

Jes Staley, Barclays CEO speaking at King's Business School - 4th April 2018

CHECK AGAINST DELIVERY

- 1) Thank you, I'm delighted to be here with you today as part of our partnership with King's College Business School.
- 2) And it's very apt that we should be meeting at Bush House.
- 3) As some of you may know, this building was originally a trade centre built by US businessmen in the 1920s to foster Anglo-American business co-operation, an ambition I share wholeheartedly....
- 4) More famously, it was the home of the BBC World Service between 1940 and 2012; a symbol of the UK's global outlook, and the near-universal reach of British soft power.

ECONOMIC BALANCE IS A MAJOR CHALLENGE FOR THE UK

- 5) Today, of course, the world looks very different to when this building was first opened.
- 6) In 1920, the UK was a global leader in manufacturing as the birthplace of the industrial revolution.

- 7) But in the century that followed new manufacturing led economies have flourished around the world.
- 8) For the UK, that meant a dramatic change in its economy, with the services industry growing significantly, and manufacturing becoming a relatively smaller contributor to GDP.
- 9) Today, manufacturing only accounts for 21% of UK GDP, while services comprise some 79%.
- 10) As the CEO of one of the UK's largest service providers, the growth of the service sector has benefited Barclays. And as we complete our restructuring, I'm pleased that our business is well positioned for the future.
- 11) But, as a resident of the UK, I believe it's critical for the long-term health of the country that the manufacturing sector strengthens and grows.
- 12) To do that, I believe we must focus on developing new markets for UK goods and increasing exports of those products created right here.
- 13) Domestic demand can help drive *some* resurgence in UK manufacturing. But it is the world's new export markets that will provide the biggest opportunities for growth.
- 14) The picture is not all bleak.

- 15) Exports currently account for over a quarter of UK GDP, just behind France and Canada, but well ahead of the US at 12%.
- 16) But Germany derived nearly half of GDP from exports in 2016, showing that there is much more we can do.
- 17) The UK has missed opportunities in the fastest-growing markets in the world, and its exports are disproportionately weighted towards the service industry.
- 18) Only 3.1% of UK exports in 2016 went to China, and 7.2% to the fast-growing E7 economies of China, India, Indonesia, Brazil, Russia, Mexico and Turkey.
- 19) By contrast, 8% of US exports went to China - the US's third most important export market after its neighbours Canada and Mexico.
- 20) The UK is the second largest exporter of services in the world, but only the tenth largest exporter of goods.
- 21) While goods exports remain larger than services in absolute terms, growth in services exports significantly outpaces that of goods.
- 22) Barclays' projections indicate that services will represent around half of UK exports by 2026. While that projected growth in services exports is a positive, it potentially masks a significant and widening trade deficit in UK goods exports.

- 23) The UK's geographic imbalance is also apparent in its exporting performance. Services exporting is concentrated in London for example, which delivers 42% of the UK total.
- 24) Goods exporting, however, is better distributed, and London has only 11% of the UK total.
- 25) So, supporting manufacturing - and export markets for those goods - would address both geographic and sectoral challenges facing the UK.
- 26) At Barclays we are doing some detailed work at the moment to better understand how to overcome those imbalances, and we are very supportive of the focus of the Government's Industrial Strategy in this regard.
- 27) We are also directly supporting rebalancing the UK economy:
- a. through our involvement in the Northern Powerhouse;
 - b. the launch of our £370m Midlands Growth fund; and
 - c. through the doubling of our agricultural fund to £200 million just last year
- 28) The potential for trade to transform an economy is obvious, with huge opportunities for jobs and prosperity, right across the country.

- 29) But any appraisal of the global landscape suggests that exporting may be about to get more difficult.
- 30) In the near term, a lack of clarity on future trading arrangements, and the potential for more friction in trade with the UK's closest markets, may increase perceived risk around exporting, especially for medium-sized companies.
- 31) And of course, the world's largest consumer economy, the US, appears to be redrawing the rules that have governed international trade for the last thirty years.
- 32) So achieving our ambitions for UK export performance in a post-Brexit world will require a major effort.
- 33) Nevertheless, there are some positives for the UK as an exporting country:
- first, the enormous potential of the UK's medium sized businesses; and
 - second, the level of joined-up energy and focus of policymakers and business that is currently being brought to bear to drive UK export performance.
- 34) There are currently 2.1 million firms in the UK which don't export at all.

- 35) Now, for many of those, exporting may simply not be a viable or sensible strategy.
- 36) But a recent Federation of Small Businesses survey found that nearly 200,000 businesses had never exported but would actively consider it.
- 37) And among the UK's medium-sized firms, those with between 50 and 250 employees - 20,000 companies don't export.
- 38) Which is a huge pool of potential.
- 39) But how do we identify which of those has the potential to win in a global market?
- 40) And how do we then help deliver on that potential?
- 41) Because there is no doubt that the demand for UK exports is there.
- 42) A recent piece of research from our corporate banking business found that 64% of consumers in India were prepared to pay more for goods made in the UK.
- 43) That is because they perceive the quality as higher - with 57% in China, and 48% in the UAE, also prepared to pay more to buy British.
- 44) The markets are there for UK exports, and emerging markets consumers will pay a premium for them.

- 45) Our best exporters can compete globally, but we shouldn't ignore the wider population of businesses which could also excel with the right support.
- 46) Getting a greater number of medium sized businesses, across a range of areas, comfortable with exporting, will help get the UK match-fit for post-Brexit success.
- 47) Banks, trade associations and government bodies can help.
- 48) To give you an example - Barclays has a strategic partnership with the Government to help deliver export support and advice to UK companies.
- 49) That partnership is working. And one of the most valuable parts of it has been trade events we've held which have now reached over a thousand potential and current exporters.
- 50) The second reason why I'm optimistic about the future is that there is now a concerted effort from Government and business to drive significant improvement in export performance.
- 51) In particular, we need to make sure that there is support and advice available to businesses who may be thinking about exporting.
- 52) The barrier to them doing so may often simply be that they have no idea how to go about it, nor where they might learn.

OUR ROLE

53) We are committed to playing our part in providing the education and support businesses need.

54) We support around 9,000 exporters each quarter.

55) We have a team of excellent Trade and Working Capital specialists to help our exporting clients.

56) We have backed the development of the Department for International Trade's data sharing platform, matching potential exporters to opportunities. And we have committed to sign up new users to that scheme, and to promote it with DIT to our existing client base.

57) We are also very supportive of the UK Export Finance, Bank Delegation Scheme. This improves access to short-term trade finance products, with the objective of helping 1,000 new clients through the programme by 2020.

58) But we are keen to do more.

59) And I see this partnership with King's College Business School as an important part of fulfilling that ambition.

60) We want to work with a range of partners to really understand the exporting challenge, and to come up with practical solutions

61) This will culminate in a research report to be published this summer, focused on how we can all play our part to get UK businesses exporting more.

62) And, more immediately - to overcome the information and confidence gap for those potential exporters who have yet to take the first step - we are embarking on a new programme to train all our Corporate Relationship Directors so that they are ready to identify and advise potential exporters.

63) This is a moment of unusual political, policy, and business focus on exporting - and therefore a moment of opportunity. I believe we should take full advantage of it.

CONCLUSION

64) So, to summarise: as a country we are doing well - but we can do even better.

65) We excel in services, but we have to more to do on goods.

66) We are strong in London and the South East, but have to be much stronger in other regions.

67) We have world class large exporters, but we need to tap into the export potential of our SMEs.

68) And there is no doubt that the quickest route to that goal is to support the many thousands of those businesses who are not currently exporting, particularly in manufacturing.

69) We of course have a vested interest in helping to make that happen.

70) We're demonstrating our commitment to this agenda today:

- a. with dedicated regional and sectoral growth funds;
- b. skills programmes;
- c. and specialist support for our clients

...all to help more businesses in the UK, export more goods and services, to more places.

71) As I meet businesses around the country, whatever view they have of Brexit, I get a real sense of determination and focus about the future.

72) And it's why I believe this is a great time to bring people together to work on some of the long-standing challenges facing the UK economy.

73) So I'm excited by this partnership and this work, and I look forward to seeing the next steps and helping to implement some of the ideas we come up with.

74) Thank you.

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