Export and Trade finance

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Trade finance and export finance actually represent a lot of the same thing. Trade finance is financial support that helps companies to trade either domestically or internationally. Export finance is finance that helps them sell goods and services overseas.

Specifically this means access to finance or working capital to fulfil a large order;
or it's insurance to insure payments against the risk of default by the buyer;
or it's bond support where you have to post money in order to win a contract and give security to the customer that you are going to deliver.

Additionally in trade finance, you can look at techniques such as factoring or invoice discounting – and you can even use those techniques in export as well.

Whilst the biggest challenge for companies looking to export is finding customers abroad, the next issue they will have is being able to finance that. They may get a very big order from abroad, but it may bust their working capital lines. And so they need working capital lines in order to fulfil the export order, and that can happen to a company of any size. For UK Export Finance, as the government's export credit agency, we're here to help de-risk a loan or a bit of insurance for the bank or insurance provider. In de-risking it by posting our guarantee from the government, we remove the need for quite so much security to be provided by companies, and so it's quite an efficient way for them to raise export finance.

Exporting allows you to do several things that are beneficial for your company. Firstly, it allows you to access growth that you are not able to capture domestically, so it augments growth of revenue and hopefully profits as well. It also allows you to diversify your sources of revenue and to make it a stronger business in that way. And thirdly it drives technological innovation. You tend to be more innovative if you are serving different more markets that are demanding different things from you.

It's true that in every business activity there is some element of risk. Exporting has some risks for business, but this can be mitigated by export finance to a very large extent, either by allowing you to build up working capital in a secure way, or alternatively by protecting your payments in a way that protects your revenue streams through credit insurance.

So export finance is something that inherently de-risks your exporting activity, although it can't take all the risks away.

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