High Commission of India

London

(Economic & Commerce Wing)

***Economic & Commercial Report on the United Kingdom***

***April 2017***

**Overview of UK’s Economy**

UK gross domestic product (GDP) was estimated to have increased by 0.3% in Quarter 1 (Jan to Mar) 2017, the slowest rate of growth since Quarter 1 2016. Slower growth in Quarter 1 2017 was mainly due to services, which grew by 0.3% compared with growth of 0.8% in Quarter 4 (Oct to Dec) 2016. In Quarter 1 2017 there were falls in several important consumer-focused industries, such as retail sales and accommodation; this was due in part to prices increasing more than spending. Production, construction and agriculture grew by 0.3%, 0.2% and 0.3% respectively in Quarter 1 2017. GDP per head was estimated to have increased by 0.1% during Quarter 1 2017.

The Consumer Prices Index including owner occupiers’ housing costs (CPIH, not a National Statistic) 12-month inflation rate was 2.3% in March 2017, unchanged from February. The rate has been steadily increasing following a period of relatively low inflation in 2015. Rising prices for food, alcohol and tobacco, clothing and footwear, miscellaneous goods and services were the main upward contributors to change in the rate. These were largely offset by a downward contribution from transport, particularly air fares and, to a lesser extent, motor fuels. The Consumer Prices Index (CPI) 12-month rate was also 2.3% in March 2017, unchanged from February.

The unemployment rate was 4.7%, down from 5.1% for a year earlier. It has not been lower since June to August 1975.

Public sector net borrowing (excluding public sector banks) decreased by £20.0 billion to £52.0 billion in the financial year ending March 2017 (April 2016 to March 2017), compared with the financial year ending March 2016; this is the lowest net borrowing since the financial year ending March 2008.

In the 3 months to February 2017, services output increased by 0.5% compared with the 3 months ending November 2016; the 3-month on 3-month growth rates show that services output continues to slow since October 2016.

**Business Secretary announces Industrial Strategy Challenge Fund investments**

Business Secretary Greg Clark announced the Industrial Strategy Challenge Fund, committing over £1 billion over the next 4 years. Funding will focus on 6 key areas:

* healthcare and medicine
* robotics and artificial intelligence
* batteries for clean and flexible energy storage
* self-driving vehicles
* manufacturing and materials of the future
* satellites and space technology

Government has committed to increasing investment in research and development by £4.7 billion over the next 4 years. The extra £2 billion per year by 2020 to 2021 is the biggest increase in total government R&D investment since records began in 1979.

**Defence Secretary announces £539 million investment in new missiles systems**

Secretary of State, Sir Michael Fallon, announced three new missile contracts worth a combined £539 million for state-of-the-art Meteor, Common Anti-air Modular Missile (CAMM) and Sea Viper missile systems at MBDA Stevenage. The half a billion-pound contracts will sustain over 130 jobs with MBDA in the UK, with missile modification and service support being carried out in Stevenage, Henlow, Bristol and Bolton.

**Sale of Green Investment Bank**

The government announced the sale of the UK Green Investment Bank plc (GIB) to Macquarie Group Limited (Macquarie), with a £2.3 billion deal which secures a profit on the government’s investment in the bank, provides value for taxpayers and ensures GIB continues its green mission, in the private sector. The deal, secured through a competitive process as set out in a report to Parliament on 3 March 2016, will meet the objectives outlined by government of securing value for money for the taxpayer while ensuring GIB continues its green mission, free from the constraints of public sector ownership. It has the backing of GIB’s independent board.

Under the ownership of Macquarie, GIB will invest more into the green economy than ever before, with £3 billion of new investment targeted over the next 3 years, exceeding GIB’s track record of committing £3.4 billion of investment over the 4 and a half years since it was founded. GIB will become the primary vehicle for Macquarie’s renewable energy investment in the UK and Europe, allowing GIB to expand internationally.

**International FinTech Conference 2017**

The Government hosted the International FinTech Conference in London on 12 April 2017. The Conference brought together domestic and international investors and UK FinTech firms for a one-day programme that aimed to attract more investment into the UK’s world-leading FinTech sector.

**UK-World Trade Review (in £million)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year | UK Exports to the rest of the world | % change  | UK Imports from the rest of the world | % change  | Total | % change  | UK’s Balance of Trade |
| 2015 | 305170 | -1.70% | 411878 | -2.27% | 717048 | -2.03% | -106708 |
| 2016 | 304423 | -0.19% | 470579 | +14.16% | 775002 | +8.14% | -166156 |
| January- February 2017  | 55442 | +19.20% | 76469 | +14.62% | 131911 | +16.49% | -21027 |

**UK-India Bilateral**

**UK-India Trade Review (in £ million)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year | UK Exports to India | % change  | UK Imports from India | % change | Total | % change  | India’s Balance of Trade |
| 2010 | 4017 | +36.49% | 5446 | +25.86 % | 9463 | +30.16% | 1429 |
| 2011 | 5488 | +36.61% | 5868 | +7.74 % | 11356 | +20.00% | +380 |
| 2012 | 4567 | -16.78% | 6010 | +2.41 % | 10577 | -6.85% | +1443 |
| 2013 | 5118 | +12.06% | 6186 | +2.92 % | 11304 | +6.87% | +1068 |
| 2014 | 3893 | -23.93% | 6566 | +6.14 % | 10459 | -7.47% | +2673 |
| 2015 | 3911 | 0.46% | 6062 | -7.67 % | 9973 | -4.64% | +2151 |
| 2016 | 3274 | -16.27% | 6171 | +1.79% | 9445 | -5.28% | +2897 |
| January –February 2017 | 543 | -9.16% | 1075 | +9.67% | 1618 | +2.53% | +532 |

*(Source: Office for National Statistics and Overseas Trade Statistics, HM Customs & Excise)*

**Trade and Investment Enquiries from India**: 49

**Trade and Investment Enquiries from UK**: 01

**Tenders from India**: 24

**Investments from UK to India**

According to the latest DIPP figures, UK is now the 4th largest inward investor in India, after Mauritius, Singapore and Japan with a cumulative equity investment of US $ 24.37 billion (April 2000- December 2016). UK now ranks second among the G20 countries and accounts for around 8% of all foreign direct investment into India for the period April 2000 – December 2016.

**Investments from India to UK**

According to the Inward Investment Result 2015-16 by the Department for International Trade, India retains the position as 3rd largest investor in the UK. India also emerged as the 2nd largest international job creator in UK. The US remains the biggest source of inward investment, accounting for 570 projects, followed by China with 156 projects and India with 140 projects. Indian companies created 140 FDI projects in the UK in 2015-16, and created 7,105 new jobs and safeguarded 344 jobs.

**Visit of SoS for Defence to India during April 11-14, 2017**

UK’s Secretary of State for Defence Sir Michael Fallon visited India for the India-UK Strategic Defence Dialogue during 11-14 April 2017. The visit reaffirmed and consolidated UK-India defence cooperation in the framework of the Defence and International Security Partnership, agreed in November 2015, and the subsequent Joint Statement between the Governments of India and the UK in November 2016.

**Visit of SoS for Business, Energy and Industrial Strategy to India during April 6-7, 2017**

The UK’s Secretary of State for Business, Energy and Industrial Strategy, Greg Clark visited India on April 6-7, 2017 to attend the inaugural India-UK Energy for Growth Dialogue. During the visit, SoS held bilateral meeting with Minister for Power, New & Renewable Energy, Coal and Mines, Piyush Goyal.

**9th India-UK Economic & Financial Dialogue**

UK delegation led by UK Chancellor of the Exchequer Philip Hammond visited India to participate in the 9th round of the Economic & Financial Dialogue (EFD) between India and the UK on April 4, 2017. Both Finance Minister Arun Jaitley and Chancellor discussed how notwithstanding the UK’s triggering of Article 50, India and the UK can work together to: strengthen the existing economic partnership in order to further boost trade and investment and; build on the bold vision for the India-UK Strategic Partnership set out by both the Prime Ministers during UK Prime Minister’s November 2016 visit to India. The Dialogue covered discussions on Global economy and policy responses, Trade and investment, Improving the business environment, Financial services relationship, Financing India’s growth and Developments in FinTech.

During the 9th India-UK EFD, India and the UK announced the launch of an Early Market Engagement for the joint UK-India Fund, namely a Green Growth Equity Fund which aims to leverage private sector investment from the City of London to invest in green infrastructure projects in India. Both governments reaffirmed their commitment to anchor invest up to £120 million each (i.e. totally £ 240 million) in the joint fund which will be established under the NIIF framework. To begin with, the fund aims to raise around £500 million, with the potential to unlock much more in future. It was announced that the initial investments will focus on India’s rapidly growing green energy and renewable market and that a Fund Manager is expected to be selected in the next few months. Progress will be accelerated through early market engagement via the publication of a blueprint, with the aim to identify additional and complementary sectors for fund investments.

**India-UK Bilateral Investment in April 2017 as per Media Reports**

Mumbai based Indsur Group, will invest £12 million in UK-based Western Thermal Limited, creating 100 jobs in the UK

Barclays will create a UK-India Fintech Exchange Programme, where three Fintech start-ups from both the UK and India will travel out to each other’s countries and work closely with mentors and finance professionals. Barclays Rise Accelerator Mumbai, the successful scheme to support Fintech start-ups, will now expand and take in firms continuously from around the world, including the UK

Lloyd’s of London will welcome the opening of its Indian reinsurance branch in Mumbai and the successful registration of MS Amlin as the first Lloyd’s syndicate to operate there, which will provide speciality reinsurance protection onshore in India for the first time

World First, a UK-based foreign exchange company, will announce that they are opening their first office in Bangalore in autumn 2017, with plans to handle half a billion pounds in international transfers by 2020.

HDFC, a leading Indian financial conglomerate, will issue a £400 million masala bond as part of a new Medium Term Note programme listed on the London Stock Exchange

Arecor, a leading UK formulation technology research company, will sign a £45 million licencing agreement with Cadila Pharmaceuticals to research and develop insulin glargine for diabetes.

AstraZeneca, one of the UK’s leading biopharmaceutical companies invested in a Global Technology Centre (GTC) in Chennai two years ago with more than 2,000 employees. The company will announce a further expansion of this GTC this month with the opening of a new facility that will focus on IT and non-IT services

WealthObjects a UK company that provides a B2B Robo Advisory, Financial Planning and Engagement ready-made platform or modular APIs for Consumer Banks, Fund Managers, Investment firms, and Insurance firms. This helps firms launch a customised and automated digital wealth proposition faster and at a fraction of the cost. WealthObjects will shortly be launching these in India to add to their growing list of clients.

With its fourth global FinTech program, Startupbootcamp will continue its objective of fostering collaboration between corporates and startups in financial innovation by announcing its first cohort of start-ups from its Mumbai programme

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