



QUARTERLY INTERNATIONAL TRADE OUTLOOK **Q1 2018**

BRITISH CHAMBERS OF COMMERCE
IN PARTNERSHIP WITH DHL





FOREWORD: BCC & DHL

Adam Marshall – Director General, British Chambers of Commerce



The latest edition of our Quarterly International Trade Outlook makes it clear that significant labour shortages are one of the key issues currently facing exporting firms.

Difficulties in recruiting the right person for the job continue to affect exporters of all sizes and sectors looking to expand their business. Action to address these skills gaps is needed – and should form part of a much greater focus by governments across the UK on the fundamentals of the domestic business environment. While getting Brexit right is critically important, so too are a range of other issues – including skills and training, infrastructure and digital connectivity – which need to be addressed to help firms reach their potential at home and abroad.

UK exporters report that sales and orders remain positive and fairly stable, which is reflected in the higher volume of trade documentation issued by accredited Chambers of Commerce over this quarter. The Index now stands at the second highest level since records began in 2004 – with strong global growth trends reflected in additional UK goods shipments to non-EU markets across the globe.

The Outlook also shows that price pressures and shifts in exchange rates continue to have an impact on operations for many firms.



Ian Wilson – CEO, DHL Express UK & Ireland

The Trade Confidence Index, increasing by 2.24% on the previous quarter to be the second highest on record, resonates with the success we're seeing from UK businesses trading internationally.

The opportunities available for UK businesses trading with Europe and beyond are incredibly strong, with e-commerce providing unrivalled reach to new customers across the globe. E-commerce is also an option increasingly being taken by B2B businesses in addition to B2C.

There are of course still many challenges for UK businesses, as this report highlights. The skills shortage is a significant concern, which is why it's more important than ever to consider your retention strategies and people development programmes. Brexit is also driving considerable uncertainty, and businesses should broaden their portfolio of international markets to spread risk in these changing times. We join the BCC in pushing for decisions to be made to allow UK exporters to continue trading with confidence, as seamlessly as possible.

BCC/DHL TRADE CONFIDENCE INDEX



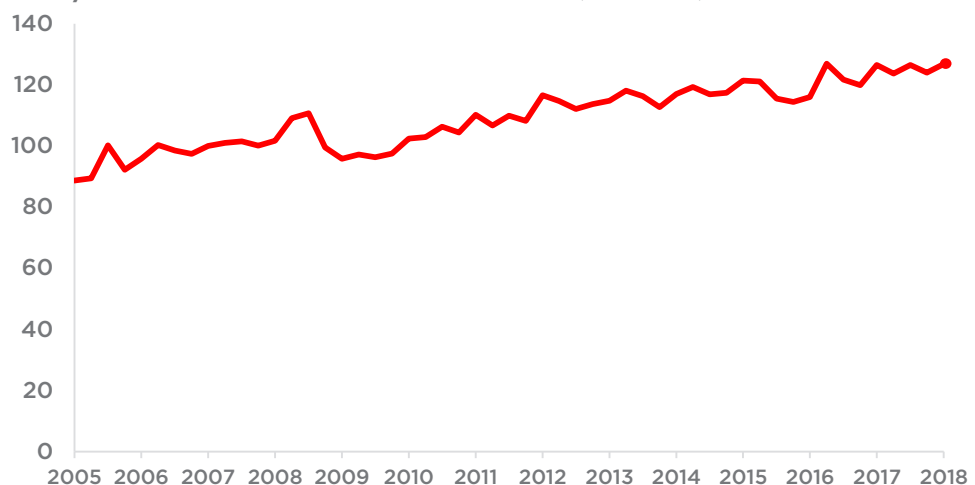
BCC/DHL Trade Confidence Index

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.



The Trade Confidence Index now stands at 126.82. This represents a quarterly increase of 2.2% on Q4 2017 and a yearly increase of 0.2% from Q1 2017.

BCC/DHL Trade Confidence Index (Q1 2007=100)



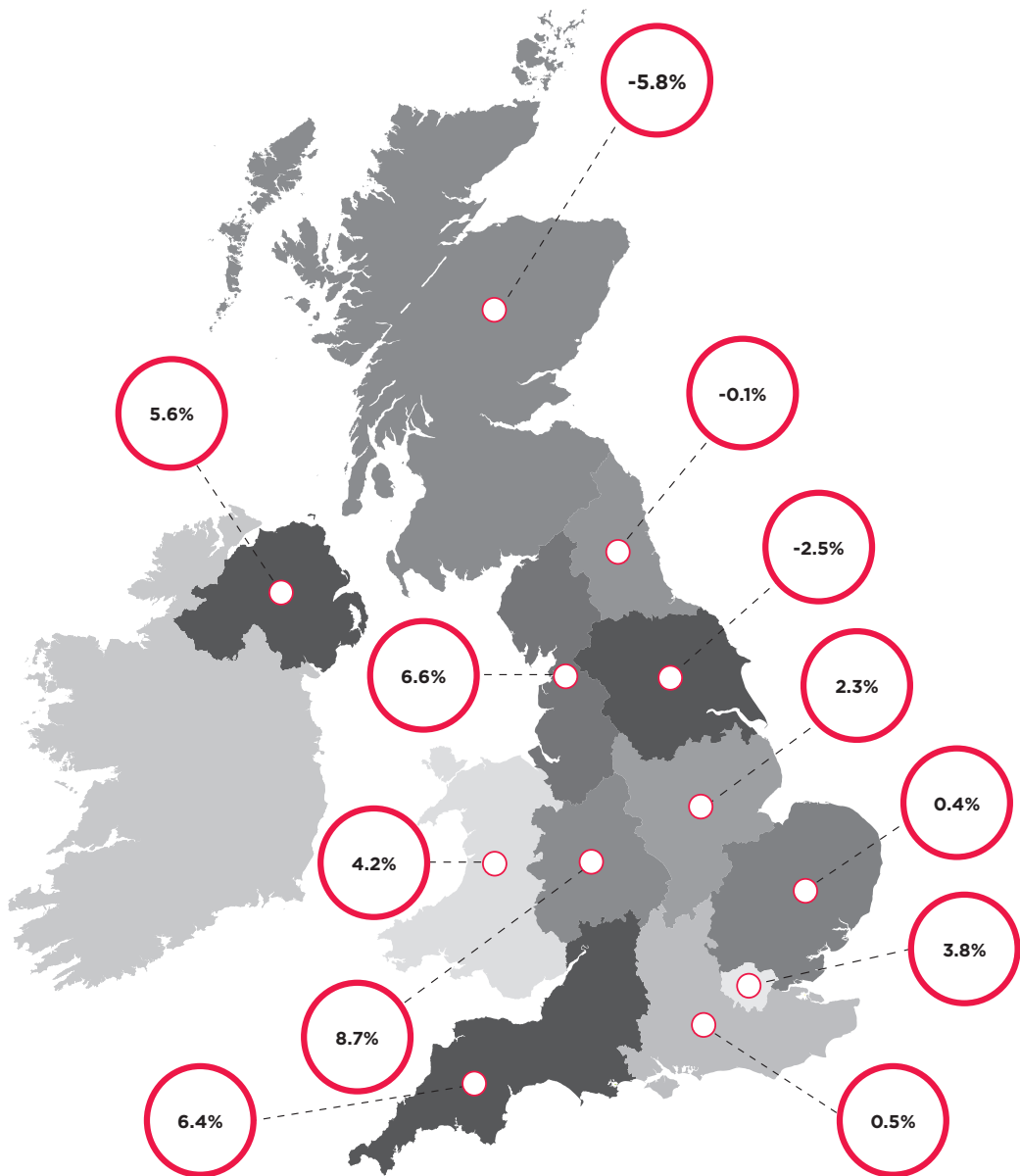
*The index is calculated using the volume of trade documents issued by accredited Chambers of Commerce across the UK. Many types of exports require supporting commercial documentation. Chambers of Commerce issue documentation required for exports outside the EU and as a result have amassed significant 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.



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 2.2% in Q1 2018 compared to the previous quarter, and by 0.2% on Q1 2017. The index now stands at 126.82. Most UK regions and nations saw growth in the volume of export documentation issued to exporters in Q1. The largest quarter-on-quarter increases were in the West Midlands (8.7%), the North West (6.6%), and the South West (6.4%).



SURVEY DATA: EXPORT SALES



Almost half of exporting manufacturers report improved export sales

The Quarterly International Trade Outlook survey, based on the responses of over 3,300 exporters, shows that a greater proportion of exporting manufacturers reported increased export sales, compared to service sector exporters at the start of 2018.

42% of exporting manufacturers and 28% of exporting service firms reported increased export sales in Q1 2018. 42% of exporting manufacturers and 25% of exporting service firms reported increased export orders.

42%

of manufacturers
report improved
export sales in Q1

28%

of service firms
report improved
export sales in Q1

Many exporters still face recruitment difficulties



The Quarterly International Trade Outlook also shows that both sectors continue to report recruitment difficulties. Across the board, almost two-thirds of exporters that tried to recruit reported difficulties in finding the right staff.

In the manufacturing sector, the greatest difficulty was in finding skilled manual and technical labour (66%) and in the services sector, it was professional and managerial levels (53%).



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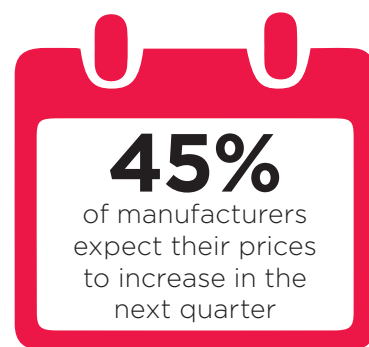
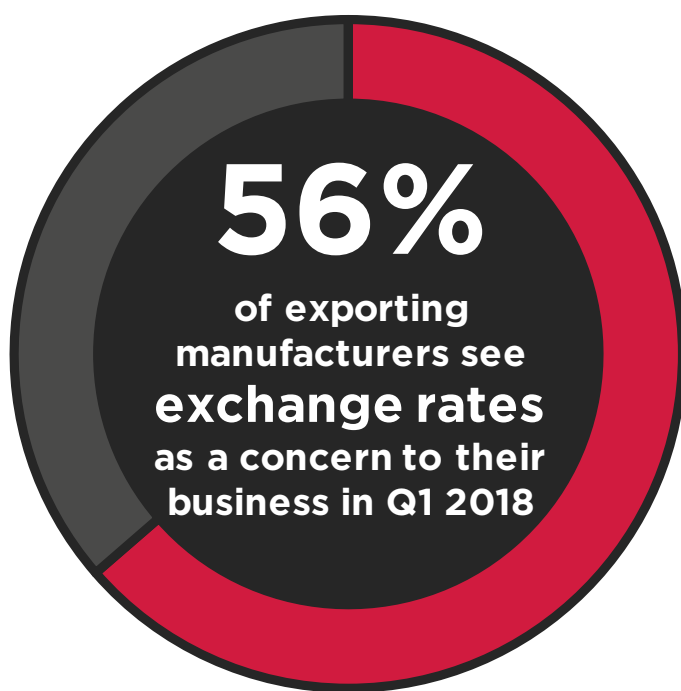


SURVEY DATA: EXCHANGE RATES

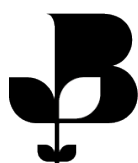
Concern over exchange rates eases but is still historically high

Over the past 18 months, the depreciation of sterling against major currencies has had a major impact on the cost of imported commodities and components, and concern over the impact of exchange rate movements is still high. Just over half of exporting manufacturers report exchange rates as a key concern to their business.

The survey also finds that 45% of exporting manufacturers and 37% of service firms expect the price of their products and/or services to increase in the next quarter. The vast majority of exporting manufacturers (82%) cite the cost of raw materials as a source of price pressure.



Service sector exporters n=1,279
Manufacturing sector exporters n=2,087



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TRADE & ECONOMIC OUTLOOK



Trade and economic outlook

The Global Economy

The International Monetary Fund (IMF) has upgraded its outlook for the global economy for 2018 to 3.9%, from its previous forecast of 3.7% made in October 2017. If realised this would be the strongest rate of global GDP growth since 2011. The Eurozone economy grew by 0.4% in Q1 2018, down from growth of 0.7% in the previous quarter.

The first estimate of US GDP recorded annualised growth in the US economy of 2.3% in Q1 2018, the slowest rate since Q1 2017 and lower than the growth of 2.9% recorded in Q4 2017. In annual terms, China's economy grew by 6.8% in Q1, unchanged from the previous quarter and above the Chinese government's GDP growth target of 6.5%.

The first official estimate of economic growth recorded that the UK economy grew by 0.1% in Q1 2018, the weakest outturn since Q4 2012 and down from the 0.4% growth recorded in the previous quarter. The BCC currently expects the UK economy to grow by 1.4% in 2018, by 1.5% in 2019 and by 1.6% in 2020.

International Trade

The World Trade Organisation (WTO) is currently expecting world trade growth of 4.4% this year, before slowing to 4% in 2019. The UK's total trade deficit in goods and services narrowed by £0.7 billion in Q1 2018.

The BCC currently expects UK exports will grow by 3.6% in 2018 and by 3.4% in 2019.



BCC UK Growth
Forecast for 2018

1.4%



IMF 2018 Global
Growth Forecast

3.9%

UK trade deficit
narrowed by
£0.7bn
in Q1 2018

FACT SHEET: BAHRAIN



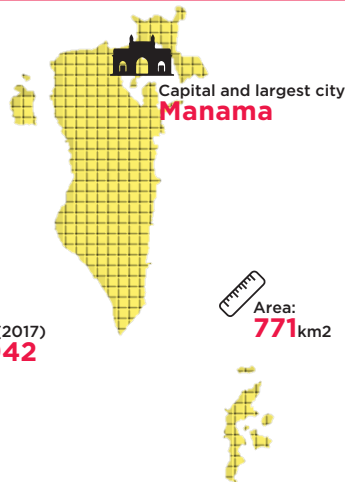
Why Bahrain?

+973

Arabic

4 governorates

Bahraini Dinar (BHD)



Bahrain has the most liberalised economy in the Gulf Cooperation Council (DIT 2015).

A combination of low oil prices and market uncertainties contributed to the readjustment of real GDP growth projections downwards to 1.7% in 2018 and 2.1% in 2019. However, the World Bank expects project spending to increase on the basis of a variety of multilateral and private sector commitments. Bahrain is an important partner for Britain in the Gulf, hosting over 500 active UK commercial agencies and more than 90 branches of UK companies.

Economic snapshot (% annual growth rate)	2018	2019	2020
GDP	3.0	2.3	2.2
Export of goods and services	0.1	4.7	3.8
Import of goods and services	10.0	7.3	6.0
Inflation	2.9	4.9	2.3
Current account balance (% of GDP)	-3.2	-3.3	-3.6

Source: International Monetary Fund, World Economic Outlook Database

Opportunities for UK businesses

Bahrain's main imports from the UK include electronics, optical and photographic equipment, medical instruments, clothing, road vehicles and nuclear reactors. Other areas of growth include professional services sector, infrastructure and manufacturing.

Strengths of the Bahraini market include

- Direct access into Saudi Arabia via causeway.
- The most liberal tax regime in the Gulf.
- Well-regulated financial sector.

Cultural tips

- Expats doing business in Bahrain should be aware of prayer times and schedule business around these.
- The weekend in Bahrain falls on Friday and Saturday and the work week runs from Sunday to Thursday.
- Avoid presenting the sole of your foot directly at another person, as this is considered insulting in Bahrain.

Customs information

All shipments are liable to import charges. The general rate of customs duty is 5% of the value in cost, insurance, and freight (CIF) except for alcoholic beverages (125%) and cigarettes (100%).

Any items offensive to Muslim culture are prohibited – including pork products, milk, and honey. Alcohol and tobacco is limited to samples and can only be sent to registered companies.



Bahrain

Bahrain British Business Forum

+973 1781 3488

bbfmemberships@batelco.com.bh

bbbforum.org

FACT SHEET: EGYPT



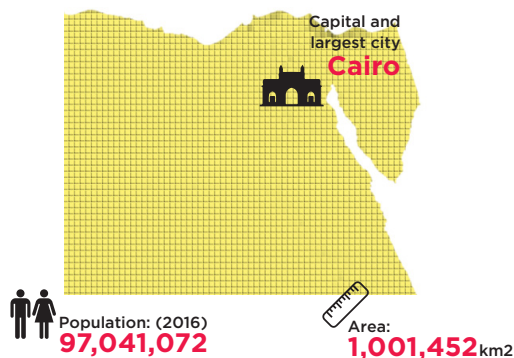
Why Egypt?

+20

Arabic

29 governorates

Egyptian Pound (EGP)



According to the IMF, Egypt faces a favourable economic outlook provided that its macroeconomic reforms are maintained. GDP growth increased from 3.5% to 4.2% from 2015/16, and is projected to strengthen to 4.8% in 2017/18 and 6% in the medium term.

This growth is largely stimulated by public reform and investment in human capital and infrastructure, which provide a range of opportunities for British businesses. Egypt has recently seen a marked improvement in its external competitiveness and business environment, as well as a recovery in tourism.

Economic snapshot (% annual growth rate)	2018	2019	2020
GDP	5.2	5.5	5.8
Export of goods and services	7.7	9.6	7.6
Import of goods and services	-5.5	5.2	5.3
Inflation	20.1	13.0	10.0
Current account balance (% of GDP)	-4.4	-3.9	-3.5

Source: International Monetary Fund, World Economic Outlook Database

Opportunities for UK businesses

The primary UK exports to Egypt are industrial machinery and equipment, medicinal and pharmaceutical products, fruit and vegetables and metalliferous ores and metal scrap. There are potential growth areas in education and training, oil and gas, retail, energy and infrastructure.

Strengths of the Egypt market include

- A young, increasingly educated workforce - 18% of the population is under 25.
- A newly-extended Suez Canal is the hub for world maritime traffic.
- Increasing public investment in education, infrastructure and energy.

Cultural tips

- There is relatively little distinction between business and personal relationships in Egypt, and it is essential to remain flexible and patient.
- No business is conducted on Friday.
- During Ramadan business hours are often reduced, so it is advisable to avoid doing important business during this period.

Customs information



All shipments are liable to import charges. Local sales tax is 10% and duty varies from 5% up to 40%. The valuation method is CIF (cost, insurance & freight).



Ensure weights and number of pieces on waybill and invoice match precisely or a fee will be charged by Customs. Commercial Clearances require legalised Certificate of Origin (when value exceeds \$2000 as per Egyptian Customs regulation), stamped at origin by Egyptian Consulate and Chamber and Commerce.



Egypt

Egyptian British
Chamber of Commerce

+44(0) 20 7499 3100

info@theebcc.com

http://theebcc.com



www.britishchambers.org.uk
@britishchambers

www.dhlguide.co.uk
@dhlexpressuk



FACT SHEET: KUWAIT



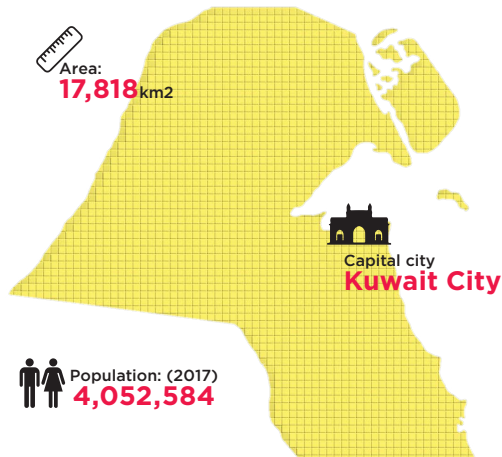
Why Kuwait?

+965

Arabic

6 governorates

Kuwaiti Dinar (KWD)



Measured by GDP per capita, Kuwait is the seventh richest country in the world and one of the UK's most significant trade partners.

The government is currently diversifying its investments beyond oil, which may create opportunities for UK businesses in the region. In particular, there has been a sustained focus on infrastructural investment, which is driven by public-private partnerships (PPPs). The economy is characterised by stability, with low debt, large financial buffers and a well-regulated financial sector.

Economic snapshot (% annual growth rate)	2018	2019	2020
GDP	1.3	3.8	3.9
Export of goods and services	2.5	3.7	3.2
Import of goods and services	-0.4	4.7	4.4
Inflation	0.7	1.6	2.4
Current account balance (% of GDP)	5.8	3.6	2.2

Source: International Monetary Fund, World Economic Outlook Database

Opportunities for UK businesses

The principal UK exports to Kuwait include vehicles, mechanical appliances and machinery, electronics, medical instruments, photographic and cinematographic equipment, pharmaceutical products and clothing. The export of services is steadily increasing, particularly in consultancy and financial services. The government has also recently earmarked £71 billion for investment in infrastructural projects.

Strengths of the Kuwait market include

- There is increasing diversification of the Kuwaiti economy.
- A young, dynamic workforce - more than half of Kuwaiti nationals are under 25.
- Public Private Partnership (PPP) approach for infrastructure projects.

Cultural tips

- The weekend in Kuwait falls on Friday and Saturday and the work week runs from Sunday to Thursday.
- During Ramadan business hours are often reduced, so it is advisable to avoid doing important business during this period.
- Expats doing business in Kuwait should be aware of prayer times and schedule business around these.

Customs information

All shipments are liable to import charges. The general rate of customs duty varies from 0-5%; the average is 4.56% of the value in cost, insurance, and freight (CIF).

All shipments must have an original detailed commercial /pro-forma invoice with the country of manufacturer clearly stated & stamped by the shipper. Any shipment above USD 3000 (CIF: cost, insurance & freight) or above 100 kgs must also have an original Certificate of Origin issued by Chamber of Commerce at origin.



Kuwait

Kuwait British Business Centre

+96594967063

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 53 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.

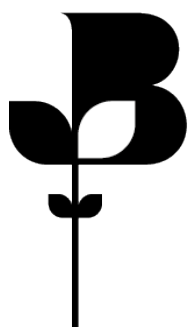
In the UK, our network brings together over 75,000 member businesses, and engages with a further 200,000 non-member companies each year. Chambers help exporters to navigate a regulatory environment that is subject to constant change within and between countries, to overcome an otherwise time-consuming and costly process.

Chambers can help a company to evaluate their products and services for export, select markets that could be successful and ensure 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 interests of UK exporters and importers. An international network of Chambers of Commerce across the world is also utilised through local Chambers who have memoranda of understanding in place to provide a soft landing for UK businesses in key trading locations.

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



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Commerce**

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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:

David Bharier, Business Insight Manager
d.bharier@britishchambers.org.uk

The British Chambers of Commerce
 65 Petty France
 St James's Park
 London
 SW1H 9EU
 T: 020 7654 5800

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

DHL International (UK) Ltd
 Southern Hub
 Unit 1, Horton Road
 Colnbrook
 Berkshire
 SL3 0BB

www.britishchambers.org.uk

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