

2ND QUARTER 2015

BRITISH CHAMBERS OF COMMERCE
IN PARTNERSHIP WITH DHL
QUARTERLY
INTERNATIONAL
TRADE
OUTLOOK



British
Chambers of
Commerce



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 this outlook

The BCC/DHL Quarterly International Trade Outlook sets out the opportunities and risks facing British companies as they trade with the world – with a particular focus on timely information on dynamic new markets. It features the DHL/BCC Trade Confidence Index (TCI) which is a measure of the UK’s exporting health. It builds on the role of accredited Chambers of Commerce – the UK’s premier private-sector providers of international trade support to business – and the modelling expertise of Oxford Economics, who have provided all the economic and trade forecasts presented in this publication.

Foreword

by John Longworth

Director General, British Chambers of Commerce



In 2012, the Prime Minister challenged UK businesses to reverse the country’s trade deficit by doubling UK exports to £1 trillion by 2020. However, the latest data show that if we continue at current growth rates we are not likely to reach this target until 2034. British businesses can rise to the challenge, but we need to see a revolution in exports too.

Increasing UK exports isn’t just an exercise in raising revenue for the Treasury - it is also the best chance we have of meeting the Chancellor’s goal of the UK becoming the wealthiest G7 member by GDP per capita in the 2030s.

The results of the Quarterly International Trade Outlook (QITO) for Q2 2015 show that while confidence among exporters is rising, businesses are struggling to get access to the skills and finance they need to grow.

Businesses and schools need to work together to ensure young people have a better understanding of the business world and the skills to succeed in it, including foreign languages and better cultural understanding.

The accredited Chambers of Commerce are playing their

part to help UK businesses gain access to overseas markets. Our growing Global Business Network offers local contacts and in-market expertise to help UK businesses make their first steps into exporting.

The British Chambers of Commerce will continue to grow our Global Business Network and deliver real, practical and sustainable support to UK exporters around the world. As the Cole Commission report stated this summer, no other organisation has the same local and international footprint, infrastructure, or the entrepreneurial flexibility needed to help small and medium-sized companies meet their export and trade ambitions.

Foreword

by Phil Couchman

CEO, DHL Express UK & Ireland



The confidence expressed by UK businesses in this quarter continues to be high and is encouraging to see. Increasing numbers of manufacturing exporters are confident that turnover and profitability will increase over the next 12 months, indicating that UK manufacturers are competing well in the challenging global landscape.

The volume of export documentation issued by the Chambers indicates Q2 success for exporters in the North East, showing an increase of 6.15%, with the West Midlands following at +3.57% and Scotland at +3.45%. As the Government continues to invest in regional devolution projects such as the creation of the ‘Northern Powerhouse’, we will hopefully see increasing success on a regional basis over the coming year.

One challenge that this report highlights is the difficulties that exporters are experiencing when recruiting skilled and professional staff. In Q1 we saw that an increasing number of businesses were looking to hire new staff in Q2 – a positive ambition. However, in this quarter we learn that there are real shortfalls in the number of appropriately skilled workers

available, with 68% of exporters reporting difficulties in hiring.

Finding and developing people is a common business challenge, faced by businesses of all sizes and across many sectors. However, it’s something we can all play a part in to help ensure that the UK has the workforce it needs to support our continued dedication to growing the economy and competing in all sectors on a global scale. One way that we do that at DHL is through our apprenticeship programme, which we’ve found highly beneficial as the programme allows us to support young people to move into a successful career and also means that we can bring them fresh into the business and develop them into the talent that we, and simultaneously the UK workforce, need.



The DHL/BCC Trade Confidence Index (TCI) is a measure of the UK's exporting health. By analysing trends in trading activity and key factors of exporting firms' performance, the TCI gives a truly comprehensive picture of the UK's internationally-trading business community. The TCI is generated from two data sources: the BCC's Quarterly Economic Survey (**Confidence Indicator**) and Chamber documentation services (**Volume of Export Documentation**).

EXPORT INDEX OVER THE PAST YEAR (2007=100)				
Q2 14	Q3 14	Q4 14	Q1 15	Q2 15
119.27	116.93	117.43	121.43	121.09

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. (Further details can be found in the methodology on page 26).

CONFIDENCE INDICATOR

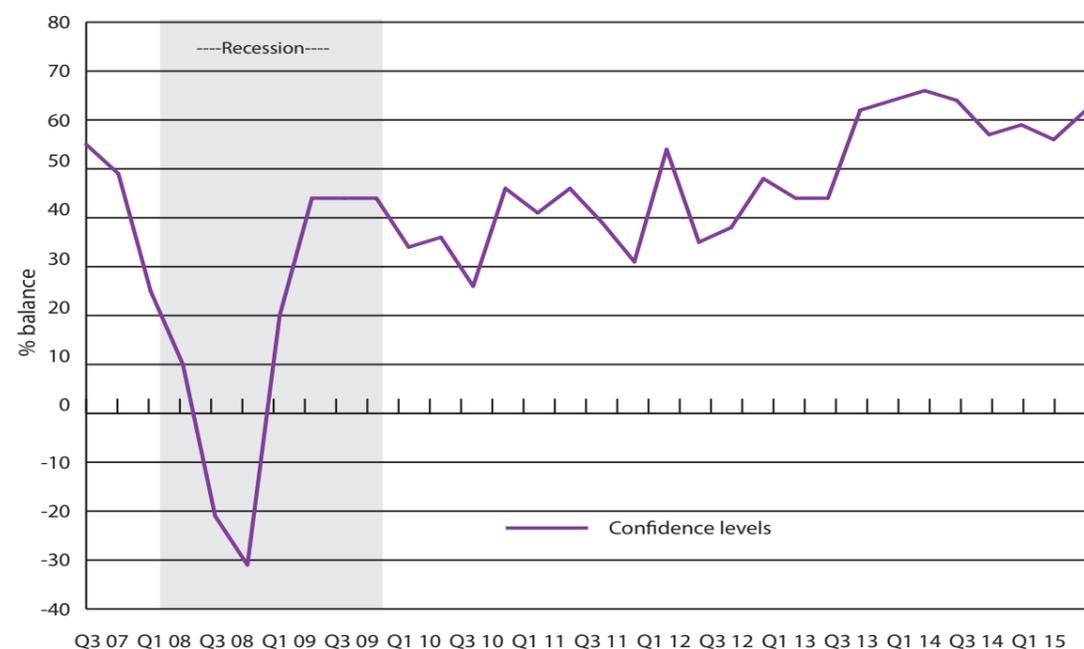


Figure one: Balance of firms who are confident that turnover will improve over the next 12 months

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

- Both the manufacturing sector and service sector saw high levels of business confidence in Q2. A growing number of manufacturing exporters are confident that their turnover and profitability will improve over the next 12 months.

- The volume of trade documents issued saw a slight decline on the previous quarter, but remains very high by historical standards.
- The index number used to calculate the volume of trade documents issued by Chambers of Commerce across the UK now stands at 121.09 in Q2 2015.

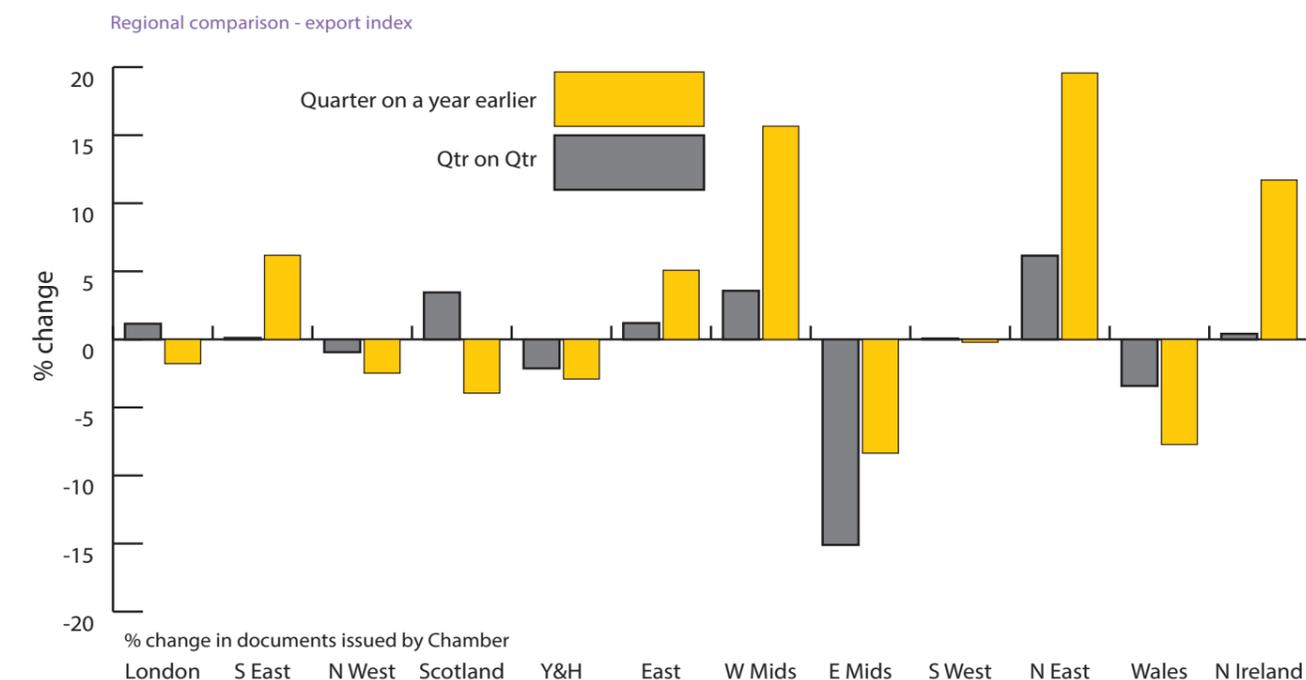
National

There was a slight decrease in the volume of trade documents issued on the quarter. The index now stands at 121.09 in Q2 2015. This represents a decline of 0.3% on Q1 2015, but an overall increase of 1.5% on the same quarter in 2014. This quarter's index is the second highest outturn on record.

	Index number 2007=100	Percentage Change (%)	
		Recent quarter compared to last year	Recent quarter compared to previous quarter
Volume index of export documentation	121.09	1.5%	-0.3%

Regions and Nations

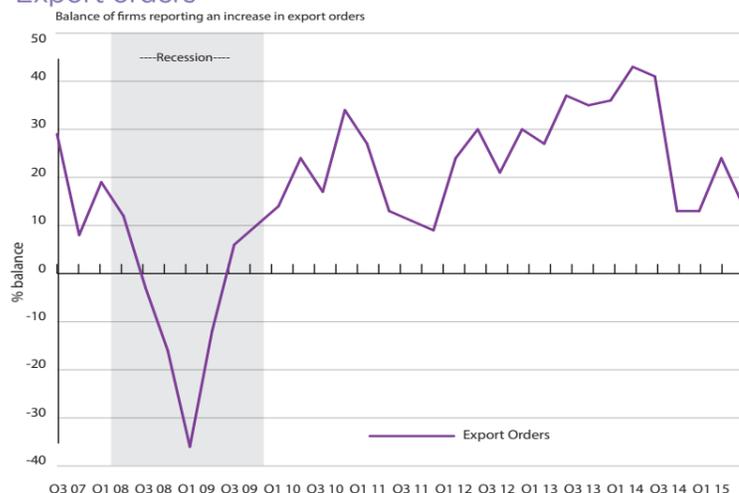
The regions and nations of the UK continued to see a mixed picture. The largest quarterly increase was recorded in the North East (+6.15%). This was followed by the West Midlands (+3.57%) and Scotland (+3.45%). The biggest declines were in the East Midlands (-15.10%), Wales (-3.42%), and the North West (-0.94%).



Export and confidence balances

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

Export orders

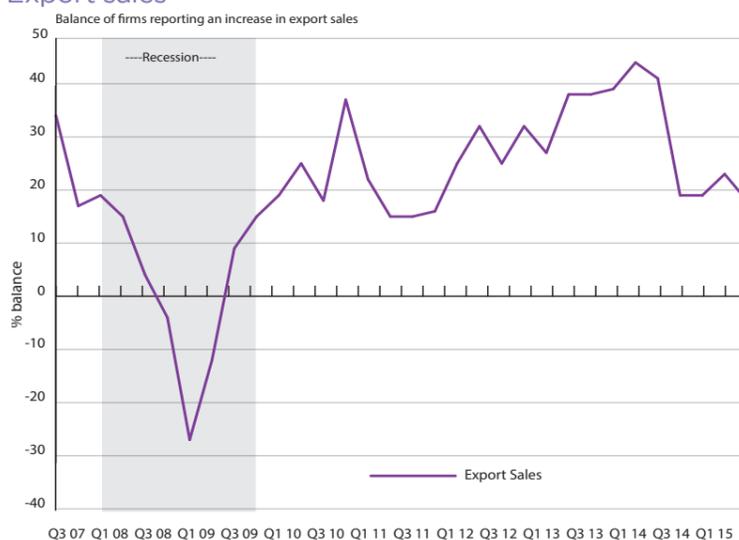


Export orders balance falls on previous quarter

The export orders balance fell in Q2 2015 from +24% in the previous quarter to +14%. The lowest figure on record was -36% in Q1 2009.

Further breakdown of the export orders balance shows that 31% of exporters reported that their export orders had increased in Q2 2015, while 15% of respondents stated they decreased, and 53% stated that orders remained constant.

Export sales

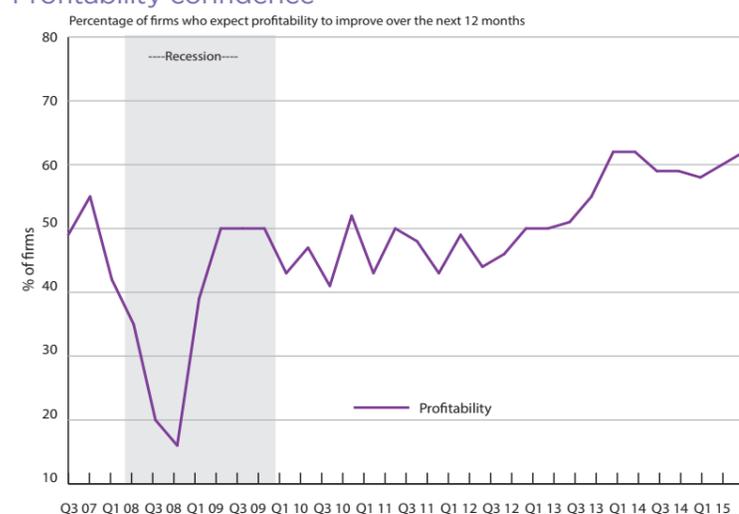


Export sales indicator shows slowdown in growth

The export sales balance fell to +18% in the second quarter of 2015, down from +23% in the previous quarter. The lowest figure on record was -27% in Q1 2009.

Further breakdown of the export sales balance shows that 33% of exporters reported that their export orders increased in Q2 2015, with 15% reporting that export sales had decreased and 52% reporting that they had remained constant.

Profitability confidence



Profitability confidence continues to rise among exporters

Exporters' confidence that their profitability will improve over the next twelve months increased to +51% from +50% in the previous quarter, the highest level since Q1 2014.

Further breakdown reveals that 62% of exporters expect profitability to increase, with a further 27% expecting no change, and 11% expecting profitability to worsen.

Recent performance

Q2 2015

Economy

Global

The US economy contracted by 0.2% over Q1 2015, down from growth of 2.2% in Q4 2014. China grew at an annual rate of 7% in the second quarter of this year, according to official figures. The Eurozone economy grew by 0.4% in Q1 2015, unchanged from the previous quarter.

UK

The UK economy grew by 0.7% in the second quarter of 2015, higher than the 0.4% recorded in the previous quarter. In annual terms, the UK economy grew by 2.6% in Q2 2015 compared to 2.9% in Q1 2015. The service sector remains the key driver of economic growth in the UK.

Trade

Global

Global trade grew by 2.8% in 2014, far less than an original forecast of 4.7%. Several factors contributed to the sluggishness of trade and output in 2014 and at the start of 2015, including slowing GDP growth in emerging economies and uneven recovery in developed countries.

UK

The UK trade deficit on goods and services in June 2015 was £1.6bn, compared with £0.9bn in May. There was a deficit of £9.2bn on goods, partially offset by a surplus of £7.6bn on services. In the three months to June 2015, exports to the EU were 9.8% lower than in the same period last year, while exports to non-EU countries were 14.4% higher.

Outlook

Economy

The outlook for the global economy has weakened slightly over recent months, with lower than expected growth in a number of major economies in the first quarter of 2015, most notably in the US. A gradual pickup in growth in advanced economies is likely over the coming months but growth in emerging markets and developing economies is expected to slow. Concerns over the outlook for the Chinese economy and the effect of developments in Greece on the wider Eurozone economy remain risks to global economic growth.

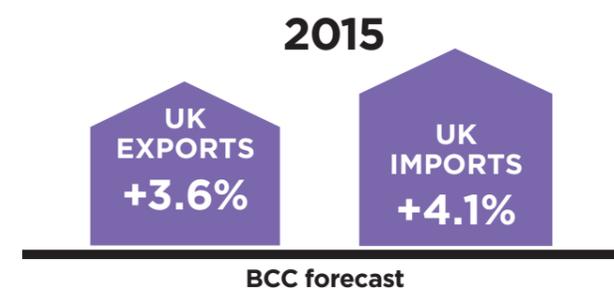
Trade

Global

The World Trade Organisation (WTO) forecasts world trade growth in 2015 to expand by 3.3%. Trade growth averaged just 2.4% between 2012 and 2014, the slowest rate on record for a three year period. Trade growth has been disappointing in recent years, due largely to prolonged sluggish growth in GDP following the financial crisis. Looking forward the WTO expect trade to continue its slow recovery.

UK

The BCC forecasts a real net trade deficit of 2.9% of GDP in 2015, before falling slightly to 2.5% of GDP in 2017.



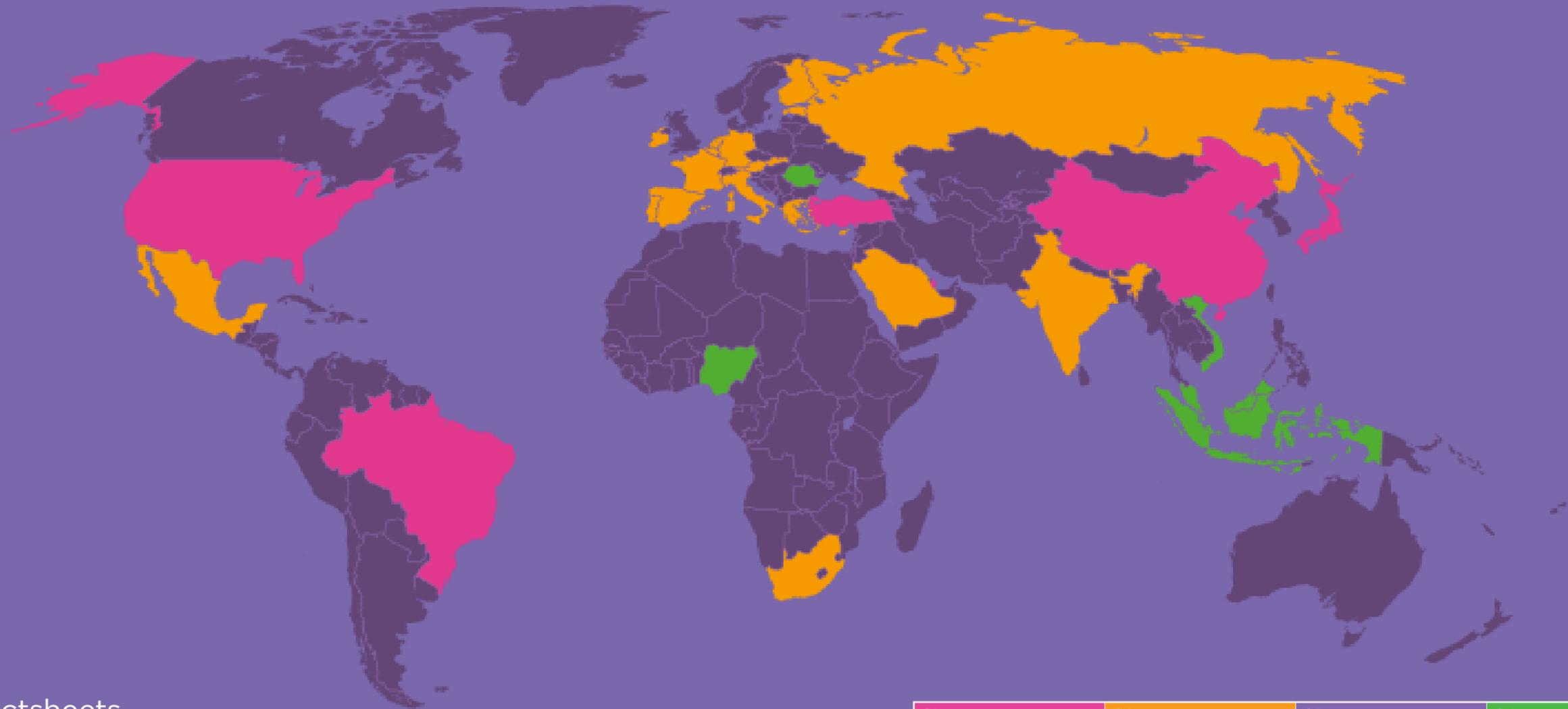
The BCC forecasts that **UK exports will grow by 3.6%** and **imports will grow by 4.1% in 2015**. In 2016, we forecast exports to grow by 2% and imports to grow by 1.5%.

The dynamics of the global economy have changed with a new set of fast-growing markets challenging the position of the established advanced economies. The map below outlines 24 priority markets which are becoming more important in terms of their growth potential and global influence. These countries have been identified to have strong growth prospects and strategic importance for business.

This publication series presents facts and figures in an 'at-a-glance' factsheet for each country. These factsheets are a concise resource for businesses seeking to trade, with easy-to-digest information on the economic outlook, sector growth, trade outlook and business opportunities within those markets.

Please visit our dedicated international trade website to access additional information on trade related information and online versions of the factsheets:

www.exportbritain.org.uk



Country factsheets that will feature over the course of 2015 reports:

Q1	Q2	Q3	Q4
USA	Eurozone	Thailand	Malaysia
Japan	India	Hong Kong	Romania
China	South Africa	Poland	Nigeria
Brazil	Russia	UAE	Indonesia
Qatar	Mexico	Colombia	Singapore
Turkey	Saudi Arabia	South Korea	Vietnam

Established: 1 January 1999
 Members: 19 Members states
 Currency: Euro (€)
 Population: (2014) 338,335,120

The eurozone is an economic and monetary union (EMU) of 19 European Union (EU) member states that have adopted the euro as their common currency. The eurozone currently consists of Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain. Other EU states are obliged to join once they meet the criteria to do so. Monaco, San Marino and Vatican City have concluded formal agreements with the EU to use the euro as their official currency. The Eurozone is Britain's largest export market.

Economic snapshot (% annual growth rate)

	2014	2015	2016-19
GDP	0.9	1.5	1.6
Export of goods and services	3.7	3.6	3.6
Import of goods and services	4.0	4.3	3.8
Inflation	0.4	0.3	1.5
Exchange Rate (Per £)	1.40	1.30	1.20
Population	0.1	0.2	0.1

Source: Oxford Economics

Economic outlook

After a good start to the year there are signs that the Eurozone recovery may have continued to gain momentum in Q2. In all, the recovery remains fragile and vulnerable to shocks. GDP is expected to expand by 1.5% this year and 1.8% in 2016 before slowing gradually thereafter. There are of course risks to this forecast, particularly from Greece.

Trade outlook

Currently China, followed by Middle East, North Africa and Russia are the largest exporters into the Eurozone. Strengthening demand from the US and emerging markets will start to boost Eurozone exports over the coming year. In the medium term, China and the US will become dominant import markets, with the US and UK rising within the ranks of Eurozone export partners.

SWOT analysis

Strengths

World's largest consumer market.

Weaknesses

Debt level.
Trade deficit.

Opportunities

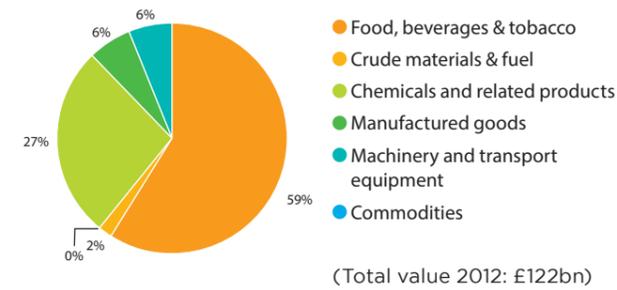
Renewable Energy.

Threats

High unemployment.
Fiscal austerity.

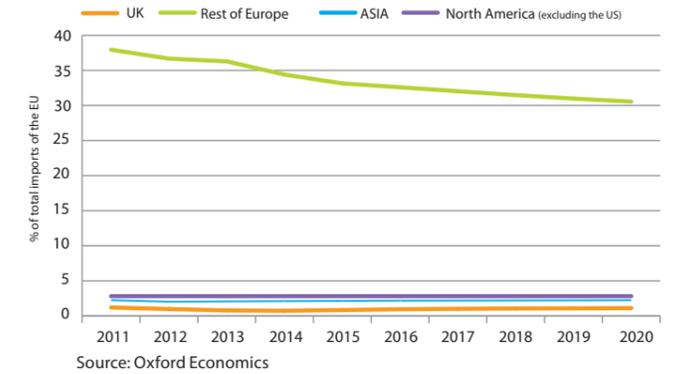
Eurozone's trade with the UK

UK exports to Eurozone (2014) - by major product groups



Source: Eurostat

How UK exports to the Eurozone compare in the long term



DHL Express Customs Top Tips:



European Union (EU)



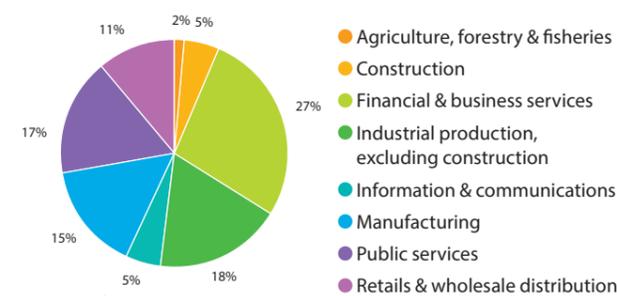
De minimis value (duty free allowance) = USD 30 for shipments sent to the EU from non-EU countries



Trading within the EU is a straightforward process as goods can move across borders without charges being applied.

Sector segmentation growth

Eurozone industrial structure (2021)
Output, value-added, real, % of GDP



Source: Oxford Economics

Sectors to watch:

- Utilities
- Food
- Metal products

Manufacturing

- Aerospace
- Computers & office equipment

Opportunities for UK businesses

The Eurozone's population of 338 million provides many opportunities for UK businesses looking to export to this marketplace. Legislation has made it easier, faster and cheaper to conduct business across the Eurozone. Through the European Free Trade Association (EFTA), neighbouring non-EU countries have close access to the internal market and a range of bilateral agreements make global trade easier for Union members.



Capital: New Delhi
 Largest city: Mumbai
 Administrative divisions: 28 States
 Currency: Indian rupee (INR)
 Area: 3,287,263 km²
 Population: (2012) 1,210,193,422
 Calling code: +91
 Official language: Hindi, English

Ease of trading across borders

Importing a standard container of goods to India requires



Source: The World Bank, Trading Across Borders: Doing Business 2014

Driven by a growth rate of over 7% in the past two years and a 350 million strong middle-class with increasing purchasing power, the Indian market today is reshaping the world's economy. India is the seventh-largest country by area, the second-most populous country with over 1.2 billion people. Following market-based economic reforms in 1991, India has propelled into the economic "fast lane" alongside China, making an important contribution to the overall increase in world GDP.

Economic snapshot (% annual growth rate)

	2014	2015	2016-19
GDP	7.1	7.5	7.0
Export of goods and services	4.9	0.0	7.6
Import of goods and services	-1.8	-0.4	7.4
Inflation	6.6	5.4	5.7
Exchange Rate (Per £)	88	94	102
Population	1.2	1.2	1.1

Source: Oxford Economics

Economic outlook

India's economy grew at a faster rate than China for a second straight quarter. Gross domestic product (GDP) for the first quarter grew 7.5% annually. On the production side, agriculture, construction, banking and public services are not showing signs of improvements. On the expenditure side, rural consumption, government spending and exports remain lackluster. Supportive macro policy measures are expected to engineer a revival, pushing overall growth to 7.5% in 2015.

Trade outlook

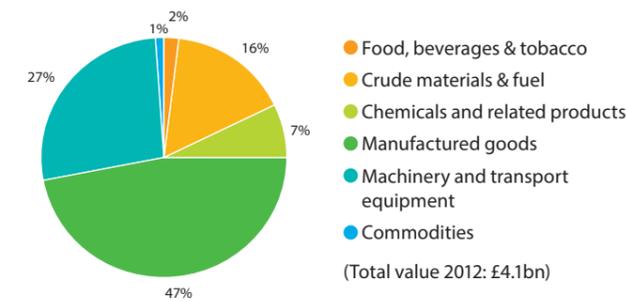
As more Asian economies develop into middle-income countries, intra-Asian trade will be a key driver of trade growth in India. China is forecast to increase in importance as an export market, with the rapidly emerging Vietnamese economy also climbing up its importance of trade partners. Europe, the Middle East and North Africa are currently the largest importers into India with no change expected in the long-term. One fifth of imports into India will originate from the Middle East and North Africa in 10 years time, with growth both supply chain and commodity driven.

SWOT analysis

Strengths Agriculture produce boosting exports. Youth population – huge workforce.	Weaknesses Dependence on agriculture. Literacy rate.
Opportunities Emerging middle class. Government reforms.	Threats Corruption.

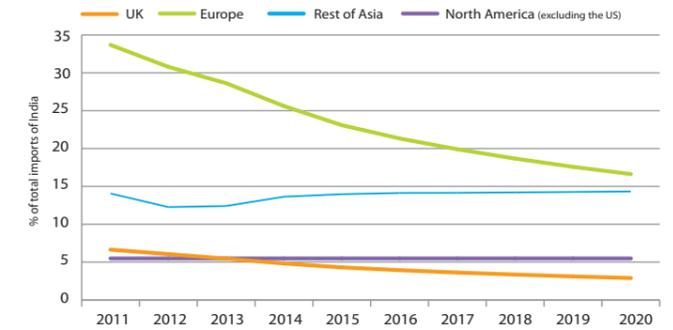
India's trade with the UK

UK exports to India (2014) - by major product groups



Source: Eurostat

How UK exports to India compare in the long term



Source: Oxford Economics

DHL Express Customs Top Tips:



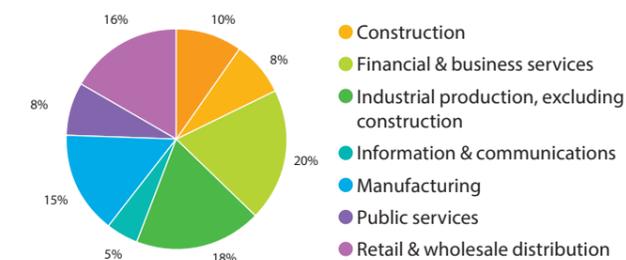
India

- De minimis value (duty free allowance) = INR 10,000
- For all goods shipped into India, Know Your Customer (KYC) documentation must be presented to Customs during shipment clearance. KYC is recognised by the Indian government as a form of identification.
- Textiles require a NOC (No Objection Certification) from the textile committee office in India. It is advisable to include a laboratory test report from an internationally accredited testing agency.

Sector segmentation growth

India industrial structure (2021)

Output, value-added, real, % of GDP



Source: Oxford Economics

Sectors to watch:

- Food
 - Utilities
 - Iron & steel
- Manufacturing**
- Motor vehicles, motor vehicle bodies & parts

Opportunities for UK businesses

The business opportunities, which a few years ago existed only in the traditional economic heartlands of Mumbai, Delhi and Bangalore have now stretched to the emerging cities of Nagpur, Ahmedabad, Chandigarh, Pune and Jaipur, to name but a few. The Indian infrastructure sector continues to offer great opportunity for UK businesses. In addition, sectors in which UK companies can seek opportunity include: agribusiness, biotechnology and pharmaceuticals and healthcare and medical sectors.

Capital: Pretoria
 Largest city: Johannesburg
 Administrative divisions: 9 provinces
 Currency: South African rand (ZAR)
 Area: 1,221,037 km²
 Population: (2014) 54,002,000
 Calling code: +27
 Official language: 11 official languages including: Afrikaans, English

Ease of trading across borders

Importing a standard container of goods into South Africa requires



Source: The World Bank, Trading Across Borders: Doing Business 2014

South Africa is the economic powerhouse of Africa. South Africa is the twenty-fifth largest country in the world by area and the twenty-fourth most populous country with over 54 million people. South Africa is a multi-ethnic nation and has diverse cultures and languages. The country is politically stable and has a well capitalised banking system, abundant natural resources, well developed regulatory systems as well as research and development capabilities, and an established manufacturing base.

Economic snapshot (% annual growth rate)

	2014	2015	2016-19
GDP	1.5	2.1	2.9
Export of goods and services	2.6	2.4	3.1
Import of goods and services	-0.5	4.7	3.5
Inflation	6.1	5.0	5.8
Exchange Rate (Per £)	15.59	18.07	18.23
Population	0.7	0.7	0.6

Source: Oxford Economics

Economic outlook

The South African economy is facing headwinds from all directions. On the production side, the mining and manufacturing sectors are handicapped by rising cost pressures, weak selling prices, rolling electricity blackouts and chronic tension between trade unions and management. Meanwhile, consumers are faced with a substantial debt burden, and the respite offered by lower local fuel prices seen at the start of the year has now largely faded. Against this background GDP growth of just 2.1% is expected in 2015.

Trade outlook

Brazil, India and China doubled their exports to South Africa and also increased their share of South Africa's imports from 8% to 14%. This development is hardly surprising considering that India and China are the fastest-growing economies in world, and have populations of more than a billion each. South Africa's trade still relies on the developed world for markets but is slowly shifting towards developing countries. The domination of the developed world as a supplier is being challenged by middle-income developing countries.

SWOT analysis

Strengths

Politically stable.
 Financial industry.

Opportunities

Growing middle class.

Weaknesses

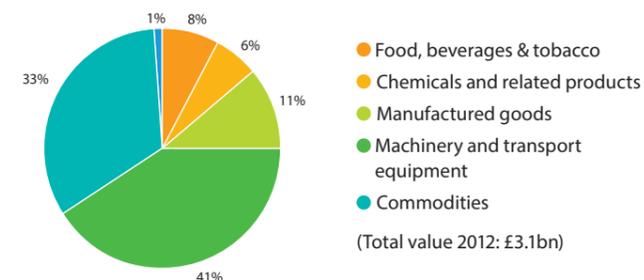
High unemployment.
 Education system.

Threats

Poverty.

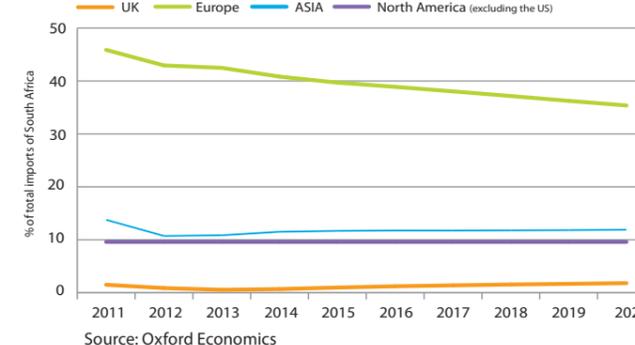
South Africa's trade with the UK

UK exports to South Africa (2014) - by major product groups



Source: Eurostat

How UK exports to South Africa compare in the long term



DHL Express Customs Top Tips:



South Africa



De minimis value (duty free allowance) = ZAR 500/USD 70



For the Waybill and invoice, all items must be individually marked as NEW, USED, or SECONDHAND; also include the sender's Customs Importer / Exporter Code (issued by SARS, the South African Revenue Service) or VAT registration number.

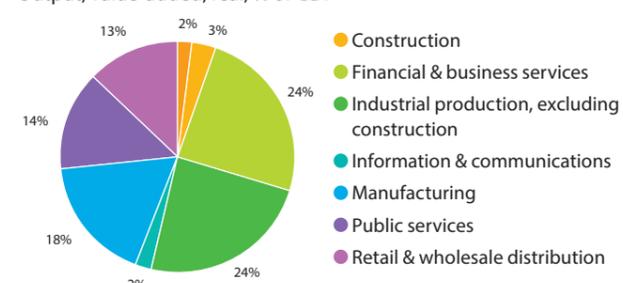


You may only send five textile samples per shipment. These must be mutilated or bear a permanent ink stamp in a prominent location.

Sector segmentation growth

South Africa industrial structure (2021)

Output, value-added, real, % of GDP



Source: Oxford Economics

Sectors to watch:

- Coke & refined petroleum products
- Utilities

Manufacturing

- Machine tools
- Electric fittings

Opportunities for UK businesses

South Africa is one of the most sophisticated, diverse and promising emerging markets globally. Strategically located at the tip of the African continent, South Africa is a key investment location, both for the market opportunities that lie within its borders and for the opportunity that exists to use the country as a gateway to the rest of the continent, a market of nearly one billion people. South Africa's government plans to improve access to export markets and reduce costs in the economy. Money will be spent on improving the energy sector to double electricity generation, on transport and logistics, hospitals and clinics, and on education infrastructure as an investment in human capital.



Capital: Moscow
 Largest city: Moscow
 Administrative divisions: 8 federal districts
 Currency: Russian ruble (RUB)
 Area: 17,075,400 km²
 Population: (2015) 143,975,923
 Calling code: +7
 Official language: Russian

Ease of trading across borders
 Importing a standard container of goods into Russia requires



Source: The World Bank, Trading Across Borders: Doing Business 2014

With over 140 million consumers, a growing middle class, and almost unlimited infrastructure needs. Russia is a geographically vast market, spanning nine time zones and encompassing over 17 million square miles. The country has an abundance of natural resources, including oil, natural gas and precious metals, which make up a major share of Russia's exports. Russia's reliance on commodity exports makes it vulnerable to boom and bust cycles that follow the volatile swings in global prices.

Economic snapshot (% annual growth rate)

	2014	2015	2016-19
GDP	0.6	-3.6	2.4
Export of goods and services	-0.1	-1.3	2.5
Import of goods and services	-7.9	-19.6	5.4
Inflation	7.8	14.4	5.8
Exchange Rate (Per £)	55.14	84.57	81.86
Population	-0.2	-0.3	-0.3

Source: Oxford Economics

Economic outlook

The Russian economy continues to falter amid low oil prices, shrinking investment and consumption, high inflation and interest rates, and isolation from Western capital markets. These have taken a toll on activity, pushing the economy into recession. In Q1 GDP contracted 2.2% year-on-year. The economy is expected to stabilise in Q3, and return to marginal growth in the last quarter of 2015. The risks to the forecast remain skewed to the downside. The economy is vulnerable to further falls in oil prices and an escalation of the conflict in Ukraine, which could prompt stronger sanctions.

Trade outlook

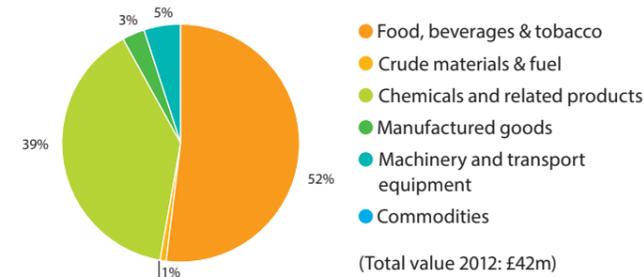
The economy remains dominated by the oil and gas sector, which accounts for around 15% of GDP and some 65% of export earnings. Russia's main trade partners include Italy, Ukraine, China and Germany. Russia's top imports include, cars and parts and accessories of the motor vehicles.

SWOT analysis

<p>Strengths Emerging middle class. Energy independence. Large domestic market.</p>	<p>Weaknesses Uneven economic development. Political risk.</p>
<p>Opportunities Improvement in transparency and corporate governance.</p>	<p>Threats Ageing population.</p>

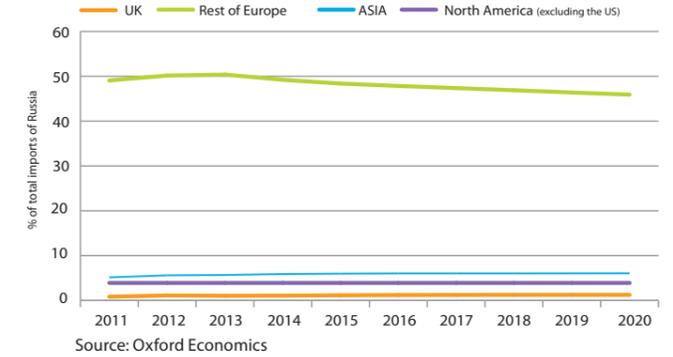
Russia's trade with the UK

UK exports to Russia (2014) - by major product groups



Source: Eurostat

How UK exports to Russia compare in the long term



DHL Express Customs Top Tips:

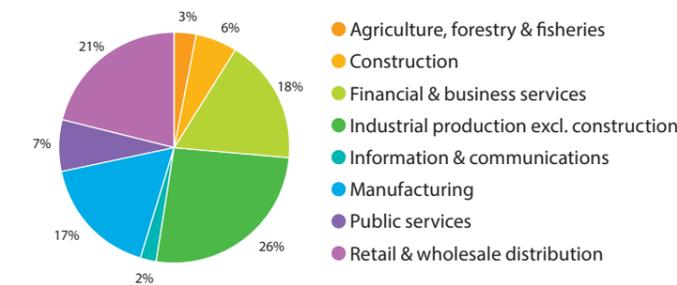


Russia

- De minimus value (duty free allowance) = USD 230
- Strict Customs regulations are in place: seek guidance from your local Chamber or shipping partner if looking to trade with Russia.
- Delivery Duty Paid is not available for shipments sent to Russia.

Sector segmentation growth

Russia industrial structure (2021)
 Output, value-added, real, % of GDP



Source: Oxford Economics

Sectors to watch:

- Pharmaceuticals
- Medical & surgical equipment
- Other precision equipment

Manufacturing

- Rubber & plastics
- Motor vehicle bodies & parts

Opportunities for UK businesses

The Russian Government is putting a lot of effort into attracting more investment into the country and improving the investment climate in general. It has created investment institutions such as the Investment Fund and the Development Bank to ensure investments in all sectors of the economy as well as infrastructure projects. Western goods and expertise remain in demand. The most promising opportunities for UK companies are in the advanced engineering, financial services, ICT, power/energy, sports & leisure infrastructure, airports, construction, creative industries, rail and water.



Capital: Mexico City
 Largest city: Mexico City
 Administrative divisions: Federation of 31 free and sovereign states
 Currency: Peso (MXN)
 Area: 1,972,550 km²
 Population: (2015) 121,736,809
 Calling code: +52
 Official language: Spanish

Ease of trading across borders

Importing a standard container of goods into Mexico requires



Source: The World Bank, Trading Across Borders: Doing Business 2014

Mexico has one of the world's largest economies, and is considered both a newly industrialised country and an emerging power. Mexico has the 14th largest nominal GDP and the 11th largest by purchasing power parity. Mexico is the largest North American auto-producing nation, recently surpassing Canada and the US. The industry produces technologically complex components and engages in some research and development activities.

Economic snapshot (% annual growth rate)

	2014	2015	2016-19
GDP	2.1	2.5	3.4
Export of goods and services	7.3	5.7	5.5
Import of goods and services	6.2	5.9	6.3
Inflation	4.0	3.0	3.2
Exchange Rate (Per £)	19.13	22.95	23.20
Population	1.2	1.2	1.1

Source: Oxford Economics

Economic outlook

In the first quarter, GDP increased 2.5% over the same quarter last year. The result represented a mild deceleration compared to the 2.6% expansion observed in Q4 2014. Domestic demand continued to grow in Q1, although at a more moderate pace than in Q4. However, growth in gross fixed investment fell from 5.8% in Q4 to 5.4% in Q1. The slowdown seen so far this year will dissipate and wider economic recovery will gain greater traction later in the year, supported by the confluence of more competitive exports, the US cyclical upturn and improvement in private demand conditions reflecting a healthy labour market, low inflation and the fading drag from last year's tax hike.

Trade outlook

Almost 80% of all goods exports from Mexico were destined to the US. Although the relative importance of North America is set to fall in the medium term, it will still account for around 70% of Mexico's exports, remaining the most important trade partner. Exports to the faster-growing BRICs economies are set to increase. Exports to China and Brazil are forecast to more than double to 3.5%. India will also become one of Mexico's top five export markets, as its rapidly expanding middle class demand more consumer goods. Over the medium term, Mexico's trade will become more global and less regional in focus. The fastest trade growth will be with countries outside the Americas, with China and India likely to increase at a particularly fast pace over the medium term.

SWOT analysis

Strengths

Oil.
Structural reforms.

Weaknesses

Crime.

Opportunities

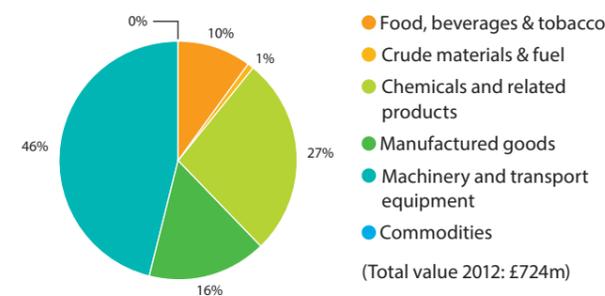
Growing infrastructure.
Education

Threats

Bureaucracy.

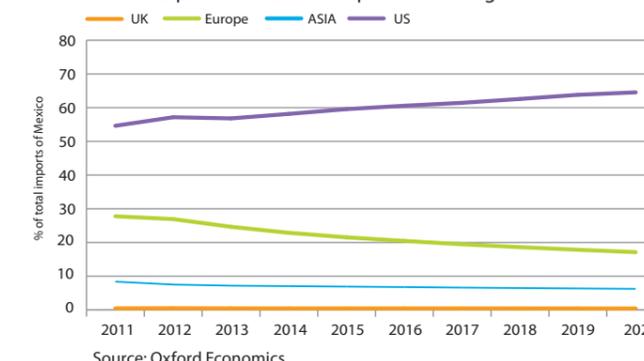
Mexico's trade with the UK

UK exports to Mexico (2014) - by major product groups



Source: Eurostat

How UK exports to Mexico compare in the long term



DHL Express Customs Top Tips:

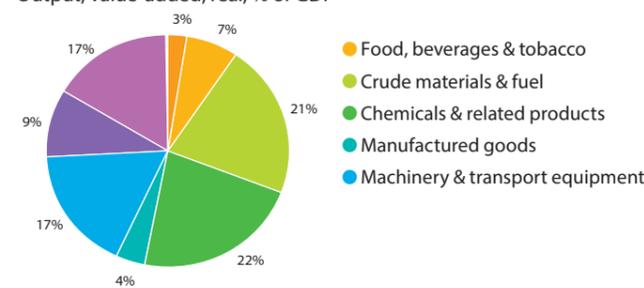


Mexico

- De minimis value (duty free allowance) = USD 300
- Powders, liquids and pharmaceutical products are dutiable regardless of value.
- Documents with a value over USD 10,000 must be declared through a value declaration form; otherwise Mexican Customs may confiscate the item(s) until the shipper pays a fine.
- All non-document shipments sent to Mexico must be accompanied by original Customs documentation and three additional copies.

Sector segmentation growth

Mexico industrial structure (2021)
Output, value-added, real, % of GDP



Source: Oxford Economics

Sectors to watch:

- Food
- Motor vehicles
- Utilities

Manufacturing

- Aerospace
- Shipping

Opportunities for UK businesses

Mexico is a country of huge potential which has demonstrated predictable, stable economic growth. It is a dynamic market and analysts predict that its economy will be the world's seventh largest by 2050. Mexico offers UK businesses a well-established and integrated supply chains, an increasingly skilled workforce, and free trade agreements with 44 countries. Opportunities for UK businesses lie within the construction, manufacturing, transportation, telecommunications, retail and automotive sectors.



Saudi Arabia

Capital: Riyadh
 Largest city: Riyadh
 Administrative divisions: 13 provinces
 Currency: Saudi riyal (SR) (SAR)
 Area: 2,149,690 km²
 Population: (2014) 30,770,375
 Calling code: +966
 Official language: Arabic

Ease of trading across borders

Importing a standard container of goods to Saudi Arabia requires



Source: The World Bank, Trading Across Borders: Doing Business 2014

Saudi Arabia is the 19th largest exporter and the 20th largest import market in the world. Saudi Arabia's economy is petroleum-based, the oil industry comprises about 45% of Saudi Arabia's nominal GDP. Saudi Arabia officially has about one-fifth of the world's proven total petroleum reserves. The government is attempting to promote growth in the private sector by privatising industries such as power and telecommunications. Saudi Arabia announced plans to begin privatising the electricity companies in 1999, which followed the ongoing privatisation of the telecommunications company.

Economic snapshot (% annual growth rate)

	2014	2015	2016-19
GDP	3.5	3.2	3.1
Export of goods and services	-0.4	9.0	2.2
Import of goods and services	0.6	16.5	6.9
Inflation	2.7	2.1	3.4
Exchange Rate (Per £)	5.39	5.59	5.62
Population	1.8	1.8	1.6

Source: Oxford Economics

Economic outlook

The pace of growth in 2014 remained modest by Saudi Arabia's standards, with GDP rising 3.5%, up from 2.7% growth in 2013. Oil GDP increased by 1.5%, better than the 1.7% decline in 2013, but non-oil growth slowed to 5%, its weakest since 2003. GDP grew by 2.4% in Q1 2015. Within this, stronger oil output saw oil GDP up 1.8% in Q1, compared with a 0.7% fall in Q4. By contrast, non-oil GDP slowed further to just 3.3% in Q1 from 3.5% in Q4. For 2015 GDP growth is forecast to reach 3.2%.

Trade outlook

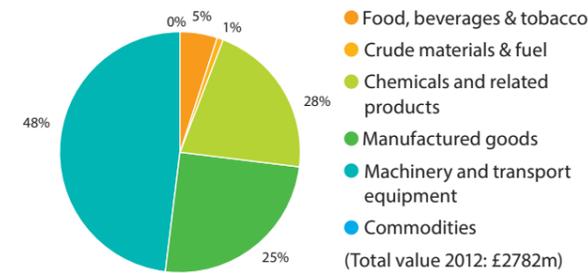
Saudi exports are geared very much to the major oil consumers. Japan was the largest export market in 2011, but China is expected to overtake it in the next 10 years, followed by India, the US and Korea. Exports to Latin America will also accelerate as energy demand in the region picks up in line with economic development. India and Turkey will be the two fastest-growing sources of imports.

SWOT analysis

Strengths Large oil supply. Good infrastructure.	Weaknesses Strongly dependent on the hydrocarbon sector. Education system.
Opportunities Construction. Economic cities (see overleaf for further details).	Threats Political risk.

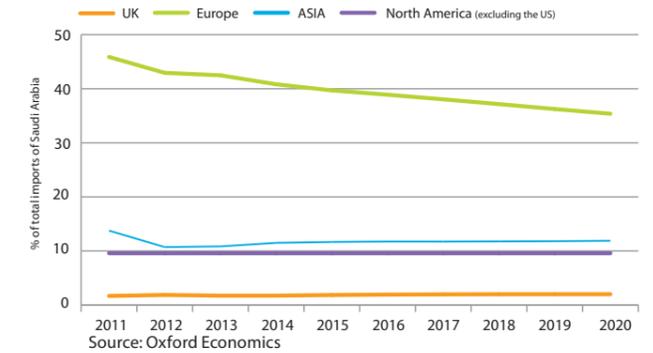
Saudi Arabia's trade with the UK

UK exports to Saudi Arabia's (2014) - by major product groups



Source: Eurostat

How UK exports to Saudi Arabia compare in the long term



DHL Express Customs Top Tips:

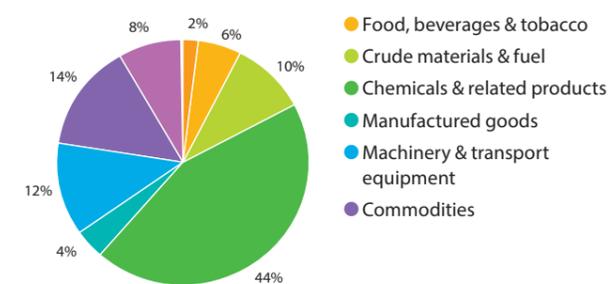


Saudi Arabia

- De minimis value (duty free allowance) = USD 200
- All goods sent to Saudi Arabia that are temporary imports, over value, or duty exempt must be accompanied with a Commercial Invoice, Certificate of Origin, and an Authority letter from the receiver.
- Harmonised tariff code must be stated on Waybill and Invoice when sending medical & dental supplies and equipment.
- More than 2 mobile phones require a Certificate of Origin, issued and stamped by the Chamber of Commerce.

Sector segmentation growth

Saudi Arabia industrial structure (2021) - Output, value-added, real, % of GDP



Source: Oxford Economics

Sectors to watch:

- Man-made fibres
- Coke & refined petroleum products
- Basic chemicals & fertilisers

Manufacturing

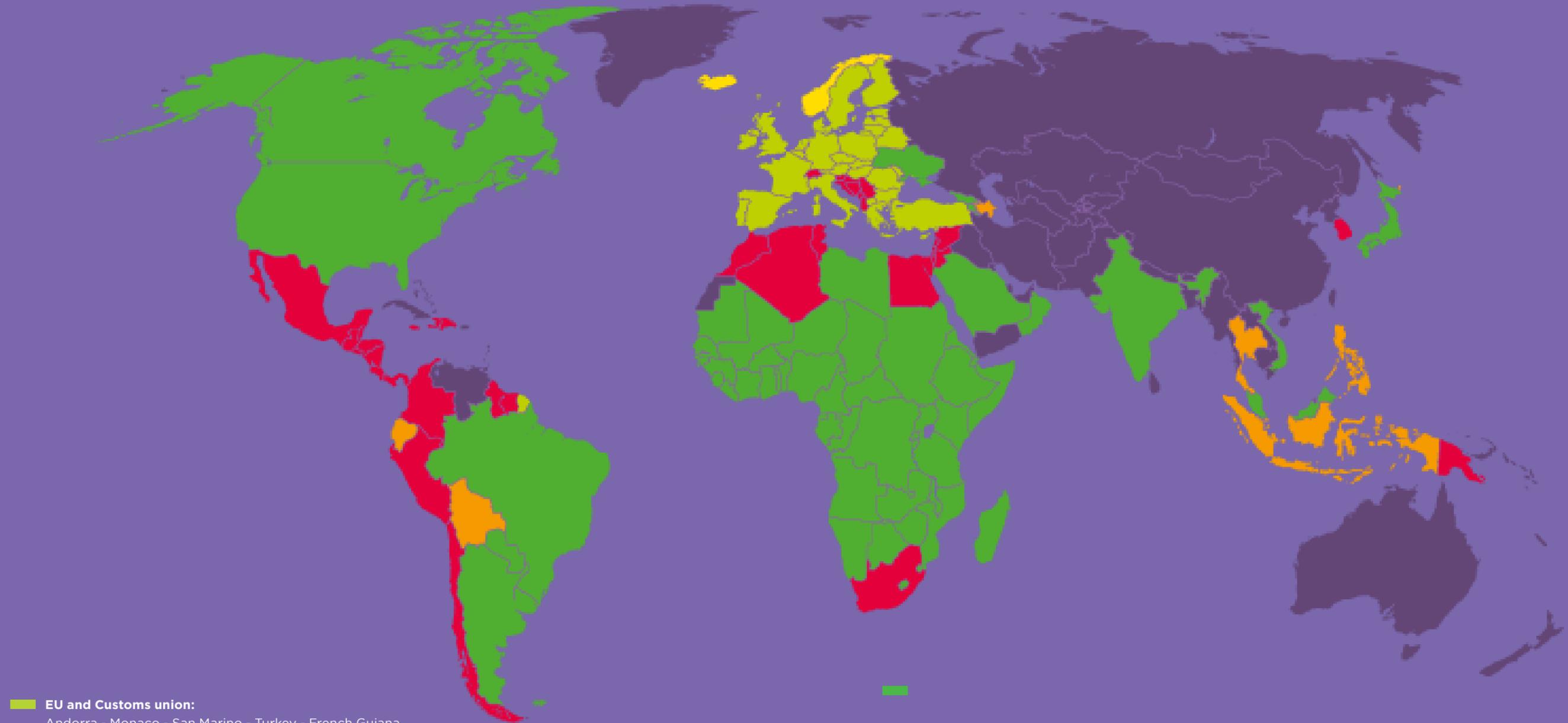
- Motors, except vehicles
- Chemicals

Opportunities for UK businesses

Saudi Arabia's commercial sector is growing rapidly. Saudi Arabia will also be launching six "economic cities" which are planned to be completed by 2020. The six economic cities, are part of an ambitious "10x10" program to place Saudi Arabia among the world's top ten competitive investment destinations. This will open up opportunities in the following sectors: construction, healthcare, education, the environment, power, water and ports.

Overview of trade agreements

Source: European Commission



EU and Customs union:

Andorra - Monaco - San Marino - Turkey - French Guiana

European Economic Area:

Norway - Iceland - Liechtenstein

Countries with which the EU has concluded preferential trade agreements:

Mexico - Chile - Colombia - Peru - Costa Rica - El Salvador - Guatemala - Nicaragua - Honduras - Morocco - Algeria - Tunisia - Egypt - Jordan - Israel - Occupied Palestinian Territory - Lebanon - Syria - Macedonia - Albania - Serbia - Montenegro - Bosnia-Herzegovina - Croatia - Switzerland - South Africa - Republic of Korea (South Korea) - Antigua* & Barbuda* - Belize* - Bahamas* - Barbados* - Dominica* - Dominican Republic* - Granada* - Guyana* - Haiti* - Jamaica* - Papua New Guinea* - St Kitts and Nevis* - St Lucia* - St Vincent and the Grenadines* - Seychelles* - Suriname* - Trinidad and Tobago*

Case study: 'Our export journey'



British Chambers of Commerce have been supporting trade for over 150 years. Like all Chambers of Commerce, we have extensive international networks and work with businesses of all sizes. We work closely with our foreign counterparts, Governments and British exporters all over the world. Accredited Chambers of Commerce are Britain's export hubs and are the premier source of private sector, business-to-business support for international trade and export.

This section brings together the experiences of businesses who have embarked on their export journey. It gives a snapshot of some of the challenges they faced when trying to expand their business's share of exports or enter new markets.

Calorex Heat Pumps Limited

Based in Essex, Calorex is Europe's leading manufacturer of cooling and drying equipment. The company now exports to over 60 countries in Europe and Asia with over 52% of its turnover made up of exports. Years of international experience has allowed it to adapt its products to meet different market needs and climatic conditions.



World Leaders in Heat Pump Technology



Member of Essex Chambers of Commerce

Trading internationally

Calorex is a privately owned British company that employ over 150 people to design, manufacture and support their products that are exported to more than 60 countries. For nearly forty years Calorex have successfully developed heat pumps suitable for hundreds of different applications, saving millions of kilowatt hours of energy all over the world. Calorex export to over 60 countries in Europe and Asia and approximately 52% of their turnover is exported.

Years of international experience has allowed Calorex to adapt their products to meet the different market needs and climatic conditions and are proud of the reputation that their products and designs have achieved.

Recently, Calorex saw a huge demand for its products in the Middle East as local businesses turned to British manufacturers to develop specialist products for the swimming pool industry.

Exporting tip

Anne Guerrero, Calorex:

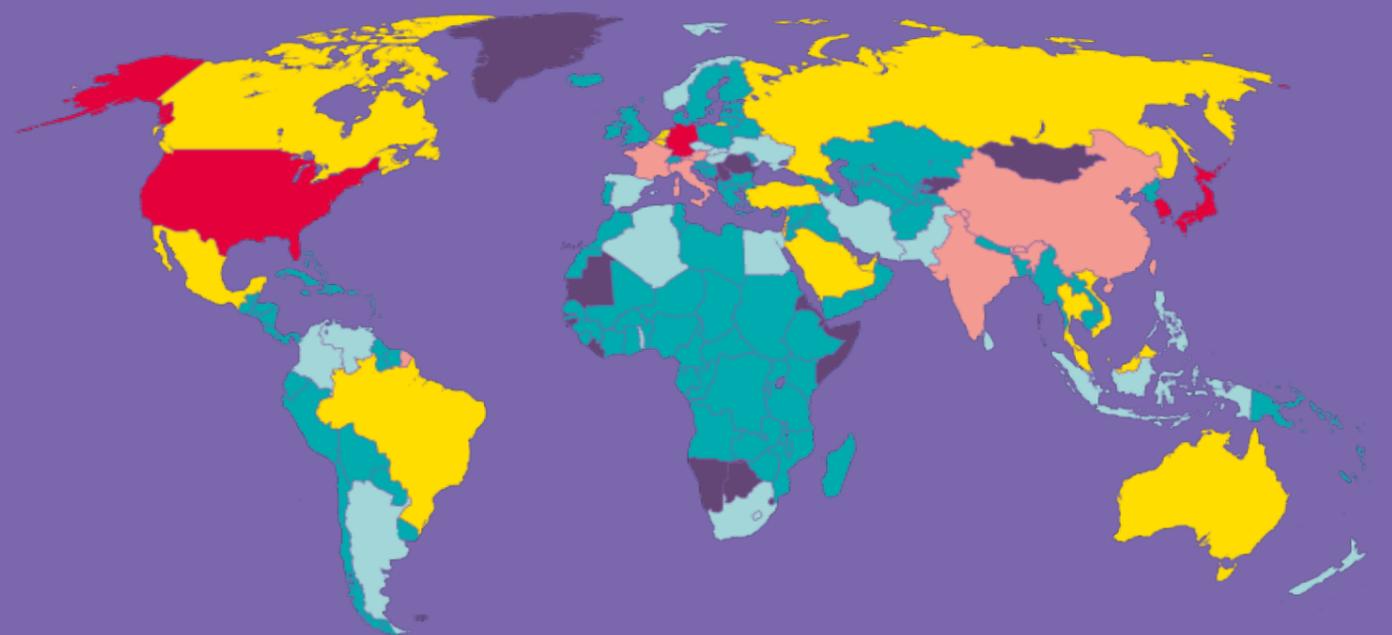
'Learn the local market culture, have information available in the local language, check trade tariffs and local regulation that may apply to your product. Calorex have experience of hundreds of different applications in different national climates and French German and Spanish speaking linguists on board as part of our team which help it to succeed.'

The final piece of the jigsaw is our colleagues at the Essex Chamber of Commerce, who we rely on to make exporting simple, they helped us with documents such as certificates of origin and other documents to ensure the smooth running export system. We also take advantage of their expert knowledge when we come across a new market and need to check out the requirements for that country. The people at the Chamber are very helpful and we have made good use of their training courses too. All of these things add up to a very useful resource for our export team.'

To find out how your local Accredited Chamber can help you on your export journey, visit www.exportbritain.org.uk or join the conversation on Twitter: get #wellconnected and #joinyourchamber.

How UK exports to the world will change in the next 10 years

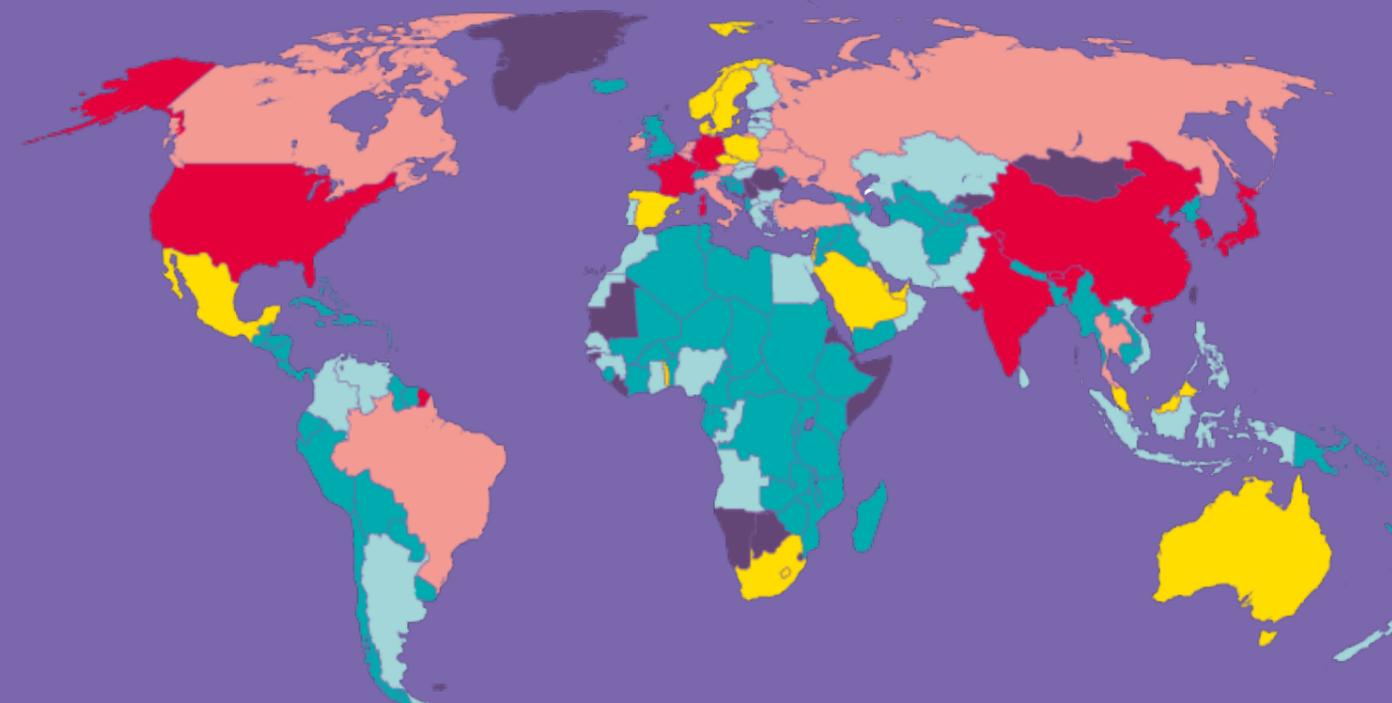
UK exports in 2012



(Millions)

Source: Oxford Economics

UK exports in 2021



The TCI generates its results from two data sources:

- Questionnaire responses submitted by over 2,000 exporters, derived from the BCC's Quarterly Economic Survey (QES). The QES is the largest and most representative private sector business survey of its kind.
- Data generated from exporting activity that requires supporting documentation.

Quarterly Economic Survey (QES)

Fieldwork for the survey was conducted between 25 May to 15 June 2015.

Results are split into the following firm size categories:

0-9 employees (micro firms)

10-49 employees (small firms)

50-249 employees (medium firms)

250+ employees (large firms)

Unless otherwise stated, results refer to all exporters responding to the survey. Where results are split between the service and manufacturing sectors, this is stated clearly in the text. Results that are not split by firm size are weighted by the contribution of firm size to total exporting turnover.

Results are represented by either a balance figure or a pure percentage figure. Balance figures are determined by subtracting the percentage of companies reporting decreases in a factor from the percentage of companies reporting increases. Where a balance figure is positive it represents growth; where it is negative, it represents contraction.

Export documentation data

Many types of exports require supporting and commercial documentation to ensure the timely delivery of goods and timely payment. Accredited British Chambers of Commerce administer documentation required for exports outside the EU and have amassed a significant dataset around UK goods exports as a result. The TCI uses data collected from this process to show both an index of documentation and regional comparisons of exporting activity.

Oxford Economics

The Quarterly International Trade Outlook also draws upon the modelling expertise of Oxford Economics, who have provided all the economic and trade forecasts presented in this publication.

Oxford Economics was founded in 1981 to provide independent forecasting and analysis tailored to the needs of economists and planners in government and business. It is now one of the world's leading providers of economic analysis, advice and models, with over 300 clients including international organisations, government departments and central banks around the world, and a large number of multinational blue-chip companies across the whole industrial spectrum.





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