High Commission of India

London

(Economic & Commerce Wing)

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

***November 2015***

**Overview of UK’s Economy**

The **Gross Domestic Product** (GDP) in volume terms was estimated to have increased by 0.5% between Quarter 2 (Apr to June) 2015 and Quarter 3 (July to Sept) 2015, unrevised from the preliminary estimate of GDP published in October 2015, marking eleven consecutive quarters of positive growth. GDP in volume terms increased by 6.4% between Quarter 1 (Jan to Mar) 2008, the pre-economic downturn peak, and Quarter 3 2015.

The **Consumer Prices Index** (CPI) fell by 0.1% in the year to October 2015, the same fall as in the year to September 2015. Upward price pressures for clothing and footwear and a range of recreational goods were offset by downward price pressures for university tuition fees, food, alcohol and tobacco, resulting in no change to the overall rate of inflation.

The **unemployment rate** fell to 5.3%, lower than for April to June 2015 (5.6%) and for a year earlier (6.0%). It has not been lower since March to May 2008. There were 31.21 million people in work, 177,000 more than for April to June 2015 and 419,000 more than for a year earlier.

**Exports of goods** increased by £0.6 billion to £24.0 billion in September 2015, this was attributed to an increase in chemicals of £0.6 billion. **Imports of goods** decreased by £0.9 billion to £33.3 billion over the same period, this was attributed to a decrease in unspecified goods of £1.0 billion. The **UK’s deficit on trade in goods and services** was estimated to have been £1.4 billion in September 2015, a narrowing of £1.6 billion from August 2015. The narrowing is attributed to trade in goods, where the deficit decreased from £10.8 billion in August 2015 to £9.4 billion in September 2015.

The **Index of Services** increased by 0.7% in Quarter 3 (July to Sep) 2015 compared with Quarter 2 (Apr to June) 2015. The Index of Services is estimated to have increased by 2.7% in September 2015 compared with September 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 0.8 percentage points to total growth.

The **Bank of England’s Monetary Policy Committee** (MPC) sets monetary policy in order to meet the 2% inflation target and in a way that helps to sustain growth and employment. At its meeting ending on November 4, 2015, the MPC voted by a majority of 8-1 to maintain Bank Rate at 0.5%. The Committee voted unanimously to maintain the stock of purchased assets financed by the issuance of central bank reserves at £375 billion, and so to reinvest the £6.3 billion of cash flows associated with the redemption of the December 2015 gilt held in the Asset Purchase Facility.

**Spending Review and Autumn Statement 2015: key announcements**

The Spending Review and Autumn Statement was set out to Parliament on November 25, 2015 –Following were the key announcements:

a) *£4 trillion of spending has been allocated by the government over the next five years*

The Spending Review sets out how £4 trillion of government money will be allocated over the next five years, so the government can invest in priorities like the NHS, defence and housing. On average, departmental spending will fall at less than half the rate of the previous five years.

b) *A £10 billion surplus by 2019-20*

Last year, the deficit was halved compared to its 2009 to 2010 level. Next year, it will be down by three quarters. Over the next four years, the deficit will have been eliminated and the government will be running a surplus – raising more than is spent.

c) *Tax credits*

The government will borrow £8 billion less than forecast – making faster progress towards eliminating the deficit and paying down debt. The improved public finances allow the government to reach the same goal of a surplus while cutting less in the early years, to smooth the path to the same destination.

d) *Introducing London Help to Buy and Help to Buy: Shared Ownership*

A new Help to Buy equity loan scheme for London will give buyers 40% of the home value from early 2016, as opposed to 20%, as the current scheme offers. The government is also announcing a series of other schemes, including Help to Buy: Shared Ownership to help people get on the housing ladder. From 1 April 2016 people purchasing additional properties such as buy to let properties and second homes will pay an extra 3% in stamp duty

e) *Half a trillion pounds for the NHS*

NHS England will receive £10 billion more a year in real terms by 2020 than in 2014-15. This will fund:

* 800,000 more operations and treatments
* 5.5 million more outpatient appointments
* 2 million more diagnostic tests
* access to GP services in the evenings and at the weekend, and 7-day access to hospital services by 2020

Other announcements were:

* The basic state pension will rise to £119.30 a week
* Schools funding will be protected
* The UK will meet its NATO target of spending 2% of national income on defence
* The UK will continue to spend 0.7% of national income on aid
* Scotland, Wales and Northern Ireland will all receive more money to be spent on infrastructure projects, with each government deciding where this will be spent.
* The apprenticeship levy will come into effect in April 2017, at a rate of 0.5% of an employer’s pay bill. A £15,000 allowance for employers will mean that the levy will only be paid on employers’ pay bills over £3 million.
* 300,000 homes better protected from floods
* A £400 million Northern Powerhouse investment fund will be created to help small businesses to grow. £5 million will also go to Manchester museum to create a new South Asia gallery in partnership with the British Museum, and £150 million to help make oyster style ticketing a reality across the whole of the North.

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

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year | UK Exports to the rest of the world | % change from Jan-September 2014 | UK Imports from the rest of the world | % change from Jan – September2014 | Total | % change from Jan- September 2014 | UK’s Balance of Trade |
| Jan–September 2015 | 227046 | -0.83 | 307907 | -1.96 | 534953 | -1.48 | -80861 |

**UK-India Bilateral**

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

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year | UK Exports to India | % change from Jan-September 2014 | UK Imports from India | % change | Total | % change from Jan-September 2014 | 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 –September 2015 | 3039 | +30.37 | 4635 | -3.7 | 7674 | +7.35 | +1596 |

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

**Trade and Investment Enquiries from India**: 45

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

**Tenders from India**: 25

**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 $ 22.32 billion (April 2000- June 2015). UK ranks first among the G20 countries and accounts for around 9% of all foreign direct investment into India for the period April 2000 – June 2015.

**India-UK Joint Summit 2015 – Elements on Economic Co-operation**

Shri Narendra Modi, Hon’ble Prime Minister of India visited the UK during November 12-14, 2015. On November, 12, 2015, the Hon’ble Prime Minister held delegation-level talks with the UK Prime Minister David Cameron and both the Prime Ministers released a Joint Statement of the India-UK Joint Summit in London.

The two Governments underlined particular importance of IT, digital industries towards strengthening trade ties. It was agreed that the City of London would play an important role in channelling investment into infrastructure projects in India including in railways sector. A long term strategic partnership that leverages capital and expertise of City of London to finance India’s rapid growth was also agreed upon. The Government of India’s intention to launch the first government-backed rupee bond in London was also announced. Setting up of an India- UK partnership fund under the umbrella of National Infrastructure Investment Fund (NIIF) was also announced. Creation of new Chevening Financial Services course for mid-career professionals and India’s first Low Income State Infrastructure Equity Partnership was also launched with the aim to provide equity partnerships for small infrastructure development in sectors like water and sanitation, clean energy and urban infrastructure.

First meeting of the reconstituted India-UK CEOs Forum was held during the visit. This Forum has been tasked to identify new areas of opportunity that would catalyse businesses between the two countries. An MoU on Technical Co-operation in the Rail sector was signed. UK welcomed Government of India’s ‘Make in India’ initiative and both the leaders welcomed the initiatives taken by both sides to deepen defence technology and industry cooperation. 9.2 billion pounds of commercial deals between the UK and India was announced during the visit.

The leadership of two countries also announced three UK-India city partnerships with Indore, Pune and Amaravati to support India’s ambitious urban development goals through technical assistance, expertise sharing and business engagement. A new Thames/Ganga partnership for healthy river systems - a collaborative programme of research and innovation to enable the sustainable management of water resources in the Ganga basin and a policy expert exchange in 2016 supported by the UK Water Partnership was also launched.

**India-UK Vision statement**

During the visit of the Hon’ble Prime Minister of India to the UK in November 2015, a Vision Statement between India and the UK was released. The vision statement envisages investments in skills and creation of high quality jobs, infrastructure, promotion of manufacturing & research, technology & innovation and partnering in making the rivers cleaner, habitats healthier and build smart, sustainable cities for a low carbon future.

**Commercial announcements made during the visit of the Hon’ble Prime Minister of India, to the UK in November 2015**

* UK listed OPG Power Ventures plc is adding to its existing investment in India by a total of £2.9 billion to a total of £3.4 billion, creating around 100 UK jobs over next few years. The investment will create 4200 MW of new power capacity in India, of which 1000 MW will be solar power and 3200 MW will be thermal and renewable power in Tamil Nadu.
* King’s College Hospital NHS Foundation Trust and Indo U K Healthcare Pvt Ltd have signed an agreement to open King’s College Hospital, Chandigarh, which will lead to the creation of jobs for 2500 nurses and 500 doctors.
* Merlin Entertainments plc is announcing its first business in India - a Madame Tussauds wax attraction scheduled to open in New Delhi in early 2017.
* Genus ABS will be investing £1 million in India, providing the latest dairy genetics and constructing a state-of-the-art facility near Pune in Maharashtra.
* The largest Solar PV generator in the UK and Europe, Lightsource are announcing a £2 billion investment in India. They will design, install and manage around 3 gigawatts of solar power infrastructure in India over the next 5 years.
* The UK’s Kloudpad Mobility Research Ltd are announcing a £100 million investment in South India to “Make in India” the next generation of smart watches, wearables and tablets, creating 2,500 skilled manufacturing jobs in India and supporting 50 highly skilled researchers in the UK.
* Vodafone are announcing a range of further investments in India totalling £1.3 billion (INR 13,000 crore) to support the Government of India’s campaigns on “Digital India” and “Make in India”. Vodafone will invest £800 million (INR 8000 crore) to enhance, upgrade and expand its country-wide network coverage; £300 million (INR 3000 crore) in its high-end technology centres in Pune and Ahmedabad, which service several international markets, creating a further 6,000 Indian jobs.
* Standard Life, Bupa and Aviva have committed to invest a combined total of £238 million of FDI in their Indian joint ventures. Prudential and Legal & General, and insurance brokers, Howden, Willis and JLT, continue to grow their operations in India. Furthermore, the passage of the Insurance Bill allows Lloyd’s of London to establish their presence in India and provide local access to Lloyd’s specialist reinsurance services in India.
* E-commerce cloud platform provider, cloudBuy, is signing a contract with the Confederation of Indian Industry (CII) for an online business to business marketplace. Over the next five years the platform is projected to facilitate transactions worth £3.5 billion and increase trade further between traditional business partners India and the UK, with an estimated boost to the UK economy of £70 million, safeguarding 40 UK jobs.
* The UK technology company Intelligent Energy recently signed an agreement to acquire the energy management business of Indian company GTL, to provide efficient, clean and economical energy to 27,400 telecoms towers in India, with a total contract value of £1.2 billion over ten years. This contract has now facilitated an initial order of 10,000 hydrogen fuel cells, worth in the region of £128 million. The deal will safeguard 400 UK jobs and eventually create manufacturing jobs in India.
* In a deal worth £20 million, Holland & Barrett International are announcing that they have partnered with Apollo Hospitals, and are to open 1,000 Holland & Barrett outlets in India over the next 5 years, creating an expected 1500 jobs in India and safeguarding 8 UK jobs. The first store will open in New Delhi in January 2016, with 115 outlets open at the end of their first year one.
* Indiabulls Housing Finance Limited (IHFL) has invested £66 million into OakNorth Bank Limited, a recently authorised bank providing lending to UK entrepreneurs and small business owners.
* SSPSL, a subsidiary of India’s Strides Shasun and a leading provider of services to the pharmaceutical industry, announced an £8 million investment in its North East of England based facility. This investment will create up to 60 new employment opportunities.
* Advatech Health Care intends to invest £5 million in the UK creating 30 jobs and introduce “disruptive” IT technology to ambulances, thereby bringing greater efficiency, value and responsiveness.
* TVS is opening £20 million advanced logistics facility in Barnsley generating 100 new jobs, growing to 500 over 5 years, in addition to 50 jobs being created through market growth.
* Indian integrated learning solutions provider Dexler is setting up Dexler Education UK, its European headquarters, with an investment of around £10 million.
* London Stock Exchange Group and Yes Bank, one of India’s leading banks, are signing a MoU to foster joint collaborations on bond and equity issuance, with a strong focus on Green Infrastructure Finance. Both financial institutions will leverage their complementary strengths to facilitate access to capital raising in London and India for Indian entities and will work jointly on the development of a wide range of new products.
* HDFC has recently announced the proposal to issue Rupee denominated bonds overseas up to USD 750 million under the Reserve Bank of India guidelines, in one or more tranches.
* Bharti Airtel Ltd, intends issuing its maiden sterling bond of up to £500 million to be listed on the London Stock Exchange.
* Collaboration between the State Bank of India and London Stock Exchange Group to create the “FTSE-SBI India Bonds Indices” was announced to be used initially by a new investment fund run by SBI. These indices, to be launched in the first half of 2016, will facilitate investment into India's bond markets and support market liquidity and pricing..
* The offshore arm of the UK’s Equiniti Group, Equiniti India announced their expansion plan in Chennai that will create 500 new jobs by end of 2017.
* Zyfin and Sun Global will be listing the world’s first India fixed income ETF on the London Stock Exchange, the broadest ETF market in Europe.
* State Bank of India UK announced the opening of two new branches in Hounslow and Ilford, and the expansion of its Manchester and Leicester branches in Q1 2016.
* Wipro increases its investment in the UK with the opening of its newest office for Wipro Digital.
* A partnership between the British Council and Tata Consultancy Services (TCS) that will see the global IT services firm provide opportunities for 1,000 graduate interns from British universities to train and work in India over the next five years was announced.
* HSBC announced the launch of its ‘Skills for Life’ initiative in India, a programme to skill 75,000 disadvantaged young people and women over five years.
* An MoU on Technical Cooperation in the Rail Sector
* A new fast track mechanism for UK investments into and trade with India.

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