**CONSULATE GENERAL OF INDIA**

**BIRMINGHAM**

**Monthly Economic & Commercial Report, April, 2016**

1. **Movements on Macro-Economic Factors of UK**

Britain's economy slowed at the start of this year, affected by a slowing global economy and uncertainty ahead of this year's referendum on European membership, as it relied solely on the services sector to drive growth. First-quarter gross domestic product grew by 0.4 percent, down from 0.6 percent in the three months to December 2015 and in line with economists' forecasts of a 0.4 percent expansion. The Organisation for Economic Co-operation and Development warned that Britain's large current account deficit could become harder to finance and sterling might slide if it votes to leave the EU.

Manufacturing and construction output suffered the steepest drops in annual terms since early 2013. While consumer demand - a key pillar of British economic growth - has remained broadly solid, retail sales dropped at the joint-fastest rate in March since January 2014, adding to signs of a slowdown.

British inflation hit its highest level in 15 months in March as an earlier-than-usual Easter holiday pushed up airfares, according to data that is likely to reassure the Bank of England that near-zero price growth is coming to an end.

Britain's current account deficit has surged to a record high, underscoring a weak spot in an economy that is coming under sharper focus before a vote on whether to remain in the European Union. For 2015 as a whole, the current account deficit hit a record 5.2 percent of GDP.

1. **Major Economic Developments in UK**

**Brexit Debate**

The Bank of England issued its clearest warning yet that a British exit from the European Union would probably hurt the economy and cause sterling to slide, angering pro-Brexit campaigners. An overwhelming majority of economists in a Reuters poll in April said a British vote to leave the EU would hurt the economy.

According to research commissioned by employers' group the Confederation of British Industry (CBI), a British vote to leave the European Union could cost the economy £100 billion and 950,000 jobs by 2020.

The International Monetary Fund warned Brexit would deal a damaging blow to the global economy. The IMF is due to come up with a more detailed assessment of the impact of a Brexit May.

Two senior lawmakers in German's ruling conservatives party said Britain should not get special treatment from the European Union if it leaves the bloc and negotiating bilateral economic agreements will be tough.

Joining a chorus of economic bodies warning against an exit British the OECD said voters risk paying a "Brexit tax" equivalent to a month's salary by 2020 if they leave the European Union. The OECD said Britain's economy after Brexit would be 3 percent smaller by 2020 than it would be if it stayed in the EU, equivalent to 2,200 pounds ($3,200) per household, rising to a 5 percent hit by 2030, close to an estimate made by Britain's finance ministry.

U.S. President Barack Obama told the BBC in an interview broadcast that a trade deal between Britain and the United States could take five to 10 years to negotiate if Britain votes to leave the European Union at a June 23 referendum. Obama's visit and decision to intervene in the EU debate has angered the Eurosceptic "Out" campaign, which has repeatedly argued that Britain could easily negotiate deals and get better terms outside the EU.

"Out" campaigners, chief among them London Mayor Boris Johnson, argue that Britain's economy would flourish outside the EU by saving its annual contributions to bloc, freeing itself of red tape and striking its own trade deals. The "Out" camp challenged the OECD's credibility, recalling how it had once suggested Britain might benefit from joining the euro currency, should it prove a success.

A group of British Pro-Brexit economists said Britain would be richer if it left the European Union, in contrast to warnings from leading global institutions of a big hit to output and living standards. The economists said concerns about a hit to Britain's economy from lower exports were overblown and the country would benefit from scaling back EU-backed labour laws, lower tariff barriers for imports and a cull of regulation.

France's far-right party leader Marine Le Pen is reportedly planning to travel to Britain to campaign for the country to leave the European Union. Le Pen has said she would organise a referendum on leaving the EU in France if she were to come to power.

Opinion polls suggest the sides are evenly matched, with a survey by ICM showing a slight lead for those in favour of Brexit while a survey in the Telegraph newspaper gave a slight lead to those preferring to stay.

**EU bank to lend Britain 1 billion pounds to build more social housing**

The European Union's investment arm is to lend Britain 1 billion pounds to help build more social housing, its largest ever support for such programmes within Europe. The European Investment Bank denied an accusation by campaigners wanting Britons to vote to leave the EU in the national referendum in June that it was seeking to influence the vote, although it has stepped up both its lending to Britain and the volume of announcements publicising those loans over the past year. The EIB, which lent a record 5.6 billion pounds for investment in 40 projects in Britain last year, said the timing of the announcement was not linked to the referendum and that it took months for decisions to be made.

**Sale of TATA Steel assets in UK**

British Business Secretary Sajid Javid said the government was not prepared to take more than a 25 percent equity stake in Tata Steel's UK assets and he wanted to see them sold as soon as possible. Prime Minister David Cameron said there was no guarantee that efforts to save the British steel industry would be successful, trying to manage expectations that the government can save thousands of jobs. Cameron has said his government will do all it can to secure a buyer for Tata Steel's businesses in Britain, keen to make sure the Indian company's sale of its plants does not leave thousands unemployed just before June's referendum on EU membership.

**New public sector boost for UK steel**

UK Government buying and Business enterprise plans for British steel companies to compete on level playing field for public sector contracts. For the first time public sector steel contracts must specifically consider UK steel. The new move extends central government requirement to entire public sector including NHS and councils. With around £300 billion due to be spent on major UK infrastructure projects over the next 5 years, the new initiatives will support steel suppliers’ ability to compete with international suppliers for major government and public sector contracts. This is part of the government’s plan to secure the long term future of the steel industry in the UK.

1. **UK-International Economic Relations**

**UK Export Finance unlocks African markets for UK exporters**

UK Export Finance (UKEF) joined African Trade Insurance (ATI) agency, the pan-African export credit agency (ECA) to encourage more UK businesses to trade with African countries as part of the nation-wide Exporting is GREAT campaign. As an ATI member, UKEF will gain access to information about upcoming opportunities for exporters, as well as local knowledge of firms and projects. ATI will also provide a platform to raise awareness among project sponsors and buyers in African countries of the UKEF support available to importers of UK goods and services. UKEF will be able to share risk with other ATI-member countries in strategically important markets, increasing risk capacity for projects in African countries sourcing goods and services from the UK.

**Chinese crowdfunding opportunities for Yorkshire tech businesses**

A group of investors from China are on the lookout for Yorkshire technology companies with projects in need of up to £1m in funding. Leeds law firm Clarion worked with ConnectChina and Leeds City Region Enterprise Partnership to host a high profile trade exchange organised by ZY Crowdfunding Industrial Park, based in China.

1. **Regional Developments**

**Midlands universities spearhead £180m energy innovation programme**

A £180m funding stream designed to drive cutting-edge research, innovation and skills across the Midlands Engine has been officially launched. The scheme is backed by the Chancellor, who set out a commitment in his latest Spending Review to deliver significant government investment in the Midlands across transport, energy and culture. This included £60m to help establish a new Energy Research Accelerator (ERA) aimed at supporting the region’s high-tech, high-skilled economy.

**Commercial warehousing crisis threatens West Midlands economic prosperity**

West Midlands faces losing out on much-needed investment if it cannot meet industry’s need for quality commercial space. The region only has around a year’s supply of suitable commercial development available for current needs.

1. **UK Overseas Trade Statistics February 2016**

In February 2016 the value of exports increased £2.1billion (9.5 per cent) to £24.1 billion, and imports increased £3.7 billion (11.7 per cent) to £35.2 billion, compared with last month. Consequently the UK's trade deficit increased to £11.1 billion in February.

**Birmingham Airport to launch Chinese routes**

After the recent introduction of direct flights to Doha by Qatar Airlines, Birmingham Airport announced two services to China - on the same day as another Chinese airline is to commence its flights from Manchester. Beijing Capital Airlines will begin scheduled services to Beijing and Hangzhou Airport, near Shanghai.

1. **Trade and investment Promotion Activities**

A “Make in India” seminar was organised by the Consulate General of India, Birmingham in association with Yorkshire Asia Business Association(YABA) and James E. Lynch India and South Asia Business Centre on 26th April, 2016 at Leeds University Business School, Leeds. About one hundred business professionals, representatives of UK companies, UK-India Business Council(UKIBC), UK Trade & Investment(UKTI), academicians etc. attended the event. Dr. Virander Paul, Deputy High Commissioner of India, London and Prof. Peter J Buckley, OBE, Founder of James E. Lynch India and South Asia Business Centre co-chaired the seminar. Multi-media presentations and speeches were made by the representatives of UKTI, UKIBC, CGI, Birmingham, YABA and the Leeds University Business School at the seminar.

The Post replied to 29 trade enquiries from India and one Investment enquiry from UK.

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