



QUARTERLY INTERNATIONAL TRADE OUTLOOK **Q1 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 shows that confidence among UK exporters remains high, with businesses reporting improved export sales in the first quarter of the year.

Businesses are also more confident that their turnover and profitability will increase in the coming twelve months. The volume of trade documentation issued by accredited Chambers of Commerce stands at the second highest level since records began in 2004.

The results are a timely reminder that businesses are doing their best to focus on the success of their own operations, and trying to ignore the cacophony of political noise around them.

In order to maintain this sense of confidence, the next government must work to provide businesses with the practical and pragmatic support that helps them build links and relationships with trading partners across the world. Revitalising the UK's trade missions and programmes, and expanding funding for front-line assistance for exporters, would help launch UK firms into new markets. Chambers of Commerce stand ready to work with government to help the UK meet its trade potential.

While confidence is high among UK exporters, rising costs, recruitment difficulties and currency fluctuations are a concern for many. For our businesses to succeed in the long-term, the new government must get the fundamentals right here at home to ensure our exporting firms are in a position to compete competitively across the globe.

Ian Wilson – CEO, DHL Express UK & Ireland



Despite the many unanswered questions about what a post-Brexit Britain will look like, this latest Quarterly International Trade Outlook demonstrates that UK exporters remain optimistic about what the future holds.

In addition, the current tumultuous political and economic times have not deterred manufacturing or services firms, with both reporting improved export sales and increased confidence that their turnover and profitability will increase over the next 12 months. That's encouraging news and, as the UK readies itself for a general election, demonstrates the steadfast resilience of British businesses.

As a facilitator of international trade we've seen our customers embrace the short term benefits that came with the fall in the value of the pound. However, this report demonstrates that whilst businesses are confident, they are not complacent - with currency fluctuations a lingering concern for exporters. In these uncertain times there is an even greater imperative to expand the portfolio of markets businesses trade with to help spread the risk across multiple currencies.

To ensure that British businesses are able to continue to trade successfully internationally it's vital that as Brexit negotiations continue, cross border trade remains as accessible as possible with minimal barriers. The growth of online retail means that it is easier than ever for businesses to reach new international markets and the Government must ensure that focus also remains on long term infrastructure planning - which will help secure the UK's competitiveness by maximizing our connectivity to key markets.

DHL/BCC TRADE CONFIDENCE INDEX



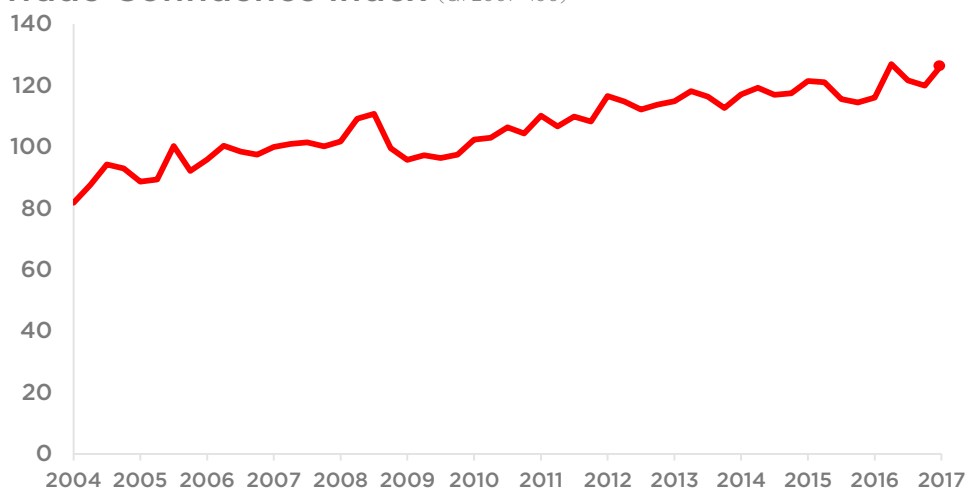
DHL/BCC Trade Confidence Index

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 126.55. This represents a quarterly increase of 5.5% on Q4 2016 and a yearly increase of 9% from Q1 2016.

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.

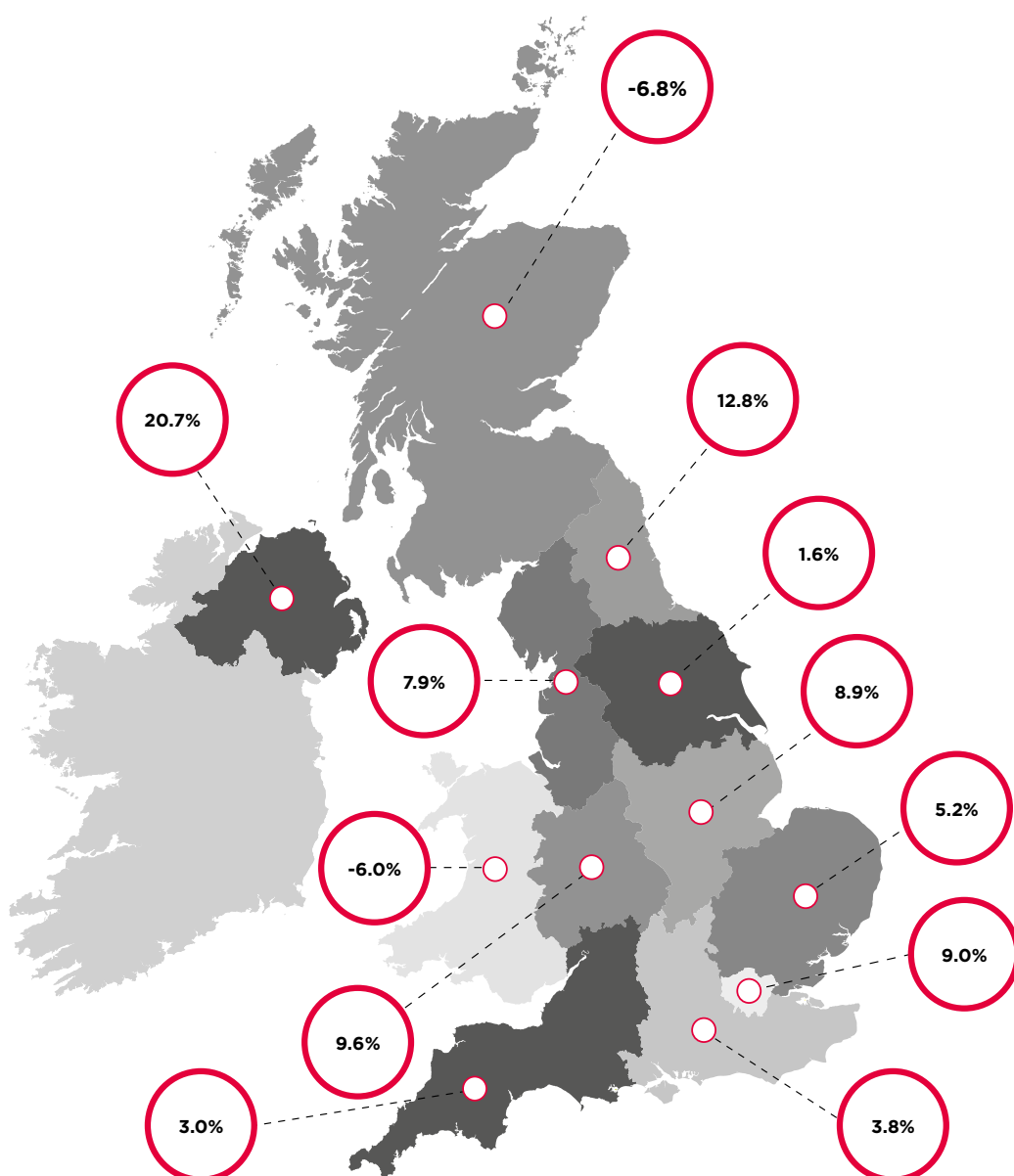
REGIONAL TRADE CONFIDENCE INDEX



Trade documentation growth by regions and nations

The Trade Confidence Index, a measure of the volume of trade documentation issued nationally, increased by 5.5% on Q4 2016, and by 9% on Q1 2016. The index now stands at 126.55.

The largest quarter-on-quarter increases in export documentation were in Northern Ireland (20.7%), the North East (12.8%), and the West Midlands (9.6%). Two nations saw a decrease in trade documentation volume on the previous quarter, Wales (-6%) and Scotland (-6.8%).



SURVEY DATA: EXPORT SALES



More manufacturers report improved export sales in Q1

The number of businesses reporting improved export sales increased in the first quarter of 2017. Businesses in both manufacturing and services are also more confident that their turnover and profitability would increase in the coming 12 months.

In the manufacturing sector, the balance* of firms reporting improvements in export sales over the previous three months rose to +26% in Q1 2017 from +16% in Q4 2016. This means that 26% more firms reported an increase over a decrease. The balance of manufacturers reporting improved export orders rose to +22% from +13% in Q4.

The services sector continued to show growth levels lower than previous trends, with the balance of firms reporting improvements increasing only to +10% from +8% in Q4. For advance export orders, the balance fell slightly for firms in the services sector, to +5% from +6%.

+26%

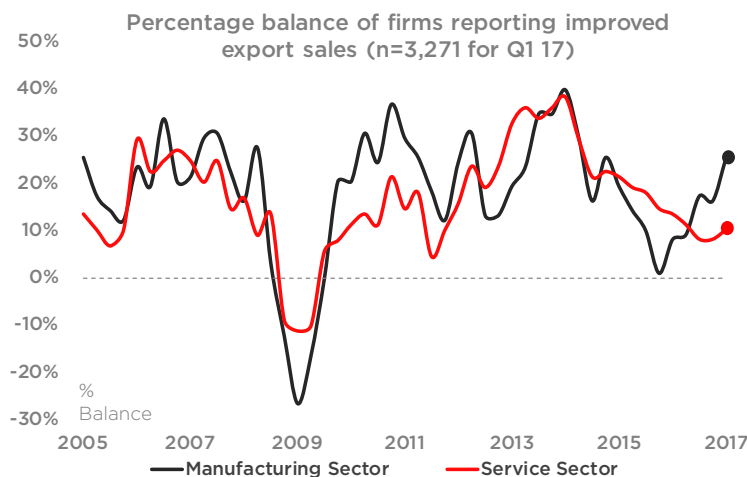
of manufacturers report improved export sales in Q1

+10%

of service firms report improved export sales in Q1

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

The gap between manufacturers and service firms widens further



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 2005.

Comparing export sales balances for the manufacturing sector across the UK's regions and nations, the strongest Q1 2017 performances were in the South West at +59%, followed by Yorkshire & the Humber (+38%), and the West Midlands (+35%). In the service sector, the highest balances were recorded in the East Midlands at +28%, the West Midlands (+27%), and Yorkshire & the Humber (+23%).

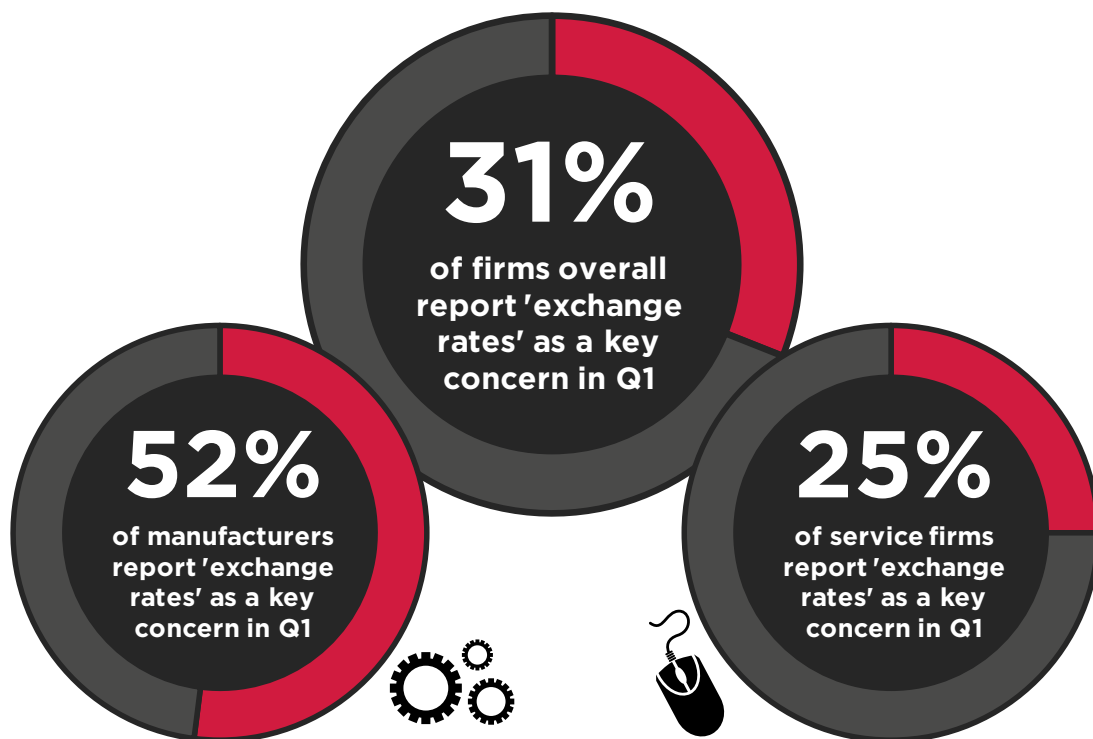


SURVEY DATA: EXCHANGE RATES

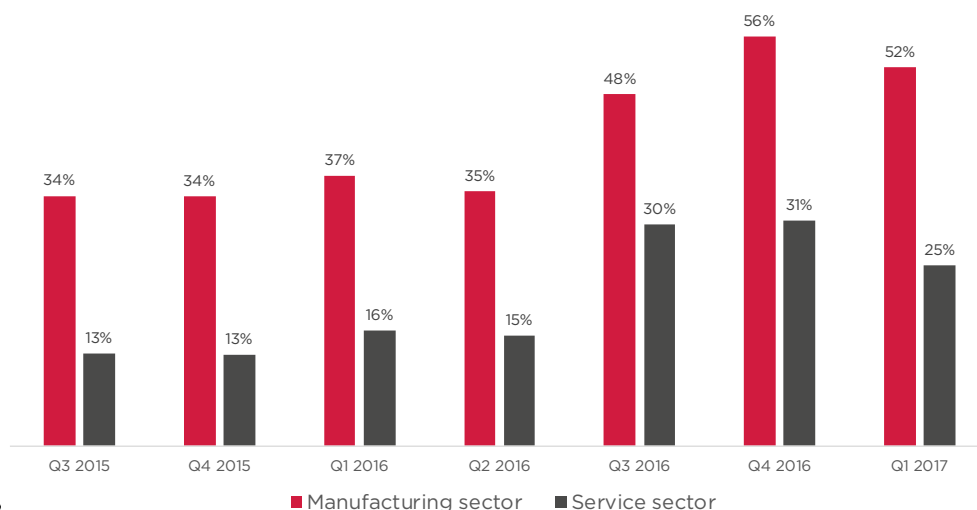
Concerns about exchange rates at record levels among manufacturers

In Q1 2017, the percentage of manufacturers reporting exchange rates as a key concern compared to the previous three months stood at among the highest levels since Q4 2009.

Overall, 31% of firms from both sectors reported exchange rates as a concern in Q1. In the service sector, 25% of firms reported exchange rates as a concern.



Percentage of firms reporting 'exchange rates' as a key concern compared to the previous three months (n=7,028 for Q1 17)



TRADE & ECONOMIC OUTLOOK



Trade and economic outlook

The Global Economy

The International Monetary Fund (IMF) forecasts global growth of 3.5% in 2017 and 3.6% in 2018. The US economy, the world's largest, grew at an annualised rate of 0.7% in 2016, the slowest growth rate since Q1 2014. China's economy, the world's second-largest, grew by 6.9% in annual terms in Q1 2017.

The first official estimate of economic growth revealed that the UK economy grew by 0.3% in Q1 2017, down from the growth of 0.7% in the previous quarter. The UK economy grew by 1.8% 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 1.4% in 2017, 1.3% in 2018 and 1.5% in 2019.



BCC UK Growth
Forecast for 2017



1.4%

International Trade

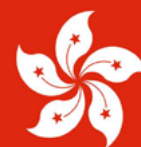
The World Trade Organisation (WTO) is currently expecting world trade growth of 2.4% in 2017. The WTO is forecasting trade growth of between 2.1% and 4% in 2018. The UK trade deficit in goods and services was £3.7 billion in February 2017, a widening of £0.7 billion from January 2017. Imports increased by £0.3 billion and exports fell by £0.4 billion.

The BCC currently expects the UK exports will grow by 2.7% in 2017 and by 3.1% in 2018.

IMF 2017 Global
Growth Forecast

3.5%

UK trade deficit
£3.7bn
in February 2017



FACT SHEET: HONG KONG

Why Hong Kong?

+852

English and Cantonese

3 regions

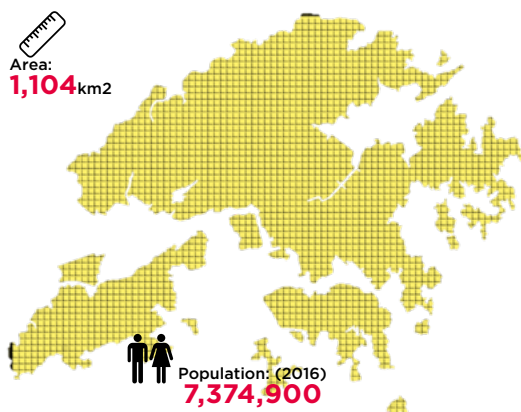
Hong Kong Dollar (HKD)

To export a standard container into Hong Kong it takes

4 documents

5 days

cost £350



Hong Kong offers a highly efficient, business-friendly, open and non-protectionist business environment.

As a wealthy and dynamic market, it offers excellent opportunities for UK companies in its own right, and provides outstanding connectivity to the fast-growing markets in mainland China and the Asian region more widely. As one of Asia's leading business and financial centres, there is a wide range of opportunities across multiple sectors and industries.

Economic snapshot (% annual growth rate)	2016	2017	2018-21
GDP	1.9	2.4	2.8
Export of goods and services	0.9	4.4	3.1
Import of goods and services	1.2	4.8	3.2
Inflation	2.6	2.6	2.9
Current account balance (% of GDP)	5.1	3.0	3.3
Population (millions)	7.4	7.4	7.6

Source: International Monetary Fund, World Economic Outlook Database, April 2017

Opportunities for UK businesses

Particular areas of interest to UK companies include: construction and engineering, financial and business services, environmental technology and services, healthcare (including a major hospital building programme), creative industries, Fintech, niche retail, as well as food and drink.

Strengths of the Hong Kong market include

- Hong Kong ranks highly in international ease of doing business and competitiveness surveys
- Low and simple taxation
- Common law legal system familiar for UK companies

Cultural tips

- Straightforward business culture, but face to face contact, and developing personal relationships are important
- Show respect to senior figures; offer lunch/dinner if there is scope for further business conversation
- Punctuality is important



Essential customs tips

De-minimis value (duty free allowance):

Hong Kong is a free port and does not levy any duty on imports (or exports). There is also no sales tax or other import charges.

When importing foodstuffs and perishable goods to Hong Kong, with the exception of canned or dried food, they will be subject to inspection by the Hong Kong Food and Environmental Hygiene Department. The type of commodity must be clearly described on the invoice.



Hong Kong

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FACT SHEET: CAMBODIA



Why Cambodia?

+855

Khmer

25 provinces

Riel (KHR)

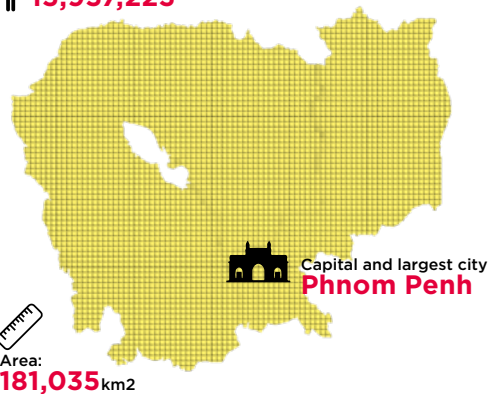
To export a standard container into Cambodia it takes

10 documents

26 days

cost £540

Population: (2016)
15,957,223



Cambodia has among the fastest GDP growth rates in the world, with economic activity driven by robust exports, tourism and construction

Cambodia has a mixed economic system, self-defined as a planned economy with markets combined with centralised economic planning and government regulation. However, the country is heavily reliant on foreign aid, with donor support equivalent to over half of the government's budget.

Economic snapshot (% annual growth rate)	2016	2017	2018-21
GDP	7.0	6.9	6.6
Export of goods and services	10.5	10.5	9.7
Import of goods and services	10.2	11.2	8.2
Inflation	3.0	3.2	3.0
Current account balance (% of GDP)	-8.7	-8.5	-8.4
Population (millions)	15.8	16.0	16.6

Source: International Monetary Fund, World Economic Outlook Database, April 2017

Opportunities for UK businesses

Cambodia offers potential investment opportunities in agribusiness and food processing, tourism infrastructure, education, architecture and engineering services, power generation equipment, pharmaceuticals, and medical supplies.

Strengths of the Cambodian market include

- Rapid economic growth
- Dynamic workforce with among the lowest labour costs in Asia
- Moving away from dependence on foreign aid to foreign investment for infrastructure

Cultural tips

- Deference to hierarchy is important and respect must be shown to senior figures
- Translate business materials into Khmer where possible
- Cambodia is a collectivist society where the group, family, or company are placed ahead of the individual

Essential customs tips

De-minimis value (duty free allowance):

There is no minimum threshold for imports into Cambodia; therefore duty and taxes are payable regardless of the value.

Commercial shipments of medical samples, prescription and non-prescription drugs, and cosmetics will require an import licence from the Ministry of Health. The application process can take up to 7 working days and the permit will also need to be processed by customs.

Electronic cigarettes and alcoholic spirits are a prohibited from import into Cambodia.



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FACT SHEET: VIETNAM



Why Vietnam?

+84

Vietnamese

58 provinces

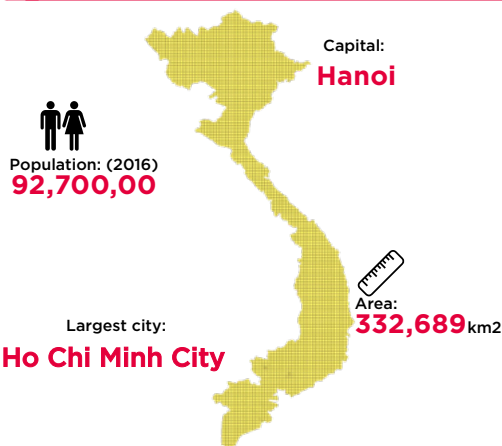
Dong (VND)

To export a standard container into Vietnam it takes

8 documents

21 days

cost £370



Vietnam is predicted to be the fastest-growing of the world's emerging economies by 2025, with a potential growth rate of almost 10% per annum.

The country has slowly been transforming itself into a more market-oriented economy. Reforms include partial privatisation of state-owned enterprises and modernisation of the trade regime. Vietnam joined the World Trade Organization in January 2007, which has promoted more competitive, export-driven industries.

Economic snapshot (% annual growth rate)	2016	2017	2018-21
GDP	6.2	6.5	6.2
Export of goods and services	10.0	4.9	8.1
Import of goods and services	11.1	5.3	9.2
Inflation	2.7	4.9	5.0
Current account balance (% of GDP)	4.7	4.1	2.4
Population (millions)	92.6	93.6	96.0

Source: International Monetary Fund, World Economic Outlook Database, April 2017

Opportunities for UK businesses

Key sectors include education, healthcare, food & drink, technology, chemicals and lifestyle. Both the public and private sectors in Vietnam have a strong interest in UK business expertise and brand reputation.



BRITISH
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VIETNAM

Vietnam

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Strengths of the Vietnamese market include

- Strong interest in Western lifestyles
- Large young population
- Expanding middle class with strong purchasing power

Cultural tips

- Many business contacts are made from personal referrals
- Seniority is valued, especially in dealings with government or state-owned bodies
- Vietnamese society is influenced by Confucianism, which emphasises duty, loyalty, and honour.



Essential customs tips

De-minimis value (duty free allowance):

1,000,000 VND (approx £34GBP). VAT and Special Sales Tax may still apply.

All gifts must have a full description of goods, including the quantity. Goods descriptions must be specific; if descriptions are ambiguous such as gift, present, sample, textile, garment, or parts, they will not be accepted. All publications which refer to the 'south China sea' are prohibited.



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 each country that can be time-consuming to get right and costly to get wrong.

Chambers can help a company to evaluate their company's 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 MOUs in place to provide a soft landing for UK businesses in key trading locations.

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



www.britishchambers.org.uk

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and Google+

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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