

HIGH COMMISSION OF INDIA
London
(Economic & Commerce Wing)

25th April 2012

Economic and Commercial Report on the United Kingdom
for the week ending 21.04.2012

Economy

GDP Growth

Source: Office for National Statistics published 28th March 2012

Manufacturing growth, quarter on quarter growth, CVM

Source: Office for National Statistics published 28th March 2012

Bilateral Merchandise Trade (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 Jan-Feb	816		998		1814		

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

Trade/Investment Enquiries

During the week ending 21st April 2012 the following enquiries from India were received by the Economic & Commerce Wing of the High Commission apart from enquiries over phone about procedures and regulations to do business within India:

From India

Broad Items	Number of Queries
Export of Marine foods	1
Export of Leather products	1
Export of CI casting	1
Export of Jewellery	1
Export of Food and Vegetables	1
Export of Natural Stones and sand stones	2
Export of Engineering Goods	1
Export of Garments	1

Tenders from India

Organisation	Numbers of Tenders
Ordinance Factory	8
ONGC	1

MEDIA REPORTS

UK inflation rises to 3.5% in March

FT: 17th April 2012

Britain's inflation rate rose in March after falling steadily for five months, raising concerns it could prove more persistent this year than economists had hoped. Annual inflation as measured by the Consumer Price Index rose from 3.4 per cent in February to 3.5 per cent in March, according to the Office for National Statistics, though it is widely expected to fall again in April. High inflation has helped to hold back economic growth since the recession by eroding people's real incomes. The Bank of England has forecast CPI inflation will fall below its 2 per cent target by the end of the year, which it hopes will relieve pressure on household budgets. "Once again inflation has been higher than the Bank's central case in the first quarter of its forecast, and the hawks on the Monetary Policy Committee will be concerned that inflation expectations may grind up further, given that inflation is not falling as quickly as forecast at the start of the year," Simon Wells, an economist at HSBC, said.

Several economists said that the rise in inflation, although in line with forecasts, could complicate matters for the Bank of England's interest rate-setting body when it meets in early May. If it concludes that economic activity is so weak that further monetary stimulus would be wise, it will have to weigh that against the risk of a further rise in inflation. Food prices did not fall as much between February and March as they did a year earlier, when supermarket discounting was rife, putting upward pressure on the annual CPI figure. Nonetheless, some prices did fall significantly: there was a record monthly fall in the prices of sugar, jam, syrups, chocolate and confectionery and in the price of coffee and tea. Prices for clothing and footwear – especially in outdoor clothing, men's jeans and jumpers and women's cardigans – rose sharply between February and March. The ONS said the 2.2 per cent rise in this category was a record for this month of the year, even though prices for these goods do generally rise at this time of the year. Rising transport costs also contributed to the higher CPI, with a rise in the price of petrol of 3.3p a litre to a record £1.38 a litre.

Vodafone threatens legal action over India's tax change proposals

F.T: 18th April 2012

Vodafone has threatened legal proceedings against India's government under a bilateral investment treaty in a move that further escalates the group's campaign against proposed tax changes. In March, India unveiled plans to amend its tax code in part to recoup up to \$2.6bn in capital gains tax it claims is due as part of Vodafone's 2007 purchase of Hutchison Essar, an Indian mobile operator. The decision prompted dismay at the UK-listed telecoms group, which had previously won a victory in India's Supreme Court over the issue, and further heightened concerns among analysts and trade bodies over India's seemingly arbitrary approach to international investors. In response, Vodafone yesterday served a preliminary notice indicating that it may seek arbitration under a bilateral treaty between India

and the Netherlands. The group's purchase of Hutchison Essar was made through a Dutch subsidiary. In a statement, the group said: "Vodafone has asked the Indian government to abandon or suitably amend the retrospective aspects of the proposed legislation as Vodafone would prefer to reach an amicable solution to this matter." The announcement is timed to precede the return of India's parliament this month. Vodafone plans formally to seek arbitration if the proposed taxation changes are passed. Analysts expect the proposal to be discussed in early May. The move marks a further escalation of a wider campaign by the UK group, which is India's largest foreign investor, to pressurise the government into reversing its taxation decision before the vote. This month a group of seven international business associations, including the US Business Round Table and the Japan Foreign Trade Council, wrote to Manmohan Singh, India's prime minister, expressing deep concern over the planned changes.

Jobless fall welcomed but growth fears persist

F.T: 19th April 2012

Economists welcomed the first drop in unemployment for nine months as a "nice surprise" yesterday but many saw further rises ahead in the absence of stronger economic growth. Monthly labour market data from the Office for National Statistics were better than expected, with employment up, unemployment - including youth unemployment - down and a recovery in hours worked, suggesting some workers were busier and their jobs more secure. Against that, the growth in jobs was driven entirely by part-time work, suggesting employers are still too nervous to create full-time vacancies. Long-term unemployment jumped to its highest level since 1996, earnings suffered a further squeeze and the number of women out of work rose to its highest since 1987. "It is too early to call a turning point," said Simon Wells at HSBC. "Productivity is low and the demand outlook weak. Unemployment could rise again before it starts a sustained fall." John Philpott, of the Chartered Institute of Personnel and Development, said: "A properly recovering jobs market is not characterised by a growing army of underemployed part timers and pay rises still falling well short of price inflation." The jobless total fell by 35,000 to 2.65m in the three months to February, the lowest level since October.

The unemployment rate dropped from 8.4 per cent to 8.3 per cent of the workforce. The number claiming job seeker's allowance rose by 3,600 to 1.61m in March, the 17th consecutive increase. The rise was less than the market expected and follows a downwardly revised increase of 4,500 the previous month. North-east England had the highest jobless rate, down 0.8 points at 11.2 per cent of the workforce, followed by London, up 0.2 points at 10.1 per cent. The lowest rate was in south-east England, down 0.1 points at 6.3 per cent. Unemployment started rising last summer as economic recovery stalled but has flattened off recently. However, while some analysts think the rate could stabilise at about 8.5 per cent, others expect it to reach 8.7 per cent by the end of the year. Chris Grayling, the employment minister, said the figures were "a step in the right direction but we still have a long way to go". Liam Byrne, the shadow work and pensions secretary, said the "jobs crisis is becoming deep set". The number of people out of work for more than a year jumped by 26,000 to 883,000, the worst since 1996. Employment rose by 53,000 to 29.17m in the quarter to February but was down 57,000 on a year earlier.

Cable hopes to help manufacturing comeback

FT: 19th April 2012

Vince Cable said he "hoped and expected" that manufacturing could almost double its contribution to the economy in the next few years, but acknowledged that skills and the issue of apprenticeships remained the industry's leading concern. The secretary of state for business, innovation and skills sounded out companies' concerns during a visit to Birmingham's National Exhibition Centre on Thursday, which is playing host to the UK's Rupert Murdoch rejects 'power broker' status. "In order of importance, almost everybody is raising the issue of skills," he said. "As you know, we're putting quite a lot of resource into apprenticeships. But the problem, particularly for advanced manufacturing, is they need trained engineers. That takes some years."

Manufacturing contributes about 10 per cent of the UK's gross domestic product, down from close to a third 40 years ago. Machine tools are often seen as a lead indicator for the manufacturing economy. Sales were up by more than a third last year and are now close to pre-recession levels, according to the Manufacturing Technologies Association, the industry body and exhibition organiser. Mr Cable added: "I would certainly hope and expect that the manufacturing sector would grow as a share of the economy and I don't think a high teens figure is totally unrealistic."

SEMTA, the sector and skills council for science engineering and manufacturing technologies, estimates the UK will need 82,000 engineers by 2016. "We could sell more of our machines, but a lot of customers say they just haven't got the operatives to run them," said Mr Pockett. Machine tool sales are increasing thanks in part to investments by UK car companies. Mr Cable though acknowledged that issues remain that are "holding manufacturers back", adding that what he had heard from the exhibitors "reinforces the overall story that manufacturing is recovering its confidence and expanding".

Osborne under pressure on IMF loans

The Guardian, 20th April 2012

George Osborne is coming under pressure to commit billions of pounds in extra loans for the global economy when he attends the organisation's spring meeting. The chancellor arrived in Washington on Thursday night to discuss the loans to the International Monetary Fund as its boss, Christine Lagarde, insisted it was in the UK's interest to allocate extra resources. Treasury officials insisted any deal had to be done at a "global level" and must meet strict conditions. Lagarde, the IMF managing director, told Sky News: "The UK is a founding father of the IMF. And the UK is there for international grave situations. It's always been a very loyal partner when it's tough. "But it's in their interest. Because if the key partners of a country like the UK are in very bad shape, they are bad clients. It's not in the interest of the UK to have a weak euro." Lagarde is seeking to secure at least £250bn in additional resources for the IMF's "firewall" fund to stabilise the world economy. Earlier this year Osborne

said there was a case for increasing the pot and he would have to "think very hard" about rejecting any request. But he cautioned that Britain would only be prepared to boost its contribution if certain conditions are met. He wants assurances there will be no funds specific to the eurozone and that bailouts are for countries, not currencies. Parliament has previously approved around £40bn in support for the IMF, of which about £30bn has already been committed. Any new request going beyond the £10bn "headroom" still available to Osborne would require a fresh vote by MPs.

Events

Commerce and Industry Minister led 8th JETCO Meeting

Shri Anand Sharma, Commerce, Industry and Textiles Minister co-chaired the 8th round of India-UK Joint Economic and Trade Committee (JETCO) Meeting held in London on 16th April 2012 alongwith his British counterpart Secretary of State for Business, Innovation and Skills, Dr. Vince Cable. Dr. Vince Cable. The FICCI and CII led industry delegations of leading businessmen from India to the meeting. The meeting saw both industry and Government come together for healthy discussions at the Joint Working Groups on the themes of Advanced Manufacturing and Engineering, Education and Skills Development, Investment and Innovation and Logistics. The outcomes of these deliberations were presented by the leaders of the groups in the plenary session. Outcomes of the discussions in the Britain-India Infrastructure Group (BIIG), which has been meeting separately, were also taken on board during the Plenary Session. Both sides agreed to concentrate on Education and Skills Development and innovation and healthcare technology, particularly cardiology. In the advanced manufacturing and engineering sector the meeting identified several projects like collaboration between BAE systems and Mahindra & Mahindra, JV between Hindustan Aeronautics Limited and Rolls Royce and collaboration between Bhushan Power & Steel and CDE Asia Limited for immediate implementation. The Ministers also participated in the release of a Compendium on partnerships in Skills and Education and the launch of a dedicated website of the UK- India Skills Forum.

Addressing the JETCO plenary session of over 150 businessmen from both countries, Shri Anand Sharma underpinned the importance of deliverables and immediate implementation of identified projects. He assured the businessmen that India is poised to regain the trajectory of robust growth for the next 25-30 years. He reiterated that the Government of India is committed to create investor friendly environment in the country through the FDI route, implementation of the new National Manufacturing Policy and creation of enabling financial framework for investment. He welcomed British investments in India especially in development and infrastructure projects including the Delhi-Mumbai Industrial Corridor and Bangalore-Chennai Corridor.

Shri Anand Sharma also held bilateral meetings with Dr. Vince Cable and Mr. George Osborne, the Chancellor of the Exchequer. During the meetings Shri Sharma highlighted the scope for greater cooperation between the two countries in trade and investment, particularly in critical areas like infrastructure, healthcare, skills

development, advanced manufacturing and innovative technologies. The Ministers also discussed the importance of economic collaboration by protecting and creating jobs through trade and investment in each other's economy. The issues discussed included the sovereign debt crisis in the Eurozone, close cooperation in international business of common interests in fora like WTO, IMF, G-20, etc.

Shri Anand Sharma also addressed a Press Conference at the India House and answered questions including concerns about the impact of the amendment proposed in the Finance Bill 2012 by the Finance Minister. He also gave an interview to the CNBC and interacted with the business community which was anchored by the CNBC. During these interactions Shri Sharma reiterated the Government of India's commitment to economic reforms and investor friendly manufacturing and FDI policies for attracting foreign investments. He assured the businessmen that there was no cause for concern as the amendment proposed in the Finance was clarificatory in nature and not substantive. He emphasized that the Indian Tax regime is clear and transparent. He also drew their attention to precedents in other countries including similar amendments made retrospectively by UK in 2008. He underlined that India remains committed to the FDI policy and protection of foreign investment. He also pointed out that the UNCTAD Report puts India in the top three most favoured FDI destinations. Mr. Rajan Bharti Mittal, Vice Chairman and Managing Director, Bharti Enterprises also was present and answered questions at the CNBC interaction.

Dr. Jaimini Bhagwati, High Commissioner of India participated in the JETCO Session and bilateral meetings with the Minister. He also addressed the journalists and answered questions during the Press Conference at India House.

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