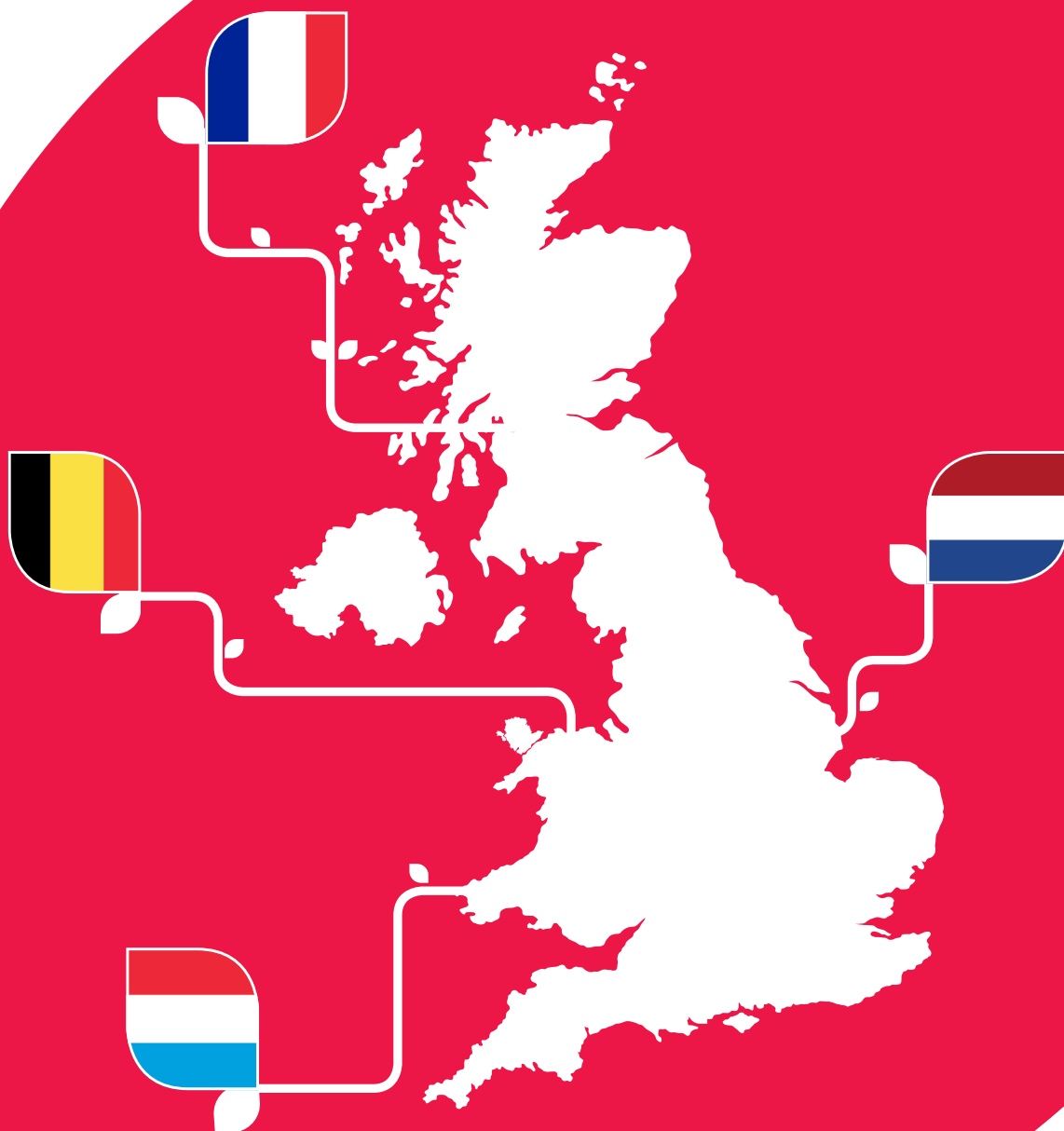




QUARTERLY INTERNATIONAL TRADE OUTLOOK **Q2 2019**

BRITISH CHAMBERS OF COMMERCE
IN PARTNERSHIP WITH DHL





FOREWORD: **BCC & DHL**



Hannah Essex – Co-Executive Director, British Chambers of Commerce

There is real frustration among business communities across the UK at the lack of clarity about trading conditions after the UK leaves the EU, and we're already seeing the impact of that uncertainty.

While the majority of firms want the government to avoid a messy and disorderly Brexit, we're calling on the government to put practicalities first and implement measures to ensure firms are as prepared as possible for the whatever scenario they face. A crucial first step would be to automatically issue all necessary companies with an EORI number to minimise the hoops that firms need to jump through to be ready for day one.

There are many fundamental outstanding questions relating to the rules and processes of trade in the event of no deal. While the Department for International Trade has been working with third countries to ensure the rollover of existing FTAs, many of these critical arrangements have not yet been formally agreed, and firms can't plan for the future based on warm words. Maintaining preferential access to countries where the EU has trade agreements is critical to maintaining competitiveness in key markets.



Shannon Diett – VP of Marketing, DHL Express UK

The 2.1% fall in the Trade Confidence Index compared to Q1 2019 is a strong indication that UK firms, despite a solid export performance, are feeling the impact of the uncertain and challenging market conditions prevailing at this time. Manufacturing and services firms are still reporting an increase in export orders, however, this is at a reduced level in comparison to this time last year.

For businesses trading internationally in particular, preparing for a potential Brexit, including a no-deal scenario in March, then April and now October has absorbed considerable business resource. This diversion of focus and delay of investment represents a substantial opportunity cost for British business trading internationally. It is however essential that a renewed focus is placed on preparing for Brexit again in advance of the 31 October deadline.

There are a number of practical steps that can be taken, despite the lack of clarity on future trading relations with Europe. Actions such as implementing digital customs paperwork solutions with your logistics provider, or obtaining an EORI number will help make the transition to new trade arrangements, regardless of the ultimate Brexit scenario, as seamless as possible for exporting businesses. Additionally, increasing the number of markets a business trades with reduces risk and increases growth possibilities in the long term.



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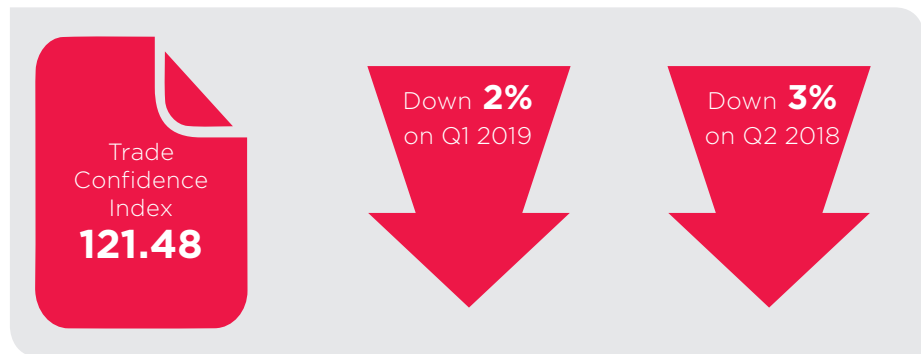


BCC/DHL TRADE CONFIDENCE INDEX



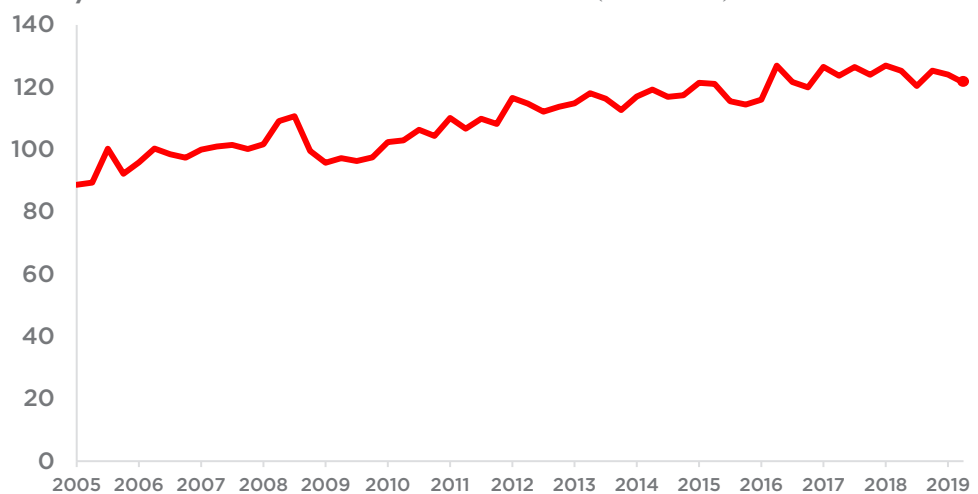
BCC/DHL Trade Confidence Index

The BCC/DHL Trade Confidence Index (TCI)* is a measure of the UK's exporting health. By analysing trends in the volume of trade documentation issued by Accredited Chambers of Commerce, the TCI provides insight into the UK's trade with countries outside of the European Union, particularly high growth markets such as Asia and Africa.



Trade Confidence Index Timeline

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



*The index is calculated using the volume of trade documents issued by accredited Chambers of Commerce across the UK. Many types of exports require supporting commercial documentation. Chambers of Commerce issue documentation required for exports outside the EU and as a result have amassed significant data on UK goods exports. The TCI uses data collected from this process to show both an index of documentation and regional comparisons of exporting activity.



SURVEY DATA: EXPORT SALES

Uncertainty continues to add pressure to UK exporters...

The Quarterly International Trade Outlook survey, based on the responses of over 3,300 exporters, shows that export sales and orders are slowing in the face of the extended Brexit uncertainty.

In Q2 2019, the balance of exporting manufacturers reporting their international sales increased stood at +14%, down from +24% in the same quarter last year. In services the balance fell to +8%, from +17%.

The balance of exporting manufacturers that have increased orders also fell to +9%, down from +21% in the same quarter last year. In services it fell to +5% from +14%, indicating that the ongoing uncertainty is hitting forward-looking orders books and impacting the competitiveness of UK firms abroad.

+9%

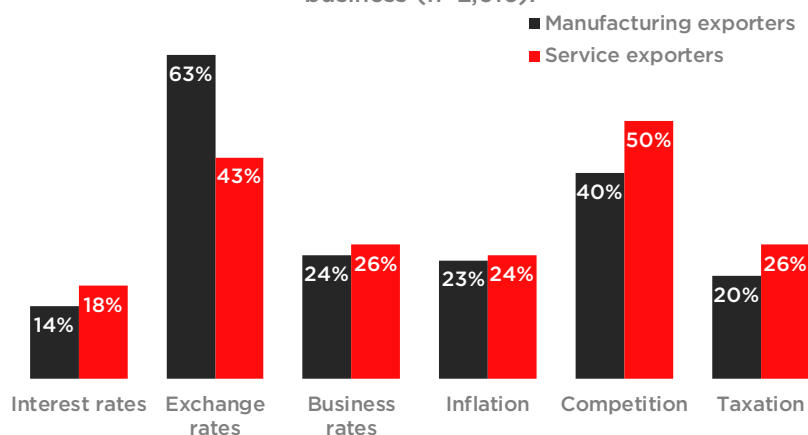
of manufacturers report increased export orders in Q2

+5%

of service firms report increased export orders in Q2

...while exchange rates remain a top concern

Firms reporting the following factors of concern to their business (n=2,616):



The Quarterly International Trade Outlook results reflect the difficult trading conditions facing firms.

Slowing global trade, Brexit uncertainty and sterling volatility are continuing to weigh on the UK's trade position. 63% of manufacturing exporters consider exchange rates to be a factor of concern to their business.



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TRADE & ECONOMIC OUTLOOK



Trade and economic outlook

The Global Economy

The International Monetary Fund (IMF) has downgraded its growth outlook for the global economy for 2019 to 3.2%, down from its previous forecast of 3.3%.

The Eurozone economy grew by 0.2% in Q2 2019, down from growth of 0.4% recorded in the previous quarter. The US economy grew at an annualised rate of 2.1% in Q2 2019, weaker than the growth of 3.1% recorded in the previous quarter. China's economy grew by 6.2% in Q2 2019, down from growth of 6.4% in the previous quarter but still in line with the government's growth target of 6-6.5%.

The UK economy grew by 0.3% in the three months to May 2019, down from the 0.4% growth recorded in the previous three-month period.

The BCC currently expects that the UK economy will grow by 1.3% in 2019, by 1.0% in 2020 and by 1.2% in 2021.



BCC UK Growth
Forecast for 2019



1.3%

International Trade

The World Trade Organisation currently forecasts world trade growth of 2.6% this year and by 3.0% in 2020.

The UK's trade deficit (goods and services) narrowed by £4.6 billion to £12.6 billion in the three months to May 2019, due to a narrowing in the UK's trade deficit in goods.

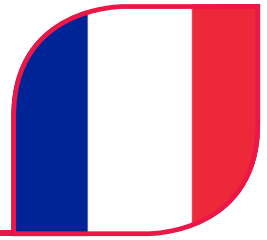
The BCC currently expects that UK exports will grow by 1.6% in 2019 and by 1.6% in 2020.

IMF 2019 Global
Growth Forecast

3.2%

UK trade deficit
£12.6bn
in March-May 2019

FACT SHEET: FRANCE



France is the sixth largest economy in the world

France and the United Kingdom are strategic economic partners. The economies of the two countries are interdependent and complementary. The three main areas of trade between France and the United Kingdom - transport, chemicals, and manufactured goods - account for 60% of trade in goods.

Key strengths of the French market

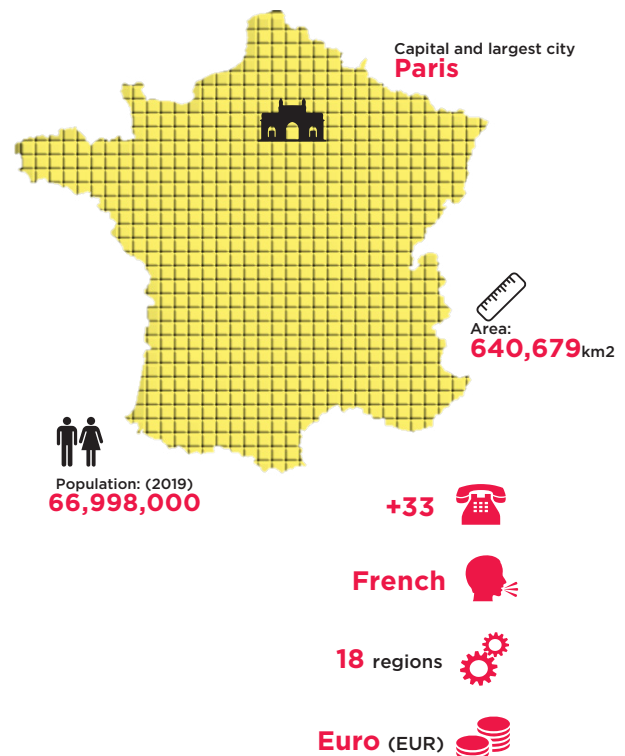
Situated at the centre of Europe and with an excellent transport network, France provides easy and rapid access to a market of over 500 million consumers. It has a GDP of around \$2.7 trillion. In 2016, the UK exported around £34 billion in goods and services to France.

France is part of the Euro currency area and also a member of the Schengen zone for the free movement of people. It is a major source of innovation and creativity with international businesses in various industries such as energy, retail, and luxury products. France can also act as a gateway into Francophone Africa.

Opportunities for UK businesses

France has the largest number of engineers in Europe alongside Germany, currently one million, and it has one of the highest numbers in Europe of students in advanced research.

R&D operations accounted for 10% of all foreign investments in France in 2018 and rose by more than 3% compared with 2017. In 2018, R&D operations led to 2,793 jobs being created or maintained, up 23% compared with 2017. The United States is the leading foreign investor in R&D in France, accounting for 26% of investment decisions recorded in this area.



Economic snapshot (% annual growth rate)	2019	2020	2021
GDP	1.3	1.4	1.5
Export of goods and services	3.6	3.7	3.8
Import of goods and services	2.5	2.7	3.5
Inflation	1.3	1.5	1.6
Current account balance (% of GDP)	-0.4	0.0	0.1

Source: International Monetary Fund, World Economic Outlook Database

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**FRANCO
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Chamber**

FACT SHEET: BELGIUM



In 2018, Belgium was the eighth largest market for UK goods exports

Belgium is a small, affluent and multicultural country and top 20 export market for the UK. It has a wealthy, open, and competitive market with opportunities in many sectors, and it plays an important role as a gateway to European markets for British exporters.

Key strength of the Belgian market

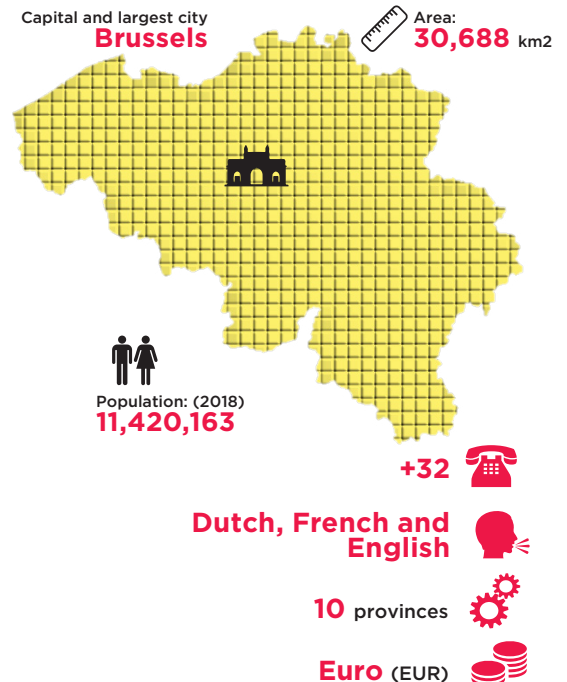
Belgium is an ideal starting place for UK companies new to exporting. It's a strong tester market with an open and dynamic economy and plenty of opportunities for high value products and services. English is an accepted business language and it's a short train or plane journey away, making your export journey that much easier.

Message from British Chamber of Commerce | EU & Belgium

Glenn Vaughan, CEO of British Chamber of Commerce, EU & Belgium: "Many companies use Belgium as a test market. If you can learn how to sell your product or service here, that sets you up really well to move on to other markets close by, and it can be easier to enter than starting with larger European markets."

Cultural tip

Belgians mainly speak Dutch in the Flanders region or French in Wallonia, or sometimes both, e.g. in Brussels. A greeting in one or both languages, according to where you are, is appreciated.



Economic snapshot (% annual growth rate)	2019	2020	2021
GDP	1.3	1.4	1.5
Export of goods and services	2.8	2.9	2.7
Import of goods and services	2.9	3.1	3.0
Inflation	1.9	1.6	1.9
Current account balance (% of GDP)	0.3	0.5	0.4

Source: International Monetary Fund, World Economic Outlook Database

Belgium

British Chamber of Commerce | EU & Belgium

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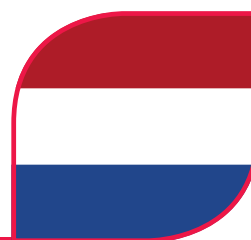
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BRITISH CHAMBER
OF COMMERCE | EU & BELGIUM

FACT SHEET: THE NETHERLANDS



The Netherlands is an ideal starting point for UK firms new to exporting

The Netherlands is a geographically small, densely populated (17 million people) country occupying a highly strategic commercial location, with Europe's largest port (by volume) in Rotterdam. In 2017, it was ranked the fourth in the World Economic Forum (WEF) Global Competitiveness Index.

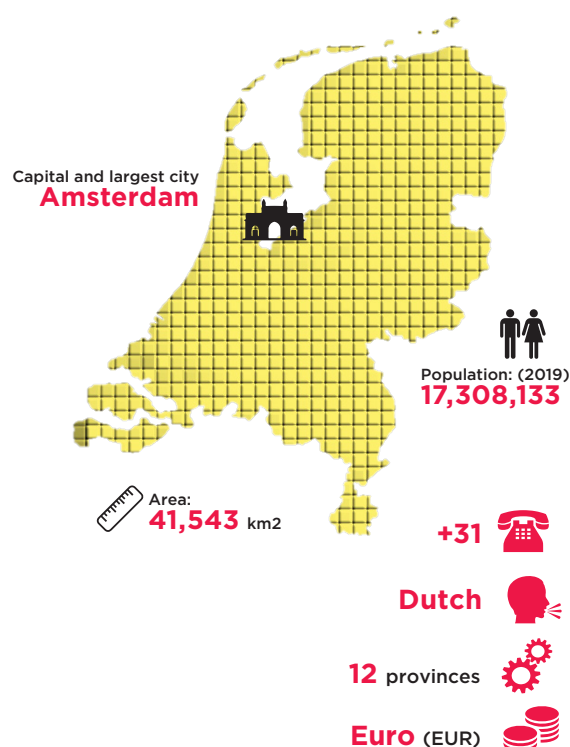
Key opportunity for UK businesses

The UK is the world leader in installed offshore wind capacity. However, the Netherlands is rapidly catching up now with various substantial new offshore wind developments in the pipeline, offering tremendous opportunities for UK suppliers active in this sector.

There is a high regard for British products and the highest level of English-language fluency on the continent. With excellent logistics and distribution networks, the Netherlands has strong links to major centres across Europe.

Message from the Netherlands-British Chamber of Commerce (NBCC)

Michiel van Deursen, Director of the NBCC: "While the forthcoming Brexit will impact the trade between the EU and the UK, there is no doubt that the UK and the Netherlands, two important and likeminded trading partners, will continue to work closely together and shape a mutually successful future."



Economic snapshot (% annual growth rate)	2019	2020	2021
GDP	1.8	1.7	1.5
Export of goods and services	2.6	2.5	2.8
Import of goods and services	3.2	3.4	3.8
Inflation	2.3	1.6	1.7
Current account balance (% of GDP)	9.3	8.9	8.4

Source: International Monetary Fund, World Economic Outlook Database

The Netherlands

The Netherlands-British Chamber of Commerce

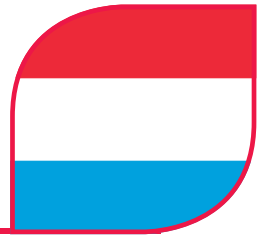
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FACT SHEET: LUXEMBOURG



In 2018, Luxembourg had the highest GDP per capita in the world

Although one of the smallest sovereign nations in the world, with a population of around 600,000, Luxembourg punches above its weight. It is very politically stable with a growing economy. With 48% of the population not Luxembourgish, it offers a multilingual, highly skilled base for business. It is a significant hub for global asset management activities and related financial and professional services.

Opportunities for UK businesses

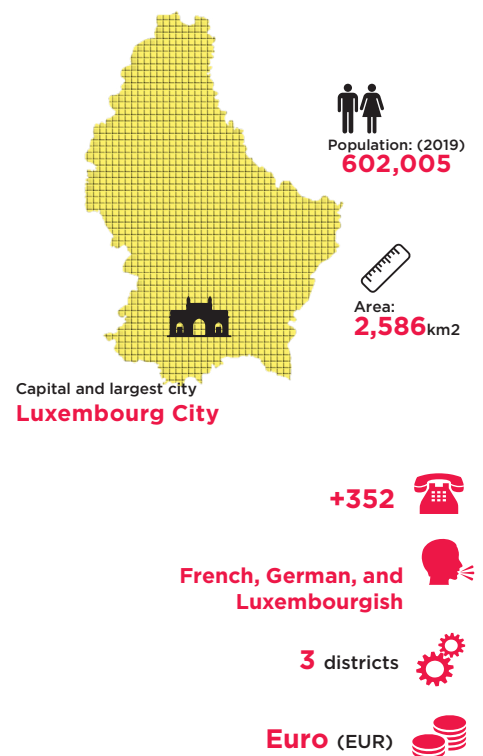
Luxembourg is known for its financial and legal sectors but the government is unashamedly business oriented. It is attracting many start-ups due to the various 'incubators', particularly Fintech. There are also various initiatives to diversify the economy, especially related to the space industry, data storage, logistics and medical research. Luxembourg's IT infrastructure is state of the art.

Message from the The British Chamber of Commerce for Luxembourg

Daniel Eischen, Chair of the British Chamber of Commerce for Luxembourg: "Luxembourg has an impressive capacity to adapt and develop its economy. The country offers a business-oriented legal, regulatory and fiscal framework that features a high degree of adaptability to economic change. I believe this is a great place to start your business and an ideal gateway to access the single market and beyond."

Cultural tip

Luxembourg is an immigration hub and its society is diverse, multicultural, multi-ethnic and mostly multilingual, giving it a unique openness to new ideas and collaboration. Working relationships are respectful and friendly.



Economic snapshot (% annual growth rate)	2019	2020	2021
GDP	2.7	2.8	2.7
Export of goods and services	5.5	4.6	4.1
Import of goods and services	6.5	4.9	4.3
Inflation	1.6	1.9	1.9
Current account balance (% of GDP)	5.0	5.0	4.9

Source: International Monetary Fund, World Economic Outlook Database

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The British Chamber
of Commerce for Luxembourg



GET IN TOUCH

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.

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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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