

QUARTERLY INTERNATIONAL TRADE OUTLOOK **Q3 2018**

BRITISH CHAMBERS OF COMMERCE IN
PARTNERSHIP WITH DHL



FOREWORD: BCC & DHL

Claire Walker & Hannah Essex - Co-Executive Directors of Policy and Campaigns, British Chambers of Commerce



It's a time of considerable change and turbulence for many UK's exporters. The uncertainty of Brexit continues to weigh on many, as does currency fluctuations and global trade turmoil, which can dent confidence for firms trading goods and services across borders.

That said, UK businesses are resilient, and many exporters continue to perform strongly in the current circumstances. Confidence in turnover is strong but concern over exchange rates remains high in light of sterling volatility.

Despite the continued political turmoil, companies will always find a way to trade with each other. While exporters are doing their best to harness the advantages of the falling pound, its impact on imports in the supply chain often makes this a double-edged sword.

Giving clarity and precision to firms should be of paramount concern for the government. And at a time of record high skills shortages, the government must urgently publish the Immigration White Paper, to give long-term clarity to firms in all corners of the country who need skills at all levels

Ian Wilson - CEO, DHL Express Uk & Ireland



Brexit remains top of mind for all businesses trading internationally and the ongoing uncertainty remains a challenge. Resolution of the Brexit negotiations is critical to allow businesses to move forward; the facilitation of continued smooth and simple trade with the EU is paramount.

The small decline in the Trade Confidence Index, down 3.9% on Q2 2018 and 4.8% on Q3 2017, is not surprising given the unsettled business climate we're currently facing. We are however encouraged to see that both manufacturers and service firms remain confident that trade will improve over the next 12 months. We continue to encourage and support businesses to increase the number of countries they trade with to help reduce future risk and increase the opportunities for growth.

The focus on the United States of America in this edition's fact sheets is of particular relevance to businesses looking to diversify into new markets. The USA is an incredibly important country for our customers, with many seeing considerable opportunity and success due to: the appetite for British brands; the fast delivery times making British companies competitive, and often quicker, than those based in the USA; and the high de minimus value, which means that customers don't have to pay duties and taxes on anything purchased with a value under 800 USD. The similar culture and shared language also make the USA a popular choice for ease of doing business.



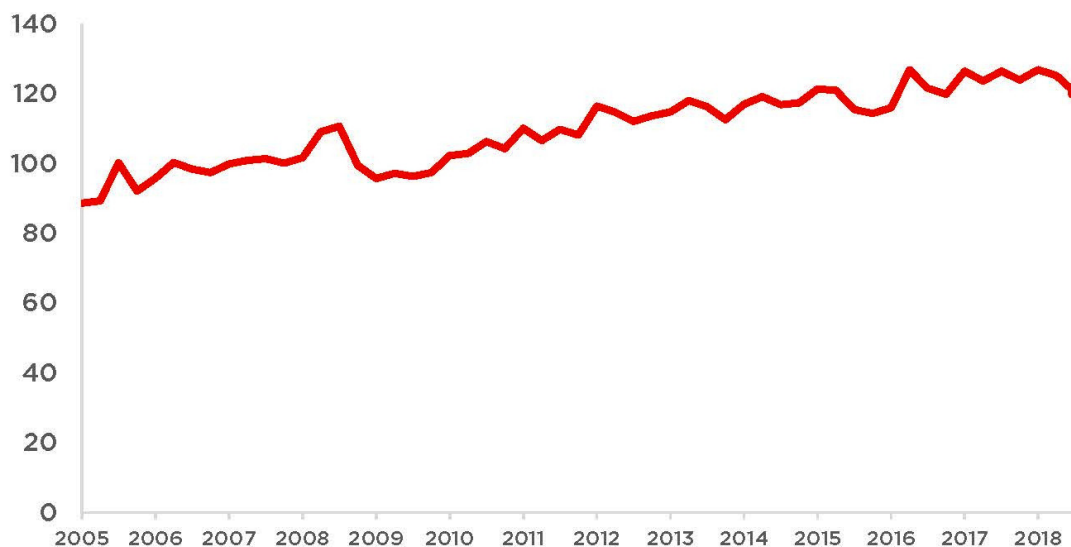
BCC/DHL: TRADE CONFIDENCE INDEX

Trade Confidence Index Highlights

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.



Trade Confidence Index Timeline



*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.



SURVEY DATA: EXPORT SALES

Exporters confident that sales will improve

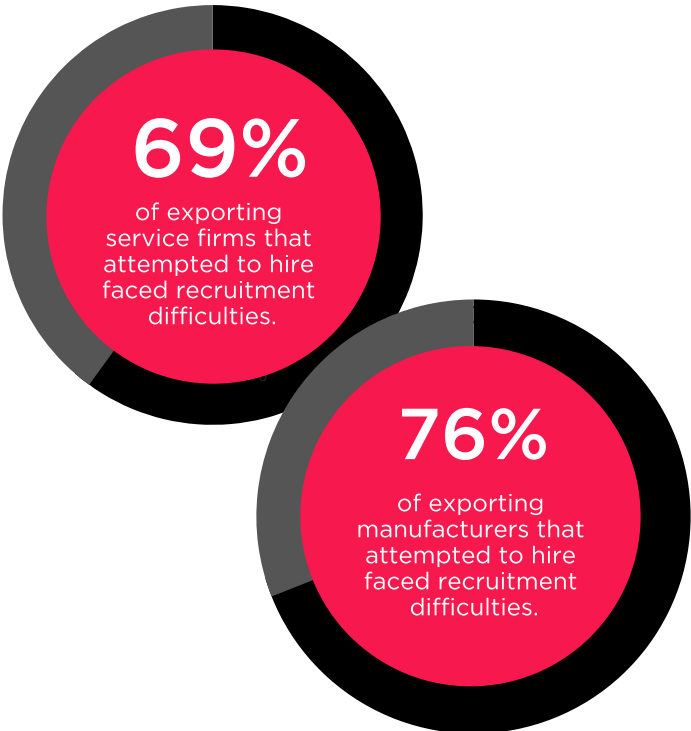
The Quarterly International Trade Outlook survey, based on the responses of more than 2,600 exporters, shows that export sales and turnover confidence continued to hold steady in Q3 2018.

38% of exporting manufacturers saw an increase in export sales over the last three months, and 27% of exporting service firms reported an increase.

The majority of exporters continued to show confidence that turnover will increase over the next twelve months, with 62% of exporting manufacturers and 59% of exporting service firms expecting to see an increase.



Recruitment difficulties remain a top concern



The Quarterly International Trade Outlook survey, based on the responses of over 2,600 exporters, demonstrates the stubborn persistence of recruitment difficulties for exporters.

In Q3 2018, 69% of exporting manufacturers and 54% of exporting service firms attempted to recruit. However, of these firms, 76% and 69% of exporting manufacturers and exporting service firms respectively said they faced difficulties finding the right staff.

For exporting manufacturers, skilled manual and technical positions remained the most difficult to recruit.



TRADE & ECONOMIC OUTLOOK

The Global Economy

The International Monetary Fund (IMF) has downgraded its outlook for the global economy for 2018 and 2019 to 3.7%, down from its previous forecast of 3.9%. The Eurozone economy grew by 0.2% in Q3 2018, down from growth of 0.4% recorded in the previous quarter. The US economy grew at an annualised rate of 3.5% in Q3 2018, slower than the growth of 4.2% recorded in the previous quarter. China's economy grew at an annual rate of 6.5% in Q3 2018, down from the growth of 6.7% in the previous quarter but in line with the government's growth target of 6.5%.

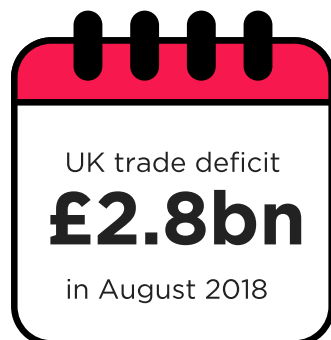
The UK economy grew by 0.4% in Q2 2018, up from the 0.1% growth recorded in the previous quarter. The BCC currently expects that the UK economy will grow by 1.1% in 2018, by 1.3% in 2019 and by 1.6% in 2020.

BCC UK Growth Forecast for 2018



International Trade

The World Trade Organisation currently forecasts world trade growth of 3.9% this year and 3.7% in 2019, lower than in their previous forecast. In the three months to August 2018, the UK trade deficit (goods and services) narrowed by £4.7 billion to £2.8 billion. There was a £3.5 billion narrowing of the goods deficit and a £1.1 billion widening of the services surplus. The BCC currently expects that UK exports will grow by 1.7% in 2018 and by 2.7% in 2019.





FACT SHEET: UNITED STATES OF AMERICA

Why United States of America?

- +1
- English
- 50 States
- United States Dollar (USD)
- Population (2017): 325,719,178
- Area: 9,831,510 km²
- Capital City: Washington DC

The United States is Britain’s largest single-country trading partner, and the world’s largest economy.

The United Kingdom is the most significant source of foreign direct investment in the United States, accounting for 15% of the overall total. Bilateral trade and investment has increased in recent years, and UK companies in the US employ over a million American workers.

Economic snapshot (% annual growth rate)	2018	2019	2020
GDP	2.9	2.5	1.8
Export of goods and services	3.3	0.9	2.9
Import of goods and services	4.5	5.7	3.4
Inflation	2.4	2.1	2.3
Current account balance (% of GDP)	-2.5	-3.0	-3.2

Source: International Monetary Fund, World Economic Outlook Database

Opportunities for UK businesses

The Department for International Trade (DIT) has made the negotiation of a free trade agreement (FTA) with the US a central priority within its post-Brexit strategy, which indicates a strong political will to further develop the trading relationship. The key dimensions of UK-US trade are financial and business services, medical and pharmaceutical products, vehicles and automotive parts, and mechanical power generators.

Strengths of the US Market

- Places sixth of 190 countries on the World Bank’s Ease of Doing Business 2017 rankings
- Hosts the world’s largest private sector and has low regulatory barriers
- Strong cultural and linguistic ties, and well-aligned legislative and business practices

Cultural tips

Americans are generally flexible, comfortable with uncertainty and results-driven in their commercial engagements.

Customs information

All shipments containing textiles require a complete description, including the fabric content (cotton, wool, etc), the intended gender of the wearer, whether it is knit or woven and the individual value per item. The complete name and address of the manufacturer is also required for all textile and apparel products. Textile samples must be marked or mutilated to qualify as duty free.

De minimus value: 800 USD

British-American Business Council

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BritishAmericanBusiness



FACT SHEET: CANADA

Why Canada?

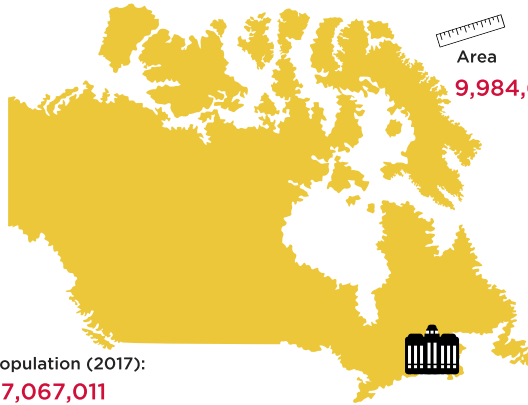
+1 

English & French 

10 provinces, 3 territories 

Canadian Dollar (CAD) 

Population (2017):
37,067,011 



Capital City
Ottawa 

The World Bank's 2017 Ease of Doing Business index places Canada 18 out of 190 economies, which indicates a favourable business environment.

It is a prosperous, well-regulated economy that is open to international trade, with a GDP per capita of \$46,705 (OECD, 2018). Canada is the United Kingdom's eighth largest export market outside the EU, accounting for over £9 billion in 2017. The regulatory and business landscape is strongly aligned with that of the UK, which is reflective of the longstanding history of UK-Canada relations.

Economic snapshot (% annual growth rate)

	2018	2019	2020
GDP	2.1	2.0	1.8
Export of goods and services	2.5	4.0	3.1
Import of goods and services	3.6	1.7	1.4
Inflation	2.6	2.2	2.1
Current account balance (% of GDP)	-3.0	-2.5	-2.2

Source: International Monetary Fund, World Economic Outlook Database

Opportunities for UK businesses

The ratification of the EU-Canada Comprehensive Economic and Trade Agreement (CETA) has strengthened bilateral trade and investment, lowered costs through the elimination of tariff and non-tariff barriers, and provided opportunities for UK businesses to bid for public procurement contracts in Canada. The primary sources of goods imports to Canada are vehicles, boilers and machinery, medical and optical equipment, and pharmaceutical products. In terms of services, the emphasis is on travel, transport and public sector support.

Strengths of the Canadian Market

- Ranks eighth on Transparency International's Corruption Perceptions Index 2017, out of 180 countries
- High level of regulatory convergence and alignment of business practices with the UK
- Reduced trade barriers since the implementation of CETA, and preferential access to the US market through the North American Free Trade Agreement (NAFTA)

Cultural tips


It is important to recognise the linguistic and cultural differences between various parts of Canada, and the use of French or an interpreter may be required in Quebec

Customs information

The Canadian Food Inspection Agency (CFIA) control shipments containing foodstuffs being sent to Canada, therefore these types of shipments may get refused or additional documents, like zoo-sanitary certificates, Import Declaration or Import Permits may be required for clearance.

De minimus value: 15 USD

British Canadian Chamber of Trade and Commerce

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FACT SHEET: MEXICO

Why Mexico?

- +52
- Spanish
- 31 States
- Mexican Peso (MXN)

Mexico is the world's 15th largest economy, and has experienced steady recent growth following the depreciation of its currency and strengthened US industrial production (World Bank, 2018).

The UK currently benefits from an EU-Mexico free trade agreement, granting businesses the opportunity to gain preferential access to the Mexican market.

Economic snapshot (% annual growth rate)	2018	2019	2020
GDP	2.2	2.5	2.7
Export of goods and services	4.7	4.7	4.9
Import of goods and services	4.4	4.2	4.9
Inflation	4.8	3.6	3.0
Current account balance (% of GDP)	-1.3	-1.3	-1.5

Source: International Monetary Fund, World Economic Outlook Database

Opportunities for UK businesses

The strength of the Mexican manufacturing sector, as well as its proximity and access to the US market under NAFTA, provides considerable opportunities for UK businesses involved in advanced engineering. This is particularly evident in the case of aerospace and automotive parts, as well as high-tech engineering and design services. Increased public investments in healthcare and infrastructure have generated rising demand in these areas, while the expansion of the retail sector has outpaced overall GDP growth in recent years.

Strengths of the Mexican Market

- Access to the US market via the North Atlantic Free Trade Agreement (NAFTA)
- The highest number of free trade agreements of any country globally, spanning 44 countries and over 60% of the global GDP
- Accounts for more than 60% of Latin American manufacturing exports

Cultural tips

- Although many Mexicans speak English, it may be advisable to use an interpreter to overcome potential language barriers

Customs information

A Commercial invoice with a breakdown of values and the country of origin is required for shipments sent to Mexico containing jewellery, shipment insurance is also required. Only 3 pieces of jewellery are allowed per shipment and only 20 pieces of costume jewellery are allowed per shipment, otherwise an importer's license will be required.

De minimus value: 50 USD

British Chamber of Commerce in Mexico

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GET IN TOUCH

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.

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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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