

# An introduction to Trade & Working Capital

Considerations for businesses seeking success in global markets



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# Why move into overseas markets?

Exporting can help your business survive, develop competitive advantage and achieve sustainable growth. UK products, services and expertise continue to be in demand in traditional established markets, such as the US, and high-growth economies like China.

Exporting for many businesses is first and foremost a way of achieving growth. DIT research has shown that companies that export are more competitive and more innovative than those that don't.<sup>1</sup>

International trade means diversifying a business's customer base, helping avoid over-reliance on any individual revenue stream or market. As well as offering new revenue opportunities and spreading risk, exporting can help UK businesses increase the efficiency of their operations, and be a catalyst for innovation – which can lead to long-term competitive advantage.

## Where are the opportunities?

UK exporters are increasingly embracing the opportunities offered by the world's emerging economies – many of which are experiencing faster rates of growth than more mature markets.

The allure of the 'BRIC' economies may have dimmed, but India still sits alongside China as an export market of huge potential. Other key emerging markets to watch in the decade ahead include Vietnam and Indonesia within the broader ASEAN region, as well as post-sanctions Iran. In Europe, the Baltics, Czech Republic, Bulgaria and Romania, although small, will also offer growth opportunities.<sup>2</sup>

Eastern markets have rising populations and GDP levels and the middle classes in China, India and many countries in Africa are seeing increases in their citizens' spending power. Faster growth rates, coupled with progress in infrastructure, communication networks and global co-operation, are attracting UK exporters in ever greater numbers.

<sup>1</sup>export.great.gov.uk – 2016.

<sup>2</sup>Barclays Trade Outlook 2016–2026, June 2016.

# A world awaits you

Europe and the United States continue to be the UK's main export destinations. However, UK businesses are increasingly trading with the rest of the world, including higher-growth markets.

There are opportunities for UK exporters in all corners of the world. European markets continue to be an important source of demand for UK exports, with ten European countries featuring in the top 20.

Looking at growth rates between 2009 and 2016, Switzerland, China, South Korea, Turkey, Hong Kong and Saudi Arabia have been the fastest growth markets for UK exporters.

Research is important to identify the right opportunity in the right market for your product or service. Support is available – for example, the DIT's website, [great.gov.uk](https://www.great.gov.uk), provides access to live export opportunities from overseas businesses looking for products and services from the UK.





# How Barclays can help

For over 325 years, Barclays has supported clients with their trade needs. Our team of over 250 trade and working-capital product experts can help clients with both domestic and international trade.

During the 12 months to the end of Q4 2016, we supported over 8,000 corporate clients with international trade and sales finance products. Our services also include comprehensive cash and liquidity, financing and foreign exchange expertise. We were the first bank to recognise the need for sector specialisms.

**We offer your business a dedicated, sector-specific Relationship Director and support team with in-depth knowledge of your market.**

Today, 52 sectors benefit from the experience and expertise of our dedicated teams. We offer your business a dedicated, sector-specific Relationship Director and support team, with in-depth knowledge of your market and the challenges and opportunities you face within it.

Barclays is able to assist you with every part of the trade cycle, whether it be support with negotiations for better payment terms (as a buyer) or a Letter of Credit Confirmation to ensure prompt payment from your local bank (as a seller).

## Focusing on Trade and Working Capital

Ensuring payment is a focus of risk mitigation. 'An export isn't an export until you've been paid', and a range of traditional trade products, as well as currency hedging, can help manage the risk of non-payment and losses.

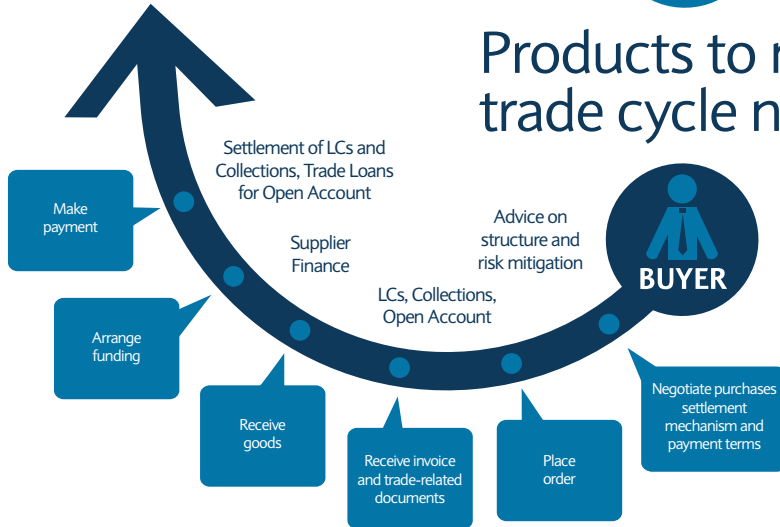
Having sufficient working capital is also paramount. Ensuring potential solutions work with your business cycle, and can also grow with your business, should be a key area for discussion with your bank when planning your export strategy.

The following pages describe some of the product solutions that can be used to mitigate risk and manage the trade cycle.





# Products to meet trade cycle needs



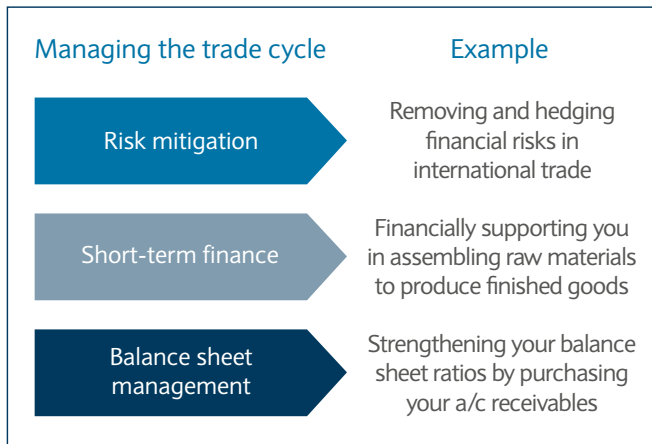
## Trade Loans

Trade Loans offer a flexible means of financing your business purchases while improving your cashflow, as well as providing support from procurement all the way through to final sale of goods. A Trade Loan may also reduce your overall funding costs. These loans can be used irrespective of your individual payment terms and so allow you to align repayment to your trading cycle. They can enhance your trading reputation, enabling you to negotiate improved terms with new potential suppliers. Trade Loans are an easy-to-operate facility that can be used with other trade instruments such as Letters of Credit and Collections.

## Letter of Credit (LC) Confirmations

With a Confirmed LC, Barclays adds its confirmation that payment will be made to you as a seller, providing all of the terms and conditions of the LC are met. This gives you certainty of payment when the LC is issued by a lesser-known bank or one with a lower credit rating.

This is especially pertinent to clients selling on LC terms and looking to mitigate cross-border settlement risk. These confirmations may also benefit you when you are exporting to new markets, especially where you may be unsure of the risk profile of the country.



## LC Discounting

With a Discounted LC, Barclays is able to help improve your cashflow and ensure you receive prompt payment once the documents required under a Usance LC are confirmed to be compliant. Where parties may be new to trading with each other, this can provide benefits to all involved in the transaction. The seller can offer the buyer longer payment terms, which puts the seller in a stronger negotiating position and improves the relationship between the two parties. It also allows the buyer to pay its suppliers earlier, placing them in a position to negotiate better pricing for themselves.



## Supplier Finance

Supplier Finance provides suppliers with the option to accelerate the collection of their trade receivables for a discounted cash payment from Barclays – or they can wait and be paid according to agreed payment terms. This can be done at any point during the agreed payment term for 100% of the value of the trade receivable, without recourse, and is priced against you as the buyer so may provide the supplier with cheaper financing. This allows you to improve trading terms with suppliers and support them, as well as mitigate the effects of extended payment terms. Supplier Finance is operated through an online platform and allows the upload and approval of invoices so suppliers can request immediate payment.

## Open Account

If you are dealing with your customers on an open account basis, i.e. selling goods and services on credit terms without any trade instrument, Barclays can help you release money tied up in your sales ledger to provide working capital and fund business growth.

## Confidential Invoice Discounting (CID)

Barclays finances a percentage of your invoices when they are raised. You maintain responsibility for your sales ledger and your customers are not aware of Barclays' involvement.

The amount of cash advanced is up to 90% of the value of approved invoices, and funds can be made available against invoices within 24 hours if required. CID can be used to finance both domestic and export debt, and is also available with protection against debtor failure.

## Foreign Exchange

Cross-border businesses have significant FX exposures due to their global supply chains. There are multiple solutions to mitigate these FX risks and Barclays' specialist FX team can explore these with you. In addition, cross-currency payments can be automated with the benefits of live pricing through our banking channels.

## Currency hedging

While the depreciation of sterling was one of the most immediate effects of the referendum result, this may also have a longer-term impact on industry. Barclays can help businesses address their currency concerns by highlighting potential risks and offering a range of solutions depending on specific business needs.

**Please note:** some of the products referenced are not available to all clients. Please discuss with your usual Barclays contact for more information.



# Support for exporters

Barclays' network includes many organisations which can provide additional support for your trade planning and strategy. Some of these include:

## Department for International Trade (DIT)

The DIT is responsible for promoting British trade across the world, through its 'GREAT' campaign, to ensure the UK takes advantage of the huge opportunities available to it.

The DIT provides UK businesses with tools to sell overseas and grow internationally. Its website provides access to live export opportunities, tailored support and advice, the opportunity to search for global e-marketplaces and a new 'find a buyer' service.

[great.gov.uk](http://great.gov.uk)

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## Institute of Export (IOE)

The IOE is the professional body representing and supporting the interests of everyone involved in international trade. It offers a range of individual and business membership benefits, as well as a suite of qualifications and training.

[export.org.uk](http://export.org.uk)

## UK Export Finance (UKEF)

UKEF is the UK's export credit agency and a government department working alongside the DIT as an integral part of its strategy and operations.

UKEF exists to ensure that no viable UK export should fail for want of finance or insurance from the private market. It works alongside banks and insurers to provide finance and insurance to help exporters win, fulfil and ensure they get paid for export contracts.

[gov.uk/government/organisations/uk-export-finance](http://gov.uk/government/organisations/uk-export-finance)

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## British Exporters Association (BExA)

The British Exporters Association is an independent national trade organisation that represents the interests of its members and all UK exporters, with a specific focus on trade finance and insurance.

[bexa.co.uk](http://bexa.co.uk)



## International Chamber of Commerce (ICC)

The ICC is the world's largest business organisation, representing 6.5 million businesses in 134 countries. Its vision is to promote peace and shared prosperity through trade.

Its functions are:

- To promote open, cross-border trade and investment (free trade)
- Provide the rules and standards that govern international business
- Help companies and states settle international disputes.

The ICC holds UN Observer Status and works with UN agencies and global institutions.

[iccwbo.uk](http://iccwbo.uk)



For more information, speak to your Barclays Relationship Director, call 0800 015 4242\*, or visit [barclayscorporate.com](http://barclayscorporate.com)

\*Calls to 0800 numbers are free from UK landlines and personal mobiles, otherwise call charges may apply. To maintain a quality service we may monitor or record phone calls.



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