

QUARTERLY INTERNATIONAL TRADE OUTLOOK **Q4 2017**

BRITISH CHAMBERS OF COMMERCE
IN PARTNERSHIP WITH DHL





FOREWORD: **BCC & DHL**

Adam Marshall – Director General, British Chambers of Commerce



Our latest Quarterly International Trade Outlook reflects the current climate for UK exporters – manufacturers continue to enjoy a solid performance, but services have not yet returned to historic levels of export growth.

The prevalence of recruitment difficulties facing exporters is now at critical levels, and must be addressed by both business and government. UK firms need to invest more in training but to have the confidence to do so, they need government to deliver a clear and coherent training system they can engage with.

Businesses urgently need answers to the many practical questions which remain unanswered on Brexit. Firms require clarity on the government's intentions for the nature of the future relationship with EU-27, including potential changes to customs, immigration, standards and regulation, so they can adapt and have the confidence to begin planning for the future.

The results of the Outlook underline the importance of getting the fundamentals right at home to support companies looking to succeed internationally. Addressing the growing labour shortages should be the immediate priority, but removing other domestic barriers to growth such as high upfront costs and poor physical and digital infrastructure, would also support firms to follow their global ambitions.

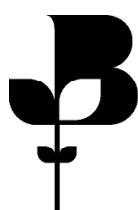
Ian Wilson – CEO, DHL Express UK & Ireland



The Trade Confidence Index may be slightly lower than the previous quarter, but this remains an incredibly strong performance, at the fourth highest on record. The positive response from manufacturers is in line with what we are seeing from our customers, especially those in the ecommerce arena, who are growing quickly and looking to markets further afield to counterbalance the uncertainty surrounding Brexit.

The skills shortage is no doubt a concern, which is why it's more important than ever to look at your retention strategies and how you invest in your people. DHL research suggests that within the logistics industry, compensation and benefits remain the leading factor in retaining people, but management's commitment to talent development follows closely behind. Look to your own training and mentoring programmes alongside those offered by external providers, especially for young people, to develop the skill-sets you need.

This is a positive time for UK businesses as international customers want to work with British companies. Don't underestimate that power and keep looking to overseas markets for new opportunities, and to your own people for your next leaders and specialists.



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BCC/DHL TRADE CONFIDENCE INDEX

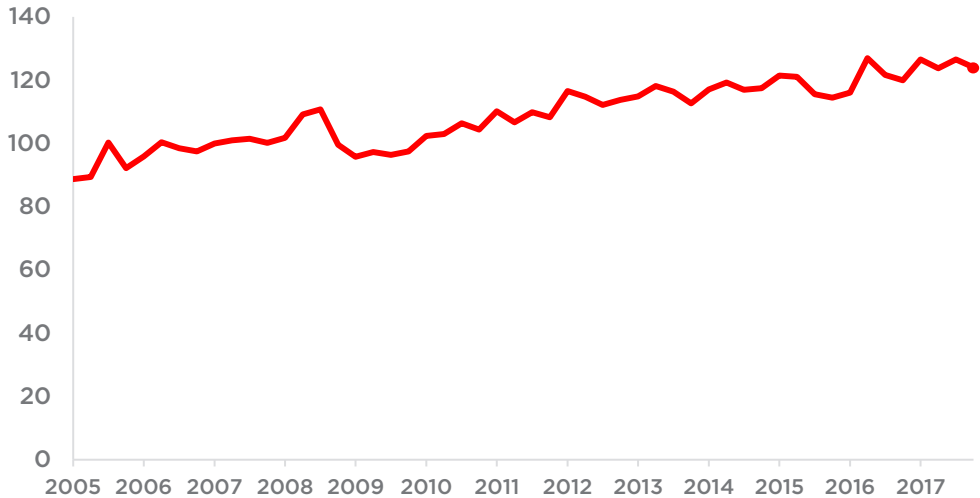
BCC/DHL Trade Confidence Index

The BCC/DHL Trade Confidence Index (TCI)* is a measure of the UK's exporting health. By analysing trends in the volume of trade documentation issued by accredited Chambers of Commerce, the TCI provides insight into the UK's trade with countries outside of the European Union, particularly high growth markets such as Asia and Africa.



The Trade Confidence Index currently stands at 124.03. This represents a quarterly decrease of 2.0% on Q3 2017 and a yearly increase of 3.4% from Q4 2016.

BCC/DHL Trade Confidence Index (Q1 2007=100)



*The index is calculated using the volume of trade documents issued by accredited Chambers of Commerce across the UK. Many types of exports require supporting commercial documentation. Chambers of Commerce issue documentation required for exports outside the EU and as a result have amassed significant data on UK goods exports. The TCI uses data collected from this process to show both an index of documentation and regional comparisons of exporting activity.



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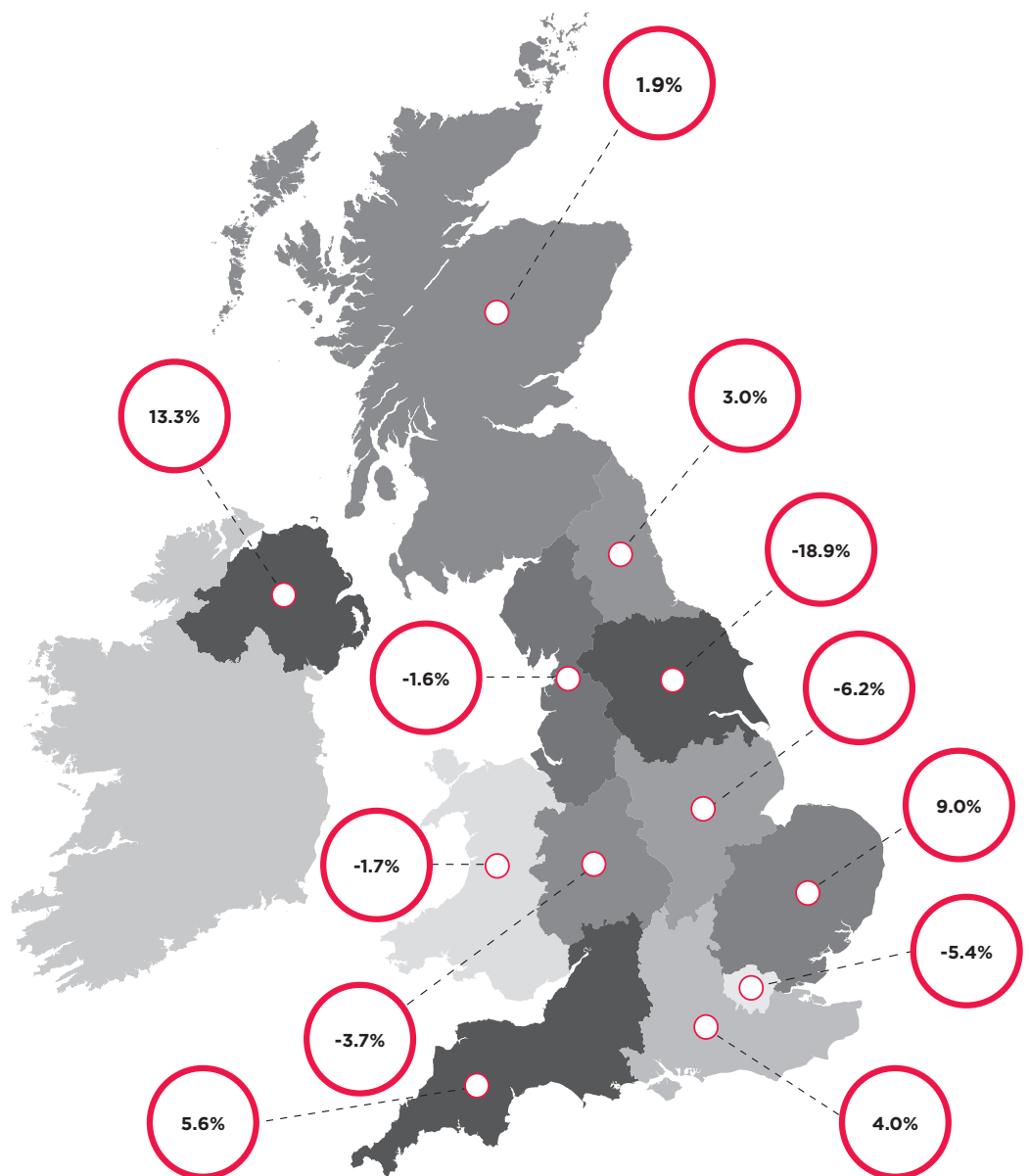




REGIONAL TRADE CONFIDENCE INDEX

Trade documentation growth by regions and nations

The Trade Confidence Index, a measure of the volume of trade documentation issued nationally, decreased by 2% on Q3 2017, and increased by 3.4% on Q4 2016. The index now stands at 124.03. After steady growth in export documentation volumes in Q3 2017, several regions saw a slight quarterly decline in Q4. The largest quarter-on-quarter increases were in Northern Ireland (13.3%), the East of England (9%) and the South West (5.6%).



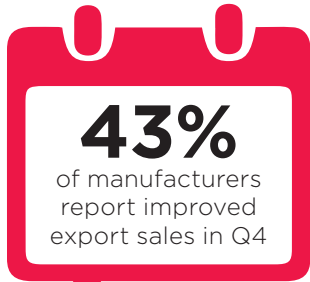


SURVEY DATA: EXPORT SALES

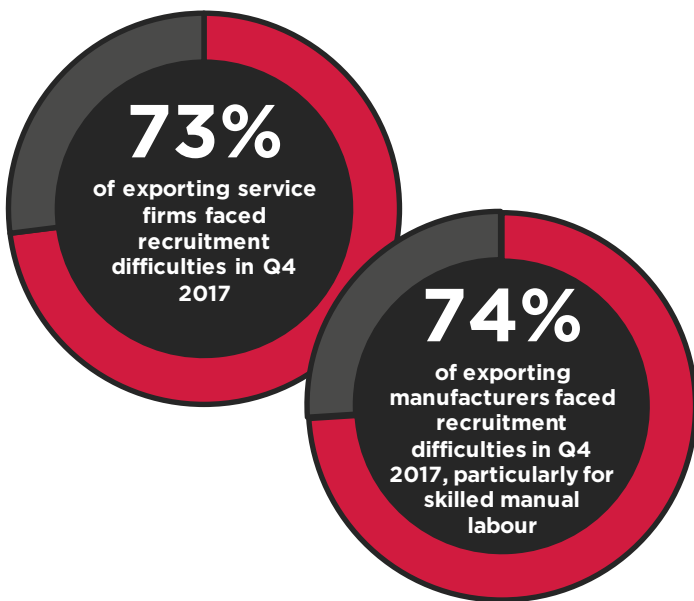
Exporting manufacturers report improved export sales

The Quarterly International Trade Outlook survey, based on the responses of over 3,200 exporters, shows that in the manufacturing sector, export sales and orders remain stable, while they slowed slightly for the services sector in the final quarter of 2017.

43% of exporting manufacturers and 27% of exporting service firms reported increased export sales in Q4. 40% of exporting manufacturers and 24% of exporting service firms reported increased export orders.



The majority of exporters report recruitment difficulties



The Quarterly International Trade Outlook survey also shows that both sectors are being severely hampered by the prevalence of skills shortages. Across the board, three-quarters of exporters that tried to recruit reported difficulties in finding the right staff.

In the manufacturing sector, the greatest difficulty was in finding skilled manual and technical labour (69%) and in the services sector, it was professional and managerial levels (52%).



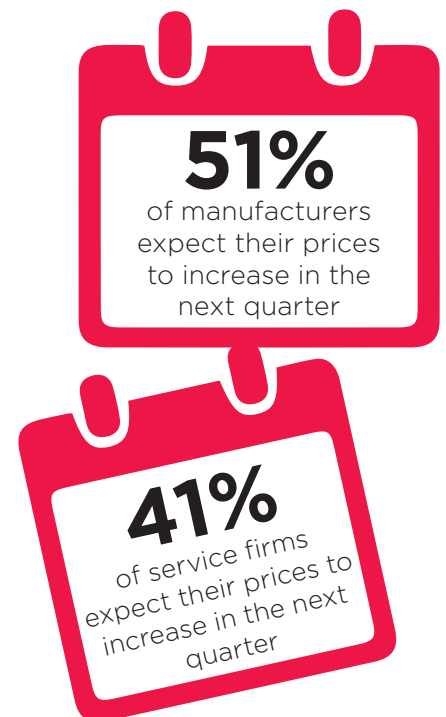
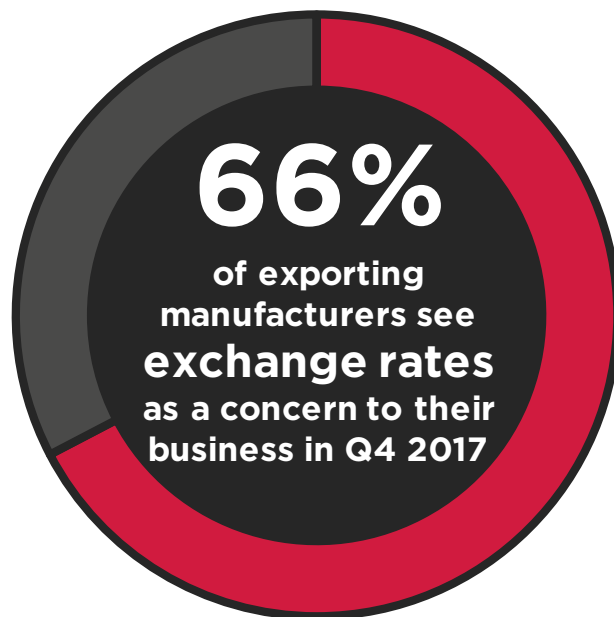


SURVEY DATA: EXCHANGE RATES

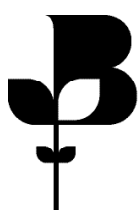
Exchange rates and price pressures a key concern for manufacturers

Over the past 18 months, the depreciation of sterling against major currencies has had a major impact on the cost of imported commodities and components, and concern over the impact of exchange rate movements is still high. Two-thirds of exporting manufacturers are more concerned about exchange rates than three months ago.

The survey also finds that 51% of exporting manufacturers and 41% of services companies expect the price of their products to increase in the next quarter. The vast majority of exporting manufacturers (85%) cite the rising cost of raw materials as a source of price pressure.



Service sector exporters n=1,992
Manufacturing sector exporters n=1,238



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TRADE & ECONOMIC OUTLOOK

Trade and economic outlook

The Global Economy

The International Monetary Fund (IMF) forecasts global growth of 3.9% in 2018 and in 2019. The US economy grew by 2.3% in 2017 as a whole, almost double the growth of 1.5% recorded in 2016. China's economy grew by 6.9% in 2017 as a whole, the first pick-up in full year Chinese GDP growth since 2010 and is higher than the government's current growth target of 6.5%. The Eurozone economy grew by 2.5% in 2017, the highest since 2007.



The first official estimate of UK economic growth revealed that the economy grew by 0.5% in Q4 2017, up from the 0.4% growth recorded in the previous quarter. UK GDP grew by 1.8% in 2017 as a whole, the slowest since 2012.

BCC UK Growth Forecast for 2018



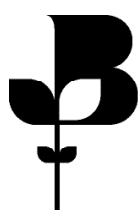
1.1%

The BCC currently expects the UK economy to grow by 1.1% in 2018 and by 1.3% in 2019.

International Trade

The World Trade Organisation (WTO) is currently expecting world trade growth of 3.6% in 2017, up from their previous forecast of 2.4%. In 2018, the WTO is forecasting global trade growth to slow to 3.2%. The UK's trade deficit narrowed by £1.2 billion to £4.9 billion in the three months to December 2017.

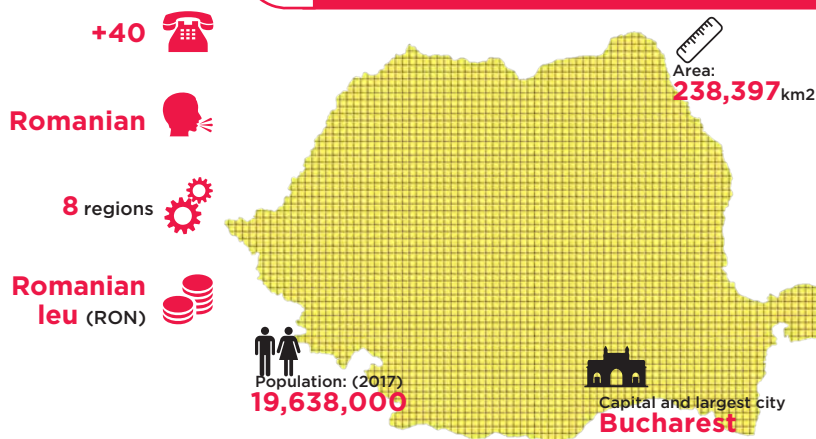
The BCC currently expects that UK exports will grow by 3.1% in 2018 and by 2.9% in 2019.



FACT SHEET: ROMANIA



Why Romania?



In recent years Romania's economic growth has been among the highest in the European Union, with GDP growth estimated at 5.5% in 2017.

Labour market conditions in Romania have improved in line with economic growth and the unemployment rate recently dropped to its lowest level in more than 20 years. In addition to this, minimum and public-sector wage increases have contributed to a growing middle class and consumption boom.

Economic snapshot (% annual growth rate)	2017	2018	2019
GDP	5.5	4.4	3.8
Export of goods and services	11.2	8.1	7.3
Import of goods and services	10.6	9.9	7.5
Inflation	1.1	3.3	3.2
Current account balance (% of GDP)	-3.0	-2.9	-2.9

Source: International Monetary Fund, World Economic Outlook Database

Opportunities for UK businesses

Romania's main imports include machinery, chemical products and vehicle parts, which reflect high growth areas such as electronics and car production. Other growth areas include IT services, infrastructure, energy and healthcare.

Strengths of the Romanian market include

- Young, skilled and educated workforce.
- Established support network from foreign lawyers, accountants and consultants.
- Implementation of Single Euro Payments Area (SEPA) standards for Euro payments.

Cultural tips

- Punctuality is important in Romania and it is prudent to arrive on time or a little early for a meeting.
- The recommended gift is a traditional object from your home country.
- Businesses with a long history are well respected in Romania.

Customs information

- De minimis value (duty free allowance): USD 11.40 - when shipping from outside the EU
- When shipping alcoholic beverages to Romania a number of certificates and licences are needed: Phytosanitary, Quality and Conformity Certificates are required as well as a certificate of origin. An import licence from the Agricultural and Food Ministry is required from the consignee as well.

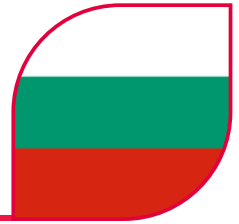


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FACT SHEET: BULGARIA

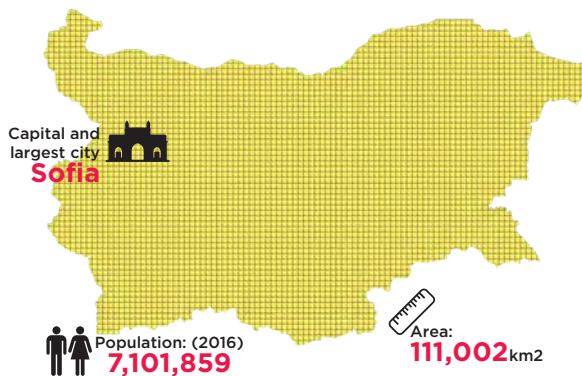
Why Bulgaria?

+359

Bulgarian

28 provinces

Bulgarian Lev (BGN)



With a skilled multi-lingual labour force, good air links to the UK, and the lowest corporate and income tax in the EU, Bulgaria has plenty to offer UK businesses.

The Bulgarian economy was significantly impacted by the global financial crisis but now shows signs of sustained economic recovery. Improved labour market conditions and income growth have also supported poverty reduction and a growing middle class.

Economic snapshot (% annual growth rate)	2017	2018	2019
GDP	3.6	3.2	2.9
Export of goods and services	4.2	4.1	3.9
Import of goods and services	5.9	5.0	4.1
Inflation	1.1	1.4	1.7
Current account balance (% of GDP)	2.5	1.9	1.5

Source: International Monetary Fund, World Economic Outlook Database

Opportunities for UK businesses

Areas of interest for UK business include energy, transport, water and waste management sectors. Demand for advanced manufacturing is also expected to grow, particularly within the automotive and electronics sectors.

Strengths of the Bulgarian market include

- Strongly established IT services base working for international clients
- Popular location for call centres
- Major outsourcing destination, with Germany a major customer in automotive.

Cultural tips

- Giving gifts when doing business is a sensitive issue - opt for branded office materials.
- Corruption can be an issue, with Bulgaria ranking 75th on the 2016 Corruption Perceptions index.
- Dinners in Bulgaria are seen as extended social occasions.

Customs information

- De minimis value (duty free allowance): USD 16.50 - when shipping from outside the EU
- If shipping tea or coffee, to avoid delays, Bulgarian Customs require advance notification along with analysis and quality certificates.



Bulgaria
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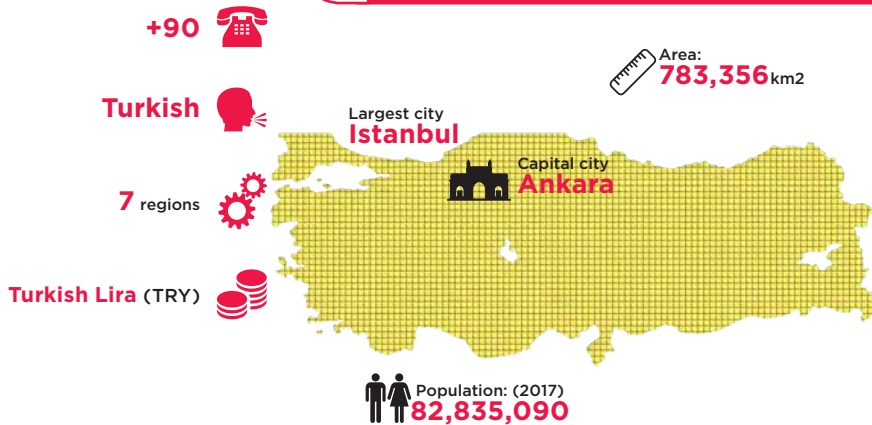
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FACT SHEET: **TURKEY**



Why Turkey?



Turkey's economy has been steadily growing in recent years with an annual GDP growth rate of around 6% since 2010. Turkey has the world's 17th largest nominal GDP and provides many opportunities for UK businesses.

Turkey is well positioned between Asia and Europe with access to around 1.5 billion customers in Europe, Eurasia, Asia, the Middle East and Africa, within four hours flight. Turkey has a very well developed industrial sector, accounting for a large share of European production in clothing, motor vehicles, and TV sets.

Economic snapshot (% annual growth rate)	2016	2017	2018
GDP	5.1	3.5	3.5
Export of goods and services	11.4	3.3	4.1
Import of goods and services	3.9	3.3	4.2
Inflation	10.9	9.3	8.8
Current account balance (% of GDP)	-4.6	-4.6	-4.4

Source: International Monetary Fund, World Economic Outlook Database

Opportunities for UK businesses

Significant financial investment in healthcare across Turkey has resulted in an area of opportunity for UK businesses. Opportunities range from the design and delivery of infrastructure to the provision of goods and services that will be required for the operation of new healthcare facilities.



Turkey

The British Chamber of Commerce in Turkey

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Strengths of the Turkish market include

- Considered one of the world's newly industrialised countries (NIC).
- Istanbul is among the world's largest cities by GDP and is a global airport hub.
- Young and fast growing population.

Cultural tips

- There is an underlying threat of political instability and terrorism.
- Check Foreign and Commonwealth Office (FCO) advice before travelling to certain parts of the country
- Tipping is often expected in restaurants and after taxi journeys. 10% is an appropriate amount to tip.

Customs information



De minimis value (duty free allowance): USD 35



Paperwork accompanying shipments sent to Turkey must be 100% accurate as discrepancies in value of shipment, weight information or description of goods are not acceptable and likely to cause delays in customs.

Accredited Chambers of Commerce across the UK stand ready to help your businesses trade internationally.

FACILITATING TRADE

The British Chambers of Commerce (BCC) sits at the heart of a network comprising 52 Accredited Chambers of Commerce in the UK, as well as a fast-growing Global Business Network of Chambers in nearly 40 countries, supporting two-way trade between the UK and the rest of the world.

In the UK, our network brings together over 75,000 member businesses, and engages with a further 200,000 non-member companies each year. Chambers help exporters navigate their way through the ever-changing regulations for countries where it can be time-consuming to get right and costly to get wrong.

Chambers can help a company to evaluate their products and services for export, help them to select markets that could be successful and help to make sure that they have the infrastructure in place to support their exporting ambition. We don't want businesses to fall at the first hurdle, so our experts guide companies on how to become export ready.

WORKING ACROSS INSTITUTIONS

The BCC is also uniquely placed to engage with business organisations across the globe through the World Trade Organisation, the World Customs Organisation and the World Chambers Federation where the UK plays a leading role representing the interest of UK exporters and importers. An international network of Chambers of Commerce across the world is also utilised through local Chambers who have memoranda of understanding in place to provide a soft landing for UK businesses in key trading locations.

Accredited British Chambers of Commerce across the UK are authorised by Government to act as trade documentation issuing bodies, and have over 350 experts who advise exporters on documentation requirements.



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For information and advice on international trade visit
www.exportbritain.org.uk

About the British Chambers of Commerce

The British Chambers of Commerce (BCC) is a dynamic and independent business network with accredited Chambers in every nation and region of the UK, and in key markets around the world.

Accredited Chambers are at the heart of local business communities, helping thousands of companies - of every size and sector - to grow and thrive. Together with our fast-growing global network, Chambers provide practical advice and support to British companies trading around the world.

Chambers help businesses connect, belong, and succeed. For over 150 years, our business has been helping UK business grow.

For more information about this report, contact:

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About DHL Express

DHL Express is the global market leader in the international express business, specialising in time and day critical shipments to all corners of the world. The DHL Express network is composed of more than 220 countries and territories and has a global workforce of approximately 100,000 Certified International Specialists.

DHL Express UK works closely with the SME market to help businesses grow internationally through export. DHL provides advice to businesses that are new to international trade and continues to support businesses throughout their export journey.

For further information, visit: www.dhl.co.uk

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