

High Commission of India
London
(Economic & Commerce Wing)

**Economic & Commercial Report on the United Kingdom
for July 2014**

Macro-Economy

According to the latest figures from the Office for National Statistics (ONS), 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 0.4% in production. However, output decreased by 0.5% in construction and by 0.2% in agriculture.

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	5051	+10.93	6182	+3.15	11233	+6.51	+1131
Jan-May 2014	1283	-46.87	2642	-0.56	3925	-22.61	+1359

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

Trade and Investment Enquiries from India: 37

Trade and Investment Enquiries from UK: 0

Tenders from India: 13

News in a nutshell:

UK continues to run large trade deficit

Britain continued to run a large trade deficit in May but with little sign that the economic recovery over the past year has caused a rise in imports and increased it. The deficit in goods and services was £2.4bn in the official monthly trade figures for May, slightly larger than the £2.1bn recorded in April. The monthly figure was pushed higher partly by a sharp rise in the value of imported aircraft, an erratic element of the data. Although the trade deficit is not deteriorating, as often happens when the UK economy improves after a recession, its relative stability shows there has been little rebalancing of the economy towards exports, as was initially hoped when sterling's value fell 25 per cent in 2007-08.

The detail of the trade figures showed a deficit in goods of £9.2bn in May, partially offset by an estimated surplus of £6.8bn in services. Trade is only one element of Britain's current account deficit, which stands at 4.4 per cent and has deteriorated over the past year, as income from foreign assets owned by British people has fallen compared with the income paid to foreigners on the assets they own in the UK.

UK inflation jumps to 1.9%

An unexpected jump in inflation in June has reinforced the growing expectation that the UK could see its first interest rate rise before the end of the year. Consumer price inflation grew 1.9 per cent in the year to June, up from 1.5 per cent in May. Sterling reversed its early losses on the news to stand 0.4 per cent up against the US dollar at \$1.714, as investors bet the Bank of England might have to raise rates sooner than thought to meet its inflation target of 2 per cent. This is only the second time since June 2013 that the monthly inflation rate has risen. The largest contributions to the rise came from clothing and shoes.

The inflation increase, combined with signs of strong economic growth, rising employment and reduced slack in the labour market, is likely to give ammunition to those rate setters who believe the UK economy is running out of room for non-inflationary growth and that hence rate rises may be needed this year. It is also likely to put renewed focus on the cost of living when average earnings data are released on Wednesday. While employment has been rising at a record pace, average earnings growth sank to 0.7 per cent in the three months to March. The Office for Budget Responsibility has estimated that real incomes will not return to their 2009-10 levels until 2018 at the earliest.

UK employment rate back at record high

The UK's employment rate has matched its record high as the economy continued to create jobs at an unprecedented pace. Real wages, however, remain weak. The proportion of people aged 16 to 64 in work reached 73.1 per cent in the three months to May, up 0.5 points on the previous quarter, the Office for National Statistics said. That rate was previously recorded in 1974 and 2004-05. But average earnings growth shrank to 0.3 per cent, down from 0.8 per cent in the three months to April and the lowest since 2009. The unemployment rate fell to 6.5 per cent, the lowest since December 2008, down 0.4 points on the quarter and down from 7.8 per cent a year earlier. The number of unemployed people was down 121,000 to 2.12m. The number of people in work rose 254,000 in the quarter to 30.64m. The figure was up 929,000 on a year earlier, the largest rise since records began in 1971. Most of the increase was for full-time work. Unemployment fell in all UK regions except northeast and southwest England and Scotland. The highest rate was in

the northeast, up 0.3 points at 9.6 per cent, and the lowest in southeast England, down 0.4 points at 4.4 per cent.

UK attracts record number of foreign investment projects

The UK has attracted the largest number of inward investment projects since records began in the 1980s, according to official data published on Sunday. Annual investment figures for 2013-14 from UK Trade and Investment, the trade promotion agency, show the UK attracted 14 per cent more projects than in the previous year. This follows a survey by EY, the professional services firm, which found that Britain had extended its lead as Europe's top destination for global investors. The data confirmed that the UK has continued to recover from a post-recession dip, helped by cuts in corporation tax and measures such as the "patent box", which allows for a lower tax rate on some intellectual property.

The UKTI report said 66,390 jobs were created, the most since 2001. In total 1,773 investment projects were set up by foreign businesses. That included 122 projects in Scotland, creating 5,374 jobs. Northern Ireland recorded a 32 per cent increase in projects while Wales was up 18 per cent and Scotland 10 per cent. UKTI said projects in England, excluding London, increased 11 per cent.

EY's survey had found that London accounted for almost half of all inward investment projects in the UK last year. It said projects in English regions, excluding London and the southeast, were 20 per cent below 2010, the last year of Labour's regional development agencies before the coalition scrapped them. UKTI said the largest number of projects came from the US, up 27 per cent, followed by Japan, France, Germany, Canada, China and India. Advanced manufacturing was the leading sector, followed by creative industries and information and communications technology, financial and professional services, and energy and infrastructure.

Investments included Indian-owned Jaguar Land Rover's plan to add 1,700 jobs to its factory in Solihull and China-based Trina Solar's completion of a photovoltaic power plant in Cornwall. Canada's Bombardier Aerospace created 250 jobs in Belfast and Germany's BayWa Re built a solar power plant near Oxford.

PM and Environment Secretary announce multi-million pound boost for British food industry

£400 million of potential new business for the British food industry was announced by Prime Minister David Cameron and Environment Secretary Elizabeth Truss, as part of the government's long-term economic plan to back British businesses. The Prime Minister announced that from 2017, all of central government will commit to buying fresh, locally sourced, seasonal food, so that all food that can be bought locally will be bought locally. This will be done through a new, simplified food and drink buying standard, 'The Plan for Public Procurement', which was launched to benefit thousands of British farmers, small businesses, rural economies and the British public.

The public sector in England spends £1.2 billion every year on food and drink. Up to £600 million of that is spent on imported produce, £400 million of which could be sourced from within the UK. The commitment from central government to use this new buying standard means that just over half of the £400 million will be up for grabs by British farmers. In addition, the wider public sector will be encouraged and supported in using the new

framework with the expectation that all schools and hospitals will, in future, serve more locally reared meats and freshly picked fruit and vegetables.

UK-India Trade and Investment News

Punjab plans Birmingham University tie-ups

A number of leading universities from Punjab plan to strike collaborations with the University of Birmingham. A delegation representing five institutions from the northern Indian state visited Birmingham to learn more about how UK universities operate, with the hope of exploring potential partnerships in the future. "The University of Birmingham has a proud history of engagement with India, welcoming its first Indian student in 1909. Since then, the university has provided education for more than 1,000 Indian students across the institution's five colleges, including for high-ranking government officials," the University of Birmingham said in a statement. A majority of the visiting academics came from Punjab University, a public state university located in Chandigarh and one of the oldest universities in India.

UK firms buys India insurance stake

The Jardine Lloyd Thompson (JLT) Group, a leading British-based insurance and re-insurance company, has acquired a stake in Mumbai-based financial services provider Independent Insurance Brokers (IIB) to enter the insurance broking business in India. According to the deal, JLT has purchased a 26 per cent stake in the Indian firm for an undisclosed amount. Post-acquisition IIB will be rebranded as JLT Independent and report to JLT Asia chief executive Duncan Howorth. JLT already has operations in India since 2007 and its Mumbai office is the largest outside London, providing analytical, actuarial and legal, financial and processing services. Subsidiary of financial service provider Sunidhi Group, IIB provides insurance and reinsurance solutions in the field of general insurance. The deal is part of JLT's expansion strategy and will help the company build a leading specialty insurance and reinsurance broker and employee benefits adviser in India. Founded in 1997, JLT owns offices in 39 territories with more than 9,000 employees.

Mahindra of India gears up for R & D in UK

The Indian automotive giant Mahindra are locating their research and development for the next generation of their electric vehicles in the UK. They are investing £20 million in new state-of-the-art facilities in Farnham and Donington to support their Formula E racing team – the new racing competition driving innovation in the electric vehicle market. The technology being developed could be used for Mahindra's consumer electric vehicle programme.

Cipla to invest upto 100 million pounds in UK as part of expansion

The Indian pharmaceutical company Cipla will invest up to £100 million in the UK. The investment will fund the launch of a range of drugs in the area of respiratory, oncology and antiretroviral medicines as well as research and development and clinical trials as part of their further expansion internationally and in the UK.

Everymedia buys UK stake

Mumbai-based marketing services firm Everymedia Technologies Private Limited has announced the acquisition of a significant stake in UK-based digital solutions agency Plus 1

Digital. The financial details of the deal have not been disclosed yet but Plus 1 Digital will be positioned as part of the Everymedia group after the acquisition. Both companies have worked together in the past and the deal will help the Mumbai group strengthen its presence in the international markets and take the group to the next level. Founded in 2009, Everymedia Technologies is a full-service integrated marketing communications company and has offices in Mumbai, Delhi, San Diego, Dubai and London. Its client list includes many big names like Yash Raj Films, Dharma Productions, Eros International, Fox Star Studio, Illuminati Films among others. Plus 1 Digital was founded in January 2013 and is the digital brand of DiscoverMi Ltd backed by Dubai-based ventures company TIS Ventures FZCO. It is about to open operations in Poland and Kenya.

Exova expands with purchase of metals-testing firm in India

Materials-testing business Exova has underlined its appetite for international expansion with the acquisition of an Indian company. The Edinburgh firm, which listed on the main market of the London Stock Exchange in April, has snapped up Mumbai-based Metallurgical Services Private for an undisclosed sum. Metallurgical Services, founded in 1964 and now with 130 staff, provides testing in areas including mechanical, corrosion and metallurgy across industries such as oil and gas and infrastructure. It has around 3,500 customers based mainly in the west of India. Exova said it plans to support growth in the business across India and more widely into Asia. It currently operates in Malaysia, Singapore and Hong Kong. Exova employs around 150 people at its Edinburgh headquarters with a further 60 across sites in Aberdeen and Glasgow. Its global workforce is now more than 3,700.

UK firm sells Indian tonic water back to India

Indian tonic water, which was invented during the British Raj in India as a preventive against malaria, will now be sold back to the country of its origin by a UK firm. Fever Tree decided to capitalise on the popularity of the carbonated soft drink with quinine content, used as a popular mixer with gin even today. It is launching its range into India at the end of August as part of the UK government's GREAT Britain tourism campaign.

First UK-India call under Newton Fund launched

As part of the Newton Fund, The UK's Medical Research Council (MRC) and the Indian Department of Biotechnology (DBT) are working to further strengthen the excellent research ties between the UK and India. They together invite proposals to the UK-India Joint Centre Partnerships call. This is the first call for proposals for joint research between the UK and India, under the recently announced Newton Fund in April 2014.

As part of the Newton Fund, the MRC and DBT under this programme are working to further strengthen the excellent research ties between the UK and India. The MRC will allocate up to £3.5million for this programme, which will be matched by DBT. This programme is expected to fund up to three partnerships for a period of three years. The value and areas of research collaboration between the UK and India has immensely amplified in the last five years, and this announcement will further enhance the existing partnership, and supports the mobility and exchange of MRC and DBT-funded researchers between both the countries.

UK Ministerial Visit to India in July 2014

- Rt Hon George Osborne, Chancellor of the Exchequer visited India during July 7-9, 2014 to attend the 7th round of the Economic & Financial Dialogue (EFD). During his visit, he called on Shri Narendra Modi, Hon'ble Prime Minister of India, Shri Arun Jaitley, Hon'ble Finance Minister of India and Dr Raghuram Rajan, Governor, Reserve Bank of India.
- Rt Hon William Hague, former Secretary of State for Foreign and Commonwealth affairs visited India during July 7-9, 2014. During his visit, he called on Shri Narendra Modi, Hon'ble Prime Minister of India and Smt Sushma Swaraj, Hon'ble Minister for External Affairs.
- Rt Hon Oliver Letwin, Minister for Government Policy and Chancellor of the Duchy of Lancaster, Rt Hon Gregory Barker, former Minister of State at the Department of Energy and Climate Change and Minister for Business Engagement with India, Mr Jo Johnson, Minister of State for Cabinet Office and Ms Priti Patel, Exchequer Secretary to the Treasury and UK PM's Indian Diaspora Champion accompanied the Foreign Secretary and the Chancellor during their visit to India.
- Rt Hon Edward Davey, Secretary of State for Energy and Climate Change visited India during July 24-25, 2014 to attend a round table with Gujarat energy sector experts. During his visit, he called on Shri Prakash Javadekar, Hon'ble Minister of State for Environment, Forests and Climate Change, Shri Dharmendra Pradhan, Hon'ble Minister with Independent Charge for Petroleum and Natural Gas, Shri Piyush Goyal, Hon'ble Minister of State with Independent Charge for Power, Coal and New & Renewable Energy and Smt Anandiben Patel, Hon'ble Chief Minister of Gujarat.