

Trading Places 2026:

# The hidden cost of global trade for SMEs

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# A new era of trade



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**International trade has rarely stood still, but events of the past decade have fundamentally reshaped trading relationships across the world. With this, there have been significant changes in the way UK importers and exporters operate, compete and grow.**

Our first Trading Places report was published in 2017 in the wake of the UK's historic EU Referendum and, in recent years, the dominant narrative has centred on geopolitical disruption - from Brexit to the COVID-19 pandemic, and wider global instability. While those factors remain relevant, our 2026 report highlights that such external shocks have now become an entrenched set of pressures that are part of the day-to-day reality of international trade.

Cost burdens for importers and exporters have continued to intensify, with tariffs, interest rates and global inflation now representing the most significant barriers to growth. These are not temporary disruptions, but underlying factors that impact margins and decision-making of business leaders across the UK. Alongside this, operational challenges - from payment delays to the administrative burden of trading internationally - are increasing in both scale and significance.

While our 2025 study was undertaken amid uncertainty relating to President Trump's tariffs merry-go-round, undoubtedly, the ongoing conflict in the Middle East is a key challenge affecting a substantial proportion of businesses in 2026.

Fifty-eight percent report that their businesses have already or will be impacted by the disruption to the Strait of Hormuz. Among those already affected, the average negative financial impact stands at almost £40,000 since the conflict began - predominantly due to shipping and logistics issues, restrictions on goods, or increased compliance costs.

Almost seven in 10 SMEs report increased cashflow pressure in the past 12-months due to international trading conditions and two-fifths say exchange rate volatility has impacted profitability. Consequently, more than half have readjusted their foreign exchange strategies.

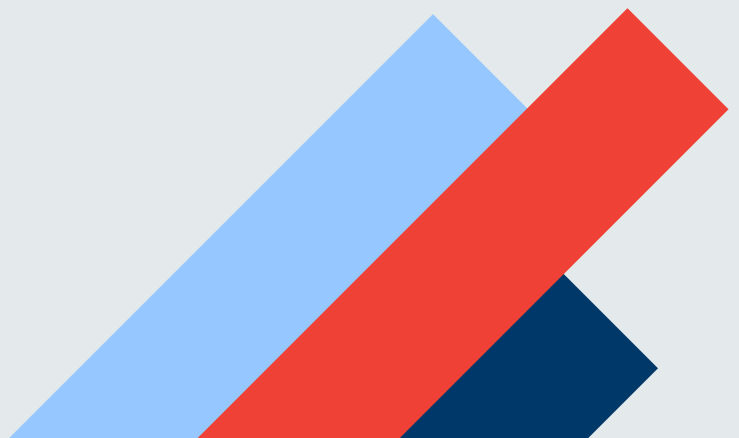
Unsurprisingly, these hidden costs of trading internationally are causing adverse ripple effects across supply chains as firms compete to preserve profitability: squeezing margins and delaying payments. A quarter report an increase in customer insolvency and over a third (36%) say in the past 12 months overseas partners have requested upfront payment for goods and services.

**“Fifty-eight percent report that their businesses have already or will be impacted by the disruption to the Strait of Hormuz.”**

Yet, despite such wide-ranging issues, remarkably, SMEs remain stoic. Many continue to pursue growth opportunities overseas, expand their trading footprint and build new partnerships in international markets. However, as we approach the tenth anniversary of the EU Referendum, for many, this involves pivoting towards European partners or even their domestic settings to derisk their operations.

As they always have, this report shows that SMEs continue to adapt as they seek to reduce risk and unlock opportunity. Our findings also make clear that whether through access to finance, foreign exchange expertise or practical trading solutions, in this new era of international trade, support for these businesses has never been more critical.

June 2026





# Executive summary

**This report highlights a shift in the realities facing UK SMEs engaged in international trade. Crucially, our findings point to an emerging negative multiplier effect across supply chains, where rising costs, currency volatility, delayed payments, and tightening margins reinforce one another. This is creating a cycle of reduced liquidity and increased financial risk.**

Based on the findings of our study, this report sets out three key priority areas for SME decision-makers, alongside public and private sector organisations, to help UK businesses tackle the hidden costs of international trade.

## **1. Build financial resilience through proactive risk management**

This report highlights that the risk environment for UK SMEs trading internationally is deteriorating by the day: 70 percent of firms say they would be at significant or moderate risk of entering administration if geopolitical tensions persist (with exporters marginally higher at 72%). SMEs should consider a structured approach to managing financial exposure, particularly in relation to foreign exchange and cashflow. This includes adopting forward-looking FX strategies, improving credit control processes for international partners, and ensuring access to flexible financing options. Given the scale of payment delays and currency volatility, reactive approaches are no longer sufficient.

## **2. Diversify trading relationships and supply chains**

Data reflects how concentrated trading relationships are amplifying risk for SMEs. Over a third report overseas partners requesting upfront payment (36%), while late payments from international customers affect 29 percent, creating a dual cashflow squeeze. At the same time, 26 percent report increasing customer insolvency, reinforcing the vulnerability of relying on a limited number of partners. This underscores the need for SMEs to diversify both suppliers and customers, reducing reliance on single markets. Diversification enables businesses to spread risk, stabilise cashflow cycles, and maintain access to alternative trading routes when disruption occurs.

## **3. Simplify trade frameworks and expand SME support**

Cashflow pressures are widespread and structurally embedded, with 69 percent of importers and exporters reporting increased pressure due to international trading conditions. The primary drivers are higher shipping and logistics costs (61%) and delayed payments from overseas buyers (42%), both of which directly impact liquidity. These pressures are compounded by growing compliance requirements, contract complexity and fraud risk, with around one in five firms experiencing FX-related fraud attempts. Together, this creates a trading environment that is costly and complex. Simplifying customs processes, improving access to trade finance and strengthening support for compliance would help reduce friction. Greater policy clarity and stability are also essential to enable SMEs to manage risk effectively and focus on sustainable growth.

# The current landscape

**Our 2026 data provides a view of where UK SMEs are trading internationally, highlighting core markets that underpin activity and the shifts in market engagement over the past year. While the overall geography of trade remains somewhat consistent, there has been a marked change in regional weighting and market diversification.**

## **Exporters – US tariff instability encourages closer alignment with the EU**

When compared with our 2025 study, data indicates a shift towards Europe among exporters, likely due to proximity, shorter supply chains and reduced complexity, despite ongoing challenges associated with Brexit. Amid a complex global trading environment, European markets are viewed as lower friction to UK businesses, offering more predictable trading conditions as well as reduced foreign exchange complexity due to the single currency. What our data may indicate is that due to higher costs and supply chain volatility, exporters are doubling down on nearby markets to protect margins from currency risk and trading disruption.

In February, Emma Rowland, trade policy advisor at the Institute of Directors (IoD) said: “Of those who would want the government to prioritise a trading relationship, business leaders would overwhelmingly choose closer alignment with the EU over the US”. In our inaugural Trading Places report in 2017, 34 percent cited the US as their key export market and while the US remains a key trading partner for exporters, even in just the past year, it has been overtaken by EU markets according to our data. Over a third (36%) say the value of their turnover relating to US exports has reduced in

the past 12 months due to tariffs, and more than a quarter (27%) say they have actively reduced their footprint in the US market due to political or regulatory uncertainty. Among net exporters - those that only export, in addition to those that both export and import - SMEs estimate that US trade tariffs have resulted in an average negative financial impact of £27,000 (vs £32,000 among net importers).

The proportion of exporting SMEs trading with secondary markets such as Canada (3% to 16%), Spain (5% to 14%) and Belgium (2% to 13%) has grown, demonstrating a deepening of trading relationships, not just a shift at the top.

**Figure 1:** Top five export markets (2025 to 2026)

Rank	Market	2025	2026	Change
1	France	13%	36%	+23pp
2	Germany	13%	34%	+21pp
3	U.S.	30%	29%	-1pp
4	Ireland	7%	20%	+13pp
5	Canada	3%	16%	+13pp





## Exporters – by sector

While SMEs continue to export to familiar markets, sector dynamics influence where they trade. Europe remains dominant among SMEs overall, particularly France and Germany, but reliance varies significantly by industry. The services sector shows the highest concentration in Europe, with 48 percent exporting to France and 43 percent to Germany, reflecting the importance of proximity, regulatory alignment, and close relationships. Construction and transport sectors also demonstrate a strong European focus, while wholesale and retail maintain a more balanced presence across wider markets. In contrast, manufacturing is less dependent on Europe, with lower exposure to France (19%) and Germany (28%), indicating a more diversified roster of international partners. This reflects demand patterns that extend beyond Europe, including stronger links with markets such as China.

The services sector stands out as the most regionally concentrated, with limited exposure to more distant markets such as the US (15%). This highlights a preference for ease of delivery, reduced complexity, and closer proximity relationships.

**Figure 2:** Top export markets by sector 2026

	All sectors	Wholesale	Manufacturing	Construction	Services	Transport	Retail
France	36%	36%	19%	36%	48%	33%	37%
Germany	34%	34%	28%	43%	43%	36%	22%
U.S.	29%	29%	19%	36%	15%	33%	24%
Ireland	20%	20%	14%	26%	20%	12%	29%
Canada	16%	16%	11%	17%	11%	18%	7%
Spain	14%	14%	17%	14%	21%	9%	15%
China	14%	14%	22%	14%	15%	18%	5%
Belgium	13%	13%	11%	7%	16%	9%	22%
Australia	12%	12%	11%	11%	10%	6%	20%
Italy	10%	10%	8%	11%	13%	18%	5%

## Importers – clear focus on China and nearshoring

Importers too are changing the way in which they operate to overcome the complexities of international trade in the 21st century. When compared with 2025, China has strengthened its position as leading import partner among SMEs, rising from 23 percent to 34 percent in 2026. This highlights the continued importance of China as a manufacturing powerhouse, despite geopolitical tensions and ongoing supply-chain disruption.

Meanwhile, the most notable shift in 2026 is the expansion of European import partners. The proportion of SMEs importing from Germany has risen from 12 percent to 31 percent, while France has increased from nine percent to 23 percent, and the Netherlands from three percent to 10 percent. This aligns with wider UK trends of nearshoring and growing regional supply chains as businesses seek to mitigate disruption and reduce shipping times.

This continued global sourcing alongside increased regionalisation is reflected in broader UK data. Figures from the Office for National Statistics (ONS) in March showed imports rising from both EU and non-EU countries in 2026, reinforcing that businesses are not substituting one region for another but expanding across both (it is worth noting that such ONS figures are unlikely to reflect any changes connected to the Iran War, which began in late February).

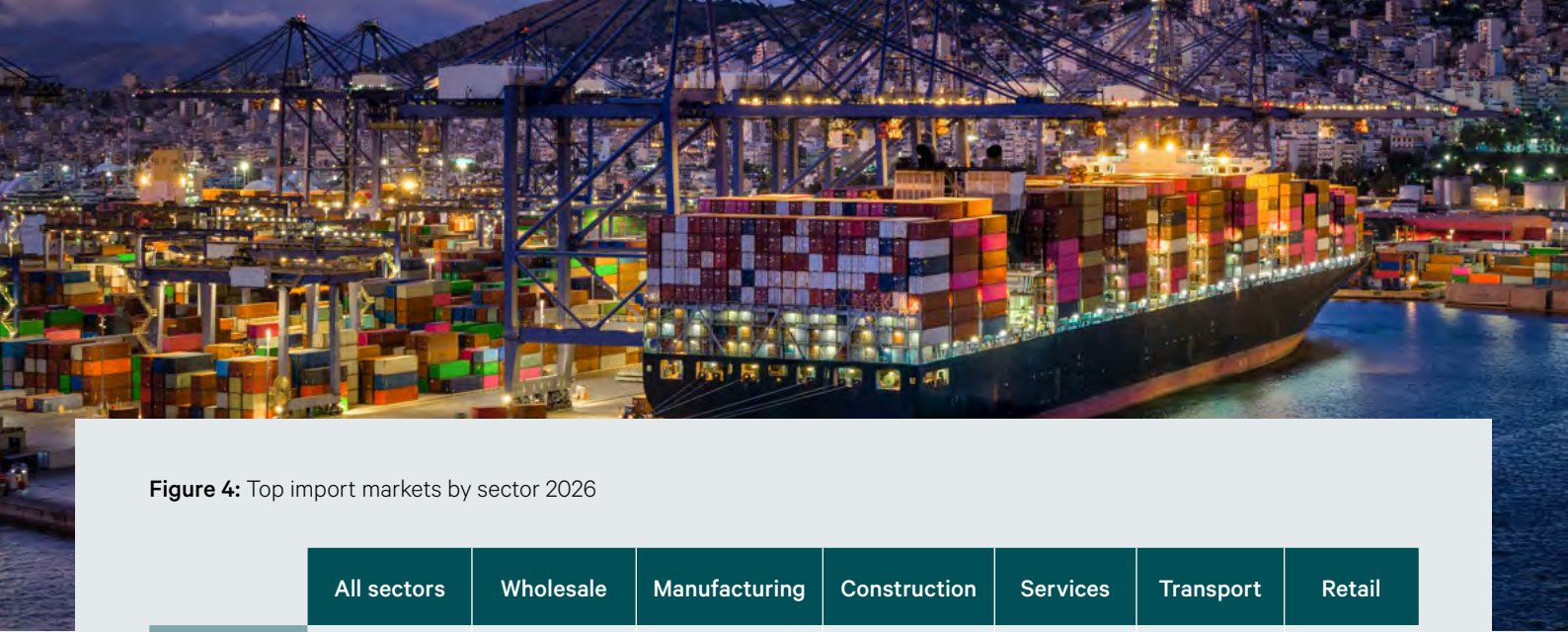
Beyond primary markets, there is evidence of diversification. Imports from Canada (13%), India (11%), Japan (8%) and Australia (7%) have increased significantly. This suggests SMEs are actively reducing risk by sourcing across a range of geographies, reflecting a wider response to external pressures. UK business groups and commentators highlight

that tariff volatility, geopolitical tensions and post-Brexit customs changes are forcing firms to rethink sourcing strategies, with many moving from reactive supply chains toward more flexible models spanning a greater number of suppliers. This is further demonstrated in our latest study, reporting that SMEs are increasing the average number of suppliers they work with from 13 to 15.

Figure 3: Top five import markets (2025 to 2026)

Rank	Market	2025	2026	Change
1	China	23%	34%	+11pp
2	Germany	12%	31%	+19pp
3	France	9%	23%	+14pp
4	U.S.	18%	20%	+2pp
5	Canada	2%	13%	+11pp





**Figure 4:** Top import markets by sector 2026

	All sectors	Wholesale	Manufacturing	Construction	Services	Transport	Retail
<b>China</b>	34%	48%	39%	27%	31%	23%	34%
<b>Germany</b>	31%	27%	34%	44%	27%	20%	22%
<b>France</b>	23%	15%	18%	29%	29%	28%	19%
<b>U.S.</b>	20%	13%	18%	26%	21%	10%	24%
<b>Canada</b>	13%	10%	12%	12%	17%	10%	17%
<b>Ireland</b>	12%	8%	10%	15%	13%	25%	6%
<b>India</b>	11%	19%	15%	7%	4%	13%	12%
<b>Italy</b>	10%	6%	15%	12%	10%	10%	6%
<b>Spain</b>	10%	10%	6%	14%	10%	13%	9%
<b>Netherlands</b>	10%	15%	11%	7%	10%	10%	8%

### Importers – by sector

While China remains the most significant import market overall (34%), its importance varies by sector. It is unsurprisingly most prominent in wholesale (48%) and manufacturing (39%), as well as retail (34%), reflecting its role as a key source of goods and components. By contrast, exposure is lower in transport (23%) and construction (27%), where supply chains are typically more regionally focused.

EU markets, particularly Germany (31%) and France (23%), remain important but play different roles across sectors. Germany is especially significant for construction (44%) and wholesale (27%), reinforcing its role in industrial supply chains. France, meanwhile, is more prominent in services (29%), construction (29%) and transport (28%), reflecting both geographic proximity and established trade links.

The US (20%) remains a key import partner, with stronger reliance in construction (26%) and retail (24%), suggesting a more demand-led relationship. However, exposure is lower in transport (10%) and wholesale (13%), indicating a more limited role in some supply chains.

More diversified sectors, such as manufacturing, demonstrate a broader footprint, with strong engagement across China (39%), Germany (34%), India (15%) and Italy (15%). In contrast, services and construction have a more regional focus, with greater reliance on EU markets and relatively lower exposure to Asia.

# Trading challenges

Global instability is now a reality, not just a concern

While conditions evolve rapidly for any business, those trading overseas face a heightened level of volatility. One year on from our last report, many of the underlying macroeconomic and business challenges remain, but new and increasingly complex pressures have come to the fore for both importers and exporters.

## Importers – macroeconomic challenges

For importers, the nature of risk has shifted noticeably. In 2025, concerns were dominated by tariffs and trade barriers but, in 2026, this has given way to a greater focus on geopolitical instability. Importers now report a significant increase in the impact of global conflicts, up nine percent year-on-year, while concern around tariffs has fallen. Rather than reflecting that this issue has dissipated, this more likely indicates that the US's well-documented tariffs policy has been wrapped into a concern over wider instability.

While remaining high, the pressure of interest rates and inflation has eased somewhat, but not all longer-term pressures are receding. The impact of Brexit remains unchanged, continuing to act as a drag on international trade rather than an escalating source of disruption.

These findings point to a more volatile but also more nuanced environment for importers, where traditional pressures have been partially replaced by operational challenges associated with an increasingly fraught global trading landscape.

Figure 5: Macroeconomic challenges for importers (2025 vs 2026)

Macroeconomic challenge	2025 (NET Import)	2026 (NET Import)	Change
Global conflicts	39%	48%	+9pp
Tariffs, customs or trade barriers	56%	46%	-10pp
Interest rates	50%	41%	-9pp
Global inflation	45%	40%	-5pp
Political uncertainty	38%	36%	-2pp
Cost of doing business overseas	37%	35%	-2pp
Ongoing impact of Brexit	33%	33%	No change
Supply chain disruption	31%	28%	-3pp
Currency volatility	25%	25%	No change



### Importers – operational challenges

Today, primary operational challenges for importers are unsurprisingly driven by shipping and logistics costs. Such issues are cited by 60 percent of SMEs, reflecting a climate where rerouted supply chains and ongoing disruption to trade routes are impacting margins and planning. Undoubtedly, this is forcing UK importers to rethink logistics and pricing models, with pressure infiltrating entire supply chains. Perhaps for this reason, challenges such as supplier reliability and payment delays remain prevalent.

Over a quarter report challenges in managing pricing in the context of changing tariffs, while a similar proportion

highlight the complexity of certification and regulatory requirements. This reflects the complexity of the environment in which exporters operate, where updated border controls and customs processes are increasing the administrative burden for UK firms buying from overseas suppliers.

Our 2026 survey introduced additional response options around logistics costs and pricing pressures, which were not captured in the 2025 dataset. As a result, some of the reduction in previously cited challenges likely reflects a reprioritisation of issues, rather than a material change in importer sentiment towards these factors.

**Figure 6:** Operational issues for importers by sector (2025 vs 2026)

Operational challenge	2025 (NET Import)	2026 (NET Import)	Change
Shipping and transport costs	—	60%	New in 2026
Managing pricing under changing tariffs	—	28%	New in 2026
Understanding / implementing import certification	—	25%	New in 2026
Finding reliable overseas suppliers	50%	28%	-22pp
Administrative burden / complexity	41%	27%	-14pp
Payment delays	42%	34%	-8pp
Finding reliable overseas distributors	39%	30%	-9pp
Complexity of contracts / trading agreements	38%	26%	-12pp
Chasing debt	24%	16%	-8pp
Language barriers	21%	8%	-13pp



## Exporters – macroeconomic challenges

While challenges such as tariffs, interest rates and inflation remain significant, each has given way to the reality of geopolitical instability. Global conflicts have become the most prominent macroeconomic issue for exporters, rising eight percent year-on-year to 48 percent.

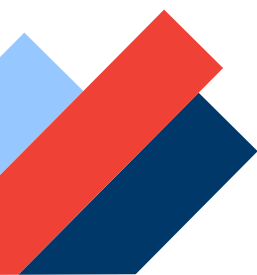
Year-on-year, concerns around tariffs and trade barriers have declined from 58 percent to 48 percent. This, however, does not indicate that tariffs are no longer significant, but rather that they are becoming a more embedded and understood feature of the trading environment. As conflicts persist in the Middle East and between Russia and Ukraine, businesses are adapting to these conditions by reviewing pricing strategies, negotiating with existing suppliers and seeking new international and domestic partnerships.

Similarly, interest rates and inflation have both eased as dominant pressures, reflecting a shift away from the acute cost-of-capital challenges seen in 2025. However, exporters remain fundamentally exposed to the cost of doing business overseas (38%), which remains slightly higher than for importers. This reflects additional layers of complexity exporters face, including market entry costs, compliance requirements and pricing pressures in overseas markets.

Another noteworthy shift in 2026 is the increase in SMEs struggling with currency volatility (up to 29%). Movements in Sterling quickly erode profitability or alter pricing strategies in overseas markets, making foreign exchange a profitability risk. Predictably, this is more acute for those that both import inputs and export finished goods as they face two-sided exposure (30% of SMEs who import and export view this as a key challenge vs 19% for import only and 26% among exporters).

**Figure 7:** Macroeconomic issues cited by exporters (2025 vs 2026)

Economic challenge	2025 (NET Export)	2026 (NET Export)	Change
Global conflicts	40%	48%	+8pp
Tariffs, customs or trade barriers	58%	48%	-10pp
Interest rates	48%	41%	-7pp
Global inflation	45%	39%	-6pp
Cost of doing business overseas	41%	38%	-3pp
Political uncertainty	38%	35%	-3pp
Supply chain disruption	30%	28%	-2pp
Ongoing impact of Brexit	32%	34%	+2pp
Currency volatility	25%	29%	+4pp



## Exporters – operational challenges

As is the case for importers, for exporters, the most significant constraint today is shipping and transport costs (58%). Alongside this, exporters are increasingly focused on regulatory complexity. Around a third cite challenges related to payment delays (33%) and managing pricing due to changing tariffs (30%), highlighting the growing importance of access to finance and protecting margins. At the same time, contract complexity and certification requirements (both c.30%) point to a more compliance heavy environment, where exporters must navigate fast-changing regulations across multiple jurisdictions.

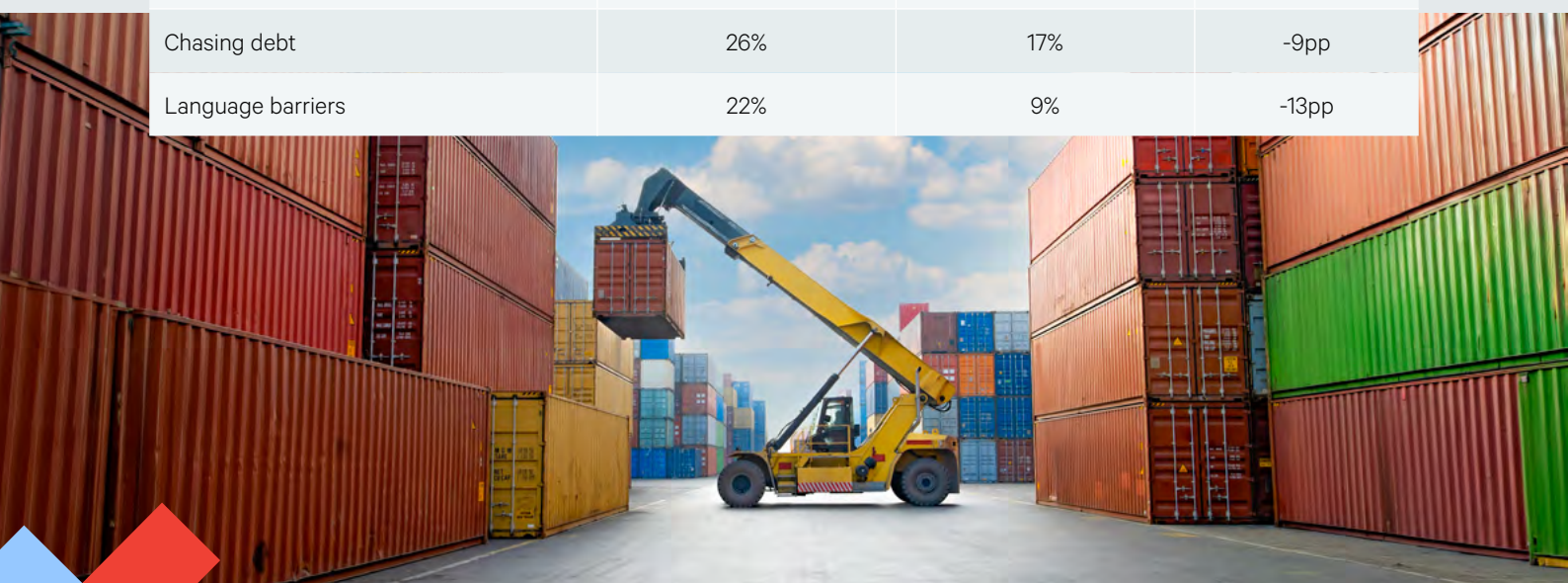
As with the import section, additional questions were included in our 2026 study around shipping, logistics and

compliance. As a result, some reduction reflects a shift in prioritisation, rather than a material easing of conditions.

Nonetheless, more traditional issues such as cultural differences or language barriers do appear less influential in 2026 than in previous years. This can partly be explained by the growing role of digital tools in reducing operational friction. The widespread adoption of AI-powered translation has made cross-border communication faster and more accessible, with such tools now increasingly embedded in business workflows. As a result, language barriers are becoming less of a constraint, allowing exporters to focus on compliance requirements and fulfilling orders.

**Figure 8:** Operational issues cited by exporters (2025 vs 2026)

Operational challenge	2025 (NET Export)	2026 (NET Export)	Change
Shipping and transport costs	—	58%	New in 2026
Managing pricing under changing tariffs (profitability)	—	30%	New in 2026
Understanding / implementing export certification	—	29%	New in 2026
Payment delays	46%	33%	-13pp
Administrative burden / complexity	43%	29%	-14pp
Finding reliable overseas distributors	45%	31%	-14pp
Finding reliable overseas suppliers	43%	25%	-18pp
Complexity of contracts / trading agreements	35%	30%	-5pp
Chasing debt	26%	17%	-9pp
Language barriers	22%	9%	-13pp



# Evaluating the impact of conflict

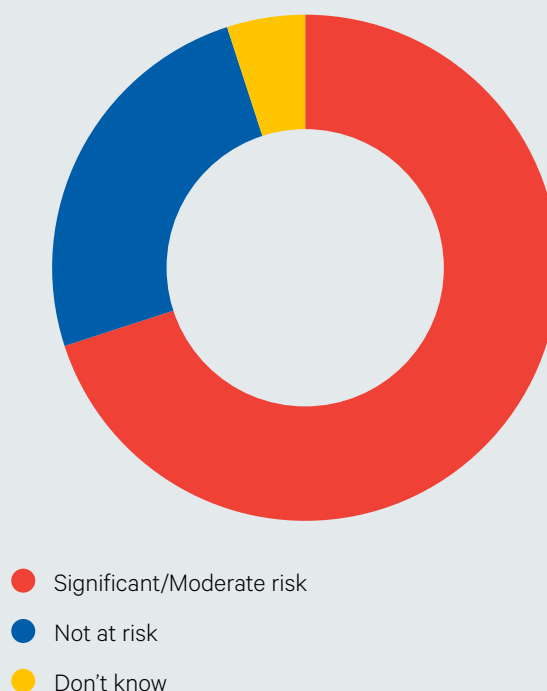
Although the renewed, wider conflict in the Middle East that began in 2023 was already posing challenges for businesses around the world, the war in Iran has introduced significant upheaval for both importers and exporters, with nearly three quarters of respondents (74%) reporting some level of disruption and one in five (20%) experiencing significant impact.

While the scale of disruption is largely consistent across all respondents, for exporters impacted, issues relate to constraints in market access. Most exporters affected report disruption driven by restrictions on goods (34%) and a reduced ability to serve specific markets (22%). This underlines that the conflict is not only increasing costs but also limiting opportunity.

Data shows that importers are more exposed to cost and supply issues. Although similar proportions are impacted, the financial effects are heightened, with average losses increasing to £43,209 for importers (compared to £38,929 for exporters). Shipping, freight and transportation issues dominate (51%), alongside increased compliance (34%) and delayed or blocked payments due to sanctions (22%), again emphasising growing pressure on working capital.

A further layer of impact is evident in foreign exchange risk. Over half of respondents (52%) cite oil and energy-cost inflation as their primary FX concern, followed by increased FX volatility (38%) and liquidity risks (29%).

**Figure 9:** Percentage at risk of administration if geopolitical tensions remain (all respondents)



**Figure 10:** Proportion of SMEs impacted by war in Iran (all respondents by sector and type)

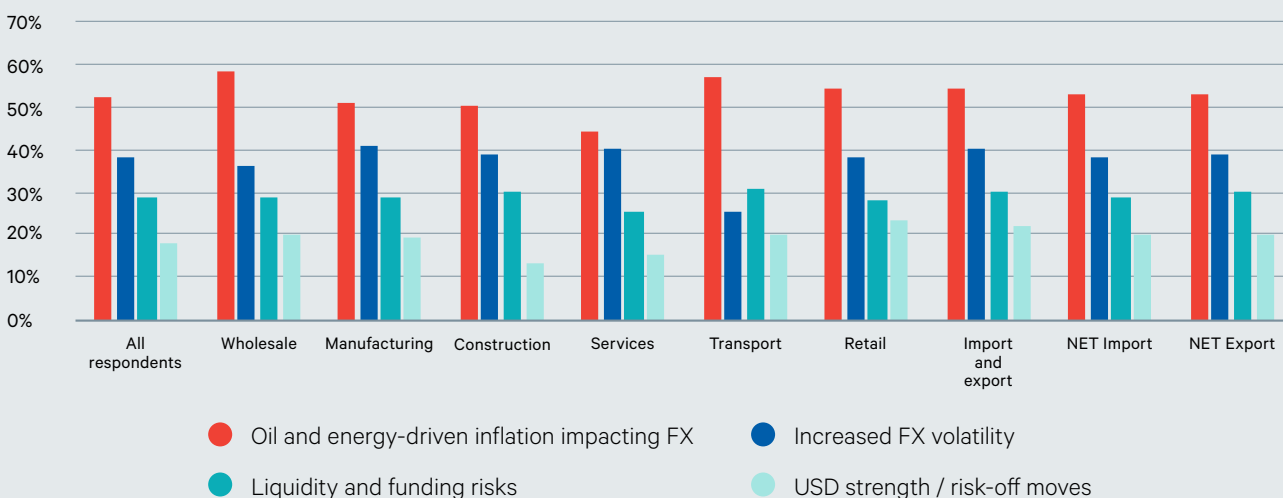
	All sectors	Wholesale	Manufacturing	Construction	Services	Transport	Retail	Import and Export	NET: Import	NET: Export
Yes – significant disruption	20%	27%	19%	18%	18%	29%	17%	20%	21%	20%
Yes – some disruption	54%	51%	52%	65%	55%	57%	43%	51%	51%	55%
We haven't been impacted	26%	22%	28%	17%	27%	14%	40%	28%	28%	26%



**Figure 11:** Disruption type (all respondents impacted by sector and trading type).

	All sectors	Wholesale	Manufacturing	Construction	Services	Transport	Retail	Import and Export	NET: Import	NET: Export
Freight or transportation disruption	51%	47%	53%	54%	35%	55%	53%	51%	51%	51%
Restrictions on exporting certain goods	34%	42%	36%	28%	35%	32%	37%	38%	34%	37%
Increased compliance or due diligence costs	34%	28%	31%	39%	30%	27%	40%	34%	34%	34%
Issues with business insurance	22%	33%	19%	19%	33%	11%	25%	24%	23%	23%
Reduced ability to serve specific markets	22%	28%	23%	23%	15%	16%	25%	27%	23%	25%
Payments delayed or blocked due to sanctions	22%	21%	15%	22%	20%	30%	25%	24%	23%	22%
We have been required to switch trading partners	6%	5%	9%	6%	8%	5%	3%	6%	6%	6%

**Figure 12:** Type of FX concern relating to conflict (all respondents by sector and trading type).



# Managing cashflow in an uncertain world

**For internationally trading SMEs, cashflow pressure is now the norm rather than the exception and managing working capital is increasingly about protecting margins, improving payment collections, and strengthening credit control - not just funding growth.**

More than two thirds of importers (68%) and a similar proportion of exporters (67%) report that trading conditions have increased pressure on cashflow. The nature of this pressure is revealing - rather than being driven primarily by demand, it is driven by cost-to-serve volatility and tightening payment terms.

The most common trigger is higher shipping and logistics costs (61% overall; 60–61% across importers, exporters and those importing and exporting). As such, it's little wonder that SMEs in the transport sector emerge as those most impacted. This tallies with wider industry commentary that tariff volatility and route disruption are reshaping costs, forcing businesses to rethink sourcing partners, consider different trade routes and renegotiate contract terms to protect margin.

The second driver is the slowing of payments. Late payments from overseas customers affect around three in 10 firms across all trading types, and overseas partners requesting upfront payment is even more prevalent (35–36%). This combination points to a tightening of risk controls across supply chains as suppliers pull cash forward while customers hold cash back, creating a squeeze on

working capital. Retail stands out as an acute example: it has the highest proportion of SMEs reporting late payments (41%) and the highest increase in cashflow pressure (80%), reflecting thin margins and limited ability to absorb shocks.



**Derek Ryan**  
CEO for North West Europe  
BFS

**“Global shocks are becoming a defining feature of this new era of international trade, and this is placing a significant risk to the survival of UK businesses across the country. Today, 70 percent of firms trading overseas say they would be at significant or moderate risk of entering administration if geopolitical tensions persist, so it’s critical that these businesses are able to access the support they need from both public and private sector organisations alike.”**

**Figure 13:** Change in cashflow over last 12 months by sector (all respondents)

Base: All respondents	All sectors	Wholesale	Manufacturing	Construction	Services	Transport	Retail	Import AND Export	NET: Import	NET: Export
Cashflow pressure has increased	69%	69%	68%	72%	71%	80%	62%	64%	68%	67%
No change	29%	29%	30%	27%	27%	16%	36%	33%	30%	31%
Cashflow has improved	2%	2%	2%	1%	2%	4%	2%	3%	2%	2%



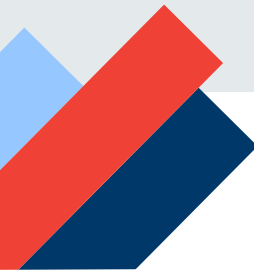
Exporters show a slightly higher impact of delayed payments from overseas buyers (46% vs 42% for net importers), consistent with longer payment cycles and perhaps increased dispute/credit risk in foreign markets. Importers, meanwhile, face a sharp cashflow impact from logistics inflation that must often be paid before goods can be released, stored, or moved onward.

**Figure 14:** Issues faced in the last 12 months by sector (all respondents)

	All sectors	Wholesale	Manufacturing	Construction	Services	Transport	Retail	Import and Export	NET: Import	NET: Export
Overseas partners requesting upfront payment	36%	33%	34%	40%	29%	37%	38%	34%	36%	35%
Late payments from overseas customers	29%	24%	34%	27%	35%	41%	20%	29%	29%	28%
Increase in customer insolvency	26%	36%	25%	26%	20%	24%	25%	25%	25%	26%
FX related fraud attempts	20%	24%	18%	18%	24%	18%	20%	22%	20%	22%
Phishing or invoice redirection attempts	13%	9%	14%	13%	7%	16%	18%	14%	13%	15%
None of the above	20%	20%	20%	19%	18%	14%	25%	23%	21%	22%

**Figure 15:** Factors that have impacted cashflow (all respondents)

	All sectors	Wholesale	Manufacturing	Construction	Services	Transport	Retail	Import AND Export	NET: Import	NET: Export
Higher shipping or logistics costs (including energy and insurance costs)	61%	70%	52%	59%	59%	59%	67%	60%	61%	61%
Delayed payments from overseas buyers	42%	35%	53%	42%	35%	47%	37%	47%	42%	46%
Currency losses / adverse FX movements	16%	22%	11%	14%	22%	10%	21%	16%	17%	15%
Increased deposit requirements for forward FX contracts	13%	11%	11%	11%	11%	24%	14%	13%	13%	13%



# Mitigating currency risk



**Niels Gooch**  
Head of Sales  
Bibby FX

**“In these extremely volatile times, with geopolitical tensions creating high levels of uncertainty, it’s imperative business leaders manage FX risk, have a flexible FX policy and plan ahead.”**

While cashflow is one element of the operational conundrum for business leaders and decision-makers - as this report highlights - currency volatility has become a more defining feature of international trade in the past decade. SMEs are exposed to both direct exchange rate movements and the wider forces driving them, resulting in 44 percent of respondents reporting that they have been negatively impacted by currency volatility in the past 12 months. For those impacted, the average loss is estimated at a startling £71,600.

Our data shows that this is not a niche concern but a mainstream risk, with 38 to 39 percent of businesses citing increased FX volatility as a key issue, and a further 52 percent highlighting the impact of oil and energy-related

inflation, largely driven by the conflict in the Middle East and ongoing situation in Ukraine.

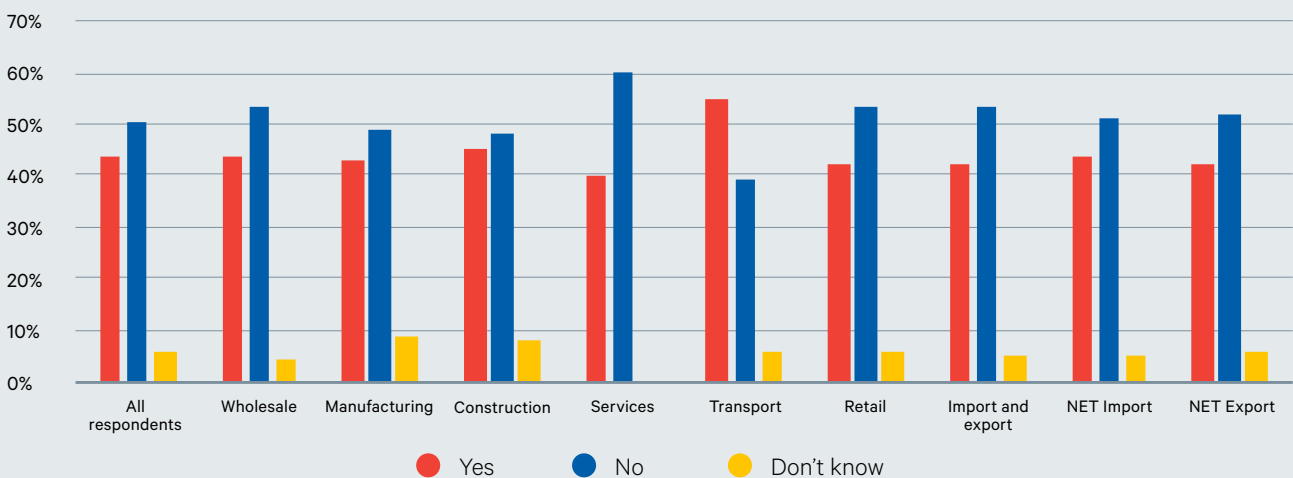
This link between energy costs and FX is particularly significant, and somewhat self-fulfilling. Rising energy costs are feeding through into inflation differentials between economies, which in turn drive currency movements. For internationally trading SMEs, this creates a double exposure: higher operational costs alongside shifting exchange rates that erode margins.

Perceptions of risk are becoming more entrenched. Over half of businesses (55%) report that the geopolitical risk premium in FX markets has increased over the past 12 months, suggesting that volatility is no longer temporary but embedded in day-to-day trading conditions. This is reinforced by the 29–30 percent of firms reporting liquidity and funding risks, indicating that currency movements are increasingly linked to broader financial conditions, including access to capital and the cost of financing.

For importers, this often manifests as rising costs on purchases in foreign currencies, particularly where USD strength is a factor. For exporters, the impact is more directly linked to revenue and competitiveness, with even small fluctuations in exchange rates affecting pricing and margins in overseas markets.

In this environment, adopting structured FX strategies is critical. FX instruments, such as forward contracts can provide certainty over future exchange rates, helping businesses lock in costs or revenues and protect margins.

**Figure 16:** Impact of currency fluctuations in the last 12 months (all respondents by sector / type)



"It's imperative business leaders manage FX risk, have a flexible FX policy and plan ahead."

**Figure 17:** Financial impact of currency volatility in last 12 months (all those negatively impacted)

	All sectors	Wholesale	Manufacturing	Construction	Services	Transport	Retail	Import AND Export	NET: Import	NET: Export
Up to £10K	39%	50%	27%	38%	41%	50%	38%	32%	38%	36%
£10K+ to £20K	9%	4%	14%	9%	5%	11%	6%	6%	8%	8%
£20K+ to £50K	21%	13%	27%	28%	14%	11%	21%	21%	22%	20%
£50K+ to £100K	13%	13%	16%	13%	23%	11%	10%	13%	14%	12%
£100K+ to £1M	15%	21%	16%	11%	9%	11%	19%	24%	16%	20%
Mean (£)	£71,600.27	£96,325.00	£63,718.70	£58,732.08	£56,745.00	£50,300.00	£97,851.73	£107,707.62	£77,296.48	£92,166.08

# Business confidence

**As this report indicates throughout, confidence among internationally trading SMEs has weakened materially over the past 12 months, with both exporters and importers showing a clear shift towards a more cautious outlook. This is most evident when looking at expectations of trading volumes over the next six months, where sentiment has deteriorated across both groups.**

Among exporters, 38 percent now expect export volumes to decrease over the next six months, up from 27 percent in 2025. A similar trend is evident among importers, where 36 percent expect import volumes to fall, compared to just 19 percent last year. This represents a near doubling of pessimism among importers and a step-change among exporters.

This shift in sentiment reflects a broader cooling in trading performance. In 2025, 45 percent of exporters reported increased sales volumes in the first half of the year, whereas

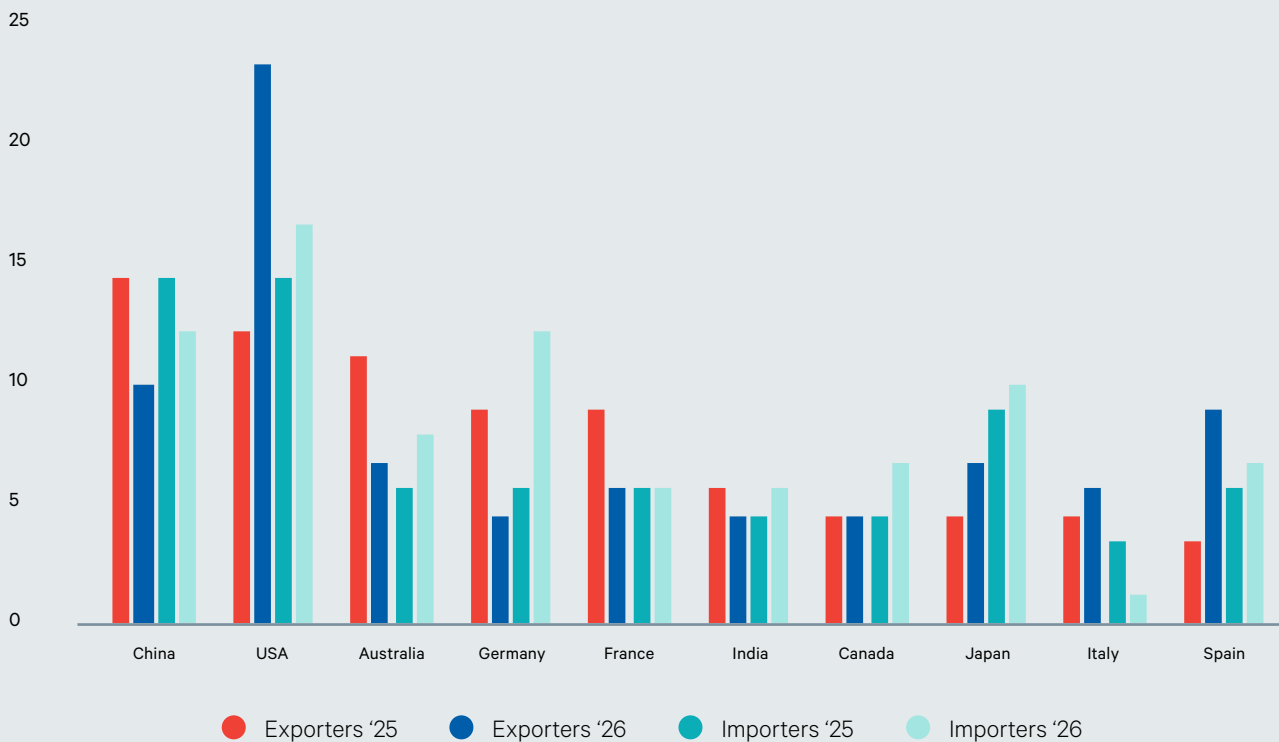
in 2026 this has fallen to just over a third (35%). The resulting picture is one of a widening gap between ambition and reality, where growth is harder to achieve and forward expectations are increasingly subdued.

When considered in the context of this report, the drivers of this drop in confidence are unsurprising - a combination of unpredictability and instability. Both are hampering the day-to-day operations of those trading internationally, as well as their growth ambitions.

Concerns around US trade policy are particularly pronounced. A significant majority believe that President Trump's policy approach will damage the UK economy's ability to grow. Economists reinforce this, highlighting that tariffs could materially reduce UK GDP growth in 2026, as well as increasing inflationary pressures (despite ONS figures in May showing the rate of inflation falling 2.8% in the year to April).

Despite these challenges, SMEs continue to seek partnerships in new markets.

**Figure 18:** Top target countries for new partnerships (2025 vs 2026)



# Trading in the new era

The international trading environment has undergone a marked transition over the past 12 months. While 2025 was characterised by a focus on tariffs and trade barriers, 2026 data shows that geopolitical instability has now become the dominant force shaping SME trading conditions.

SMEs are now operating in a more complex and demanding environment, and, as a result, the UK's long-standing position as a globally trading nation is under increasing pressure from these challenges.

A decade on from the referendum, Brexit's impact continues to be felt and this ongoing structural drag compounds the more immediate pressures arising from global conflict and trade disruption brought about by conflicts both in Europe, and the Middle East.

In response, SMEs are becoming more cautious and risk aware. Many are pivoting towards more stable or proximate markets, with a growing emphasis on European trade, while others are increasing their focus on domestic activity. This reflects a broader trend towards regionalisation and de-risking in international trade.

At the same time, financial resilience is being tested. Businesses are reporting increased financial fragility since the onset of recent geopolitical conflicts, and a significant proportion are less willing to take risks than they were a year ago. This shift in mindset has implications not only for growth, but for innovation and competitiveness over the longer term.

External support will therefore be critical. Many SMEs report that current levels of Government support are insufficient to help them navigate this environment. At the same time, access to flexible funding and effective foreign exchange strategies will become increasingly important in managing volatility and protecting margins.

Ultimately, while SMEs continue to demonstrate resilience and adaptability, sustaining international competitiveness will require a combination of strategic agility within businesses and more coordinated external support. Without this, there is a risk that the cumulative impact of geopolitical, operational and structural pressures will constrain the UK's future trading potential, and consequently, economic growth.





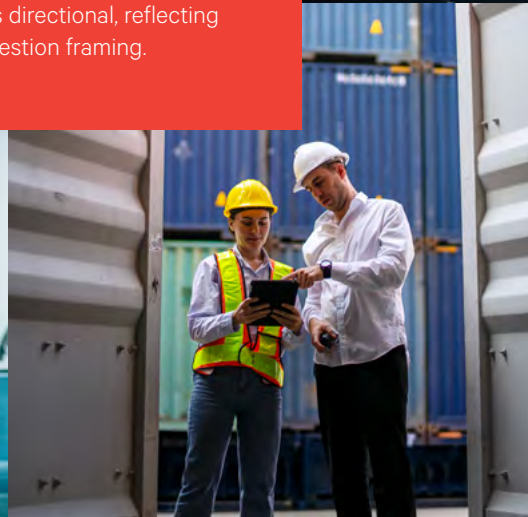
# Methodology

This study is based on primary research conducted with more than 500 UK importers and exporters, spanning key sectors including manufacturing, construction, wholesale, retail, transport and services.

Fieldwork was undertaken by independent research specialists, Critical Research, between 29 April and 12 May, using an online survey, targeting small and medium-sized enterprises involved in international trade, including finance leaders, business owners and operational decision-makers. The sample was designed to capture a broad cross-section of SMEs engaged in importing, exporting or both, enabling comparison across trading types and sectors.

## Statistical notes

- All figures are based on self-reported data and should be interpreted as indicative of sentiment and experience rather than precise financial measurement.
- Percentages are calculated using total respondents within each base, unless otherwise stated.
- Where referenced, NET figures represent the combined proportion of relevant sub-groups (e.g. NET importers = imports only + import & export businesses).
- Some questions were introduced or expanded in the 2026 survey, meaning year-on-year comparisons for those measures should be interpreted as directional, reflecting changes in both sentiment and question framing.





## 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.

### About Bibby Financial Services

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

We provide specialist asset and working capital finance, and FX solutions helping businesses to grow 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 almost 220 years.

To find out more about Bibby Financial Services, visit: [www.bibbyfinancialservices.com](http://www.bibbyfinancialservices.com)

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