



Services

How UK Firms are Powering Growth Through Transatlantic Partnerships

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Concentration and Diversification

The world's fastest growing and most successful UK firms are continuously searching for opportunities to expand and diversify their operations while fuelling the next phase of growth. For companies in the UK looking towards North America, cross-continental expansion is a well-trodden path, but it is becoming an increasingly strategic move, with UK firms exploring North American markets through this established trade route and taking advantage of the economic landscape.

With the UK navigating a delicate recovery and the new government facing tight fiscal conditions, along with far-right parties making notable gains in the European Parliament elections in June, Europe is undergoing significant economic shifts. The UK's recovery has been sluggish, lagging behind a number of other advanced economies¹, while the increased representation of right-wing parties may introduce greater protectionist tendencies in European trade policies².

Fiscal spending has increased post-pandemic³, with much of it directed towards bolstering domestic production capabilities and infrastructure, leading to a European-wide effort to reduce dependency on complex supply chains⁴. For example, the UK manufacturing sector has shifted some of its focus from China to the European Union (EU) in recent years, reflecting disruptions in global supply chains and rising geopolitical tensions. In the four quarters leading up to the end of the first quarter of 2024, UK exports of goods and services to China fell by over 24% year-on-year, while imports from China decreased by around 19%⁵.

In contrast, trade with the EU, while initially disrupted by Brexit, has shown resilience, with the EU a closer and therefore less complex supply chain for UK firms. The EU remains by far the UK's largest trading partner, accounting for over 40% of exports and over 50% of imports in 2023⁶. Citi Treasury and Trade Solutions (TTS) data supports this, with payment flows to EU countries from UK companies rising from \$1.16 billion to \$2.53 billion between 2021 and 2023.

In a complex and fast-changing world, securing trade relationships with reliable businesses, focused on mutual growth and success, is crucial. A return to relying on well-trodden trade routes and relationships with well-known markets is a trend we can see happening as trade ties strengthen between UK corporates and their US-based suppliers, driven by new agreements and collaborative frameworks.

¹[House of Commons Library](#), ²[European Council on Foreign Relations](#), ³[European Central Bank](#), ⁴[European Investment Bank](#), ⁵[UK Department for Business and Trade](#), ⁶[House of Commons Library](#)

One significant development is the Atlantic Declaration, announced in June 2023. This framework aims to deepen economic cooperation between the US and UK, focusing on critical areas like technology, clean energy and supply chain resilience⁷. Additionally, the UK has engaged in state-level agreements with Texas⁸, Oklahoma⁹ and others, aiming to bolster bilateral trade in specific sectors like carbon capture and clean energy technologies.

The Bain & Company *2024 Transatlantic Confidence Index* also highlights stable business confidence between the two countries¹⁰. At the same time, trade between the UK and the US has increased: in the four quarters leading up to the end of the fourth quarter of 2024, UK exports to the US reached approximately £192 billion, marking a 3.2% increase compared to the previous year¹¹.

Whether UK businesses are looking to expand their business, diversify production, or optimise investment in the EU and/or the US, Citi offers EUR/GBP near-instant Foreign Exchange (FX) capabilities and notional pooling, helping firms optimise working capital by consolidating cash into a single header account, simplifying cash management and enhancing cross-border financial flexibility.

Supply chain reliability vs simplicity

However, the vulnerabilities of overly relying on a single source for critical supplies has been underscored by the pandemic, conflicts in Ukraine and Gaza, and disruption in the Red Sea. And now, during a year with more than 60 global general elections taking place, geopolitical uncertainty is being felt widely too. Businesses need to carefully balance the need for reliable supply chains with simplicity, as well as ensuring they have exposure to additional resources in times of supply chain disruption and challenge.

This has led to an increasing number of UK and European-based companies proactively exploring opportunities to diversify their supply chains away from China and other large manufacturing bases, while staying focused on markets that feel safe, tried and tested, and reliable. The US being one of these markets. A report from Make UK highlights that around 60% of large UK manufacturers and 43% of small and medium enterprises (SMEs) have implemented strategies to diversify their supplier base¹². UK firms are attempting to mitigate the risks associated with long, complex supply chains, and improving their ability to respond swiftly to market changes and unexpected economic events.

⁷ [The Atlantic Declaration](#), ⁸ [UK Department for Business and Trade](#), ⁹ [oklahoma.gov](#), ¹⁰ [Bain & Co](#), ¹¹ [UK Department for Business and Trade](#), ¹² [Make UK](#)



As such, many UK firms have been expanding their production capabilities in North America, particularly in sectors like automotive manufacturing and advanced technology, driven by opportunities like the US Inflation Reduction Act, which has spurred investment in clean energy and electric vehicles. UK firms are also responding to the ongoing need to balance the risks and rewards of concentrating and diversifying a supplier pool. This is reflected in the value of total trade between the UK and the US reaching approximately £310 billion in 2023, up slightly by 1.4% on the year before. UK exports to the US alone were valued at £192 billion during this period, accounting for around 17.7% of the UK's total trade¹³.

Despite the UK leaving the EU, it is still considered a legitimate destination for overseas businesses looking for a hub and gateway into Europe – adding an additional dimension to the relationships established between UK and North American businesses. The EU's focus on enhancing domestic production capabilities has also led to a surge in investments in local industries. In the 2023 European Investment Bank Investment Survey, 85% of European firms confirmed they invested in the previous year, bringing the share of investing firms back to pre-pandemic levels. When asked about 2023 intentions, a larger proportion of firms expected to increase their investment than decrease, compared to the year before (14% net positive)¹⁴. This is not only boosting local European economies but also building a buffer against global supply chain disruptions; and for UK firms and those who collaborate with them, it has become increasingly crucial in maintaining economic stability and growth.

New opportunities

This trend is creating new opportunities for transatlantic business relationships, with North American firms able to help position themselves as valuable collaborators for UK and European businesses. Over the last decade, the trade relationship between the US and UK has seen significant growth. In 2022, the total trade in goods and services was valued at approximately \$295.6 billion, with US exports into the UK increasing by 23.6% from 2021 – 2022, and 29% from 2012 – 2022¹⁵. By understanding the nuances of nearshoring and the emphasis on domestic production, and building strong, collaborative relationships, US based firms can help build and grow their trading relationships with the UK. The fostering of long-term collaboration that withstand economic fluctuations creates a competitive advantage for businesses on both sides of the Atlantic.



Those companies with a long-term UK presence looking to expand into North America can help optimise their business strategy using Citi services like working capital solutions — including payables, inventory and receivables financing — along with Instant Payments and Token Services. Citi's Trade & Working Capital Diagnostics also provides insights into potential benefits, helping firms strengthen their market position.

Concentration and diversification are crucial themes for such businesses that are going to thrive in the global market. For firms in the UK and North America, understanding and adapting to macroeconomic events and policy trends is essential for successful growth. By focusing on nearshoring, supply chain diversification and investing strategically in these areas, businesses can navigate the complexities of transatlantic operations and build resilient, future-ready enterprises. These trends will only continue to evolve, and the opportunities for collaboration and growth between the UK and North America will only expand, paving the way for a more interconnected and prosperous business corridor.

¹³ [UK Department for Business and Trade](#),

¹⁴ [2023 European Investment Bank Investment Survey](#),

¹⁵ [Office of the United States Trade Representative](#)