Trading Places:

UK SMEs Navigating International Trade in 2025

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Optimism amid complexity

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June 2025 marks the ninth anniversary of the UK's historic referendum, triggering the process of the country's withdrawal from the EU. While international trade has never been simple, Brexit was the first in a series of seismic shocks that forged an increasingly complex environment for small and medium sized businesses.

We published our inaugural Trading Places report a year later in 2017. It found a besieged community of importers and exporters, struggling to stay abreast of the latest developments regarding paperwork and administration, tariffs and customs, duty and tax.

Nine years on, under a new Government, the UK and EU's trading relationship is being reimagined, with measures announced in May to boost agrifood imports and exports, reduce red tape, and reduce border delays. Time will tell whether the Government's plan will result in a material boost for UK businesses (and the economy), but it should be considered a positive step forward in overcoming the complexities of trading with the bloc.

Brexit aside, in the last decade, SMEs have been forced to contend with shifting global markets, a move toward protectionist policies and a worldwide pandemic, resulting in a sustained period of currency volatility not seen on such a scale since the Great Depression of the 1930s. As I write this, we sit in no-person's land of President Trump's "90 day pause", awaiting the outcome of retaliatory - or punitive - tariffs with other nations.

And as the fine print of such negotiations is agreed, foreign exchange risk remains a very real concern for SMEs, as borne out in our latest study. While the adage "the only constant is change" rings true, in 2025 UK businesses are crying out for stability.

Yet, the last decade has demonstrated that UK small businesses are resilient. They find a way to boost output, and to forge new partnerships. This is also reflected in our findings, with more than 64 percent of exporters and almost half (48%) of importers seeking to find partners in new markets over the coming months, and over half of all internationally trading businesses forecasting sales growth in 2025 - despite the plethora of challenges outlined in this report.

Evidence suggests such enterprises are more productive, and often more profitable. The Office for National Statistics (ONS) estimates that UK businesses engaged in importing or exporting are approximately 20 percent more productive than those that solely trade domestically. Whether this is due to an inbuilt agility, or a wider concentration of supplier and ecosystems, it is proof of the importance of such businesses to local, national and international economies.

So, while challenges remain, we must champion these ambitious businesses and continue to provide tangible support that enables them to manage risk, reduce costs and boost output.

As the founding father of the United States once put it: "No nation was ever ruined by trade." It's incumbent on all who wish to see economies prosper to remember this.

June 2025

Executive summary

Considering the ever-shifting trading landscape in which they operate, this report finds UK importers and exporters facing stubborn uncertainty. Despite this, many remain confident regarding their own import and/or export volumes over the year ahead. This report identifies three key focus areas for SME owners, private and public sector organisations to boost trade, reduce complexity and protect profit margins.

1. Understand tariffs

This report highlights current trade frictions as a key concern of UK importers and exporters and one which threatens to impact existing operations and stifle growth plans. With a constantly evolving trade agreement environment, business owners, their advisors and partners more than ever need to keep abreast of global trade agreements, either by utilising Government resources such as the UK Global Tariff (UKGT) website - which details existing rates for different product types - or by seeking expert advice from customs agents or brokers. Furthermore, it's critical importers and exporters consider customs classification codes carefully, as misclassification can cause delays or fines.

2. Mitigate foreign exchange risk

Increased volatility brings foreign exchange risk, and in such a fast-moving world, it's vital SMEs have considered FX strategies to prevent profit margin erosion. Positively, this report reflects a proactive SME community, many of whom have already adjusted their strategies. Using a specialist FX provider can both reduce transactional cost and allow businesses to focus on driving growth by using forward contracts to buy or sell currency at a fixed rate - locking in both costs and revenue. Additionally, specialist providers can help SMEs to assess the benefits of invoicing in different currencies, while regularly monitoring FX markets and trends.

3. Diversify supply chain geographies

While our report encouragingly shows UK SMEs employing diverse supply chains, with the current fluid situation in mind, this must remain a key focus. Diversifying suppliers reduces the risk of geopolitical tensions, port congestion, or trade disputes, and onshoring, nearshoring or "friendshoring" options may alleviate tariff exposure and transit times. Support and advice are available, and SMEs can use market intelligence tools and government resources (such as the UK's Department for International Trade) to identify emerging or underserved markets. It's important SMEs consider essential factors such as market size, growth potential, regulatory environment, cultural fit, and ease of doing business.

USD/GBP - June 2024 - June 2025

The trading landscape for importers and exporters

The landscape for UK businesses trading overseas today remains complex and volatile, with specific and nuanced challenges and opportunities dependent on business profile, sector and trading operations.

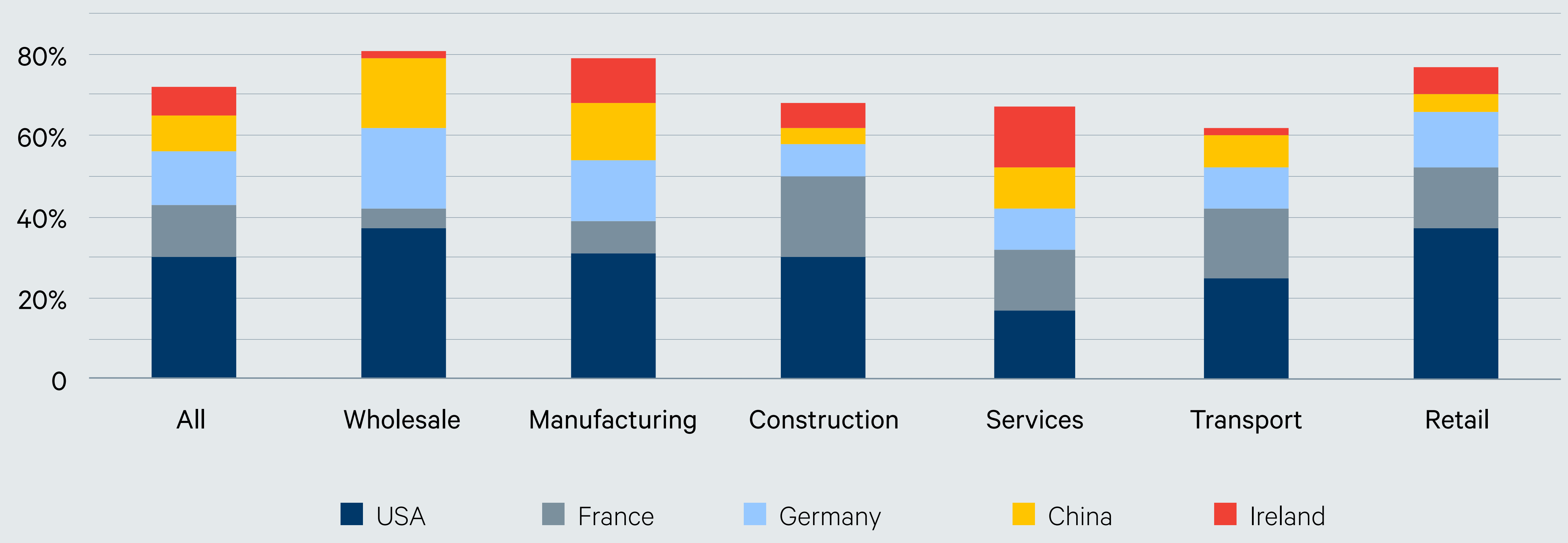
It's clear that the ever changing and dynamic environment in which these businesses operate is having a profound impact on confidence, existing operations and growth plans. However, despite ongoing challenges highlighted throughout, data finds UK SMEs seeking to find new ways to achieve growth either by expanding into new markets, optimising existing operations or reinvigorating supply chains.

Key partnerships for SMEs

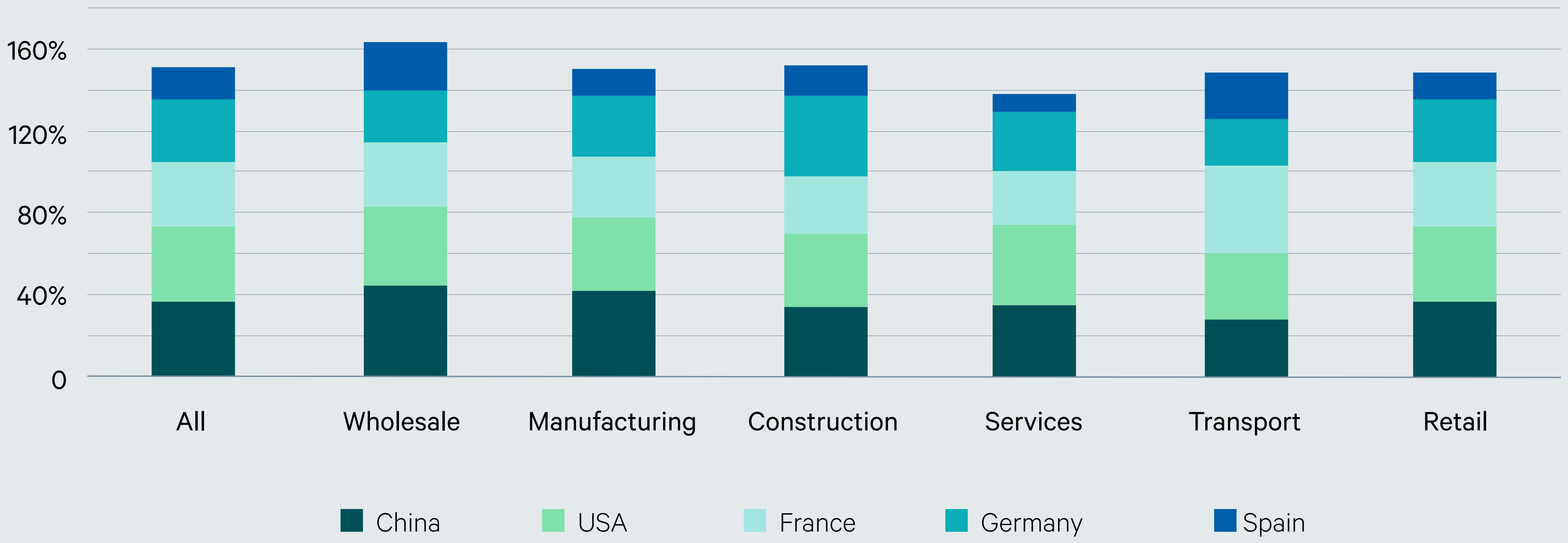
Our data shows that importers typically deal with a greater number of overseas trading partners. Among those who export, the mean number of countries is nine versus 14 for those who import. Highlighting the importance of ongoing trade negotiations considering the US's tariff policies, UK exporters view the US and China as critical trading partners, along with markets in closer proximity, such as Germany, France and the Republic of Ireland.

A similar list of important trading partners appears among importers, with Spain replacing the Republic of Ireland, and China particularly strong among UK wholesalers and retailers. Such data reflects the sheer market opportunity of China and the US combined, providing access to a giant pool of more than 1.7bn consumers, in addition to both economies' manufacturing scale, cost advantages, product variety, and trade infrastructure, making both crucial partners for UK businesses.

Top export countries by sector



Top import countries by sector



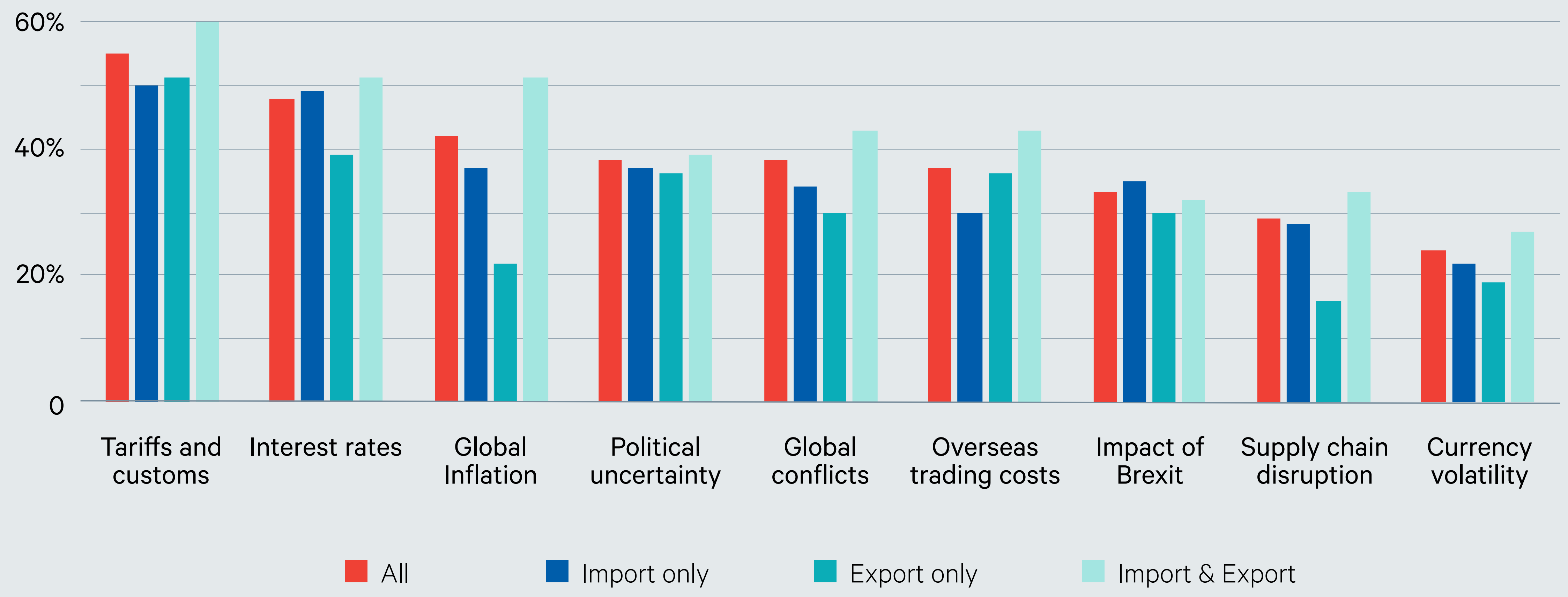
Economic challenges

Dual tariffs impacting those that import and export

Unsurprisingly, data shows tariffs, customs and trade barriers are the greatest challenge impacting UK importers and exporters today. With research undertaken amid President Trump's "90-day pause", the situation remains fluid for businesses, who continue to seek understanding of the final tariffs that will be imposed, and how these will impact their operations. Undoubtedly, those who import and export are disproportionately affected, being stung with the dual impact of increased costs on imports, and reduced competitiveness of exports. Furthermore, global monetary and fiscal policy trends are hampering small importers and exporters.

Higher (though falling) interest rates are eroding margins via more expensive borrowing/credit, again reducing competitiveness of UK goods and services for those exporting. Despite strengthening relations between the UK and EU (after the commencement of this study), on average, almost a third of respondents feel the ongoing impact of Brexit is affecting their businesses.

Economic challenges



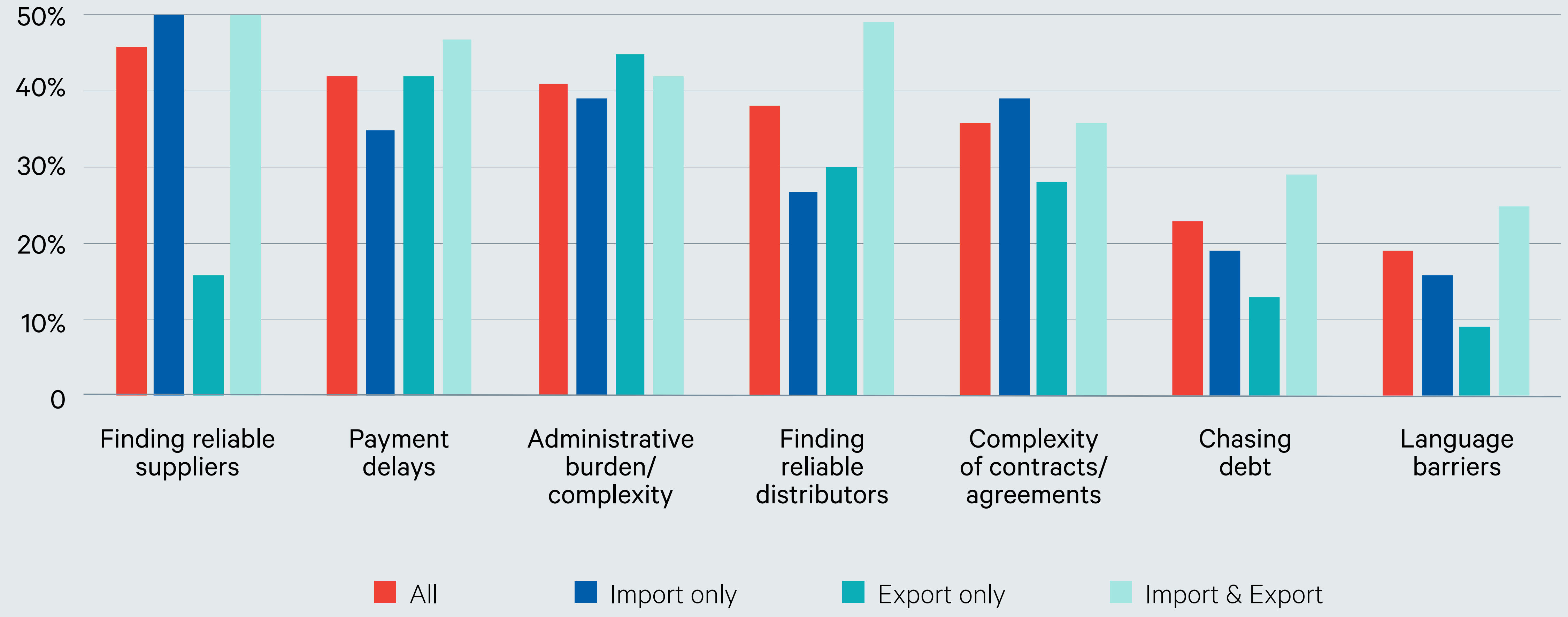
Business specific challenges

The economic challenges for importers and exporters remain plentiful in 2025, however, equally business or sector specific issues also require close consideration.

While payment delays (42%), administrative burdens (41%) and finding reliable distributors each feature heavily for SMEs, finding reliable suppliers is the top challenge - specifically for exporters. The nature of supply chain risk in 2025 is more complex, and fast-moving than ever before, brought about by ongoing conflicts, rising trade frictions, and specific issues such as the Red Sea Crisis, which continues to disrupt trade routes, resulting in extended transit times and - often - increased costs.

The current situation on tariffs and wider trade disruption threatens to destabilise relationships which could be problematic and drive more SMEs to think about diversification options.

Business specific challenges



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Business confidence

Pound strength welcomed by importers, but not exporters

Notwithstanding difficult trading conditions with global inflation, a higher interest rate environment and trading frictions, exporting businesses are largely positive about their performance in 2025 thus far, with over half (56%) reporting increased sales volumes since the start of the year. Confidence is more subdued among exporters when looking ahead, with almost half (47%) expecting a net decline in sales volumes relating to exports over the remainder of the year - most likely in anticipation of trade tariffs.

Conversely, almost half of importers (47%) have seen increased volumes in the past six months, and these businesses are more optimistic about their prospects with 52 percent anticipating increased volumes. This is, in part, due to the relative strength of the Pound, particularly against the Dollar over recent months.

In summary, data suggests a “swings and roundabouts” situation, particularly for those business owners both importing and exporting who see the benefit of a stronger pound offset by reduced competitiveness of exports.

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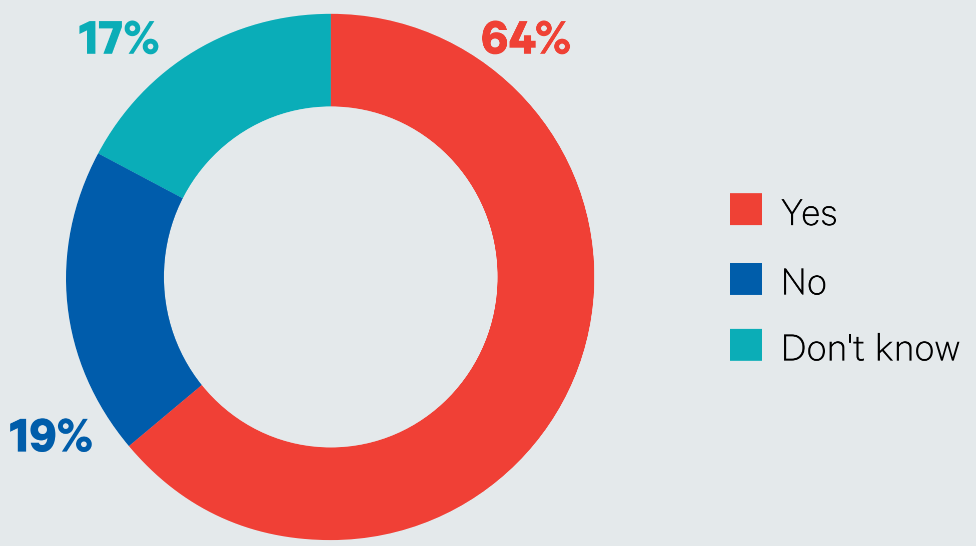
Trading through turbulence

The US "reciprocal tariff" strategy announced on 2 April marked a move from rhetoric to reality and left a trail of disruption and complexity in its wake. For the first time in many decades, it made the Dollar look vulnerable, falling by over nine percent since its mid-January peak.

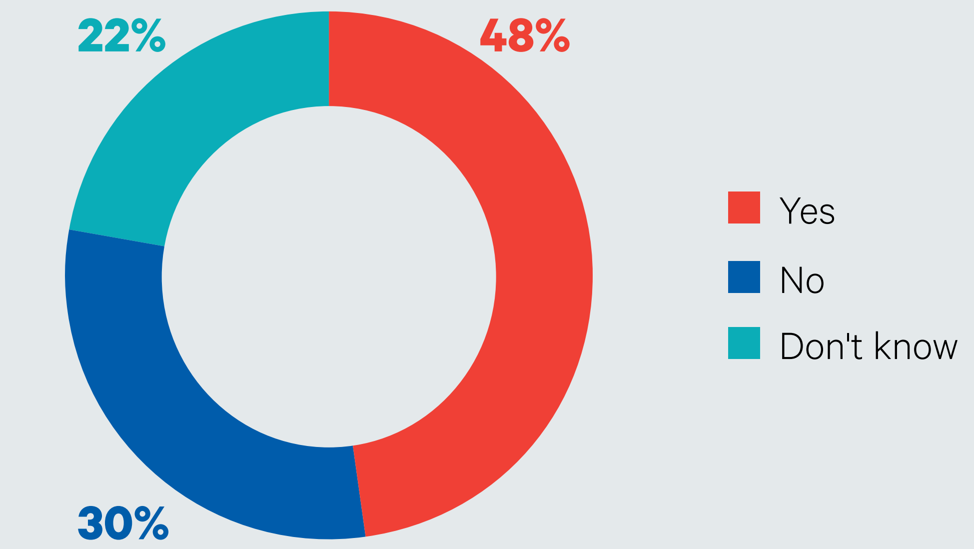
The changing dynamics of international relationships threaten the flow of trade. The UK exports more to the US than any other single country, representing 16 percent of total UK goods exported by value in 2024. Our survey reinforces the importance of this trading relationship specifically for SMEs, with thirty percent stating it is the single country that they conduct the most overseas business with (shown in the graph on page 4). The next most significant trading partners were Germany and France (13 percent of businesses apiece stating they were their most significant). In monetary terms, these three countries (USA 48%, France 39% and Germany 36%) are the most important in relation to exports for those we surveyed.

Turbulence can drive a need for change and innovation, and we see that SMEs are looking to develop additional trading relationships. Nearly two thirds (64%) say their business plans to seek trading partnerships in new countries in the next 12 months - an increase of more than 10 percentage points from last year's survey (at 52%).

Exporters: Does your business plan to seek trading partnerships in new countries in the next 12 months?



Importers: Does your business plan to seek trading partnerships in new countries in the next 12 months?



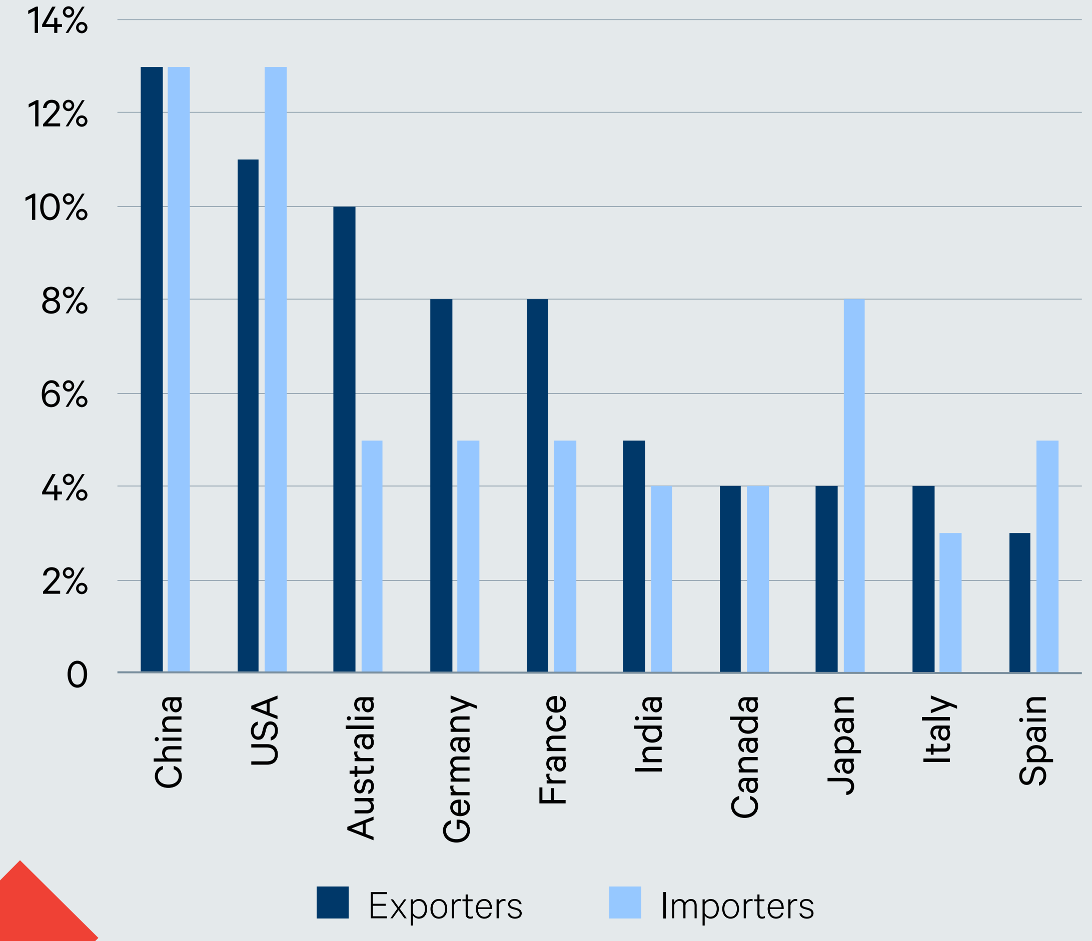
Comparing the data with our survey last year, it appears that volatility is giving SMEs more conviction around the need to expand; only 17 percent of exporters say they are unsure about seeking trading partnerships in new countries within the next year - a reduced figure from last year, at just over one in four (26%).

Trading targets

Despite the uncertainty, the US remains in the sights of over one in ten (11%) of SMEs looking to build new export relationships, with only China the more popular target at 13 percent. It is a similar picture for importers looking for new trading partners, with China and the US equally favoured by thirteen percent of SMEs.

Looking at specific sectors, the notable difference in the data around trading intention can be seen amongst exporting wholesalers. Eighty percent intend to develop new country relationships, the largest number of all sectors surveyed, and the US is also their top intended target.

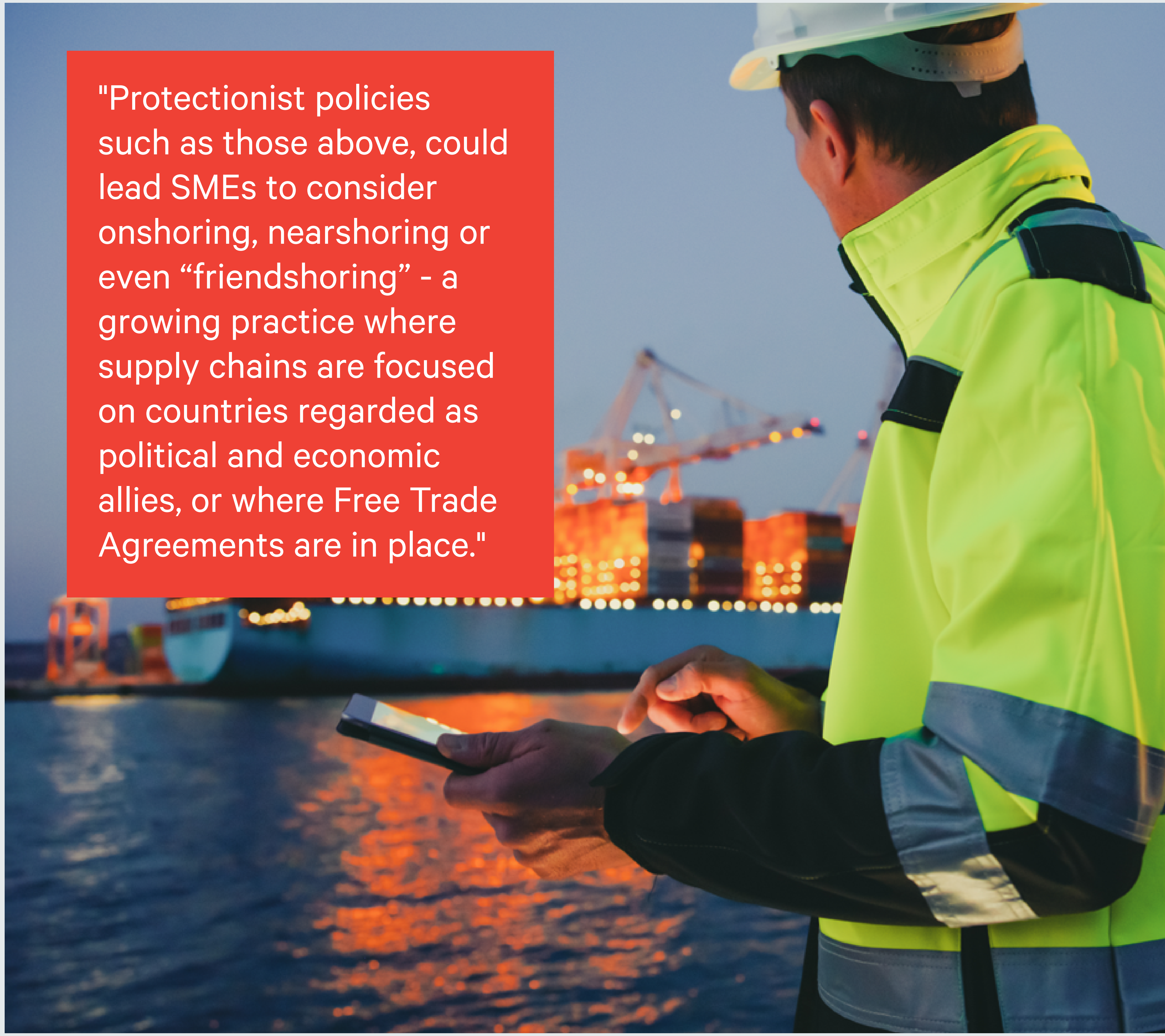
Top target new country to trade with in the next 12 months



The US/UK Economic Prosperity Deal struck on 8 May will no doubt have been welcomed by SMEs trading with, or seeking to trade with the US. At the time of writing, there is not final clarity over the implementation of this deal and any ramifications of failure to live up to promises made, such as the UK continuing to import steel from China.

India also features in the top ten new countries to trade with, but is not without restrictions after the 2024 change in regulations around the "Make in India" initiative, aimed at boosting domestic manufacturing. It's plausible protectionist policies such as those above, could lead SMEs to consider onshoring, nearshoring or even "friendshoring" - a growing practice where supply chains are focused on countries regarded as political and economic allies, or where Free Trade Agreements are in place.

Looking across the top target countries to trade with, it is a mixed portfolio, likely reflective of the fact that they offer different opportunities and challenges. Despite their difficulties, there is huge market opportunity with the US and China and commonality of language and ease of trading with Australia. SMEs heightened intention to develop new opportunities could be seen a means of spreading their risk in uncertain times.

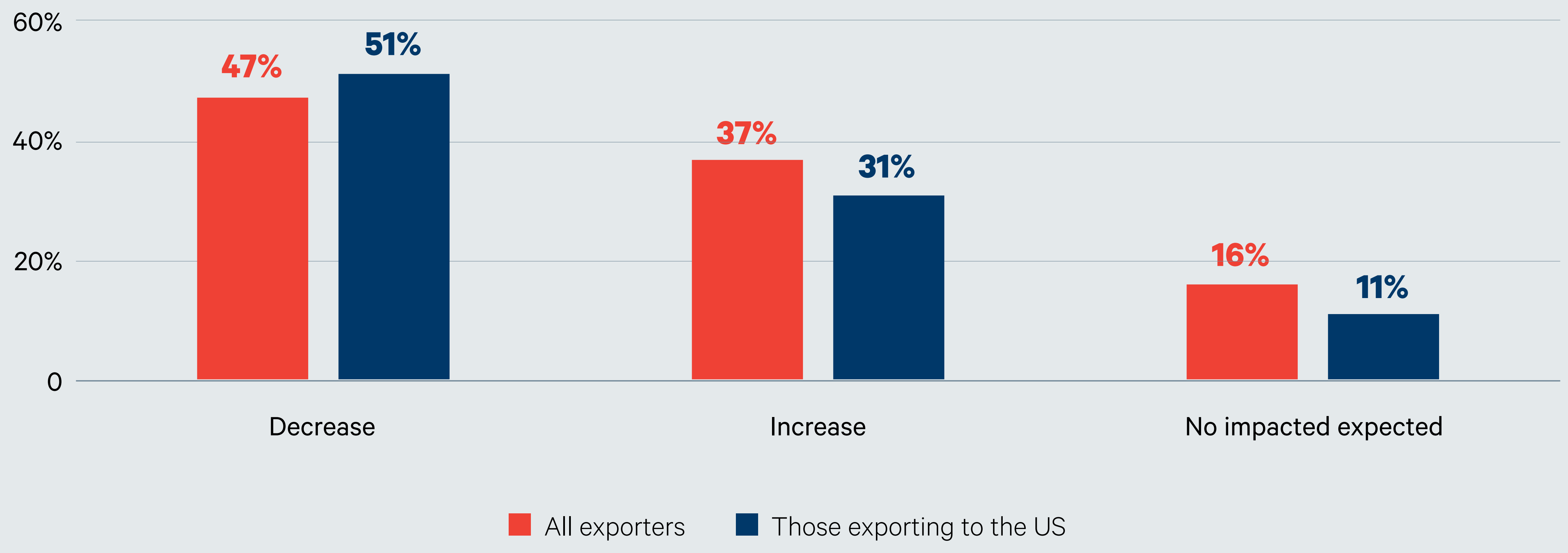


Torrid tariffs and Brexit backtracking

Our survey was conducted during the 90 day pause on some of the "reciprocal tariffs", although the baseline ten percent tariffs remained. This may have resulted in a slightly more positive view on export volume expectations, driven by a belief that we could negotiate, than would otherwise have been the case if more stringent tariffs were in place and other markets had responded with their own.

We looked at the findings for all respondents who export and compared them to those who said they export to the US. There is some difference between the two groups expectations for future export volume with tariffs in place, however the difference is not as material as may be expected. Fifty one percent of those exporting to the US expect a net decrease in export volumes vs 47 percent across all exporters.

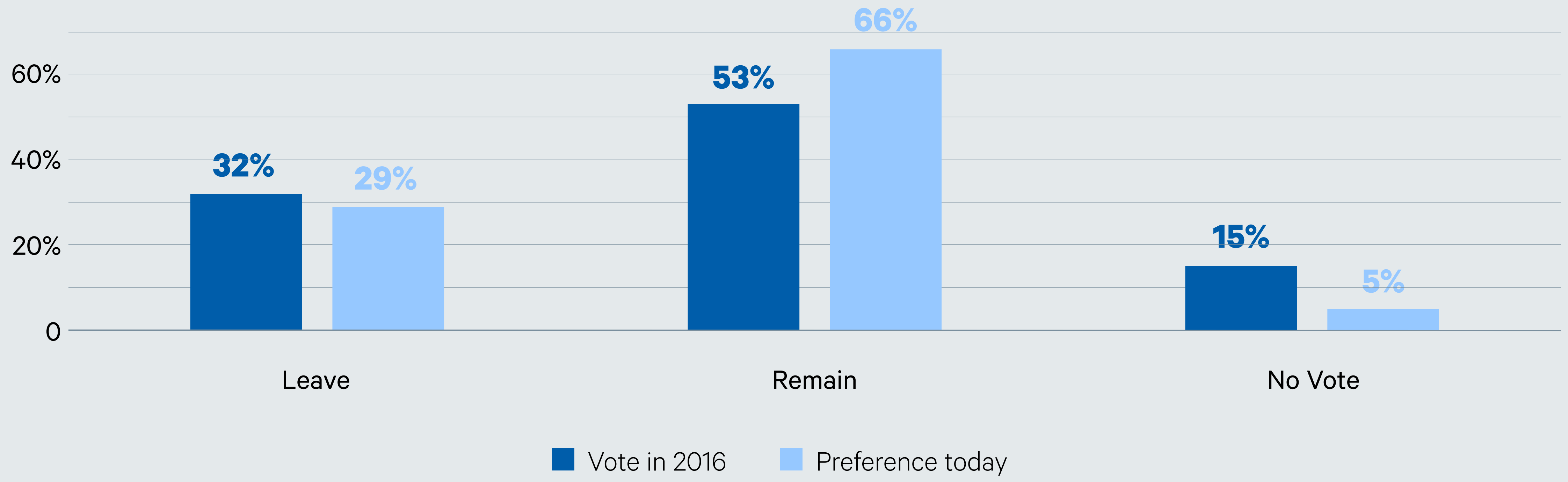
Impact of uncertainty around US tariffs on business expectations of export volume



EU/UK relationship - "remainers" on the rise

The outcome of the 2016 Brexit referendum went on to reset the EU/UK relationship. Of the SMEs we surveyed, around a third (32%) voted to leave, just over half (53%) to remain and the remaining fifteen percent did not vote. When asked how they would vote if there was opportunity to do so again, remainers rose to two thirds (66%) and significantly more would cast a vote than did so in 2016 (only 5% stating they would not vote).

Brexit referendum: vote in 2016 and today



Looking at influencing factors on future voting intentions, perhaps surprisingly, given the scale of uncertainty, only fifty percent of responders say their voting intention is impacted by recent trade friction.

Indeed, perhaps a more significant driver of the upward move to remain is the cost of complying with trade regulations. Sixty five percent of responders stated that this has significantly impacted their business's bottom line since Brexit and over half (56%) believe that Brexit has made their business less competitive in the global marketplace.

The recent (May) agreement secured with the EU which seeks to reduce the red tape and increase the flow of trade, won't mean a return to the single market but may go some way to addressing the administrative and cost burden for business. Time will tell.

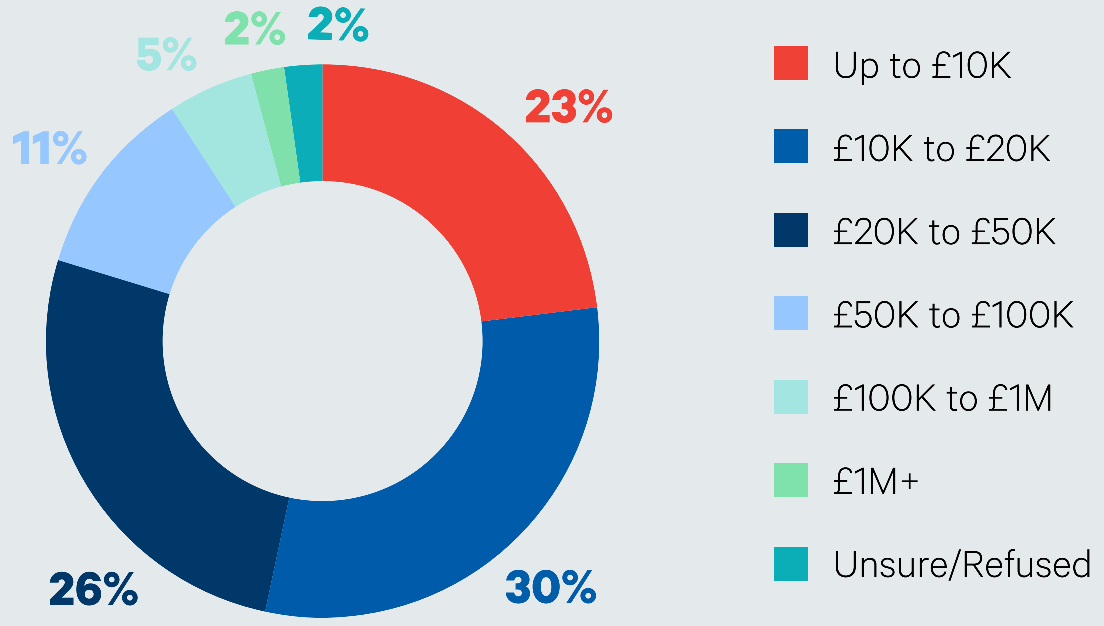
Currency conundrums

One of the more complex areas of international trade for any business is managing foreign exchange risk. Over half of all respondents state they have been negatively impacted by currency volatility in the past year due to a combination of geopolitical events such as changing governments in the UK, US and France, ongoing conflicts in the Middle East and Ukraine, global trade frictions and - perhaps the most impactful factor - US trade and fiscal policy.

“The issue is twofold for SMEs: uncertainty and expertise”, says Michael McGowan, Managing Director of Bibby FX. “Most businesses are incredible at what they do and they’re specialists in their field, but when it comes to FX, many don’t seek out specialist support to help them to assess their exposure, so they’re seeing margins eroded trade after trade. In fact, just 36 percent of those trading overseas use specialist FX providers, so it’s a huge opportunity for businesses to reduce margin erosion.”

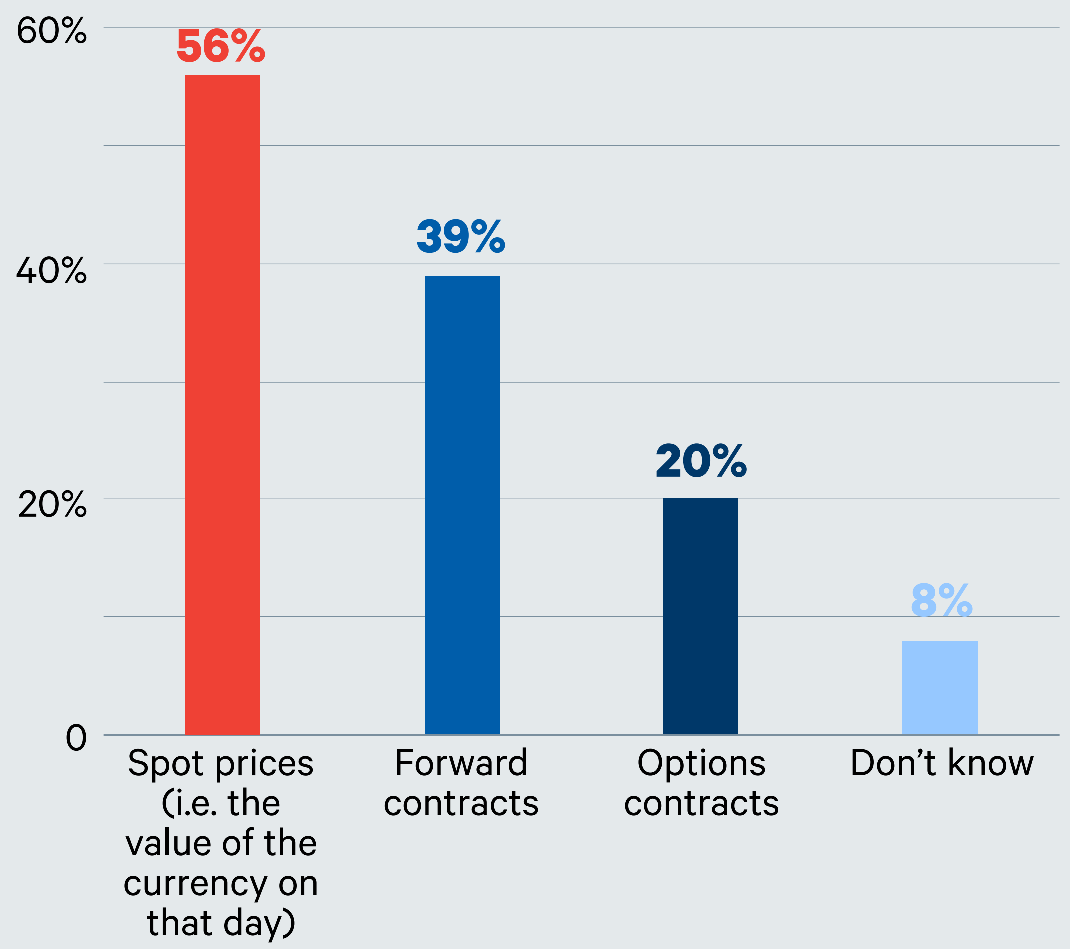
Such turbulence is having a direct impact on the profitability of UK importers and exporters, with three in 10 (30%) saying their business has been negatively impacted to the tune of £10k-£20k as a result. Those in the services sector are most likely to have been detrimentally impacted (65%), but across all sectors the average amount lost is £17,000. This represents both a significant economic leakage and poses a very real risk for smaller businesses trading overseas.

Negative financial impact of volatility in past year

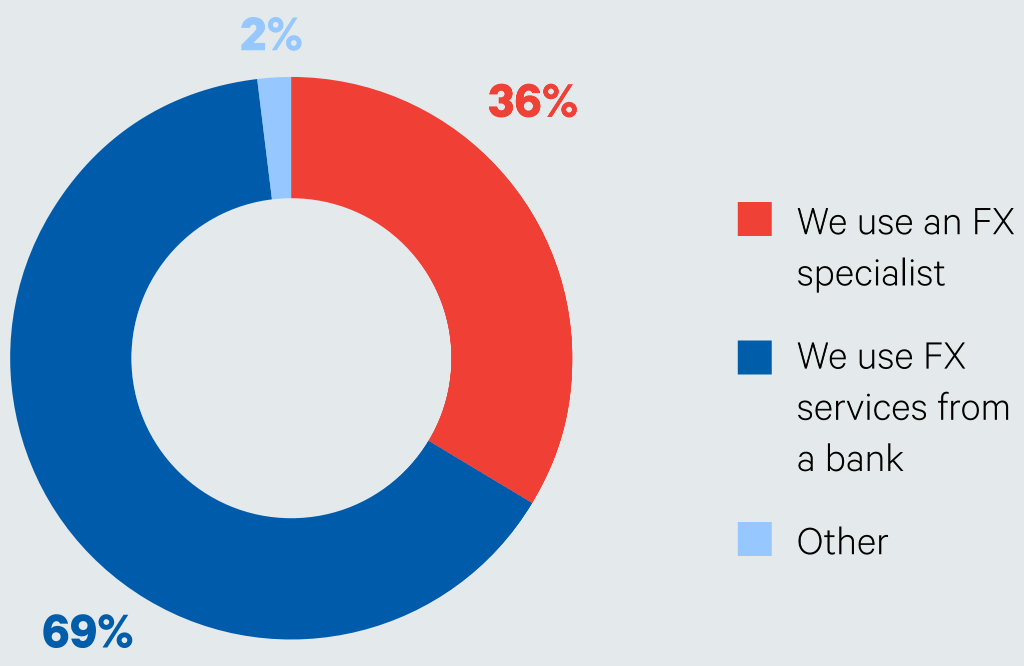


Perhaps most interesting is how UK importers and exporters are mitigating this risk; and taking measures to reduce their exposure, with 58 percent say they have adjusted their foreign exchange strategy considering US tariffs in recent months, and 59 percent stating they have started to make foreign exchange payments in Euros to mitigate US Dollar volatility.

Type of FX transaction



FX support used



Niels Gooch
Head of Sales
Bibby FX

"We’re certainly seeing more business owners thinking about how they can mitigate risk associated with foreign exchange. With the recent wave of geopolitical tensions coming so quickly and intensely this year, the impact on importers, exporters and businesses providing services overseas has been very high. In Q2 especially, a large percentage of our clients have been closely considering how vulnerable they are to market movements and thinking about how it may erode their profits over the course of their financial year and beyond. Many are seeking forward contracts to lock in rates to provide certainty in budgeting and lock in their profits. With volatility likely to be a resident guest in 2025, it’s important that business leaders understand their exposure over the full term of their contracts and their associated costing levels, and work with a well-established FX Risk Management specialist to put strategies in place to alleviate that risk."

Our specialist services for SMEs trading overseas

Foreign Exchange

Bibby FX is a forex solution for SMEs trading overseas. It helps by giving SMEs access to forex specialists, enabling clients to lock-in rates to reduce exposure to currency fluctuations. Businesses can combine existing funding facilities with BFS allowing them to transact in the currency of their choice.

Export Finance

Export Finance is a funding solution that releases the value of outstanding invoices and helps businesses overcome the complexities of selling goods or services overseas. It helps businesses to overcome these challenges, providing certainty of payment, upfront payment against overseas invoices and access to our export specialists.

Methodology

This study is based on research of more than 500 UK importers and exporters across the manufacturing, construction, wholesale, transport and services sectors. Research was conducted by independent specialists, Critical Research, between 15 and 30 May 2025.

About Bibby Financial Services

Bibby Financial Services (BFS) is a leading independent financial services partner to over 8,500 SMEs worldwide.

We provide specialist working capital, asset finance and foreign exchange solutions helping businesses to grow and thrive in domestic and international markets.

Formed in 1982, BFS is part of the Bibby Line Group (BLG), a diverse and forward-looking family business delivering personal, responsive and flexible customer solutions for over 215 years.

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