High Commission of India
London
(Economic & Commerce Wing)

Economic & Commercial Report on the United Kingdom for November 2013

Macro-Economy

According to Office for National Statistics, UK gross domestic product (GDP) was estimated to have increased by 0.8% between Q2 2013 and Q3 2013, unrevised from the Preliminary Estimate of GDP published 25 October 2013. The 0.8% increase in GDP in the latest quarter follows increases of 0.7% in Q2 2013 and 0.4% in Q1 2013. GDP increased by 1.5% when comparing Q3 2013 with Q3 2012. GDP in current prices was estimated to have increased by 1.7% between Q2 2013 and Q3 2013. The Consumer Prices Index (CPI) grew by 2.2% in the year to October 2013, down from 2.7% in September. The largest contributions to the fall in the rate came from the transport (notably motor fuels) and education (tuition fees) sectors. The other main consumer price indices moved in a similar fashion. CPIH grew by 2.0% in the year to October 2013, down from 2.5%. RPIJ grew by 1.9%, down from 2.5%.

Monthly External Trade Review (in £ million)

Year	UK Exports to India	% change	UK Imports from India	% change	Total	% change	India's Balance of Trade
2005	2798	+25.25	2781	+21.60	5579	+23.40	-17
2006	2693	-3.75	3121	+12.23	5814	+4.21	+428
2007	2968	+10.21	3809	+22.04	6777	+16.56	+841
2008	4135	+39.32	4490	+17.88	8625	+27.27	+355
2009	2941	-28.88	4558	+1.51	7499	-13.06	+1617
2010	4071	+38.42	5781	+26.83	9852	+31.38	1710
2011	5677	+40.04	6114	+4.83	11791	+19.33	+397
2012	4665	-17.82	6210	+1.57	10875	-7.76	+1545
2013 Jan-Sep	4015	+19.13	4659	+3.94	8674	+10.46	+644

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

Trade and Investment Enquiries from India: 28

Tenders from India: 24

News in a nutshell

Home office abandons visa bond scheme

The home secretary has scrapped plans to make visitors from "high risk" countries pay a £3,000 bond for a tourist visa, amid complaints from Whitehall and business that the policy would damage Britain's economic interests. The home office confirmed that the controversial scheme to discourage visitors from overstaying – due to be piloted this month – would not proceed. Theresa May's U-turn comes after Nick Clegg, deputy prime minister, warned he would block the scheme. But the plan to impose a £3,000 cash bond on visitors from India, Nigeria, Pakistan, Kenya, Sri Lanka and Bangladesh had attracted widespread opposition. The Foreign Office expressed alarm after it provoked an angry reaction from Delhi, while David Cameron told the home secretary he would not sanction any policy that undermined his "growth agenda". The retail and tourism sectors also warned the scheme would have a detrimental impact.

David Cameron meets Manmohan Singh with focus on trade

UK Prime Minister David Cameron, who made his third visit to India in as many years, met Prime Minister Manmohan Singh during which the main focus was on trade ties with the British leader maintaining there has been "extraordinary progress" on trade and investment since his first trip here. The two leaders, who met during the short visit of Cameron who arrived in India, on his way to Colombo to attend Commonwealth Heads of Government Meeting in Colombo, also shared strong view on Sri Lanka as the UK Prime Minister said he respected Singh's decision not to attend the meet. Later, in a tweet after his meeting with Singh, Cameron said they agreed that extraordinary progress on trade and investment has been made since 2010. According to official sources, the two leaders "reviewed the progress in bilateral, economic and commercial ties. Both leaders expressed satisfaction that despite the continuing global economic slowdown and the Eurozone difficulties, India-UK trade ties have been resilient. Noting that investments on both sides have also progressed satisfactorily, the leaders "felt that there was a need to take this process further through increased interaction in various fields and regular steps and measures to continue this positive momentum," sources said.

During the meeting, which came just ahead of Cameron's departure for Kolkata, the two leaders also discussed the Bangalore-Mumbai Economic Corridor (BMEC) and were happy at the progress that has been made. "The terms of Reference for the Feasibility Study of the BMEC have been finalized as also the Request For Proposals. The importance of India-EU Broad Based Trade and Investment Agreement (BTIA) was also discussed," sources said. The two leaders also discussed key regional and international issues as well as the situation in the region, including the developments in Afghanistan. Earlier addressing Indian businessmen at an event, he favoured more meetings and informal discussions with the Indian Prime Minister and said there is a lot in common between India and Britain and the two were good trade partners as well. "We are one of the oldest democracies... We both have challenges to fight terrorism and we both want to be successes in this global economic race that we are engaged in. We have ties of the past -- the history, the language and the culture. But it is the future that excites me, on what Britain and India can do together," he said.

UK manufacturing sector boosted by rising demand for exports

Britain's manufacturers enjoyed rising export demand and hired new workers in October, according to a survey. The closely watched Markit/CIPS UK Manufacturing PMI report suggested export orders grew at their fastest pace in more than two years, although overall activity rose at a slightly softer pace. Although manufacturing output remains well below the level enjoyed before the recession, it notched up its seventh straight month of improvement with a reading of 56.0. That was well above the 50-mark that separates expansion from contraction and down slightly from 56.3 in September. Economists had forecast a reading of 56.1 in a Reuters poll. The survey follows the latest official data showing the UK economy grew by 0.8% in the third quarter. With households under pressure from stagnant wages and rising bills and prices, there have been questions over whether that pace of growth can be maintained in the consumer-dependent UK economy. But economists said manufacturing could help drive overall growth. Rob Dobson, senior economist at survey compilers Markit, said: "Despite only accounting for less than 11% of the economy, the current strength of growth seen in manufacturing means the sector will still provide a major boost to the economy in October, boding well for the strong pace of economic growth we saw in the second and third quarter being sustained into the fourth quarter.

Small business vital to improve UK foreign trade, government told

Ministers have been urged to sharpen their focus on commercial diplomacy and do more to engage small businesses in the drive to secure foreign trade if they are to meet their target of doubling UK exports by 2020. Exports would need to grow at 9 per cent a year in order to meet the £1tn goal set by George Osborne, the chancellor, compared with average annual growth of only 5 per cent since 2000, according to Reform, the pro-market think-tank.
In a forward to the report, Antony Jenkins, chief executive of Barclays, said the UK was not making the most of its advantages such as "our language, our system of law [and] our historical relationship with many of the new economies".

Vince Cable, the business secretary, was on a trade and investment mission to Russia that highlighted the coalition's efforts to increase exports – particularly to emerging markets. But the Reform study found that few small businesses were taking advantage of government help to boost exports and many were not even aware such measures were available. Achieving better trade links has been a key plank of the coalition's attempts to rebalance the economy and aid the recovery. David Cameron frequently talks of the UK's need to develop close links with emerging markets in order to flourish in the "global race" for economic growth. Before his visit to Russia, Mr Cable acknowledged that while some small and medium-sized enterprises (SMEs) were "doing incredible things" abroad, "too many do not realise their global potential". He was accompanied on the trip by 30 construction, manufacturing and retail businesses and unveiled a $50m fund to support UK companies wanting to sell goods and services to Russia.

UK jobless rate falls to 7.6% in third quarter

Unemployment in the UK has fallen to 7.6 per cent of the workforce – its lowest since May 2009, in a strong set of jobs data that underlined the pace of recovery. The rate was down 0.2 percentage points on the previous quarter, the Office for National Statistics said. In the three months to September, the jobless total fell 48,000 to 2.47m, the lowest since April 2011. Employment also rose by 177,000 to a fresh peak of 29.95m. Most of those jobs were full-time, though 54,000 were temporary. The jobless rate has become a crucial indicator since the Bank of England – which also publishes its inflation report on Wednesday –

adopted forward guidance in August, saying it would not raise interest rates until the rate fell to 7 per cent. However, the squeeze on living standards continued, with average earnings rising by just 0.7 per cent on a year earlier, the lowest since March. Excluding bonuses, the rise was 0.8 per cent, unchanged on last month's data. That means earnings – which have fallen in real terms for most of the past five years – rose by less than one-third of the rate of inflation, though a drop in inflation last month from 2.7 per cent to 2.2 per cent promised some relief.

Bank of England's Monetary Policy Committee eases rate rise expectations

The Bank of England attempted to damp market expectations of early interest rate rises, suggesting there was already evidence not to tighten monetary policy when unemployment fell to 7 per cent. In the minutes of the November meeting, the Monetary Policy Committee concluded without dissent that so long as the public continued to expect stable inflation, "the projections for growth and inflation under constant Bank Rate underlined that there could be a case for not raising [the] Bank Rate immediately when the 7 per cent unemployment threshold was reached". The statement hinted the BoE was preparing to modify its forward guidance on monetary policy and downplay the importance of unemployment in its interest rate decisions, which is falling much more rapidly than the MPC expected.

The MPC said that financial market expectations of a rate rise in mid-2015, which it used to underpin the BoE forecasts, "did not reflect the committee's view of the most likely path of Bank Rate". Jonathan Loynes, chief European economist at Capital Economics, said: "The main message again is not to put too much emphasis on the 7 per cent unemployment rate. Provided inflation pressures stay subdued, as we expect, interest rates are going nowhere for a long time yet even if the economy continues to grow strongly." The new statement was contained in the minutes of a meeting that unanimously kept interest rates on hold at 0.5 per cent and left the stock of assets purchased under the quantitative easing scheme constant at £375bn. The BoE's forward guidance states that it will not raise interest rates at least until unemployment falls to 7 per cent so long as inflationary pressures remain under control. Economists and financial markets have expected the bank to begin to raise rates soon after this date, which the BoE thinks might now occur as soon as late 2014. In August, the BoE confidently expected unemployment to remain above the 7 per cent threshold until 2016, but joblessness has fallen far faster than the committee thought possible.

UK public sector borrowing at £8.1bn in October

Helped by the recovery, the UK public sector borrowed £200m less this October than last October, with total borrowing registering £8.1bn. The Office for National Statistics figures mean that the government has borrowed much less than its fiscal watchdog, the Office for Budget Responsibility, forecast back in the spring. The OBR will publish revised forecasts in December, which will take into account the economy's better-than-expected performance in recent months. The figures were not as good as economists had expected, however. "While October's figures are a little disappointing, borrowing this year as a whole still looks set to come in well below the OBR's March forecast," said Samuel Tombs, UK economist. "With upward revisions to the OBR's forecasts for growth in GDP and tax receipts in future years also likely, the chancellor certainly has some scope to fund a net giveaway during his autumn statement on 5 December."

Seven months into the fiscal year, the government has borrowed £64.8bn if transfers made by the Bank of England to Treasury coffers are excluded. The equivalent figure for this time last year was £70.6bn. A spokesperson for the Treasury said: "Britain's hard work is paying off, the government's long term economic plan is working, and the deficit is down by a third. But today's figures remind us that the job is far from done and a growing economy alone will not be enough to eliminate the deficit." The figures for October take public sector net debt to £1.207trn – just over three quarters of GDP.

Free movement within Europe needs to be less free
(Author: Mr David Cameron, Prime Minister to the UK)

On January 1, the people of Romania and Bulgaria will have the same right to work in the UK as other EU citizens. I know many people are deeply concerned about the impact that could have on our country. I share those concerns. Ever since the fall of the Berlin Wall, Britain has championed the case for bringing nations which languished behind the Iron Curtain into Nato and the EU. That is important to their prosperity and security – and ours. Britain has also been one of the strongest supporters of a single market. It is in our interests that it should grow, and for our citizens to have the opportunity to work in other European countries. But things have gone wrong. Since 2004, we have witnessed the biggest migration in Europe outside wartime. In Britain's case, 1m people from central and eastern Europe are now living here. So what lessons can be learned? There is the lesson on transitional controls. In 2004, the Labour government made the decision that the UK should opt out completely of transitional controls on the new EU member states. They had the right to impose a seven-year ban before new citizens could come and work here, but – almost alone in Europe – Labour refused it. That was a monumental mistake. There is the lesson on income disparity. It was hardly surprising that with income per head in the joining countries around half of the EU average, so many people chose to come here. Yet when Romania and Bulgaria joined the EU, Labour had not learned the lesson. That was the moment to address difficult questions about when to allow new entrants full access to each other's labour markets – but the Labour government ducked these questions. That is why this government extended transitional controls on Bulgaria and Romania from five to the maximum seven years. The other major lesson was that failures in immigration policy were closely linked to welfare and education. If it does not pay to work, or if British people lack skills, that creates a huge space in our labour market for people from overseas to fill. You cannot blame people for wanting to come here and work hard; but the real answer lies in training our own people to fill these jobs.

That is what this government is doing: providing record numbers of apprenticeships, demanding rigour in schools and building a welfare system that encourages work. But of course people are most concerned with the action we are taking now. We are changing the rules so that no one can come to this country and expect to get out of work benefits immediately; we will not pay them for the first three months. If after three months an EU national needs benefits – we will no longer pay these indefinitely. They will only be able to claim for a maximum of six months unless they can prove they have a genuine prospect of employment. We are also toughening up the test which migrants who want to claim benefits must undergo. This will include a new minimum earnings threshold. If they don't pass that test, we will cut off access to benefits such as income support. Newly arrived EU jobseekers will not be able to claim housing benefit. If people are not here to work – if they are begging or sleeping rough – they will be removed. They will then be barred from re-entry for 12 months, unless they can prove they have a proper reason to be here, such as a job. We are also clamping down on those who employ people below the minimum wage. They will pay the price with a fine of up to £20,000 for every underpaid employee – more than four times the fine today. Britain is not acting alone in taking these steps. Other countries such as the Netherlands already impose a three-month residence requirement before you can access benefits such as job seekers' allowance. All this is what we can legally do within the limits of the treaties Labour signed up to. But finally, let me set out how my party is planning to prevent these problems arising in the future.

The EU of today is very different from the EU of 30 years ago. We need to face the fact that free movement has become a trigger for vast population movements caused by huge disparities in income. That is extracting talent out of countries that need to retain their best people and placing pressure on communities. It is time for a new settlement which recognises that free movement is a central principle of the EU, but it cannot be a completely unqualified one. We are not the only country to see free movement as a qualified right: interior ministers from Austria, Germany and the Netherlands have also said this to the European Commission. So Britain, as part of our plan to reform the EU, will now work with others to return the concept of free movement to a more sensible basis. And we need to do the same with welfare. For example, free movement should not be about exporting child benefit – I want to work with our European partners to address this. Bringing new countries in to give them peace and prosperity remains one of the EU's greatest strengths. It will be many years, perhaps a decade, before another country joins. It cannot be done on the same basis as it was in the past. We must put in place new arrangements that will slow full access to each other's labour markets until we can be sure it will not cause vast migrations. There are various ways we could achieve this. One would be to require a new country to reach a certain income or economic output per head before full free movement was allowed. Individual member states could be freed to impose a cap if their inflow from the EU reached a certain number in a single year. The EU needs to change if it is to regain the trust of its peoples. I look forward to working with other countries who also want reform – and to putting the choice about our future in Europe in a referendum. If I am prime minister after the next election, the British people will have their say.

UK-India Trade and Investment News

British MNCs renew tryst with India, boost FDI flow with deals worth over $6 bn in 2013

The three biggest inbound foreign investments this year came from London-anchored marquee corporations. Unilever spent $3.5 billion to increase stake in its Indian unit, GlaxoSmith-Kline ploughed in $1 billion for a similar effort, and Vodafone just announced a $1.7-billion offer to buy out its Indian partners. In 2011, Vodafone had spent $5.5 billion to buy out the Ruias of Essar from their joint venture. In the same year, BP made a $9-billion minority investment in RIL's Krishna-Godavari Basin gas field. And only last year, British giant Diageo acquired India's largest liquor company United Spirits for $2 billion. A Barclays compilation shows that the UK, along with Singapore (11% each), has been the origin of the second largest FDI inflow of $132 billion into India since 2009. Mauritius topped with 36%, but that was largely due to favourable tax treaties that saw capital from other nations, including the UK, being routed through the island. "The latest deals show that UK companies believe in the Indian growth, and have not been deterred from investing by short-term headwinds.

Tata-owned Jaguar Land Rover's half year profits at more than 1 billion pounds

India's Tata-owned Jaguar Land Rover has powered to half-year profits of over 1 billion pounds for the first time, boosted by global demand for the new Jaguar F-Type and Range Rover Sport. JLR said that it would invest 2.75 bn pounds in its products and facilities in the financial year to March 2014. According to a report, the UK-based car maker surprised analysts with a better than expected 42 pc rise in profits to top 1.08 billion pound for the six months to September 30. In Britain, it is opening a new 500 million pound engine factory in Wolverhampton next year, with the creation of 1,400 jobs, while in September JLR announced plans for further expansion of its Solihull factory in Birmingham. The company said it would invest 1.5 bn pounds to support a new range of sports cars and cross-over cars featuring the latest in lightweight aluminium technology, a spend expected to create another 1,700 jobs. Including these latest jobs, JLR would have created almost 11,000 new posts in Britain over the past three years, the company said. JLR s performance compensated for continuing losses in the standalone Tata car business.

India-UK SME Business Meet 2013

The High Commission of India in London hosted the fourth India-UK SME Business Meet on November 18-19, 2013 in London. This SME Meet was held in continuation of the three earlier SME Meets i.e. in Birmingham, Loughborough and Cardiff in the year 2010, 2011 and 2012 respectively. This year, the High Commission of India convened the SME Business Meet in partnership with the UK India Business Council (UKIBC). It was further supported by leading Chambers and organisations from India, including the National Small Industries Corporation (NSIC), the Confederation of Indian Industry (CII), the Associated Chambers of Commerce and Industry (ASSOCHAM), the SME Chamber of India and PHD Chamber of Commerce and Industry. The SME Business Meet was well received with around 150 participants attending the event, including distinguished guests and representatives from around 50 Indian companies and 90 UK companies. The inaugural session of the fourth SME Business Meet included addresses by Dr Virander Paul, Acting High Commissioner of India to the UK, Mr. Madhav Lal, Secretary, Ministry of Micro, Small and Medium Enterprises, Government of India, Dr Harish Pal Kumar, Chairman and Managing Director, NSIC, Mr Richard Heald, Chief Executive, UKIBC and leaders from the various Indian delegations.

The visiting Indian delegation and the UK delegates attended a breakout session on "How to do Business in UK: Success Factors" and "How to do Business in India: Success Factors", respectively, where they got to hear from eminent panellists and also engaged in active question and answer sessions. Following the breakout sessions, one-to-one B2B meetings were organized during which the visiting Indian delegates got the opportunity to network with the UK companies. The SME Business Meet witnessed a high networking among the delegates throughout the event. The objective of this SME Meet was to bring together the Indian and the UK SMEs together on the same platform in order to enhance stronger commercial ties between UK and India. On the sidelines of the SME Meet, company visits to the Booker Wholesalers, London and the Crystal – A Sustainable Cities, an initiative by Siemens were organized for the Indian delegation in and around London where the delegates were informed about the advanced management techniques and state of the art technology applied in their companies.