



# QUARTERLY INTERNATIONAL TRADE OUTLOOK **Q3 2015**

BRITISH CHAMBERS OF COMMERCE  
IN PARTNERSHIP WITH DHL



# QUARTERLY INTERNATIONAL TRADE OUTLOOK Q3 2015



John Longworth – Director General, British Chambers of Commerce



Driving export growth is key to reducing the UK's deficit and maintaining our global competitiveness, and is critical to putting the UK's economy on a sustainable footing.

While the government has stressed the importance of transforming the UK into a net exporter, the results of the Quarterly International Trade Outlook (QITO) for Q3 2015 make it clear that the UK's export drive is at risk of going into reverse gear, precisely at the time when it needs to be moving forward.

Success in export is all about having the right market information, and the right fundamentals – access to finance, a skilled workforce and good infrastructure connections.

Smaller businesses also need practical help and advice to give them an edge over their global competition. That's why we are building a Global Business Network to help UK companies take their first steps into new markets, with business-to-business help with the real-world challenges that exporting can generate.

By building a fully integrated global network we can put businesses in every region of the UK directly in touch with experts on the ground in overseas markets through their local Chamber, providing a direct route into new markets and demystifying the export process.

Phil Couchman – CEO, DHL Express UK & Ireland



The latest Quarterly International Trade Outlook (QITO) has demonstrated a fall in export orders and sales amongst UK businesses, and as a result the Trade Confidence Index is at its lowest rate since 2009, at 115.53.

We can mostly attribute this to uncertainty in the Eurozone, and the instability of the Chinese and wider global economy.

We must however remember that UK businesses are resoundingly resilient. Even though the overall index has fallen, 54% of businesses state their export orders have remained constant. Indeed, when we look back over the last decade there have certainly been highs and lows for the UK economy, yet business has continued, and has often thrived.

We would encourage businesses not to let the latest figures knock their confidence in the export market. There is enduring high demand for British products across the globe and businesses should capitalise on the

opportunities this demand brings.

In addition we must all ensure that British businesses are given every possible opportunity to compete effectively on a global scale, and the BCC's Global Business Network will certainly support businesses in having the right connections. The ability to quickly and effectively send and receive goods is also essential.

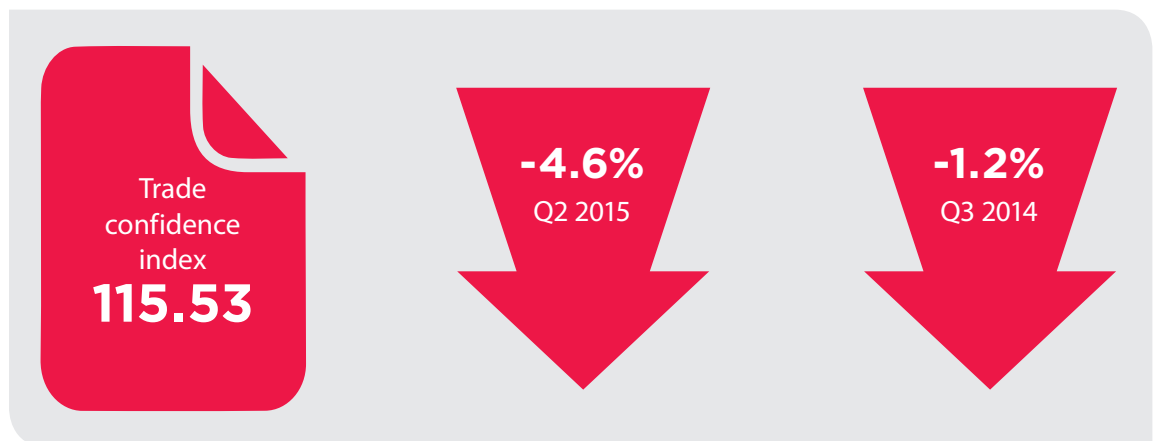
Whilst the movement in currency represents a challenge for many exporters, DHL remains confident in the underlying UK export market and will continue to support UK SMEs in expanding their businesses internationally, to help them to reach their full potential in the global marketplace.

# QUARTERLY INTERNATIONAL TRADE OUTLOOK **Q3 2015**



## 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 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 Trade Confidence Index\* stands at 115.53.

This represents a quarter-on-quarter decline of 4.6% and a decline of 1.2% from Q3 2014.

\*The index is calculated using both the volume of trade documents issued by Chambers of Commerce across the UK and BCC's Quarterly Economic Survey confidence indicator. 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 over the past year (2007=100)

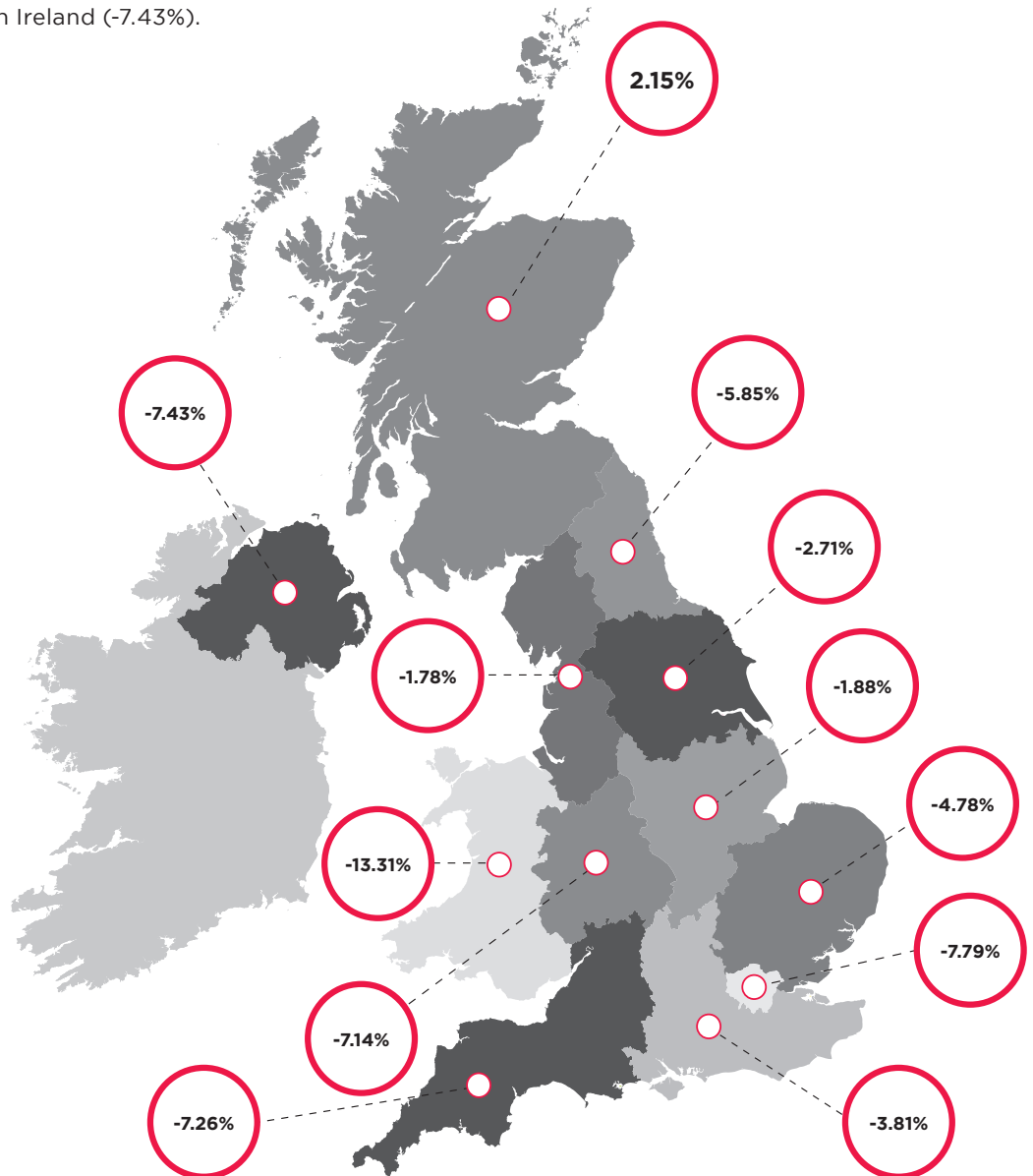
Q4 14	Q1 15	Q2 15	Q3 15
<b>117.43</b>	<b>121.43</b>	<b>121.09</b>	<b>115.53</b>

# QUARTERLY INTERNATIONAL TRADE OUTLOOK **Q3 2015**



## Regions and Nations

All regions and nations of the UK saw a decline in their quarter-on-quarter performance. Scotland was the only nation which saw an increase, at 2.15%. The regions which saw the largest declines included Wales (-13.37%), London (-7.79%), and Northern Ireland (-7.43%).



# QUARTERLY INTERNATIONAL TRADE OUTLOOK Q3 2015



## Export sales and orders slow down

The export orders balance\* fell in Q3 2015 from +14% in the previous quarter to +3%.

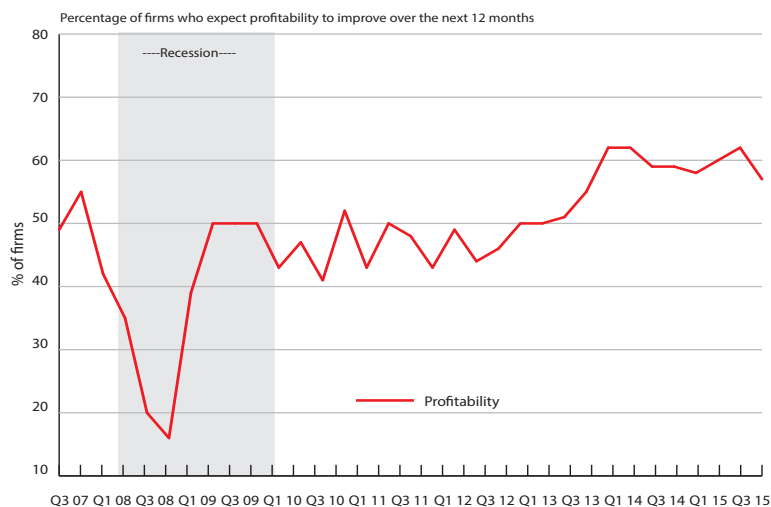
Further breakdown of the export orders balance shows that 25% of exporters reported that their export orders had increased in Q3 2015, while 22% of respondents stated they decreased.

The export sales balance fell to +7% in Q3 2015, down from +18% in the previous quarter.

Further breakdown of the export sales balance shows that 29% of exporters reported that their export orders increased, with 21% reporting that export sales had decreased.



## Confidence amongst exporters falls



Exporters' confidence that their profitability will improve over the next twelve months decreased to +41% from +51% in the previous quarter.

Further breakdown reveals that 57% of exporters expect profitability to increase, with a further 28% expecting no change, and 16% expecting profitability to worsen.

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

# QUARTERLY INTERNATIONAL TRADE OUTLOOK **Q3 2015**



## Trade and economic outlook

### Economy

The outlook for the global economy has weakened slightly over recent months. Relative to last year, growth in advanced economies is expected to pick up slightly, while it is projected to decline in emerging markets and developing economies.

### Trade

The World Trade Organisation (WTO) lowered its forecast for world trade growth in 2015 to 2.8%, from 3.3% in April, and reduced its estimate for 2016 to 3.9% from 4%.

These revisions reflect a number of factors that weighed on the global economy in the first half of 2015, including falling import demand in China, Brazil and other emerging economies; falling prices for oil and other primary commodities; and significant exchange rate fluctuations.

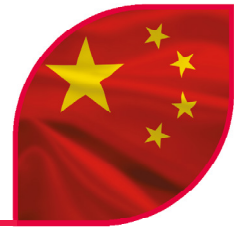
If trends continue, 2015 will mark the fourth consecutive year in which annual trade growth has fallen below 3%. This will also mark the fourth year where trade has grown at approximately the same rate as world GDP, rather than twice as fast - as it has done in the 1990s and early 2000s.

### UK

The BCC forecasts UK exports to grow by 3.6% and imports by 4.1% in 2015. In 2016, UK exports are expected to grow by 2% and imports by 1.5%.



# QUARTERLY INTERNATIONAL TRADE OUTLOOK FACT SHEET: CHINA



## Why China?

+86

Mandarin

22 provinces

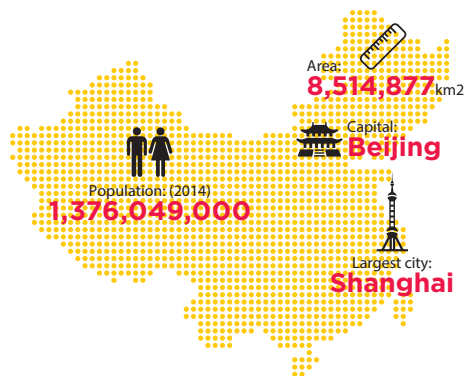
Renminbi  
(yuan) (¥) (CNY)

To export a standard  
container into China it takes

4 documents

24 days

cost **£405**



With a population of 1.3 billion, China is the second largest economy and is increasingly playing an important and influential role in the global economy.

China's success has been primarily due to manufacturing as a low-cost producer. This is attributed to a combination of cheap labour, good infrastructure, relatively high productivity, favourable government policy, and a possibly undervalued exchange rate.

Economic snapshot (% annual growth rate)	2014	2015	2016-19
GDP	7.3	6.6	5.6
Export of goods and services	5.8	-2.6	5.7
Import of goods and services	6.6	0.3	5.2
Inflation	2.0	1.5	2.3
Exchange rate (per £)	9.31	9.62	9.79
Population	0.5	0.5	0.4

Source: Oxford Economics

### Opportunities for UK businesses

China offers huge opportunities for British companies, particularly in sectors such as food and drink, renewable energy and financial services.



China-Britain  
Business Council  
英中贸易协会

China

British Business Council

+44 (0)2078 022 000

stephen.phillips@cbbc.org

www.cbbc.org

### Strengths of the Chinese market include

- Largest country in the world by population
- Growing number of middle income consumers
- Forecast to become the world's largest luxury goods market by 2020

### Cultural tips

- Mandarin Chinese is the language of business
- Be careful with gestures as they can convey different meanings in China
- Build close personal relationships to enable you to develop business partnerships

### Essential Customs tips



All shippers/receivers must be registered with Chinese Customs and are given a Customs Registration (CR) number. This must be clearly stated on all paperwork along with the receivers name, address and phone number. Customs paperwork must be typed; handwritten paperwork is only accepted when shipping personal items.



Shipments under 794 USD can clear as informal as long as the paperwork provides a detailed description.

# QUARTERLY INTERNATIONAL TRADE OUTLOOK

## FACT SHEET: INDIA



### Why India?

+91

Hindi, English

28 states

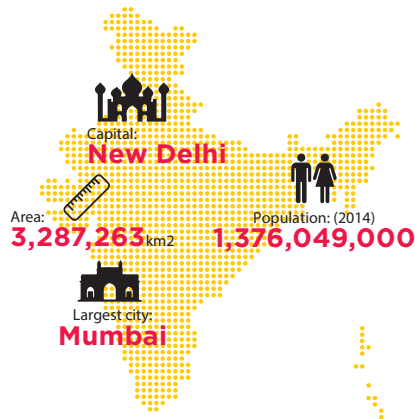
Indian rupee (INR)

To export a standard container into India it takes

10 documents

21 days

cost £939



Driven by 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 and 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	7.2	7.0
Export of goods and services	4.9	-6.1	6.1
Import of goods and services	-1.8	-9.7	6.7
Inflation	6.6	4.9	5.5
Exchange rate (per £)	95.00	98.65	103.35
Population	1.2	1.2	1.2

Source: Oxford Economics

### Opportunities for UK businesses

India has opportunities in all sectors as it expands and develops in particular in the following sectors: finance, infrastructure, energy efficiency, education and healthcare.

**UK INDIA**  
BUSINESS COUNCIL

India

UK India Business Council

+44 (0)2075 923 040

enquiries@ukibc.com

www.ukibc.com

### Strengths of the Indian market include

- Common legal and administrative history
- Rising personal incomes creating a new middle class consumer market
- More than 50 cities that now have over a million people

### Cultural tips

- Building relationships are important
- Use of business cards is essential
- Refer to business superiors and those senior in age as "sir" or "madam". Do not use first names unless invited to do so

### Essential Customs tips



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.

**British Chambers of Commerce**

[www.britishchambers.org.uk](http://www.britishchambers.org.uk)

@britishchambers

[www.dhlguide.co.uk](http://www.dhlguide.co.uk)

@dhlexpressuk





# QUARTERLY INTERNATIONAL TRADE OUTLOOK FACT SHEET: MYANMAR



## Why Myanmar?

+95

Burmese

7 states and  
7 regions

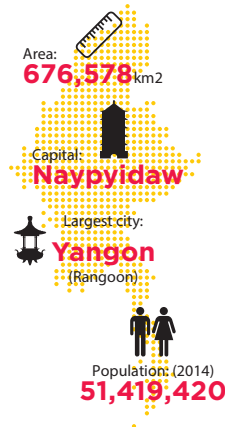
Kyat  
(K) (MMK)

To export a standard container  
into Myanmar it takes

9 documents

27 days

cost **£396**



Myanmar has recently re-emerged on the global stage after 50 years of isolation. It is a resource-rich country and has all the elements required to create another Asian economic miracle.

With a population of over 50 million, the country has a large pool of low-cost workers designed to attract the labour-intensive manufacturing that jump-started income growth from South Korea to Malaysia. Its strategic position located between China and India makes it a prime location for tapping into the growth of those two Asian giants.

Economic snapshot (% annual growth rate)	2014	2015	2016-19
GDP	7.7	8.1	6.6
Export of goods and services	1.4	25.5	9.8
Import of goods and services	8.8	5.1	5.0
Inflation	5.5	6.9	5.8
Exchange rate (per £)	1477	1683	1930
Population	0.8	0.8	0.9

Source: Oxford Economics

### Opportunities for UK businesses

As one of the least developed countries in Asia, Myanmar has market opportunities in nearly every sector, including: infrastructure, transportation, telecommunications, agriculture, natural resources, professional services and manufacturing. British businesses specialising in construction equipment, resource extraction, refining facilities, power generation, renewable energy, processed foods, textiles and medical equipment will find export potential in Myanmar.

### Strengths of the Myanmar market include

- Strong economic growth
- Abundant natural resources
- Strong trading links with the UK with a recognition of British brands

### Cultural tips

- Exchange business cards at the start of a meeting, take the time to look at them properly and leave on the table during meetings
- Follow the lead from the host as to whether to remove shoes on entering an office
- Make visits to build business relationships as email does not work well in this market

### Essential Customs tips



De minimus value (duty free allowance) = USD 500. However, this is a guideline only as all shipments are taxable.



For shipments that exceed the guideline limit above, the consignee must hold a valid license and prepare all relevant documents for customs clearance. These shipments may be subject to a delay of 2 - 14 days.



British Chamber  
of Commerce

Myanmar

British Chamber  
of Commerce

+95 (0)9975 991 681

chloe@britishchambermyanmar.com

www.britishchambermyanmar.com



[www.britishchambers.org.uk](http://www.britishchambers.org.uk)

@britishchambers

[www.dhlguide.co.uk](http://www.dhlguide.co.uk)

@dhlexpressuk



# QUARTERLY INTERNATIONAL TRADE OUTLOOK FACT SHEET: THAILAND



## Why Thailand

+66

Thai

76 provinces

Baht (THB)

To export a standard container into Thailand it takes

5 documents

13 days

cost £465



Thailand is the second-largest economy in Southeast Asia, after Indonesia.

Over the last four decades, Thailand has made remarkable progress in social and economic issues, moving from a low-income country to an upper-income country. As such, Thailand has been one of the widely cited development success stories, with sustained strong growth.

Economic snapshot (% annual growth rate)	2014	2015	2016-19
GDP	0.9	2.5	3.4
Export of goods and services	0.0	0.3	5.4
Import of goods and services	-5.4	1.5	5.8
Inflation	1.9	-0.9	2.0
Exchange rate (per £)	49.44	54.38	56.02
Population	0.4	0.3	0.2

Source: Oxford Economics



### Opportunities for UK businesses

Thailand's economic growth has created opportunities for British businesses in a number of infrastructure sectors, including electrical power, telecommunications, and renewable energy. Opportunities for UK businesses exist in cosmetics, security equipment, food supplements, educational services, automotive accessories, defence equipment, broadcast equipment, food processing and packaging equipment, and environmental technology.

### Strengths of the Thailand market include

- Growing affluent middle class
- Well-developed infrastructure
- Ranked in top 20% of countries listed in the World Bank's 'Ease of Doing Business Survey'

### Cultural tips

- Never sit in a position where your feet are stretched out in the direction of a Buddha image
- Use 'Khun' as the formal term of address followed by the first name
- Avoid pointing with your finger at a person

### Essential Customs tips

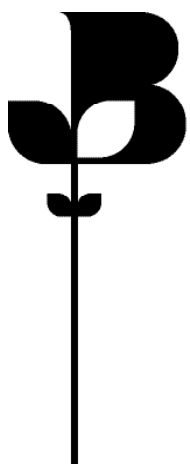


When shipping personal items or items for exhibition to Thailand, the recipient must provide a copy of their passport or Thai identification card to register with Thai Customs for clearance.



De minimus value (duty free allowance) = 1,000 THB. If an import license is required, ensure paperwork is provided or a fine equal to 20% of the dutiable value or 20,000 THB will be applied.





British  
Chambers of  
Commerce

[www.britishchambers.org.uk](http://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](http://www.exportbritain.org.uk)