

Media Release

UK Small Business Preps for Brexit with Growing use of FX Hedging

Exporters Forecast Growth in their FX Usage

Wednesday 13 November

As UK business prepares for Brexit, small firms are managing their FX risk more and more as they look to increase trade internationally, and exporters forecast increased growth in FX turnover, according to East and Partners latest UK Business FX Market Analysis report for the second half of 2017 released this week.

FX Risk Management

A quarter of micro businesses and over 40 per cent of SMEs used Forward FX in the second half of 2017, an increase of 16 and 15 percent respectively over the last six months. Larger business is also using hedging options on a more regular basis, with nearly half indicating their use.

“Awareness and understanding around the benefits of FX risk management solutions has clearly hit home with UK small business, leading to record highs in its usage” said Simon Kleine, East and Partners Europe.

Barclays, HSBC and Citi dominate the UK Business FX Market with relationship share growth across all products in the Lower Corporate segment. International challenger banks, Bank of China and Santander, along with non-banks Monex, SAXO and Western Union also continue their growth in the FX risk management space.

Business Growth

East's six-monthly UK Business Foreign Exchange Market Analysis report for the second half of 2017 found that Exporters are forecasting increased growth in their FX turnover in the next 12 months, and all business is forecasting an increase in the percentage of their FX turnover they hedge with a market wide increase of more than 4 per cent.

With an eight percent shift away from the EUR€ and a marked 15 per cent increase (38 per cent excl. RMB) in the use of currencies other than the USD\$, businesses are increasingly looking to trade with new international markets.

“UK business is obviously looking beyond Brexit and at the opportunity presented. They're focusing on growth but, importantly, are doing so in a balanced way taking a measured, sustainable and more risk adverse approach” said Kleine.

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Methodology

This research is from the eighth round of East & Partners UK Business FX Markets Analysis research, a six-monthly research program. In total 2,211 UK enterprises from Micro, SME and Lower Corporate segments were interviewed directly by telephone in November 2017. Interviews were conducted with the CFO, Business Owner, Corporate Treasurer, Company Accountant or designated FX officer using a structured questionnaire.

The report analyses FX market dynamics across Micro Business, SME and Lower Corporate segments, the program applies the following business segment annual enterprise turnover bands:

- Micro Business: GBP£1-5m annual turnover
- Small to Medium Enterprises (SME): GBP£5-20m annual turnover
- Lower Corporate: GBP£20-100m annual turnover

Of the companies interviewed, 62.3 percent were both importers and exporters, 21.3 percent were solely importers and 16.4 percent solely exporters.

The interview sample was dispersed geographically across the UK and the sector distribution reflects a natural sample of the UK enterprise population in these segments.

About East & Partners

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