High Commission of India

London

(Economic & Commerce Wing)

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

***January 2017***

**Overview of UK’s Economy**

* The Gross Domestic Product (GDP) was estimated to have increased by 0.6% during Quarter 4 (Oct to Dec) 2016, the same rate of growth as in the previous 2 quarters. Growth during Quarter 4 was dominated by services, with a strong contribution from consumer-focused industries such as retail sales and travel agency services. Following falls in Quarter 3 (July to Sept) 2016, construction and production provided negligible positive contributions to GDP growth in Quarter 4 2016. UK GDP was estimated to have increased by 2.0% during 2016, slowing slightly from 2.2% in 2015 and from 3.1% in 2014. GDP per head was estimated to have increased by 0.4% during Quarter 4 2016 and by 1.3% during 2016.
* The Consumer Prices Index (CPI) rose by 1.6% in the year to December 2016, compared with a 1.2% rise in the year to November. The rate in December was the highest since July 2014, when it was also 1.6%. Price movements for the majority of the broad groups of goods and services acted to increase the rate between November 2016 and December 2016. The main contributors to the increase in the rate were rises in air fares and the price of food, along with prices for motor fuels, which fell by less than they did a year ago. CPIH (not a National Statistic) rose by 1.7% in the year to December 2016, up from 1.4% in November.
* 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 £10.6 billion to £63.8 billion in the current financial year-to-date (April to December 2016), compared with the same period in 2015. Public sector net borrowing (excluding public sector banks) decreased by £0.4 billion to £6.9 billion in December 2016, compared with December 2015.
* Services output increased by 0.3% between October 2016 and November 2016, marking the sixth consecutive month-on-month positive services growth. The biggest contributor to this growth was business services and finance, which increased by 0.5%, contributing 0.22 percentage points to the overall increase. Services output increased by 3.2% in November 2016 compared with November 2015 and by 1.0% in the 3 months to November 2016 compared with June to August 2016. Growth in the 3 months to November 2016 was led by consumer-focused industries with retail sales, food and beverage services and travel agency services contributing over a quarter of the total increase in services.

**The UK continues to be Scotland’s largest market for trade**

[Scottish exports](http://www.gov.scot/Topics/Statistics/Browse/Economy/Exports/ESSPublication) to the rest of the UK in 2015 (excluding oil and gas) are estimated at £49.8 billion, an increase of £2.1 billion (4.4%) over the year. The increase in Scottish exports to the rest of the UK was driven by an increase in the export of utilities (electricity, gas, water etc). Latest Scottish Government Global Connections Survey shows that the rest of the UK continues to be Scotland’s largest export market as the figure is £21.1 billion higher than the estimated total for international exports. Scotland’s exports to the rest of the UK are 4 times greater than those to the EU. International exports to countries within the European Union (EU) were estimated at £12.3 billion, which is 43% of total international exports. This is an increase of £520 million from the previous year (4.4%). The increase was driven by an increase in the export of petroleum and chemical products. International exports to non-EU countries were estimated at £16.4 billion, which is 57% of total international exports. This is an increase of £485 million from the previous year (3.0%). Service sector exports from Scotland are of greater importance to the rest of the UK than internationally as more than half (55%) of the rest of the UK exports are services compared to 38% of international exports.

**Article 50 Bill process begins**

The European Union (Notification of Withdrawal) Bill has been introduced to the House of Commons on January 26, 2017 by Secretary of State for Exiting the European Union David Davis. The straightforward Bill, which gives the Prime Minister the power to formally trigger Article 50, is expected to move through both the House of Commons and House of Lords before gaining Royal Assent prior to the March 31st deadline. The Bill comes ahead of the introduction of the Great Repeal Bill that will transpose EU law into UK law to ensure the maximum stability on exit, with changes to the law requiring the full consent of Parliament. The Bill is being introduced following the judgment handed down by the Supreme Court earlier this month.

**UK is developing a modern Industrial Strategy**

UK is building an industrial strategy to deliver a high-skilled, competitive economy that benefits people throughout the UK. The ten pillars of the Industrial Strategy are:

1. **Investing in science, research and innovation** – we must become a more innovative economy and do more to commercialise our world leading science base to drive growth across the UK.
2. **Developing skills** – we must help people and businesses to thrive by: ensuring everyone has the basic skills needed in a modern economy; building a new system of technical education to benefit the half of young people who do not go to university; boosting STEM (science, technology, engineering and maths) skills, digital skills and numeracy; and by raising skill levels in lagging areas.
3. **Upgrading infrastructure** – we must upgrade our standards of performance on digital, energy, transport, water and flood defence infrastructure, and better align central government infrastructure investment with local growth priorities.
4. **Supporting businesses to start and grow** – we must ensure that businesses across the UK can access the finance and management skills they need to grow; and we must create the right conditions for companies to invest for the long term.
5. **Improving procurement** – we must use strategic government procurement to drive innovation and enable the development of UK supply chains.
6. **Encouraging trade and inward investment** – government policy can help boost productivity and growth across our economy, including by increasing competition and helping to bring new ways of doing things to the UK.
7. **Delivering affordable energy and clean growth** – we need to keep costs down for businesses, and secure the economic benefits of the transition to a low-carbon economy.
8. **Cultivating world-leading sectors** – we must build on our areas of competitive advantage, and help new sectors to flourish, in many cases challenging existing institutions and incumbents.
9. **Driving growth across the whole country** – we will create a framework to build on the particular strengths of different places and address factors that hold places back – whether it is investing in key infrastructure projects to encourage growth, increasing skill levels, or backing local innovation strengths.
10. **Creating the right institutions to bring together sectors and places** – we will consider the best structures to support people, industries and places. In some places and sectors there may be missing institutions which we could create, or existing ones we could strengthen, be they local civic or educational institutions, trade associations or financial networks.

**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 - November 2016 | 273394 | -1.51% | 432560 | +13.48% | 705954 | +7.16% | -159166 |

**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-November 2016 | 3014 | -16.47% | 5664 | -0.34% | 8678 | -6.60% | +2650 |

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

**Trade and Investment Enquiries from India**: 56

**Trade and Investment Enquiries from UK**: 00

**Tenders from India**: 16

**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 $ 24.07 billion (April 2000- September 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 – September 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.

**Foreign Secretary Boris Johnson visits India**

Foreign Secretary Boris Johnson visited New Delhi and Kolkatta during January 18-19, 2017 to set out the UK’s vision for a Global Britain and a strengthened relationship with in a keynote speech at the Raisina Dialogue. The Minister held talks with Finance Minister Arun Jaitley and Minister for External Affairs MJ Akbar, to continue working towards the ambitious partnership that Prime Ministers Theresa May and Narendra Modi committed to during her visit last November. The Minister also met young Indian entrepreneurs and civil society leaders, as well as hosted a breakfast for British and Indian business representatives and investors. The Foreign Secretary traveled to Kolkata where he met Chief Minister of West Bengal Mamata Banerjee.

**8th Vibrant Gujarat Global Summit 2017: India – UK Collaboration in Life Sciences**

The 8th Vibrant Gujarat Global Summit 2017 was held from January 10-13, 2017 in Gandhinagar, Gujarat, theme being “Sustainable Economic and Social Development”. UK was the country partner for the summit and showcased the UK’s capability in the life sciences sector with a particular focus on pharmaceutical manufacturing and development. The UK Department for International Trade (DIT) India led a large delegation of 65 people from 30 innovative UK companies to this year’s Summit. UK life sciences companies participated in the trade mission with the aim of forging new partnerships.

**UK-India project seeks to revive Bengal silk**

Silk is the centre focus of the Silk River project, part of the Reimagine India series supported by the Arts Council and British Council. The aim of Silk River project is to renew focus on old trading links between Britain and Bengal through the use of silk from the Murshidibad district of West Bengal. Project leader Ali Pretty has engaged artists from both countries, and people from ten communities along the Hooghli and Thames rivers to design and paint large scrolls using the silk. The ten scrolls of the communities from Murshidibad to Kolkata were paraded at the Murshidabad Heritage Festival, 150 miles north of Kolkata, during a cultural programme and boat race on the river over the weekend of 28-29 January. The next step of the project is the design of counterpart scrolls from the Thames, followed by their joint display in a series of heritage walks in each location along both rivers, first in Britain and culminating in West Bengal in December.

**UK businesses submission ahead of India's Budget**

The CBI and the UK India Business Council (UKIBC) have made a joint submission to Finance Minister Arun Jaitley, setting out what British investors would like to see in the upcoming Indian Budget. The submission makes clear that UK companies have a positive view of the Indian economy and that they very much welcome the Government’s reforms to date. They also urged the Government to continue these efforts to improve the ease of doing business and to better highlight the investment opportunities. For example, the majority of businesses wants to increase investments in India and would be able to do so if there was medium-term clarity on areas of major government expenditure.

**Vodafone India signs MoU with Government of West Bengal to invest Rs 3,000 crore in West Bengal**

UK-headquartered Vodafone India signed an MoU (memorandum of understanding) with the Government of West Bengal to invest Rs 3,000 crore for capacity augmentation and new business initiatives over next three years. The MoU signed on the sidelines of Bengal Global Business Summit 2017, also aims at strengthening Vodafone's leadership position in the state by offering customers a SuperNet experience through enhanced network, Vodafone in a statement said. India’s second-largest telco also aims to create more employment opportunities. Vodafone serves more than 2 crore customers in Kolkata & West Bengal circles.

**India now eighth largest Asian market for UK car exports, Tata JLR the leader**

The rising popularity of Tata Motors-owned [Jaguar Land Rover](http://timesofindia.indiatimes.com/topic/Jaguar-Land-Rover) (JLR) models led to an impressive 15.8 per cent increase in the UK's car exports to India in 2016, according to the latest UK automotive industry figures released in January. India is now the eighth largest Asian market for UK car exports with JLR's Land Rover Discovery Sport, Ranger Rover Evoque, Jaguar XF, Jaguar XE and Jaguar F-Pace among the top five most popular models. The Society of Motor Manufacturers & Traders (SMMT), one of the UK's largest trade associations, said the Indian demand formed part of a wider 17-year high for British car manufacturing last year.

**New scheme for Indian doctors in UK to plug shortages**

The UK has launched a new placement scheme to bring in doctors from India to plug shortages in the emergency departments of its state-funded National Health Service. The first set of 20 Indian doctors will be brought in to Manchester in northern England this year to help out in the region's eight Accident and Emergency (A&E) departments. Their placement is expected to run for up to three years, with the scheme also likely to be extended to other regions of the country. It is being operated by the Greater Manchester devolution team and Wrightington, Wigan and Leigh Foundation Trust and backed by the Health Education England (HEE), the Department of Health body in charge of education and training.

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