Imports and Exports

A GUIDE FOR SMEs

Importing and exporting post-Brexit & after Covid-19

UK businesses are a force to be reckoned with on the global commercial stage. The Covid-19 pandemic massively impacted the UK's trade of goods and services.

In 2020, imports saw a year on year fall of 18.9% down to £581.3bn and imports fall 17.1% down to £571.5bn. The UKs trade in goods accounted for £739bn, a fall of 15.7% from the previous year, with services amounting to £414bn, a fall of 21.8%.

However, with lockdowns lifted and restrictions easing, there is hope that the UK will see a boost to the economy. Looking back to the latter half of 2020 when restrictions were eased, the ONS found that, 'the easing of some coronavirus restrictions increased imports and exports of trade in goods in Quarter 3 (July to Sept) 2020, when compared with Quarter 2 2020'.

The share of vaccines between the UK and the EU is a worry for the UK export market, and could present problems in the future between the EU and UK. After months, and years of negotiations, a Brexit deal finally came to fruition on Christmas Eve 2020, bringing a somewhat end to the uncertainty businesses faces surrounding the UK's exit from the EU.

January 2021 was not the best of starts as firms struggled to adapt to the new trade rules, customs and additional paperwork, with a 42% slump in its exports to the EU alone. However, recent figures have shown UK monthly exports to the EU jump by 46.6% up to £11.6bn in February 2021 and both the ONS and business analysts believe the drop in trade flow was partially caused by stockpiling in December 2020 as firms tried to get ahead of the introduction of new rules, hence leading to a decrease in trade for January.

We are still yet to see the full impact of Brexit on the UK's trade, as the pandemic has overshadowed much else, and this is likely to remain the case until the UK and EU members countries are in a more stable position following the massive and universal impact of the Covid-19 pandemic.

Opportunity

UK businesses are a force to be reckoned with on the global commercial stage.

Government statistics from the Department of Trade show that in 2020, the UK imported £581.3bn of goods from around the world. Of those, £89bn was imported from the US, followed by Germany, the Netherlands, China and France.

When it comes to exports, the UK has yet to realise its potential. UK businesses that export grow almost twice as fast as those with only domestic markets, according to research by Capital Economics for UK Export Finance.

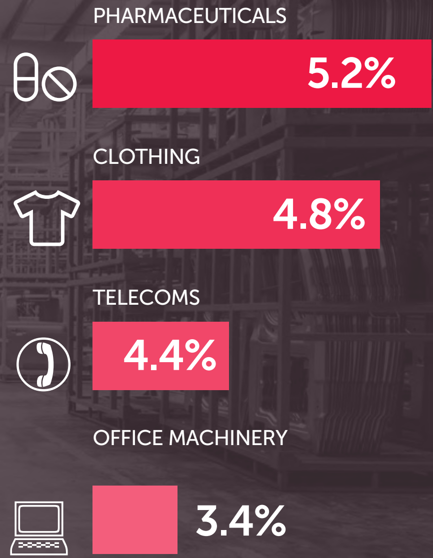
An estimated 19% of UK SMEs have the potential to export but do not, despite a YouGov survey showing that 42% of exporters increasing profits by up to 20% and a further 9% reporting an increase over 20%.

The import and export of goods can create risk and put pressure on costs and prices due to fluctuating currency values and the resources required to manage the process. However, there is still an opportunity for SMEs to grow across the globe and increase profitability in the long-term.

What does the UK import?

Consumer and B2B markets are addressed by importers, encompassing services, goods and components for UK manufacture.

UK government figures show that in 2020 6.3% of UK imports were cars, valued at £26.5bn. Pharmaceuticals £22bn), clothing (£20.5bn), telecoms, (£18.4bn) and office machinery (£14.2bn) are also popular imports to the UK.



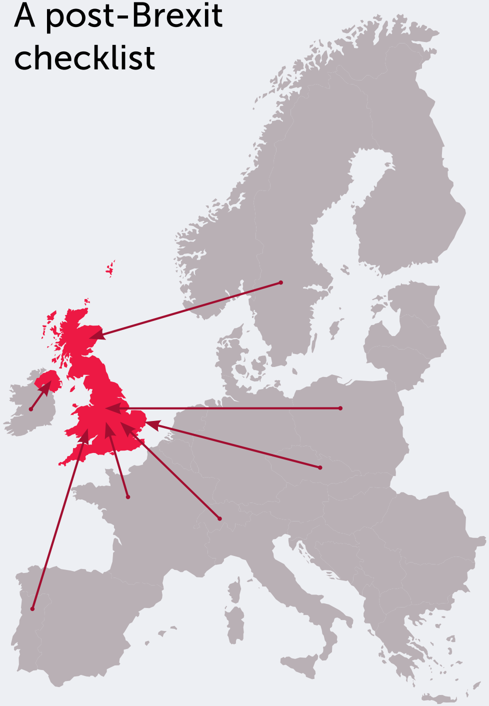
VEHICLES

£26.5bn

6.3% of UK imports

Importing from the EU to the UK

A post-Brexit checklist



1. **Make sure your business has an Economic Operator Registration and Identification (EORI) number that starts with GB.**
2. **Implement a plan for customs import declarations:**
   a. In-house.
   b. External customs agent.
3. **Check which customs procedures are required for your imports:**
   a. Transitional Simplified Procedures reduce the amount of information required at the border.
   b. The Common Transit Convention (CTC) simplifies how goods pass through customs and when customs duties are paid.
   c. Set up a duty deferment account to make one payment of customs duties a month instead of paying for individual shipments. (Required for transitional simplified procedures).
4. **Check the rate of customs duties and VAT on all imports:**
   a. Additional excise duties levied on imported alcohol, tobacco and biofuels.
5. **Check specific requirements for imported goods:**
   a. Import licences or certificates.
   b. Labelling and marketing standards for importing food, plant seeds and manufactured goods.

Top Five Markets for UK Exports

There are plenty of export opportunities for UK businesses:

United States
£140bn
(20.4% of total UK exports)

Ireland
£36.8bn
(5.3%)

France
£40.7bn
(5.9%)

Netherlands
£40.9bn
(5.9%)

Germany
£55.1bn
(8%)

UK industry and innovation across the world

Exports of goods and services to the EU were worth **£294 billion** in 2019.

While the largest market for exports of cars is the EU as a whole, the US solely accounts for 18.9% of car exports alone.

In 2019, the EU accounted for 53.5% of UK-built vehicle exports, making it the UK's biggest trading partner.

The UK's clothing and footwear export amounted to £8.6bn in 2020 with the largest importer of wearing apparel being Germany at £1.6bn, 19.1% of the UK's total clothing and footwear exports.

The UK remains is the world's leading net exporter of financial services, generating an industry trade surplus of **£60.3bn** in 2019.

Data taken from ONS and Bank of England official statistics for UK exports.

Excellence across a range of industries

- Manufacturing of machinery, including mechanical power generators, is a top UK export. From innovative engineering design to quality production makes British goods popular throughout the world.
- Mechanical appliances remained the UK's largest export commodity in 2020, despite experiencing the 3rd largest value decrease on 2019, down (17%).
- Precious metals saw the largest value increase on 2019, up £1.0 billion (3.0%). This was led by increases to Switzerland, up £4.8 billion (81%), Canada, up £2.0 billion (from £0.1 billion), and Germany, up £1.7 billion (doubling in value).

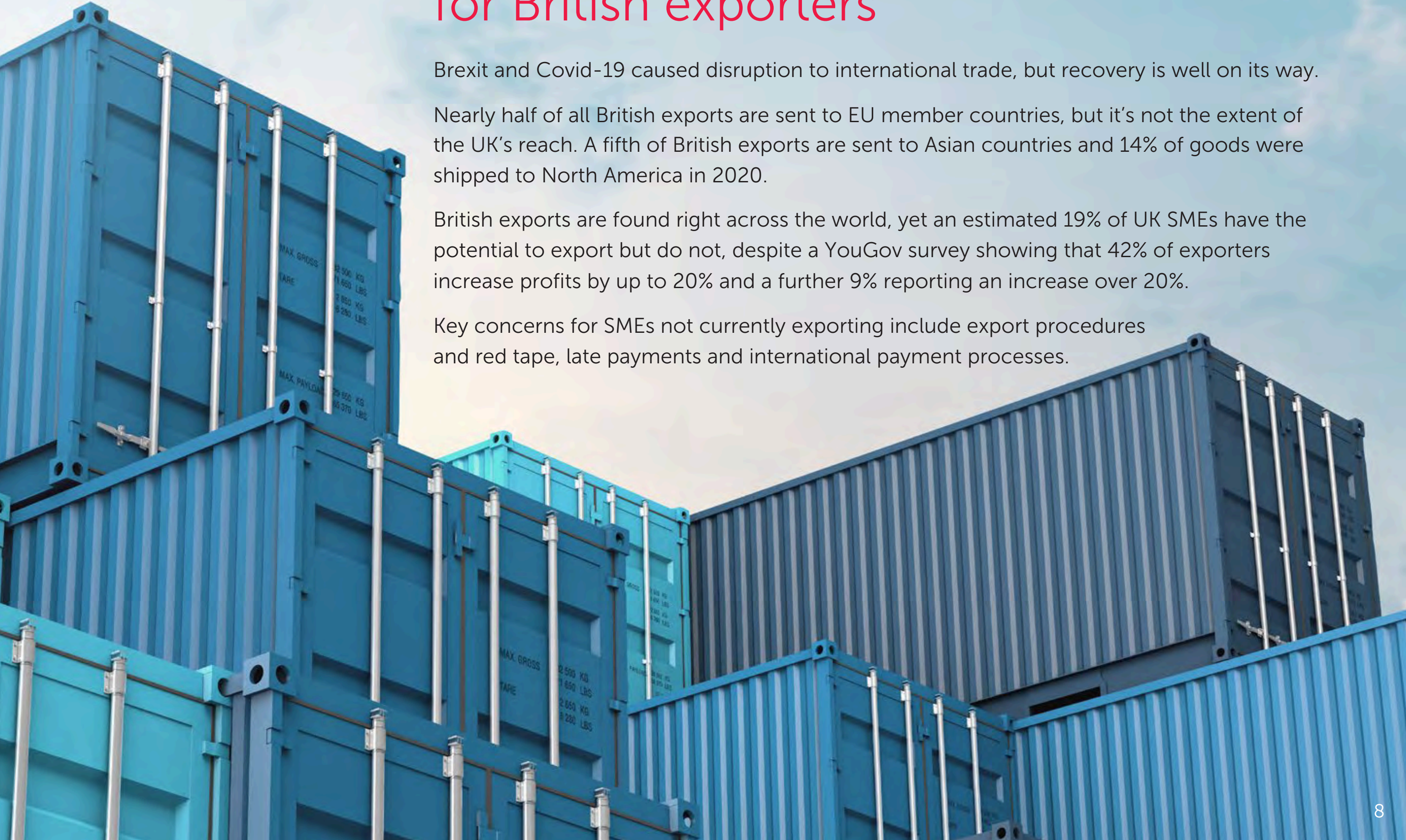
Opportunities and challenges for British exporters

Brexit and Covid-19 caused disruption to international trade, but recovery is well on its way.

Nearly half of all British exports are sent to EU member countries, but it's not the extent of the UK's reach. A fifth of British exports are sent to Asian countries and 14% of goods were shipped to North America in 2020.

British exports are found right across the world, yet an estimated 19% of UK SMEs have the potential to export but do not, despite a YouGov survey showing that 42% of exporters increase profits by up to 20% and a further 9% reporting an increase over 20%.

Key concerns for SMEs not currently exporting include export procedures and red tape, late payments and international payment processes.



Exporting from the UK to the EU

A post-Brexit checklist

1. **Make sure your business has an Economic Operator Registration and Identification (EORI) number that starts with GB to continue exporting goods.**
    a. NB: Within the EU, your importer will need an EU EORI number.
2. **Decide who will make the export declarations:**
    a. In-house.
    b. External customs agent.
3. **Decide if you want to export your goods using transit:**
    a. The Common Transit Convention (CTC) simplifies how goods pass through customs and when the importer pays customs duties.
4. **Check the rate of tax and duty for specific classification of goods.**
5. **Check additional requirements for specific classifications of goods:**
    a. Licences and certificates.
    b. Rules for exporting alcohol, tobacco and certain oils.
    c. Rules for exporting controlled goods like firearms.
    d. Labelling and marketing standards for exporting food, plant seeds and manufactured goods.
6. **Consider how changes to VAT will impact the business:**
    a. VAT refunds from EU countries.
    b. VAT on digital services to EU customers.
7. **Decide on transport and logistics:**
    a. In-house.
    b. External provider.

How your international payments may be exposed

A checklist for SMEs

We work closely with UK importers and exporters to provide guidance and support on the development of a strategy to address currency risk. To get started, here's a handy checklist of areas to consider when managing your foreign exchange exposure and international payments.

1

Understand your business objectives

Your business objectives play an important role in defining an FX policy and it is important to know what degree of risk your company is willing to take and how much your FX exposure could impact on your business objectives.

2

Understand the state of the target currency market

Consider the current state of the currency market you're looking to enter. Currencies around the world may be affected by many factors – being moved by elements such as supply and demand, economic growth, interest rates and politics. From this, you can develop a strategy to best manage your foreign exchange risks.

3

Consider the strength of the pound

If you are an importer, a strong pound tends to be good news for business. On the other hand, for an exporting business, a stronger sterling can make a product or service more expensive in an overseas market, or it can reduce the margins a business is able to take home when selling its product or service abroad.

4

Plan for risk

Planning is the first step to managing your foreign exchange (FX) risk. Agreeing on a budgeted exchange rate for the year will guide your transactions. Your budgeted rate should take into account the volume and timing of your expected transactions, as well as a realistic assumption of current and future rates.

5 Develop a foreign exchange policy and review it regularly

It is important that your policy complies with and works towards overall strategy and objectives. Once agreed, a policy should be reviewed regularly and be flexible enough to reflect the constantly changing nature of the markets.

6 Get help to put together a strategy

A foreign exchange specialist can provide guidance and support, as well as access to a range of currency tools to help you develop your strategy. By consulting an expert you will be able to talk through any concerns you may have, along with areas of potential risk within your plan.

7 Don’t be tempted to gamble on the FX markets

While it’s tempting to hope for the best or take advantage of sudden movements in your favour, abandoning your FX policy can increase your risk - extreme movements in the markets could catch you out.

8 Investigate payment service options

Often, a foreign exchange transaction is just half of the task of managing international invoices. The time taken to process payments each month can add up and detract from other business activities. Your business could benefit from an online system which simplifies payments, automatically checks banking details and stored details for future use.

9 Manage your business relationships

Tracking payments through the authorisation process is important in maintaining good supplier relationships. Look for payment tracking services, so your suppliers can be emailed automatically when a payment has been sent. In challenging times, key supplier relationships can be hugely important to your business.

10 Communicate and review

Reporting clarity enables your business to ensure it’s adhering to its foreign exchange policy and making the most of movements in the markets. It’s best to choose a system which will have access to sophisticated reporting tools, enabling you to keep track of deals, payments and the progress of your chosen strategy.

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