

High Commission of India  
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(Economic & Commerce Wing)

***Economic & Commercial Report on the United Kingdom***  
***August 2014***

***Highlights***

- UK Deputy Prime Minister's first ever trip to India
- UK-India Trade Deals struck during Deputy PM's visit to India
- UK's unemployment rate at 6.4%, lowest since late 2008

**Overview of UK's Economy**

**GDP** increased by 0.8% in Q2 2014, the second consecutive quarter-on-quarter increase of 0.8%. Output increased in two of the four main industrial groupings within the economy in Q2 2014 compared with Q1 2014. In order of their contribution, output increased by 1.0% in services and by 0.3% in production. However, output was flat in construction and decreased by 0.2% in agriculture.

**Rate of inflation** fell by 1.6% in the year to July 2014, down from 1.9% in June. Falls in clothing prices provided the largest contribution to the fall in the rate. Other large downward effects came from the alcohol, financial services and food & non-alcoholic drinks product groups. The largest, partially offsetting, upward effect came from the transport group.

**Unemployment rate** continued to fall, reaching 6.4% for April to June 2014, the lowest since late 2008. There were 30.60 million people in work, 167,000 more than for January to March 2014 and 820,000 more than a year earlier.

**Deficit on trade in goods and services** was estimated to have £2.5 billion in June 2014, compared with £2.4 billion in May 2014. In June 2014 there was a deficit of £9.4 billion on goods, partly offset by an estimated surplus of £7.0 billion on services. In June 2014, exports of goods decreased by £0.4 billion to £23.5 billion reflecting falls in oil and manufactured goods. Imports of goods decreased by £0.1 billion to £32.9 billion reflecting falls in imports of oil and aircraft; these falls were offset by increases elsewhere in manufactured goods. The falls in both exports and imports of goods in June 2014 were attributed to a decrease in trade with countries outside of the European Union (EU).

**UK's Economy (Internal)**

- (i) **One in ten Scottish jobs linked to UK trade:** An Analysis by the Treasury based on the work of Professor Brian Ashcroft of Strathclyde University shows that almost 270,000 jobs in Scotland, over 10% of total Scottish employment, are linked to the UK's single integrated market. Currently, the total Scottish exports are worth £72 billion a year, more than half of Scotland's economy. Scotland exports £51 billion worth of good to the rest of the UK, which is more than double of Scotland's exports to the rest of the world. Scotland is also contributing to the UK's growing exports to emerging markets in South America and Asia.

- (ii) **Plan to make Britain global centre of financial innovation set out by government:** The Chancellor of the Exchequer announced a series of measures to support the growth of the country's emerging FinTech sector and encourage innovation in finance, including supporting alternative finance providers and exploring the potential of virtual currencies and digital money. One of the steps the government will take is to start a programme of work looking into how virtual and digital currencies could or should be regulated in Britain. The government will look at the potential virtual and digital currencies have for achieving positive change and for encouraging innovation in our world leading financial sector, as well as the potential risks. The Chancellor also confirmed that the government will also encourage the growth of alternative finance providers, which are a major part of the FinTech sector, by introducing legislation to help small and medium-sized businesses access alternative sources of finance if they are turned down for finance by their bank.
- (iii) **Investment Programme to encourage lending to SMEs:** The British Business Bank Investment Programme, which builds on the Business Finance Partnership, was launched on 10 April 2013 by Vince Cable, Secretary of State for Business, Innovation and Skills (BIS). The Programme is investing £400 million alongside private investors to address long-standing gaps in the SME finance market by promoting greater choice in the supply of lending to SMEs. The Programme has already made 5 commitments totalling £108 million.
- (iv) **Visitor numbers to UK at a record high as tourism sector surges:** Official figures showed that the number of visits by overseas tourists reached an all-time high for the six months to June. There were 16.4 million inbound visits to Britain from January to June 2014 – up 8% compared to the first half of 2013.
- (v) **£8.3 million to boost West Midlands transport links:** The Department for Transport has agreed to provide over £8 million in funding a new bridge which will improve links to 3 of the West Midlands' economic powerhouses, The structure will directly serve Birmingham International Airport, the National Exhibition Centre, Jaguar Land Rover and other businesses which generate over £2.5 billion per year and support over 80,000 jobs.
- (vi) **UK sets the bar for transparency over oil, gas and mining payments:** In a latest announcement by the Department of Business, Innovation and Skills, mining, gas and oil companies registered in the UK will be required to report on the payments they make to governments in all the countries they operate in as of 1 January 2015. The introduction of this transparency requirement makes the UK the first EU country to introduce reporting requirements on extractives companies.

## **UK's Economy (External)**

- (i) **Opportunities for UK oil and gas companies in Africa:** In a recent “East and West Africa oil and gas” seminar organized by the UK Trade & Investment (UKTI) in Glasgow during the Commonwealth Games, UKTI showcased and promoted UK’s capability to explore new opportunities arising in Tanzania, Mozambique, Kenya and Uganda. UKTI are looking for major investment projects in these countries untapped basins and reserves that are becoming more accessible as infrastructure improves.

- (ii) **Boost for Burma with new UK funding:** During his 3 day visit to Burma, the International Development Minister Desmond Swayne announced new funding at a reception to mark 10 years of DFID's presence in Burma. The funding is said to increase direct UK support to Burma from £64.7 million in 2014/15 to £82 million in 2015/16.

### **India-UK Bilateral**

**UK Deputy PM's first major trade mission to India:** Nick Clegg, UK Deputy PM led a major UK trade delegation to India during August 25-27, 2014. During his visit, the UK Deputy PM met the Prime Minister of India during which he conveyed UK's strong desire to further strengthen and deepen relations with India. The Prime Minister of India called for greater collaboration between India and UK in the areas of education, skills development, clean energy, infrastructure development and cleaning of rivers. Both sides also discussed international issues relating to WTO and climate change. The UK Deputy PM was accompanied by Rt Hon Edward Davey, Secretary of State for Energy and Climate Change, Lord Dholakia in his capacity as UK Deputy PM's India Business Adviser and a 40 strong trade delegation from the UK that included major British businesses from the retail, aerospace and education sectors. The UK Deputy PM visited New Delhi, Mumbai and Bangalore to take advantage of the trade and investment opportunities presented by the Government of India's focus on economic growth and to celebrate the strong cultural links between UK and India.

In Bangalore, the UK Deputy PM opened a new Tech Hub aiming to grow 1,000 Bangalore start-ups in 3 years and link them with the UK and the second UK Indian Business Centre that will provide support to UK businesses who want to grow in India. During UK Deputy PM's visit to India, a number of India-UK trade deals materialised such as:

- (i) **Vistaar announces £13m investment in UK:** UK Deputy Prime Minister, Nick Clegg announced that Vistaar Productions is to invest £13 million in the UK over the next 12 months, including a new post-production facility in Manchester. The new facility will be used as a hub for the editing of Indian films being shot in the UK, creating jobs and attracting further investment from the Bollywood industry.
- (ii) **Lush Cosmetics, the iconic brand from the British high street, is expected to open its first shop in India** after receiving approval from India's Ministry of Commerce. The shop in Mumbai would give the company an initial foothold in the country.
- (iii) **United Biscuits Group, the world's fourth-largest biscuit manufacturer, to increase investment in its India operation from £30 million to £50 million.** This will build on the success of iconic British brands including Hobnobs and Digestives in India.
- (iv) **Chaucer Foods, based in Hull, has signed a deal with an Indian food manufacturer to export 60 tonnes of croutons a year,** worth £100,000 a year and increasing their trade with India by 50%.
- (v) **Fever-Tree, a British manufacturer of premium mixers, has announced that it is going to start exporting Indian tonic water to India.** This will be the fiftieth export market for this company, which has been awarded the prestigious Queen's Award for Exports.

### **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	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	5051	+10.93	6182	+3.15	11233	+6.51	+1131
Jan-Jun 2014	1550	-47.08	3149	-0.56	4699	-22.91	+1599

(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:** 01

**Tenders from India:** 31

**3rd UK India Business Centre in Mumbai:** As parts of its strategy to support British companies do more business in India, the UK India Business Council (UKIBC) celebrated the signing of an agreement of a third UK India Business Centre in Mumbai on August 22, 2014. In Mumbai, the UK India Business Council will work closely with UKTI in Western India, the British Business Groups in Ahmedabad, Mumbai and Pune, and with both UK and Indian businesses and institutions. The Centre will act as a focal point for UKIBC support services to UK businesses across sectors, in particular in the finance and retail sectors.

**Britvic aims for 'slow build' in India launch:** British soft drink maker Britvic plans to be in 25,000 stores around India in the next three months as it makes its entry into the Asian market. The company has launched its flagship Robinsons Fruit Shoot drinks in India, its first Asian market, to compete with existing player Real from Dabur India. Britvic is launching Fruit Shoot drinks in 10 Indian cities to begin with and plans to tie up with mom-and-pop stores as well as large retail chains to promote the brand.

**Cairn to get 10-year extension for Rajasthan block:** A Committee headed by the Directorate General of Hydrocarbons (DGH) on policy for grant of extension to the Production Sharing Contracts (PSC) for small, medium-sized and discovered fields that were awarded to private firms in 1990s, has recommended a uniform 10-year extension to Cairn India for its license to explore and produce oil and gas from the prolific Rajasthan block but may have to pay more profit petroleum to the government to get a term beyond 2020. The panel has recommended that contracts may be extended for 10 years for both oil and gas fields or the balance economic life of the field, whichever is earlier, but with revised terms and conditions.

**New Call to invest \$100 million to buy telecom companies in India:** New Call Telecom, the sixth largest residential ISP in the UK, will invest \$100 million over the next 18 months in India towards strategic acquisitions of four mid-level telecom companies to enter fixed line connectivity, Wi-Fi and messaging domains.

**Zomato to scale up Scotland operations:** The global restaurant guide Zomato has announced an investment of \$1m to strengthen its presence in Scotland. Zomato which extended its web and app presence to Edinburgh and Glasgow in November 2013, provides information for over 3,000 restaurants in the two cities. The company has also set up its second UK office after London in Edinburgh in early 2014 to cater to the growing demand for their service more effectively. The intention is to hire 25-30 individuals in Edinburgh and Glasgow over the next 12 months.

**BBC selects Mindtree for digital testing services:** Indian firm Mindtree, a global information technology services company, announced that it has been selected by BBC to test a range of its digital products. As part of this non-exclusive engagement, Mindtree will deliver and support testing of digital products and applications. Digital products include applications and websites that run on a wide variety of digital and broadcast platforms. Some of them are desktop computers, mobile devices, cloud, integrated digital TV, internet protocol TV, terrestrial, cable, satellite TV and the web. Mindtree testing services will include functional, non-functional, test management, exploratory, automation and load testing. BBC selected Mindtree for its testing capabilities, test tools expertise and the ability to effectively deliver the engagement.

**Tata Steel clinches mega undersea contract:** Indian steel giant, Tata Steel, has signed a series of contracts with Subsea 7, one of the world's leading contractors in engineering, construction and subsea services to the offshore industry, to supply undersea pipes to four separate North Sea projects. The four contracts, signed over the past year and worth an estimated £10 million in total, will see the Indian steel giant supply in excess of 55km of pipe weighing more than 9,000 tonnes.

**UK solar firm buys India stake:** UK-based solar power firm Solargise has acquired a majority stake in Indian renewable energy company GRAPP Energies Private Limited and its subsidiary Green Ripples. The UK company has acquired the stake in both the companies at an investment of \$200 million, which comes as an equity commitment. Post-acquisition, the new entity will be known as Solargise Grapp Energies Private Limited.

**Clarks Future Footwear plans to double stores in India:** Clarks Future Footwear Ltd, a 50:50 joint venture between Future Group's Future Lifestyle Fashions Ltd and UK-based footwear company C&J Clark International, plans to take its store strength to 100 over the next two years as demand grows for premium footwear brands. The joint venture, which expects revenue to touch £20 million this fiscal, recently opened its 51st store in India.

**GlaxoSmithKline looks to set up Rs 1,000-crore health drink units in Andhra Pradesh:** GlaxoSmithKline Consumer Healthcare Ltd, the maker of Horlicks and Boost health food drinks, is looking at setting up a large manufacturing facility close to the east coast in southern Andhra Pradesh, a senior bureaucrat said. The GSK Consumer team has shortlisted one location each in Nellore and Chittoor for the plant, which will produce Horlicks and Boost branded products with an investment of up to Rs 1,000 crore.

**Irish firm opens Bangalore base:** Global food ingredients maker Kerry Group has opened a regional development and application centre in Bangalore to provide solutions to the growing local customer base in countries such as India, Pakistan, Sri Lanka and Bangladesh. The centre will employ about 55 people and will focus on developing ingredients and drive innovation across segments such as beverages, bakery, confectionary and dairy.

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