

BRITISH CHAMBERS OF COMMERCE

2015 INTERNATIONAL TRADE SURVEY

Responses from 2,467 businesses.

UNLEASHING THE EXPORT POTENTIAL OF UK SERVICE FIRMS



The British Chambers of Commerce (BCC) annual international trade survey gauges UK businesses' appetite for international trade and the opportunities and barriers they face both domestically and internationally.

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Exports of services play a significant role in offsetting the UK trade deficit in goods.

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The service sector holds the key to unleashing the export potential of the UK – with its £86bn trade surplus partly offsetting the UK's £121bn trade deficit in goods. The service sector is strong, and encouraging more service firms to export, could go a long way in helping to achieve the government's target of doubling exports to £1 trillion by 2020 - and towards eliminating the UK's long-standing trade deficit.

Key findings:

- Without the UK's sustained strength in selling services overseas the UK's trade deficit would be much bigger.
- Further results from the BCC's international trade survey, of more than 1,227 service sector firms in the UK, show that one in five (23%) service sector firms currently export, 17% are on the verge of exporting and a further three in five (59%) service firms still do not export.
- Service exporters continue to cite languages and/or cultural differences, regulation and access to finance as the biggest barriers holding them back from entering international markets.
- The BCC is building a global business-to-business network and is calling for a reduction in red tape, support for more young people to 'think global' and acquire knowledge and skills that are highly valued by Britain's exporters, and greater access to finance to new and existing exporters.

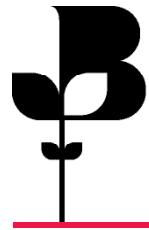


John Longworth, Director General of the British Chambers of Commerce

“For some time we've been saying that we need a radical change in how we support export businesses. That we are set to miss the export target by 14 years tells us that the radical shift needed has not happened. We cannot continue doing the same things, yet dream of different results.

“For our part, the BCC will continue to grow our global network, providing practical support to UK businesses of all shapes and sizes around the world.

“The government must take these figures seriously and help exporters to catch up. Our businesses have the potential to meet the target. They need ongoing support and access to finance to help them thrive on the world stage.”



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UK's sustained strength in selling services overseas

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The UK is known for its international excellence in services, in particular financial and business services.”

In 2014 the UK trade deficit continued to widen, reaching £34bn. However, what is largely overlooked is that 2014 saw the UK record its highest ever surplus in trade in services, at £86bn, equivalent to 5% of GDP. The sustained strength in selling UK services overseas has prevented the UK from running even larger deficits.

The UK is known for its international excellence in services, in particular financial and business services, all of which will continue to be in demand from the growing middle classes and business sectors in emerging markets.

The BCC's survey results, collated from

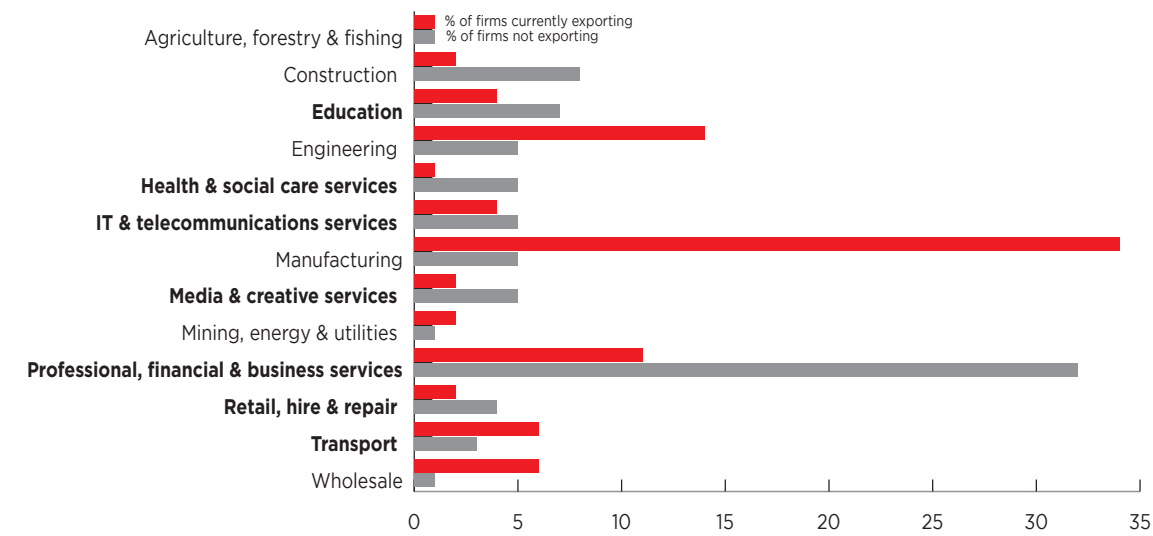
more than 1,227 service sector firms in the UK, show that 23% of service sector firms currently export, 17% are on the verge of exporting and a further three in five service firms (59%) still do not export.

Furthermore, only 18% of the service sector firms that currently export are 'recent' exporters - businesses that have been exporting for up to two years.

The services sector could hold the key to unleashing the export potential of the UK which is why there must be more support available to those firms that are on the verge of exporting in taking that initial first step.

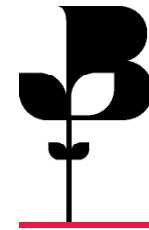
Service firms still not exporting as frequently as manufacturers

The UK is one of the world's leading exporters of financial and professional services, but our survey shows that many service sector firms still are not currently exporting.



Base: 920-1020

So how do we unleash the potential of the UK service firms to begin exporting or to export more? The answer lies in identifying the barriers that stand in the way of service firms.



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Service firms are missing out on export potential

Reflecting on their experience of exporting for the first time, service sector firms identify the biggest barriers to entering new markets:



18%
of service firms cite access to finance as a barrier



27%
of service firms cite regulation and difference in standards as a barrier



26%
of service firms cite language and/or cultural differences as a barrier

Base: 190-250

We must support service firms that are on the verge of exporting

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The service sector is performing well and provides huge opportunities for export growth.”

The service sector is performing well and growing, and provides huge opportunities for export growth. But the BCC is calling for more to be done to support potential exporters in taking that first step, as this could go a long way towards eliminating the UK's trade deficit.

Barrier: Excessive overseas regulation was the largest barrier to trading internationally identified by 27% of service sector exporters.

Call to action: A reduction in red tape, including the completion of the European Single Market in services and successful conclusion and implementation of Free Trade Agreements across the world.

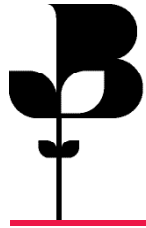
Barrier: One quarter of service sector exporters (26%) reported that language and cultural differences are a barrier to exporting.

Call to action: Make foreign languages learning compulsory from age seven to 16 and facilitate an International Business Placement scheme that develops the next generation of exporters.

Barrier: Service exporting firms also identified a lack of funding (18%) as a barrier towards exporting for the first time.

Call to action: Address the scale of the gap in growth finance for young, high-growth firms by building a bigger, better British Business Bank and bringing UK Export Finance (UKEF) up to par with the world's best export finance agencies.

However, we cannot solely rely on government action - the private sector needs to step up to the mark. Enabling businesses on the verge of exporting to take that first step will significantly help our export performance in the long-term. Business and government must each play their part. This is why we at the BCC are dedicated to building a Global Business Network. Accredited UK Chambers now work closely with overseas British Chambers and Business Groups in key markets around the world - providing a seamless connection for every business that steps through their door.

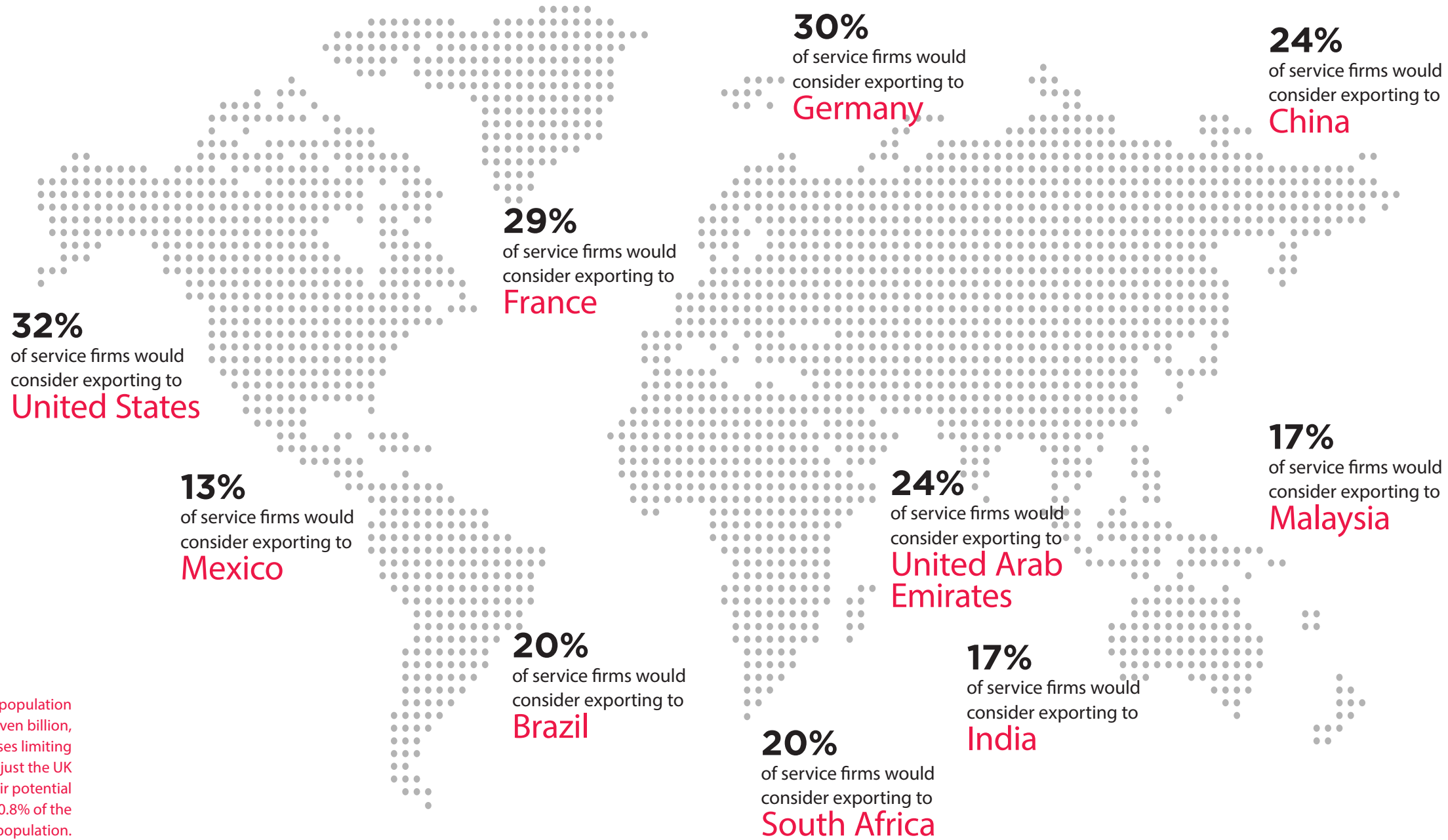


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Chamber member service exporters identify ten hotspots - markets they see offering the greatest opportunities for growth in the next 5 years*



“ With a world population of seven billion, businesses limiting themselves to just the UK are limiting their potential market to just 0.8% of the world population. ”

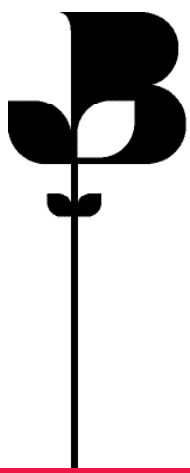
*Chamber businesses that are both currently exporting and are looking to export have identified additional markets they would consider exporting to in the next five years.

The rise of emerging markets has been the defining feature of the global economy this century. In 2000, emerging markets as a whole accounted for 37% of global GDP; in 2020 this figure is expected to exceed 60%. Even as developed economies recover from the recession, and emerging markets enter a period of slower growth, global economic growth will continue to be strongly influenced by emerging markets.

To date, the UK's progress in penetrating fast-growing emerging markets has been comparatively slow. The failure to expand sales to these markets is a missed opportunity, as these economies have contributed most to global growth over the last five years.

By harnessing the potential of these markets to buy British goods and services, the UK has the opportunity to raise its game and deliver a better export performance, in turn driving faster and more balanced growth in GDP.

The UK is well placed to take advantage of growing demand for services in particular in developing economies over the next decade.



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