

BCC/DHL: Exporters concerned economic conditions will dampen performance

Today the BCC and DHL release the results of our Quarterly International Trade Outlook.

17 August 2017

The British Chambers of Commerce (BCC), in partnership with DHL, today (Thursday) publishes its latest Quarterly International Trade Outlook, which shows that while many exporters continue to put in a solid performance, wider economic factors are a cause of concern.

The BCC/DHL Trade Confidence Index, which measures the volume of trade documentation issued by accredited Chambers of Commerce for goods shipments, fell by 2.25% on the quarter – but still stands at the third highest level on record.

The survey, based on the responses of over 3,500 exporting businesses, shows that while export sales remained steady during Q2 2017, there are a number of economic factors that are giving businesses cause for concern.

As the pound continues to fluctuate, the findings of the survey show that 68% of manufacturers who export consider exchange rates as a concern to their business.

Recruitment difficulties are high for exporters in both sectors, with 67% in manufacturing and 51% in services reporting problems finding the right people. Access to skilled manual or technical labour was a particular issue for exporters in the manufacturing sector (69%).

Just over a third of exporters are concerned about inflation (36% in manufacturing and 33% in services). The results also show that 39% of exporting manufacturers expect the price of their products to increase over the next three months. Of these, 81% say this is due to the pressure from the cost of raw materials.

Key findings from the report:

- The balance of manufacturers reporting improved export sales rose to +27% from +26% in Q1, the highest level since Q4 2014. In services, the balance of firms reporting improved export sales rose to +13% from +10% in Q1, which remains below the historical average of the sector
- The balance of manufacturers reporting improved export orders fell to +20% from +22% in Q1, while in services it rose to +9% from +5%
- The balance of exporting manufacturers who expect their prices to rise stands at +39%, and raw materials were the cause of price pressures for 81%
- 68% of exporting manufacturers cite exchange rates as a concern to their

business, and 49% in the services sector

- 36% of manufacturers and 33% of services firms view inflation as a concern
- The BCC/DHL Trade Confidence Index, a measure of the volume of trade documentation issued nationally, fell by 2.25% on the quarter. The Index now stands at 123.72 – down 2.54% on Q2 2016 – but stands at the third highest level since records began in 2004

Commenting on the findings, Dr Adam Marshall, BCC Director General, said:

“Exporters continue to put in a solid performance but are keeping a watchful eye on volatile exchange rates, rising inflation, and ongoing skills shortages.

“Many manufacturers are capitalising on the advantages the fall in sterling has brought to overseas sellers since the EU referendum. That said, exporters also tend to import raw materials and product components, and are concerned that the sustained depreciation of the pound may erode their margins.

“The recruitment difficulties facing firms reaffirms the need for action on the domestic agenda. Tackling skills shortages, and ensuring the UK’s future immigration system is responsive to economic need, will help boost the growth potential of our all-important exporting businesses. At the same time, a real push to provide firms with practical exporting advice and on-the-ground support, will put the UK in a better position to take advantage of post-Brexit trading opportunities.”

Ian Wilson, CEO DHL Express UK and Ireland, said:

“Whilst UK businesses continue to deliver a strong export performance, they are increasingly concerned about what lies on the economic horizon.

“68% of manufacturers report exchange rates as a concern, and over a third of exporters are concerned about inflation and rising costs of raw materials. Access to the right talent is also an issue and, combined, these concerns serve as a stark reminder that more needs to be done to secure the future of UK exporters.

“As we begin negotiations for our departure from the EU, the UK government must ensure that the concerns of businesses are acknowledged and that the necessary infrastructure is put in place to ensure Britain continues to be truly global – maintaining and further developing our country’s international trading links.”

Ends

Notes to editors:

The Trade Confidence Index is a measure of trade documents issued by Accredited Chambers of Commerce for goods to overseas markets where documentation is required.

Spokespeople are available for interview and a full QITO report is available from the press office.

Balance figures are the percentage of firms that reported an increase minus the percentage that reported a decrease. If the figure is a plus it indicates expansion of activity and if the figure is a minus it indicates contraction of activity. A figure above 0 indicates growth, while a figure below 0 indicates contraction.

The British Chambers of Commerce (BCC) sits at the heart of a powerful network of 52 Accredited Chambers of Commerce across the UK, representing thousands of businesses of all sizes and within all sectors. Our Global Business Network connects exporters with nearly 40 markets around the world. For more information, visit: www.britishchambers.org.uk

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