High Commission of India

London

(Economic & Commerce Wing)

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

***February 2017***

**Overview of UK’s Economy**

UK Gross Domestic Product in volume terms was estimated to have increased by 0.7% between Quarter 3 (July to Sept) 2016 and Quarter 4 (Oct to Dec) 2016, revised up 0.1 percentage points from the preliminary estimate of GDP published on 26 January 2017. Upward revisions (due to later data received) within the manufacturing industries is the main reason.

The Consumer Prices Index (CPI) rose by 1.8% in the year to January 2017, compared with a 1.6% rise in the year to December 2016. The rate in January 2017 was the highest since June 2014. The main contributors to the increase in the rate were rising prices for motor fuels and to a lesser extent food prices, which were unchanged between December 2016 and January 2017, having fallen a year ago. These upward pressures were partially offset by prices for clothing and footwear, which fell by more than they did a year ago.

The unemployment rate was 4.8%, down from 5.1% for a year earlier. It has not been lower since July to September 2005.

Public sector net borrowing (excluding public sector banks) decreased by £13.6 billion to £49.3 billion in the current financial year-to-date (April 2016 to January 2017), compared with the same period in the previous financial year; this is the lowest year-to-date borrowing since the financial year-to-date ending January 2008. Public sector net borrowing (excluding public sector banks) was in surplus by £9.4 billion in January 2017, a £0.3 billion larger surplus than in January 2016; this is the highest January surplus since 2000.

Services output increased by 0.8% in Quarter 4 (Oct to Dec) 2016 compared with Quarter 3 (July to Sept) 2016, with a notable contribution in consumer focused industries, despite the decline in retail sales in December. Services output increased by 0.8% in Quarter 4 (Oct to Dec) 2016 compared with Quarter 3 (July to Sept) 2016, with a notable contribution in consumer focused industries, despite the decline in retail sales in December.

**UK Energy Statistics – 2016**

* Primary energy production rose by 1.4 per cent on a year earlier to 126.2 million tonnes of oil equivalent. This increase, the second since 1999, was due to rises in oil and gas output. Energy production in 2016 was marginally above the levels of 2012.
* Oil production was up 4.8 per cent with strong output from fields that flow into the Flotta and Forties terminals. Gas production was up 3.6 per cent following the start up of the Laggan field.
* Renewables energy production rose by 2.3 per cent, with an increase in bioenergy output, with nuclear output up 2.0 per cent. Production of coal fell by 51 per cent, to a new record low, due to the closure of all large deep mines, and the remaining mines producing less coal as they come to the end of their operational life. In the last five years coal output has declined by 77 per cent.
* Primary energy consumption on a fuel input basis decreased by 1.1 per cent, and on a temperature adjusted basis, was down 1.8 per cent continuing the downward trend of the last ten years.
* Low carbon generation accounted for 42.7 per cent of supply, down marginally from 42.9 per cent in 2015, following lower generation from wind (due to an 11 per cent fall in average wind speed) and hydro (due to a 19 per cent fall in average rainfall), as well as outages at Drax resulting in a fall in bioenergy supply despite an increase in capacity.
* In 2016, UK production of gas rose by 3.6 per cent, the third consecutive annual increase. This is due in the main to production from the new Laggan field to the west of the Shetland Isles. Whilst gas production has increased, this century has been characterised by year on-year decreases and gas production is now less than 40 per cent of the peak production seen in 2000.
* In 2016, UK production of crude oil & Natural Gas Liquids (NGL) rose by 4.8 per cent, the second consecutive annual increase, the growth mainly arising from fields that feed into the Flotta and Forties terminals. Although these recent increases contrast with the year- 0% 10% 20% 30% 40% 50% 2006 2008 2010 2012 2014 2016 Coal Gas Nuclear Wind Other Page 5 of 5 on-year contraction seen since 1999, production is now down to just over a third of that peak.

**£229 million of industrial strategy investment in science, research and innovation**

Business and Energy Secretary Greg Clark announced £229 million worth of investment in the development of cutting-edge advanced materials and a new centre of excellence for the life and physical sciences as part of the government’s modern [Industrial Strategy](https://beisgovuk.citizenspace.com/strategy/industrial-strategy/?utm_campaign=gov&utm_source=gov.uk&utm_medium=referral&utm_content=homepage). Included in the investment is £126 million in grants for the Sir Henry Royce Institute for Advanced Materials, supporting the creation of a world-leading research centre at the University of Manchester, with satellite centres at the Universities of Sheffield, Leeds, Liverpool, Cambridge, Oxford and Imperial College. The Royce Institute will encompass nine key areas of materials research including graphene and proposed research areas will be grouped into four themes - energy, engineering, functional and soft materials. The Secretary of State Greg Clark also announced £103 million Government investment in a new national centre of excellence for life and physical sciences, at the Rosalind Franklin Institute (RFI), located at Harwell Science and Innovation Campus, Oxford. The centre will build on the UK’s world-leading reputation in these fields and effectively bring together academia and industry.

**FinTech Week 2017: celebrating Britain’s status as global Fintech hub**

FinTech Week 2017 will take place in April and showcase the sector’s successes, aim to attract more investment into Britain and share global regulatory expertise. Designed to bring together industry, government and regulators, the second UK FinTech Week will build on the success of last year’s event, and focus of the issues affecting Britain’s world leading sector, including investment, access to skills and business support to FinTech start-ups. As part of the week, the Chancellor will host the first International FinTech Conference on 12 April in London. The conference, which will connect hundreds of FinTech companies from across the UK with investors from all over the world, will also include expert led discussions and panels as well as workshops from the government, FCA and financial services organisations. UK FinTech firms will have an opportunity to showcase themselves in an exhibition space and during a pitch session.

The Innovate Finance Global Summit on the 10-11 April will convene the start-ups, investors, regulators and institutions shaping the global FinTech agenda. With over 2000 expected attendees, 100 speakers, the inaugural Pitch360 demos and Innovate Finance’s 300+ member companies, the summit will bring the global FinTech community together in London. The two-day summit will focus on the themes driving innovation in financial services, such as the blockchain, digital identity, cyber security, financial wellness and inclusion. The FCA will also be hosting an International Innovate Seminar on 12 April, which will bring together regulators from around the world who are working on, or have an interest in, the regulation of positive innovation and technological developments in financial services. The seminar will provide an opportunity for regulators to share experiences, approaches and perspectives on a range of different issues and challenges related to the regulation of FinTech.

**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 - December 2016 | 304423 | -0.19% | 470579 | +14.16% | 775002 | +8.14% | -166156 |

**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-December 2016 | 3274 | -16.27% | 6171 | +1.79% | 9445 | -5.28% | +2897 |

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

**Trade and Investment Enquiries from India**: 63

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

**Tenders from India**: 14

**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.

**Finance Minister Arun Jaitley’s visit to the UK**

Finance and Corporate Affairs Arun Jaitley visited London during February 24-28, 2017. During his visit, FM delivered a talk at London School of Economics on ‘Transforming India: Vision for the Next Decade”. FM also performed the Market Opening Ceremony at London Stock Exchange followed by a Roundtable Meeting with prospective issuers and leading investors and fintech leaders among others. FM also had a Business interaction with over 100 senior business leaders from the UK-India Business Council (UKIBC). During the visit, FM attended a reception hosted by Her Majesty, the Queen at Buckingham Palace on the occasion of India-UK year of Culture. FM also met with CEOs at a meeting organized by the Confederation of British Industry. During his visit, FM called on The Rt. Hon Boris Johnson, Foreign Secretary and Rt. Hon. Philip Hammond, Chancellor of the Exchequer. During the visit, FM also interacted with investors of JP Morgan. FM also attended a Reception hosted by FICCI, British Council and High Commission of India.

**MoU between India and the UK to allow more flights to boost tourism and trade for both the countries**

On February 9, 2017, an MoU was signed between India and the UK to ease restrictions on the number of scheduled flights between the two countries, The agreement was formally signed by Minister of Civil Aviation, Shri Pusapati Ashok Gajapathi Raju, on behalf of India and Lord Ahmad of UK during his visit to India. Limits on flights from key Indian cities including Chennai and Kolkata have been scrapped, allowing for a greater range of flights for passengers while providing a boost to trade and tourism for the UK and India. Building new links with important trading partners is a key part of the government’s plans for a Global Britain, opening up new export markets and creating jobs and economic growth. The agreement also opened all destinations in the UK for Indian carriers for code share flights, and reciprocally the UK carriers can also operate code share flights to any International Airport in India, through domestic code share arrangements.

**UK Defence companies step up globally at Aero India 2017**

Minister of Defence Procurement Harriett Baldwin led an UK delegation of 20 companies at the aerospace exhibition held at Air Force Station Yelahanka from February 13-18, 2017. Mrs Baldwin called on UK and Indian companies to develop and sustain long term industrial partnerships, to meet the challenges of the future and launch new products into the global marketplace.

**CEO of UK Export Finance visits India**

Mr Louis Taylor, Chief Executive Officer of UK Export Finance (UKEF), visited India from February 20-23, 2017. UKEF, the UK’s Export Credit Agency, has up to £1 billion in capacity to provide finance to support Indian buyers of British goods, services and intangibles, with support available in Indian Rupees. While in India, Mr Taylor travelled to Chennai, Delhi and Mumbai to engage with Indian buyers from the government and private sector. During these meetings, Mr. Taylor promoted the attractive financial support available from UKEF to Indian buyers when they source from the UK. He also affirmed the UK government’s appetite to support India’s major infrastructure development projects, including the areas of transport, energy infrastructure, urban development and smart cities.

**Deal sealed for Liberty to acquire Tata Steel’s Speciality Steels business**

On February 9, 2017, International industrials and metals group, Liberty House signed an agreement with Tata Steel UK to acquire its high-profile Speciality Steels business for a total consideration of £100 million. The deal secures the future of around 1,700 jobs directly, and thousands more in the supply chain and regional economy. The sale follows an extensive due diligence period, after the parties entered exclusive discussions in November 2016. It will make Liberty one of the largest steel and engineering employers in the UK with more than 4,000 workers at plants located across Britain’s industrial heartlands.

**Rentokil Initial enters a joint venture with Pest Control India**

Rentokil Initial has entered into a joint venture with homegrown pest control leader Pest Control India (PCI), to consolidate leadership position in the fast-growing Indian pest control market. The UK-based and London Stock Exchange (LSE) listed company will hold 57% in the newly formed venture.

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