

Ebury What borders?

Special Report

Looking Ahead to 2023

January 2023



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The global market dynamics continue to transform how businesses worldwide operate, grow and transact with each other.

Ebury's 2023 Trends Report looks at the year gone by, trends likely to shape the global markets and action-oriented insights to help businesses expand internationally and become future-ready.

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Global market recap 2022

2022 was one of the most challenging years for some time with many significant economic developments driving currency market volatility and keeping FX strategists on their toes.

The optimism at the start of 2022, as we moved on from the pandemic, quickly faded as the reality of the Russia-Ukraine conflict hit home, shifting the new year’s direction overnight. Something that seemed unfathomable in recent times was now going to impact everyone.

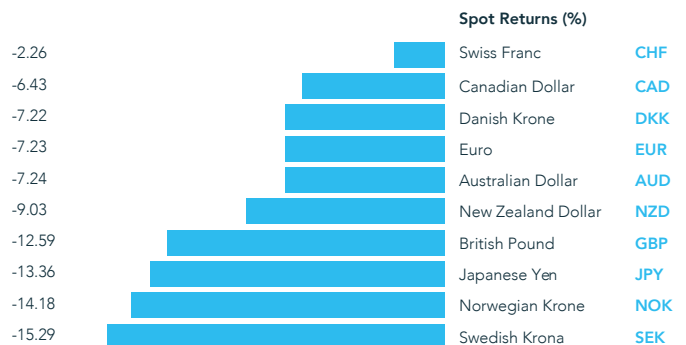


Source: Bloomberg

“Whilst 2022 started on a high note, it will be remembered as a year of high volatility, uncertainty and unprecedented events.”

Dollar Index rose to its highest level in two decades in late-September amid a combination of safe-haven flows and heightened bets that the Federal Reserve would raise interest rates aggressively. Indeed, almost every major and developing central bank hiked rates rapidly to combat record high inflation rates.

Businesses worldwide fought to control the many moving political factors and business costs such as labour, energy, commodities and raw materials. As if this wasn’t challenging enough, a rapid rise in interest rates to counter decades-high inflation led to a “perfect storm” as financial markets went into risk-off mode, eventually resulting in sell-offs of the tech stocks.



Source: Bloomberg

The most significant move in FX was the sharp rally in the USD against almost every other currency. The US

Impact on businesses worldwide

2022 was a tough year for SMEs and SME lenders as rising interest rates and inflation, reduced consumer spending, and the roll off the government support hindered their post-Covid recovery.

At one stage, the pound fell by 24%, whilst the euro tumbled by approx. 16% against the USD in 2022. The pace of this change in sentiment and the sustained period it lasted ambushed importers who did not have a robust FX policy. Conversely, this presented an opportunity for exporters to secure multi-year lows via forward contracts and ensure they remain ultra-competitive on a global stage.

2022 Snapshot

	GBP to USD	EUR to USD
High	1.37	1.15
Low	1.04	0.96
2022 close	1.20	1.07



“IMF downgraded its 2023 forecast for global growth to 2.7%. A relatively mild recession, with a weakened labour market and economic growth, shouldn't come as a surprise.”



To summarise, **2022 brought many changes in the broader financial services market** and even for businesses across many industries.



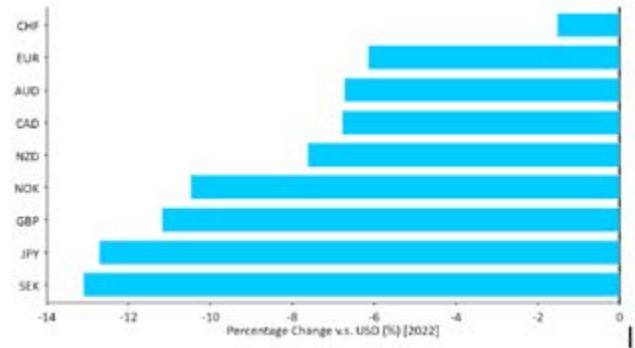
Outlook and best practices for 2023

Here, our experts aim to address the quintessential question, 'Is global recession imminent?' With this, we dissect the impact of economic developments on businesses and share best practices to help businesses accelerate their global success.

Is a global recession on the way in 2023?

We are seeing signs of an easing, and perhaps peaks, in global price pressures, which we think should herald an end to central bank tightening for most of the G10 central banks in either Q1 or Q2. As the major central banks press pause and inflation rates begin to trend lower, attention among market participants will increasingly turn towards the possibility of recessions. We have already seen signs of deterioration in most economic activity indicators, although, for the most part, these are only consistent with mild downturns.

Figure 1: G10 FX Performance Tracker 2022



Source: Refinitiv Datastream Date: 01/01/2023

We think that recessions in 2023 will be relatively mild, and not as bad as expected, largely due to:

- **Strong labour markets**, characterised by low unemployment and high job vacancies
- **Limited fallout** from the energy crisis
- **Ample government support** during the cost of living crisis
- **The end to China’s zero-Covid policy**
- **Improvements** in supply chains

What 2023 will mean for global businesses

Going into 2023, we expect to see continued difficulties for businesses, but hopefully less severe than in 2022 as inflation reduces and central bank tightening eases. With businesses now adjusted to the pound’s lower level, they should better understand how to mitigate market volatility. We highlight three predictions that businesses should watch out for in 2023.

“2023 looks more optimistic but businesses should take it with caution, given there was similar buoyancy at the start of 2022.”

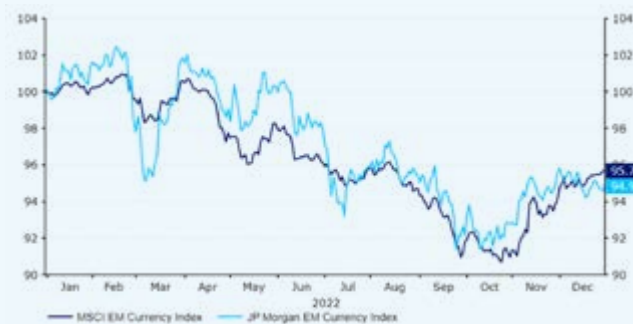
Appreciation in high-risk currencies

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USD may weaken against the G10 currencies

The recent sharp retracement in the US dollar may have more room to run against most G10 currencies. The extent of these moves depends on the resilience of economies and the timing of when central banks globally will end their tightening cycles and begin cutting interest rates.

Figure 2: MSCI EM Currency Index vs. JPM EM Currency Index 2022



Source: Refinitiv Datastream Date: 01/01/2023

Fast and easy credit

Access to credit will become more open and transparent, with an increasing range of offers and providers as the Embedded Finance trend gathers more momentum.

How businesses can stay ahead of the competition in 2023

We expect FX volatility to remain; inflation is still set to be stubbornly high this year (despite higher interest rates), and recessionary fears to linger. However, Ebury's best-of-breed experts recommend three best practices to navigate the volatility and flourish even during testing times.



“With volatility set to continue and fear of recession, businesses don't have a choice but to design an effective risk management framework and realign cash management strategy to grow in 2023.”



Build a robust FX risk management policy

A solid risk management plan helps you decide when to hedge pragmatically rather than getting swayed by the current market volatility. With an agreed percentage of expected FX exposure hedged for the next 1-2 years (typically 25-75%), you will be able to weather whatever surprises the market may bring and ensure you protect your profit margins.

Review your cash management strategy

Selling in local currency to your customers often drives more revenue, and by taking their currency it reduces the friction to trade. You can set up a network of multi-currency collection accounts worldwide, hold balances, convert them for use in another currency or payout to suppliers — leaving you in full control. These collection accounts can even be connected to payment gateways for your online sales.

Ensure access to flexible cash flow

As interest rates continue to rise, having access to a sufficient and flexible Trade Finance facility that you can utilise when you need it without any set-up or maintenance costs is critical. This can be used to pay suppliers early, negotiate an early settlement discount and ensure you squeeze every bit of margin to remain competitive in 2023.



5 trends driving innovation in the financial services sector in 2023

The global landscape is ever-changing, and it can be challenging to predict the future. However, understanding the trends can help you make better strategic decisions for the future.

Innovation in the financial services industry

Despite the uncertainty, we expect innovation in the financial services industry to continue rapidly.

We look at the five innovation trends likely to paint the picture for 2023.

New lending structures

New lending structures are becoming more prevalent for small and mid-sized enterprises, such as Buy Now Pay Later and more Revenue-based financing models. However, this will be tempered by a higher cost of funds and a push by these lenders to diversify their offerings

Banking as a Service

'Banking as a Service' use cases around embedded finance are becoming more relevant, with forecasters projecting a \$70bn+ market* for these services by 2030. It will be critical for financial services to ensure they have the right APIs in more end-user platforms to drive customised and integrated end-user experiences.

Growth in demand for real-time payments

Banks and fintech continue to innovate to build new payment models that enable faster settlement of funds around the world. Local payment systems are becoming globally connected, and businesses now expect no delays to their payments and instant access to their funds.



"The themes going into 2023 look similar to 2022. As we saw this year, the expected themes can quickly change as market sentiment shifts."



Web 3.0, NFT flows and cryptocurrencies

Despite some negative news stories in the crypto space, we expect continued business application and innovation in the cryptocurrency market, blockchain solutions and the wider Web 3.0 arena that will shape the way supply chains and transactions are managed globally.

Seamless integration

Seamless integration with business platforms will continue to grow in 2023 and beyond. 'Seamless Connections', again API related, ensures that financial data flows into the right client ecosystems from accounting software to ERPs, thus reducing manual processes.



Our solutions

Ebury offers tailored and unified solutions to businesses of all sizes and across many industries, including e-commerce, NGOs and institutional clients, to support their global growth and ambitions.



Payments and collections

Transact in 130+ currencies worldwide. Pay and get paid quickly and securely with an Ebury account in your name. Hold, manage or send funds when you want in a few clicks.

[Discover more →](#)



Business lending

Scale your business with unsecured and flexible credit lines for financing international purchases. Improve your working capital cycle by extending your credit terms using our 150-day financing.

[Discover more →](#)



FX risk management

Protect your business from exchange rate fluctuations with tailored risk-management solutions that suit your needs, goals and risk appetite, and optimise your profit margins.

[Discover more →](#)

Ebury wrapped 2022

In 2022, we assessed our capabilities to provide our clients with flexibility in all aspects of their international trade by undertaking transformational initiatives and simplifying customers global growth journey.

We expect 2023 to be another record year, making sure we differentiate ourselves, stay ahead of the curve and improve customers' experience with us. We endeavour to make it as easy as possible for businesses to work with Ebury and use our best-in-class solutions.

- 1 **Introduced Options and Dynamic Forwards** in several countries
- 2 **Increased collections offerings** across many exotic currencies
- 3 **Streamlined and digitalised** our existing Business Lending solution
- 4 **Became a member of the Amazon Payment** Service Provider Programme
- 5 **Improved the digital end-to-end client journeys** for a frictionless experience

Ebury

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