

UK Businesses Cut Back Use of the Euro in First Half of 2018

Number of UK SMEs Using Hedging FX Payments Approaching 50%

Issued: 20th June 2018

As the UK heads towards Brexit, and withdrawal from the EU, UK businesses are dramatically reducing their use of the Euro in currency payments – down by 5 percent when trading internationally since the start of the year.

The research, conducted with a national sample of over 2,200 small to lower mid-sized UK businesses (£1m - £100 turnover) by East & Partners, shows that businesses in the UK plan to reduce their use of the Euro by a further 7.4 per cent in the second half of 2018. This reduction in usage, and forecast usage, of the Euro is also reported globally in the US and Asian markets, amongst others.

As this reduction in the use of the Euro for international trade takes place UK businesses are clearly looking to new international markets to do business with. While small increases in the use of the US Dollar and Chinese Renminbi were reported and are forecast (0.9 & 1.6 percent and 0.9 & 0.9 percent respectively), the biggest increase was in the use of 'other' currencies at 24.6 percent and forecast to grow 26.3 percent.

"While uncertainty continues with Brexit negotiations, UK business isn't waiting and is already trading more beyond the EU," said Simon Kleine, East and Partners Europe Business Lead. "UK businesses' usage and forecasts of currencies, as we head towards 2019, show that they are starting to trade more widely and are looking to increase it."

As UK businesses trade more diversely internationally, it continues to increase its use of FX hedging to risk manage currency volatility. In the last four years the number of SMEs in the UK using FX Forwards has more than doubled to 43 per cent.

"We're seeing annual double-digit growth in the use of hedging FX products in the UK, and we predict a majority of SMEs will be hedging their FX payments in the next two years" said Kleine. "This is a major inflection point in the way in which UK businesses trading internationally are managing their FX exposures".

- ends-

For further information contact:

East & Partner Europe
Business Lead
Simon Kleine

Tel: +44 7455 169469

Email: simon.k@eastandpartners.com

East & Partners Europe
Client Service Executive
Sarah Farrell

Tel: +44 7808 799702

Email: sarah.f@eastandpartners.com

Methodology

This research is from the ninth round of East & Partners UK Business FX Markets Analysis research, a six-monthly research program. In total 2,212 UK enterprises from Micro, SME and Lower Corporate segments were interviewed directly by telephone in May 2018. Interviews were conducted with the CFO, Business Owner, Corporate Treasurer, Company Accountant or designated FX officer using a structured questionnaire.

The Micro segment comprises businesses turning over GBP£1 million to 5 million each year, while the turnover band for SMEs is GBP£5 million to 20 million and Lower Corporates GBP£20 million to 100 million.

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

East and Partners is a leading specialist business banking market research and analysis firm. The firm's core expertise is in the provision of analysis and advisory services tailored for the commercial, business and institutional banking markets across Asia Pacific, Australasia, Europe and North America. Further information at: <http://eastandpartners.com/>