



QUARTERLY INTERNATIONAL TRADE OUTLOOK **Q1 2016**

BRITISH CHAMBERS OF COMMERCE
IN PARTNERSHIP WITH DHL

QUARTERLY INTERNATIONAL TRADE OUTLOOK **Q1 2016**



Adam Marshall – Acting Director General, British Chambers of Commerce



Our latest Quarterly International Trade Outlook (QITO) report comes at a time when the eyes of the world are on the UK and its future relationship with the EU.

The intense focus on the EU referendum makes it vital that politicians and businesses alike remember that there are other priorities that we as a nation also need to address. Britain's politicians need to focus on fixing the fundamentals of infrastructure, training and access to finance.

The results of the QITO for Q1 2016 show that while confidence among exporters rose slightly at the start of the year, stark differences have emerged between regions and sectors, amid an overall picture of softening growth.

While the end of 2015 saw UK exports in some sectors come close to stagnation, the rise in confidence and export orders in Q1 2016 offered some encouragement

at the start of the year. However, these figures are still starting from a low base, and manufacturing exports have seen a long period of slow growth. The dip in services exports growth – a sector that has led UK export growth for some time – is a cause for concern.

Chambers of Commerce are doing their part to ensure that UK firms have access to practical export support. We are continuing to expand our Global Business Network, so that businesses in every region of the UK can be put directly in touch with experts on the ground in overseas markets through their local Chamber. Our message is simple: your Chamber remains the launch pad for your export ambitions – with the skilled professionals, experience and contacts your firm needs to succeed in international trade.

Phil Couchman – CEO, DHL Express UK & Ireland



The findings in this Quarterly International Trade Outlook indicate a mixed picture for UK businesses at the moment.

Export performance continues to fluctuate across the different regions of the UK – making it an unpredictable time for businesses. It was only in the previous Q4 2015 report that Scotland's export growth was among the best in the UK, but this time we see the region drop to its lowest export volumes since 2009.

With the EU referendum just around the corner, this is something that will be on the minds of exporters and also of those thinking about taking that first step in their export journey. However, businesses shouldn't be put off by this uncertainty.

Exporters and potential exporters should be reminded that there are plenty of support systems for businesses to lean on. At DHL Express we already help businesses get their products to over

220 countries and territories – from small start-ups to large international businesses – and we'll continue to do so regardless of the outcome of the referendum.

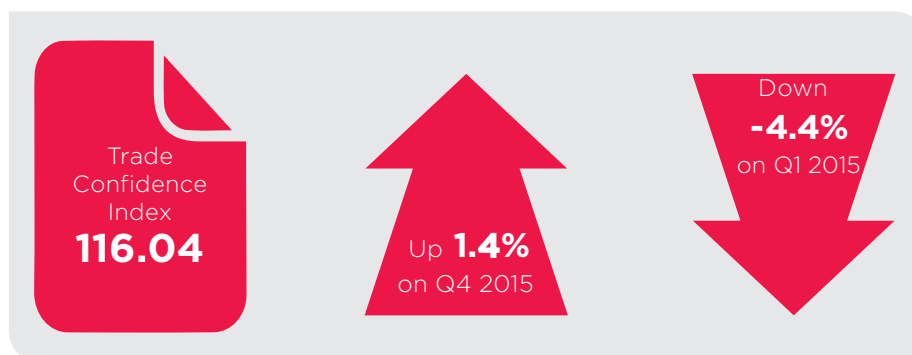
International markets are constantly evolving at the moment and with rapid growth in areas such as international e-commerce, businesses have every reason to remain optimistic about the opportunities that exist. I'd encourage businesses to take advantage of the digital age in which we now live and make their products available across multiple markets; DHL, the BCC and plenty of other export experts will be on hand to support every step of the way.

QUARTERLY INTERNATIONAL TRADE OUTLOOK **Q1 2016**



DHL/BCC Trade Confidence Index

The DHL/BCC 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 gives a comprehensive picture of the UK's internationally-trading business community.

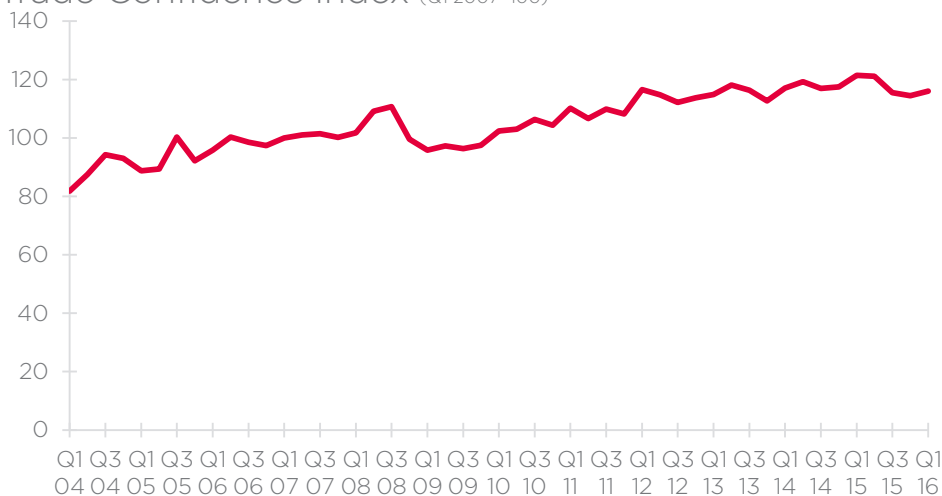


The Trade Confidence Index* currently stands at 116.04.

This represents an increase of 1.38% on Q4 2015 and a decline of -4.44% from Q1 2015.

*The index is calculated using the volume of trade documents issued by 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.

Trade Confidence Index (Q1 2007=100)



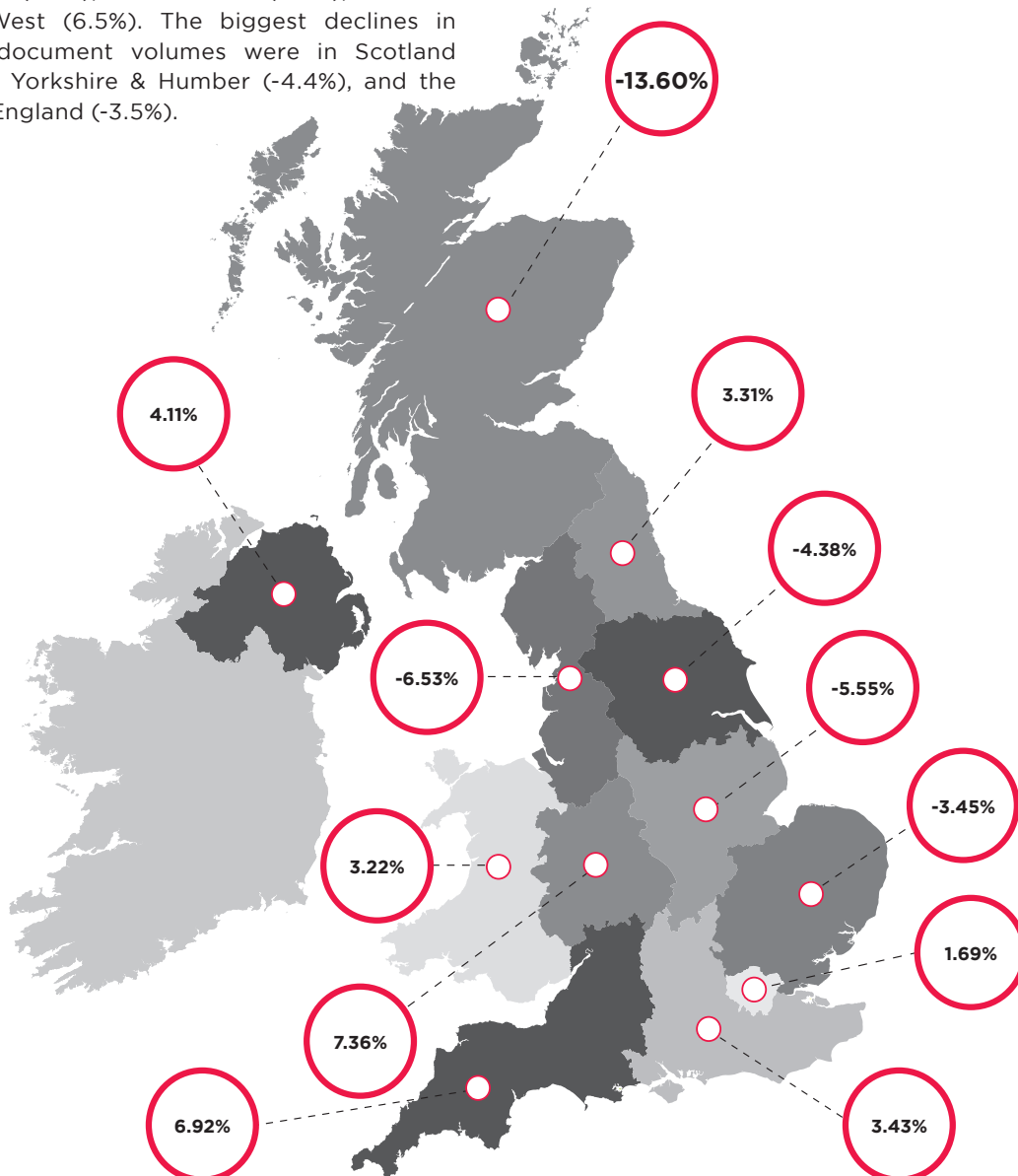
QUARTERLY INTERNATIONAL TRADE OUTLOOK **Q1 2016**



Export documentation volumes by regions and nations

The Trade Confidence Index, a measure of the volume of trade documentation issued nationally, rose by 1.4% on Q4 2015, but fell by 4.4% on Q1 2016 - the index now stands at 116.04 .

The largest quarter-on-quarter increases in export document volumes were in the West Midlands (7.4%), South West (6.9%), and the North West (6.5%). The biggest declines in export document volumes were in Scotland (-13.6%), Yorkshire & Humber (-4.4%), and the East of England (-3.5%).



QUARTERLY INTERNATIONAL TRADE OUTLOOK **Q1 2016**



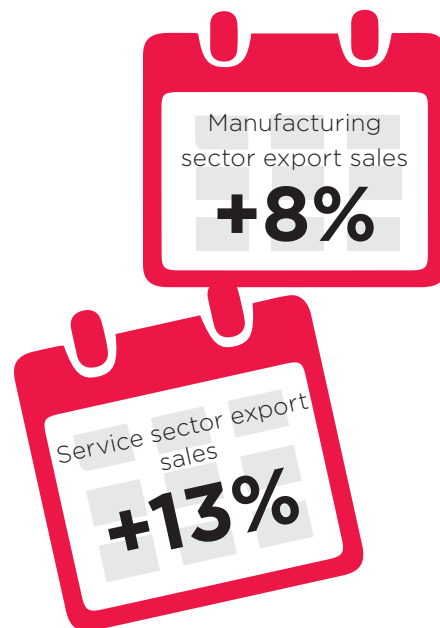
Manufacturers report improvements in export sales

Figures released by the British Chambers of Commerce showed a slight increase in the number of firms reporting improvements in export sales in Q1 2016.

In the manufacturing sector, the balance* of firms reporting improvements in export sales over the previous three months rose to +8% in Q1 2016 from +1% in Q4 2015, which was the lowest level since Q3 2009. This means that 8% more firms reported an increase over a decrease.

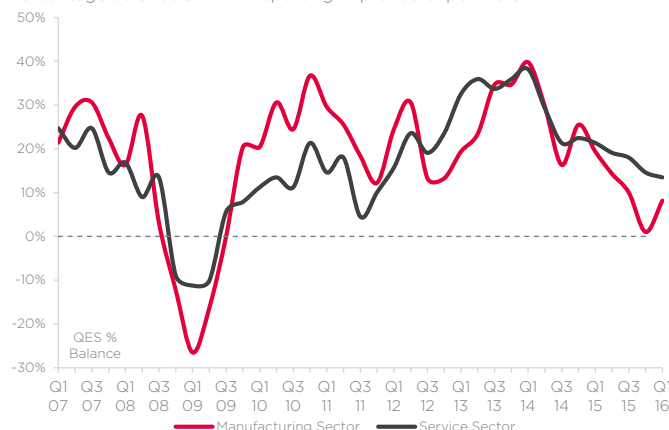
While the manufacturing sector saw an improvement, the balance of service sector firms reporting an improvement in export sales fell to +13% in Q1 2016, the lowest level since Q4 2011.

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



Export sales improve after six-year low in Q4 2015

Percentage balance of firms reporting improved export sales



The adjacent graph shows the balance of firms reporting an increase in export sales compared to those reporting a decrease going back to Q1 2007. The balance of manufacturers reporting increased export sales in Q1 2015 rose from the lowest post-recession level in Q4 2015.

Comparing export sales balances for the manufacturing sector across the various regions and nations, the strongest Q1 2016 performances were in the North East and London for export sales at +32%, followed by the West Midlands (+19%). In the service sector, the highest balances were recorded in the South West at +36%, followed by the East Midlands (+30%) and the West Midlands (+22%).

QUARTERLY INTERNATIONAL TRADE OUTLOOK **Q1 2016**



Trade and economic outlook

The Global Economy

The US economy grew by 2.4% in 2015. Although this was unchanged from the growth recorded in 2014, the US was still the fastest-growing G7 economy last year. The Eurozone economy grew by 1.5% last year, the fastest rate of growth since 2011. India's economy for 2015 as a whole also saw the fastest rate of growth since 2011. Looking ahead, the IMF now expects the global economy to grow by 3.2% in 2016, lower than its previous forecast of 3.4%.

The UK economy grew by 0.4% in the first quarter of 2016, marginally higher than the 0.6% recorded in the previous quarter. Overall, the UK economy grew by 2.3% in 2015, compared to 2.9% in 2014. The service sector remains the main driver of UK economic growth. The BCC currently forecasts UK GDP growth of 2.2% in 2016 and 2.3% in 2017.



World trade
growth

2.8%

WTO 2016 forecast

International Trade

The World Trade Organisation (WTO) is currently expecting world trade growth in 2016 of 2.8%, down slightly from the previous estimate of 3.9% and well below the average for the last 20 years of 5%.

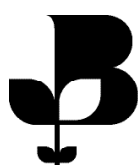
The UK's trade deficit according to the national accounts widened to £16.4 billion in Q4, from £15.1 billion in Q3 2015. The widening deficit was driven by a 0.9% rise in imports in the quarter, compared with Q3. The BCC forecasts that UK exports will grow by 2.3% and imports will grow by 3.4% in 2016. In 2017, exports are expected to increase by 3.0% with imports rising by 2.8%.

UK import growth
(BCC forecast)

3.4%

UK export growth
(BCC forecast)

2.3%



British
Chambers of
Commerce

www.britishchambers.org.uk
[@britishchambers](https://twitter.com/britishchambers)

www.dhlguide.co.uk
[@dhllexpressuk](https://twitter.com/dhllexpressuk)



QUARTERLY INTERNATIONAL TRADE OUTLOOK FACT SHEET: MEXICO



Why Mexico?

+52

Spanish

31 sovereign states

Peso (RP)

To export a standard container into Mexico it takes

4 documents

12 days

cost £1,176



Mexico

British Chamber of Commerce in Mexico

+52 55 52 560 901

tdelay@britchamexico.com

www.britchamexico.com

**BRITISH
BUSINESS
MEXICO**

British Business Mexico

+52 55 52 801 275

laura.atkinson@britishbusiness.mx

www.britishbusiness.mx



Mexico is Latin America's second-largest economy. Covering an area almost as large as Western Europe, the country forms a natural bridge between North, Central and South America.

Mexico has become increasingly trade-friendly. It is the country with the most Free Trade Agreements in the world, with 45 open trade partners. Recent reforms aim to provide higher security for international companies.

Economic snapshot (% annual growth rate)	2014	2015	2016-19
GDP	2.3	2.5	2.7
Export of goods and services	7.0	9.1	3.0
Import of goods and services	5.9	5.1	4.9
Inflation	4.0	2.7	3.3
Exchange rate (per \$)	13.3	15.9	18.6
Population	1.3	1.3	1.2

Source: Oxford Economics

Opportunities for UK businesses

Mexico offers many opportunities for British businesses in sectors including healthcare, retail, infrastructure, aerospace and energy.

Strengths of the Mexican market include

- Growing middle class
- Large and qualified workforce
- Low manufacturing costs

Cultural tips

- Business is personal in Mexico. Before doing business, be sure you have contacts that can introduce you or vouch for you
- Having a basic knowledge of Spanish will help you make a good impression.
- Time is a flexible commodity and start and finish times should be viewed as estimates

Essential Customs tips

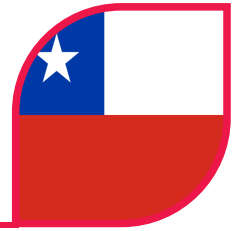


The de minimis value is \$50USD.



All goods shipments to Mexico must be accompanied by the original Customs documentation and an additional copy. The weight stated on the waybill must be the accurate net weight of the shipment or the shipment will be returned to origin. Original EUR1 certificates must be included with shipments that originate in the EU.

QUARTERLY INTERNATIONAL TRADE OUTLOOK FACT SHEET: CHILE



Why Chile?

+56

Spanish

15 regions

Peso (CLP)

To export a standard container
into Chile it takes

6 documents

12 days

cost £579



Area:
16,341,929 km²



Population: (2014)
18,006,407



Capital and largest city
Santiago

Chile has the highest GDP per capita in the region and an open economic model with expertise and efficiencies to compete in a globalised economy.

It is a liberal, open market economy, with strong macroeconomic stability due to a solid fiscal responsibility rule, low unemployment and an inflation-targeting Central Bank. Chile ranks seventh in the Index of Economic Freedom and has signed Free Trade Agreements with 64 countries around the world including the EU.

Economic snapshot (% annual growth rate)	2014	2015	2016-19
GDP	1.8	2.1	2.7
Export of goods and services	1.1	-1.9	2.1
Import of goods and services	-5.7	-2.8	2.4
Inflation	4.4	4.3	3.1
Exchange rate (per \$)	570.4	654.1	659.9
Population	1.1	1.0	1.0

Source: Oxford Economics

Opportunities for UK businesses

Chile is increasingly moving away from being a commodity producing country to a more service focused one and so companies offering optimisation solutions are in high demand. Sectors with investment opportunities include: education, agriculture, construction, ICT, and energy.

Strengths of the Chilean market include

- Liberal, open market economy
- Part of the Pacific Alliance, constituting of Chile, Mexico, Peru and Colombia
- Strong macroeconomic stability due to a solid fiscal responsibility rule

Cultural tips

- Face-to-face contact absolutely essential
- Chileans are punctual and tend to be straight forward in negotiation
- English is not widely spoken beyond senior level management

Essential Customs tips



The de minimis value is \$30USD.



When shipping animal products, coffee, plants or alcohol, an Agricultural requirement (SAG) must be completed before the shipment will be released. An Original Phytosanitary certification must be attached to the waybill and clearance typically takes 1-3 working days.



Chile

Britcham Chile Services

+562237 041 75

karl.royce@britcham.cl

www.britcham.cl

QUARTERLY INTERNATIONAL TRADE OUTLOOK FACT SHEET: **THE PHILIPPINES**



Why the Philippines?

+63

Filipino and English

17 regions

Peso (PHP)

To export a standard container into the Philippines it takes

8 documents

14 days

cost **£397**



The Philippines is one of the fastest growing economies in the world with a GDP growth of 6.3% in Q4 2015 and a remarkably positive GDP growth trajectory over a decade, which is projected to increase 8.8% by 2018.

It is the second largest market in ASEAN with 103 million people. The main engines of growth are services sectors (e.g. real estate, manufacturing and tourism) and the substantial forex earnings from Filipino expats amounting to US\$26b annually.

Economic snapshot (% annual growth rate)	2014	2015	2016-19
GDP	6.1	5.8	5.6
Export of goods and services	11.3	5.5	6.5
Import of goods and services	8.7	11.9	6.7
Inflation	4.2	1.4	3.2
Exchange rate (per \$)	44.4	45.5	45.9
Population	1.6	1.6	1.5

Source: Oxford Economics

Opportunities for UK businesses

Strategically located in Southeast Asia, the Philippines is an ideal market for doing business particularly for companies that are looking to set up a regional operation. A huge opportunity lies with the infrastructure and construction sector as the government takes forward projects through public-private partnerships (PPP).



Philippines

British Chamber of Commerce Philippines

+632556 523 2

uksme@britcham.org.ph

www.britcham.org.ph

Strengths of the Philippine market include

- Educated and English-proficient workforce
- Very strong domestic consumption
- Growing middle class with strong appetite for imported brands

Cultural tips

- Filipinos are highly personalised and relational. Face-to-face business transactions are encouraged
- Traffic tends to be heavy especially during peak hours
- Corruption is pervasive in the government sector.

Essential Customs tips

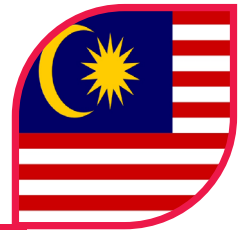


The de minimis value is USD 20 for shipments into Manila (MNL), while the de minimis value into Cebu (CEB) is USD 10.



Philippine Customs require Importers to be accredited by the Customs AMO (Account Management Office) or clearance will not be allowed. Full commodity descriptions must be provided on the waybill and commercial invoices must be on company letterheads for non document shipments to private individuals.

QUARTERLY INTERNATIONAL TRADE OUTLOOK FACT SHEET: **MALAYSIA**



Why Malaysia?

+60

Malaysian

12 states

Ringgit (RM)

To export a standard container
into Malaysia it takes

6 documents

8 days

cost **£259**

Area:
330,803 km²

Population: (2012)
28,334,135



Malaysia since its independence in 1957 has shown tremendous economic capacity that has propelled it to be a key player in the region being classified as a Tiger Cub Economy.

As a member of the Commonwealth, the country's strategic geographic location in South East Asia coupled with its Anglo-Saxon blueprint makes it a luring destination for businesses from the west, particularly the UK.

Economic snapshot (% annual growth rate)	2014	2015	2016-19
GDP	6.0	5.0	4.2
Export of goods and services	5.1	0.7	4.9
Import of goods and services	4.2	1.3	5.1
Inflation	3.1	2.1	2.6
Exchange rate (per \$)	3.27	3.91	4.22
Population	1.5	1.4	1.3

Source: Oxford Economics

Opportunities for UK businesses

Education is a growing sector in Malaysia. Through collaborations with foreign universities, Malaysia has become a regional education hub for all tiers of education. The country's kinship with the UK has created a natural inclination for a UK based syllabus. Malaysia's Islamic demographic makeup has allowed the halal industry to meet greater standards and dictate best practices at an international level.

Strengths of the Malaysian market include

- Economic and social stability
- Attractive tax and other incentives
- Legal and accounting practices based on the British system

Cultural tips

- Address people formally and denote proper respect
- Recognise titles such as Dato', Tan Sri, Datuk, Tun which are equivalent of knighthood bestowed by the royalties of Malaysia

Essential Customs tips



The de minimis value is 500 MYR.



When shipping cologne and perfume, non-prescription drugs, cosmetics and medical samples you will need to obtain import approval from Malaysia's Department of Pharmaceutical Services and/or Ministry of Health.



Malaysia

British Malaysian
Chamber of Commerce

+603216 317 84

info@bmcc.org.my

www.bmcc.org.my

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
178 - 188 Great South West Road
Hounslow
Middlesex
TW4 6JS
T: 0208 818 8000



www.britishchambers.org.uk

Twitter: @britishchambers
Follow British Chambers of Commerce on LinkedIn
and Google+

For information and advice on international trade visit
www.exportbritain.org.uk



www.britishchambers.org.uk

Twitter: @britishchambers

Follow British Chambers of Commerce on LinkedIn
and Google+

For information and advice on international trade visit

www.exportbritain.org.uk