

QUARTERLY INTERNATIONAL TRADE OUTLOOK **Q3 2019**

BRITISH CHAMBERS OF COMMERCE
IN PARTNERSHIP WITH DHL





FOREWORD: BCC & DHL



Dr Adam Marshall Director General, British Chambers of Commerce

A healthy manufacturing sector must be at the core of a strong and more balanced economy. So we should be concerned that this, the UK's biggest survey of the UK's manufacturing export performance, has revealed a steady downward trend this year - with Brexit uncertainty and global trade tensions impacting firms across the UK and in our key export markets. This quarter's data shows an unsettling acceleration of that process.

With sales and orders well into negative territory, the next government will need to move fast to introduce some certainty and restore business confidence. This requires substantial investment in skills and infrastructure, action to cut the costs of doing business, and an open and ambitious approach to international trade.

Most importantly, the stalemate and confusion over Brexit needs to end, with no-deal ruled out as a destination. Without urgent clarity around our future trading relationship with the EU, firms across the UK will increasingly struggle to fill order books, and jobs and prosperity in many of our communities could be at risk.



Shannon Diett - VP of Marketing, DHL Express UK

This quarter's report shows clearly that it continues to be a challenging environment for UK exporters. However, despite these headwinds, efforts made by businesses to maintain focus on expansion have translated into an encouraging rise in the Trade Confidence Index.

Whether expanding to new markets within the EU or elsewhere in the world, diversifying the portfolio of countries in which you operate will help stabilise your business in the coming months and provide a future engine for growth. In this regard a number of non-traditional markets, such as Sweden and Japan present a significant opportunity for UK exporters.

Working with logistics providers to ensure the transition to any new trade arrangement is as smooth as possible will be vital for exporters looking to mitigate the uncertainty and thrive into the future.

Along with broadening exposure to more markets, taking simple actions like ensuring you are electronically transmitting your customs documentation or sharing your EORI number with your shipper is advisable regardless the ultimate outcome.





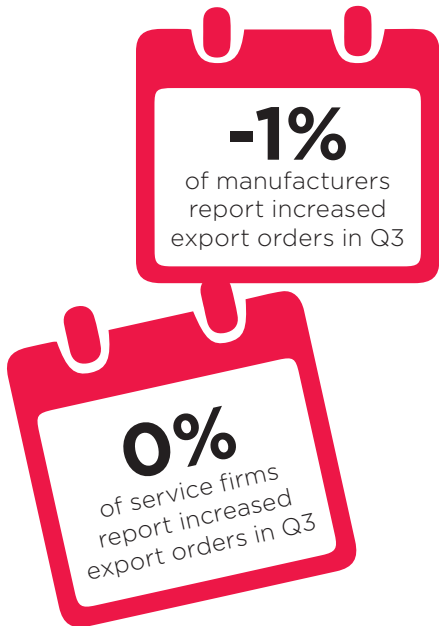
SURVEY DATA: EXPORT SALES

Majority of exporting manufacturers report drops in orders...

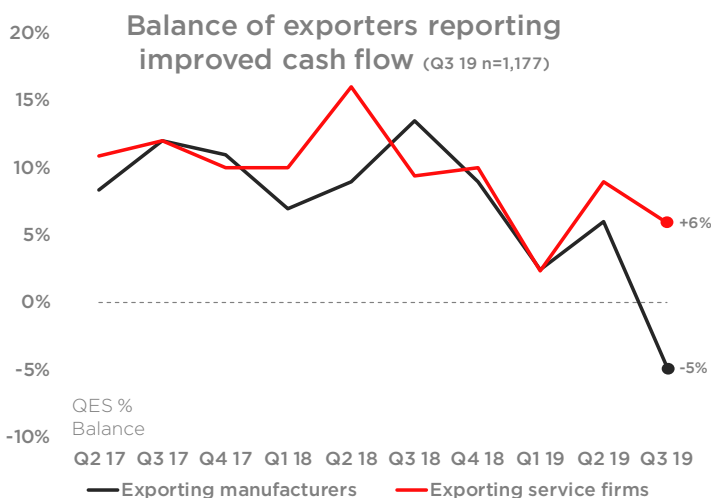
The Quarterly International Trade Outlook survey, based on the responses of over 3,200 exporters, reveals that indicators for exporting manufacturers in Q3 2019 have undergone large declines, with the key indicator for export orders now in negative territory.

The percentage balance of exporting manufacturers reporting an increase in export orders fell to -1%, down from +9% in the previous quarter. The balance of those reporting increased domestic orders fell to -4% in Q3, down from +8% in Q2.

For exporting service sector firms, a balance of zero per cent reported an increase in export orders, down from +5% in Q2 2019.



...while the indicator for cash flow falls firmly into negative territory



The Quarterly International Trade Outlook results show a worsening cash flow position for many exporting manufacturers, reflecting tougher domestic trading conditions, global trade tensions, and ongoing political uncertainty.

The balance of exporting manufacturers reporting improved cash flow stood at -5% in Q3 2019, down from +6% in Q2. In Q3 2018, one year ago, the balance stood at +13%.





BCC/DHL TRADE CONFIDENCE INDEX

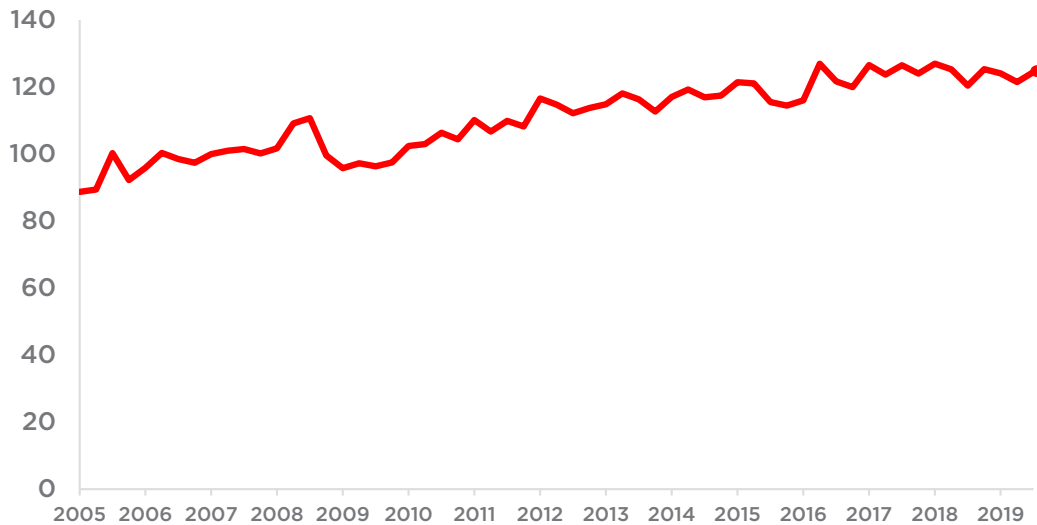
BCC/DHL Trade Confidence Index

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.



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.



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TRADE & ECONOMIC OUTLOOK

Trade and economic outlook

The Global Economy

The International Monetary Fund (IMF) has downgraded its growth outlook for the global economy for 2019 to 3.0%, from 3.2% and for 2020 to 3.4%, from 3.5%.

The Eurozone economy grew by 0.2% in Q3 2019, unchanged from the previous quarter. The US economy grew at an annualised rate of 1.9% in Q3 2019, slightly weaker than the growth of 2.0% recorded in the previous quarter. China's economy grew by 6.0% in the third quarter, the weakest growth since Q1 1992 and down from growth of 6.2% in Q2.

The UK economy grew by 0.3% in Q3 2019, up from the contraction of 0.2% recorded in the second quarter. The BCC currently expects that the UK economy will grow by 1.2% in 2019, by 0.8% in 2020 and by 1.2% in 2021.



BCC UK Growth Forecast for 2019



1.2%

International Trade

The World Trade Organisation currently forecasts world trade growth of 1.2% this year and by 2.7% in 2020.

The UK's trade deficit (goods and services) narrowed by £5 billion to £6.4 billion in Q3 2019, largely due to rising exports.

The BCC currently expects that UK exports will grow by 1.3% in 2019 and by 1.3% in 2020.



FACT SHEET: SWEDEN



Sweden was ranked as the leading EU country for innovation in 2018

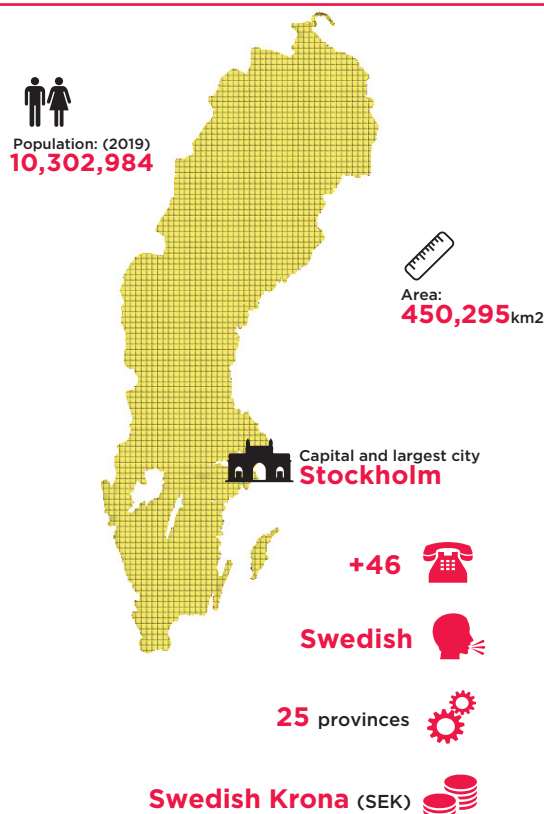
Sweden is a global leader in innovation thanks to a collaborative environment and a highly skilled workforce with problem-solving minds. Manufacturing clusters within industries as complex and diverse as automotive, aerospace, defence, and life sciences, have a long historical presence with high productivity.

Key opportunity for UK businesses

Sweden has an increasing demand for energy, which will create future business opportunities for British companies. By 2020 it is expected to need an additional 1.3 gigawatts (GW) in energy supply. The Swedish government's target of zero reliance on fossil fuels by 2030, has seen a large expansion of solar, water and wind power in recent years. By 2020, Sweden is forecast to get 62% of its energy from renewable sources. The instalment of 457 new wind turbines in 2013 shows the demand and potential of the market.

Message from the British-Swedish Chamber of Commerce

Christina Liljestrom, Secretary-General of the BSCC: "A lot of business is conducted in English in Sweden. Sweden is a relatively small place and people tend to know each other, which is a very important reason for belonging to a Chamber of Commerce, to ensure businesses have a relevant point of reference in Sweden. The British-Swedish Chamber of Commerce offers a dynamic and generous platform for networking, sharing knowledge and promoting companies. We bring the right people together at our 30 annual events, and we work actively with referrals and introductions."



| Economic snapshot (% annual growth rate) | 2019 | 2020 | 2021 |
|--|------|------|------|
| GDP | 0.9 | 1.5 | 2.1 |
| Export of goods and services | 4.0 | 1.8 | 2.7 |
| Import of goods and services | 2.1 | 2.3 | 2.9 |
| Inflation | 1.7 | 1.5 | 1.6 |
| Current account balance (% of GDP) | 2.9 | 2.7 | 2.7 |

Source: International Monetary Fund, World Economic Outlook Database

Sweden

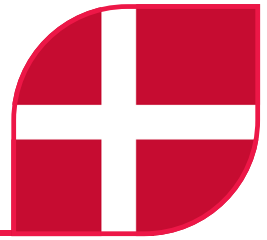
British-Swedish Chamber of Commerce

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EST.1954



FACT SHEET: DENMARK

Denmark is ranked third in the world for ease of doing business

There is a long history of trade between Denmark and the UK. The main industries involved are food, energy, transport medicines and financial services. Denmark is in the top 10 source countries for Foreign Direct Investment into the UK.

Key opportunity for UK businesses

There are significant opportunities for cooperation in wind energy as suppliers and subcontractors to the Danish Wind Energy industry. Denmark has a well-educated workforce and a very flexible labour market. Many companies use English as their working language and English fluency across the workforce is extremely high. This makes Denmark an attractive location for companies wanting a presence in mainland Europe.

Message from British Chamber of Commerce in Denmark

Gareth Garvey, CEO of British Chamber of Commerce in Denmark: “The British Chamber of Commerce in Denmark is well positioned and well connected to provide companies considering the Danish market with support in doing business in Denmark and by helping them make relevant business connections. We can facilitate simple meetings, targeted events and conferences.”

Area: **42,933** km²

Population (2019): **5,814,461**

Capital and largest city: **Copenhagen**

+45

Danish

5 regions

Danish Krone (DKK)

| Economic snapshot (% annual growth rate) | 2019 | 2020 | 2021 |
|--|------|------|------|
| GDP | 1.7 | 1.9 | 1.7 |
| Export of goods and services | 1.8 | 2.3 | 2.2 |
| Import of goods and services | 2.2 | 2.4 | 2.5 |
| Inflation | 1.3 | 1.5 | 1.8 |
| Current account balance (% of GDP) | 5.5 | 5.2 | 5.0 |

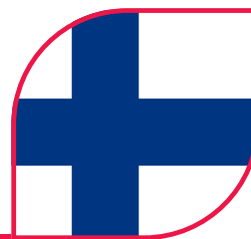
Source: International Monetary Fund, World Economic Outlook Database

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FACT SHEET: FINLAND



Finland is a world leader in digitalisation and innovation

Finland has an affluent, highly educated and technologically sophisticated population. British quality products are well received and the UK brand is well known in the country. Total trade in goods and services (exports plus imports) between the UK and Finland was worth £5.7 billion in the year leading up to the end of March 2019 (ONS, 2019).

Key strength of the Finnish market

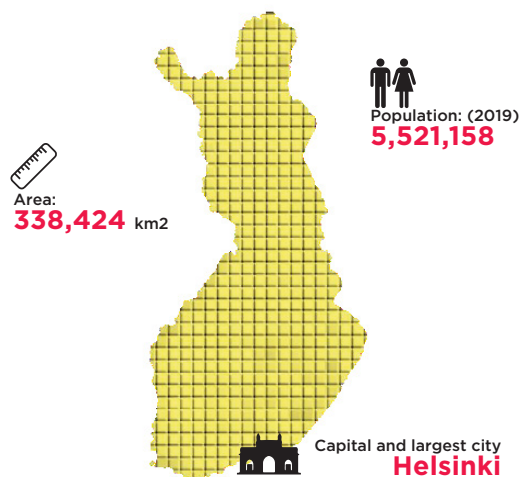
Finland is strategically located at the centre of a developing marketplace that extends from north-western Russia to Scandinavia and the Baltic States. Its location can help UK businesses access wider markets across Northern Europe, and the Port of Helsinki is one of the busiest passenger ports in Europe.

Message from the Chairman of the Finnish-British Trade Association, Alexander Bargum

Alexander Bargum, Chairman of the FBTA: "Finland is an export-driven economy that is dependent on imports of raw materials, components, finished goods and services. International trade therefore plays a central role in all sectors. Business practices are based on trust and transparency, and building networks is relatively easy compared to many other markets."

Message from the British and Commonwealth Chamber of Commerce in Finland

Garry Parker, Charman of the B3CF: "B3CF assists British and other Commonwealth country businesses to establish and grow in Finland, supported by an Experts Group which provides all the services and advice an incoming business would need."



+358

Finnish, Swedish, Sámi

19 regions

Euro (EUR)

Finland

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| Economic snapshot (% annual growth rate) | 2019 | 2020 | 2021 |
|--|------|------|------|
| GDP | 1.2 | 1.5 | 1.5 |
| Export of goods and services | 3.1 | 2.2 | 2.0 |
| Import of goods and services | 2.4 | 2.3 | 2.0 |
| Inflation | 1.2 | 1.3 | 1.5 |
| Current account balance (% of GDP) | -0.7 | -0.5 | -0.5 |

Source: International Monetary Fund, World Economic Outlook Database



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FACT SHEET: NORWAY



In 2018, Norway had the highest Human Development Index rating in the world

As a member of the European Economic Area, Norway has a stable monetary system and a business environment based on a sound economy, with strong protection of all forms of property rights. In 2018, Norway was the UK's 22nd biggest export market and 9th biggest import market for goods and services.

Opportunities for UK businesses

20% of the Norwegian economy comes from oil and gas, with hydropower marine products, forestry & minerals forming important segments. Norway is home to the world's largest sovereign wealth fund, which is managed with a view to ethical investment and invests heavily in property, including in the UK. The Government has identified the Aluminium industry, Health Care, Fisheries and Green Technology as major growth areas.

Message from the the British Norwegian Chamber of Commerce

Prof. David E. Brookes, Chair of the BNCC: "The BNCC serves the interests of companies either already actively doing business between the two Kingdoms, or those seeking entry into the respective markets. It promotes and maintains a viable and influential network in Norway between business and relevant authorities and other bodies, thus enabling both sides of a specific business equation to be put quickly and smoothly in touch with one another."

| Economic snapshot (% annual growth rate) | 2019 | 2020 | 2021 |
|--|------|------|------|
| GDP | 1.9 | 2.4 | 1.6 |
| Export of goods and services | 1.6 | 4.5 | 2.3 |
| Import of goods and services | 3.1 | 2.7 | 2.0 |
| Inflation | 2.3 | 1.9 | 2.0 |
| Current account balance (% of GDP) | 6.9 | 7.2 | 6.9 |

Source: International Monetary Fund, World Economic Outlook Database

Norway
The British Norwegian Chamber of Commerce

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GET IN TOUCH

About the British Chambers of Commerce

The British Chambers of Commerce represents and campaigns for business. Our roots are local, but our reach is global.

We're owned by, and work for, a network of Chambers of Commerce that champion and support our members all across the UK and in countries and markets around the world.

Our unique perspective gives us unparalleled insight into British business communities – every sector, every size, everywhere. They trust us to be their advocates, and we're passionate about helping them trade and grow.

Working together with Chambers, we drive change from the ground up – and our bottom line is helping companies, places and people achieve their potential.

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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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