High Commission of India

London

(Economic & Commerce Wing)

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

***June 2015***

**Overview of UK’s Economy**

The **Gross Domestic Product** was estimated to have increased by 0.4% between Quarter 4 (Oct to Dec) 2014 and Quarter 1 (Jan to Mar) 2015, revised up 0.1 percentage points from the previous estimate of GDP published in May 2015. GDP was estimated to have increased by 3.0% in 2014, compared with 2013, revised up 0.2 percentage points from the previously published estimate.

The **Consumer Prices Index** rose by 0.1% in the year to May 2015, compared with a 0.1% fall in the year to April 2015. The largest upward contribution to the change came from transport services, notably air fares with the timing of Easter in April a likely factor in the movement. There were also significant upward effects from food and motor fuels. The largest offsetting downward effect came from recreation and culture, particularly games, toys and hobbies (such as computer games) and data processing equipment.

The **unemployment rate** was 5.5%, lower than for the 3 months to January 2015 (5.7%) and for a year earlier (6.6%). There were 31.05 million people in work, 114,000 more than for the 3 months to January 2015 and 424,000 more than for a year earlier.

The **deficit on trade in goods and services** was estimated to have been £1.2 billion in April 2015, compared with £3.1 billion in March 2015. This reflects a deficit of £8.6 billion on goods, partially offset by an estimated surplus of £7.4 billion on services. In April 2015, the trade in goods deficit narrowed by £2.1 billion. This reflects both an increase in exports and a decrease in imports. Exports of goods increased by £0.7 billion, of which £0.6 billion was attributed to countries outside of the EU. Imports of goods fell by £1.5 billion, reflecting falls in the imports of miscellaneous manufactures.

The **Index of Services** is estimated to have increased by 2.8% in March 2015 compared with March 2014. 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 contributions came from: business services and finance, which contributed 1.2 percentage points to total growth; and distribution, hotels and restaurants, which contributed 0.7 percentage points to total growth.The Index of Services increased by 0.4% in Quarter 1 (Jan to Mar) 2015 compared with Quarter 4 (Oct to Dec) 2014.

The **Bank of England’s Monetary Policy Committee** at its meeting on June 4, 2015 voted to maintain Bank Rate at 0.5%. The Committee also voted to maintain the stock of purchased assets financed by the issuance of central bank reserves at £375 billion.

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

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year | UK Exports to the rest of the world | % change from Jan-April 2014 | UK Imports from the rest of the world | % change from Jan – April 2014 | Total | % change from Jan-April 2014 | UK’s Balance of Trade |
| Jan–April 2015 | 100706 | -4.10% | 137142 | +1.20% | 237848 | -1.10% | -36436 |

**UK wins a record number of investment projects and maintains position as top investment destination in Europe**

According to UKTI’s Inward Investment Report 2014/15, the UK has maintained its position as the number one destination for FDI in Europe after attracting a record number of FDI projects, bringing in the largest financial value and associated jobs over the past year.

* 2014-15 foreign direct investment (FDI) has resulted in over 100,000 new and safeguarded jobs in the UK
* Attractiveness of UK as an investment destination confirmed as UK’s FDI stock reaches £1 trillion
* The UK received the highest number and value of FDI projects in Europe in 2014

The annual investment figures from UK Trade & Investment (UKTI) for the 2014/15 financial year show the UK attracted 1,988 FDI projects - 12 per cent more than 2013/14 – estimated to have brought with them almost 85,000 new jobs and 23,000 safeguarded jobs across the UK. The UK’s strong performance during 2014 has seen the country’s inward FDI stock – the value of accumulated FDI in the UK – break the £1 trillion level for the first time. This is the highest in Europe and third in the world after the United States and China. UKTI statistics show that FDI into the UK came from more than 70 countries, including the world’s leading emerging markets. The USA remains the largest source of inward investment, with a total of 564 projects in 2014/15, followed by France (124 projects).

Investment from India increased by 65 per cent making it the UK’s third largest source of FDI accounting for over 9,000 new and safeguarded jobs. There was also evidence of a strengthening relationship with China with 112 projects, including 13 from Hong Kong, in 2014/15 resulting in almost 6,000 new and safeguarded jobs.

The top 20 countries investing into the UK are as follows:

|  |  |  |
| --- | --- | --- |
| **Countries** | **Projects** | **Total Jobs (new and safeguarded)** |
| United States | 564 | 36,778 |
| France | 124 | 8,198 |
| **India** | **122** | **9,350** |
| China (inc. HK) | 112 | 5,927 |
| Japan | 107 | 3,873 |
| Germany | 97 | 9,727 |
| Italy | 91 | 2,193 |
| Australia | 81 | 4,012 |
| Canada | 72 | 3,762 |
| Spain | 59 | 3,646 |
| Netherlands | 53 | 2,509 |
| Ireland | 51 | 2,369 |
| Switzerland | 42 | 1,489 |
| Sweden | 36 | 1,382 |
| Israel | 26 | 709 |
| Denmark | 24 | 2,015 |
| Singapore | 23 | 338 |
| Portugal | 22 | 522 |
| South Korea | 22 | 522 |
| Norway | 21 | 440 |

*Source: UKTI*

**Boom in employment and exports for the UK’s creative industries**

The statistics released by the Department for Culture Media and Sport (DCMS) reveal employment within the UK’s creative industries is increasing at more than twice the rate of the wider UK economy. Exports from the sector are also up as the creative industries once again demonstrate what a powerful driver of growth they are for the UK economy. Key findings include:

* Jobs within the creative industries increased by 5.5 per cent compared to the national 2.1 per cent rise in employment between 2013 and 2014.
* Number of jobs in the sector is now 1.8 million. This represents an increase of 15.8 per cent (247,000 jobs) since 2011.
* Value of services exported by the UK’s creative industries in 2013 is £17.9bn, a rise of 3.5 per cent (£598 million) on the previous year.
* Exports from the creative industries have increased by 34.2 per cent (around £4.5 billion) - between 2009 and 2013, outperforming the rest of the UK economy by almost 15 per cent.

**Business Secretary outlines next steps for Green Investment Bank**

Rt Hon Sajid Javid, Secretary of State for Business, Innovation and Skills confirmed that the Government will proceed with plans to bring private capital into the Green Investment Bank (GIB) during a speech at the Bank’s Annual Review event in London on June 25, 2015. The UK Government and Green Investment Bank will now actively engage with potential investors in GIB and explore the scope for a transaction which will deliver value for money for the taxpayer. The detail and timing of any transaction will depend on the outcome of these discussions. Since its inception in 2012, GIB has committed £2 billion and helped to finance 50 green infrastructure projects including helping to finance first-of-a-kind projects that use innovative technologies in waste management and offshore wind power.

**On target for a higher skilled workforce**

UK Government confirmed that it has smashed its target of supporting 20,000 higher apprenticeship starts over the last 2 years. Supporting apprenticeships is a key part of the long term economic plan to help create a highly-skilled and productive workforce across the country. There has also been strong growth in traineeships with over 15,000 started in the first 3 quarters of this academic year. The statistics also show that the government’s efforts to improve the quality of apprenticeships and encourage people to take them up, has resulted in more than 2.3 million apprenticeship starts across the country in the last Parliament. Building on this success, the government is committed to supporting a further 3 million apprenticeship starts by 2020.

**Boost for aerospace industry**

Business Minister Anna Soubry opened a new £60 million cutting edge aerospace research facilities and 3D printing centre in Coventry. The Minister also announced new technology projects to keep the UK a world leader in aerospace. The projects, which are jointly funded by industry and government, include work to develop ‘slippery wings’ and boost productivity. Anna Soubry announced them whilst opening the Aerospace Research Centre and National Centre for Net Shape and Additive Manufacturing – commonly referred to as 3D printing. The minister also announced the launch of a new £10 million competition to find game-changing aerospace technologies, aimed at small firms. This will open for bids next week and is being run by Innovate UK.

**UK Chancellor’s statement on financial crisis in Greece**

Rt Hon George Osborne, UK Chancellor of the Exchequer made a statement at House of Commons on the latest developments in the financial crisis in Greece and how they might affect British citizens. He said, "The failure of the Greek government to make its scheduled payments to the International Monetary Fund, and the expiry of Greece's financial assistance programme, have served only to add to the developing crisis in that country. “It is vital now that the current uncertainty is resolved, whatever the Greek people decide, to ensure economic and financial stability across Europe. Chancellor also said, “Britain’s attitude to the developing Greek crisis is clear: we hope for the best; but we prepare for the worst. The Chancellor has warned British holidaymakers heading to Greece that they should take plenty of cash with them as banking services could be limited. Around two million Britons travel to Greece every year.

**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 |
| Jan –April 2015 | 1385 | +33.81 | 2122 | -1.07 | 3507 | +10.28 | +737 |

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

**Trade and Investment Enquiries from India**: 106

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

**Tenders from India**: 36

**UK insurer bridges India nuclear pool gap**

The UK-based insurer [Marsh](http://www.dnaindia.com/topic/marsh) has come to the rescue of domestic reinsurance company [GIC Re](http://www.dnaindia.com/topic/gic-re) to launch India's first nuclear pool. Marsh, a global leader in insurance broking and risk management and a member of the UK pool, Nuclear Risk Insurer (NRI) that is commonly called British nuclear pool, is contributing Rs 600 crore despite India not throwing open its nuclear installation for inspections by foreigners. The Indian Nuclear Insurance Pool (INIP), a pooling arrangement to address exposures of nuclear operators and suppliers, will have a corpus of Rs 1,500 crore, and is being set up with the support of 11 domestic insurance companies. The Indian nuclear pool will be the 27th such pool in the world. It is expected to address third-party liability insurance to begin with and later expand into property and other hot zone (inside reactor areas) risk. This will cover both operators and suppliers. At present, only cold zones (outside reactor areas) are being covered.

**U.K.'s Double Negative and India's PFW Announce Mumbai VFX Facility Plans**

Leading U.K.-based VFX house Double Negative and India's [Prime Focus World](http://www.hollywoodreporter.com/behind-screen/prime-focus-acquire-reliance-mediaworks-716319)(PFW) have announced plans to set up a new facility in Mumbai's Film City complex. PFW - the creative services division of Mumbai head-quartered Prime Focus Limited – merged its VFX business with Double Negative last year. PFW also has facilities in Los Angeles, Vancouver, London and Beijing. In addition to its various Hollywood projects, London-based Double Negative is the go-to facility for **Christopher Nolan**who worked with the VFX house on his Batman films as well as winning Oscars for Inception and Interstellar. The Mumbai studio will be built to the same standards as Double Negative's facilities in London, Vancouver and Singapore, the companies said in a statement. Movies already slated for work in Mumbai include The Huntsman starring **Chris Hemsworth, Charlize Theron**and **Emily Blunt** and **Ron Howard**'s**Tom Hanks-**starrer [Inferno](http://www.hollywoodreporter.com/news/tom-hanks-inferno-shifts-opening-739663) which also features Indian actor **Irrfan Khan** (Slumdog Millionaire, Life of Pi).

**Indian firm invests US$2.7bn in Chinese developer's London project**

Chinese property developer ABP signed an agreement with an Indian company Strawberry Star to cooperate in the development of the ￡1.7 billion (US$2.7 billion) project in Royal Albert Dock, East London. ABP London will receive "tens of millions of pounds" from Strawberry Star "in return for equity", according to the company. ABP chair Xu Weiping said: "I am delighted to be partnering with Strawberry Star. China and India represent two of the most powerful growing economies in the world and there is a synergy between us." Chair of Strawberry Star Group Santhosh Gowda said, "The reason why we are joining with ABP is we see great potential opportunities of the development, we believe that the collaboration will bring mutual benefits to both of the companies." Minister at the UK's Department of Communities and Local Government, James Wharton MP, said, "More and more investors from both the UK and overseas are signing deals that will create jobs and prosperity for areas like the Royal Albert Dock which is great news for local communities and great news for the economy." The construction will begin later this year, the first building will be ready in 2017, according to the company.

**Tata ties up on UK climate change project**

Indian steel giant Tata Steel’s UK unit is collaborating with a pilot project to develop technology to manage carbon dioxide produced as a by-product of steelmaking operations. The collaboration, known as ACCOMPLISH (Algal Carbon Capture and BiOMass-Linked Supply cHain), is part of a wider Swansea University project, EnAlgae. Based at Tata Steel’s Port Talbot steel plant in Wales, the project is analysing the capacity for natural algae to use carbon dioxide as a nutrient for growth.

**Millbrook - ICAT celebrate a ‘Great Collaboration’ in automotive research and development**

Millbrook, one of Europe’s leading independent technology centres for the engineering, test and development of vehicles and vehicle systems and India’s International Centre for Automotive Technology (ICAT) have agreed to work together to promote each another’s services, facilities and capabilities in India and the UK. This will allow vehicle manufacturers from both countries to get their vehicles tested and certified with relative ease prior to entering the two markets. Millbrook is a 700 acre test facility, unique with rolling hills, 70 km of test track, and tests vehicles of all shapes, sizes and uses, from small cars to tanks, buses, and heavy goods vehicles. Significantly the partnership will lead to considerable skill-sharing and knowledge transfer between the two companies, with engineers and staff from each country learning from their counterparts.

**ESpark moves into India**

Entrepreneurial Spark, the business accelerator for early-stage and growing firms that was first launched in Scotland, has revealed plans to set up "hatcheries" in India. This expansion, ESpark's first move outside the UK, is being undertaken through a joint venture with Indian business-to-business services company Viridian. The aim is to help 300 businesses grow and assist in the creation of 10,000 jobs in the first three years by supporting Indian entrepreneurs. ESpark, which has public and private sector backers and offers office space and support, has three well-established "hatcheries" in Scotland, in Glasgow, Edinburgh and Ayrshire.

**Sun Pharma to sell UK cardio drug**

Indian drugmaker Sun Pharmaceutical Industries Limited will promote and distribute AstraZeneca (AZ) Pharma India Limited’s cardiology drug in India. Axcer is an additional brand of the London-headquartered firm’s drug ticagrelor that is used in treating acute coronary syndrome (ACS). AZ already has a brand under the trademark Brilinta for the ticagrelor molecule, launched and marketed by it in India since 2012, Sun Pharma said in a statement. The latest collaboration allows AstraZeneca to expand access to this molecule through a wider reach to physicians as it strengthens Sun’s cardiology portfolio with the addition of a new patented therapy.

**India signs biotech pact with Cambridge University**

India has signed an agreement with Cambridge University to create a new programme of early-career fellowships in the field of biotechnology. The fellowships, jointly funded by Government of India’s Department of Biotechnology (DBT) and the University, were announced during a recent university visit of Indian Minister of state for Science & Technology Y.S. Chowdary. The new programme includes support for research and innovation projects in collaboration with Indian partner institutions. One of the main objectives is to establish five-year fellowships for early-career researchers from the University of Cambridge. Academics participating in the scheme will be jointly appointed by the DBT and Cambridge. They will be expected to spend two years in Cambridge and three years at a partner institution in India carrying out translational research, with a focus on commercialisation and entrepreneurship, the university said in a release. The agreement also includes collaboration in the establishment of a centre for crop sciences and a wholly-owned not-for-profit subsidiary in India by Cambridge to support wider collaborative research between Cambridge and Indian Institutions.

**Shell to open largest offshore delivery centre globally in Bengaluru**

Global energy giant Shell is setting up its largest captive unit or offshore delivery centre globally in Bengaluru that will lead to creation of more than 5,000 jobs in the city. The new in-house global information technology centre will be called The Shell IT Centre Bengaluru. The company chose Bengaluru due to competitiveness and the availability of a skilled, diverse IT talent pool covering the broad range of skills and disciplines that Shell needs worldwide. The new centre will form an integral part of the Royal Dutch Shell global IT project delivery and support network.

**India central to green energy plan: U.K. climate change envoy**

India will be a member of a consortium of countries that will implement the Global Apollo Programme — a plan to find ways within the next 10 years to make green energy clean cheaper to produce than energy drawn from coal, gas or oil. The plan is the brainchild of a group of U.K. experts drawn from academia, business and government. The group includes Sir David King, U.K.’s climate change envoy and former United Kingdom Chief Scientific Adviser; Lord Nicholas Stern, author of the Stern Report; Lord Martin Rees, Astronomer Royal; Lord Richard Layard, Director of Wellbeing Programme, London School of Economics Centre for Economic Performance; and Lord John Browne, ex-BP chief. Arguing for £15 billion of public spending on research and development by governments toward creating ways of producing and storing green energy cheaply, the architects of the plan envisage countries joining the programme “will commit to spending in their own countries at least 0.02 per cent of GDP on this internationally coordinated programme of research each year over a 10 year period.”

**British students scramble for Indian universities**

In a reverse trend, Britain is now seeing a mad rush among its students to know modern India and become part of the country's amazing growth story. Over 6000 students from across British universities have applied to fill 400 spots under the first of its kind Generation UK programme - a project under which 25,000 British students will travel to India over the next five years to understand the country and enhance their chances of employability in global Indian business houses. An additional 400 British students have applied for just 100 positions to teach across Indian schools. Some of them are also getting internships to work in Delhi's ministry of skills development. The overall batch of 500 will leave for India at the end of June. They will be placed across five Indian universities - Indian Institute of Management (Ahmedabad), Indian Institute of Science (Bangalore), Delhi University, Indian Institute of Technology (Bombay) and the National Institute of Design (Ahmedabad).

**UK firm backs India's renewable energy mission**

Highlighting the need to work through the country's internal and external trade policies, an Indian origin CEO Mr Samir Brikho, CEO of Amec Foster Wheeler, an UK-based energy firm said that India's goal of multiplying its renewable energy output is an achievable target. Mr Brikho said, "The Indian government recently set an ambitious goal of adding 100 Gigawatt of solar capacity and 75 GW from other renewable sources by 2022 at over USD 100 billion investment. This could make India one of the largest solar power markets in the world. As with anywhere in the world, India will need to work through its internal policies and external trade policies, including its approach to support financing the projects.” Since entering the solar market in 2008, Amec Foster Wheeler has delivered nearly 700 MW of solar engineering, procurement and construction projects in the US. The firm also boasts the world's largest 100 per cent fired Biomass plant in the world, the Polaniec Power Station located in Poland. A 3.5 billion pound market capitalised company which designs, delivers and maintains strategic and complex assets for energy customers around the world, Amec Foster Wheeler has close to 1,000 personnel located in India

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