



QUARTERLY INTERNATIONAL TRADE OUTLOOK **Q4 2015**

BRITISH CHAMBERS OF COMMERCE
IN PARTNERSHIP WITH DHL



QUARTERLY INTERNATIONAL TRADE OUTLOOK **Q4 2015**



John Longworth – Director General, British Chambers of Commerce



It has been a challenging quarter for British exporters. Slowing domestic growth and economic turbulence in overseas markets have made it harder for firms to build momentum.

Despite this, GDP and exports are growing, but the rate of expansion has dropped significantly since the last quarter. The results of the Quarterly International Trade Outlook (QITO) for Q4 2015 make it clear that export growth and confidence across both the services and manufacturing sectors are continuing to slow, with manufacturers struggling more than the services sector.

A key problem is that while our exports continue to grow, so too does our national appetite for imported goods. This makes it even more important to redouble our efforts to drive our exports if we are to reverse our long-standing trade deficit.

As Chambers of Commerce, we can support businesses by providing them with up-to-date market information that will help them to accurately target the best markets for their products, as well as offering on-the-ground support in overseas markets that will give them an edge over their global competition.

As our Global Business Network continues to grow, so too does our ability to offer unparalleled support to UK businesses – whether taking the first step into exporting or expanding their operations.

Phil Couchman – CEO, DHL Express UK & Ireland



The findings in this QITO continue to reflect the slowing growth of the UK economy. In the last report the Trade Confidence Index (TCI) had fallen to its lowest rate since 2009 and it's disappointing to see that this figure has fallen yet again this time around.

In this Q4 2015 report the TCI stands at 114.46, the lowest score since the recession and down a further 0.93% from Q3. However, despite lower export documentation volumes across most regions of the UK, there is some positive news as Scotland, the North East and Northern Ireland all saw reasonably significant increases.

With the UK's trade gap recently reaching an all-time high, it's more important than ever that we concentrate on supporting more British businesses to export. The UK's relentless demand for imported goods means that we need to work hard to significantly boost exports and strike the right balance.

At DHL we provide advice and support to businesses new to exporting and to those who already sell their products overseas but want to expand even further.

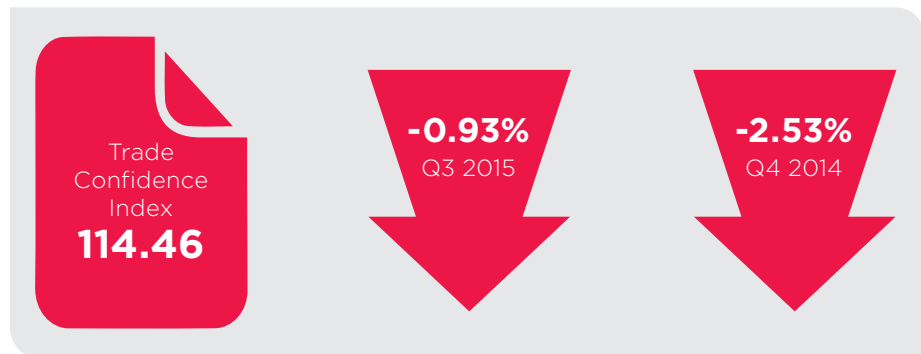
As the UK focuses its efforts on exporting as a way of securing the future of our economy, we will continue to support businesses and ensure that more and more organisations feel comfortable in taking that first step overseas.

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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.

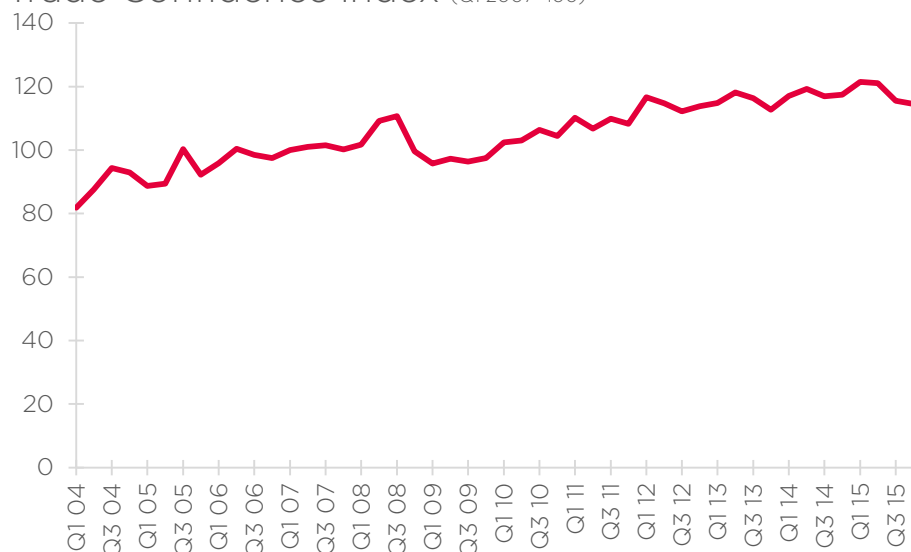


The Trade Confidence Index* currently stands at 114.46.

This represents a decline of -0.93% on Q3 2015 and a decline of -2.53% from Q4 2014.

*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)



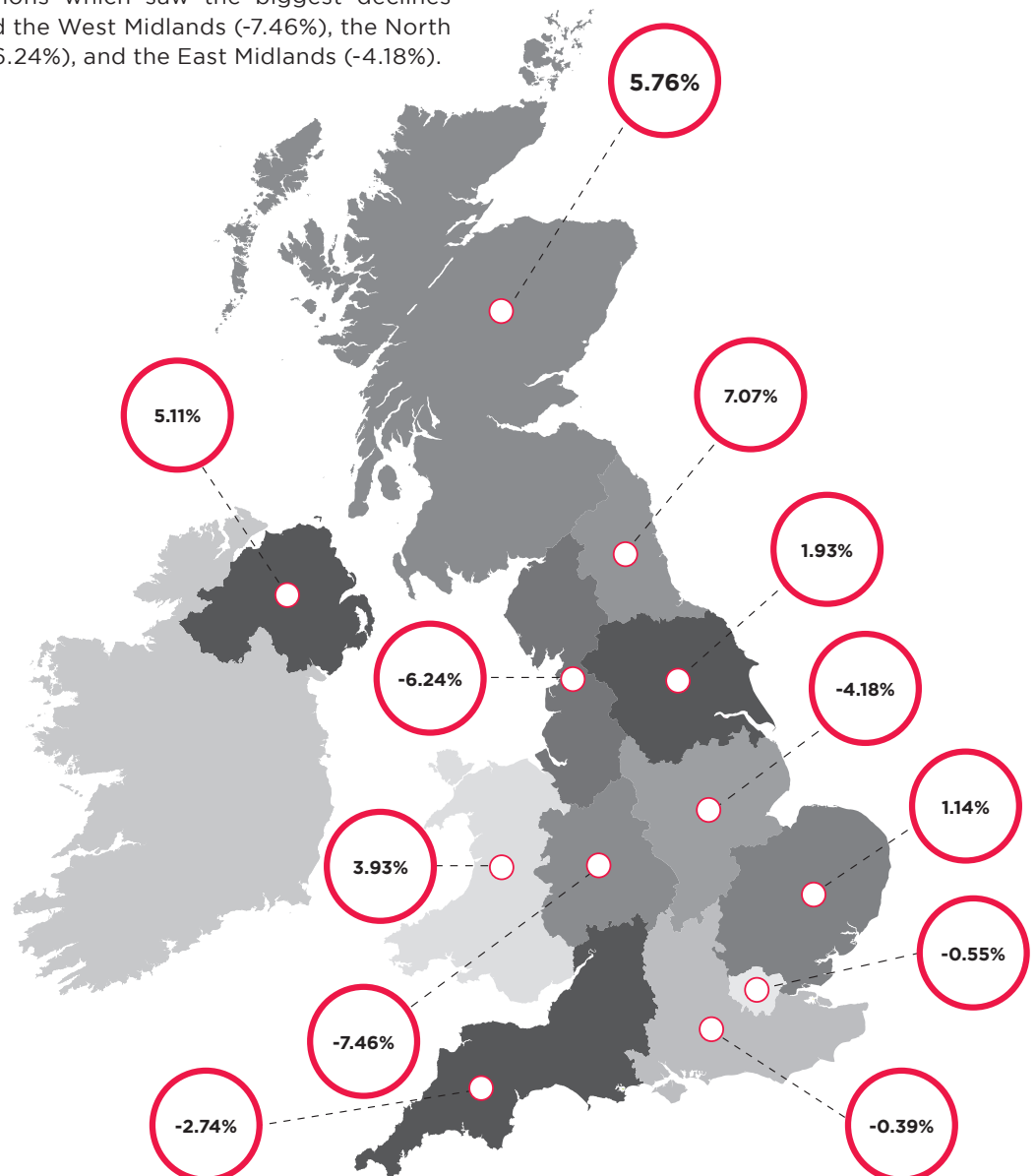
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Export documentation volumes by regions and nations

Six regions and nations of the UK saw a decline in their quarter-on-quarter issuance of export documentation. The largest increases came from the North East at 7.07%, followed by Scotland at 5.76%, and Northern Ireland at 5.11%.

The regions which saw the biggest declines included the West Midlands (-7.46%), the North West (-6.24%), and the East Midlands (-4.18%).



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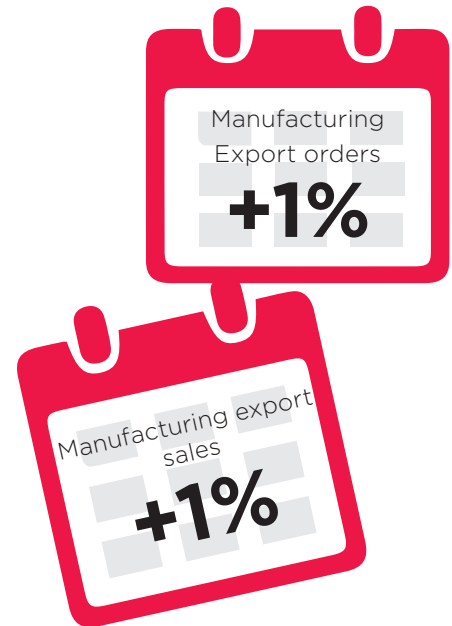
Growth in export sales continues to slow

Figures released by the British Chambers of Commerce showed a decline in the number of firms reporting improvements in export sales in Q4 2015.

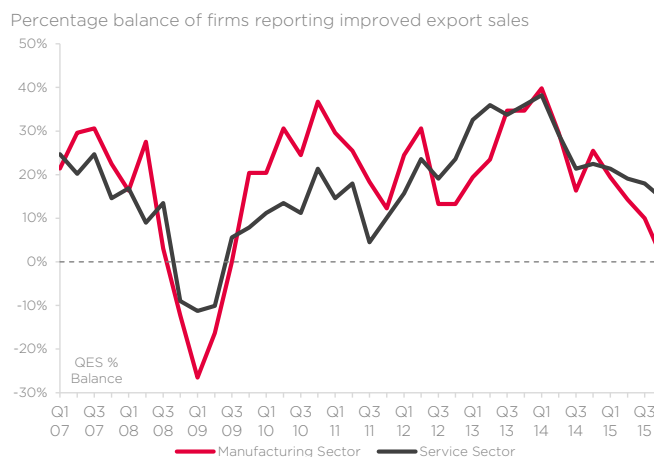
In the manufacturing sector, the balance* of firms reporting improvements in export sales over the previous three months fell sharply to +1% in Q4 2015 from +10% in Q3 2015, the lowest level since Q3 2009. This means that only 1% more firms reported an increase over a decrease.

In the services sector, the export sales balance fell to +15% in Q4 2015, down from +18% in Q3 2015.

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



Manufacturers report lowest export sales growth since recession



The adjacent graph shows the balance of firms reporting increases in export sales compared to those reporting decreases going back to Q1 2007. The balance in Q4 2015 for manufacturing firms is now at the lowest level since the recession.

Comparing export sales balances for the manufacturing sector across the various regions and nations, the strongest Q4 2015 performances were in Wales for export sales at +21%, followed by the North East (+19%) and the East of England (+16%). In the service sector, the highest balances were recorded in the South West at +24%, followed by the South East (+20%) and the East Midlands (+19%).

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Trade and economic outlook

Fewer firms report increases in orders

As well as a decrease in the number of firms reporting improved sales, the BCC's statistics also show a smaller number of firms reporting improved export orders. The balance of manufacturing firms reporting improvements in export orders over the next three months fell to +1% in Q4 2015 from +10% in Q3 2015, indicating an expected slow down in demand. In the services sector, the export orders balance fell to +9% in Q4 2015, down from +16% and the lowest level since Q4 2011.



International Trade

The World Trade Organisation (WTO) is currently expecting world trade growth in 2016 of 3.9%, down slightly from the previous estimate of 4.0% and still below the average for the last 20 years of 5%.

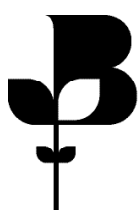
The UK's trade deficit widened to £14.1 billion in Q3, from £9.7 billion in Q2 2015. The widening deficit was driven by a 0.3% fall in exports and a 2.7% rise in imports in the quarter, compared with Q2. The BCC forecasts that UK exports will grow by 3.4% and imports will grow by 3.2% in 2016. In 2017, exports are expected to increase by 3.0% with imports rising by 2.6%.



The Global Economy

The Eurozone economy grew by 0.3% in Q3 2015, down from the growth of 0.4% recorded in the previous quarter. Annualised real GDP growth in the US slowed to 2.0% in Q3 2015, from 3.9% in Q2 2015. China's economy grew by 6.9% in 2015, its slowest rate of growth in 25 years. Looking forward, the slowing growth in China, rising US interest rates and lower commodity prices all pose serious potential risks to the outlook for the global economy.

The UK economy grew by 0.5% in the fourth quarter of 2015, marginally higher than the 0.4% recorded in the previous quarter. Overall, the UK economy grew by 2.2% 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 2.5% in 2016 and 2017.



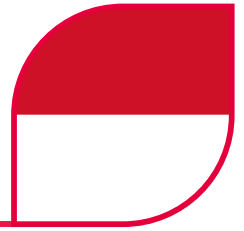
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QUARTERLY INTERNATIONAL TRADE OUTLOOK FACT SHEET: **INDONESIA**



Why Indonesia?

+62

Indonesian

34 provinces

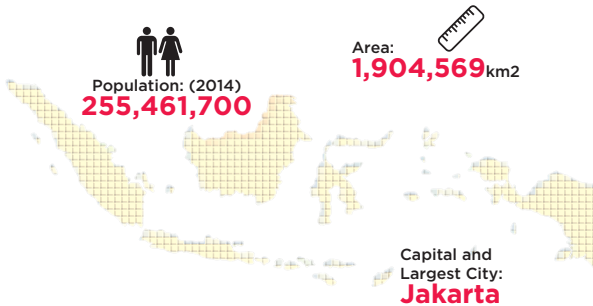
Rupiah (RP)

To export a standard container into Indonesia it takes

7 documents

23 days

cost **£407**



Indonesia has the largest economy in Southeast Asia and is one of the emerging market economies of the world; it is also the world's fourth most populous nation and is a member of the G-20.

The country has been undertaking wide-ranging reforms to address various structural weaknesses and improve competitiveness including improvements to regulatory efficiency and creating a more vibrant private sector.

Economic snapshot (% annual growth rate)	2014	2015	2016-19
GDP	5.0	4.8	5.5
Export of goods and services	1.0	-0.6	3.9
Import of goods and services	2.2	-5.6	4.3
Inflation	6.4	6.4	4.3
Exchange rate (per \$)	11,850	13,394	14,470
Population	1.3	1.2	1.1

Source: Oxford Economics

Opportunities for UK businesses

Important opportunities exist in mining and agribusiness equipment and services, telecommunications, education and professional training, research, medical equipment and construction, as well as food and drinks.

Strengths of the Chinese market include

- Low public and external debt levels
- High levels of urbanisation
- Rapidly growing productive population

Cultural tips

- Business relationships are based on trust and personal contact and politeness is essential
- Indonesia is a Muslim country so avoid scheduling meetings during prayer times.
- Try to print business cards and literature in both English and Bahasa Indonesian

Essential Customs tips

The de minimis value is \$50USD, however customs may evaluate if shipment weight is >20kg. Duty (at 0% to 20%), VAT (at 0% to 20%), and income tax (at 2.5% to 15%) are applied separately. If the receiver provides a tax number, income tax will be charged at 7.5%. If the receiver provides a tax number & import identification number, income tax is reduced to 2.5%

With the demand for quality goods increasing, businesses shipping clothing should note that up to ten items per shipment can be sent to Indonesia before registration for additional requirements need to be fulfilled. Only two mobile phones can be sent to Indonesia before the receiver must be registered with the Indonesian authorities.



Indonesia

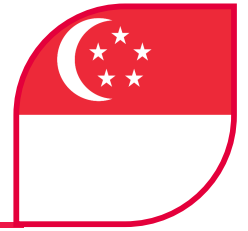
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QUARTERLY INTERNATIONAL TRADE OUTLOOK FACT SHEET: SINGAPORE



Why Singapore?

+65

Malay, English,
Mandarin, Tamil

63 islands

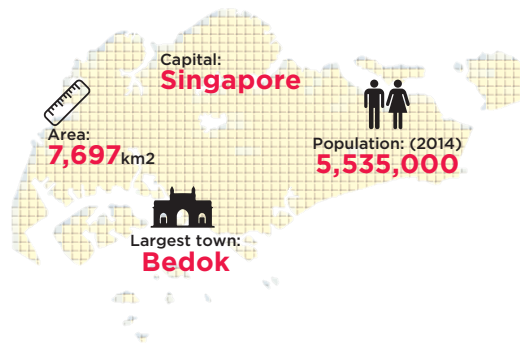
Singapore Dollar
(SGD)

To export a standard container
into Singapore it takes

4 documents

4 days

cost **£271**



Singapore is the world's fourth-leading financial centre. The country has a highly developed market-based economy, which depends heavily on exports and refining imported goods.

The Singaporean economy is known as being innovative, competitive and business-friendly. Singapore is the 14th largest exporter and the 15th largest importer in the world. The country is currently the only Asian country to have AAA credit ratings from all three major credit rating agencies.

Economic snapshot (% annual growth rate)	2014	2015	2016-19
GDP	2.9	2.1	2.9
Export of goods and services	2.1	2.9	4.4
Import of goods and services	1.4	2.0	5.3
Inflation	1.0	-0.5	1.6
Exchange rate (per \$)	1.3	1.4	1.4
Population	1.4	1.3	1.3

Source: Oxford Economics

Opportunities for UK businesses

Singapore offers opportunities in the following sectors: ICT, creative, fintech, tourism, biomedical, food and drinks, retail, financial services and business services as well as major projects including: drainage improvement projects; construction of public hospitals and new rail lines.

Strengths of the Singapore market include

- Strong consumption ability
- Good business environment
- Biotechnology Hub

Cultural tips

- Avoid direct body contact and gestures which could be considered rude such as pointing and displaying the soles of shoes
- Speak in a calm manner with business partners and avoid aggressive negotiation
- Try to learn the basics of some of the four official languages

Essential Customs tips

Singapore applies a Goods and Services Tax (GST) to all shipments where CIF (Cost of goods, insurance & freight) is above SGD400. The current GST rate is 7% of the commercial invoice value. Import Duty is also applicable for the following commodities: intoxicating liquors; tobacco products; motor vehicles and petroleum products.

If sending to a business address, the company registration number must be provided to Customs. It is also a requirement to state the terms of trade (Incoterm) on the commercial invoice. Cosmetics shipped to Singapore are subject to approval from HSA and a product licence must be provided by the consignee. The invoice must state the name of medicine, brand name, reason for import, product composition, quantity per bottle and weight of each item.



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QUARTERLY INTERNATIONAL TRADE OUTLOOK FACT SHEET: HUNGARY



Why Hungary?

+36

Hungarian

19 administrative divisions

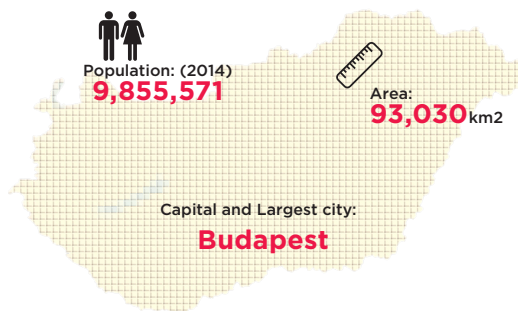
Hungarian Forint (HUF)

To export a standard container into Hungary it takes

7 documents

19 days

cost £527



Hungary has a medium-sized, high-income and open economy. Hungary has been a member of the OECD since 1995, the WTO since 1996, and the European Union since 2004.

The service sector accounts for over 60% of GDP and its role in the Hungarian economy is steadily growing due to constant investments into transport and other services in the last 15 years. Situated in the heart of Central Europe, Hungary's location plays a significant role in attracting investment into the country.

Economic snapshot (% annual growth rate)	2014	2015	2016-19
GDP	3.6	2.5	2.1
Export of goods and services	7.6	8.6	5.1
Import of goods and services	8.5	7.5	5.0
Inflation	-0.2	-0.1	2.4
Exchange rate (per \$)	233	279	286
Population	-0.3	-0.2	-0.2

Source: Oxford Economics

Opportunities for UK businesses

With an extensive road and railway network and skilled workforce, Hungary is an ideal place for British companies to set up a branch serving as a gateway to the East. UK businesses can seek opportunity in the following sectors: electronics, engineering, software and life sciences. There are also opportunities in tourism, transport, retail, food, environment and construction.

Strengths of the Hungarian market include

- Well-qualified labour force.
- Location in the heart of Europe with an extensive road and railway network
- Business friendly environment with strong corporate sector

Cultural tips

- Punctuality is important so attempt to arrive at meetings ten minutes ahead of schedule
- Traffic is often heavy in the larger cities so make allowances for this
- Corruption can be prevalent amongst certain institutions such as the health care system with little official oversight.

Essential Customs tips

Trading within the European Union is a simple process due to the free trade agreement that allows goods to cross country borders without charges being applied.

When sending shipments by road from the EU into Hungary, an Electronic Trade and Transport Control System (EKAER) number is generally needed for shipments above 40kg.

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QUARTERLY INTERNATIONAL TRADE OUTLOOK FACT SHEET: ROMANIA



Why Romania?

+40

Romanian

42 counties

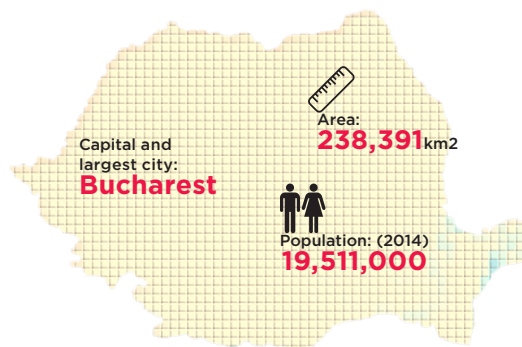
Romanian Leu (RON)

To export a standard container into Romania it takes

6 documents

13 days

cost £922



Romania is the ninth largest country of the European Union by area, and has the seventh largest population of the European Union. Its capital and largest city is Bucharest - the sixth largest city in the EU.

Romania has a developing, upper-middle income market economy. Joining the EU on 1st January 2007 brought Romania a new set of changes in regulation, with improved potential for setting up new business and international trade liberalisation.

Economic snapshot (% annual growth rate)	2014	2015	2016-19
GDP	2.9	3.7	3.4
Export of goods and services	9.0	5.0	4.8
Import of goods and services	7.7	7.5	5.7
Inflation	1.1	-0.5	2.0
Exchange rate (per \$)	3.3	4.0	4.1
Population	-0.3	-0.2	-0.2

Source: Oxford Economics

Opportunities for UK businesses

Romania offers significant opportunities to UK businesses with products, services, or technologies that either meet growing private demand or contribute to the country's development priorities. In particular opportunities exist in the following sectors: food and drink, ICT, textiles, manufacturing, engineering and automotive.

Strengths of the Romanian market include

- Low external and public debt
- Reduced rate of unemployment
- Well-qualified labour force

Cultural tips

- Ensure that you arrive to meetings ahead of schedule and call ahead if you are delayed
- Small gifts from the visitors country can be seen as a sign of cooperation
- A conservative business attire is recommended

Essential Customs tips

Trading within the European Union is a simple process due to the free trade agreement that allows goods to cross country borders without charges being applied.

Romania's EU status and position as an 'Emerging European' country means there are significant opportunities for UK businesses without the added complexity of customs clearance procedures.



Romania

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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:

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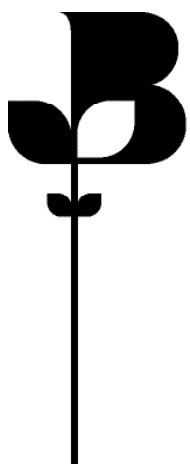
About DHL Express

DHL Express is the global market leader in the international express business, specialising in time and day critical shipments to all corners of the world. The DHL Express network is composed of more than 220 countries and territories and has a global workforce of approximately 100,000 Certified International Specialists.

DHL Express UK works closely with the SME market to help businesses grow internationally through export. DHL provides advice to businesses that are new to international trade and continues to support businesses throughout their export journey.

For further information, visit: www.dhl.co.uk

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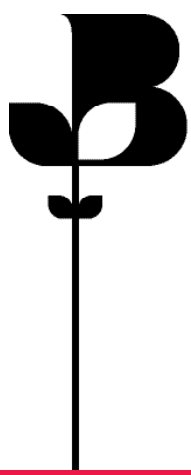


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