



QUARTERLY INTERNATIONAL TRADE OUTLOOK **Q4 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 been a turbulent and frustrating time for UK companies. The political dramatics and disagreements have reverberated throughout business communities and been reflected in increased volatility in the markets.

As the clock continues to tick closer to March 29th, there are still no answers to countless practical business questions and the threat of a messy and disorderly Brexit looms.

Without clarity and precision on the future it is difficult for firms to prepare for change, particularly for exporters who need to know what customs and tariff procedures they'll face after March. This is not an environment conducive to business confidence or investment.

At the same time, the Brexit logjam has prevented government from focusing on the many issues on the domestic agenda that require attention. The extent of the UK's skills shortage continues to grow and stunts the ability of our exporters to extend their capacity and potential. The UK government must urgently reach a consensus on the way forward for Brexit, and in return focus resource to the fundamentals of the economy here at home.

Shannon Diett - VP of Marketing, DHL Express UK



The increased trade confidence index, rising 4% on Q3 2018, indicates that despite the many difficulties, the resilience of British business remains, although businesses face pressure. This is in opposition to the Q3 results, which showed a decline on the previous quarter. There is also a very slight improvement year on year with an increase of 1% on Q4 2017.

As the trade confidence index is a measure of trade outside of Europe, this indicates increased trade beyond the borders of the EU. We would encourage businesses to continue looking beyond Europe for opportunities, and ask the government to ensure trade deals are in place post Brexit to enable this successful trade to smoothly continue.

The uncertain conditions have only increased as we moved into the first quarter of 2019. The lack of clarity is causing businesses to move into no-deal Brexit scenario preparations, which adds considerable additional cost to business. The impact this is having on businesses trading internationally should not be underestimated, especially when considered alongside the rising pressure of poor sterling exchange rates driving up prices, as reported in this outlook. Almost half (49%) of exporting manufacturers and 39% of exporting services firms expect their prices to rise, which is an increase on the previous quarter. A considerable 84% of manufacturers are experiencing price pressure due to the weaker pound pushing up prices. Resilience drives these businesses forward despite the considerable pressures, and we stand alongside them in seeking the clarity and resolution we all need surrounding Brexit. An end to the uncertainty is urgently needed to allow businesses to move forward and continue to compete on the worldwide stage.



BCC/DHL: TRADE CONFIDENCE INDEX

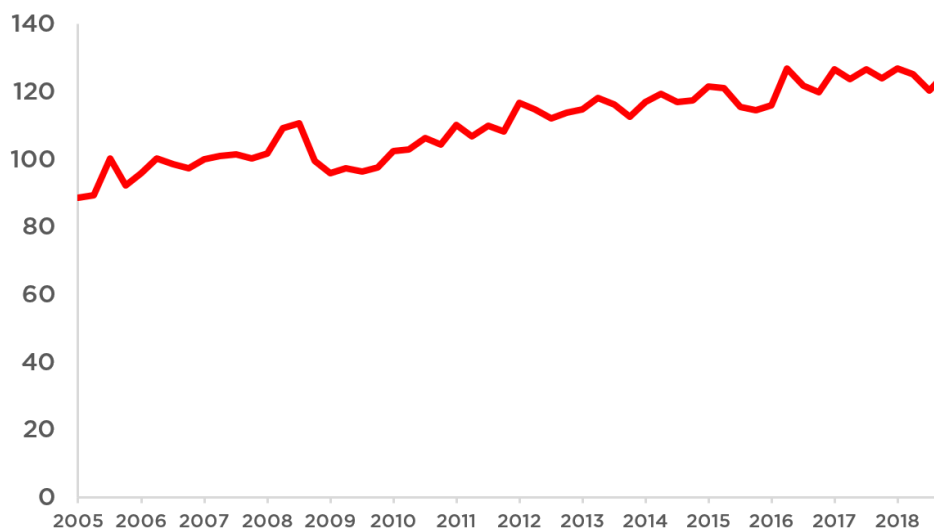
Trade Confidence Index Highlights

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

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.



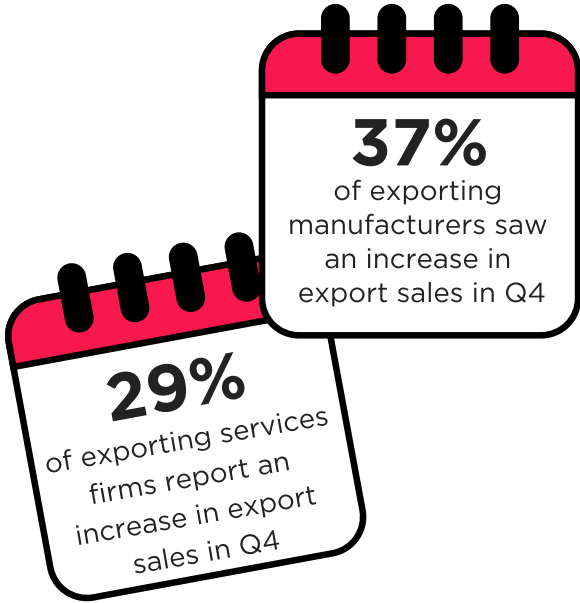
SURVEY DATA: EXPORT SALES

While exporters are confident that sales will improve...

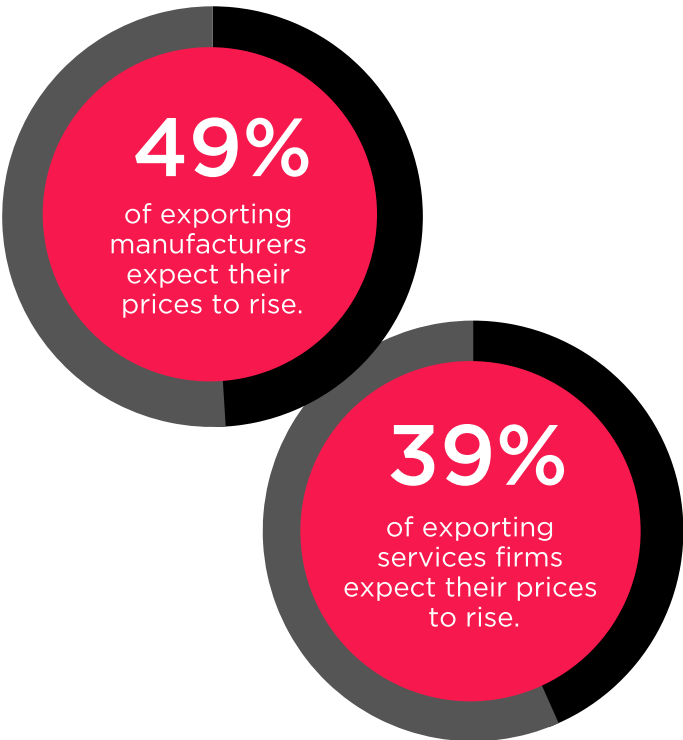
The Quarterly International Trade Outlook survey, based on the responses of more than 2,700 exporters, shows that export sales and turnover confidence remained robust in Q4 2018.

37% of exporting manufacturers saw an increase in export sales over the last three months, and 29% of exporting service firms reported an increase.

The majority of exporters continued to show confidence that their performance will improve, with 57% of both exporting manufacturers and exporting service firms expecting to see an increase in turnover in the next twelve months.



...prices are expected to go up due to raw material costs



The Quarterly International Trade Outlook survey for Q4 2018 also highlights the high proportion of exporters that are expecting their prices to increase over the next three months.

Nearly half (49%) of exporting manufacturers and 39% of exporting services firms expect to raise their prices, up from 41% and 34% respectively in Q3 2018.

Weaker sterling is also pushing the cost of raw materials up for exporters, with 84% of manufacturers saying that they are a source of pressure driving prices. For services, other overheads such as office rents is the leading source of price pressure (59%).



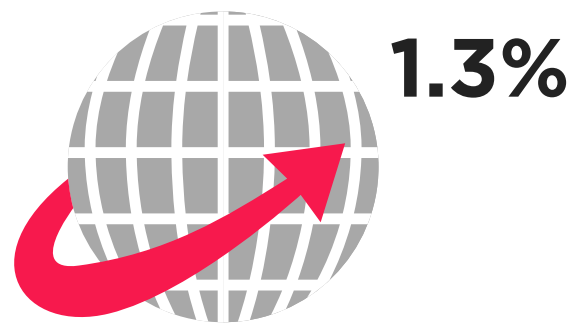
TRADE & ECONOMIC OUTLOOK

The Global Economy

The International Monetary Fund (IMF) has downgraded its growth outlook for the global economy for 2019 and to 3.5%, down from its previous forecast of 3.7%. 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 3.4% in Q3 2018, slower than the growth of 4.2% recorded in the previous quarter. China's economy grew by 6.6% in 2018, the slowest pace of growth since 1990 and down from growth of 6.8% in the previous year.

The UK economy grew by 0.2% in Q4 2018, down from the 0.6% growth recorded in the previous quarter. For 2018 as a whole, the UK economy grew by 1.4%, the weakest growth since 2009. The BCC currently expects that the UK economy will grow by 1.3% in 2019 and by 1.5% in 2020.

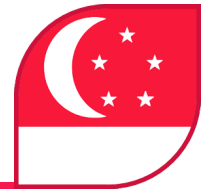
BCC UK Growth Forecast for 2019



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. The UK's total trade deficit widened by £8.4 billion to £32.3 billion between 2017 and 2018, due mainly to a £7.2 billion increase in services imports. The BCC currently expects that UK exports will grow by 2.2% in 2019 and by 2.3% in 2020.





FACT SHEET: SINGAPORE

Why Singapore?



Economic snapshot (% annual growth rate)

	2019	2020	2021
GDP	2.5	2.7	2.7
Export of goods and services	3.8	3.9	3.9
Import of goods and services	4.0	4.5	4.5
Inflation	1.4	1.4	1.4
Current account balance (% of GDP)	18.3	17.3	17.5

Source: International Monetary Fund, World Economic Outlook Database

Opportunities for UK businesses

The United Kingdom is the most significant European investor in Singapore. The principal exports to the country are transport equipment; financial, business and insurance services; manufactured goods; and intellectual property. There is also substantial construction demand, stemming from public housing developments, civil engineering projects, and expansions in port and rail infrastructure. Government investment in education is expected to double to SGD\$1 billion by 2020, producing high-value opportunities for UK businesses in this sector.

Strengths of the Singaporean market

- Places second on the World Bank's Ease of Doing Business rankings, and is the world's fourth largest financial centre
- Strong convergence with UK technical standards, regulatory frameworks and business practices, including Asia's strongest Intellectual Property (IP) protections
- Proximity to and bilateral free trade agreements with 32 key Asian markets, and the UK's largest trading partner in Southeast Asia and has a EU-Singapore free trade agreement

Cultural tips

There is an expectation of rapid, timely delivery in Singapore, which is underpinned by a culture of dynamism and a strong work ethic.

Customs information

The General Sales Tax (GST) rate is 7% of the commercial invoice, pro-forma invoices are not accepted.

De minimus value: SGD 400

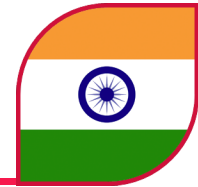
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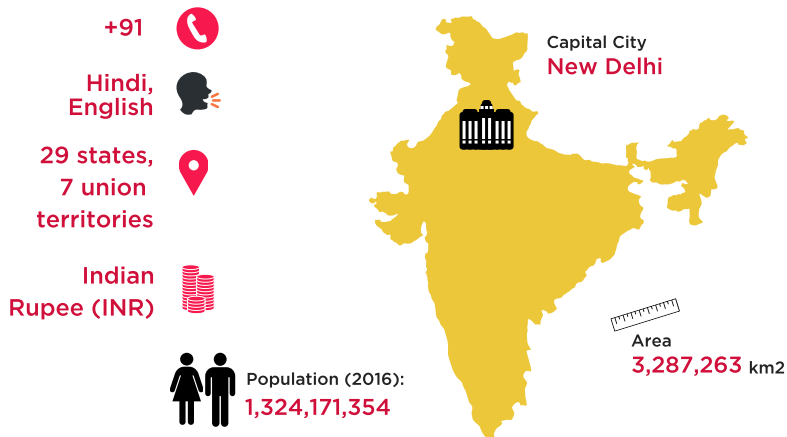
www.britcham.org.sg





FACT SHEET: INDIA

Why India?



India is the world's largest democracy, its third largest economy, and the fastest growing member of the G20.

Foreign direct investment (FDI) inflows have increased by three times the global average in the last decade, while GDP per capita has doubled during this period. The implementation of macroeconomic reforms and infrastructural investments contribute to a robust economic outlook, with projected annual growth reaching 7% over the next two years.

Economic snapshot (% annual growth rate)

	2019	2020	2021
GDP	7.4	7.7	7.7
Export of goods and services	8.0	8.1	8.1
Import of goods and services	8.1	9.1	8.7
Inflation	4.9	4.6	4.3
Current account balance (% of GDP)	-2.5	-2.4	-2.4

Source: International Monetary Fund, World Economic Outlook Database

Opportunities for UK businesses

The diversification of the Indian economy creates a range of opportunities for UK businesses, particularly in the financial and professional services, construction and advanced engineering, energy, and digital innovation sectors. The healthcare industry is also undergoing rapid development, with revenues doubling between 2013-18. This has been spurred by large scale public investments in skills and training, the liberalisation of health insurance and FDI regulation, and the expansion of Indian biotech and pharmaceutical companies.

Strengths of the Indian market

- Third highest level of internet literacy in the world, with over 500 million users
- Large scale infrastructural investment of USD\$1 trillion between 2015-2020, in roads, airports, energy, urban regeneration and smart cities, and ports
- Strong regulatory convergence and linguistic ties with the United Kingdom
- Young, increasingly educated labour force, with the working-age population expanding by 14 million per year

Cultural tips

There is an emphasis on relationship-building, flexibility and the development of trust in business engagements.

Customs information

All shipments require the recipients KYC documents (Government recognised identity and address proof) to be presented to Customs during shipment clearance.

De minimus value: 10,000 INR for bonafide gifts and samples only

UK-India Business Council

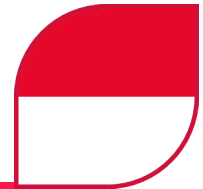
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UK INDIA
BUSINESS COUNCIL

FACT SHEET: INDONESIA



Why Indonesia?



Indonesia is currently the world’s fourth most populous country, its 16th largest economy, and the only G20 member in South East Asia.

It has experienced considerable economic growth in recent decades, halving the poverty rate and quadrupling GDP per capita since 2000. This has been primarily driven by productivity improvements and the services sector, which accounts for roughly half of overall output.

Economic snapshot (% annual growth rate)

	2019	2020	2021
GDP	5.1	5.2	5.3
Export of goods and services	5.0	7.6	7.9
Import of goods and services	5.4	7.5	7.7
Inflation	3.8	3.8	3.4
Current account balance (% of GDP)	-2.4	-2.3	-2.2

Source: International Monetary Fund, World Economic Outlook Database

Opportunities for UK businesses

The UK is Indonesia’s seventh largest source of investment, while trade in goods accounted for £559 million in 2016. The primary UK exports to Indonesia are machinery and transport equipment, chemical products, and crude materials. There has been significant public investment in transport infrastructure; defence, security and aviation technologies and services; as well as the educational sector; which generates new opportunities for British businesses in these areas.

Strengths of the Mexican Market

- Gateway to the Association of Southeast Asian Nations (ASEAN) free trade zone, comprising 40% of the bloc’s overall economy and hosting its headquarters
- Large scale public investment in education, with the government allocating 20% of the state budget to this area in 2017
- Rapidly expanding consumer class, fuelling strong domestic demand

Cultural tips

- The patient establishment of a relationship of trust is central to successful commercial engagement in Indonesia.

Customs information

All non-document shipments must be accompanied by a detailed commercial invoice and packing list.

De minimus value: 50USD

British Chamber of Commerce in Indonesia

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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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