High Commission of India

London

(Economic & Commerce Wing)

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

***March 2017***

**Overview of UK’s Economy**

UK Gross Domestic Product (GDP) 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, unrevised from the second estimate of GDP published in February 2017. UK GDP growth in Quarter 4 2016 saw a continuation of strong consumer spending and strong output in consumer-focused industries; there has been a slowdown within business investment which fell by 0.9% driven by falls within the other buildings and structures and transport equipment assets, although this is a slightly improved picture from the second estimate of GDP, being revised up by 0.1 percentage points.

The Consumer Prices Index 12-month inflation rate was 2.3% in February 2017, up from 1.9% in January. The rate in February 2017 was the highest since September 2013, having steadily increased since late 2015. Rising transport costs, particularly for fuel, were the main contributors to the increase in the rate.

The unemployment rate was 4.7%, down from 5.1% for a year earlier. It has not been lower since June to August 1975. There were 1.58 million unemployed people, 31,000 fewer than for August to October 2016 and 106,000 fewer than for a year earlier.

Public sector net borrowing (excluding public sector banks) decreased by £2.8 billion to £1.8 billion in February 2017, compared with February 2016; this is the lowest February borrowing since 2007.

The Index of Services was estimated to have increased by 2.7% in May 2016 compared with May 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 latest Index of Services estimates show that output decreased by 0.1% between April 2016 and May 2016. This follows positive growth of 0.6% between March 2016 and April 2016, which is unrevised from the previous estimate.

**Spring Budget 2017**

The Chancellor of the Exchequer Philip Hammond presented the Spring Budget to the Houses of Parliament on March 8, 2017. The Key highlights of the Budget were:

## Growth

* **Forecast of 2% growth for 2017, up from 1.4%**.
* In 2018, growth forecast to be 1.6%, then 1.7% in 2019, 1.9% in 2020, and 2% in 2021.
* Previous forecasts were 1.4% for 2017, 1.7% for 2018, 2.1% in 2019, 2.1% in 2020 and 2% for 2021.

## **Borrowing**

* £51.7bn in 2016-17, £58.3bn in 2017-18, £40.8bn in 2018-19, £21.4bn in 2019-20 and then £20.6bn in 2020-21, and £16.8bn in 2021-22.
* In November, borrowing was forecast at £59bn in 2017-18, £46.5bn in 2018-19, £22bn in 2019-20, £21bn in 2020-21 and £17.2bn in 2021-22.
* Hopes of a surplus by the end of the decade already abandoned.

## Small business tax

* For businesses below VAT registration threshold, delay by a year the introduction of quarterly reporting at a cost of £280m.

## Business rates

* Three measures for England: a cap so rates rise by no more than £50 a month for small businesses losing their rate relief, pubs to get a £1,000 discount on business rates of less than £100,000 rateable value (90% of pubs) and a £300m fund for discretionary relief for local authorities. This amounts to a £435m cut.

## Tax avoidance

* £820m of tax avoidance measures.
* VAT on roaming telecoms outside the EU.
* New financial penalty for professionals who create schemes defeated by HMRC.
* Stop businesses converting capital losses into trading losses.

## Self-employment

* Less [tax paid by self-employed people](https://www.theguardian.com/uk-news/2017/mar/07/taxes-for-self-employed-likely-to-rise-in-hammonds-budget) will cost the taxpayer £5bn this year.
* An investigation into tax treatment is being conducted by Matthew Taylor of RSA.
* Treasury to raise £145m from increasing national insurance contributions of some self-employed people.

## Tax-free dividend allowance

* Cut from £5,000 to £2,000 from April 2018.

Duties

* [Sugar](https://www.theguardian.com/society/sugar) tax set at 18p and 24p per litre for the main and higher bands (more than 5g of sugar per 100ml and more than 8g per 100ml respectively).
* Freezing vehicle excise duty for hauliers and HGVs.
* New minimum excise duty on cigarettes.
* No changes to duties on alcohol and tobacco.

## National living wage

* Rises to £7.50 an hour in April.

## Personal tax allowances

* As expected, £11,500 for basic rate taxpayers.

## Savers

* The promised [NS&I three-year bond paying 2.2%](https://www.theguardian.com/money/2016/nov/23/government-backed-savings-bond-national-savings-investments) will be available from April on savings up to £3,000.

## Scotland, Wales and Northern Ireland

* £350m for the Scottish government.
* £200m for the Welsh government.
* £120m for the Northern Ireland executive.

**UK Prime Minister’s letter to the European Council triggering Article 50**

On March 29, 2017, UK Prime Minister Theresa May wrote a letter to European Council President Donald Tusk to notify him of the UK’s intention to leave the EU. UKPM in her letter notified the European Council in accordance with Article 50(2) of the Treaty on European Union of the United Kingdom’s intention to withdraw from the European Union. In addition, in accordance with the same Article 50(2) as applied by Article 106a of the Treaty Establishing the European Atomic Energy Community, UKPM notified the European Council of the United Kingdom’s intention to withdraw from the European Atomic Energy Community.

**Certainty and stability for UK businesses as negotiations begin on new relationship with Europe**

On March 30, 2017, The Great Repeal Bill White Paper was published which sets out the government’s proposals for ensuring a functioning statute book once we have left the EU. The paper sets out how the Great Repeal Bill will deliver a smooth and orderly exit from the EU, by:

* repealing the European Communities Act 1972 — returning power to UK elected representatives and institutions;
* converting EU law into domestic law at the point of departure — giving certainty and allowing any changes to be made in a sensible, timely and considered fashion; and
* correcting EU law that will not function as it is converted into UK law — ensuring the statute book operates effectively.

This process will ensure that the same rules and laws will apply after we leave the EU as they did before, from the moment we leave. After the UK has left the EU and sovereignty has returned to the UK Parliament, it will be able to decide which elements of law to keep, change or repeal.

**Digital Strategy to make Britain the best place in the world to start and grow a digital business**

More than four million free digital skills training opportunities will be created as part of a [Digital Strategy](https://www.gov.uk/ukdigitalstrategy) to make Britain the best place in the world to start and grow a digital business and ensure our digital economy works for everyone. A pioneering new Digital Skills Partnership will see Government, business, charities and voluntary organisations coming together to make sure people have the right skills for the jobs in their area and are aware of all the digital training opportunities on offer. This Government-led initiative will help both businesses and individuals and make sure no one is left behind. The strategy includes new commitments, including a plan by Lloyds Banking Group to give face-to-face digital skills training to 2.5 million individuals, charities and small and medium businesses by 2020; plans by Barclays to teach basic coding to 45,000 more children and assist up to one million people with general digital skills and cyber awareness; and a pledge by Google, as part of their commitment of five hours of free digital skills for everyone, to help boost digital skills in seaside towns.

**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 |
| 2016 | 304423 | -0.19% | 470579 | +14.16% | 775002 | +8.14% | -166156 |
| January 2017 | 28326 | +27.82% | 38108 | +20.74% | 66434 | +23.66% | -9782 |

**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 |
| 2016 | 3274 | -16.27% | 6171 | +1.79% | 9445 | -5.28% | +2897 |
| January 2017 | 291 | -7.10% | 547 | +20.33% | 838 | +9.25% | +256 |

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

**Trade and Investment Enquiries from India**: 70

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

**Tenders from India**: 22

**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.

**Visit of Commerce Secretary to the UK**

Commerce Secretary Rita Teotia visited the UK to attend the inaugural Commonwealth Trade Ministers Meeting in London on 9-10 March 2017. The Ministers Meeting discussed areas where the Commonwealth could work together to strengthen trade and investment links between member countries and develop a policy agenda ahead of the 2018 Commonwealth Heads of Government Meeting. Ministers and representatives from more than 35 countries attended the meeting, jointly convened by the Commonwealth Secretariat and the Commonwealth Enterprise and Investment Council. At the meeting, ministers focused on opportunities for the Commonwealth to strengthen collaboration by promoting intra-Commonwealth trade and investment flows. They identified key challenges hindering trade competitiveness and discussed how to overcome them through mutual support. Discussions took place on the likely impact of the UK’s withdrawal from the European Union, which could disrupt market access into the UK and Europe.

**Vodafone and Idea Cellular merge their Indian operations in a $23 billion deal**

Britain's Vodafone Group and Idea Cellular agreed to merge their Indian operations in a $23 billion deal, creating the country's biggest telecoms business after the entry of a new rival sparked a brutal price war. The combined entity would have almost 400 million customers, overtaking market leader Bharti Airtel (BRTI.NS) to account for about 40 percent of revenue of the world's second-biggest mobile phone services market by users after China.

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