

Open for Export: UK Firms Set Sights Offshore to Grow Out of Recession

- *2012 joint study reveals businesses predict future growth can only be achieved through export*
- *Four in five exporters say high-growth economies will be essential to their future survival*
- *UK slow to capitalise on emerging market opportunities, as import demand outstrips UK export growth to BRICs*
- *Exporters identify physical distance as the single greatest barrier to emerging market trade*

LONDON, 12 October 2012 – The difficult UK economy is driving businesses to look overseas for growth, according to a major new joint study by UPS and the Centre for Economics and Business Research (Cebr).

However, despite the strong enthusiasm for international trade among UK firms, the economy remains too reliant on mature market export partners, the research warns.

Cindy Miller, managing director at UPS UK, Ireland & Nordics comments:

“There is clearly a huge appetite for offshore trading among UK producers, eager to defy gravity in tough home trading conditions. Economic reality necessitates that businesses do more to take advantage of expanding markets in Asia and Eastern Europe, rather than rely on our traditional trading partners in Western Europe and the US.”

The UPS and Cebr study is based on opinion research amongst 1,200 UK product-based exporting and non-exporting businesses, supported by economic analysis of international trading patterns, aimed at understanding the current challenges and opportunities that exist for UK producers in doing business overseas.

All Abroad: UK firms look overseas for growth

As a result of difficult domestic trading conditions, nearly four-in-five (78%) non-exporting businesses questioned are increasingly **looking overseas for sales opportunities**. [NE:Q3]

More than three-quarters (77%) believe that the **UK economy has hit a tipping point**, where future growth can only be achieved through export [NE:Q3], and four-fifths (80%) say that starting to export will be critical to the future success of their business. [NE:Q3]

The vast majority of both non-exporters (90%) and exporters (81%) believe that increasing exports will be essential to the UK's economic recovery. [NE:Q3, E:Q19]

Onwards and Outwards: Exporters yet to fully capitalise on emerging market growth opportunities

More than four-in-five (83%) exporters believe that high-growth economies will be essential to their company's future survival, growth and success. [E:Q18]

The UPS and Cebr study reveals a significant opportunity remains in these regions for exporters, as the UK is still yet to fully capitalise on emerging markets.

UK export growth lags significantly behind demand in the two fastest-growing BRIC export markets – Brazil and Russia, according to the research.

The analysis also shows that only two of the UK's top 15 export markets were emerging economies (India and China) in 2011, and the country remains heavily dependent on its traditional top five export destinations: USA, Germany, Netherlands, France and Ireland.

Dependence on these economies has decreased only slightly in the past decade, down from 51.2% of all exports in 2001 to 44.6% in 2011 [see Table 1 below for full top 15 analysis].

Exporters expect the fastest growth in overseas demand to come from Central and Eastern Europe in the next two-to-three years (as identified by 30% of exporters), followed by the Indian subcontinent (15%) and the Far East (15%). [E:Q4]

Fear factor: Exporters shy away from trade with faraway lands

Exporters identify physical distance as the single greatest barrier holding them back from selling more to high growth regions (as identified by 76% of respondents), followed by corruption (62%) and political instability (55%). [E:Q11]

Indeed, the majority (85%) identify increased ease and reliance of transporting goods overseas as a key export enabler. [E:Q5]

Almost half (45%) of exporters describe their company as risk-averse in relation to export [E:Q9], and just 2% describe their company as very international in its outlook. [E:Q1]

Non-exporters, meanwhile, identify transport and logistics risks (87%), regulatory issues (81%) and the initial capital hurdle (80%) as the top three barriers holding them back from starting to export. [E:Q4]

Cindy Miller, managing director, UPS UK, Ireland & Nordics, comments:

“Exporters must try to overcome perceived hurdles to trading outside of their geographic comfort zones. By working with trusted logistics partners on the ground, businesses of any size can develop truly global supply chains.”

Ends

For more information, please contact:

James Kay, 020 3047 2205 or Charlotte Coulson, 020 3047 2114

Notes to editors:

The findings of this UPS and Cebr study were based on volumes and value data for UK exports to different countries from the ONS Pink Book. The 2011 estimates are based on Cebr's projection of 2010 data from the ONS Pink Book.

Independent opinion research was conducted amongst:

1. 962 UK product-based exporters:

- Owners / Managing Directors at 400 small companies (10-49 employees).
- Senior decision-makers at 358 medium-sized companies (50-249 employees).
- Senior decision-makers at 204 large companies (250+ employees).

2. 230 UK product-based non-exporters:

- Owners / Managing Directors at 120 small companies (10-49 employees).
- Senior decision-makers at 65 medium-sized companies (50-249 employees).
- Senior decision-makers at 45 large companies (250+ employees).

Fieldwork was undertaken in July 2012.

Table 1: Top 15 UK export destinations (2001 vs. 2011)

	2001		2011	
Rank	Country	Exports (% of all UK exports)	Country	Exports (% of all UK exports)
1	USA	17.6	USA ➔	16.4
2	Germany	11.1	Germany ➔	8.8
3	France	9.2	Netherlands ↑	7.3
4	Netherlands	7.1	France ↓	6.4
5	Ireland	6.3	Ireland ➔	5.7
6	Italy	4.1	Spain ↑	3.4
7	Spain	3.8	Switzerland ↑	3.3
8	Japan	2.6	Italy ↓	3.2
9	Switzerland	2.6	China (new)	2.5
10	Sweden	2.0	Australia ↑	2.0
11	Canada	1.7	Japan ↓	2.0
12	Australia	1.5	Sweden ↓	1.9
13	Hong Kong	1.4	Singapore (new)	1.6

14	Denmark	1.3	Canada ↓	1.6
15	Saudi Arabia	1.3	India (new)	1.4

About UPS

UPS (NYSE:UPS) is a global leader in logistics, offering a broad range of solutions including the transportation of packages and freight; the facilitation of international trade, and the deployment of advanced technology to more efficiently manage the world of business. Headquartered in Atlanta, UPS serves more than 220 countries and territories worldwide. The company can be found on the Web at UPS.com and its corporate blog can be found at blog.ups.com. To get UPS news direct, visit pressroom.ups.com/RSS.

About Cebr

The Centre for Economics and Business Research (Cebr) is a leading economics consultancy in the UK. Cebr helps businesses to understand how the economic environment will impact on their organisational performance, and what the risks and opportunities to their business are likely to be going forward.

Cebr are renowned commentators on the UK and global economy. Cebr provides insights and analysis which feed into company management at the strategy, consumer insight and finance levels as well as helping many businesses establish and build their reputations as thought leaders

Cebr was voted the best GDP forecaster for 2011 by five independent assessments, including HM Treasury.