

QUARTERLY INTERNATIONAL TRADE OUTLOOK **Q4 2016**

BRITISH CHAMBERS OF COMMERCE
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Adam Marshall – Director General, British Chambers of Commerce



Our latest Quarterly International Trade Outlook shows that as the UK prepares to trigger Article 50 and embark on Brexit negotiations with the EU, confidence remains high among exporters.

The results are a timely reminder that it is businesses that trade with other businesses, not governments. Despite a slight quarterly decline across many UK regions, the trend remains positive with the TCI standing at historically high level. It's clear from the findings that despite uncertainty about the eventual outcome of the Brexit process, companies have not been deterred from trading in the short term, and will continue to take advantage of opportunities as they arise.

In order to maintain and grow this sense of optimism, the government need to create the right conditions to support business. In the upcoming Spring Budget, the government must take further action on infrastructure projects,

long standing skills gaps, and ease the burden of upfront costs that stop many businesses from investing. It's also more important than ever for the government to invest in practical assistance to companies looking to export, providing direct access to foreign markets.

Chambers of Commerce, both in the UK and globally, are actively linking UK firms with customers and suppliers in economies around the world. Whether through providing advice, documentation support or connections to new markets, Chambers can give businesses on-the-ground support to launch new trading opportunities and will be there for UK businesses throughout the coming transition – and beyond.

Ian Wilson – CEO, DHL Express UK & Ireland



The uncertainty in the UK surrounding Brexit is far from over. Many questions remain unanswered, but UK exporters continue to be undeterred in their ambition to take their products and services overseas.

As the triggering of Article 50 nears, this Quarterly International Trade Outlook shows that levels of confidence amongst UK businesses largely remain steady. Whilst documentation volumes fell slightly in Q4 vs. Q3, they still remain 4.81% up on Q4 2015. Encouragingly, this report also shows a rise in both the services and manufacturing sectors in terms of expectations of an increase in turnover over the next 12 months.

Whilst this confidence might come as a surprise during these uncertain times, the rapid evolution of e-commerce and technology means that more businesses than ever are realising the opportunity that exporting presents. As the e-commerce phenomenon takes hold, businesses are grasping just how accessible taking your products overseas is – and even

targeting markets that they might not have considered previously.

There is no doubt that there will be considerations for exporters in terms of the real impact of Brexit. However, the rise of e-commerce, coupled with higher overseas demand following the fall in the value of the pound, is a real recipe for export success at the moment.

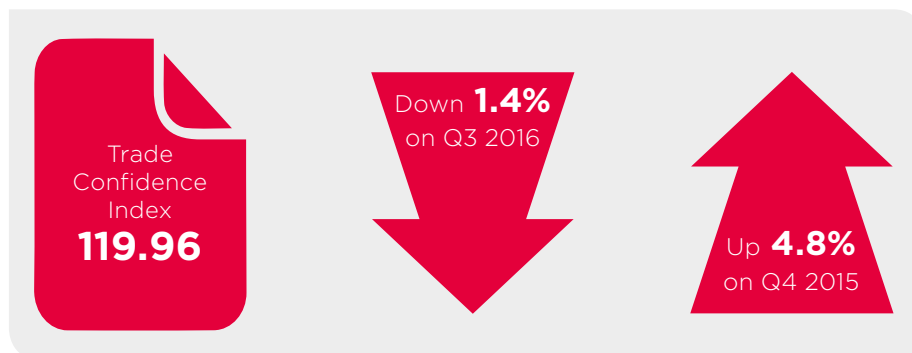
With online technology in overseas markets advancing, UK exporters should remain confident that their products are now more accessible than ever. Despite turbulent economic times there are, and will continue to be, plenty of organisations and support systems in place to help ensure exporters continue to succeed in a post Brexit Britain.

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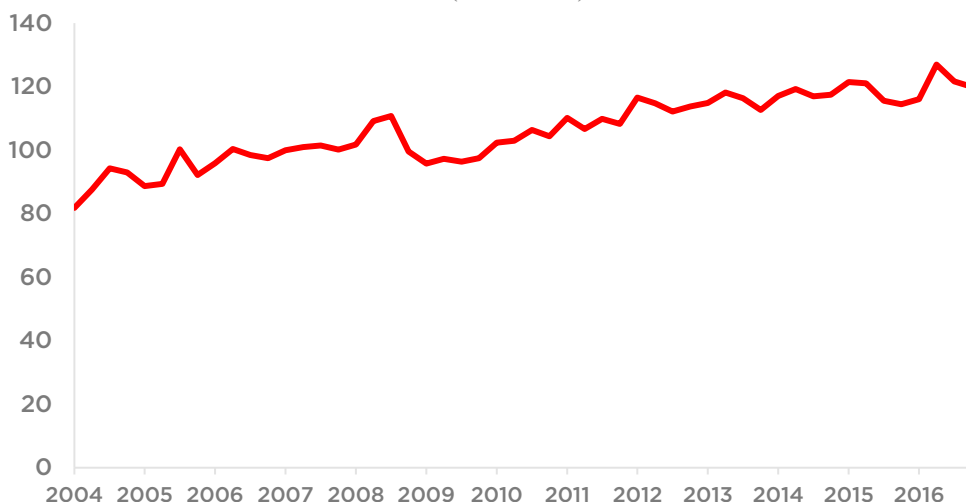
DHL/BCC Trade Confidence Index

The DHL/BCC 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 119.96. This represents a decrease of 1.4% on Q3 2016 and an increase of 4.8% from Q4 2015.

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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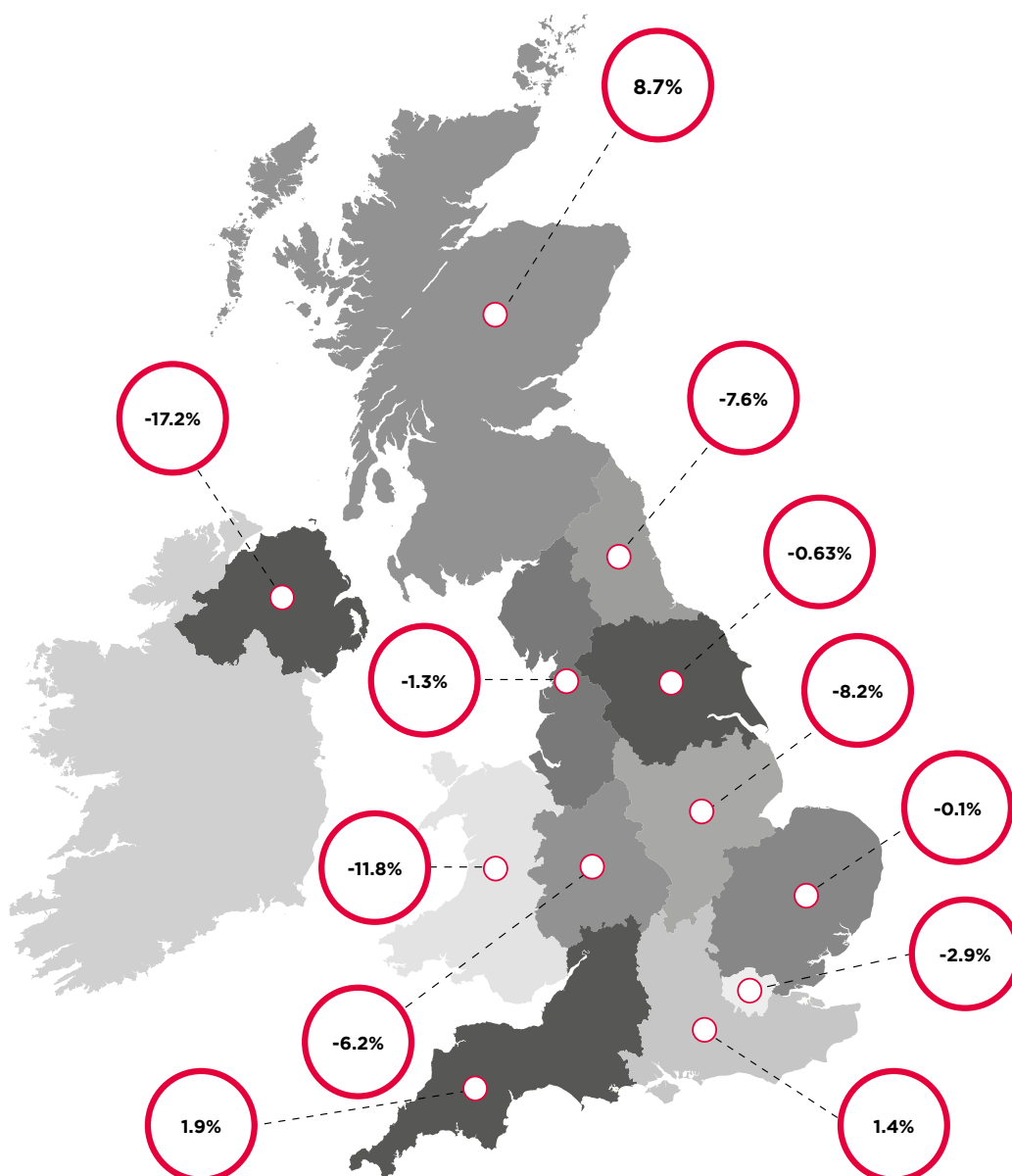
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Trade documentation growth by regions and nations

The Trade Confidence Index, a measure of the volume of trade documentation issued nationally, declined by 1.4% on Q3 2016, but rose by 4.8% on Q4 2015 - the index now stands at 119.96 .

The largest quarter-on-quarter increases in export documentation were in Scotland (8.7%), the South West (1.9%), and the South East (1.4%). The remaining regions and nations saw a decrease in volume on the previous quarter, with the largest declines recorded in Northern Ireland (-17.2%), Wales (-11.8%), and the East Midlands (-8.2%).



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Export performance continues to divide on sectoral lines

In the fourth quarter of 2016, the proportion of firms reporting improved export performance remained divided by sector, with a greater proportion of manufacturers reporting improvements compared to the services sector.

In the manufacturing sector, the balance* of firms reporting improvements in export sales over the previous three months fell slightly to +16% in Q4 2016 from +17% in Q3 2016. This means that 16% more firms reported an increase over a decrease. The balance of manufacturers reporting improved export orders rose from +12% in Q3 to +13% in Q4.

The services sector saw a continued slowdown in growth in Q4, with the balance of firms reporting improvements remaining unchanged at +8%. For advance export orders, the balance rose slightly for firms in the services sector, to +6% from +5%.

Manufacturing
sector export sales

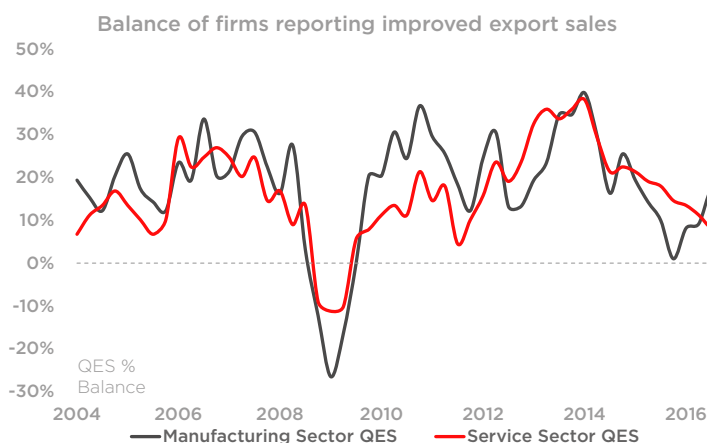
+16%

Service sector export
sales

+8%

*Balance figures are determined by subtracting the percentage of companies reporting decreases in a factor from the percentage of companies reporting increases.

Firms in Scotland and Northern Ireland see strongest export growth



The adjacent graph shows the balance of firms from both the manufacturing and services sectors reporting an increase in export sales against those reporting a decrease since 2004.

Comparing export sales balances for the manufacturing sector across the UK's regions and nations, the strongest Q4 2016 performances were in Scotland at +38%, followed by the South West (+35%), and the South East (+19%). In the service sector, the highest balances were recorded in Northern Ireland at +31%, the South West (+19%), and the East Midlands (+18%).

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Trade and economic outlook

The Global Economy

The International Monetary Fund (IMF) forecasts global growth of 3.4% in 2017 and 3.6% in 2018. The US economy, the world's largest, grew by 1.6% in 2016. This was the slowest growth rate since 2011. China's economy, the world's second-largest, grew by 6.7% in 2016, in line with their growth target of between 6.5% and 7%. The Eurozone economy grew by 1.7% last year.



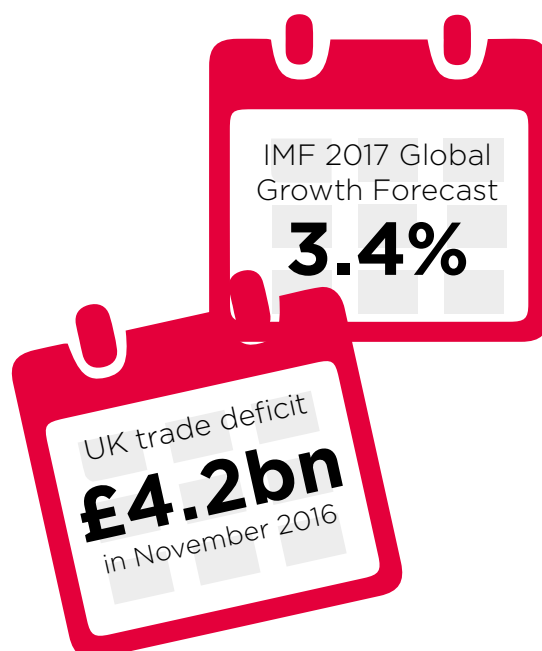
The first official estimate of economic growth revealed that the UK economy grew by 0.6% in Q4 2016, unchanged from the previous two quarters. The UK economy grew by 2.0% in 2016 as a whole, slightly slower than the 2.2% recorded in 2015, but still broadly in line with historic trends. The BCC currently expects the UK economy to grow by 1.1% in 2017 and by 1.4% in 2018.



International Trade

The World Trade Organisation (WTO) is currently expecting world trade growth of between 1.8% and 3.1% in 2017, down from their previous forecast of 3.6% for the same period. The UK trade deficit in goods and services was £4.2 billion in November 2016, a widening of £2.6 billion from October 2016.

Imports increased by £3.3 billion and exports rose by £0.7 billion. The BCC currently expects that UK exports will grow by 2.3% in 2017 and by 2.9% in 2018.



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QUARTERLY INTERNATIONAL TRADE OUTLOOK FACT SHEET: SLOVAKIA



Why Slovakia?

+421

Slovak

8 regions

Euro (EUR)

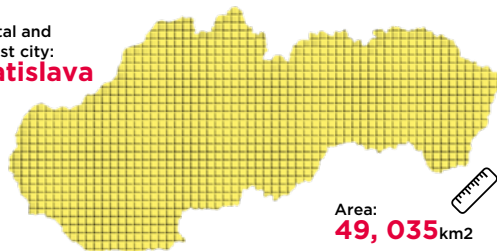
To export a standard container
into Slovakia it takes

7 documents

17 days

cost £927

Capital and
largest city:
Bratislava



Population: (2015)
5,426,252

Slovakia is located in the heart of central Europe, where its position helps it gain access to over 110 million consumers.

As a member of the EU, NATO, OECD, Euro and Schengen Area, the common European currency and flexible Labour Code make Slovakia a great choice for investors. In addition, Slovakia's GDP growth has been 2.6% over the last five years, compared with 0.5% for the Eurozone and 0.2% for the UK.

Economic snapshot (% annual growth rate)	2015	2016	2017-20
GDP	3.6	3.4	3.6
Export of goods and services	7.0	4.2	6.2
Import of goods and services	8.2	3.8	5.7
Inflation	-0.3	-0.2	1.4
Current account balance (% of GDP)	-1.3	-1.0	0.3
Population	0.1	0.0	0.0

Source: International Monetary Fund, World Economic Outlook Database, October 2016

Opportunities for UK businesses

Slovakia has an established premium automotive sector, representing over 40% of its overall industry. With a high number of technology centres, opportunities exist in machinery & precision engineering, metallurgy & metal processing, electronics, chemistry and pharmaceuticals.

British Chamber of Commerce
in the Slovak Republic

Slovakia

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Strengths of the Slovak market include

- Strong economic growth coupled with a very low level of income inequality
- Stable banking sector with high capital adequacy ratio
- Very high human development index, as ranked by the UN

Cultural tips

- Punctuality is taken very seriously
- Avoid scheduling meetings on Friday afternoons as many Slovaks live outside of the cities
- Business is often conducted slowly so maintain patience in meetings

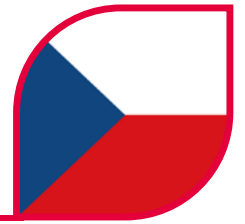


Fact box

- The US, the UK and China account for 60% of all cross border e-commerce supply, but only around 30% of demand. (http://dhlguide.co.uk/wp-content/themes/DHLGuide/pdfs/DHL_Express_Cross-Border-E-Commerce-21st_Century_Spice_Trade.pdf)
- 71% of online retailers expect their cross-border sales share to increase. (http://dhlguide.co.uk/wp-content/themes/DHLGuide/pdfs/DHL_Express_Cross-Border-E-Commerce-21st_Century_Spice_Trade.pdf)



QUARTERLY INTERNATIONAL TRADE OUTLOOK FACT SHEET: CZECH REPUBLIC



Why the Czech Republic?

+420

Czech

13 regions

Koruna (CZK)

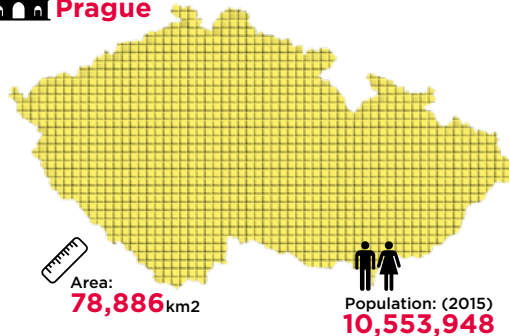
To export a standard container
into the Czech Republic it takes

7 documents

17 days

cost £720

Capital and largest city
Prague



The Czech Republic is one of the leading economies in Central and Eastern Europe with solid GDP growth and one of the lowest unemployment rates in Europe.

The World Economic Forum's 2016-2017 Global Competitiveness Report ranks the Czech Republic 31st among 138 world economies in terms of competitiveness. With regular flights to Prague from regional UK airports, the Czech Republic is a very accessible export destination.

Economic snapshot (% annual growth rate)	2015	2016	2017-20
GDP	4.5	2.5	2.4
Export of goods and services	7.7	6.7	4.5
Import of goods and services	8.2	6.1	5.2
Inflation	0.3	0.6	2.0
Current account balance (% of GDP)	0.9	1.5	0.4
Population	0.2	0.2	0.2

Source: International Monetary Fund, World Economic Outlook Database, October 2016

Opportunities for UK businesses

Significant opportunities for UK companies to enter manufacturing supply chains, especially in the automotive and electronics sector. Niche food & drink as well as other consumer products from UK are very popular.

Strengths of the Czech market include

- Highly educated and ambitious workforce
- Strong demand from local distributors for innovative, value-added British products
- Government budget for 2016 ended with a surplus of £2 billion

Cultural tips

- Be direct and clear in business meetings
- Punctuality is taken very seriously
- Business appointments should always be made in advance



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Fact box

- £133bn was spent with online UK retailers last year, up 16%, according to research by industry group IMRG and consultants Capgemini.
- When consumers choose an express shipping option when shopping online, on average our customers see a 70% uplift in the basket value of the goods they buy.

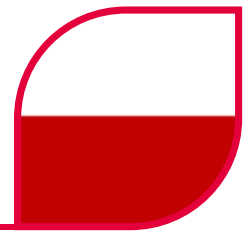


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QUARTERLY INTERNATIONAL TRADE OUTLOOK FACT SHEET: **POLAND**




Why Poland?

+48 


Polish 

16 provinces 

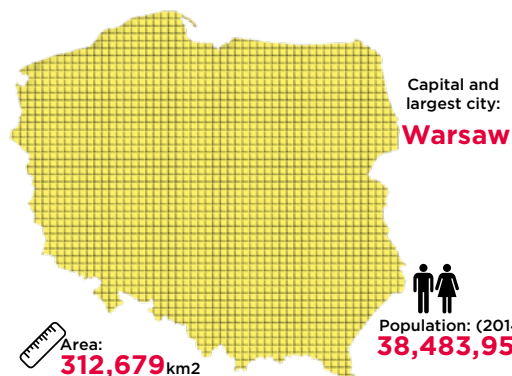
Zloty (PLN) 

To export a standard container
into Poland it takes

5 documents 

16 days 

cost **£102** 



Poland has one of the fastest growing economies in the EU. With a strong domestic market, low private debt, a flexible currency, and no dependency on a single export sector, Poland is the only European economy to have avoided recession between 2008 and 2013.

As part of the trans-European road network and the Schengen zone, Poland offers access to 250 million consumers within a radius of 1,000 kilometres.

Economic snapshot (% annual growth rate)	2015	2016	2017-20
GDP	3.7	3.1	3.2
Export of goods and services	6.8	8.5	5.5
Import of goods and services	6.3	9.2	6.2
Inflation	-0.9	-0.6	1.9
Current account balance (% of GDP)	-0.2	-0.1	-1.8
Population	0.2	0.2	0.2

Source: International Monetary Fund, World Economic Outlook Database, October 2016

Opportunities for UK businesses


Poland is a significant market of 38 million consumers offering opportunities for UK businesses in particular within the following sectors: engineering, electronics, software, life sciences, transport, retail, food and environmental sectors.

british polish
chamber of commerce

Poland

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Commerce

+99 

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Strengths of the Polish market include

- Consistently strong GDP growth
- Well-diversified economy
- Strong and improving education system

Cultural tips

- Polish society, politics, and business are mostly traditional and male-driven
- Always state clear deadlines as there is often more flexibility in planning work
- Some conversation topics, such as religion, history or politics, can be considered controversial

Fact box

- Our customers see an uplift in sales if they make clear to their consumers that local duties or sales taxes are included in the price quoted.
- 20% of cross border transactions have a basket value of more than USD 200. (http://dhlguide.co.uk/wp-content/themes/DHLGuide/pdfs/DHL_Express_Cross-Border-E-Commerce-21st_Century_Spice_Trade.pdf)

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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