High Commission of India

London

(Economic & Commerce Wing)

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

***October 2015***

**Overview of UK’s Economy**

The **Gross Domestic Product** is estimated to have increased by 0.5% in Quarter 3 (July to Sept) 2015 compared with growth of 0.7% in Quarter 2 (Apr to June) 2015. Output increased in 3 of the main industrial groupings within the economy in Quarter 3 (July to Sept) 2015. Services increased by 0.7%, production increased by 0.3% and agriculture increased by 0.5%. In contrast, construction output decreased by 2.2%. Within production, manufacturing fell by 0.3% but this fall was offset by a 2.4% increase in Mining and Quarrying and a 1.2% increase in water and waste management. GDP was 2.3% higher in Quarter 3 (July to Sept) 2015 compared with the same quarter a year ago.

The **Consumer Prices Index** (CPI) fell by 0.1% in the year to September 2015, compared to no change (0.0%) in the year to August 2015. A smaller than usual rise in clothing prices and falling motor fuel prices were the main contributors to the fall in the rate. The rate of inflation has been at or around 0.0% for most of 2015.

The **unemployment rate** fell to 5.4%, lower than for March to May 2015 (5.6%) and for a year earlier (6.0%). It has not been lower since March to May 2008. There were 31.12 million people in work, 140,000 more than for March to May 2015 and 359,000 more than for a year earlier.

**Exports of goods** increased by £0.8 billion to £23.6 billion in August 2015. This is attributed to an increase in cars which increased by £0.6 billion to a record high of £2.4 billion and chemicals which increased by £0.5 billion. **Imports of goods** decreased by £0.3 billion to £34.7 billion over the same period. The **UK’s deficit on trade in goods and services** was estimated to have been £3.3 billion in August 2015, a narrowing of £1.2 billion from July 2015. This narrowing of £1.2 billion is attributed to trade in goods, where the deficit has decreased from £12.2 billion in July 2015, to £11.1 billion in August 2015.

The **Index of Services** is estimated to have increased by 2.8% in August 2015 compared with

August 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 1.4 percentage points to total growth; and distribution, hotels and restaurants, which contributed 0.7 percentage points to total growth. The latest Index of Services estimates show that output was flat between July 2015 and August 2015, following an increase of 0.2% between June 2015 and July 2015.

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 October 6, 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.

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

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year | UK Exports to the rest of the world | % change from Jan-August 2014 | UK Imports from the rest of the world | % change from Jan – August 2014 | Total | % change from Jan- August 2014 | UK’s Balance of Trade |
| Jan–August 2015 | 201085 | -0.71 | 273033 | -1.44 | 474118 | -1.13 | -71948 |

**UK confirmed as one of the top places in the world to do business**

The World Bank Ease of Doing Business report released today (27 October 2015) places the UK as the sixth out of 189 countries, ahead of the US, Germany and Japan. The UK Government action to improve the ease of doing business includes:

* commitment to cut £10 billion of red tape in order to back British business and put resources to more productive use
* cutting tax - at 20%, the UK already has the joint lowest corporate tax rate in the G20, but it will be cut further to 18% in 2020, making it the lowest in the G20
* boosting skills and productivity by raising the quantity and quality of apprenticeships in England to 3 million starts by 2020
* investing £6.9 billion in UK research infrastructure up to 2021 – improving knowledge, expertise and productivity
* building stronger trading links with emerging markets, especially China, India and Brazil; and delivering a Europe that is more dynamic and outward focussed as part of our renegotiation

**Chancellor launches National Infrastructure Commission**

Launching the new National Infrastructure Commission, Rt Hon George Osborne, UK Chancellor of the Exchequer pledged £100 billion in infrastructure spending by 2020 – including full funding for the £15 billion Roads Investment Strategy. The Chancellor set out plans to ‘get Britain building’, saying that infrastructure will be at the heart of next month’s Spending Review. The commission will produce a report at the start of each five-year Parliament, offering recommendations for priority infrastructure projects. Its initial focus will be in three key areas. These are:

* Northern connectivity, particularly identifying priorities for future investment in the North’s strategic transport infrastructure to improve connectivity between cities, especially east-west across the Pennines
* London’s transport system, particularly reviewing strategic options and identifying priorities for future investment in large scale transport improvements – on road, rail and underground – including Crossrail 2
* Energy, particularly exploring how the UK can better balance supply and demand, aiming for an energy market where prices are reflective of costs to the overall system

**Boost for small businesses as government launches R&D plan**

In a major boost for pioneering small businesses, Mr David Gauke, the Financial Secretary to the Treasury launched a new plan outlining how government will make it easier for small businesses investing in research and development to claim tax relief. The two-year plan, which is a response to an HMRC consultation, aims to increase take-up of research and development (R&D) tax relief through raising awareness of the relief amongst small businesses and making it easier for them to apply. The tax relief, which encourages companies to invest in costly new product development, helps companies reduce the amount of corporation tax they pay on profits by offsetting them against any investment in research and development. Latest statistics for 2013 to 2014 show more than 15,000 SMEs claimed the relief in 2013, an increase of around 19 per cent from the previous year, but the government wants to go further.

**UK-India Bilateral**

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

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year | UK Exports to India | % change from Jan-August 2014 | UK Imports from India | % change | Total | % change from Jan-August 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 –August 2015 | 2668 | +31.42 | 4130 | -3.00 | 6798 | -18.95 | +1462 |

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

**Trade and Investment Enquiries from India**: 82

**Trade and Investment Enquiries from UK**: 04

**Tenders from India**: 34

**Investments from UK to India**

Today 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.

**Visit of Shri Suresh Prabhu, Hon’ble Minister of Railways, Government of India, to the UK**

Shri Suresh Prabhu, Hon’ble Minister of Railways, Government of India visited the UK during October 29-30, 2015. The Minister was accompanied by Mr Rajiv Datt, Managing Director, Indian Railways Finance Company. During his visit, the Minister participated in the High level Investors’ Roundtable chaired by Rt Hon Oliver Letwin, Chancellor of the Duchy of Lancaster. Rt Hon Patrick McLoughlin, Secretary of State for Transport attended the Roundtable. The Minister also held meetings with UK based investors for infrastructure investment discussions. During his visit, the Minister visited the office of First Group, leading transport operator in the UK and took a tour of two of London’s biggest Railway Stations – Paddington and King’s Cross. During his visit, the Minister participated in the investors Roundtable at the London Stock Exchange.

**UK and India regulators agree deal for closer collaboration to improve public safety**

The Medicines and Healthcare products Regulatory Agency (MHRA) UK signed a Memorandum of Understanding (MOU) with its counterpart Central Drugs Standard Control Organisation (CDSCO), part of the Ministry of Health and Family Welfare in India. This agreement will increase collaboration between the two countries in the area of medicines and medical devices with the aim of further improving public safety in the two countries. It was signed by Dr Gyanendra Nath Singh, India’s Drugs Controller General, and MHRA Chairman, Professor Sir Michael Rawlins. It provides a formal agreement between the two organisations, and strengthens relations between the UK and Indian governments. The central understandings of the agreement include promotion of each other’s regulatory frameworks, requirements and processes. Significant outcomes will include the facilitation and exchange of information and opportunities for technical cooperation of mutual benefit, helping to ensure the regulators are better equipped to protect the health of their respective publics.

**UK financial services institutes offer training in collaboration with GIFT**

A delegation of six British professional qualification providers were in Ahmedabad to explore ties with Gujarat International Finance Tec-City (GIFT) city for offering skill development and training in financial services sector in the state. Led by the UK Trade and Investment Team in India, the delegation that consisted of representatives of the British financial services institutes were on a tri-city visit to Delhi, Mumbai and Ahmedabad. The delegation included Chartered Institute of Management Accountants (CIMA), The Institute and Faculty of Actuaries (IFoA), International Association of Book Keepers (IAB) and Accounting Professionals (IAAP), The Association of Chartered Certified Accountants (ACCA), The Chartered Institute for Securities & Investment(CISI), Chartered Insurance Institute (CII).

**Cox & Kings buys UK's Laterooms**

Holiday-maker Cox & Kings has acquired UK's online hotel booking site Laterooms for 8.5 million pounds, or Rs 84 crore, from rival tour operator TUI, expanding its e-commerce presence and marking the company's eighth acquisition in the last ten years. Laterooms.com, which offers 54,800 properties globally and has 93 million customer visits, generated net revenues of 50 million pounds (about Rs 492 crore) in the financial year ended September 30. The online hotel specialist's parent company also owns Asiarooms.com. Cox & Kings management said that the acquisition will boost its delivery capabilities in the leisure business. The India-headquartered travel services company also plans to drive synergies and value from Laterooms' association with Cox & Kings' UK unit SuperBreak Mini-Holidays, a short break vacation specialist which derives 17% of its business online.

**British genset-maker FG Wilson launches new range of gensets**

British genset-maker FG Wilson, an associate of the US conglomerate Caterpillar, launched a new range of generators in India. The company does not have a manufacturing facility in India. It has been learnt that Satara-based Cooper Cooperation will be manufacturing these gensets for the British company. The new generator sets offer power outputs ranging from 10 to 200 kVA, the company said in a statement. The new range expands FG Wilson's product portfolio in the country which are used at construction sites, by telecom networks, factories, hospitals, commercial premises and residential properties. Caterpillar's electric power division vice-president Steve Niehaus said the launch of these new product range reiterates FG Wilson's commitment to this market and is a testimony to the make in India campaign of the government. The Belfast-based FG Wilson has been present in the sector for the past half-a-century and is the largest manufacturer of gensets in Europe with facilities in Britain, Brazil, India, China and the US, producing over 1,30,000 sets per annum. FG Wilson is a trading name of Caterpillar.

**UK-India collaborate to improve India’s road safety**

British company Hitex International Group and Indian company Trans Metalite India Ltd are working together to offer road maintenance, safety and marking solutions for the Indian market. The two companies have set-up a manufacturing plant at Bawal in Haryana, where they will continue their work to address the challenges of road repair and maintenance in India with a view to developing solutions to tackle these challenges. This includes arresting cracks and potholes, developing anti-skid treatments, and extra-bright and longer-lasting retro-reflective road markings.

**UK-Rest of the world**

**Chancellor announces closer ties with Brazil on infrastructure and financial services**

During the first UK-Brazil Economic and Financial Dialogue (EFD) in London, Rt Hon George Osborne, UK Chancellor of the Exchequer and Mr Joaquim Lev, Brazilian Finance Minister reached a number of agreements to build on the economic relationship between the UK and Brazil – focussing on infrastructure, financial services and supporting the delivery of Rio 2016. [The agreements](https://www.gov.uk/government/publications/uk-brazil-inaugural-economic-and-financial-dialogue-factsheet) represent the ambition to deepen ties between the UK and Brazilian economies and take the relationship between the two nations onto the next level. Agreements reached during the inaugural meeting include:

* Creation of joint UK-Brazil infrastructure taskforce
* Collaboration over the delivery of Rio 2016

A number of commercial deals were also announced alongside the EFD agreements including:

* Sepura to provide radio communications for Rio 2016
* Babcock secures maintenance service contracts at two international airports in Brazil
* Arena Group secures contracts to provide temporary structures for Rio 2016
* Steer Davies Gleave to help integrate bikes into Rio de Janeiro’s public transport system

**Chinese state visit: up to £40 billion deals agreed**

Almost £40 billion worth of deals between the 2 countries were agreed during the visit of President Xi Jinping to London, the first state visit from China in 10 years. Some of the commercial deals include:

* £6 billion Chinese investment to build 2 new nuclear reactors at Hinkley Point C in Somerset.
* BP and China Huadian Corporation signed a sale and purchase agreement for BP to sell Huadian up to 1 million tonnes of liquefied natural gas (LNG) per year worth up to £6.5 billion over the next 20 years.
* Rolls-Royce announced a deal with HNA Group to provide Trent 700 engines to power 20 Airbus A330s.
* Carnival plc has entered into a joint venture with China State Shipbuilding Company and China Investment Corporation to own and operate a fleet of cruise ships to serve the Chinese domestic market, with an investment value of £2.6 billion.
* Oxford University - China Construction Bank through her subsidiary CCBI to provide capital market assistance of up to £6 billion to help fund regenerative medicine and tissue engineering research after signing a deal with Oxford University

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