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The UK as a trading partner: an analysis of key growth markets and options for a future export approach

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Commissioned on behalf of

Santander

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Executive Summary (1): Research Findings

Over the next ten years, the UK is set to continue its specialisation as a producer of professional services; namely financial, digital, and business services

- A third (33.7%) of polled business leaders felt that the UK was a world leader in financial services, whilst 26.0% said the same about technology and digital services, and 21.2% said the same about business services and management consultancy.
- Accordingly, financial and business services constituted an average of 55.9% of all UK service exports since 2016, and 27.3% of all exports in the same period. Moreover, business and digital services have seen significant growth in exports, with the potential to almost triple in export value by 2033.

Comparatively, the UK's manufacturing sector requires further digital integration and reputational investment to remain competitive

- The UK falls to fourth place behind Germany, the US, and China when business leaders are asked their most preferred country from which to import manufactured goods, selected by only 10.3% of the sample. Business leaders in manufacturing cite that the UK's relative competitiveness here is at risk.
- Trading data corroborates this; growth in export value in the manufacturing and machinery sectors has been muted relative to services. Moreover, some specialist manufacturing exports to European markets have declined as new administrative barriers to trade and disruptions to labour flows have resulted in additional frictional costs and delays associated with purchasing UK commodities.
- However, strong growth in demand for British food and beverage manufacturing indicates the export growth that a reputational advantage can unlock, whilst case study evidence indicates the potential competitiveness gains for manufacturing from increased integration of digital technology into the sector.

Even as world's economic nexus moves steadily east, the UK benefits from continuing to look west simultaneously

- US business leaders express significant positivity about the UK as a trading partner, citing it as their go-to overseas supplier of choice for financial, business, and digital services. From the markets polled, the US alone firmly attested to the UK's continuing attractiveness as a business partner.
- In line with the findings from polling, UK exports to the US have grown significantly faster than exports overall over the last 30 years, and the UK's manufacturing sector demonstrated broad resilience to tariffs on imported goods implemented under the Trump administration.

The transformative global rise of the digital and green economies offers important new export opportunities for the UK over the coming decade

- Just under half (47.4%) of all business leaders polled felt that the UK's digital services sector was better than that of comparable countries.
- Economic data indicates the significant benefits of this sentiment; G7 digital services exports are set to grow by 6.6% a year over the next decade, whilst green exports are projected to grow by 8.3% over the same period. Investment trends indicate that these sectors stand on the precipice of transformative levels of growth, opening important new export opportunities for the UK to capitalise on.

Executive Summary (2): Key UK Markets

United States: as the UK's most important market, medium-term export strategy must ensure that professional services exports keep pace with American growth whilst significantly expanding digital exports to meet demand from this economy

- A Latent Class Analysis (LCA) reveals that US business leaders stand out for their positivity towards the UK as a trading partner.
- Accordingly, exports to the US are also set to continue outpacing UK exports elsewhere, such that by 2033 a quarter of all UK exports will be destined for the US. Moreover, as the world's largest tech market, digital services could add an additional $10 trillion to US GDP if fully harnessed, which in turn would significantly increase demand for UK digital service esports as well as other services, driven by continued high growth in US per capita GDP.

India: a fast-growing market in which the UK can look to significantly expand the volume of core service competencies in the next decade

- Indian business leaders in particular feel that that the UK labour force is more highly-skilled than comparable countries with regards to technology (selected as such by 44.9%) and IT consultancy (41.9%). LCA results also find that Indian business leaders are comparatively positive about the UK as a business partner.
- We forecast that India will continue its steady transition to a service-based economy over the next decade and is likely to import goods and services proportionate to its own economic growth. Up until now, higher education and specialist manufacturing have dominated exports, but student visa restrictions and a continued decline in British manufacturing means that the UK should look to expand the prominence of digital and business services within in its Indian export portfolio given positive business sentiment towards the former and strong recent growth in the latter.

Poland: a key Eastern European market in which the UK can retain its competitiveness in manufacturing whilst boosting its energy and fuel exports

- Services export growth has been slow in this market, with business leaders reporting comparatively pessimism about the UK's capabilities as a supplier in addition to concern about the economic impacts of the Russia-Ukraine war.
- This market stands out as one where UK manufacturing exports have kept pace with global levels despite Brexit, likely due to strong economic development driving higher levels of demand. Geopolitical events have also significantly boosted fuel exports to Poland, and an expansive export strategy could build on continued uncertainty here.

Executive Summary (2): Key Markets

Spain: an important Western European market in which the UK can look to grow green exports in addition to growing trade in core service competencies

- Spanish business leader sentiment shows clear evidence of a Brexit effect, with a third citing unfavourable trading policies as a disadvantage of a business relationship with the UK. A greater proportion than in other markets also report expecting to trade less with the UK than they would have five years ago. Accordingly, business leaders in this market would prefer a European or US supplier to a British one in all the sectors tested.
- Economic data confirms that UK export growth in Spain has underperformed relative to other markets, with machinery and transport equipment exports shrinking in value in recent years.

Japan: a large, developed market in which the UK must continue its expansion of digital service exports, in addition to sustaining growth in core business and financial services exports

- Japanese business leaders largely do not consider the UK a go-to supplier for professional services or manufacturing, citing geographic distance and time zones as key disadvantages to trade with the UK.
- Accordingly, growth in core export competencies in this market have been slower than global averages, with the key exception of digital services. Japan's place at the technological forefront of the world with regards to automation and digital transformation has driven high levels of consumption, and consequently imports, in this sector.
- Regardless, sustaining and growing market share as an exporter of digital services in this market is important for the UK given this sector's relevance within the Japanese economy and the positive network effects on the UK's perceived competence in digital services to be derived from remaining competitive in comparison to domestic Japanese producers.
- Growing Japanese appetite for iconic British food and beverage products also offers an important opportunity by which to improve the reputation and competitiveness of UK manufacturing exports to Japan.

Executive Summary (3): A maximally effective UK trade and exports strategy

UK trade strategy is at its most effective as a partnership between government, businesses (including SMEs), and the wider private sector in pursuing country- and sector-specific engagement

- Primarily, economic growth, job creation, and increases in export value will be driven by the private sector seeking to grow effectively and efficiently.
- Government possesses significant potential to determine the speed and durability of this growth: policy interventions to provide a stable economic framework with competitive tax rates, ample skilled labour, and easy access to international markets can create a supportive ecosystem in which businesses can maximise their export capacity and growth rates.
- Banks and financial institutions are also an integral vehicle by which to maximise UK export value; these institutions can boost business capacity for international trade by creating international networks via which to market products and resolving informational costs and asymmetries involved in meeting legal and administrative requirements for trade.

A maximally effective trade strategy leverages the full potential of British SMEs in expanding professional services, revolutionising manufacturing, and harnessing Western markets

- Harnessing the UK's comparative advantage in fast-growing professional services sectors, as well as continuing to update the UK's manufacturing offer and fully leaning into the country's reputational advantage in Western markets should triple the value of UK exports in the next ten years.
- The UK has historic and unparalleled advantages with regards to global trade, including its geopolitical position, stable and flexible markets, and the English language.
- A trade partnership of government, businesses, and the wider private sector is key for leveraging these advantages and ensuring that UK exports continue to make a strong recovery following the pandemic.
- A crucial element of this is accelerating the pace of digital adoption in small and medium-sized enterprises (SMEs) and providing additional support to build their capacities for international trade; SMEs constitute the overwhelming majority of UK businesses and around half of all private sector turnover, but their export sales have persistently flagged following global headwinds from Brexit, the pandemic, and rising energy costs.

Methodology: Polling

Public First conducted a poll of over 2,100 business leaders and decision-makers (fieldwork 15-23 April 2024) in five key markets: the United States, India, Japan, Spain, and Poland. Data was collected from a range of panel providers and aggregators to ensure a across a key range of business types and demographics.

Data was balanced with regards to business size, turnover, and sector (ranging from health to manufacturing and professional services) as well as personal respondent demographics, including age, gender, and seniority within their business (see appendix for key summary statistics on balance achieved in polling.

A range of multivariate regression techniques, including Ordinary Least Squares (OLS), and multinomial and ordered logistic regressions, were employed to analyse polling data on business leaders and decision-makers. These techniques are designed to identify the relationship between an independent and dependent variable whilst holding external and confounding factors constant.

We also employed natural language processing techniques to draw out commonalities in responses and trends in sentiment from open text responses in the poll.

Methodology: Economic Modelling

Data for modelling contextual economic realities came from a range of time series data from international economic institutions, including the World Bank DataBank, the International Monetary Fund's 2024 World Economic Outlook Database and the World Trade Organisation's trade datasets.

UK-specific trade data on flows of exports and imports originate from various Office for National Statistics datasets, including 'UK trade in goods by industry, country and commodity, exports (2024)' and 'UK trade in services: service type by partner country, non-seasonally adjusted (2024)'.

Country growth and export forecasts were projected using autoregressive integrated moving average (ARIMA) techniques. ARIMA techniques project future dynamics using the trends observed in past dynamics. Where necessary we removed seasonal or iterating behaviours to growth and export volume to isolate a clear and consistent trend, using other important macroeconomic variables, such as levels of population growth and public investment rates, as external regressors to predict what a country's future GDP growth and export volume will look like based on the effect these variables have had in the past.

Economic development models for India and Poland were built using computable general equilibrium (CGE) models, which approximate the simultaneous relationships between the factors of production and consumption in an economy. CGE models are used to identify the economy-wide effects of a policy change, shock, or shift in an important macroeconomic variable. In our case, we identified the trend changes in India and Poland's productivity rates, labour force, human capital, and capital stock borne of economic development and applied these to the model to tease out the differential effect this would have on growth in different sectors of the Indian and Polish economies.

A Latent Class Analysis finds that business leaders in our polling sample split into two clear groups: those who are enthusiastic about the UK, and those who are ambivalent

Latent Class Analysis: weighted average of respondents' stances to various statements about trade with the UK

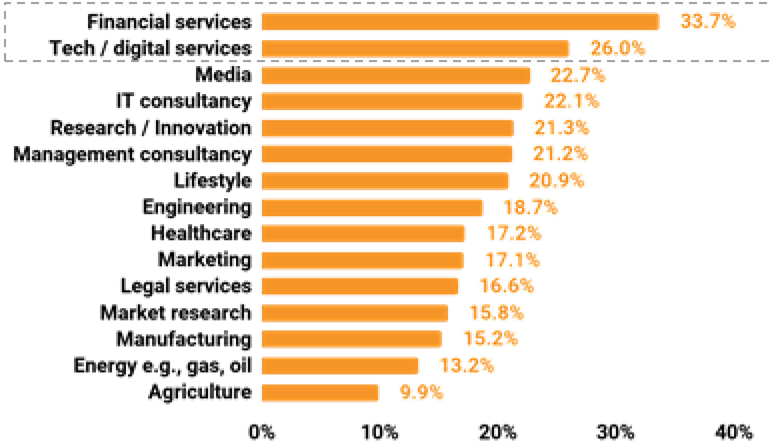
Enthusiasts	**Indian**	**2.4x as likely to be Enthusiasts**
39.7% *of sample*	**American**	**1.25x as likely to be Enthusiasts**
	Japanese	**0.5x as likely to be Enthusiasts**
Ambivalents	**50-99 employees**	**1.4x as likely to be Enthusiasts**
60.3% *of sample*	**1000-9999 employees**	**4.9x as likely to be Enthusiasts**

A Latent Class Analysis (LCA) is used to identify distinct subgroups within a larger set of quantitative data; each latent group or class is identified via the distinct sets of correlations exhibited in their responses to different survey questions. In this case, respondents were classified on their level of agreement with a set of statements, where 1 represents strong disagreement, 3 represents ambivalence, and 5 represents strong agreement. Our analysis reveals two distinct types of respondent; a slight majority of the sample who express broad ambivalence towards the UK, and do not necessarily think it to be a more attractive business partner compared to five years ago, and a large minority of the sample who are enthusiastic to do more business with the UK. This latter category consider the country a growing and politically stable market. Overall, Indian and American respondents are more likely to be Enthusiasts. Propensity for enthusiasm also increases steadily with business size relative to sole traders.

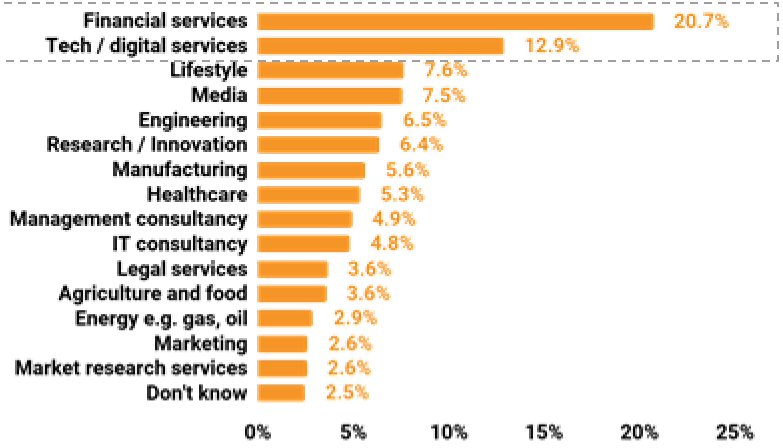
Source: Public First poll of business leaders, April 2024

Primarily, business leaders across the board view the UK as a producer of professional services, particularly digital and financial services

In which of the following sectors, if any, do you consider the UK to be a world leader? Select any which apply.



Of those, which ONE do you think is the single biggest strength of the UK as a market? Select only ONE.



Source: Public First poll of business leaders, April 2024

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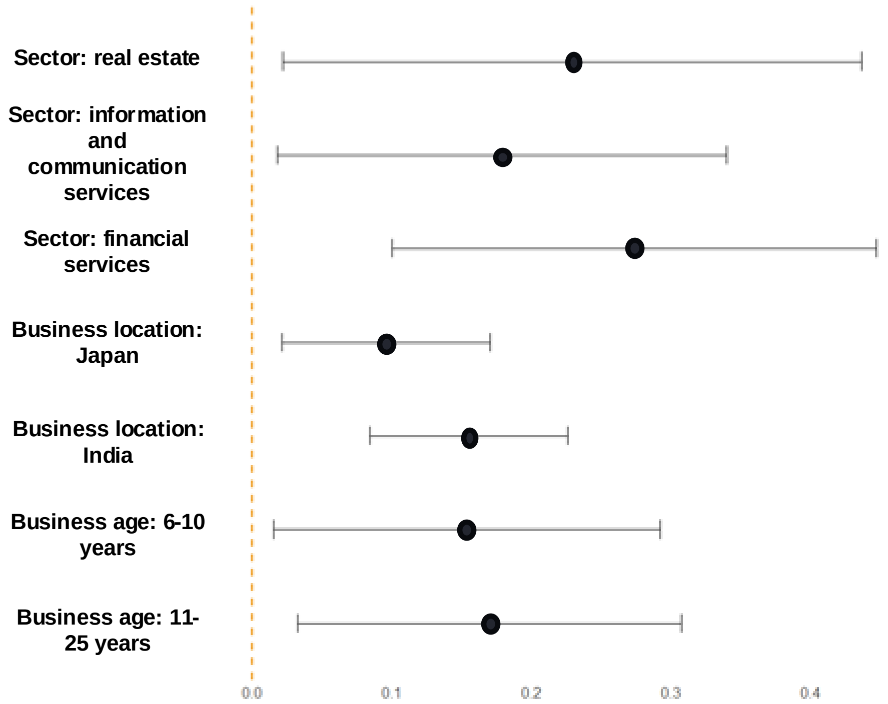
The UK's digital and financial services are more likely to be considered world-leading by those in larger and established businesses, as well as those in similar industries and in India

Coefficient plot: propensity to say that the UK is a 'world leader' in financial services or tech / digital services



We employ regression analysis to look at the relationship between the various characteristics of respondents' businesses and their views on the UK. Here, we plot any business characteristics that exhibit a statistically significant relationship with a business leader's propensity to consider the UK a world leader in digital or financial services.

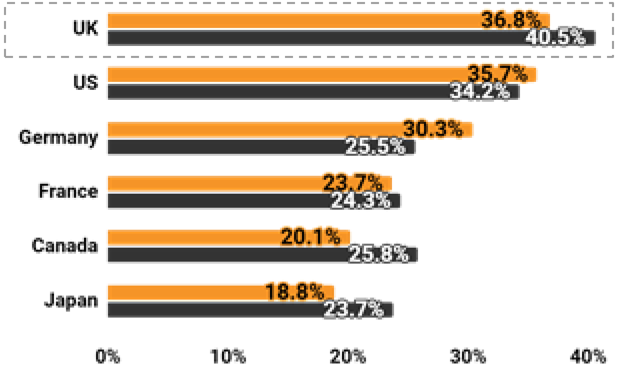
In the main, this analysis identifies that business leaders operating in closely-related industries themselves, such as financial services or information and communication services, are 27% and 17% more likely to consider the UK a world leader in either industry respectively. Relatedly, business leaders in more established organisations are also more inclined to consider the UK a world leader in technology or finance (15% more likely in the case of a decision-maker operation in a business that has been operating for 6-10 years, and 17% more likely where the business has operated for 11-25 years).

In line with levels of enthusiasm for trade with the UK, Indian business leaders are 15% more likely to consider a world leader in these sectors, though interestingly, Japanese business-leaders are also 9% more likely than others to say so despite an otherwise ambivalence towards trading with the UK. This supports the view that received wisdom in international business is that the UK's comparative advantage lies in professional services, regardless of more specific attitudes towards trading with the country.

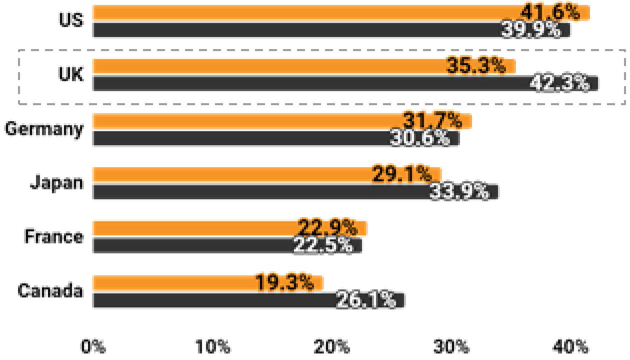
Source: Public First poll of business leaders, April 2024

And many business leaders would consider the UK as a potential supplier of their professional services, particularly those operating in similar industries

Which of the following countries, if any, would you consider using **business consultancy and business services** from? Select any which apply.



Which of the following countries, if any, would you consider using **software and technology** from? Select any which apply.

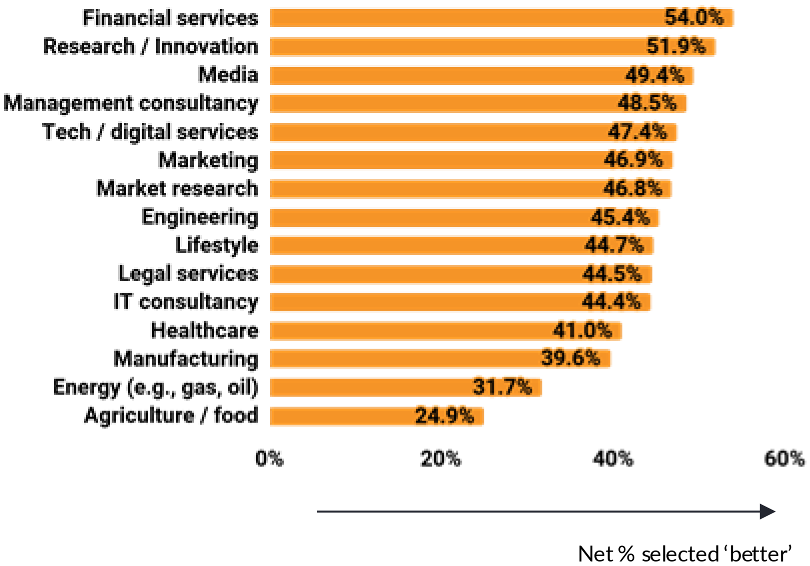


Full sample
Business leaders operating in professional services

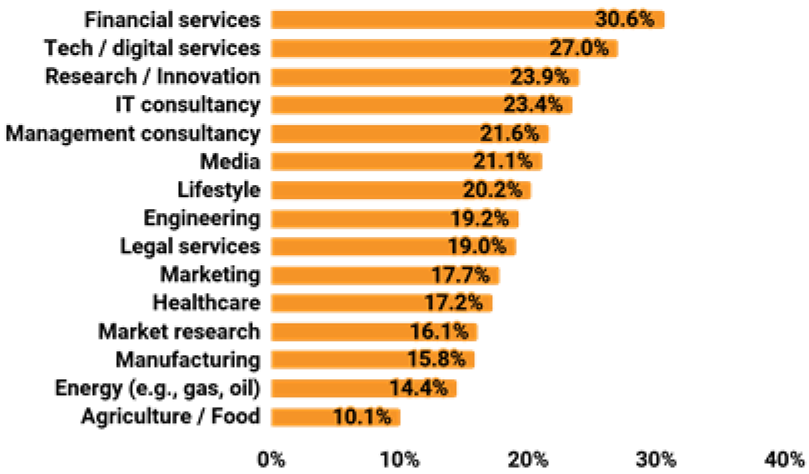
Source: Public First poll of business leaders, April 2024

Overall, business leaders feel that the UK's comparative advantage relative to similar countries lies in digital and professional services

For each of the following industries, please indicate if you feel that the UK's businesses in this sector are better or worse than other comparable countries.



In which of the following sectors, if any, do you consider UK workers to be relatively highly skilled compared to other countries? Select any which apply.



Source: Public First poll of business leaders, April 2024

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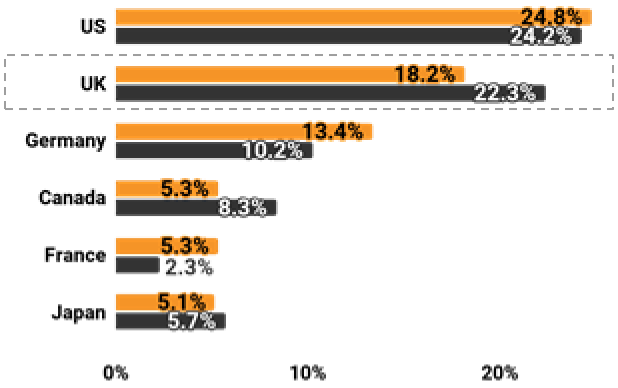
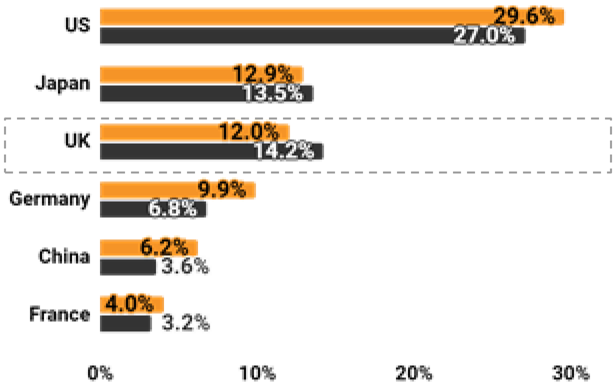
But in a straight shot, the UK is beaten out by the US as a potential supplier of professional services across the board

Of the following countries, which would you be most likely to consider using **business consultancy and business services** from? Select only ONE.



Of the following countries, which would you be most likely to consider using **software and technology** from? Select only ONE.



Full sample
Business leaders operating in professional services

Source: Public First poll of business leaders, April 2024

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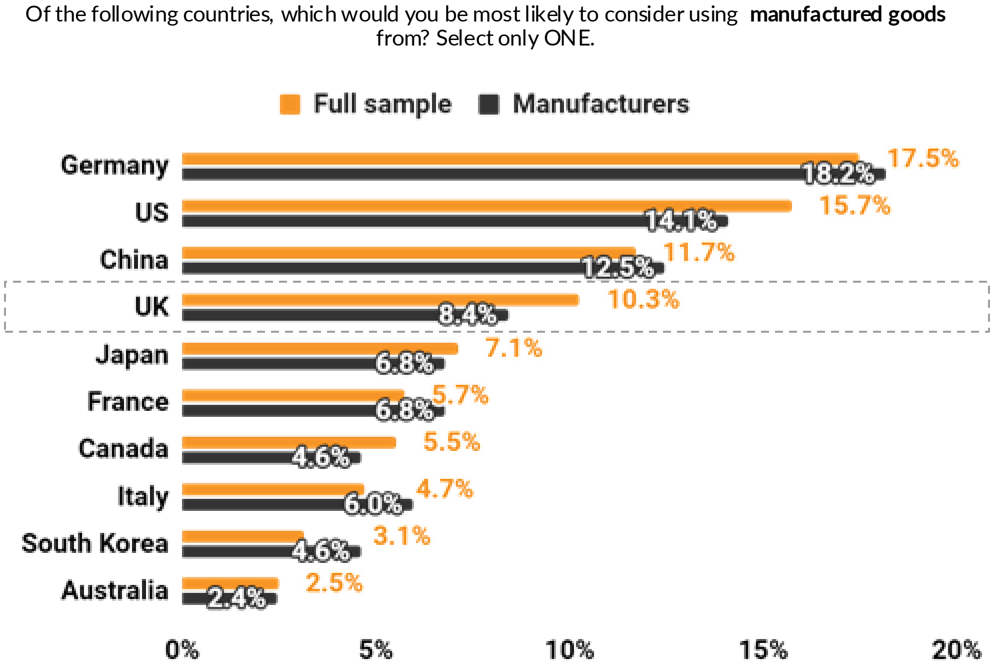
When it comes to manufacturing, the UK is often a third or fourth choice for overseas business leaders



Source: Public First poll of business leaders, April 2024

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Crucially, business leaders in manufacturing cite the quality of the UK's manufacturing skill base, but feel that the country is losing its touch in this sector relative to foreign competition

In which of the following sectors, if any, do you **consider UK workers to be relatively highly skilled** compared to other countries? Select any which apply.

	Full sample		Manufacturers	
	% selected	Rank	% selected	Rank
Finance	30.6%	1st	34.9%	1st
Technology	27.0%	2nd	25.4%	2nd
Manufacturing	15.8%	13th	24.8%	3rd

In which of the following sectors, if any, do you think the **UK underperforms other markets**? Select any which apply.

	Full sample		Manufacturers	
	% selected	Rank	% selected	Rank
Agriculture	24.1%	1st	24.8%	1st
Energy	17.8%	2nd	20.7%	2nd
Manufacturing	13.8%	7th	18.6%	3rd

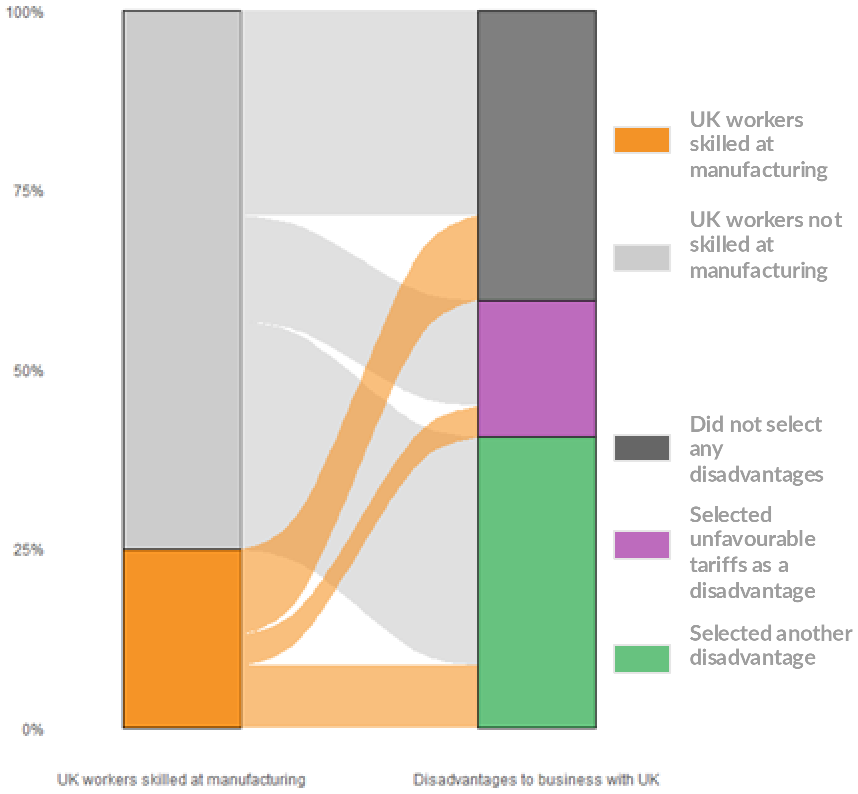
Delta Global are Leicester-based specialists in luxury packaging. Making the most of Santander Navigator, Delta Global have access to pre-qualified, high-quality providers. With a global focus and established growth ambitions, they needed a banking provider to support this and be available to them when they needed to talk. In the past, they struggled with increased automation and lack of human touch when speaking with their bank. Since joining Santander, Delta Global have made use of an ecosystem of global providers, sparking new connections with buyers in UAE, Australia and North America.

Mineral Insulated Cable Company (MICC) Limited, based in Washington, Tyne and Wear, is one of just ten companies globally to manufacture mineral insulated cables. A truly global business, MICC's customers are based in the UK, EU, North America, Japan and China. Santander funding will enable MICC to increase the volume of product it exports overseas and the number of countries it exports to. One area of focus is growing its exports to the power generation sector, in particular concentrated solar power. This market is currently predominantly supplied by Spanish and Chinese companies given their geography and weather conditions. Santander's tailored international support has been key for increasing MICC's level of export concentration.

Source: Public First poll of business leaders, April 2024

Even business leaders in manufacturing who note the UK's manufacturing skills feel that the country is currently held back by unfavourable trade policies, and an outdated and expensive offer

Alluvial plot: flow of responses to disadvantages to a business relationship with the UK, stratified by views on the relative manufacturing skill of UK workers.
Responses from business leaders in manufacturing only.



Which of the following do you think are the **disadvantages** of having a stronger business relationship with businesses in the UK specifically? Select any which apply.

Manufacturers who think UK workers are skilled at manufacturing		Manufacturers who do **not** think UK workers are skilled at manufacturing	
Disadvantage	**%**	**Disadvantage**	**%**
None of the above	44.6%	None of the above	32.7%
Unfavourable tariffs / trade policies	17.5%	Unfavourable tariffs / trade policies	19.6%
Weak legal framework	16.5%	Poor value for money	13.8%
Outdated	13.6%	Outdated	12.5%

Barriers to trade were cited across the board as the principal disadvantage of a potential relationship with UK businesses, with business leaders in manufacturing reporting this sentiment in particular. This demonstrates that Brexit has distinctly created perceptions that trade with the UK is now more difficult and complex. Whilst UK-EU agreements such as the Trade and Cooperation Agreement have prevented the institution of trade tariffs, UK trade in commodities and manufacturing have particularly suffered from the rise of new frictions and non-tariff barriers to trade (see Slide 18) and from an insufficient number of substantively novel non-EU free trade agreements through which to expand to new markets following declines in EU trade.

Source: Public First poll of business leaders, April 2024; Bailey, D and Rajic, I. 2022. 'Manufacturing after Brexit'. UK in a Changing Europe.

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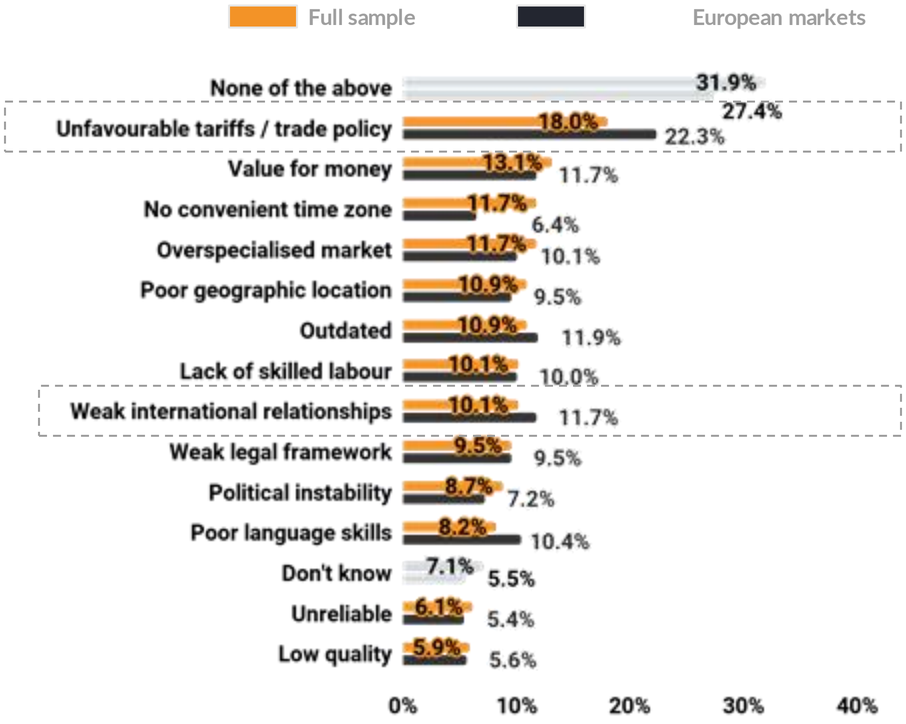
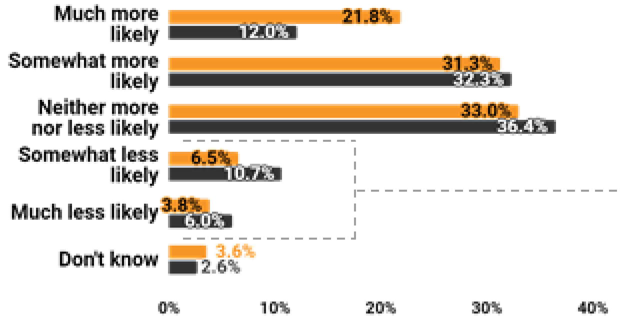
Indeed, across all sectors and markets there is a clear Brexit effect: barriers to trade are considered the UK's principal disadvantage, particularly in European markets

Which of the following, if any, do you think are the **disadvantages** of having a stronger business relationship with businesses in the UK specifically? Select any which apply



Is your business more or less likely to buy from the UK than five years ago?



You said you were less likely to buy from the UK than you were five years ago. Which of the following best explains why? Select any.

	Full sample	Europe
Less favourable trade policy	46.6%	51.7%
Other markets outperforming UK	30.8%	31.0%
Better suppliers elsewhere	27.1%	25.5%

Source: Public First poll of business leaders, April 2024

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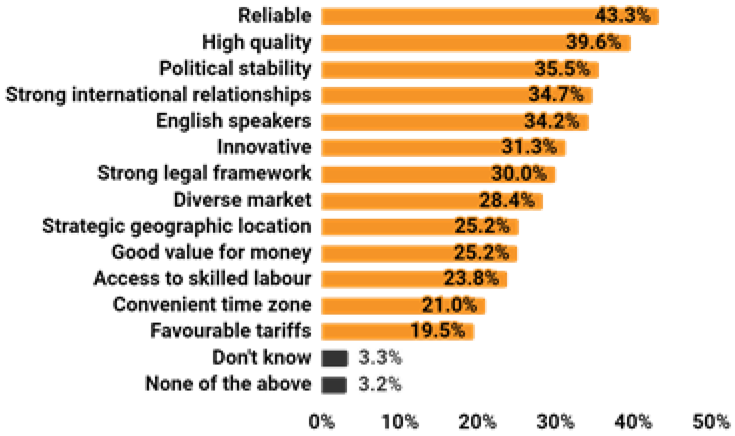
However, where business leaders praise the UK as a business partner, across the board this is due to the high quality and reliability of UK products and services

Which of the following, if any, do you think are the **advantages** of having a stronger business relationship with businesses in the UK specifically? Select any which apply.



Thinking about the business offer from the UK, which of the following words do you most associate with goods and services from the UK, if any? Select any which apply.

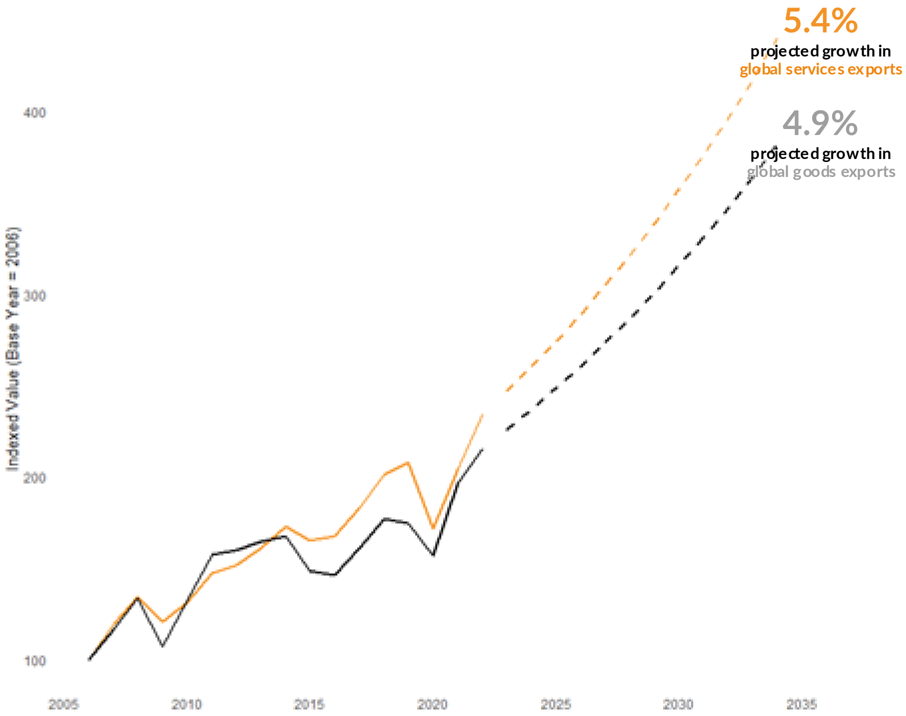
Top three most commonly selected options.

Full sample		Manufacturers		Professional services		European markets	
Quality	**%**	**Quality**	**%**	**Quality**	**%**	**Quality**	**%**
Trustworthy	54.2%	Trustworthy	58.3%	Trustworthy	55.6%	Trustworthy	51.7%
Highly-skilled	47.7%	Highly-skilled	49.4%	Reliable	51.6%	Highly-skilled	48.1%
Reliable	46.9%	Reliable	48.2%	Highly-skilled	50.8%	Reliable	39.6%

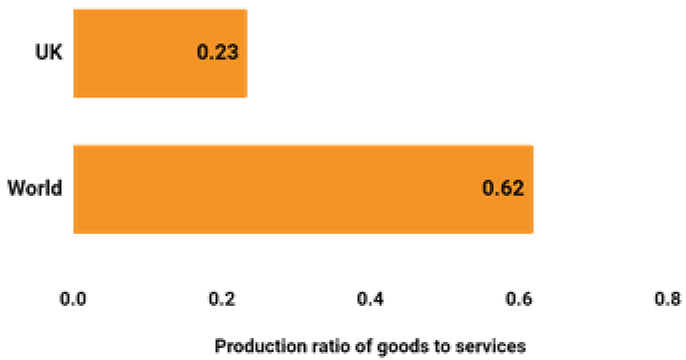
Source: Public First poll of business leaders, April 2024

Global trade in services is set for significant growth, facilitated by the adoption of the Internet and other technologies; the UK, with a comparative advantage in services, can benefit

Projected growth rate in global exports (*base year = 2006*)



Approximated global and British opportunity costs associated with additional production of services

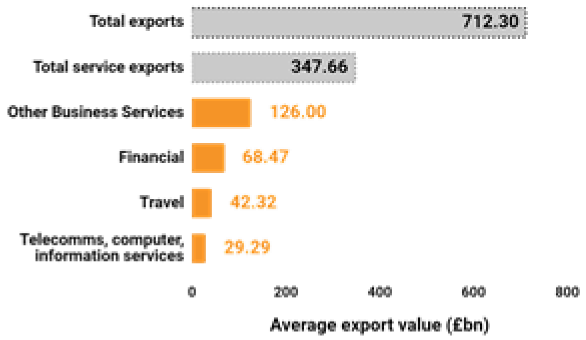


Here, we approximate the opportunity cost of producing services for the UK and the world at large. The opportunity cost of producing services is the potential economic value foregone elsewhere in order to produce these services (i.e., the potential economic value of producing commodities instead). We observe that the UK economy at equilibrium habitually produces a lower ratio of commodities to services than the global economy, indicating that the UK foregoes less in terms of commodity production to produce its services than the world at large. This indicates that the UK economy has a comparative advantage in the production of services and is consequently well-suited to taking advantage of the fast-growing global trade in services.

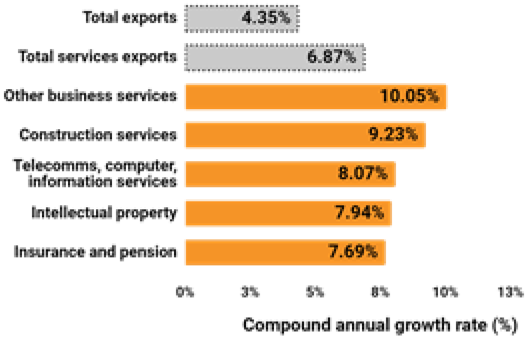
Source: WTO Trade in services annual dataset, July 2024; World Bank national accounts data, 2024; OECD national accounts data, 2024; Booth, L, 2024. Components of GDP: Key Economic Indicators. House of Commons Library

Core UK service competencies have seen strong growth in the last few years, whilst specialist manufacturing exports have grown more modestly following Brexit-related barriers to trade

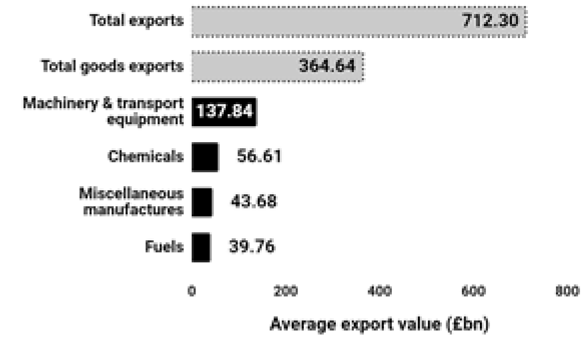
UK service industry sectors with highest average export value (2016 - 2023)



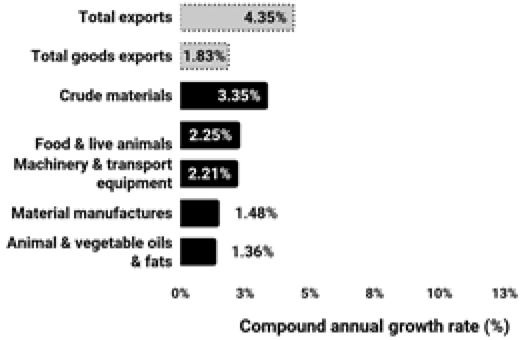
UK service industry sectors with highest growth in exports (2016 - 2023)



UK goods industry sectors with highest average export value (2018 - 2023)



UK goods industry sectors with highest growth in exports (2018 - 2023)



The UK's core export competencies include specialist manufacturing of transport and machinery as well as business and financial services. Specialist manufacturing exports mainly consist of cars and mechanical power generators, as well as aircraft and scientific instruments.

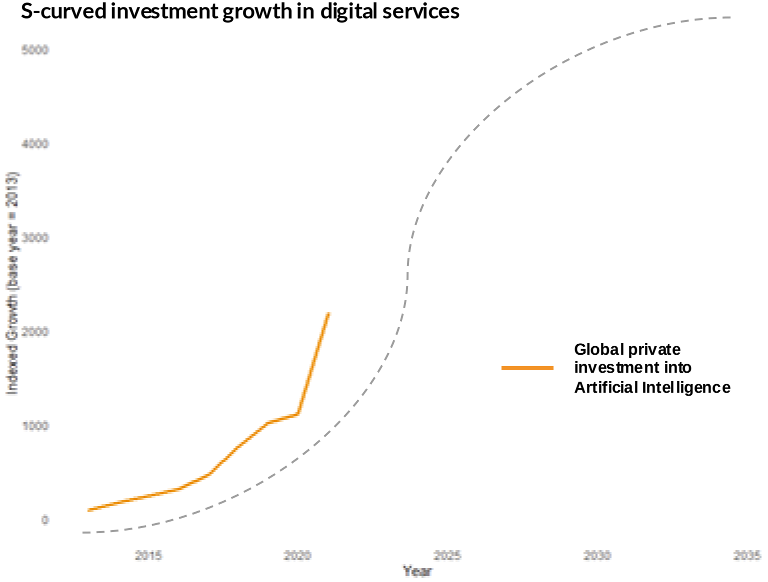
In line with the sustained growth of the global trade in services, a number of these core competencies, namely business services, select financial services and digital services (telecommunications, computer, and information) also exhibited significant export growth in the last decade, outperforming wider UK service export and overall export growth.

Simultaneously, machinery and transport equipment manufactures outperformed other UK commodity exports. However, growth in manufacturing has been sluggish compared to services and overall export growth, reflecting a moderate decline in exports to the EU27 after Brexit. Despite trade agreements preventing the erection of new tariffs, non-tariff barriers to trade with Europe, namely customs formalities and proving rules-of-origin requirements, have adversely impacted manufacturing and other commodity exports. Disruptions to labour flows have also impeded output in sectors allied to specialist manufacturing, such as logistics.

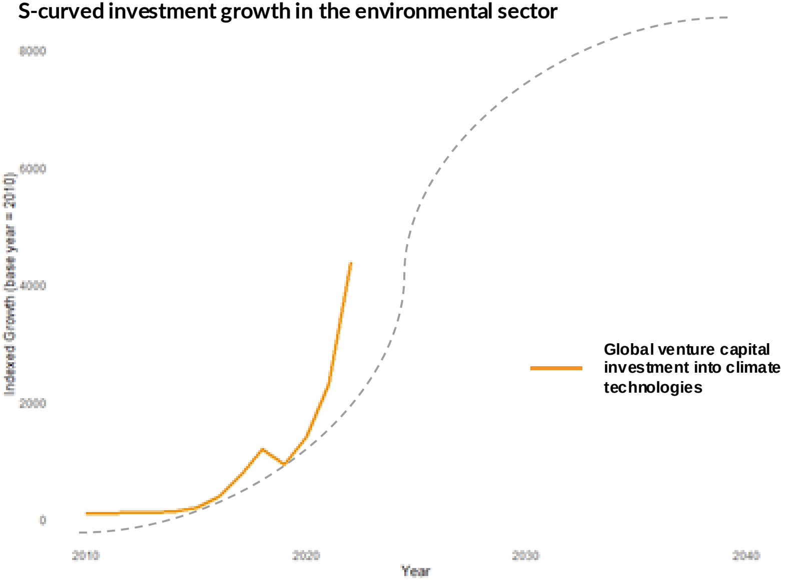
Source: ONS UK total trade: all countries, seasonally adjusted, April 2024; ONS trade in services, by country, non-seasonally adjusted, April 2024; Source: ONS UK trade in goods: country-by-commodity exports, June 2024; Office for Budget Responsibility, 'Brexit analysis', May 2024

Additionally, economic evidence suggests that both digital services and the environmental sector stand on the edge of significant growth across the globe in the next ten years

S-curved investment growth in digital services



S-curved investment growth in the environmental sector

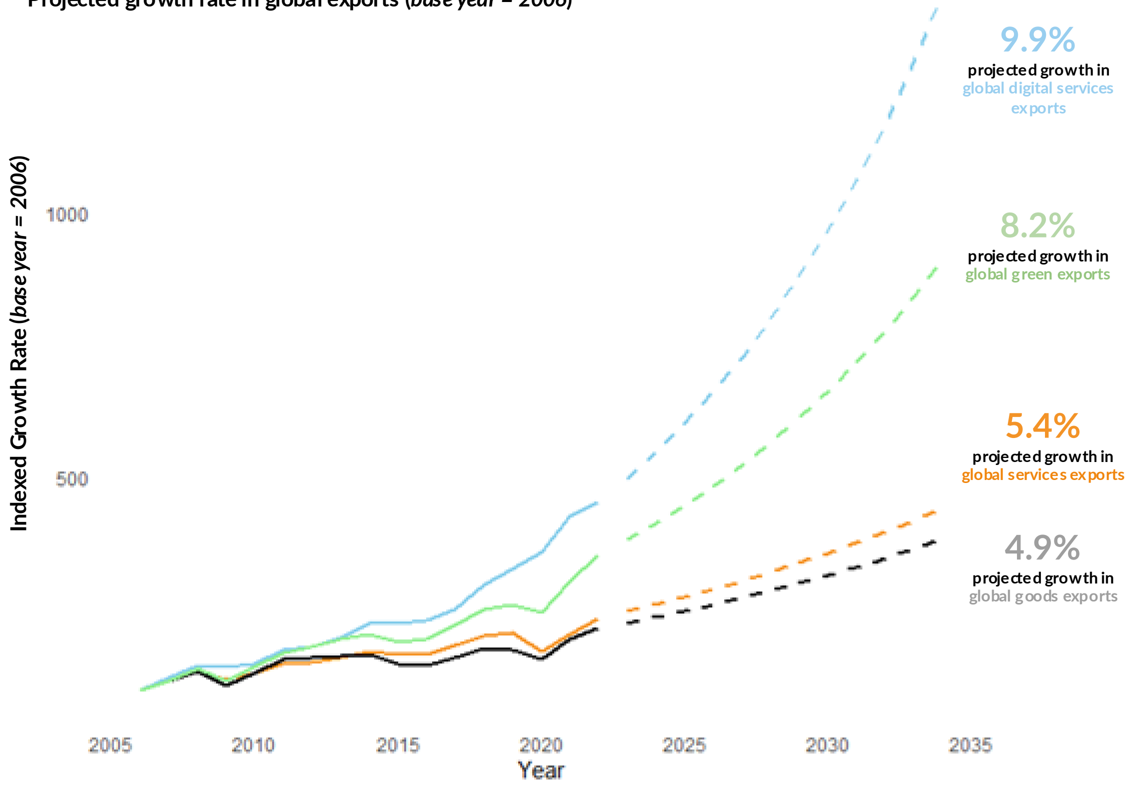


New technologies and industries typically follow an S-shaped growth curve, with a slow initial phase of high sunk costs and low adoption rates followed by rapid, exponential growth as momentum is gained, economies of scale kick in and adoption rates rise. Finally, growth slows and stabilises in a mature phase of market saturation, where the technology and sector have been widely adopted and competitive pressures arise from still newer sectors and technologies. We note that global investment rates into digital transformation and climate technologies indicate that markets expect these sectors to enter a phase of exponential growth over the next decade.

Source: Quid via AI Index, 2024; U.S. Bureau of Labor Statistics, 2024; HolonIQ, 2023

Consequently, we project that global trade in digital services and the environmental sector will concurrently see transformative levels of growth in the next ten years

Projected growth rate in global exports (*base year = 2006*)



We project transformative growth rates in the next ten years for global trade in green goods and services well beyond current rates, motivated by global commitments to renewable energies and sustainable practices as the detrimental impact of climate change on factors of production such as capital and land rise.

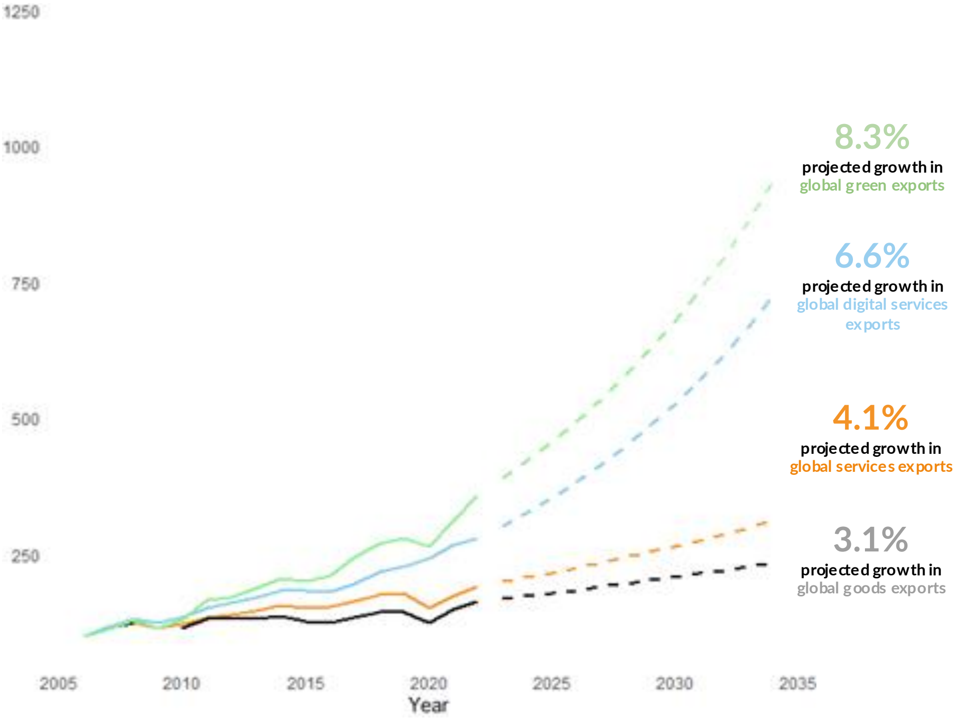
A similar expansion is due in the trade of digital services following substantive expansions in the subsector of digital transformations. This market concerns the use of cloud computing, data storage, applications of Artificial Intelligence (AI) and the deployment and integration of the Internet of Things into existing workflows.

Across sectors and internationally, businesses are increasingly looking to computational solutions, automation and AI, meaning that the wider digital services sector is set for sustained, transformative growth, significantly outpacing global trade in services overall.

Source: WTO Trade in services annual dataset, July 2024.

G7 economies will partake in a significant portion of this expansion in exports, and are forecast to see particularly strong growth in environmental exports and services relative to goods

Projected growth rate in G7 exports (*base year = 2006*)

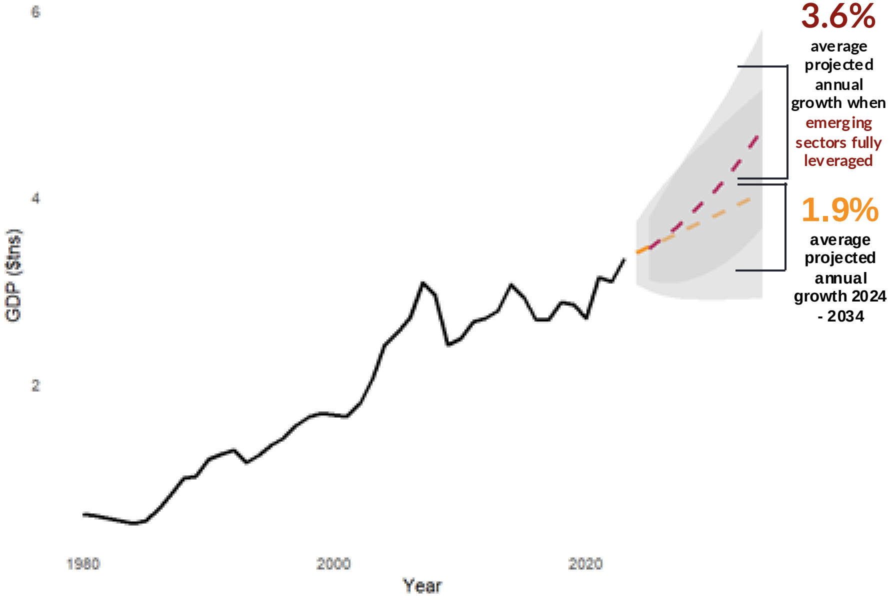


Established in 1973, Transvac specialise in the design and manufacture of ejector technology that helps recover gas emissions, helping businesses achieve their net zero carbon commitments. Their products enable carbon capture and improve productivity and efficiency. After working together with Transvac since 2015, Santander have continued their support by increasing their lending facilities, enabling them to deliver demand for these products. Transvac have also acquired new facilities through which they have significantly grown their export sales, and consequently attained the freedom to accelerate their business objective of driving the net zero sustainability agenda. In turn, this will also facilitate the progression of carbon capture initiatives within the oil and gas industry and beyond. This is a great example of how Santander is helping support the sustainability aims and objectives of its clients.

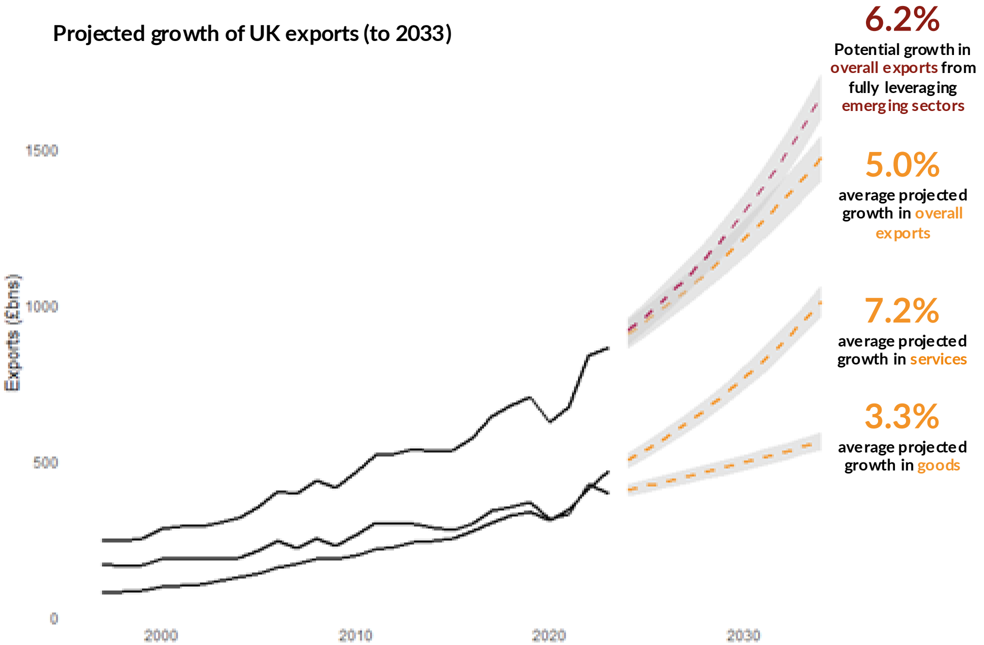
Source: WTO Trade in services annual dataset, July 2024.

Consequently, fully harnessing the production potential of digital services and green technologies would further boost the UK's export volume and growth

Projected UK GDP growth (*at current prices, USD*)



Projected growth of UK exports (to 2033)



If the UK is able to ensure that aggregate supply of digital transformation services and green technologies scales up in line with demand over the next ten years, these sectors could add an additional £760 billion to national GDP. Furthermore, if the UK continues to export green services and commodities and digital services at current rates, this would also create an additional £200 billion in export value.

Source: ONS UK total trade: all countries, seasonally adjusted. April 2024; IMF World Economic Outlook Database April 2024; UK Board of Trade, 'Green Trade', 2021; DSIT, DCMS, 'Digital Sector Economic Estimates Gross Value Added 2022 (provisional)', 2024.

Overall, the UK could triple its volume of core exports with a twin-track strategy: a defensive focus on manufacturing alongside an aggressive expansion of core and emerging service competencies

UK: key export sectors for the next 10 years

Industry sector	2023 export value (£bn)	Projected annual growth rate in export value	Potential export value in 2033 (£bn)
Green technologies and services	15.2	21.5%	106.6
Digital services (telecommunications, computer, and information)	40.0	11.44%	118.16
Business services	184.8	10.05%	481.5
Financial	77.1	3.5%	108.8
Machinery & transport equipment	160.9	2.21%	200.2

Here we identify five key sectors which constitute priorities for a UK trade strategy. These include core service competencies such as business and financial services - sectors that the UK possesses significant comparative advantage in and which have seen sustained growth in export values over the last decade - as well as key emerging sectors and manufacturing, where digitisation and timely engagement with the sector-wide revolution imminent in Industry 4.0 will ensure the UK retains a differentiated, price-inelastic offer. We model future growth for these key sectors using past compound annual growth rates as well as employing indicators of the future for emerging sectors, such as an overall growth model for the UK digital transformations market and green industries.

Source: ONS UK total trade: all countries, seasonally adjusted. April 2024; IMF World Economic Outlook Database April 2024.

Methodology

Business leader sentiment in key markets

Core UK trading competencies

Forecasting trends in key markets

Looking ahead: A maximally effective UK trade strategy

Conclusions

Appendix: summary statistics

USA

Section Summary: United States

As the UK's most important market, medium-run export strategy must ensure that professional services exports keep pace with American growth whilst significantly expanding digital exports to meet demand from this economy

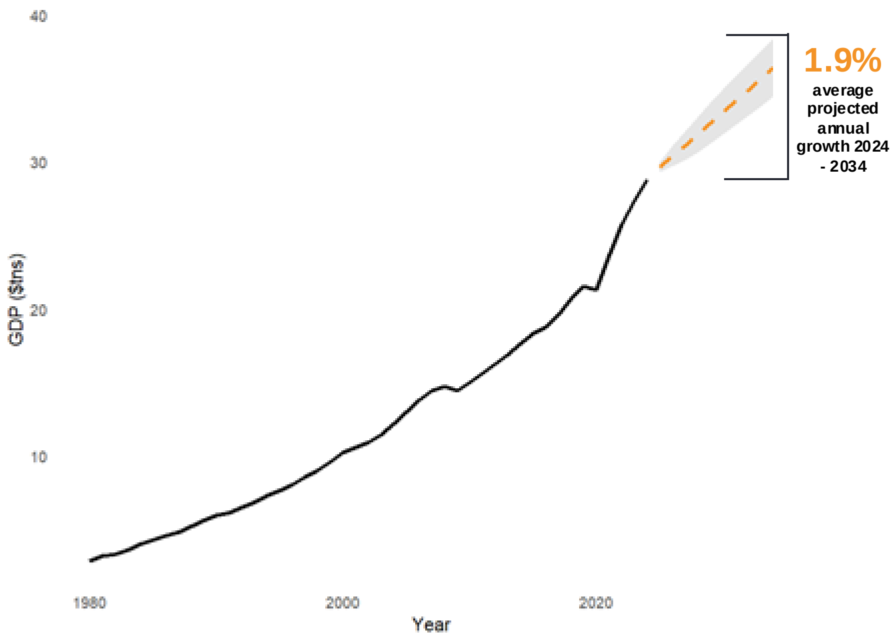
- A Latent Class Analysis reveals that US business leaders stand out for their positivity towards the UK as a trading partner.
- Accordingly, exports to the US are also set to continue outpacing UK exports elsewhere, such that by 2033 a quarter of all UK exports will be destined for the US.
- Moreover, as the world's largest tech market, digital services could add an additional $10 trillion to US GDP if fully harnessed, which in turn would significantly increase demand for UK digital service esports as well as other services, driven by continued high growth in US per capita GDP.

Santander Navigator is a beyond banking subscription offering that collates the bank's years of experience and knowledge into one online platform. It provides a unique gateway to UK SMEs allowing them to identify growth opportunities, navigate bureaucratic challenges, optimise their logistics, and connect them to a global ecosystem of experts who can help them forge their path.

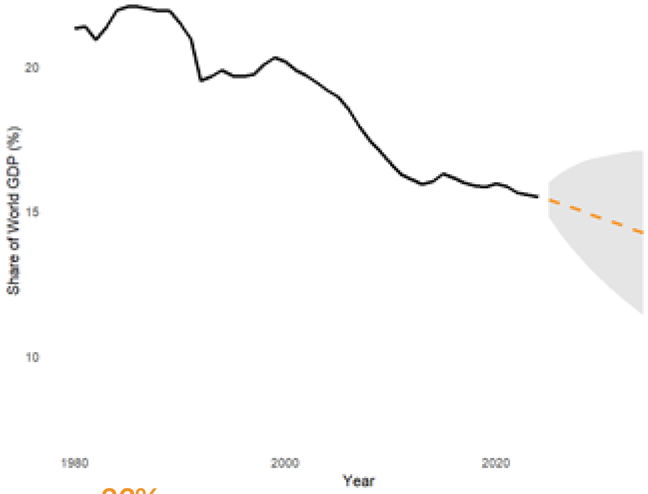
Robert Duke, Director of G&I Spirit Group, saw the full impact of a Santander Navigator subscription when it provided him with access to the America Food & Beverage show. This gateway ultimately led to signing a contract with an in-market sales agent, and G&I are now looking forward to an exciting year, aiming to have their products stocked by over 100 retailers worldwide.

The US will become an increasingly important export destination for the UK in the medium-run, even as the former's share of world GDP declines

Projected US GDP growth (*at current prices, USD*)



US: projected share of world GDP (*at PPP rates*)



2023 — 22% — £191.5 billion — Total UK exports: £864.5 billion

2033 — 25% — £355.7 billion — Total UK projected exports: £1402 billion

Source: ONS UK total trade: all countries, seasonally adjusted. April 2024; IMF World Economic Outlook Database, April 2024

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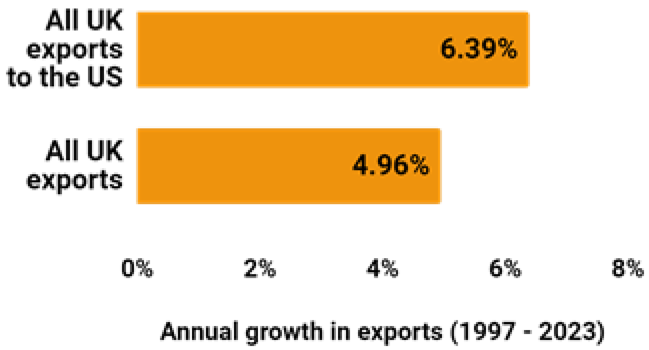
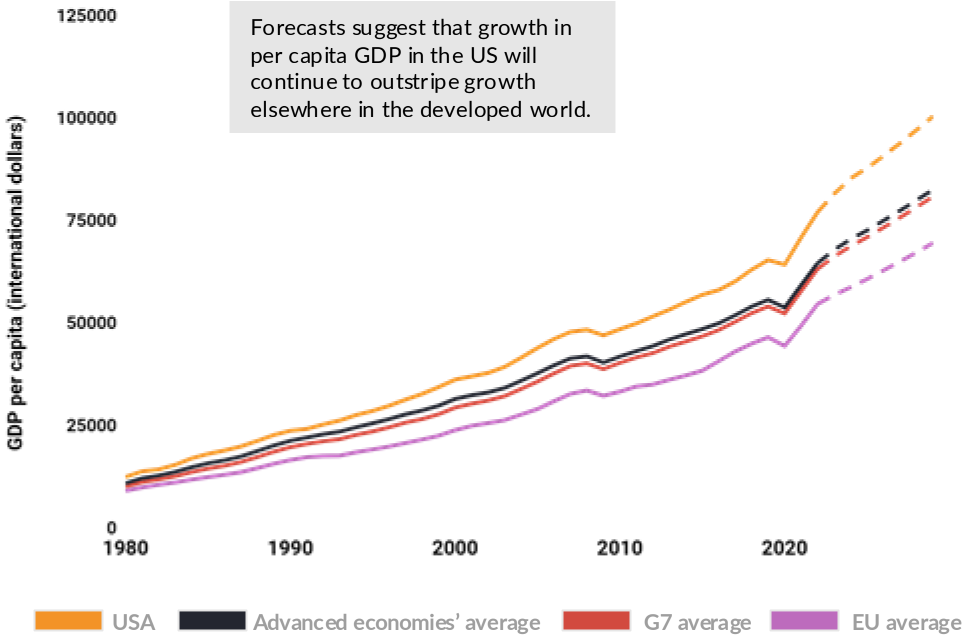
This is because the value of UK exports to the US have consistently risen faster than UK exports to other markets, driven in great part by disproportionately high growth in US per capita GDP

Compound annual growth rates of UK goods and services exports (1997 - 2023)



Per capita GDP growth since 1980 (IMF projections after 2023)

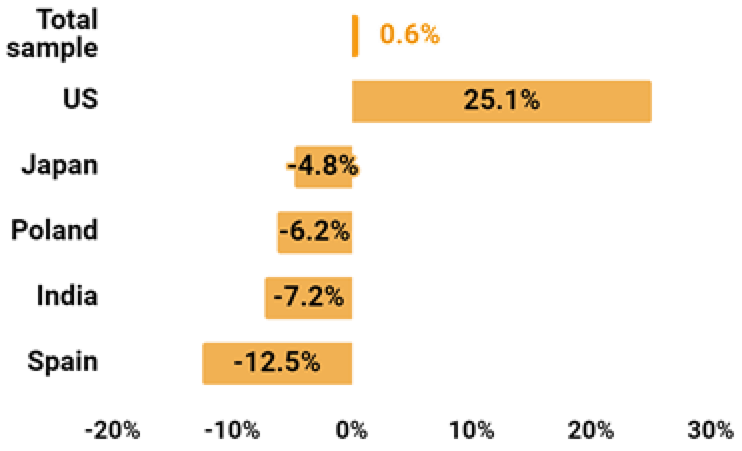


Source: ONS UK total trade: all countries, seasonally adjusted. April 2024; IMF World Economic Outlook Database, April 2024

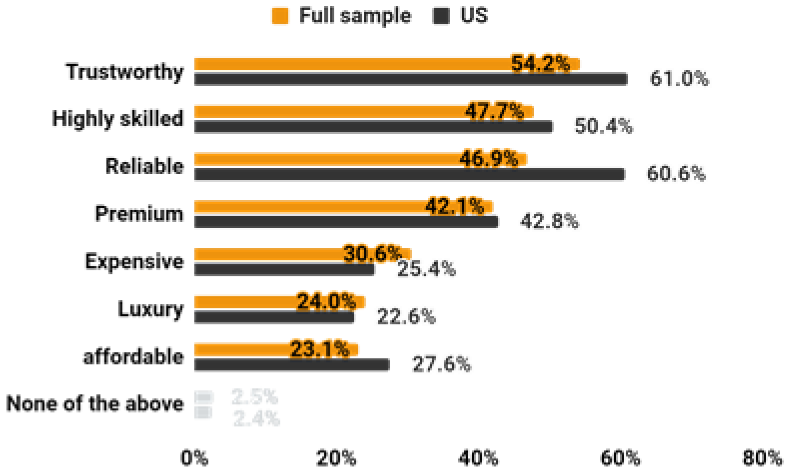
Additionally, US business leaders exhibit a particularly positive outlook towards trade with the UK relative to the other key markets in our sample

Do you agree or disagree with the following? 'The UK is less attractive to do business with than it used to be'.

Net % 'disagree'



Thinking about the business offer from the UK, which of the following words do you most associate with goods and services from the UK, if any? Select any which apply.

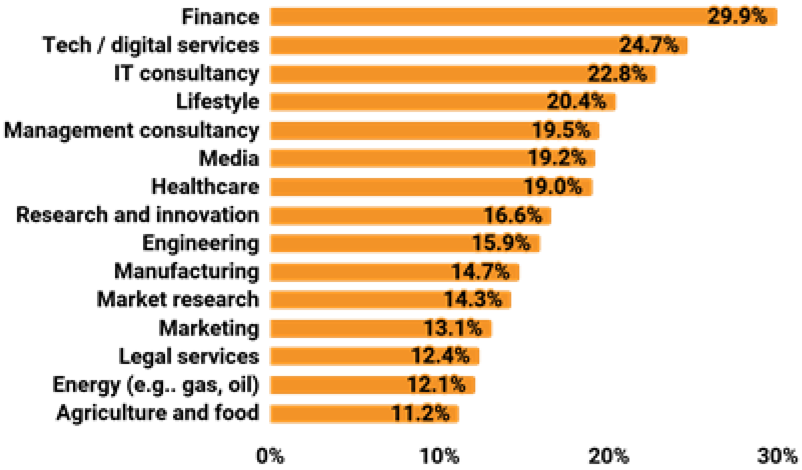


US business leaders are particularly enthusiastic about the UK as a potential business partner where other key markets express ambivalence, likely driven by perceptions of Brexit driving up input costs in the UK and interposing barriers to international trade.

Source: Public First poll of business leaders, April 2024

US business leaders express the greatest positivity about the UK's professional services, whilst British manufacturing faces strong competition from Canada

In which of the following sectors, if any, do you consider the UK to be a world leader? Select any which apply.



Which of the following countries would you be most likely to consider using ________ from? Select only ONE

	Financial services		Software and technology		Business services		Manufactured goods	
	% selected	Rank	% selected	Rank	% selected	Rank	% selected	Rank
UK	37.5%	1st	23.9%	1st	34.4%	1st	16.6%	2nd
Canada	23.6%	2nd	14.2%	3rd	22.8%	2nd	19.4%	1st
Japan	6.9%	3rd	21.8%	2nd	8.3%	3rd	7.6%	6th

Whilst US business leaders show a marked preference for the UK as their go-to overseas supplier of financial and business services, the UK faces stiff competition from Japan when it comes to technology and sinks to second behind Canada for manufactured goods. Indeed, the UK is almost on par with the percentage of business leaders who would import manufactured goods from China in the first instance (14.9%).

Source: Public First poll of business leaders, April 2024

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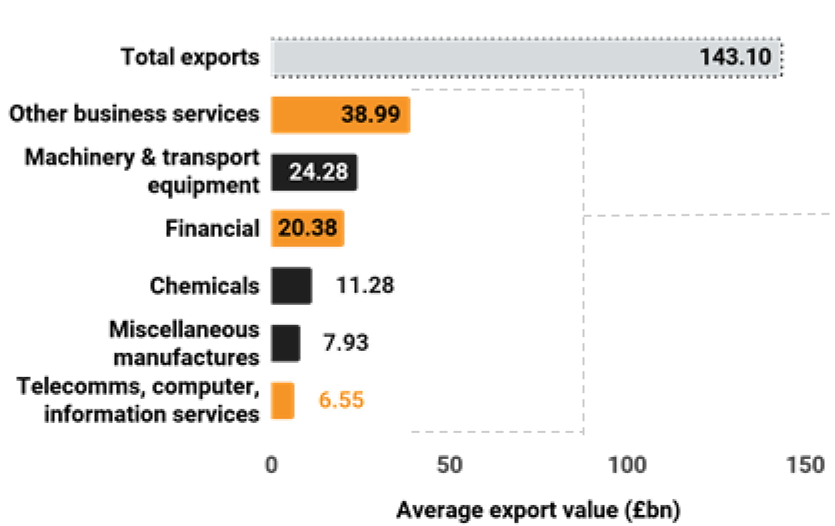
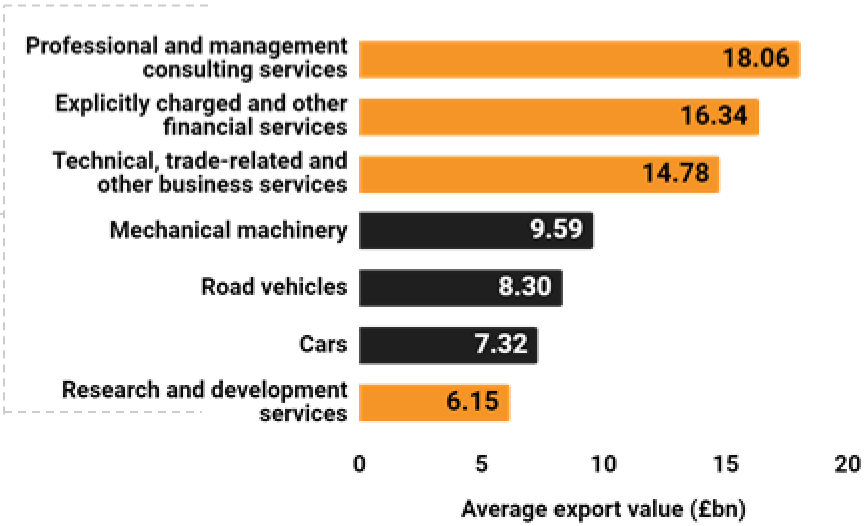
This aligns with economic realities: the US is already a significant consumer of the UK's core service competencies, meaning that meeting demand in this market will be essential for UK export growth

UK industry sectors with highest average export value to the US (2016 - 2023)



Sub-sectors with the highest average export values to the US (2016 - 2023)



Business and financial services sectors together represent 66% of all UK service exports and 41% of all UK exports to the US on average since 2016. Meanwhile, manufacturing of any kind constitutes 25% of all exports and 65% of commodities exports on average since 2018.

Source: ONS UK total trade: all countries, seasonally adjusted, April 2024; ONS trade in services, by country, non-seasonally adjusted, April 2024; ONS UK trade in goods: country-by-commodity exports, June 2024

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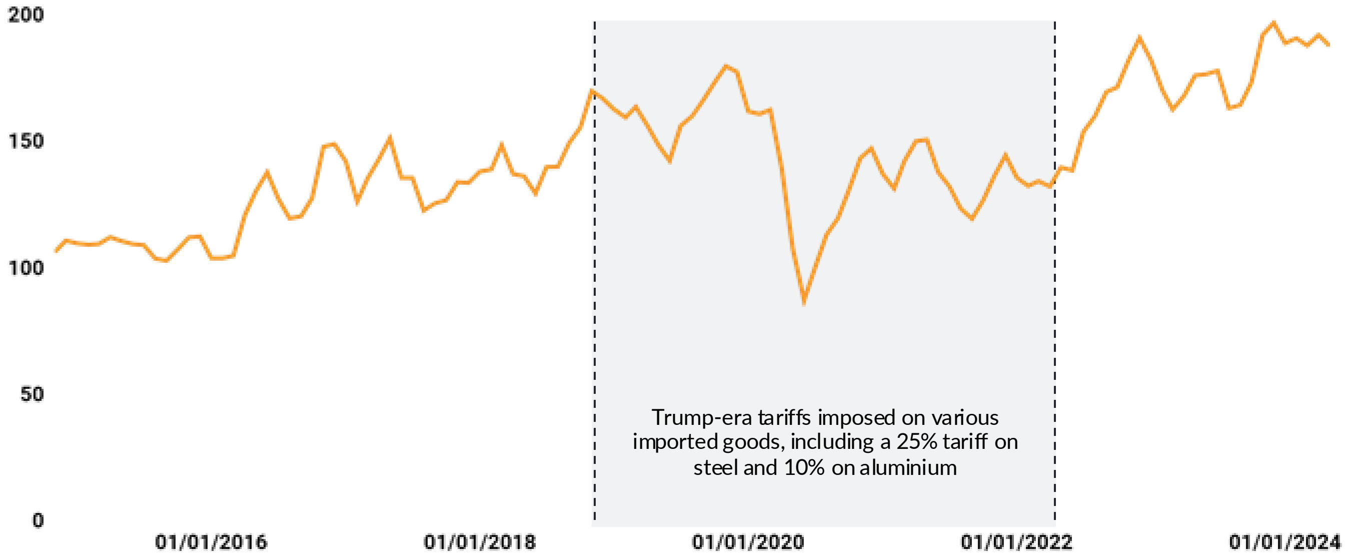
Conversely, the possibility of a second Trump administration spells moderate uncertainty for UK manufacturing exports to the US due to the potential for new tariffs on imported goods

Value of UK machinery and transport equipment exports to the US over time ***(rolling average of indexed change, base period = September 2014)***



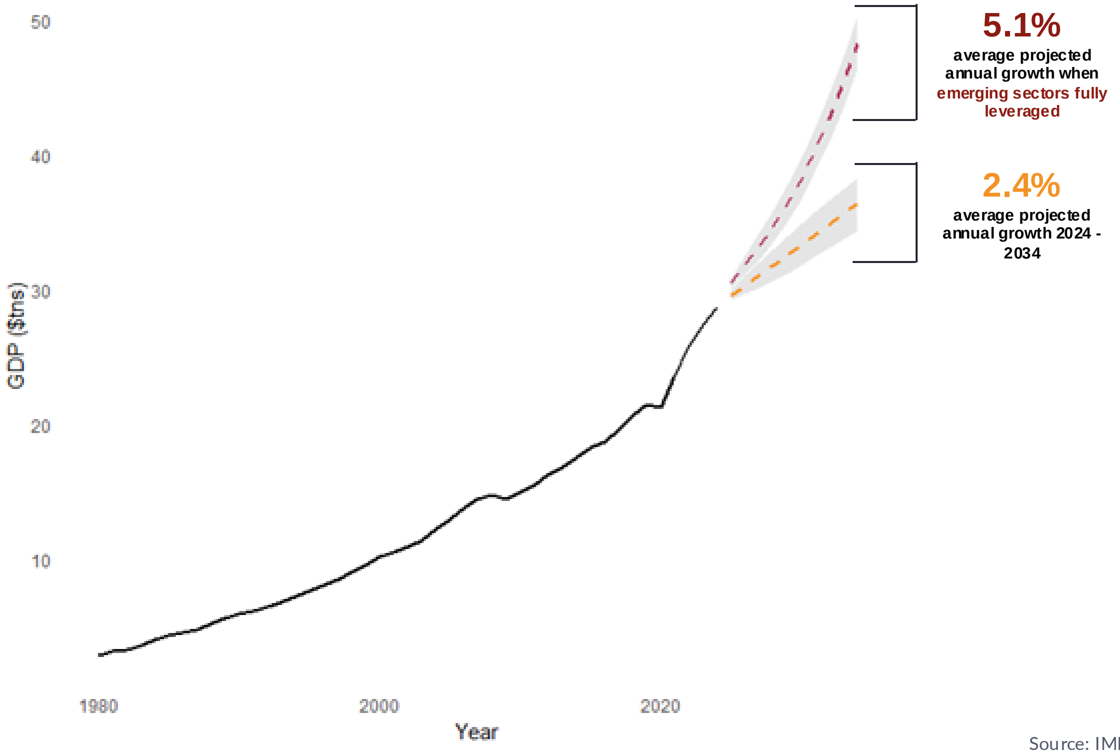
Trump's 2018 tariffs on imported products from China and key allies dampened growth in UK machinery and manufacturing exports to the US, which were also slow to recover after the pandemic. However, UK exports in this sector were broadly price inelastic, with US manufacturers passing on their higher input costs to domestic consumers rather than substituting to domestic manufacturers, who also raised prices. Nonetheless, since UK-US negotiations in March 2022 successfully loosened tariffs on imported steel and aluminium, the sector has seen notably stronger export growth to the US.

The possibility of a second Trump administration after November 2024 weakens prospects for future growth in manufacturing exports the US; Trump has pledged a general 10% tariff across all goods imported into the US if re-elected. Evidence from 2018 suggests that this could somewhat dampen growth prospects for manufacturing exports again. With an average growth rate of of 2.8% since 2018, this means that medium-run growth in UK manufacturing exports to the US may slow to sit at or slightly below projected global average in this sector (see Slide 23), and in any case far below projected growth rates in this market for UK business service exports (14.0%) and digital services (8.9%).

Source: ONS trade in goods: country by commodity, non-seasonally-adjusted, July 2024; York, 2024. ' Tariff Tracker: Tracking the Economic Impact of the Trump-Biden Tariffs'. Tax Foundation; BBC News, 'US rolls back Trump-era tariffs on UK steel', March 2022;

Digital services and green industries could add >$10 trillion to US GDP in the medium-run if fully harnessed, offering the UK additional export opportunities if it successfully outcompetes Japan

Projected US GDP growth (*at current prices, USD*)



The US's potential output with regards to growth in the key emerging markets of digital services and green industries is significant; it is already the largest tech market in the world (representing 31% of the global market) and recent policy decisions such as the Inflation Reduction Act have worked to unlock significant investment into green energy.

Consequently, digital services are likely to grow at their fastest in this market. The UK is well-placed to capitalise on the trend as the US's largest overseas supplier of services and given relatively positive American business sentiment towards the UK, particularly if the latter is able to compete with Japanese technological products on quality and cost.

It is less clear whether the US will continue to operate close to its potential output for green industries. Whilst recent US government interventions have concurrently accelerated growth of supply and markets for low-carbon energy and goods including electric vehicles, an incoming Trump administration may de-prioritise this. In this event, new tariffs may also be re-introduced on imported industrial commodities, such that UK green manufacturing and other product markets may not see a boost in export volume proportionate to the growth of the US green economy.

Source: IMF World Economic Outlook Database, April 2024; Bureau of Economic Analysis, 'Gross Domestic Product, Fourth Quarter and Year 2022 (Third Estimate), GDP by Industry, and Corporate Profits' and 'Defining and Measuring the Digital Economy 2017-2022', 2023; Georgeson, L and Maslin, M, 2019. 'Estimating the scale of the US green economy within the global context'. Palgrave Communications


India

Section Summary: India

A fast-growing market in which the UK can look to significantly expand the volume of core service competencies in the next decade

- Indian business leaders in particular feel that that the UK labour force is more highly-skilled than comparable countries with regards to technology (selected as such by 44.9%) and IT consultancy (41.9%).
- LCA results also find that Indian business leaders are comparatively positive about the UK as a business partner.
- We forecast that India will continue its steady transition to a service-based economy over the next decade and is likely to import goods and services proportionate to its own economic growth.
- Up until now, higher education and specialist manufacturing have dominated exports, but student visa restrictions and a continued decline in British manufacturing means that the UK should look to expand the prominence of digital and business services within in its Indian export portfolio given positive business sentiment towards the former and strong recent growth in the latter.

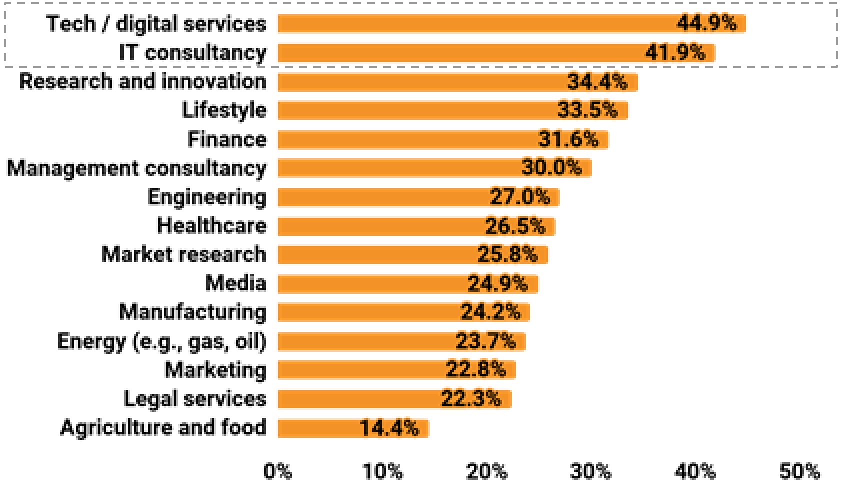
Expanding UK technological and digital service exports to India presents a significant opportunity that 'beyond banking' opportunities such as Santander Navigator can facilitate. India's rapid urbanisation includes aspirations to improve infrastructure, sustainability, and quality of life through the Smart Cities Mission. The UK, with its expertise in digital services and technologies, is well positioned to win a Smart Cities contract.

UK firms are also well placed to partner with graduates from Indian Institutes of Technology (IITs) and produce competitive digital export products with integrated local insights. This collaboration is a win-win: providing a highly skilled and localised workforce for UK firms whilst offering opportunities for tech graduates leaving IITs to work on high-impact projects and develop cutting-edge technologies.

Assistance from programmes such as Santander Navigator in the form of strategic guidance on networking, risk management, investment and fintech innovations are crucial in promoting key digital service exports to India.

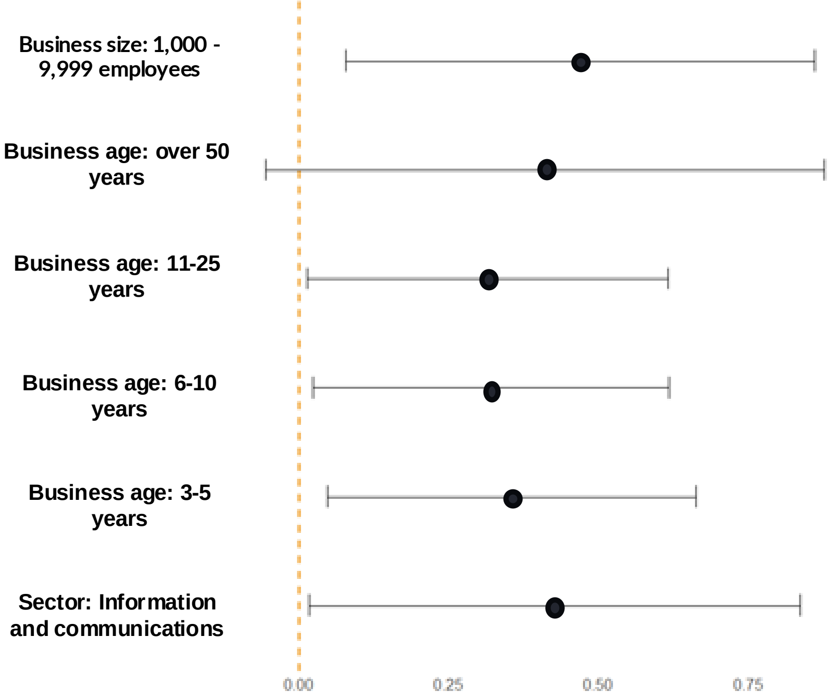
Indian business leaders think that the UK is particularly skilled in the technology sector, and generally favour the UK as a supplier of professional services rather than as a manufacturer

In which of the following sectors, if any, do you consider UK workers to be relatively highly skilled compared to other countries? Select any which apply.



Business leaders in larger Indian companies as well as those working in the allied information and communications sector are notably more inclined to consider the UK a world leader in technology than others. Interestingly, established businesses of any length of operation are more inclined to do the same in comparison to new firms and startups (i.e., businesses that have been in operation for under 3 years).

Coefficient plot: propensity to say that the UK is a 'world leader' in technology



Source: Public First poll of business leaders, April 2024

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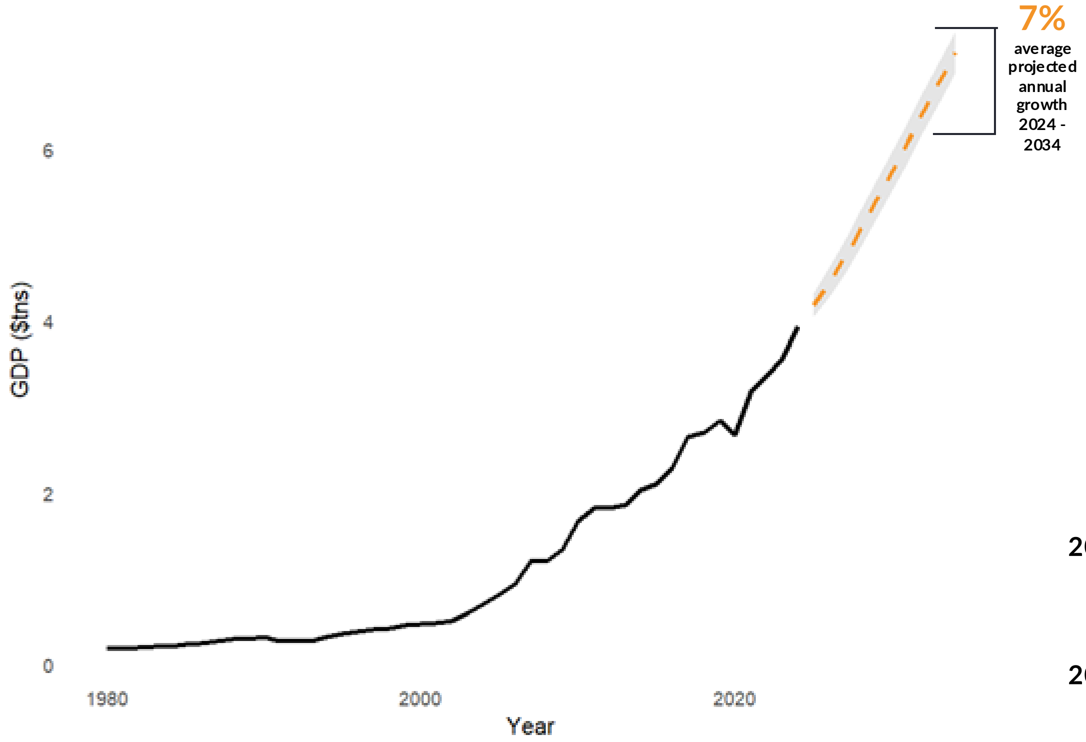
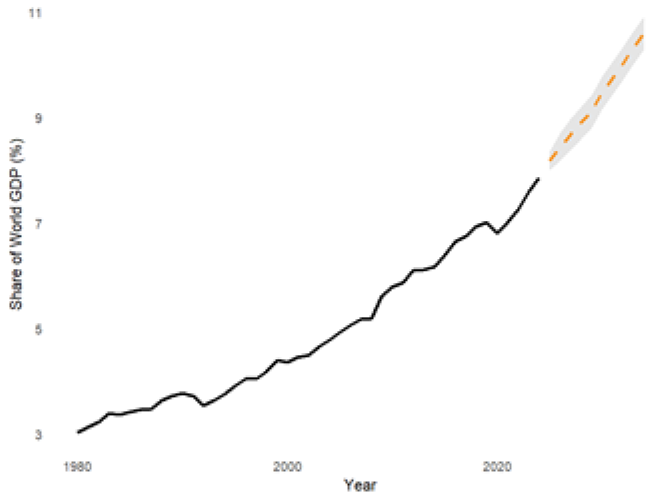
And Indian economic prospects are strong, with UK exports to the country set to double in value over the next ten years

Projected Indian GDP growth (*at current prices, USD*)



India: projected share of world GDP (*at PPP rates*)



Source: ONS UK total trade: all countries, seasonally adjusted. April 2024; IMF World Economic Outlook Database, April 2024

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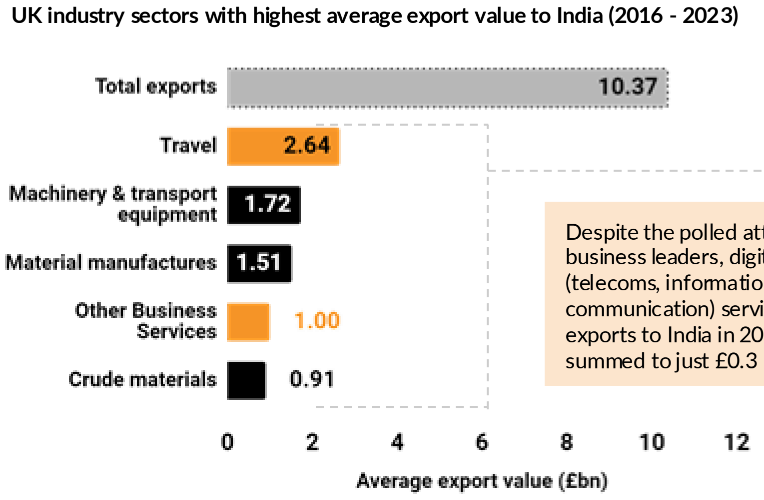
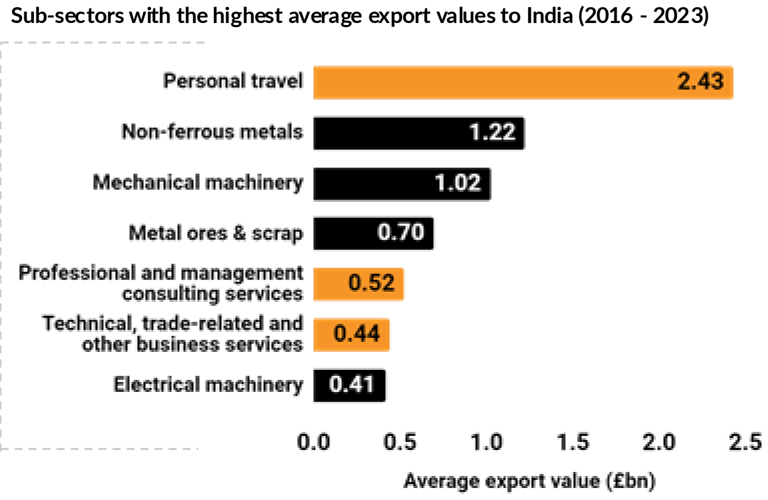
Currently, the UK's exports to India are dominated by higher education and specialist manufacturing, namely industrial machinery and intermediate power generators



Despite the polled attitudes of business leaders, digital (telecoms, information, and communication) service exports to India in 2023 summed to just £0.3 billion.

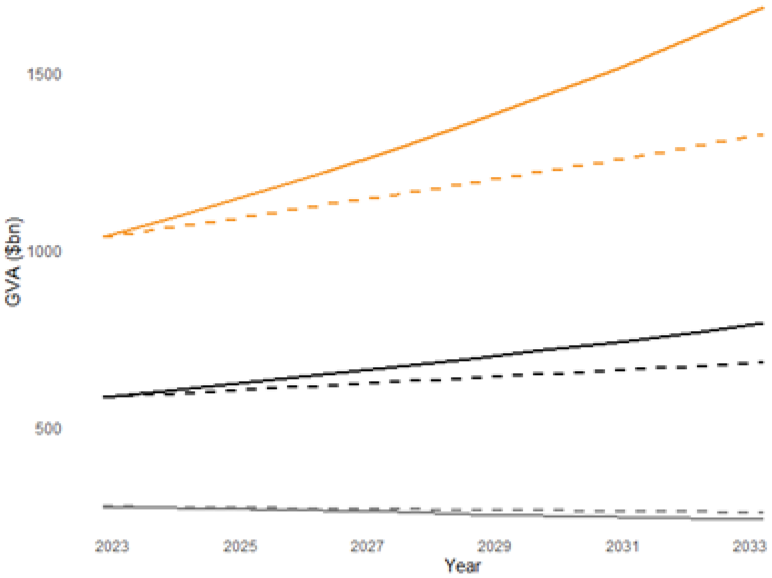


Since 2016, the UK has exported an average of over £2bn of education-related personal travel (which includes the tuition fees of a UK-based course in addition to any other expenses incurred by a non-resident whilst travelling to and residing in the UK) to India. On average, this alone constitutes 39% of all service exports and 20% of all UK exports to India. Education is a core part of the UK's export offer to India, with English-language teaching and strong university performances in world rankings. However, the continued performance of this export and its contribution to UK GDP will be dependent on the success of UK universities in competing with the US for funding provision, teaching quality, and career opportunities as well as the political effects of student visa restrictions.

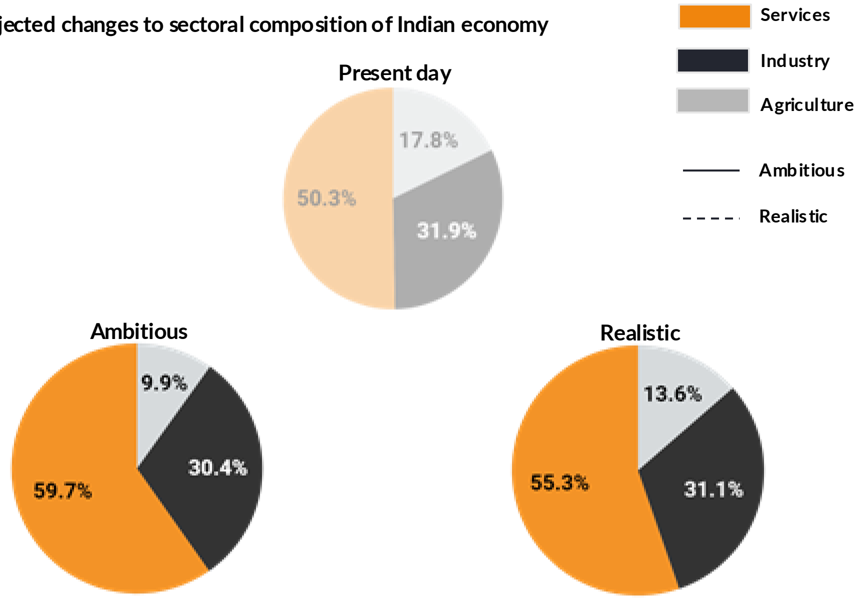
Source: ONS UK total trade: all countries, seasonally adjusted, April 2024; ONS trade in services, by country, non-seasonally adjusted, April 2024; ONS UK trade in goods: country-by-commodity exports, June 2024

In the next ten years, India will likely continue its gradual transition to a services-based economy with a strong domestic manufacturing sector

Projected medium-run growth of key sectors within Indian economy



Projected changes to sectoral composition of Indian economy



We employ a computable general equilibrium model (CGE) to project the implications of economic development for sectoral balances within the Indian economy. We project a realistic development scenario where India continues to develop at the rate of previous decades alongside a more ambitious potential outcome where strong human capital and labour growth, in addition to the sustained transfer of the labour force to higher-productivity employment over the next ten years, induces an acceleration in India's transition to a services-based economy. In either case, the political importance of job creation for less educated workers and competition with China will mean that manufacturing remains a significant sector within industry.

Source: Ministry of Statistics and Programme Implementation, 'Sector-wise GDP of India', April 2024; Kotera, S and Xu, T, 2023. 'Unleashing India's Growth Potential'. IMF Working Paper.

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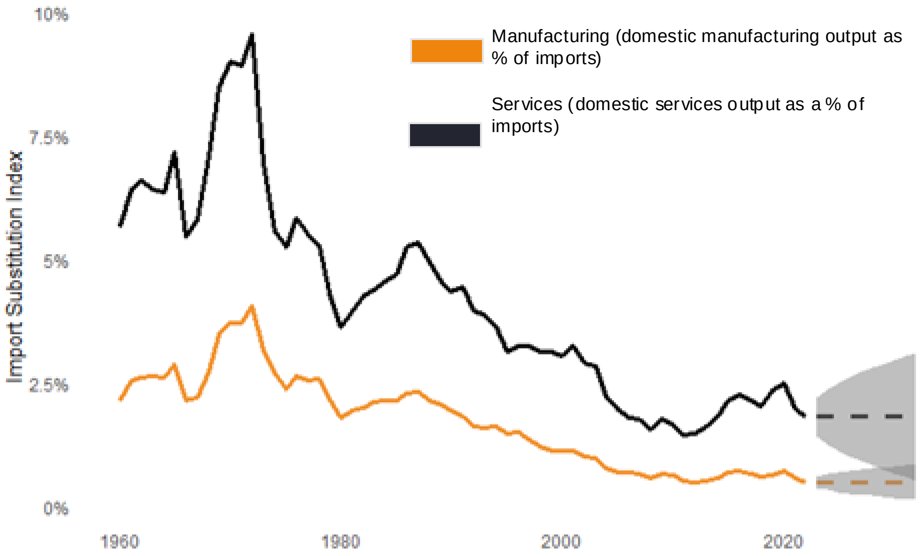
India's development so far suggests that this will lead to a proportionate increase in demand for imported services, posing an important opportunity to expand UK technology exports

Longitudinal import substitution index for the Indian economy

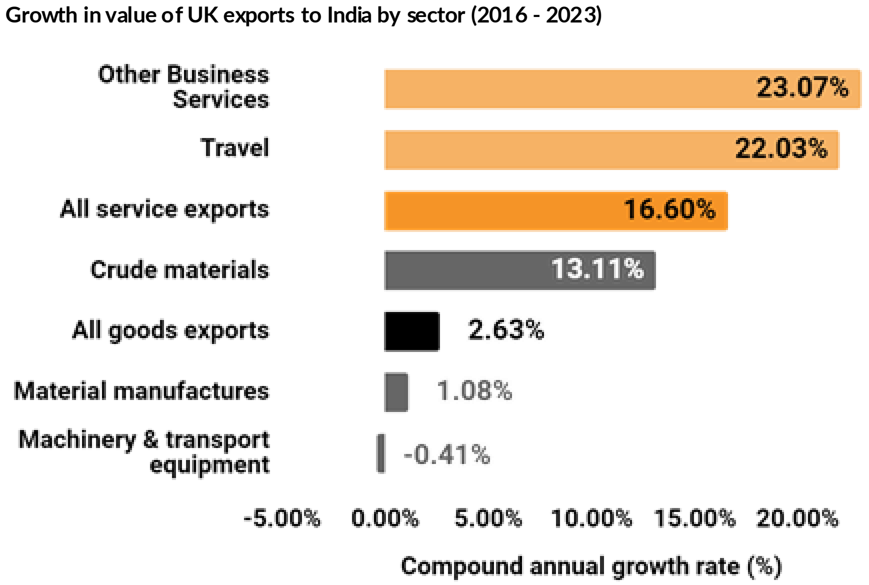


Here, we project India's propensity to substitute its imports of manufacturing and service products for emerging domestic alternatives as the country develops. In both cases, India has largely *increased* its propensity to import over time as its own domestic services and manufacturing outputs grow. However, recent growth in domestic higher education as well intentional policy choices, such as Modi's 2016 'Make in India' initiative, has meant that Indian domestic capabilities have begun to represent a greater proportion of GDP relative to its imported services and manufacturing. India's relative dependence on services and manufacturing exports is now at an inflexion point, and, in the absence of shocks, is likely to remain constant in the medium-run. This means that the UK will see a growth-proportionate increase in demand for services from India, where in previous decades Indian demand for UK imports outpaced its domestic production.

Alongside Make in India, Modi's Digital India programme has committed to invest the equivalent of an additional £1.39 billion from 2021-6 into the digitalisation of public infrastructure and communications, particularly in economic hotspots such as the Delhi-Mumbai Industrial Corridor. Given India's propensity to import a significant proportion of its consumption of services, this presents an important opportunity for the UK to capitalise on its strong reputation in technology and substantially expand on its volume of digital infrastructure exports.

Source: World Bank national accounts data; OECD National Accounts data files; Kaur, G, 2023. 'India to invest $1.79B to expand digital ecosystem'. Light Reading

In the medium-term, India also presents an important opportunity for the UK to expand its core professional services exports more broadly



In the last decade, the fastest growth in UK exports to India have all been in services, which have significantly outpaced growth in commodity exports to the Indian market. Education-related travel and business services top this list, and as development means that India's service sector growth outpaces growth elsewhere in its economy, the UK is set to experience a significant increase in demand for its professional services (though government policy choices vis-a-vis student visas may constrain growth in the value of education exports somewhat).

A comparative and relatively isolated increase in commodity exports in the form of crude materials such as unprocessed textiles and basic foodstuffs is reflective of India's own development driving a rising demand for raw materials. This demand is likely to level out and cool in the next decade during India's accelerated transition to services.

Source: ONS UK total trade: all countries, seasonally adjusted, April 2024; ONS trade in services, by country, non-seasonally adjusted, April 2024; ONS UK trade in goods: country-by-commodity exports, June 2024

Poland

Section Summary: Poland

A key Eastern European market in which the UK can retain its competitiveness in manufacturing whilst boosting its energy and fuel exports

- Services export growth has been slow in this market, with business leaders reporting comparatively pessimism about the UK's capabilities as a supplier in addition to concern about the economic impacts of the Russia-Ukraine war.

- This market stands out as one where UK manufacturing exports have kept pace with global levels despite Brexit, likely due to strong economic development driver higher levels of demand.

- Geopolitical events have also significantly boosted fuel exports to Poland, and an expansive export strategy could build on continued uncertainty here.

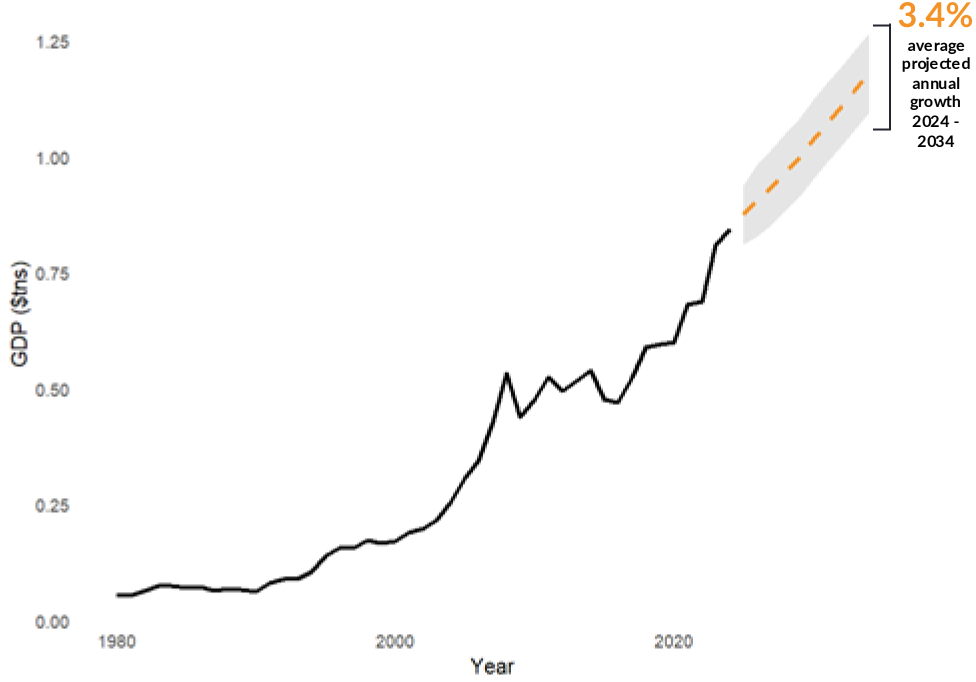
Santander helps a multitude of UK businesses set up in overseas markets by utilising their global connections on a local scale.

For Zabou, a Preston-based fashion business, this meant being able to smoothly begin operations in Poland. Santander's support for Zabou included tax and accountancy guidance to identify optimal business structures and mitigate risks; legal advice focused on understanding the business' needs; ecommerce advice for localising distribution networks, and brand and communication strategies following a tailor-made approach to media relations. Additionally, Santander itself was able to act as a local banking partner, enhancing Zabou's credibility in the Polish market.

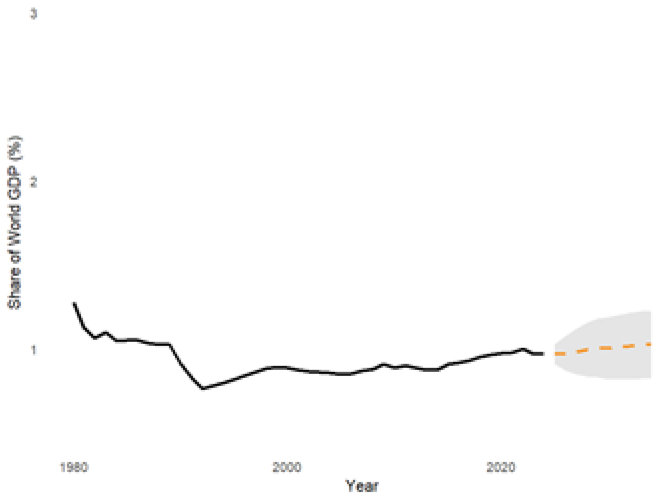
Comprehensive support such as that offered to Zabou can ensure that UK businesses are well-informed about the necessary conversations and steps for a successful expansion into Polish markets.

Poland has followed a path of sustained economic development in recent decades, and will continue to keep pace with global growth rates

Projected Polish GDP growth (*at current prices, USD*)



Projected Polish share of world GDP (*at PPP rates*)



2023

£357.1 billion exports to EU27

Total UK exports: £864.5 billion

1% — £10.7 billion exports to Poland

2033

£527.9 billion exports to EU27

Total UK projected exports: £1402 billion

2% — £21.8 billion exports to Poland

Source: ONS UK total trade: all countries, seasonally adjusted. April 2024; IMF World Economic Outlook Database, April 2024

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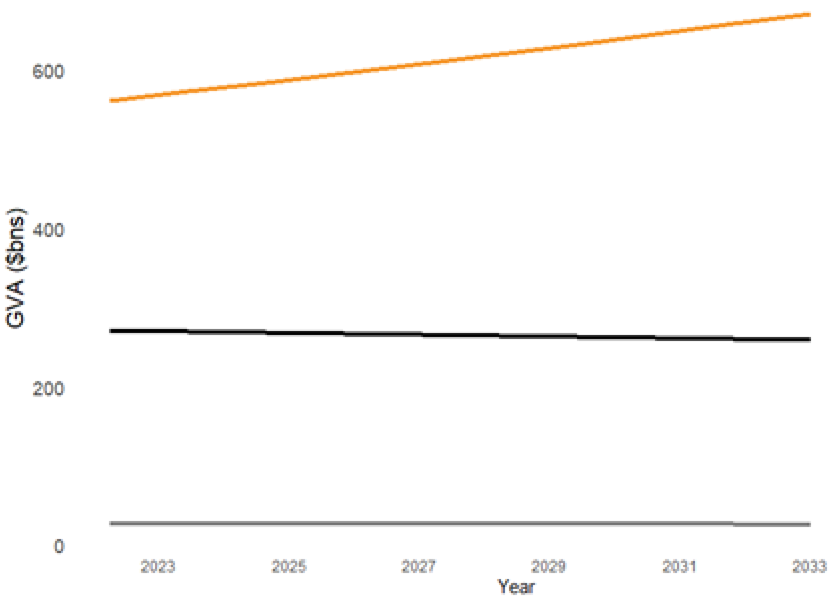
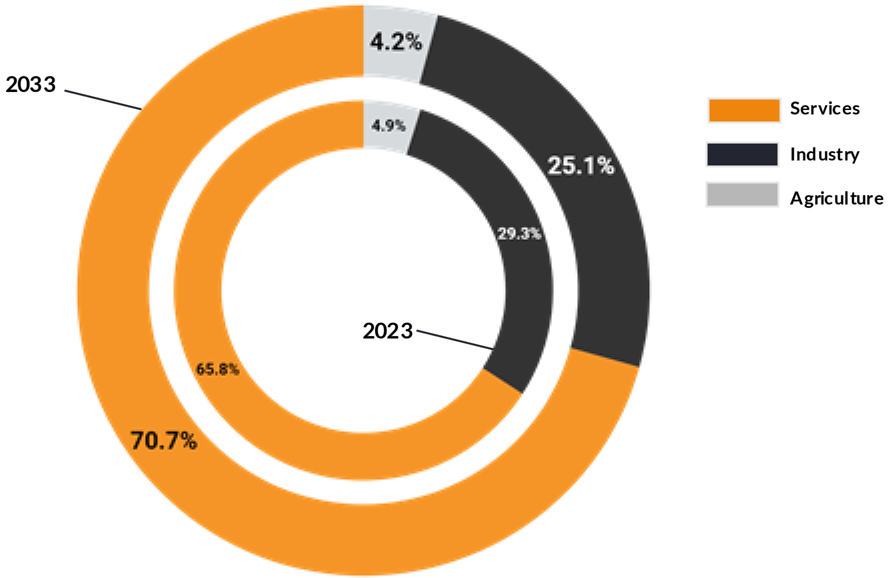
And our economic development models suggest that in the next decade Poland will continue its transition to a service-based economy at the moderate pace of previous decades

Projected medium-run growth of key sectors within Polish economy



Projected changes to sectoral composition of Polish economy

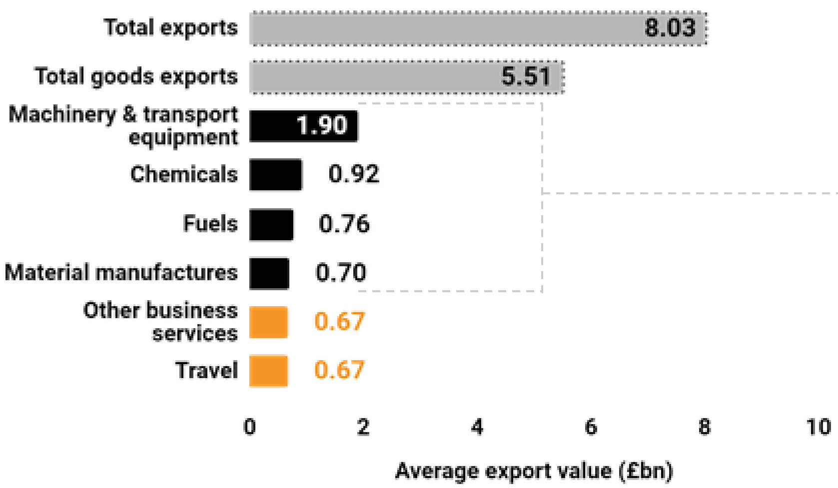


We employ a computable general equilibrium model (CGE) to project the implications of economic development for sectoral balances within the Polish economy. We project that declines in the labour force through migration and ageing will partly work against the growth of human capital and sustained capital investment into business and professional services. Nonetheless, in combination with post-pandemic trends in labour transitioning to high-productivity remote jobs in services, Poland is set to continue its steady, paced metamorphosis into a service-based economy.

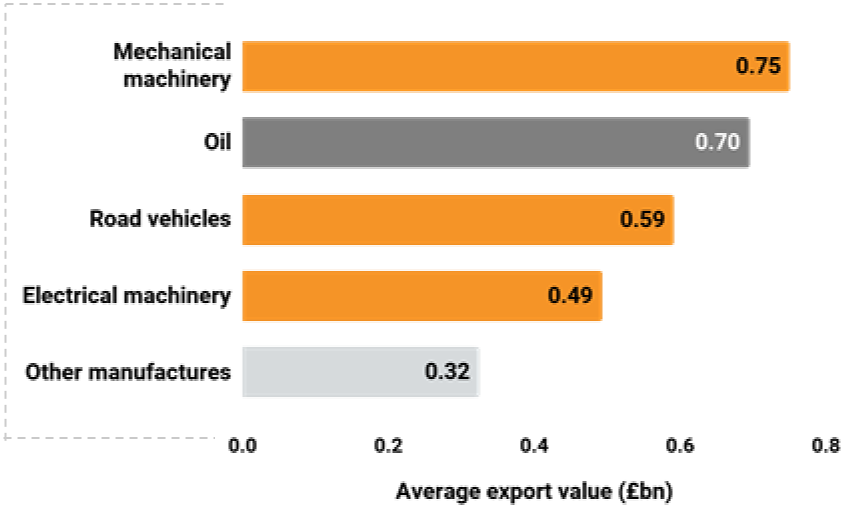
Source: World Bank national accounts data; IMF Country Report, 'Republic of Poland: Selected Issues', 2022

However, crude oil and manufactured commodities have dominated UK exports to Poland so far; namely cars as well as electrical and mechanical capital machinery for use in Polish industry

Largest UK industry sectors by exports to Poland (2016-23)



Largest UK sub sectors by exports to Poland (2018-23)



Source: ONS UK total trade: all countries, seasonally adjusted, April 2024; ONS trade in services, by country, non-seasonally adjusted, April 2024; ONS UK trade in goods: country-by-commodity exports, June 2024

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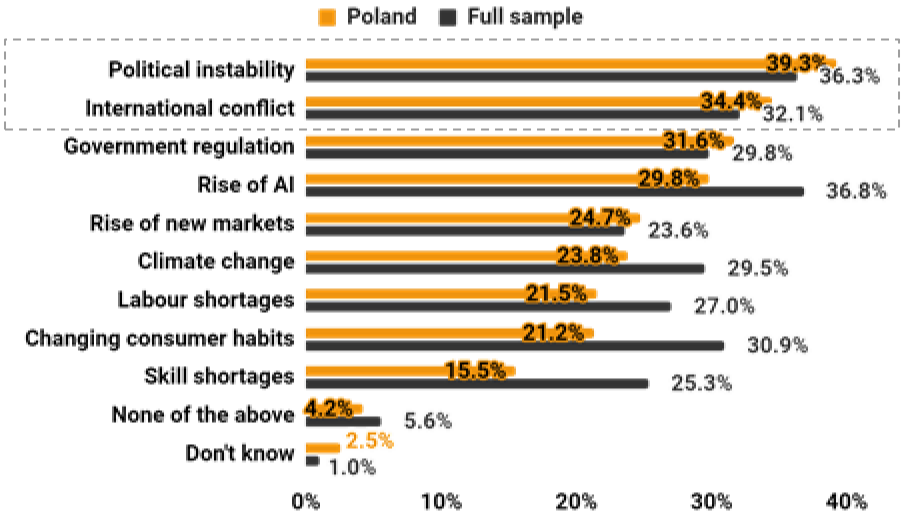
Overall, Polish business leaders are more pessimistic about the quality of the UK's core competencies, and remain primarily concerned about the impact of geopolitical conflict on business

For each of the following industries, please indicate if you feel that the UK's businesses in this sector are better or worse than other comparable countries.

Net % 'better'

	Full sample	Poland	Net difference
Research and innovation	51.9%	46.0%	-5.9%
Media	49.4%	43.6%	-5.8%
Financial services	54.0%	42.7%	-11.3%
Engineering	45.4%	40.4%	-5.0%
Lifestyle	44.7%	40.0%	-4.7%
Tech / digital services	47.4%	38.3%	-9.0%
Business services / consultancy	48.5%	38.1%	-10.4%
Manufacturing	39.6%	27.7%	-11.9%

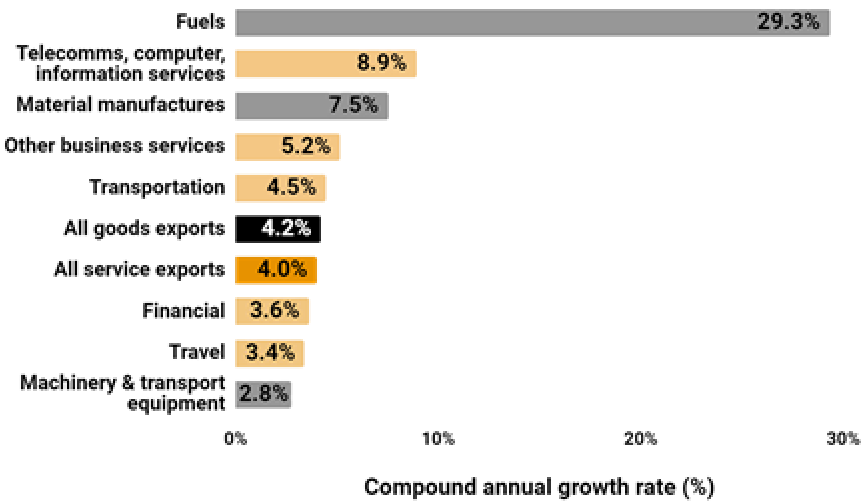
Which of the following, if any, do you think pose the greatest challenges for businesses over the next 5 years? Select up to three of the following.



Source: Public First poll of business leaders, April 2024

Accordingly, growth in business and digital services exports have been slow in this market, though manufactured goods have held up well after Brexit and geopolitics offers opportunities for energy

UK industry sectors with highest growth in exports to Poland (2016 - 2023)



Poland stands out as a European market where growth in demand for manufacturing exports from the UK have kept pace with global trends, and as one where commodity exports from the UK have marginally outpaced service exports. This second trend is likely to continue as Poland develops a comparative advantage in the provision of lower-cost business and professional services provision for the rest of Europe, gradually transforming into a net exporter of such services.

Consequently, ensuring that the UK retains its competitiveness in specialist manufacturing in this market despite unconvinced business leaders must be a key element of trade strategy. The apparently lesser impact of administrative barriers to trade in this market relative to Spain is likely driven by a number of factors; higher economic growth and continued development in Poland will have meant more substantial growth in business and consumer demand for specialist manufacturing such as personal vehicles and industrial components during this period, even as trade barriers may have prevented even higher levels of export growth. Additionally, strong labour linkages in the form of a larger Polish diaspora may have facilitated fewer labour and language skill shortages in sectors allied to manufacturing exports to Poland, such as logistics, following disruption after Brexit.

Finally, conflict in Russia and Ukraine since 2021 have built in substantive changes to trade flows for non-renewable fuels. The next 10 years presents a unique set of circumstances for the UK to amplify its rate and volume of fuel and energy exports to capture vacant market share in the provision of energy to Eastern Europe as the region looks to reduce its dependence on Russia. Doing so provides an important, relatively inelastic flow of exports for the UK in the medium- and long-run.

Source: ONS UK total trade: all countries, seasonally adjusted, April 2024; ONS trade in services, by country, non-seasonally adjusted, April 2024; ONS UK trade in goods: country-by-commodity exports, June 2024

Spain

Section Summary: Spain

An important Western European market in which the UK can look to grow its green exports in addition to growing trade in core service competencies

- Spanish business leader sentiment shows clear evidence of a Brexit effect, with a full third of Spanish business leaders citing unfavourable trading policies as a disadvantage of a business relationship with the UK. A greater proportion than in other markets also report expecting the trade less with the UK than they would have five years ago.

- Accordingly, business leaders in this market would prefer a European or American supplier to a British one in all the sectors tested.

- Economic data confirms that UK export growth in Spain has underperformed relative to other markets, with machinery and transport equipment exports shrinking in value in recent years.

- The exception is insurance and pension services, which likely saw strong growth partly due to Spanish fiscal commitments to pensions during a period of high inflation in Europe in 2022.

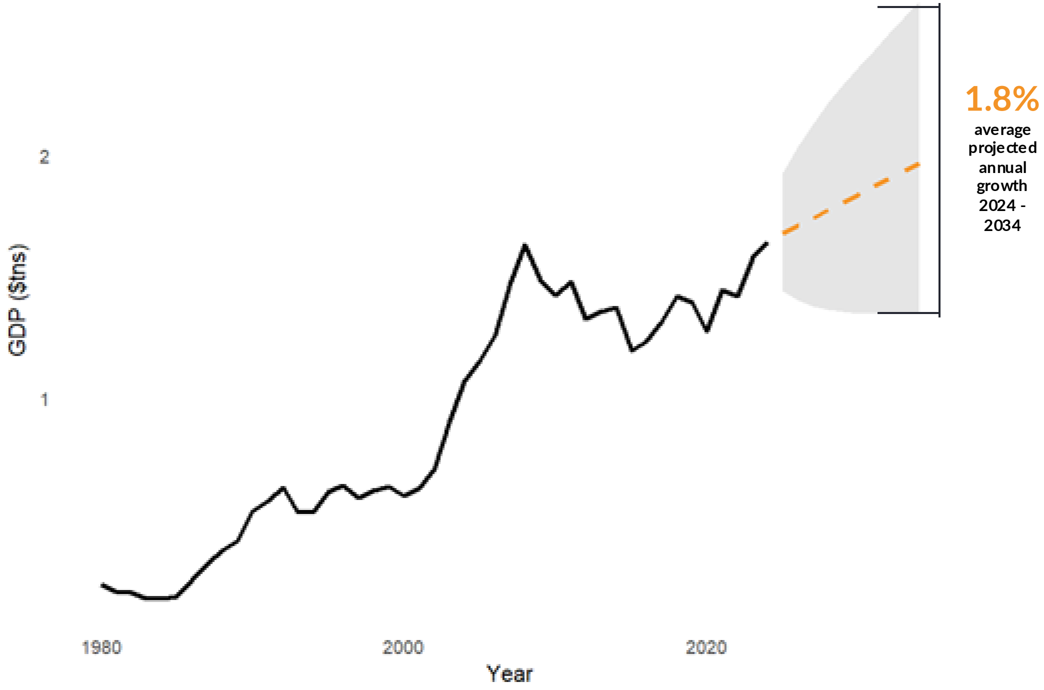
Through products such as Santander Navigator, Santander offers a comprehensive and efficient platform tailored for UK businesses, especially SMEs, aiming to enter European markets. Whether businesses are exploring international opportunities for the first time or looking to reconnect with Spanish markets following Brexit, Santander provides the expertise and support essential for a seamless transition.

Their services encompass a wide range of critical areas, including in-depth advice on engaging with local institutions, effective marketing strategies, and accounting practices. Furthermore, Santander's extensive network allows them to act as a local banking partner in the target region. This invaluable partnership enhances the credibility and local presence of any business pursuing expansion.

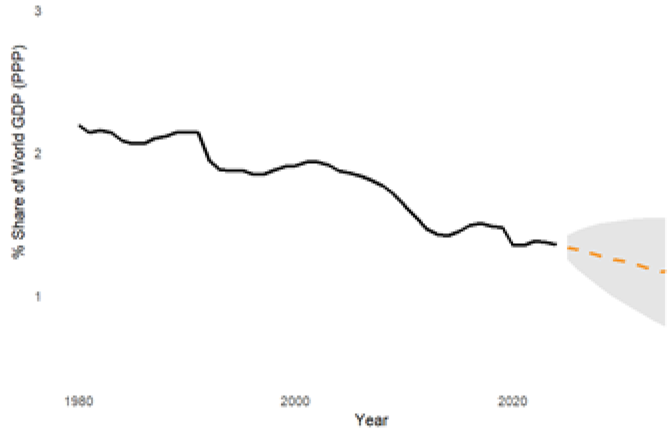
In utilising Santander's local insights and banking connections, businesses can navigate the complexities of new markets with greater confidence and efficiency, ensuring a more successful and sustainable international venture.

Spain faces moderate growth prospects, and as a member of the EU27, will remain a key medium-term market for the UK

Projected Spanish GDP growth (*at current prices, USD*)

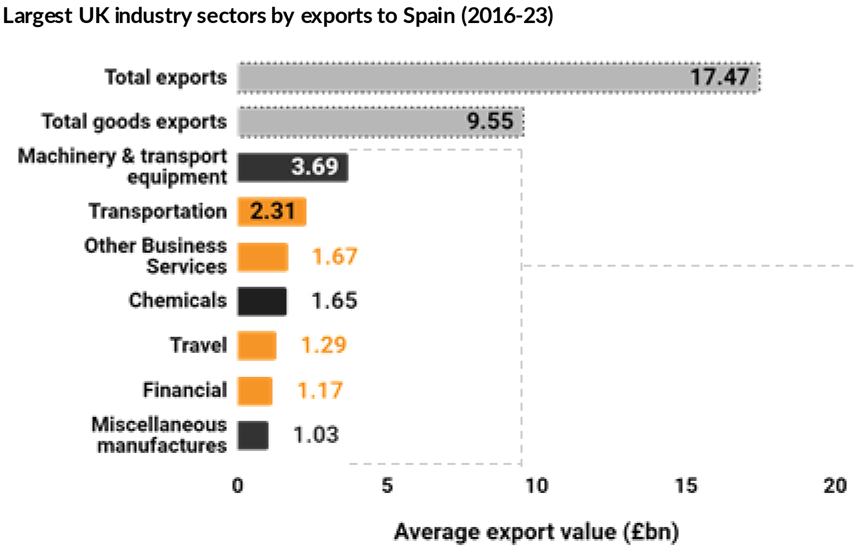


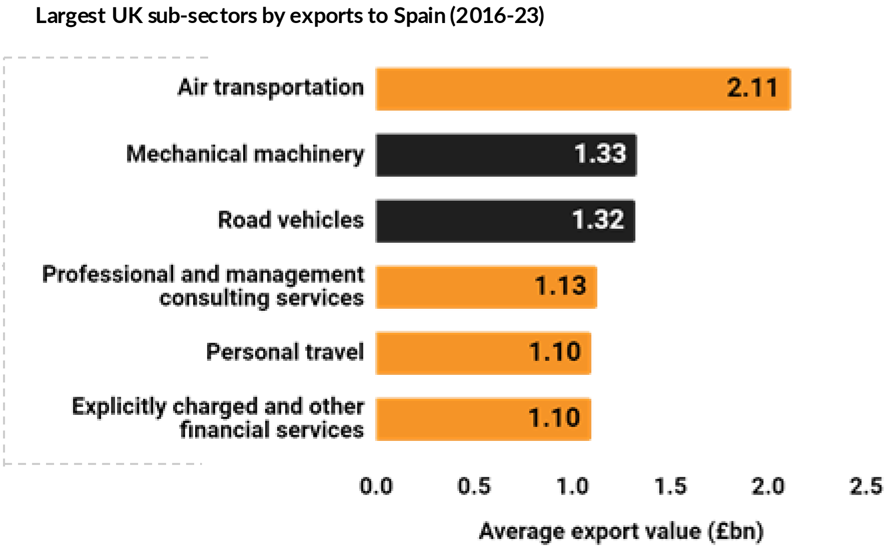
Projected Spanish share of world GDP (*at PPP rates*)



Source: ONS UK total trade: all countries, seasonally adjusted. April 2024; IMF World Economic Outlook Database, April 2024

Specialist manufacturing and professional services are core elements of the UK's export trade to this key European market





In the main, specialist manufacturing exports to Spain consist of cars, other road vehicles, mechanical power generators, and mechanical appliances. Conversely, service exports were dominated by passenger and miscellaneous air transport, tourism, and business and management consulting.

Source: ONS UK total trade: all countries, seasonally adjusted, April 2024; ONS trade in services, by country, non-seasonally adjusted, April 2024; ONS UK trade in goods: country-by-commodity exports, June 2024

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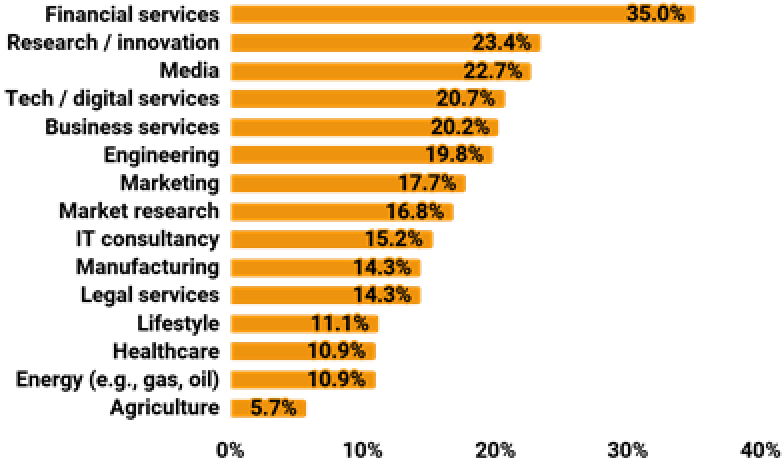
Spanish business leaders consider the UK's comparative advantage to be in financial services, but across the board would prefer a US or European supplier

In which of the following sectors, if any, do you consider the UK to be a world leader? Select any which apply.



Which of the following countries would you be most likely to consider using ________ from? Select only ONE

	Financial services		Software and technology		Business services		Manufactured goods	
	% selected	Rank	% selected	Rank	% selected	Rank	% selected	Rank
USA	25.0%	1st	31.0%	1st	24.5%	1st	16.2%	2nd
Germany	21.3%	2nd	14.6%	2nd	19.6%	2nd	23.8%	1st
France	12.4%	4th	7.4%	5th	14.7%	3rd	12.6%	3rd
UK	19.1%	3rd	12.2%	4th	14.4%	4th	8.4%	6th

Source: Public First poll of business leaders, April 2024

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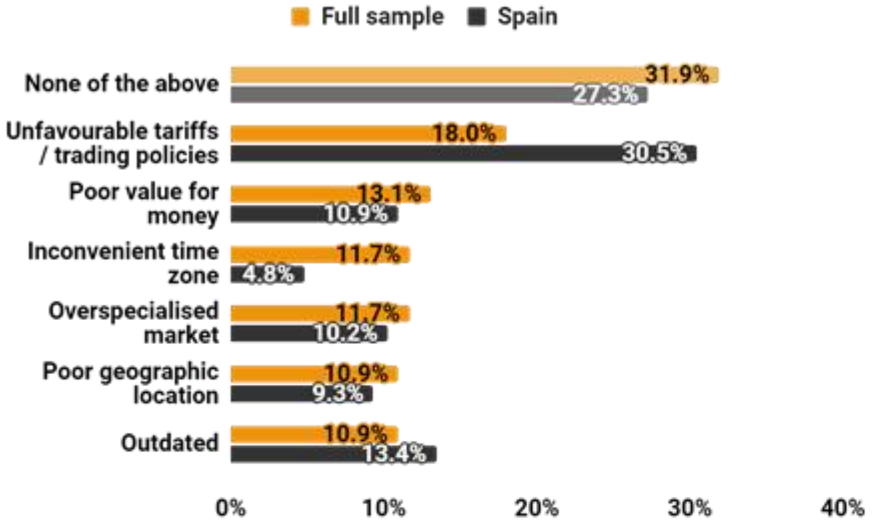
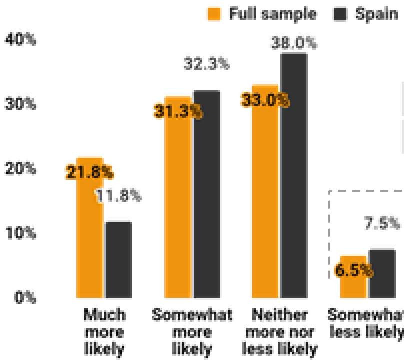
And Brexit has had decidedly negative impacts on Spanish business leaders' perceptions of the ease of doing business with the UK, as well as the country itself

Which of the following, if any, do you think are the **disadvantages** of having a stronger business relationship with businesses in the UK specifically? Select any which apply.



Is your business more or less likely to buy from the UK than five years ago?



	Net % 'more likely'
Full sample	42.8%
Spain	27.3%

You said you were less likely to buy from the UK than you were five years ago. Which of the following best explains why? Select any.

	Spain	Full sample
Less favourable trade policy	55.5%	46.6%
Other markets outperforming UK	38.9%	30.8%
Less reliable	33.3%	25.8%

Source: Public First poll of business leaders, April 2024

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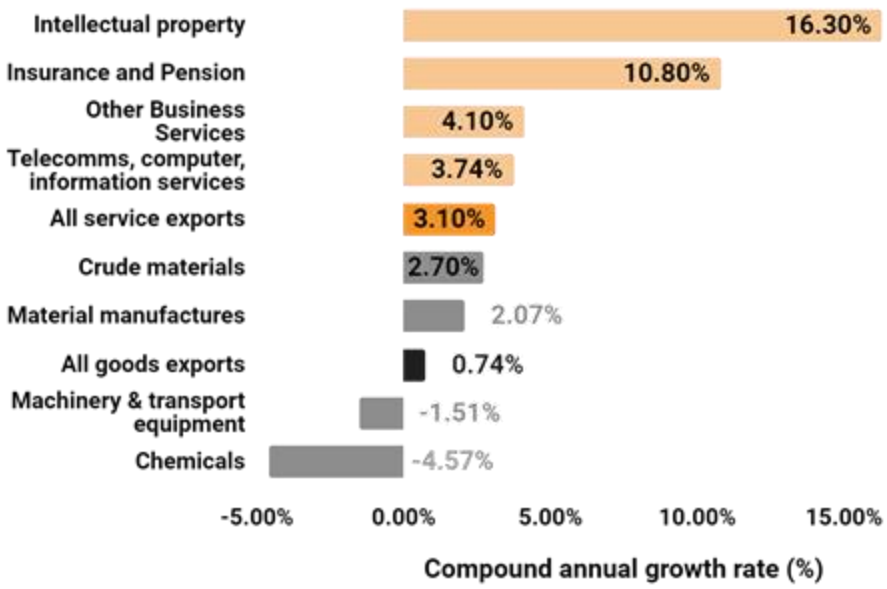
Accordingly, export growth in major service and commodity sectors has been slow in this market

Growth in value of UK exports to Spain by sector (2016 - 2023)



Export growth in digital and business services for this market lags behind the global performance of these sectors, whilst manufacturing and transport exports have shrunk following new non-tariff barriers to trade after Brexit. Specific elements of financial services stand alone in having experienced stronger growth. This has mostly been in pensions-related finance, where Prime Minister Pedro Sánchez's 2022 commitment to pegging state pension payments to inflation partly contributed a 17% increase in UK exports of pension and standardised guarantee services to Spain.

Source: ONS UK total trade: all countries, seasonally adjusted, April 2024; ONS trade in services, by country, non-seasonally adjusted, April 2024; ONS UK trade in goods: country-by-commodity exports, June 2024

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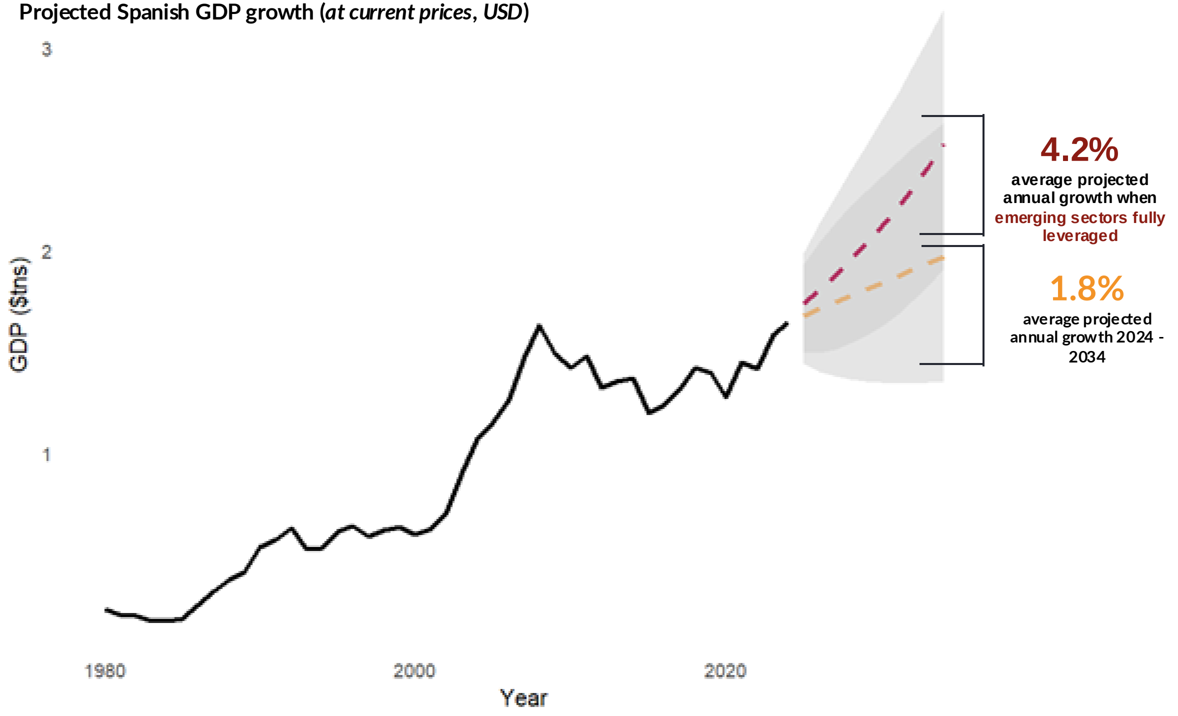
Digital services and the environmental sector could add an additional $500 billion to the Spanish economy, but the UK will face an uphill battle in competing for this extra demand

Projected Spanish GDP growth (*at current prices, USD*)



Operating at potential output with regards to growth in digital services and green industries would allow Spain to more than double its medium-run rate of economic growth rate. In great part, this is driven by the strong compound annual growth rates in the environmental sector that we project Spain to realise. This is in turn brought on by significant investment and regulation from EU policy directives such as the Recovery and Resilience Facility as well as the Green Deal, which sets holistic requirements, to reduce and offset carbon emissions across the economy. However, UK export strategy will have to combat perceptions of lack of competitiveness after Brexit, in addition to frictional costs in the export of green commodities like electric cars. This includes post-Brexit customs formalities, proof of rules-of-origin, and meeting EU regulations for quality standards.

Source: IMF World Economic Outlook Database, April 2024;
European Union Agency for the Space Program, 'EU Space for Green Transformation', 2023; European Environment Agency, 'Gross value added of the environmental goods and services sector in Europe', 2024; Mordor Intelligence, 'Spain ICT Market Size & Share Analysis - Growth Trends & Forecasts (2024 - 2029)', 2023

Japan

Section Summary: Japan

A large, developed market in which the UK must continue its expansion of digital service exports, in addition to sustaining growth in core business and financial services exports

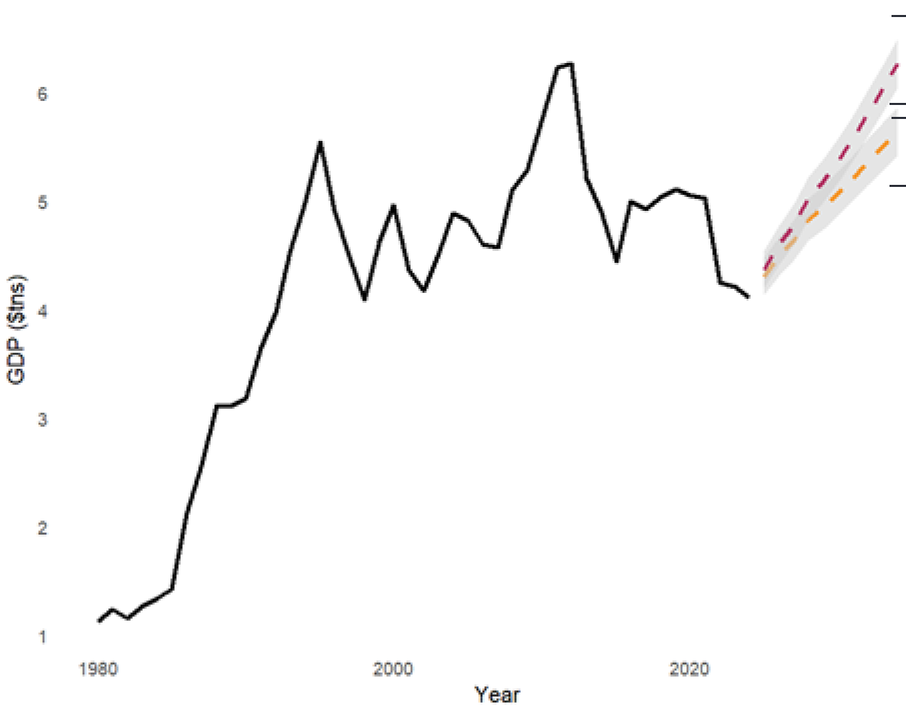
- Japanese business leaders largely do not consider the UK a go-to supplier for professional services or manufacturing, citing geographic distance and time zones as key disadvantages to trade with the UK.
- Accordingly, growth in core export competencies in this market have been slower than global averages, with the key exception of digital services. Japan's place at the global technological frontier with regards to automation and digital transformation has driven high levels of consumption, and consequently imports, in this sector.
- Regardless, sustaining and growing market share as an exporter of digital services in this market is important for the UK given this sector's relevance within the Japanese economy and the positive network effects on the UK's perceived competence in digital services to be derived from remaining competitive in comparison to domestic Japanese producers.
- Growing Japanese appetite for iconic British food and beverage products also offers an important opportunity by which to improve the reputation and competitiveness of UK manufacturing exports to Japan.

Nichols plc, a Mancunian company founded in 1908 and known for producing Vimto, used **Santander Navigator** to explore expanding into new markets. The beyond banking facilities saved time and money for Nichols plc, through finding a potential new distributor, facilitating introductions with local market experts, and organising trade checklists, events, and training information. **Santander Navigator** helps businesses like Nichols plc identify key priorities and streamline the expansion process.

With growing Japanese appetites for iconic British food and beverages, **Santander Navigator** offers an effective way to make traditionally costly overseas expansions simple for UK firms.

Japanese growth prospects are sluggish but harnessing digital services and green technologies could unlock an additional $600 billion in economic output over the next 10 years

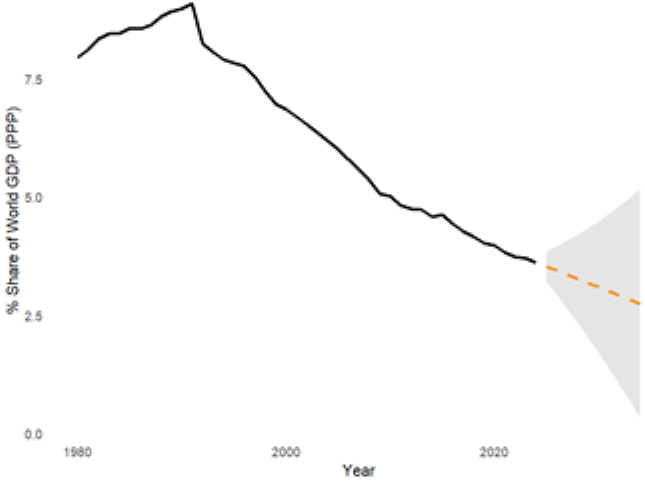
Projected Japanese GDP growth (*at current prices, USD*)

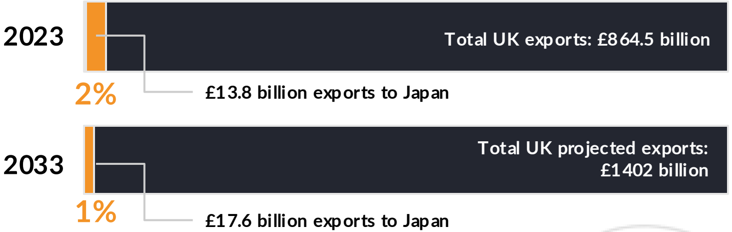


4%
average projected annual growth when emerging sectors fully leveraged

3%
average projected annual growth 2024 - 2034

Projected Japanese share of world GDP (*at PPP rates*)





Source: ONS UK total trade: all countries, seasonally adjusted. April 2024; IMF World Economic Outlook Database, April 2024; Zhou, X, 2015, 'Green Economy and Environmental Goods Sector'. Institute for Global Environmental Studies; Yano Research Institute, 'Factory Digitalization Market in Japan: Key Research Findings', 2023

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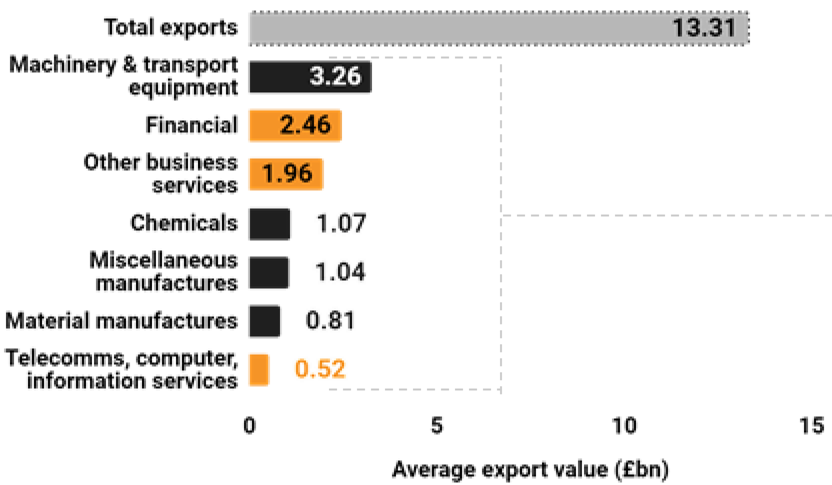
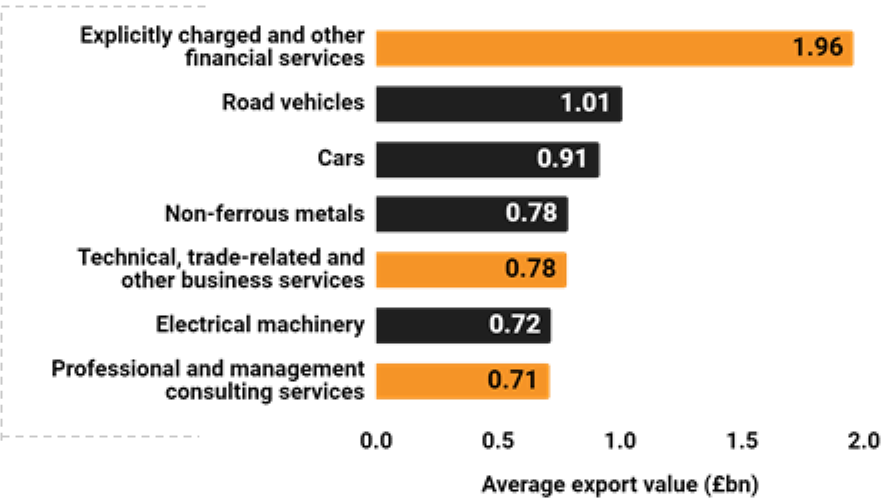
Currently, specialist manufacturing is the cornerstone of UK export trade with Japan, alongside financial and business services

Largest UK industry sectors by exports to Japan (2016-23)



Largest UK sub-sectors by exports to Japan (2016-23)



In the main, specialist manufacturing exports consist of cars, mechanical power generators, and electrical goods. Conversely, service exports were dominated by explicitly-charged financial services, scientific and technical services, and business and management consulting.

Source: ONS UK total trade: all countries, seasonally adjusted, April 2024; ONS trade in services, by country, non-seasonally adjusted, April 2024; ONS UK trade in goods: country-by-commodity exports, June 2024

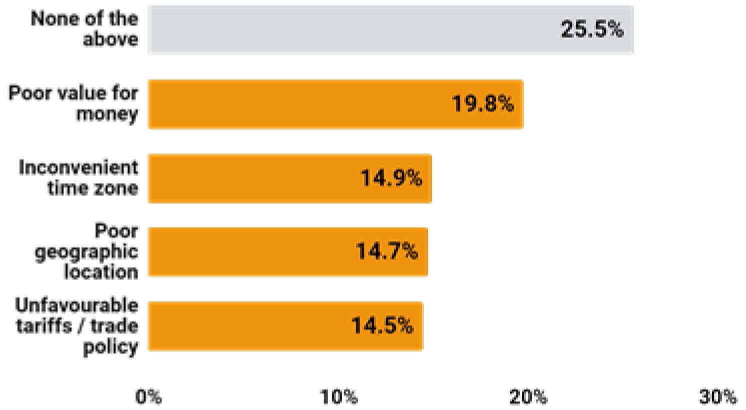
PublicFirst

Overall, Japanese business leaders do not consider the UK as a go-to supplier of key goods and services, and many feel that geographical distance itself is a barrier to bilateral trade

Which of the following countries would you be most likely to consider using ________ from? Select only ONE

	Financial services		Software and technology		Business services		Manufactured goods	
	% selected	Rank	% selected	Rank	% selected	Rank	% selected	Rank
USA	55.9%	1st	57.5%	1st	49.4%	1st	35.3%	1st
China	9.0%	3rd	6.8%	2nd	9.1%	2nd	18.7%	2nd
Singapore	9.4%	2nd	3.7%	=5th	4.2%	6th	4.2%	5th
UK	5.5%	4th	3.7%	=5th	7.2%	3rd	3.9%	6th

Which of the following, if any, do you think are the **disadvantages** of having a stronger business relationship with businesses in the UK specifically? Select any which apply.



Source: Public First poll of business leaders, April 2024

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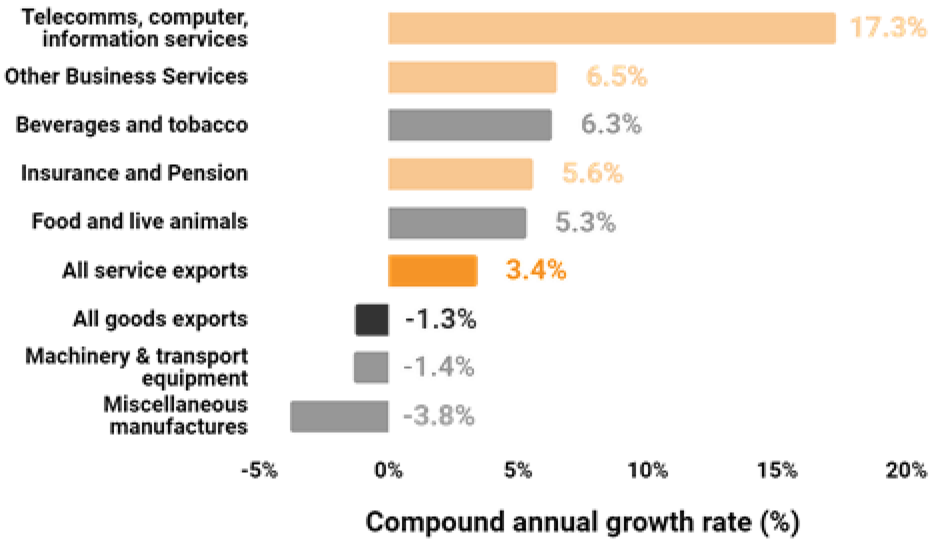
Accordingly, core UK service and commodity export growth has been lacklustre in this market, with the notable exception of digital services

UK industry sectors with highest growth in exports to Japan (2016 - 2023)



UK exports of digital services to Japan have already begun to display substantial year-on-year growth in the last decade, indicative of Japan being further along the curve with regards to digital adoption and transformation, particularly in automation and domestic technological development.

As such a key consumer and exporter of digital services (we note that in several of our key markets, polling data shows Japan to be a more competitive choice for technology and digital services than the UK), sustaining strong exports of digital services will be an important cornerstone for the UK's wider digital export strategy.

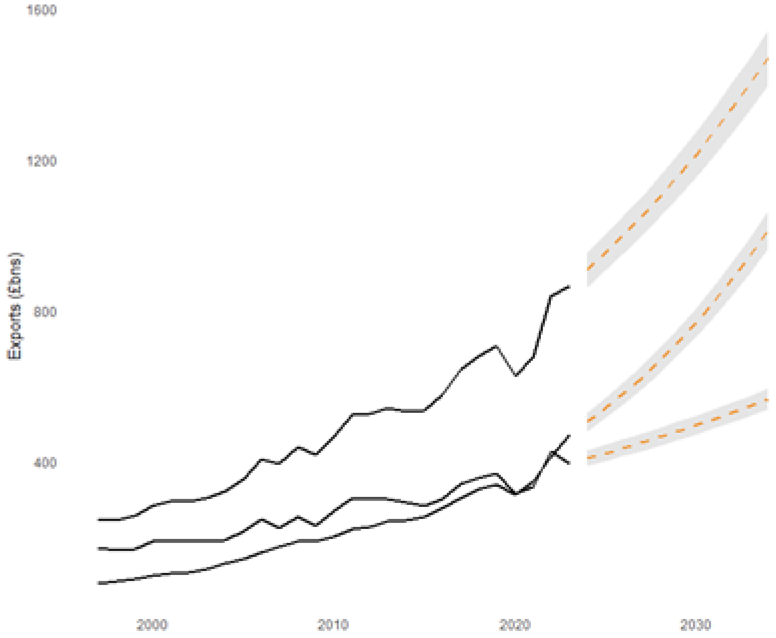
Recent government interventions such as the bilateral 2023 Comprehensive and Progressive Agreement for Trans-Pacific Partnership are consequently useful to minimise frictions to trade and bringing the two countries into a joint digital market.

Outside of digital services, Japan follows other developed key markets for the UK in the export value of core service competencies in business and financial services rising at the expense of stalling manufacturing exports. A notable exception is manufactured food and beverage products, which have enjoyed particularly strong growth in this market, driven by rising culinary tastes for iconic British produce, including black teas, whiskies, and Scottish salmon. In this way, Japan demonstrates the value of the twin-track export strategy that aggressively expands the UK's core and emerging services offer whilst continuing to defend the competitiveness of UK manufacturing with a trade strategy that harnesses and expands upon the UK's brand and leans into reputational advantages such as a penchant for high quality products.

Source: ONS UK total trade: all countries, seasonally adjusted, April 2024; ONS trade in services, by country, non-seasonally adjusted, April 2024; ONS UK trade in goods: country-by-commodity exports, June 2024

The UK has a strong track record in trade, with significant growth possible in exports over the next decade if barriers to trade continue to be minimised following the pandemic

Projected growth of UK exports (to 2033)

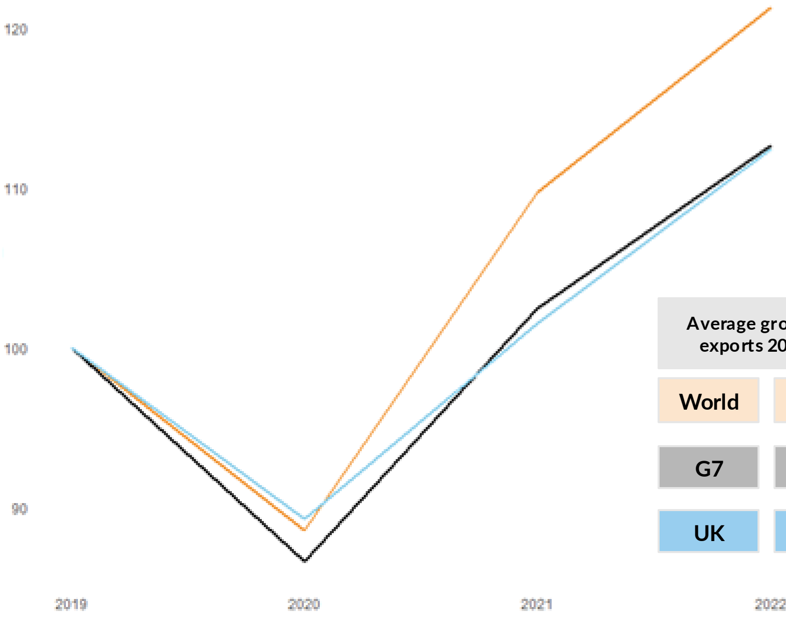


5.0% average projected growth in overall exports

7.2% average projected growth in services

3.3% average projected growth in goods

Indexed growth of exports 2019-22



Average growth in exports 2020-2	
World	6.7%
G7	4.1%
UK	4.0%

In 2023, the UK exported £864.5 billion of goods and services, a steady annual average increase of 5% since 1997. Whilst export growth after 2020 has been somewhat slower in pace, the UK has broadly kept up with comparable countries in its recovery after the pandemic. Continuing to minimise barriers to trade and furnishing businesses with a supportive eco-system for trade should ensure that the UK continues to meet its potential for export growth in the second quarter of this century.

Source: ONS UK total trade: all countries, seasonally adjusted. April 2024; WTO Trade in services annual dataset, July 2024.

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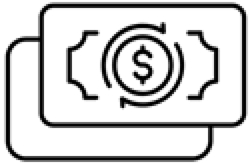
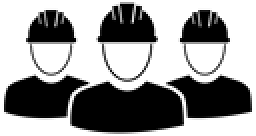
Moreover, the UK has a strong baseline set of assets that underpins an approach of exporting to the world

Stable economic and political climate



Liquid financial market

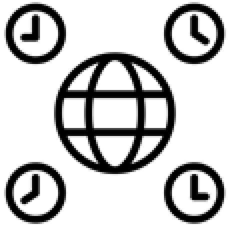


Skilled, educated labour force

Stable business climate for spin-offs

Attractive location for Foreign Direct Investment

English language



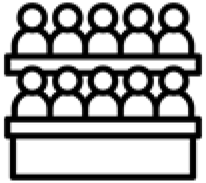
Globally central time zone

Our research indicates several clear, specific opportunities through which to further boost the value of UK exports

- The UK is well-placed to harness global tailwinds that mean rising international trade in professional services. An optimal trade strategy would aggressively expand exports in the UK's core competencies of digital and business services alongside accelerating the continued evolution of specialist manufacturing into a digitally-intensive field.
- Digital services and the green sector are on the edge of transformative levels of domestic and international growth, offering the UK important new opportunities to embed itself into global trade flows as a leader in these sectors.

- A sustained increase in Japanese proclivity for British food and beverages, offers an opportunity to sustain the competitiveness and relevance of British manufacturing in this market.
- India's transition to a graduate-dense, services-based economy requires the UK to substitute into its exports of business and digital services, diversifying away from a reliance on higher education and manufacturing in this market.
- US imports of UK business and digital services have seen strong, sustained growth in recent years, which significant digital dividends expected in this economy into which the UK can tap, competing with domestic suppliers.
- UK exports to Spain require a concerted rebranding after Brexit to emphasise the UK's competitiveness and openness for trade.
- Demand for the UK's industrial manufacturing has kept pace with global trends in Poland despite Brexit, with geopolitics offering an opportunity for the UK to establish itself as a net exporter and transit country for natural gas and electricity from renewable sources in Europe in the long-term.

A maximally effective UK trade strategy is one that leverages the partnership between government, business, and financial institutions



Government

The Government can provide a supportive ecosystem which allows businesses to maximise their growth and export capacity.

A supportive ecosystem includes a stable economic framework, competitive business taxation, a skilled and flexible labour market and minimal barriers to trade.

Businesses
(including SMEs)

First and foremost, export growth, economic growth, and jobs will be delivered via the private sector.

Profit-maximising businesses seek to grow as effectively and as efficiently as they can.

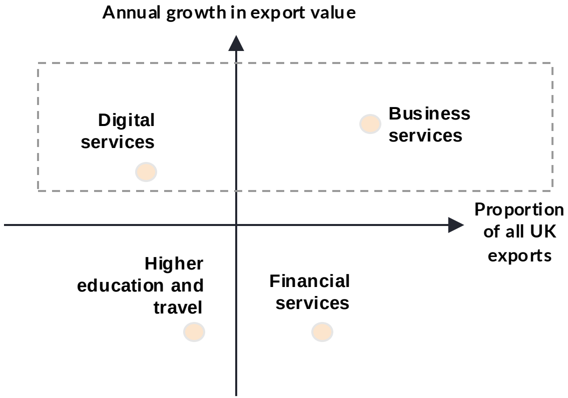
Banks and the wider
private sector

The wider private sector, including banks like Santander, are an integral vehicle for business and export growth.

These institutions can boost SME export capacity by providing credit, as well as support, guidance, and access to networks in order to minimise barriers to trade. International trade platform **Santander Navigator** is an example of this.

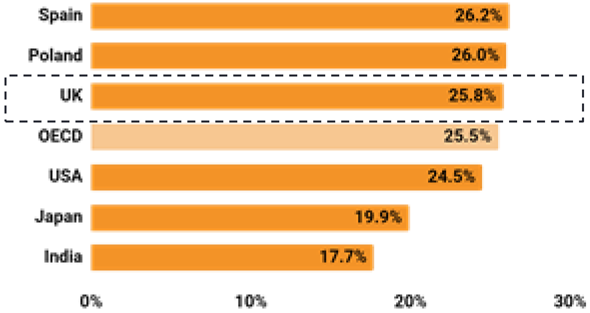
This partnership must maximise exports in fast-growing services, oversee the evolution of manufacturing, and continue to harness Western markets in addition to new Eastern opportunities

Maximise exports in fast-growing professional services sectors



As the world's second largest exporter of services, the UK has a deep comparative advantage in the provision of financial, business, and digital services. Whilst economic evidence suggests that the global market for the former is approaching medium-run maturity, significant growth opportunities exist in business services, already a significant quotient of UK exports, and in digital services, which is set to become as such.

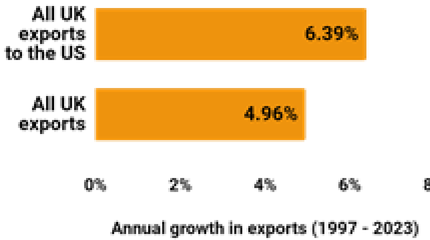
Oversee the evolution of specialist manufacturing into high-end and technological products



Value from digitally-intensive services added to manufacturing exports as a share of manufacturing exports

Economic evidence finds that traditional manufacturing in services-based economies such as the UK is undergoing a productive revolution. Digitally-intensive service sectors already add value to UK manufacturing equivalent to over a quarter of total output by enabling additional trade and generating a need for sophisticated technological outputs. Integrating digital technologies with manufacturing as well as boosting iconic British high-end food and beverage products is key to ensuring the UK's manufacturing offer remains competitive and relevant.

Ensure Western markets are fully harnessed even as the world's economic nexus moves east



By 2033, a quarter of all UK exports will be destined for the United States, an economy where emerging digital and green sectors are set to add an additional $10 trillion to medium-run GDP and one where UK digital services exports have grown at an annual average of 9% a year. Additionally, our polling finds clear evidence of the UK's reputational advantage in English-speaking markets across the developed and developing world. Consequently, maximising sales to Western markets will remain central to boosting UK exports in the medium-run.

Source: Slides 23 and 33; OECD Going Digital Toolkit, 2018, 'Digital-intensive services value added embodied in manufacturing exports as a share of manufacturing export value'.

To succeed, the UK's trade strategy must be country-specific and tailored to the sector in question, harnessing the benefits of digital technologies where possible

The size and resilience of the US economy make its growth potential clear, but the outcome of November's presidential election will set the mood music for global trade, with further protectionist policy likely regardless of the result.

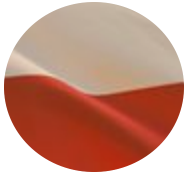
Despite these challenges to a potential free trade agreement with the US, a welcome sign is continued negotiations with individual states (Utah, Indiana, Oklahoma, South Carolina and North Carolina).

It is crucial for the UK government to prioritise the championing of British digital and professional services, as the sectors via which the UK can make the most significant inroads into the US.

Positive sentiment towards the UK and continued negotiations for a bilateral free trade agreement offer a strong ecosystem for an expansion of UK exports here.

The UK Government's response to India's sustained transition to a service-based economy will be key. India's economy is thriving largely due to its 'Make in India' manufacturing policy reforms and its role in supply chain diversification – and with its strong technology and engineering talent, India will play a strategic role in many UK businesses' global operations and innovation capabilities.

UK visa policy towards Indian students and nationals, likely to be a key element of bilateral negotiations, will also impact on the success of trade with India.



Business confidence has been low in Poland, with geopolitical insecurity in Eastern Europe dampening domestic activity. Nonetheless, this market has shown a strong inclination towards digitisation, overtaking other European countries in its implementation of cashless payments and other digital infrastructure.

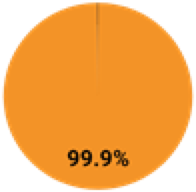
This, in combination with the fact that UK manufacturing exports have kept place with global growth rates in this market despite the impact of Brexit suggests that this is a prime market in which the UK Government can encourage export sales in digitalised UK manufacturing, ensuring that this sector retains its competitive edge.

Business sentiment and economic trends indicate that trade with Spain has been definitively impacted by Brexit, most notably in business leader perceptions and in commodity exports, which have affected by rules-of-origin requirements and customs formalities. The UK Government and the wider private sector have an important role to play in ensuring that UK exports to Spain recover completely after Brexit. Crucially, the wider private sector can provide tailored support to SME exporters with regards to customs legislation and requirements, easing the informational costs associated with exporting to the EU. The UK Government can also support the digitisation of commodity exports, easing barriers to trade via the integration of Artificial Intelligence and paperless trade.

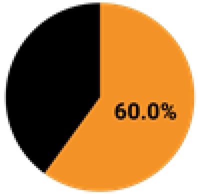
The UK's membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) will support growth in trade with Japan, but it is important for the UK Government to ensure that the full benefits of free trade with Japan are realised. In particular, concerted efforts to ensure that the UK is considered more actively as a potential supplier by Japanese business leaders are necessary to boost exports in this market. Where Japanese business leaders primarily feel that distance, geography, and time zones pose as barriers to trade with the UK, this can be addressed by the championing of UK digital services and the digitalisation of trade using new communications and payment methods.

Crucially, SMEs - whose role in international trade has flagged since the pandemic - must be supported in harnessing their full potential as exporters

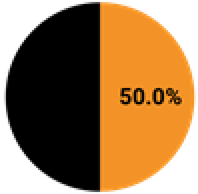
SMEs constitute approximately…



…of businesses in the economy

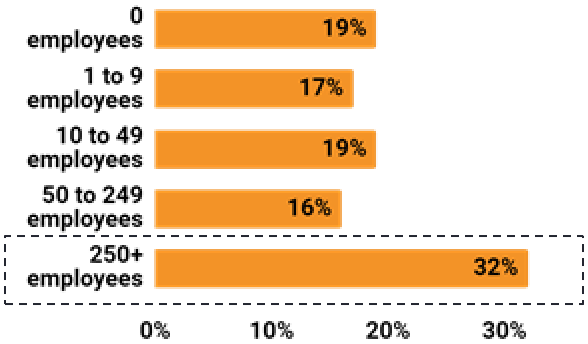


…of all employment



…of private sector turnover

Percentage change in UK export trade value between 2021-2, by business size



Proportion of UK businesses reporting an increase in sales (Q4, 2023)

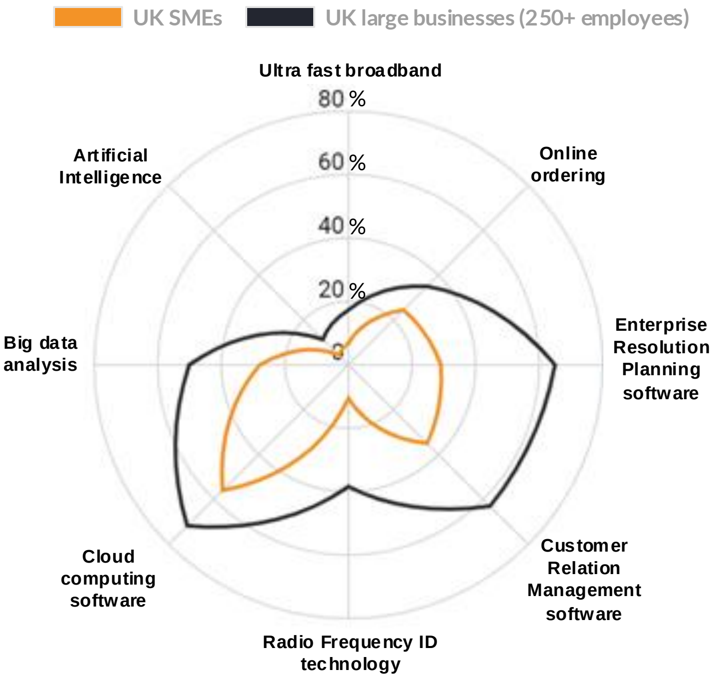
Post-pandemic underperformance of SMEs in international trade drives lower international sales growth

SMEs generate a significant proportion of domestic GDP and constitute virtually all of the UK's business population. Despite this, since the pandemic SMEs have underperformed with regards to international trade, as evidenced by total export growth in 2021-2 being driven mostly by large enterprises as well as persistently slower growth in international sales compared to domestic ones as recently as the last quarter of 2023. This indicates that SMEs have been disproportionately impacted by headwinds in global trade from Brexit, the pandemic, and geopolitics - these include labour and supply chain disruptions, increased operational costs, and new legal and administrative barriers to trade with the EU. Government and financial institutions can alleviate these new barriers by providing flexible finance, legal and administrative guidance, and addressing localised skills shortages. Boosting levels of international trade amongst the overwhelming majority of UK businesses in this way is crucial for unlocking the UK's full export growth potential in the medium-run and returning to pre-pandemic levels of trade growth. Moreover, a maximally-effective trade strategy is one that ensures that SMEs are equally able to maximise on professional service delivery, integrate digital technologies into manufacturing, and harness the UK's strong reputation in Western markets.

Source: Federation of Small Businesses, 'UK Small Business Statistics', 2023; HMRC Overseas Trade in Goods Statistics; ONS Inter-Departmental Business Register data; British Chambers of Commerce, 'Most SME Exporters Seeing No Improvement', January 2024.

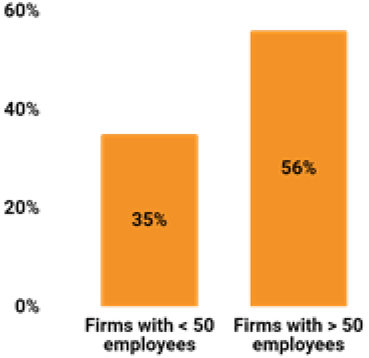
And across the board, trade can be boosted by ensuring the UK keeps pace with digital adoption and supports its SMEs with their environmental, social, and governance practices

Radar chart of median diffusion rates of technologies ***(calculated using latest available data for each technology)***



UK SMEs lag behind larger enterprises in all aspects of digital adoption and transformation, though particularly in the usage of business and performance analytics software. Additionally, in comparison to comparable economies in the EU, a greater proportion of all UK businesses have integrated usage of cloud computing and big data analytics, but trail behind the EU in this usage of business and performance analytics software. Research indicates that digital adoption failures result in significant losses in business productivity via knock-on failures to tap into global markets, as well as accessing finance, skills, and institutional and legal guidance. Moreover, timing is crucial: early adopters of digital technologies see greater returns to their adoption by raising the visibility of their product and brand, setting industry standards, and increasing user costs of switching to alternative providers. Consequently, a maximally-effective UK trade strategy must ensure that government and financial institutions support SMEs in paced digital adoption by addressing initial sunk costs and providing institutional and legal guidance.

Proportion of UK firms that report having a 'good' or 'complete' understanding of the Net Zero target



Polling by the British Chambers of Commerce indicated a significant divide in both understanding the requirements and business implications of Net Zero. This research also indicates a significant lag in SMEs adopting sustainable practices: almost twice as many firms with more than 50 employees (36%) reported having developed a plan for reaching Net Zero relative to those with fewer than 50 (19%). A strategic trade partnership between government, financial institutions, and businesses is key to providing flexible credit, finance, and administrative guidance such that start-up costs and information asymmetries on the expected cost and efficiency returns of green technologies do not prevent SMEs from adopting sustainable practices.

Source: OECD (2021), The Digital Transformation of SMEs, OECD Studies on SMEs and Entrepreneurship, OECD Publishing; British Chambers of Commerce, 'Action on Net Zero Held Back by Lack of Understanding', 2023.

Methodology

Business leader sentiment in key markets

Core UK trading competencies

Forecasting trends in key markets

Looking ahead: A maximally effective UK trade strategy

Conclusions

Appendix: summary statistics

Conclusions

Building out the UK's export capacity requires a three-way partnership between government, businesses (including SMEs), and the wider private sector in pursuing country- and sector-specific engagement

- Export growth must primarily be driven by businesses, and government intervention plays a crucial role in providing a supportive ecosystem where business sales and growth can be maximised.
- Similarly, the wider private sector and corporations like Santander serve as an integral vehicle for providing international networks and specialist guidance for businesses looking to take on international markets.

Leveraging the full potential of British SMEs via this trading partnership will be key to achieving the UK's export potential

- SMEs constitute the overwhelming majority of UK businesses, but their export sales have lagged persistently due to global headwinds from the pandemic, Brexit, and increased energy costs.
- Government and financial institutions are well-placed to boost SME export capacity, which is crucial for ensuring that UK export growth rates realise to their potential and recover fully after the pandemic.

A maximally-effective trading policy for the UK is one that pursues an aggressive expansion of professional services exports, accelerates the digitisation of manufacturing, and continues to harness reputational advantages in Western markets in full

- Our research demonstrates strong growth potential in the UK's business and digital service exports across multiple markets.
- Whilst growth in manufacturing exports have been more muted, evidence shows that leaning into specific reputational advantages in food and beverage manufactures and digitising the sector in line with Industry 4.0 are the key to unlocking higher levels of growth here.
- Crucially, the UK benefits from a trade strategy that looks West as well as East in pursuing these goals, ensuring that the significant latent US demand for British products is fully harnessed.

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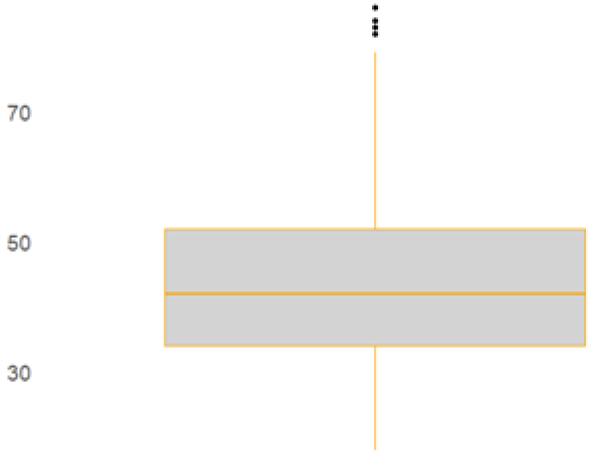
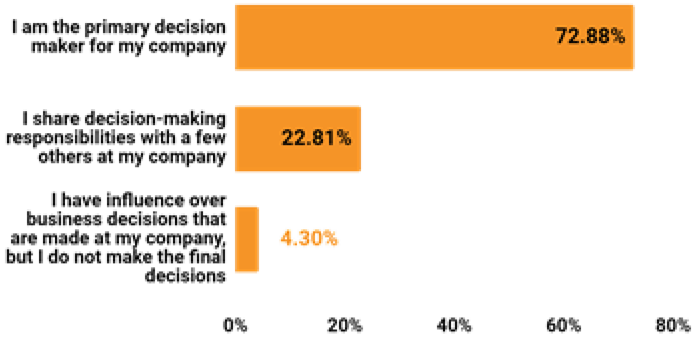
Box plot: age distribution of business leaders in sample

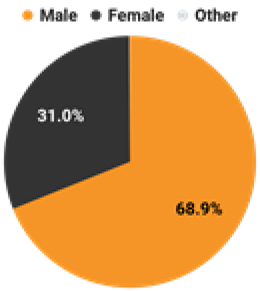


Distribution of decision-making seniority in sample

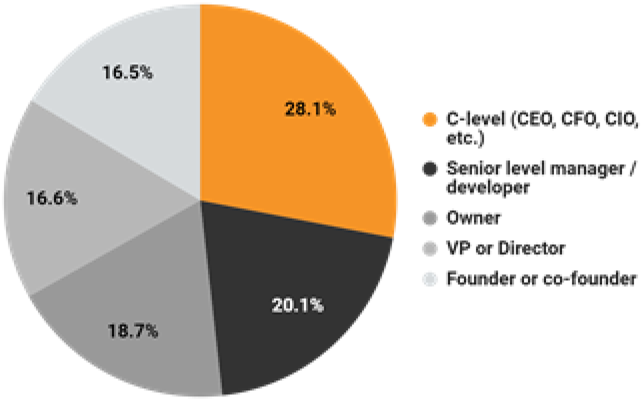


Our polling achieved a varied and representative sample with regards to key personal demographics for business decision-makers and leaders. A predominance of male respondents as well as middle-aged ones (our sample yielded a median age of 42) is reflective of the underlying demographics of senior business leaders as a population.

Distribution of gender in sample



Distribution of employment titles in sample



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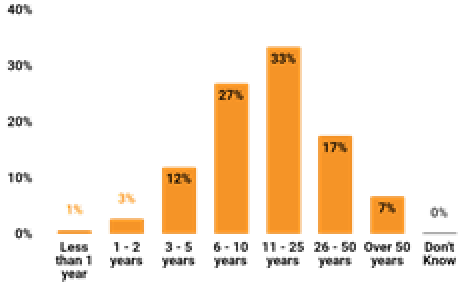
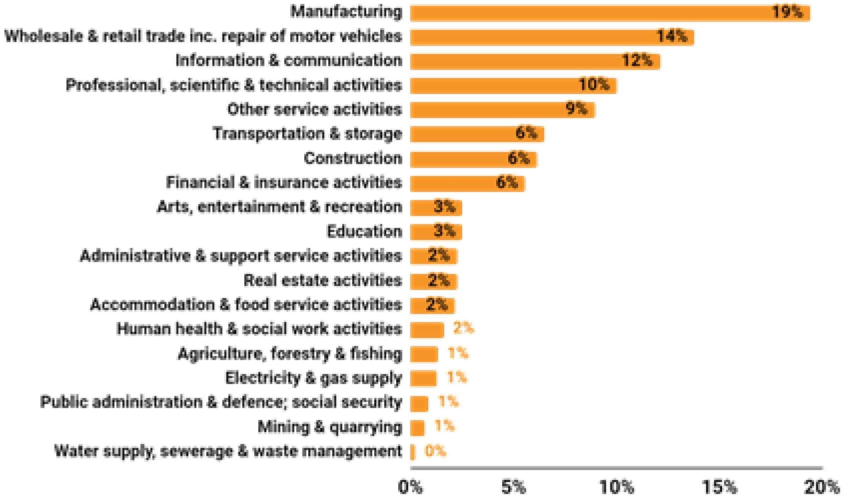
Appendix: Summary Statistics

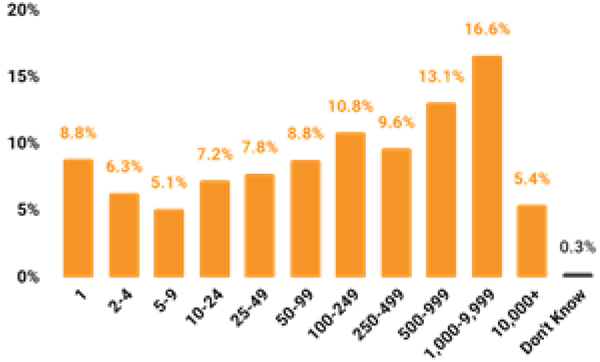
Distribution of business age in sample



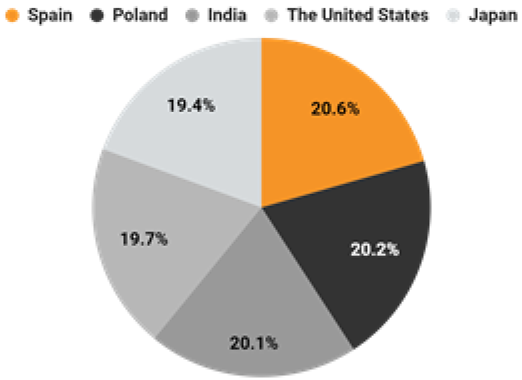
Distribution of sectors in sample



Distribution of business size (no. of employees) in sample



Distribution of countries in sample



Similarly, we achieved a balanced variety with regards to the characteristics of businesses for which our sample led and made decisions. The senior decision-makers polled originated from business of a range of sizes, ages, and sectors, and spanning evenly across the five key markets surveyed.

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