High Commission of India

London

(Economic & Commerce Wing)

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

***May 2017***

**Overview of UK’s Economy**

**UK gross domestic product** - UK GDP growth in Quarter 1 2017 has been revised down by 0.1 percentage points from the preliminary estimate published on 28 April 2017; mainly due to broad-based downward revisions within the services sector, consumer facing industries such as retail and accommodation fell so household spending slowed. This was partly due to rising prices. Construction and manufacturing also showed little growth, while business services & finance continued to grow strongly. GDP per head in volume terms was flat between Quarter 4 2016 and Quarter 1 2017.

**The Consumer Prices Index** - including owner occupiers’ housing costs (CPIH, not a National Statistic) 12-month inflation rate was 2.6% in April 2017, up from 2.3% in March. Air fares were the main contributors to the increase in the rate in April 2017. Rising prices for clothing, vehicle excise duty and electricity also contributed to the increase in the rate. These upward contributions were partially offset by a fall in motor fuel prices between March 2017 and April 2017, compared with a rise between the same 2 months a year ago. The Consumer Prices Index (CPI) 12-month rate was 2.7% in April 2017, up from 2.3% in March.

**The Unemployment rate** - between October to December 2016 and January to March 2017, the number of people in work increased, the number of unemployed people fell, and the number of people aged from 16 to 64 not working and not seeking or available to work (economically inactive) also fell. There were 31.95 million people in work, 122,000 more than for October to December 2016 and 381,000 more than for a year earlier. There were 1.54 million unemployed people (people not in work but seeking and available to work), 53,000 fewer than for October to December 2016 and 152,000 fewer than for a year earlier. The unemployment rate (the proportion of those in work plus those unemployed, that were unemployed) was 4.6%, down from 5.1% for a year earlier and the lowest since 1975.

**Public sector net borrowing** - Public sector net borrowing (excluding public sector banks) decreased by £23.4 billion to £48.7 billion in the financial year ending March 2017 (April 2016 to March 2017), compared with March 2016. The Office for Budget Responsibility (OBR) forecast that public sector net borrowing (excluding public sector banks) would be £51.7 billion during the financial year ending March 2017. Public sector net borrowing (excluding public sector banks) increased by £1.2 billion to £10.4 billion in April 2017, compared with April 2016; Public sector net debt (excluding public sector banks) was £1,722.4 billion at the end of April 2017, equivalent to 86.0% of gross domestic product (GDP); an increase of £114.1 billion (or 2.5 percentage points as a ratio of GDP) on April 2016. Public sector net debt (excluding both public sector banks and Bank of England) was £1,593.2 billion at the end of April 2017, equivalent to 79.5% of GDP; an increase of £31.5 billion (or a decrease of 1.6 percentage points as a ratio of GDP) on April 2016.

**Index of Services** –

Services output increased by 0.2% between February and March 2017. The largest contribution to the month-on-month growth came from transport, storage and communication, which contributed 0.23 percentage points of which motion pictures contributed 0.16 percentage points.

**Defence Secretary announces £539 million investment in new missiles systems**

Secretary of State, Sir Michael Fallon, announced three new missile contracts worth a combined £539 million for state-of-the-art Meteor, Common Anti-air Modular Missile (CAMM) and Sea Viper missile systems at MBDA Stevenage. The half a billion-pound contracts will sustain over 130 jobs with MBDA in the UK, with missile modification and service support being carried out in Stevenage, Henlow, Bristol and Bolton.

**Sale of Green Investment Bank**

The government announced the sale of the UK Green Investment Bank plc (GIB) to Macquarie Group Limited (Macquarie), with a £2.3 billion deal which secures a profit on the government’s investment in the bank, provides value for taxpayers and ensures GIB continues its green mission, in the private sector. The deal, secured through a competitive process as set out in a report to Parliament on 3 March 2016, will meet the objectives outlined by government of securing value for money for the taxpayer while ensuring GIB continues its green mission, free from the constraints of public sector ownership. It has the backing of GIB’s independent board.

Under the ownership of Macquarie, GIB will invest more into the green economy than ever before, with £3 billion of new investment targeted over the next 3 years, exceeding GIB’s track record of committing £3.4 billion of investment over the 4 and a half years since it was founded. GIB will become the primary vehicle for Macquarie’s renewable energy investment in the UK and Europe, allowing GIB to expand internationally.

**International Fin-Tech Conference 2017**

The Government hosted the International Fin-Tech Conference in London on 12 April 2017. The Conference brought together domestic and international investors and UK Fin-Tech firms for a one-day programme that aimed to attract more investment into the UK’s world-leading Fin-Tech sector.

**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- March 2017 | 86866 | 21.42% | 122152 | +14.35% | 209018 | +21.42% | -35286 |

**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 –March 2017 | 889 | 2.53% | 1787 | +16.31% | 2676 | +11.36% | +898 |

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

**Trade and Investment Enquiries from India**: 50

**Trade and Investment Enquiries from UK**: 0

**Tenders from India**: 11

**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 $ 24.59 billion (April 2000- March 2017). UK now ranks second among the G20 countries and accounts for around 7% of all foreign direct investment into India for the period April 2000 – March 2017.

**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 Minister of State (Independent Charge) for Power, Coal, New & Renewable Energy, during May 12-14, 2017**

Minister of State (Independent Charge) for Power, Coal, New & Renewable Energy, Government of India, Shri Piyush Goyal, visited the UK on 12-14 May 2017. During the visit, the Minister witnessed listing of NTPC Bonds at London Stock Exchange. The Minister chaired the investors meet organised by LSE and FICCI that aimed at deeper engagement infrastructure and clean energy financing, issues of easing of regulatory mechanism, green energy bonds, masala bonds and inflation linked tariffs were also discussed. The Minister also highlighted the improvement in energy efficiency in LED bulbs. The Minister also launched UJALA (Christened as UK Joins affordable LEDs for all), Energy Efficiency Services Limited (EESL)’s affordable lighting scheme, and introduced the innovative ‘Pay as you Save’ business model in UK.

**Visit of Minister for Road Transport & Highways during May 11-13, 2017**

Minister for Road Transport & Highways, Nitin Jairam Gadkari visited the UK during May 11-13, 2017 to launch the National Highways Authority of India’s [NHAI] issuance of its Masala Bond at the London Stock Exchange. During the visit, the Minister met with the officials of Transport for London (TFL) on Transport Development. The Minister also participated at the UK-India Conclave on May 12, 2017.

**9th India-UK Economic & Financial Dialogue**

UK delegation led by UK Chancellor of the Exchequer Philip Hammond visited India to participate in the 9th round of the Economic & Financial Dialogue (EFD) between India and the UK on April 4, 2017. Both Finance Minister Arun Jaitley and Chancellor discussed how notwithstanding the UK’s triggering of Article 50, India and the UK can work together to: strengthen the existing economic partnership in order to further boost trade and investment and; build on the bold vision for the India-UK Strategic Partnership set out by both the Prime Ministers during UK Prime Minister’s November 2016 visit to India. The Dialogue covered discussions on Global economy and policy responses, Trade and investment, improving the business environment, financial services relationship, Financing India’s growth and Developments in Fin-Tech.

During the 9th India-UK EFD, India and the UK announced the launch of an Early Market Engagement for the joint UK-India Fund, namely a Green Growth Equity Fund which aims to leverage private sector investment from the City of London to invest in green infrastructure projects in India. Both governments reaffirmed their commitment to anchor invest up to £120 million each (i.e. totally £ 240 million) in the joint fund which will be established under the NIIF framework. To begin with, the fund aims to raise around £500 million, with the potential to unlock much more in future. It was announced that the initial investments will focus on India’s rapidly growing green energy and renewable market and that a Fund Manager is expected to be selected in the next few months. Progress will be accelerated through early market engagement via the publication of a blueprint, with the aim to identify additional and complementary sectors for fund investments.

**India-UK Bilateral Investment in May 2017** - **Media Reports**

Liberty Group announced it would be creating around 300 new steel jobs in South Yorkshire and making multi-million pound investments to secure the future of five sites across the North of England and West Midlands. Liberty Group formally completed the £100m deal to acquire the Speciality Steels division of Tata Steel UK.

Arcelor Mittal, the world's largest steel producer, was reported to have stated that it has agreed to make concessions to Steel Authority of India to seal a delayed $897 million automotive joint venture. The two companies are close to ironing out key commercial terms to close the deal, including non-compete and exit clauses as well as finalizing policy on arbitration, three sources with direct knowledge of the negotiations.

08 June 2017

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