BCC/DHL: British exporters keep calm and carry on

The British Chambers of Commerce, in partnership with DHL, today (Thursday) publishes its latest Quarterly International Trade Outlook, based on survey and documentation data from UK exporters.

The Outlook shows considerable price pressures amongst exporting businesses – but exporters are absorbing the impact for the moment thanks to stronger sales and orders.

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

The survey, based on the responses of over 3,300 exporters, shows that in the manufacturing sector, exporters are enjoying strong sales and orders in foreign markets, and are also reporting improvements in domestic sales and orders.

The results of the survey indicate the price pressure from the cost of raw materials is high across the board for exporters (86% in manufacturing, 42% in services). 68% of exporting manufacturers consider exchange rates as a concern to their business.

Exporters are also more likely to have tried recruiting in the last three months. However, firms across the UK economy are struggling to find the right skills, with 70% of manufacturers and 57% of services firms reporting recruitment difficulties.

The findings suggest that the fall in sterling is increasing price pressure for businesses across the economy, but particularly in manufacturing. However, many of those businesses that export have been able to offset the fall in sterling thanks to timely improvements in sales and orders, both overseas and at home.

Key findings from the report:

- The BCC/DHL Trade Confidence Index, a measure of the volume of trade documentation issued nationally, rose by 2.25% on the quarter. The Index now stands at 126.51 – up 4% on Q3 2016 – and stands at the third highest level since records began in 2004
- 44% of exporting manufacturers and 30% of exporting service firms reported increased export sales in Q3. 41% of exporting manufacturers and 26% of exporting service firms reported increased export orders
- 41% of exporting manufacturers reported that domestic sales had increased, and 38% domestic orders increased in Q3 2017
- 39% of exporting manufacturers expect their prices to rise. Of these

firms, 86% cited raw materials as a cost pressure
- 68% of exporting manufacturers cite exchange rates as a concern to their business, and 49% in the services sector
- 33% of exporting manufacturers and 31% of exporting services firms view inflation as a concern to their business

Commenting on the findings, Dr Adam Marshall, Director General of the British Chambers of Commerce (BCC), said:

“While it’s encouraging to see many exporters reporting improved performance on the back of rising demand in key markets, including the Eurozone, price pressures remain a real cloud on the horizon for UK firms.

“The depreciation of sterling has undoubtedly benefited some firms, but has ratcheted costs up significantly for others. Taken together with higher domestic costs facing businesses, a tipping point may soon be reached for some firms – with consequences for investment, recruitment and trade.

“Many exporters are also being hampered by issues in the domestic business environment, most notably the widening gap between business skills needs and the pool of available labour. Trading businesses in some areas now say that there is a generalised labour shortage in their area, which could put a brake on their overseas activity if it is not addressed. This is a sobering reminder that the focus needs to be on the fundamentals here at home, as well as the high politics of Brexit and global trade policy.”

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

“Now is an interesting time to be part of the UK’s export industry. Whilst it remains shrouded in uncertainty about what Brexit will look like and the implications for UK businesses large and small, those businesses are demonstrating a defiantly positive export performance.

“The world is now more connected than it ever has been, and this report shows that UK businesses are embracing this connectivity, despite the lack of clarity about what lies ahead. We must ensure that businesses remain able to meet international demand and, in doing so, keep the UK at the forefront of buyers’ minds when shopping cross border.”

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.

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BCC comments on rail strategy

Commenting on the publication of the rail strategy by the Department for Transport, Jane Gratton, Head of Business Environment at the British Chambers of Commerce (BCC), said:

"The prospect of increasing capacity by re-opening some railway routes will be cheered by business communities across the UK, and help to crowd in local housing and economic developments. It will go some way to reassure firms in the regions that their economy is not being neglected, following the cancellation of some of the electrification plans earlier this year.

"The new joint teams need to have regular dialogue with businesses to better understand the issues and opportunities at the local level, and businesses must be consulted on the competitions for new franchises.

"We look forward to working with government to ensure that the UK's rail infrastructure is reliable and fit for purpose as we leave the European Union, giving UK businesses the best domestic environment possible in which to thrive."

Ends

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BCC: Focus on places key for long-term success of Industrial Strategy

Director General Adam Marshall comments on the publication of the government's Industrial Strategy White Paper.

Commenting on the Industrial Strategy White Paper, Adam Marshall, Director General of the British Chambers of Commerce (BCC), said:

"Chambers of Commerce have been working actively with government to develop the Industrial Strategy, and we are pleased that the concerns and ideas of business communities across the country have been listened to.

"Businesses will welcome the sense of mission that infuses the Industrial Strategy, as well as its assessment of the challenges and opportunities that the UK faces, particularly as both businesses and government look to forge a new path beyond the European Union.

"We have been clear that harnessing the potential of our cities, towns and counties is crucial to make our country more competitive and prosperous, and so Chamber business communities will cheer the focus on places to boost productivity in local economies.

"Over the coming months, it is crucial that the government listens to the full range of business voices when developing local and sector-based deals, so that firms of all sizes and sectors can buy into the Strategy for years to come.

"Businesses will now want to see clear evidence that this Industrial Strategy can be implemented over the long term – and will be dismayed if it falls victim to short-term Westminster politicking. Only a consistent and coherent approach over time will help set the foundations for business communities across the UK to grow and thrive."

Ends

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BCC comments on OBR forecast November 2017

Commenting on the latest forecasts by the Office for Budget Responsibility, Suren Thiru, Head of Economics at the BCC, said:

"The downgrades to the OBR's latest GDP forecasts are significant, and are now closer to our view that the UK economy is in a prolonged period of sub-par growth. Their projections confirm that consumer spending, a key driver of UK growth, is likely to remain under pressure over the next few years, with pay growth not expected to exceed price growth until 2019. The OBR's latest outlook also confirms that the imbalances in the UK economy are likely to remain in place for the foreseeable future. Business investment is forecast to be much weaker than in the OBR's March outlook, and net trade's contribution to overall UK growth is expected to remain limited.

"The downgrades to the OBR's projections for productivity highlight the deep-rooted structural problems in our economy – from skills shortages, to infrastructure bottlenecks – that continue to undermine the UK's long-term growth prospects.

"On the public finances, it is encouraging that government borrowing for this financial year is now expected to be lower than in their previous forecast. However, over the next few years the pressure on the UK's fiscal position is likely to increase by more than the OBR is currently predicting, in the face of subdued growth and weak productivity. In order to make sustained progress in cutting the deficit, more needs to be done to deliver the type of economic growth needed to achieve a real strengthening and widening of the UK's tax base.

"We welcome a number of policy announcement made in today's Budget that will help overcome some of these critical issues. The government will need to be more radical in supporting investment and growth as the Brexit transition becomes clearer."

Ends

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Budget 2017: Full BCC reaction

"Chamber business communities wanted the Chancellor to focus on the basics – rates, roads, and ringtones – and will be pleased that they will see some action on all three fronts.

"While more remains to be done to reduce the impact of business rates on investment and growth, the Chancellor's decisions will lessen the impact of rate rises on hard-pressed firms in many parts of the country from next April. Chambers campaigned hard for a reduction in the relentless rises of this iniquitous tax, and will be pleased that the Chancellor has listened and taken action.

"Commitments to delivering road and rail infrastructure, and working to improve mobile phone signals on key transport corridors, will help support local business productivity.

“Our business communities will welcome the Chancellor’s marked focus on helping places achieve their potential. The announcement of new trains for the Tyne and Wear metro, new tax arrangements for the North Sea oil industry, devolution deals for many of our major cities including Belfast, and housing growth in the Oxford-Cambridge corridor all respond directly to key local business needs. The collective, real-world impact of these and other targeted interventions could be significant.

“Despite the inclusion of a number of announcements that will support business communities in the short term, more will still need to be done over the coming months to lay the groundwork for a successful Brexit transition. Businesses will expect greater boldness from the Chancellor – and more radical support for infrastructure and investment – once a Brexit transition period is secured and the shape of a UK-EU deal becomes clearer.”

On Business Rates, the top campaign priority for Chambers of Commerce at the Autumn Budget, Mike Spicer, Director of Economics, said:

“Businesses welcome any attempt to blunt the rise in business rates, and the switch from RPI to CPI indexation is a step in the right direction. However, this still leaves firms facing a 3% increase in April. The government could have done more to boost confidence and productivity by going further, and abandoning the uprating altogether this year, given the climate of sluggish growth and uncertainty.

“As a share of national income, the UK already has the highest commercial property taxes of any major economy. The Chamber Network has been calling for the Chancellor to bring forward the switch in indexation to CPI for many years to ease some of the burden of upfront costs, which include the Apprenticeship Levy, National Living Wage, and pensions auto-enrolment, to name but a few.

“With rates bills increasing further, UK firms will be dissuaded from investing in their plant and premises because they are penalised with even higher bills for doing so. Successive governments have tinkered with the business rates system, but fundamental change is really what’s needed.”

On the R&D commitment, Mike Spicer said:

“The aspiration to boost investment in research and development will be welcomed by businesses across Britain. The UK has long under-invested in R&D compared to our international competitors, and closing this gap will be crucial if the UK is to thrive on the global stage after we leave the European Union.

“However, businesses will eye the details carefully. Past efforts to increase private-sector R&D have often failed to connect with small companies. Government will need to work with business communities across the UK to ensure we don’t make the mistakes of the past, but instead build the innovation economy we all want to see.”

On the Transforming Cities Fund, Mike Spicer said:

"For too long, investment in major intra-city schemes has been below that of our international competitors, and we need to make up the ground. The best initiatives succeed when the new connections open up employment and housing opportunities, and drive economic growth.

"Business leaders will be keen to learn how it will underpin transport investment in their local area, and contribute to solving the transport challenges that hold back local economic growth."

On infrastructure announcements, Mike Spicer said:

"We called for a ramping up of infrastructure investment across all of the UK, both to get long-term projects off the drawing board, and for the delivery of 'quick-start' projects, and commitments to road and rail projects were welcome.

"Business across the Midlands and North of England will welcome the extra funds to future-proof the railway network in the North. HS2 is the biggest infrastructure project in recent history, and building the line itself is only part of the project – ensuring that towns and cities across the UK are fully integrated into the line will unlock significant economic potential. We must also ensure we are sufficiently funding and supporting skills development, such as the new High-Speed Rail College, to sustain rail expansion in the future."

On the VAT threshold, Suren Thiru, Head of Economics, said:

"Businesses across the UK will breathe a huge sigh of relief that the Chancellor has decided not to reduce the VAT threshold in the near term. At a time when firms are facing rising upfront cost pressures and uncertainty over Brexit, a lowering of the VAT threshold could well have proved to be a tipping point for many small firms and entrepreneurs.

"We hope that Ministers and civil servants will work closely with the business community, tax experts and other stakeholders to ensure that any future changes to the VAT system doesn't stifle the business activity of some of our most promising young firms and entrepreneurs."

On measures to boost financing growth in innovative firms, Suren Thiru said:

"The lack of available long-term patient capital remains one of the key issues facing the UK, and solutions to this long-standing problem will be critical to growing the business champions of the future. We therefore welcome the additional funding for the British Business Bank to help boost patient capital investment and the extra support for investment in knowledge-intensive industries – which will provide some welcome headroom for investment in some of our most promising firms.

"While it is understandable to put in place additional safeguards on investment schemes, such as EIS, to avoid misuse, HMRC must tread carefully as such schemes play an important role in incentivising business investment that may not happen otherwise."

On housing targets, Jane Gratton, Head of Business Environment and Skills, said:

"The building of new homes creates opportunities for many sectors in the economy, and ensures that employees can find homes in their local communities. However, the increased focus on using brownfield land for housing must not push up prices or drive out employment uses, exacerbating the current imbalance in the supply of land for jobs and homes. This is a growing concern for business communities up and down the country who struggle to find suitable sites so it's disappointing not to see an intelligent use of greenbelt land."

On planning, Jane Gratton said:

"The planning system needs to work better for business, and the new review body needs to include the business voice. We stand ready to work with government on this important exercise to bring our expertise. Our research reveals that businesses are finding it harder to engage with the planning system, and are being held back by increasing costs, delays and complexity."

"**On fuel duty, Jane Gratton said:**

"The continued freeze is positive news for businesses, particularly amongst smaller firms and the self-employed, for whom transport and distribution costs account for a significant proportion of their cost base."

On funding to improve math skills, Jane Gratton said:

"To increase productivity, the UK needs a workforce with the right set of technical knowledge and a solid base in functional skills. While encouraging more pupils to succeed in maths is a step in the right direction, greater investment in digital and foreign language skills is also badly needed to help the UK reach its international ambitions."

On National Living Wage, Jane Gratton said:

"Most businesses already pay above the National Living Wage, but for the others the latest above-inflation increase comes at a time when they face a myriad of other upfront costs and uncertainty about investment and recruitment.

"Our research shows that sharp increases in the National Living Wage will cause many firms to implement cost reduction measures, such as reducing recruitment and staff hours or increasing prices. It's important the government retains a flexible approach going forward to protect businesses and not price people out of jobs."

On Airport Passenger Duty, David Bharier, Transport spokesperson, said:

"The freeze in Airport Passenger Duty for the majority of travellers will be welcomed by business. Trading internationally is a costly process, especially for smaller exporters who need to meet clients or attend key business meetings abroad, so the government should focus on removing the obstacles to exporting.”

On digital infrastructure, Fiona Krasniqi, Digital spokesperson, said:

“The BCC has long urged the government to promote investment and rollout of full-fibre infrastructure and 5G technology, as businesses need faster and more reliable connections that also offer impressive upload and download speeds.”

On 5G, Fiona Krasniqi, said:

“We have long-called for the UK to lead the world in developing 5G technology, so we are pleased to see the continued commitment and extra funding from the government for new 5G infrastructure. This must be done in conjunction with a regulatory and planning framework which is as supportive as possible of the rollout.

“The focus on improving coverage on key rail routes is well-targeted, as we know too many business people suffer from poor coverage in these areas, and therefore can’t work while they’re on the move.”

On the introduction of transferable tax history for oil and gas fields in the North Sea, chief executive of Aberdeen & Grampian Chamber of Commerce, Russell Borthwick, said:

“This is something that a number of our members, our regional MPs and industry partners have been asking for and the Chancellor has responded. This measure is key to allowing the industry to maximise the future economic benefit it will deliver to the UK; getting the assets in the North Sea in the right hands will enable that to happen.

“The finer detail of the tax changes will no doubt come in time given the proposed introduction is not until November 2018. Last year we asked Government to stick to its plan to ensure taxation policy enables the UK Continental Shelf to remain globally competitive to attract investment and this appears another step in the right direction.”

On the extra funding for Brexit preparations, Trade spokesperson, Ronan Quigley, said:

“The Chancellor has set aside £3bn for Brexit, this fund must be used to support businesses who will need to deal with the practicalities of leaving the EU. Over 131,000 businesses who are only trading in the EU will need to have the resources and capacity to deal with new customs systems, new trade facilitation processes and the reality of a new trading relationship with Europe. This will be crucial to the success of our economy after March 2019.

“HMRC must be given the resources and infrastructure they need to support exporters and importers as they navigate the UK’s exit from the EU, especially as their departmental resource budgets are forecast to decline.

“Business wants to see the Chancellor deliver quickly on his commitment to early progress on an implementation agreement that allows businesses to plan and invest with confidence. The end goal must be to secure the best possible terms of trade for British businesses with the EU-27 and ensure UK businesses can continue to benefit from existing FTAs following Brexit.”

Ends

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