High Commission of India

London

(Economic & Commerce Wing)

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

***June 2016***

**Overview of UK’s Economy**

The **Gross Domestic Product** (GDP) in volume terms was estimated to have increased by 0.4% in Quarter 1 (Jan to Mar) 2016, unrevised from the second estimate of GDP in May 2016. This is the 13th consecutive quarter of positive growth since Quarter 1 2013.

The **Consumer Prices Index** (CPI) rose by 0.3% in the year to May 2016, unchanged from April. This continues the position seen since the beginning of the year of a rate which is a little above zero. Rises in transport costs, restaurant and hotel bills and the price of telecommunication services were the main upward contributors to change in the rate. These upward pressures were offset by falls in the price of clothing, food and games, toys and hobbies.

The **unemployment rate** was 5.0%, the lowest since August to October 2005. There were 31.59 million people in work, 55,000 more than for the 3 months to January 2016 and 461,000 more than for a year earlier.

The **Index of Services** increased by 0.6% in Quarter 1 (Jan to Mar) 2016 compared with Quarter 4 (Oct to Dec) 2015. The Index of Services is estimated to have increased by 3.0% in April 2016 compared with April 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 1.2 percentage points.

**Public sector net borrowing** (excluding public sector banks) decreased by £16.7 billion to £74.9 billion in the complete financial year ending March 2016 (April 2015 to March 2016), compared with the previous financial year. Public sector net borrowing (excluding public sector banks) increased by £0.2 billion to £17.9 billion in the current financial year-to-date (April to May 2016) compared with the same period in 2015. Public sector net borrowing (excluding public sector banks) decreased by £0.4 billion to £9.7 billion in May 2016, compared with May 2015.

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 on 15 June 2016 the MPC voted unanimously to maintain Bank Rate at 0.5%. The Committee also voted unanimously to maintain the stock of purchased assets financed by the issuance of central bank reserves at £375 billion.

**UK Energy Statistics**

* Total energy production was 4.4 per cent higher than in the first quarter of 2015, with further growth in UK Continental Shelf (UKSF) production.
* Total primary energy consumption for energy fell by 4.4 per cent. However, when adjusted to take account of weather differences between the first quarter of 2015 and the first quarter of 2016, total primary energy consumption fell by 2.5 per cent.
* Final energy consumption (excluding non-energy use) was 1.2 per cent lower than in the first quarter of 2015. Domestic consumption fell by 3.4 per cent due to warmer weather. The average temperature in the first quarter of 2016 was 0.5 degrees Celsius warmer than the same period a year earlier. On a temperature corrected basis, final energy consumption was up 0.4 per cent over the same period.
* Of electricity generated in the first quarter of 2016, coal accounted for 15.8 per cent – a record low, whilst gas accounted for 37.8 per cent. Nuclear generation accounted for 18.7 per cent of total electricity generated in the first quarter of 2016.
* Renewables’ share of electricity generation (hydro, wind and other renewables) increased from 22.8 per cent in 2015 Q1 to 25.1 per cent in 2016 Q1.
* Renewable electricity generation was 23.2 TWh in the first quarter of 2016, an increase of 6.4 per cent on the same period a year earlier.

**Britain’s EU Referendum - Outcome**

A Referendum was held on June 23, 2016, to decide whether the UK should leave or remain in the European Union (EU). Leave won by 52% to 48% and UK has decided to come out of the EU. England voted strongly for Britain’s exit from the EU (Brexit), by 53.4% to 46.6%, as did Wales, with Leave getting 52.5% of the vote and Remain 47.5%. Scotland and Northern Ireland both backed staying in the EU. Scotland backed Remain by 62% to 38%, while 55.8% in Northern Ireland voted Remain and 44.2% Leave.

**Excerpts from the Statement by the Chancellor following the EU referendum**

“I want to reassure the British people, and the global community, that Britain is ready to confront what the future holds for us from a position of strength.” “Growth has been robust. The employment rate is at a record high. The capital requirements for banks are ten times what they were. And the budget deficit has been brought down from 11% of national income, and was forecast to be below 3% this year. I said we had to fix the roof so that we were prepared for whatever the future held. Thank goodness we did.”

“There is the volatility we have seen and are likely to continue to see in financial markets. Those markets may not have been expecting the referendum result – but the Treasury, the Bank of England, and the Financial Conduct Authority have spent the last few months putting in place robust contingency plans for the immediate financial aftermath in the event of this result. We and the PRA have worked systematically with each major financial institution in recent weeks to make sure they were ready to deal with the consequences of a vote to leave. Swap lines were arranged in advance so the Bank of England is now able to lend in foreign currency if needed. The Bank of England stands ready to provide £250 billion of funds, through its normal facilities, to continue to support banks and the smooth functioning of markets.”

It will not be plain sailing in the days ahead. But let me be clear. You should not underestimate our resolve. We were prepared for the unexpected. We are equipped for whatever happens.”

“The Prime Minister has given us time as a country to decide what that relationship should be by delaying the decision to trigger the Article 50 procedure until there is a new Prime Minister in place for the autumn.” “During the negotiations that will follow, there will be no change to people’s rights to travel and work, and to the way our goods and services are traded, or to the way our economy and financial system is regulated. However, it is already evident that as a result of Thursday’s decision, some firms are continuing to pause their decisions to invest, or to hire people.”

“To all companies large and small I would say this: the British economy is fundamentally strong, we are highly competitive and we are open for business.”

“Together, my colleagues in the government, the Conservative Party and in Parliament will have to determine what those terms should be – and we’ll have to negotiate with our European friends to agree them. I intend to play an active part in that debate – for I want this great trading nation of ours to put in place the strongest possible economic links with our European neighbours, with our close friends in North America and the Commonwealth, and our important partners like China and India. I do not want Britain to turn its back on Europe or the rest of the world.”

“Britain is an open and tolerant country and I will fight with everything I have to keep it so. Today I am completely focussed on the task in hand as Chancellor of the Exchequer to bring stability and reassurance. In conclusion, the British people have given us their instructions. There is much to do to make it work. We start from a position of hard-won strength.”

**Business Secretary calls on industry to help shape UK’s future trade map**

On July 3, 2016, Rt Hon Sajid Javid, Secretary of State for Business, Innovation and Skills sent a letter to over 100 of the largest businesses and trade organisations in the UK outlining action already taken by government to engage businesses and planned next steps, following UK referendum outcome. Penned by the Business Secretary and Trade and Investment Minister Lord Price, the letter follows a series of meetings that have taken place after the referendum result to engage businesses in an “on-going dialogue” with government to hear their “priorities, issues and ensure the UK Government is clear on what business community want to see in terms of the end result”. It provides an update on future engagement activity and asks businesses to contribute to “informing our approach and priorities for engagement with all of our international partners to set out the options for UK trade policy going forward”. It also asks what further work [UK Trade and Investment](https://www.gov.uk/government/organisations/uk-trade-investment) (UKTI) could be engaged in to help them as a business find and capitalise on new export opportunities and attract inward investment.

**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-April 2016 | 96327 | -4.58% | 147551 | +6.08% | 243878 | +1.59% | -51224 |

**UK to look to China, India and US after split with EU**

According to news reports Britain will launch high-level trade missions to China, India, US and the Commonwealth as it gears up for its split from the EU. Prime Minister David Cameron told business leaders that it was imperative for corporate Britain not to become “fixated” on the EU, but to put great effort into making advances beyond the bloc.

**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-April 2016 | 1137 | -17.90% | 2103 | -0.89% | 3240 | -7.61% | +966 |

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

**Trade and Investment Enquiries from India**: 62

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

**Tenders from India**: 13

**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.

**India and UK join hands to work as R&D partners in Solar Alliance and Nano Material Research**

Minister for Science & Technology and Earth Sciences, Dr. Harsh Vardhan led the Indian delegation at the 5th Indo-UK Science and Innovation Council Meeting (SIC) held at London on June 15, 2016 co-chaired by Mr. Jo Johnson, Minister of State for Universities and Science, UK. Dr Vardhan stated that India and UK have agreed to work together in two major initiatives in the fields of Solar Energy and Nano Material Research, inter alia. The SIC is the apex body which oversees the entire gamut of the India-UK science, technology and innovation cooperation and meets once in two years. As a result of this strengthening of the Indo-UK Science & Technology cooperation, the SIC announced access to Indian researchers to the Neutron Scattering facility of the UK’s Science and Technology Facilities Council (STFC) at Rutherford Appleton Laboratory, Oxford. This unique facility, based on the use of neutron scattering and muon spectroscopy, is a world class facility at Oxford to carry out fundamental research on understanding a wide range of matter at the fundamental level. This will help to enhance Indian capability to fabricate structures at Nano scale level for creating interesting and technologically important materials through research in fundamental science. As a part of the Nano mission program, the Department of Science & Technology would be investing Rs.26.5 crores.

**Observational Campaign to study Small-Scale Processes and Large-Scale Monsoon Variability under a Joint Indo-UK Effort**

To address the issue of better understanding of processes that drive the variability, and predictability of the South Asian Monsoon, India and United Kingdom have embarked on an ambitious plan to carry out a large-scale joint observational campaign involving the deployment of UK’s BAe-146-301 atmospheric research aircraft with sophisticated scientific instruments and India’s Sagar Nidhi and Sindhu Sadhna research ships during the period May-July 2016. The UK’s instrumented aircraft is a special aircraft which can fly at a very low-level for taking the observations. The aircraft observations will be augmented by special observational programs over the land using boundary layer flux towers, radars, Microwave Radiometers etc. This joint effort is part of the implementation agreement signed between Ministry of Earth Sciences and Natural Environment Research Council (NERC), UK on “Predicting the Variability of the South Asian Monsoon” under the existing MoU between MoES and UK on Collaboration in Earth System Science. Three research projects involving the Indian and UK scientists will study different aspects of physical processes affecting the monsoon.

**NHS Chairman brings British smart healthcare providers to India**

Sir Malcolm Grant, Chairman of the National Health Service (NHS) England, led a high powered healthcare delegation of 23 British companies and NHS trusts. The delegation visited New Delhi, Mumbai and Bengaluru. The delegation showcased their expertise in the ‘Smart Healthcare Demonstrator’ exhibition in New Delhi and Mumbai. With an eye on the increasing Indian market, the delegation represented the UK’s thriving ecosystem of researchers, scientists, engineers, designers, NHS clinicians, and network of healthcare professionals. The programme showcased on themes such as ‘Transforming hospital and emergency care’, ‘Innovative integrated care services’ and ‘Building human capital’.

In New Delhi, Sir Malcolm Grant called on senior officials in the Union Health Ministry and held a roundtable with representatives from leading hospitals in North India. In Bengaluru, he met top names in the healthcare and life sciences sector. In Mumbai, he jointly inaugurated the exhibition with Maharashtra Health Minister Mr Deepak Sawant and by Dr Pratap Reddy from Apollo Hospitals. He discussed strengthening ties between the UK and Maharashtra in the healthcare sector. He also met private hospitals, innovative companies and held an interactive session with medical students in Mumbai’s King Edward Memorial College. The delegation put up exhibits in New Delhi and Mumbai, where they demonstrated their expertise and knowhow to Indian healthcare providers, hospitals and investors. The delegation discussed their innovations and technologies with Indian counterparts, and sought opportunities for investments and partnerships.

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