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Market Report



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Brexit has continued to dominate the headlines in 2018 and as a result we have been working with the Embassy, the British Chambers of Commerce and others, to provide both updates and a feedback channel for our members.

Following successful and well attended Brexit related events on the City of London, the Free Movement of People and Data Protection, we will continue to hold events addressing the issues and potential challenges businesses will need to address, as the deadline for the conclusion of the negotiations draws nearer and the outcome becomes clearer.

We will also continue to arrange events on a variety of current business topics for British Chamber members, as well as our series of events for young professionals, which we launched this year. It has been excellent to see both familiar and new faces attending our events, and we look


forward to meeting more throughout the rest of the year. Please do contact us if you have any ideas or would like to hear more about the Chamber and our activities this year and beyond.

TABLE 1

UK Key Economic Indicators	Actual	Q2/18	Q3/18	Q4/18	2020
GDP growth, pct.	0.1	0.3	0.3	0.4	0.5
Inflation, CPI, pct.	2.4	2.5	2.4	2.2	2
Interest rate, pct.	0.5	0.5	0.75	1	2
Unemployment, pct.	4.2	4.3	4.5	4.5	4.8
Consumer spending, £m	325,905	325,802	326,754	329,528	339,153
Import, £m	55,271	57,200	57,800	58,600	59,500
Export, £m	49,991	54,200	54,800	55,100	57,700

Source: Tradingeconomics & Office for National Statistics (ONS)





UK Market Report Q1/Q2 2018 In Review

Growth in the first quarter of 2018 was hampered by a period of severe winter weather, with the manufacturing and construction sectors most affected. Meanwhile, the deadline for the conclusion of Brexit negotiations is getting ever closer.

Economy

The UK was buffered by snow in February and March, halting work on building sites and hitting the retail sector by preventing consumers from getting to the shops. Figures from the Office for National Statistics (ONS) show growth of 0.1% in the first quarter of 2018. Furthermore, the growth rate for the fourth quarter of 2017 was downgraded from 0.5% to 0.4%, with the overall growth rate down from 1.8% to 1.7%.

Although the weather has certainly been a factor in the downgraded growth figures for the first quarter of 2018, there are other concerns. Consumer Price Index (CPI) inflation has been running at 2.4% (see Table 1) in 2018, which is higher than the figure of 2% which the Bank of England is tasked with targeting.

Strong consumer spending has helped to drive growth in the UK economy for some time, however household spending growth of 1.8% in 2017 was the lowest since 2012. The building industry has been unnerved by the collapse of Carillion, a British multinational construction services company which went into insolvency in January 2018.

Although some analysts had expected a rise in interest rates in May 2018, the Monetary Policy Committee (MPC) decided to keep the interest rate at 0.5% (see Table1). The anticipated rise in base rate came on 2 August, with the interest rate rising to 0.75%. The economy has remained resilient despite the difficult start to the year. The agreement of a 21-month transitional period following the UK's exit from the EU was particularly good news for the financial services industry and other regulated sectors of the British economy, such as pharmaceuticals and aviation. British Chancellor Philip Hammond visited New York in late April and commented that US financial institutions were far more positive following the news.

"The economy has remained resilient despite the difficult start to the year"

The Government has prioritised boosting productivity in the UK, investing in technology, infrastructure and training as part of the Industrial Strategy. Productivity in the UK grew at 1% in 2017 according to the ONS and projections for 2018 show growth of 0.8%. The implementation of the Industrial Strategy should serve to underpin further gains in productivity and boost economic growth in the future. Public finances provided another reason for optimism, as Mr Hammond declared in March 2018 that "there is light at the end of the tunnel, because what we're about to see is debt starting to fall...". The Office for Budgetary Responsibility forecast a deficit of £50bn for 2017, and the



figure was closer to £40 bn. Tax receipts are covering the Government's spending, and the Treasury is borrowing to invest.

Politics

As the deadline for the conclusion of Brexit negotiations in March 2019 is rapidly approaching, it is hardly surprising that contentious issues surrounding the negotiations have been at the forefront of debate, both in the UK and throughout the EU Member States during the first half of 2018. On 2 March Theresa May delivered a landmark speech on Brexit at Mansion House in London.

"...there remains much work to be done to ensure the smooth, friction-less Brexit..."

The content of the speech was balanced enough to be well received by supporters of both the Leave and Remain camps in the Conservative party. Mrs May doubled down on the red lines of the negotiations, namely trade and immigration, but hinted at areas where compromise could potentially be reached. She stated "So we need to strike a new balance. But we will not accept the rights of Canada and the obligations of Norway". Having already conceded that Britain must pay a considerable divorce bill to the EU, fixed by Brussels, Mrs May accepted that the European Court of Justice will continue to play a role for some time in the UK.

She has also had to deal with the pressure of divisions in the Cabinet among senior ministers rising to the surface. Her tenure as Prime Minister has seen the resignation of several cabinet ministers, with the most high-profile examples being Brexit Secretary David Davis and Foreign Secretary Boris Johnson, who both quit in the space of 24 hours in July 2018. These resignations followed on the back of the Chequers agreement secured at the Prime Minister's country residence the previous weekend, on the details of how to proceed in the Brexit negotiations. The agreement, which proposed maintaining close links to the EU to protect business interests, had been met with disapproval by advocates of a so-called hard Brexit, and prompted the dramatic resignations of Mr Davis and Mr Johnson.

TABLE 2

Danish Exports of Goods to the UK	2016	2017	2018 (Jan-Apr)
Total Exports of goods, million (DKK)	40749.3	53799.8	14663.7
Growth year to year (2014 index=100)	83.70	110.50	-
Main Sectors, million (DKK)			
Food, Drink, Tobacco	10980.3	10355.2	3186.2
Raw Materials	805	812.4	245.3
Minerals	1212.6	881.4	542
Chemical Products	4666.4	5434.1	1801
Processed Goods	4372.1	6665	1725.4
Machinery and Transport	12516.5	23678.5	5240.5
Finished Products	5675.4	5460.5	1789.4
Others	521.1	512.6	133.6

Source: Danmarks Statistik





In the meantime, following ongoing negotiations at a major EU summit in June 2018, there remains much work to be done to ensure the smooth, friction-less Brexit which is surely in both the EU and UK's interests. Donald Tusk, the President of the European council, remarked to journalists following the summit: "There is a great deal of work ahead, and the most difficult tasks are still unresolved. If we want to reach a deal in October, we need quick progress."

"A thriving science and technology sector is key to supporting economic growth..."

2017 to invest £115 million over 10 years in a new science research centre in Oxford, partnering with the University of Oxford to focus on type 2 diabetes. Work is already underway at the centre in 2018 and the Chief Secretary to the UK Treasury David Gauke commented that "A thriving science and technology sector is key to supporting economic growth..."

The British Government's commitment to increase R&D spending by £4.7bn up to 2020-21 is certainly good news for Novo and other leading Danish pharmaceutical companies, with the incentives for research combined with the availability of a skilled workforce and competitive tax system making the UK an attractive destination for investment.

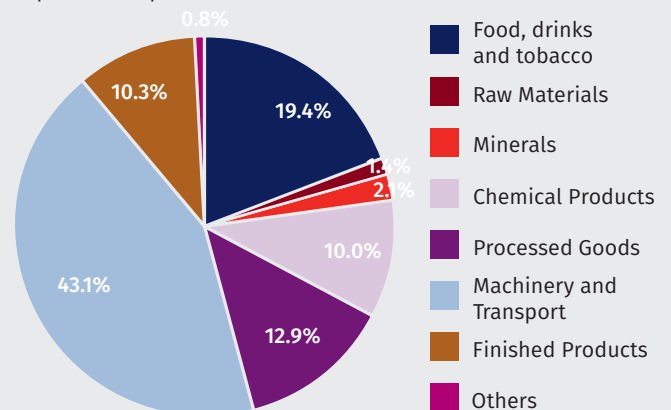
Market Opportunities

The figures for Danish exports of goods to the UK over the course of 2017 are certainly impressive, with exports totaling DKK 53.8m compared to 40.7m in 2016. The main sectors are stable, with growth concentrated particularly in machinery and transport and processed goods (see Table 2). Large orders for wind turbines for the expanding UK off-shore wind industry provided a boost to overall exports, and a cause for optimism amidst talk of uncertainty caused by the ongoing Brexit negotiations. Figures for 2018 also show strong exports of goods from Danish companies to the UK across a range of sectors.

Another important area of collaboration between Denmark and the UK is in Research and Development (R&D). Danish pharmaceutical giant Novo Nordisk decided in

FIGURE 1:

Danish Exports of Goods to the UK
(April 2017 - April 2018)



Source: Danmarks Statistik



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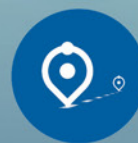
LEAVE NOTHING BUT WATER BEHIND



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Global Skills Shortages Must be Tackled



Morten Andersen
Business Director
Hays Denmark

The recruitment and staffing industry is evolving at a rapid pace. New skills are in demand for newly developed jobs, but the skills available in the labour pool are not keeping up. There is a clear indication that global skills shortages could certainly increase further, especially as not enough young people are undertaking the qualifications in demand within science, technology, engineering, and mathematics (STEM).

While some might think that the diversification and development of skills will mean more candidates in the job market to fill vacancies, the opposite tends to occur. The skills needed today are much more diverse and versatile than they were just twenty years ago, and the rapid development in skills and talent creates a delayed reaction from educational institutions, which is shown in the candidate pool. Thus, we are currently experiencing a mismatch between the skills that organisations need, and those available in the labour pool.

Busting the myths

Several explanations for the skills shortages could be given. These include 'brain drain' caused by the emigration of highly skilled workers, unattractive working environments or simply a lack of interest. An old-fashioned way of thinking about STEM subjects is that they are boring or maybe too difficult, but people tend not to realise that

these subjects fall into a variety of areas where they are useful.

The bottom line is that the STEM professionals really do work on the cutting edge. They are solving real-world problems every day, and they are playing a key role in shaping our future.

Institutions and organisations must play their part

While you can start to bust the myths about STEM jobs at home, the responsibility mainly lies with businesses, educational institutes and governments. Businesses especially need to help bridge the gap between education and the world of work. One way of doing this is for organisations to offer more jobs to people whose education is ongoing. These can 'job shadow' the people who work within these areas, in order to gain insight and inspiration for their further job development. Students within STEM environments could thus be more likely to consider it as their career path.

The effects of wide-reaching global skills shortages should be considered serious. STEM can only become a more accessible career choice for a large group of young people when perceptions are changed, and new opportunities have been created.



Setting an example

We need to embrace the development of technology in all aspects. For businesses, the fundamental underlying issue of finding the best talent for their organisation hasn't changed, but what has evolved across the recruitment industry is how to manage this process in an age where technology has brought new ways of finding top-quality talent. As recruiting experts, Hays is obligated to lead by example, and managing the balance between the human aspect of recruiting and at the same time evolve alongside the technological development.

Thus, the traditional human-centric skills of matching candidates with organisations should now work hand-in-hand with data science, machine learning, predictive analytics and other digital tools and technologies.

These aspects have resulted in a transformation of the recruitment model with a fundamental change in the way organisations access and recruit this much needed talent. This approach is designed to maximise the likelihood of organisations finding the best talent for their organisations.

Traditionally, we've relied upon promoting vacancies across a multiple number of channels in order to solicit applications. However, this model no longer applies to the digital world that we know today, since it primarily addresses active rather than passive jobseekers. Additionally, it

has become far too accessible to respond to online job advertisements, which has led to a recruitment process with high volumes of responses being received, many of which prove to be unsuitable for the role – especially within the STEM areas.

In order to meet the technological development while still maintaining those crucial human-centric skills, Hays has designed a new approach defined as 'Find & Engage'. It is designed to maximise the likelihood of organisations finding the best talent by enabling them to search beyond the active jobseekers and to access a wider pool of passive candidates. Thus, the recent developments in data, machine learning and digital technology not only encourage us to focus on our own staff, it also allows us to combine art and science to deliver better solutions – faster and at real scale.

We are putting the relationship between a recruiter and a candidate back at the heart of recruitment. The value of 'human touch' in our industry cannot be overestimated and this will always be at the core of what we do. But at the same time, the new technologies and data science we are pioneering enable us to evolve our processes and staff, and allow us to work at a scale that has not been possible before, ensuring we always find the very best candidates wherever they are, enabling them to not only succeed but to flourish.



Photo: Kim Dohlt

Do you wish to expand your network and hear about business opportunities?

Join us

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