High Commission of India

London

(Economic & Commerce Wing)

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

***August 2016***

**Overview of UK’s Economy**

UK **Gross Domestic Product** in volume terms was estimated to have increased by 0.6% between Quarter 1 (Jan to Mar) 2016 and Quarter 2 2016, unrevised from the preliminary estimate of gross domestic product published in July 2016. This is the 14th consecutive quarter of positive growth since Quarter 1 2013. Between Quarter 2 2015 and Quarter 2 2016, GDP in volume terms increased by 2.2%, unrevised from the previously published estimate.

The **Consumer Prices Index** (CPI) rose by 0.6% in the year to July 2016, compared with a 0.5% rise in the year to June. Although the small increase in the rate between June 2016 and July 2016 takes it to the highest seen since November 2014, it is still relatively low in the historic context. The main contributors to the increase in the rate were rising prices for motor fuels, alcoholic beverages and accommodation services, and a smaller fall in food prices than a year ago. These upward pressures were partially offset by falls in social housing rent, and falling prices for certain games and toys.

The **unemployment rate** was 4.9%, down from 5.6% for a year earlier. There were 1.64 million unemployed people (people not in work but seeking and available to work), 52,000 fewer than for January to March 2016, 207,000 fewer than for a year earlier and the lowest since March to May 2008.

**Public sector net borrowing** (excluding public sector banks) decreased by £3.0 billion to £23.7 billion in the current financial year-to-date (April to July 2016), compared with the same period in 2015. Public sector net borrowing (excluding public sector banks) was in surplus by £1.0 billion in July 2016; a decrease in surplus of £0.2 billion compared with July 2015.Public sector net debt (excluding public sector banks) at the end of July 2016 was £1,604.2 billion, equivalent to 82.9% of gross domestic product (GDP); an increase of £35.3 billion compared with July 2015.

The **Index of Services** was estimated to have increased by 2.4% in June 2016 compared with June 2015. All of the 4 main components of the services industries increased in the most recent month compared with the same month a year ago. The largest contribution to total growth came from business services and finance, which contributed 1.1 percentage points. The Index of Services estimates show that output increased by 0.2% between May 2016 and June 2016. This follows flat growth of 0.0% between April 2016 and May 2016.

The **Bank of England’s Monetary Policy Committee** (MPC) sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. At its meeting ending 3 August 2016, the MPC voted for a package of measures designed to provide additional support to growth and to achieve a sustainable return of inflation to the target. This package comprises: a 25 basis point cut in Bank Rate to 0.25%; a new Term Funding Scheme to reinforce the pass-through of the cut in Bank Rate; the purchase of up to £10 billion of UK corporate bonds; and an expansion of the asset purchase scheme for UK government bonds of £60 billion, taking the total stock of these asset purchases to £435 billion. The last three elements will be financed by the issuance of central bank reserves.

**UK automotive sector’s continued growth**

The monthly figures show that for the year to date, car production is at its highest level since 2000, with over 1 million cars already built this calendar year. Over three-quarters of the cars built in the UK this year will be exported. The UK automotive sector is the most productive of all the major auto manufacturers in Europe, and is around 50% higher than overall UK manufacturing productivity. In particular, the government is investing around £1 billion for research and development through Innovate UK and the Advanced Propulsion Centre, supported by the government’s Catapult network. The sector is comprised of nearly 3,000 businesses and includes major car manufacturers, engine and supply-chain companies, as well our world-class Formula 1 sector. Together they employ around 163,000 people, support a further 330,000 jobs indirectly and contribute £14.5 billion to the UK economy.

**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 |
| Jan-June 2016 | 144549 | -5.43% | 223901 | +8.17% | 368450 | +2.43% | -79352 |

**UK remains number one investment destination in Europe**

According to the latest Inward Investment Result 2015-16 by the Department for International Trade, UK had a record number of inward investment projects and created second highest number of jobs ever in 2015 to 2016. Across the UK, 2,213 inward investment projects were secured in 2015 to 2016, an 11% increase on the previous year. This lead to around 116,000 jobs being created or safeguarded - the second highest number on record. Almost 1,600 new jobs a week were created by foreign direct investment (FDI) in 2015 to 2016. Since 2010, nearly 390,000 new jobs have been created through foreign direct investment in the UK.

Demonstrating the UK’s attractiveness to an ever-widening pool of global investors, investments originated from a record 79 countries and the UK became the top European destination for projects from emerging markets. Projects from Latin America rose by 240% and those from Central and Eastern Europe surged by 131%.

The regions and the devolved administrations also played an important role in the UK’s success:

* the Northern Powerhouse saw a boost to FDI projects by nearly a quarter (24%) in 2015 to 2016
* 14,797 new jobs were created in the Midlands Engine – a rise of 9% from the year before
* 5,443 new jobs were created in Wales - an increase of 7% from the previous year - through 97 projects; in total, almost 7,000 jobs were created or safeguarded by FDI
* Northern Ireland secured 33 projects, which created and safeguarded a total of 3,144 jobs with the number of jobs per project rising to 95, the highest figure in the UK
* Scotland attracted 108 projects, with 5,905 jobs created or safeguarded

**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 |
| Jan-June 2016 | 1622 | -20.72% | 3074 | -1.48% | 4696 | -9.09% | +1452 |

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

**Trade and Investment Enquiries from India**: 35

**Trade and Investment Enquiries from UK**: 02

**Tenders from India**: 26

**Investments from UK to India**

The UK is the 3rd largest inward investor in India, after Mauritius, and Singapore with a cumulative equity investment of US $ 23.10 billion (April 2000- March 2016). UK ranks first among the G20 countries and accounts for around 8% of all foreign direct investment into India for the period April 2000 – March 2016.

**Investments from India to UK**

According to the latest 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.

**International Trade Secretary visits Delhi and Mumbai on maiden visit to India**

UK Secretary of State for International Trade Liam Fox visited India from August 28 – 30, 2016. On August 29, 2016, Commerce and Industry Minister Nirmala Sitharaman met the Secretary of State for International Trade in New Delhi. The two leaders discussed bilateral trade and investment issues, particularly regarding the preparation of India-UK JETCO meeting to be held in New Delhi in November, 2016. Finance Minister Arun Jaitley also met the UK Trade Minister Dr Liam Fox in New Delhi. Finance Minister said that officials from both India and UK are jointly exploring creation of an India-UK sub-fund under the NIIF umbrella. He said that we look forward to implementation of this task expeditiously and positively in near future. Finance Minister further said that India’s proposed termination of Bilaterally Investment Promotion Agreement (BIPA), as the Union Cabinet has approved a new model text for the Bilateral Investment Treaty (BIT). The new text of the BIT has already been shared with the UK Government in April, 2016. The Finance Minister said that UK is among India’s major trading partner and despite the global economic slowdown and the Eurozone crisis, India-UK bilateral trade has been resilient. He also mentioned about new Free Trade Agreement (FTA) with UK depending on terms and conditions of UK’s withdrawal arrangement from the EU. The International Trade Secretary also met with business leaders and local businesses in both New Delhi and Mumbai. He also met with industry bodies including the Confederation of Indian Industries ahead of the India-UK Joint Economic and Trade Committee (JETCO) scheduled to be held in November 2016.

**Priti Patel hails strategic partnership between the UK and India**

Secretary of State for International Development Priti Patel visited India from August 12-14, 2016 and called on Prime Minister Narendra Modi and discussed a package of UK technical assistance and support for India to boost economic growth, jobs and trade, which will also benefit Britain. The Secretary of State also met Finance Minister Arun Jaitley and held meetings with leading financial companies. Ms Patel also met the Chief Minister of Madhya Pradesh where she agreed a partnership with the region on smart cities and announced that the UK will be a partner country for the Madhya Pradesh Global Investor Summit later this year. On the first day of her visit to India she met with the Minister for Urban Development Venkaiah Naidu. She said that the UK’s support for India’s urban development will generate new job opportunities for India’s poorest, strengthening the UK-India partnership that was set out during Prime Minister Modi’s historic visit to the UK last year.

**Business and Energy Secretary urges British business to embrace India trade ties**

Secretary of State for Business, Energy and Industrial Strategy (BEIS) Greg Clark visited India on August 10, 2016. The Business and Energy Secretary stressed the importance of UK’s long-standing relationship with India and made clear UK is open for business. He also met with a number of Ministers during the visit, including Minister for Power, Coal, New and Renewable Energy and Mines Mr Piyush Goyal.

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