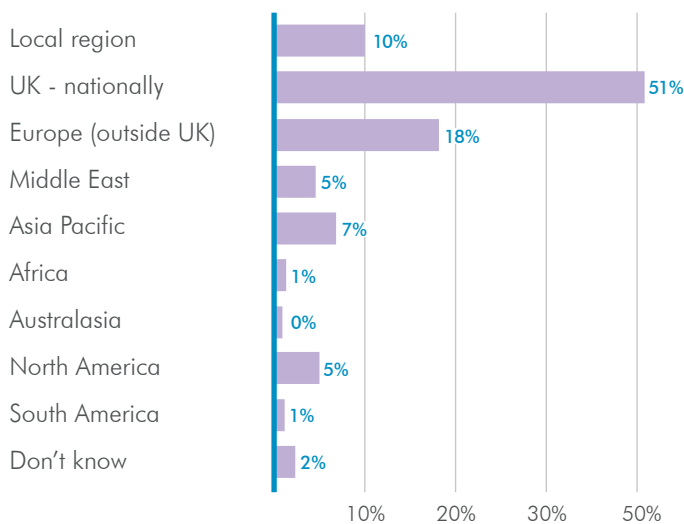
# The future of international trade - Europe versus the new world

**As our current and previous surveys show, UK businesses are outwards looking, generating significant and growing revenues from international trade. Brexit and COVID-19 have not dimmed their international aspirations.**

But where is the focus for growth in 2020\* and over the next 5 years?

It will not be a surprise that the immediate focus for UK businesses is domestic markets followed by our near European neighbours.

## Which market do you see as your priority for growth in the next 12 months?

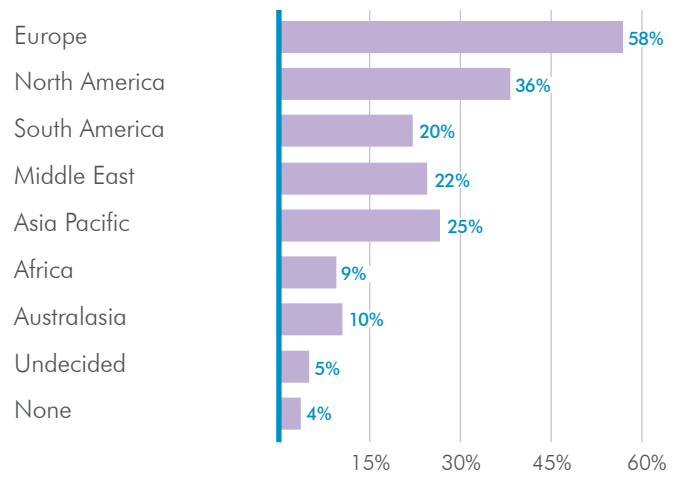


The five-year picture changes, and our near European neighbours look to remain our largest international trading partners. 59% of business leaders believe they will be doing more business in Europe over the next five years.

The need for a comprehensive trade deal with the European Union is of paramount importance, as will be separate trade deals around the world. There has to be a concern as to whether these deals can be delivered in the now very tight timeframe remaining as governments around the world manage the aftermath of COVID-19.

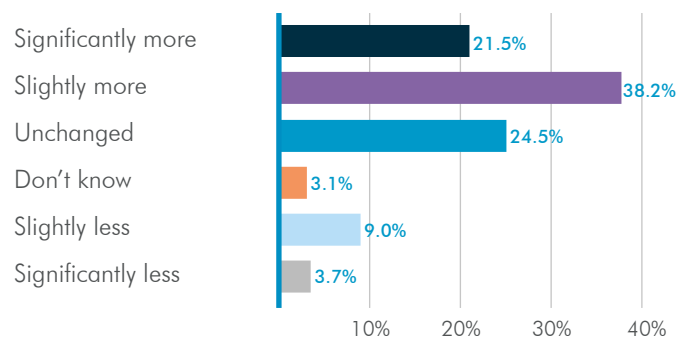
\*As at November / December 2019.

## Which international markets do you expect to grow for your business in the next 5 years?



Further reading: pp36-38 *Trading Internationally 2020: A UK business perspective.*

## Do you expect to be doing more or less trade with the EU in the next five years?



See p41 *Trading Internationally 2020: A UK business perspective.*



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**59% of business leaders believe they will be doing more business in Europe over the next five years.**

# About Kreston

**Kreston is a global network of independent accounting firms. As trusted long-term advisers, we combine expertise with empathy to help you achieve your professional and personal goals.**

When you're branching out into the unknown, you can't beat local knowledge. As a network of close to 200 firms in over 110 countries, Kreston gives you access to top-quality advice and exceptional service from more than 23,000 dedicated professionals, wherever in the world you happen to do business.

As new markets develop and technology evolves, business operates on an increasingly global scale. Kreston members use their network of local contacts to shape international solutions that are right for you and your business.

We know our local regulations and customs inside out. Combine that with our solid reputation and enviable contact book and there's no doubt that we give your business the competitive edge.

This report has been prepared from a survey conducted by Atomik Research and among the clients of BHP, Bishop Fleming, Duncan & Toplis, James Cowper Kreston and Kreston Reeves, on behalf of the 13 firms comprising Kreston UK.



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