



**High Commission of India
London
(Economic & Commerce Wing)**

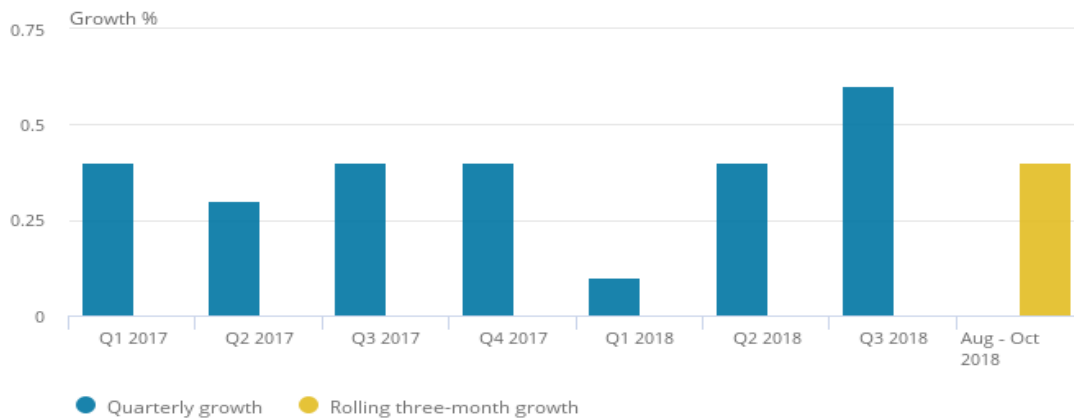
Economic & Commercial Report on the United Kingdom, December 2018

Overview of UK's Economy

- Following a weak first quarter and some recovery in the second, the UK economy perked up in Quarter 3, growing by 0.6%. Looking at monthly performance, only the first month of Quarter 3 – July – saw growth, with good weather helping boost demand for retail and hospitality sectors. Overall output was flat in both August and September. Nominal GDP grew by 0.8% in Quarter 2 2018.

Figure 1: Rolling three-month growth was slightly lower than the relatively high growth seen in Quarter 3 2018

UK GDP growth, Quarter 1 (Jan to Mar) 2017 until August to October 2018



Source: Office for National Statistics, GDP monthly estimate

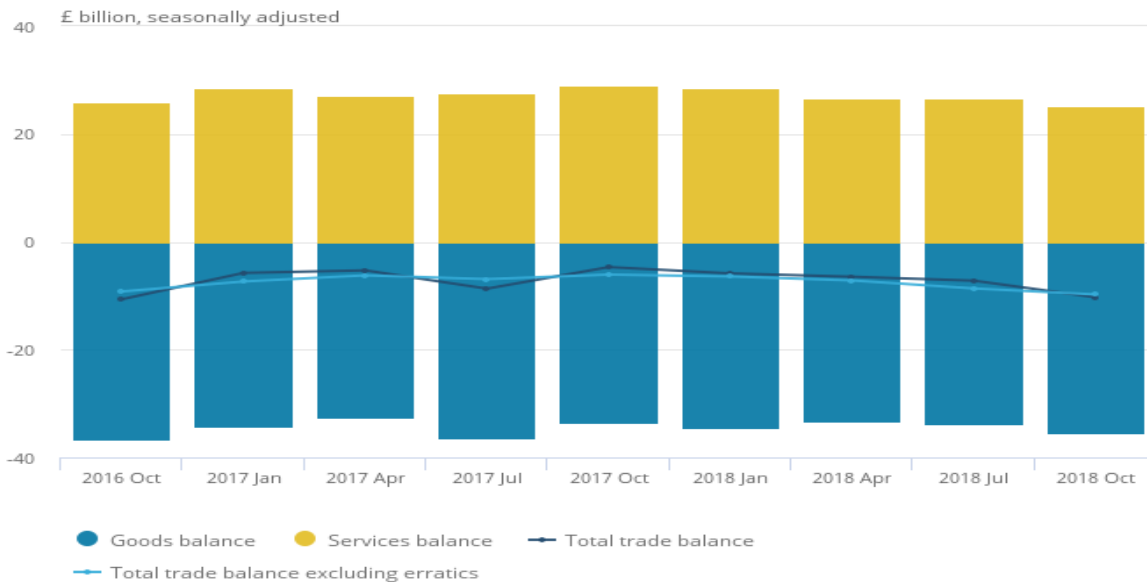
- All four sectors of output contributed positively to growth in Quarter 3 2018, with the largest contribution from the services industries at 0.3 percentage points.

Breakdown of GDP growth rates by month					
UK, August, September and October 2018					
	Aug-18	Sep-18	Oct-18		
GDP	0.0%	0.0%	0.1%		
Index of Services	0.0%	-0.1%	0.2%		
Index of Production	0.0%	0.0%	-0.6%		
Manufacturing	-0.1%	0.2%	-0.9%		
Construction	-0.3%	1.7%	-0.2%		
Agriculture	0.1%	0.1%	0.1%		

Source:
Office for National Statistics, GDP monthly estimate

- The total trade deficit (goods and services) widened £3.1 billion in the three months to October 2018; the goods deficit widened £1.7 billion and the services surplus narrowed £1.3 billion.

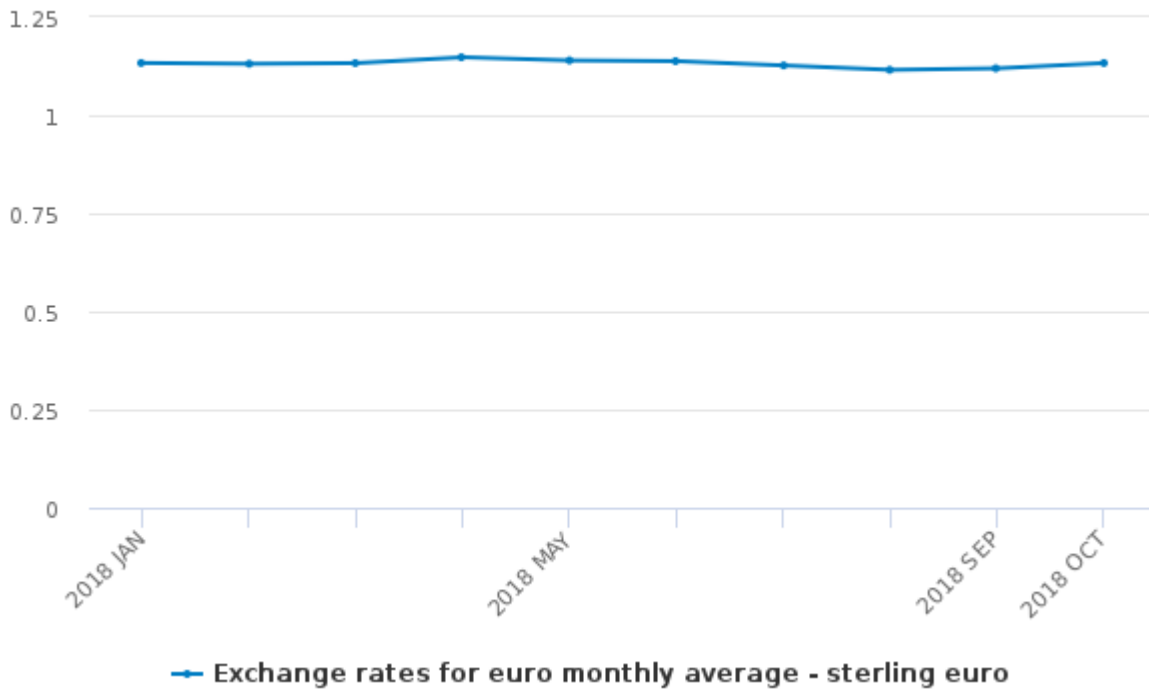
Figure 2: UK trade balances, three months on three months, October 2016 to October 2018



Source: Office for National Statistics

- Exchange rates for euro monthly average - sterling euro for October 2018 was 1.1352. (source: ONS)

Exchange rates for euro monthly average - sterling euro



Source:

1.1 Producer Price Index

- The headline rate of output inflation for goods leaving the factory gate was 2.5% on the year to December 2018, down from 3.0% in November 2018.

1.2 Consumer Price Index

- The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 2.0% in December 2018, down from 2.2% in November 2018.
- The largest downward contributions to change in the 12-month rate came from falls in petrol prices and from air fares, where ticket prices rose between November and December 2018, but by less than a year ago.



1.3 Employment rate

The employment rate (the proportion of people aged from 16 to 64 years who were in work) was estimated at 75.7%, higher than for a year earlier (75.1%).

1.4 Unemployment rate

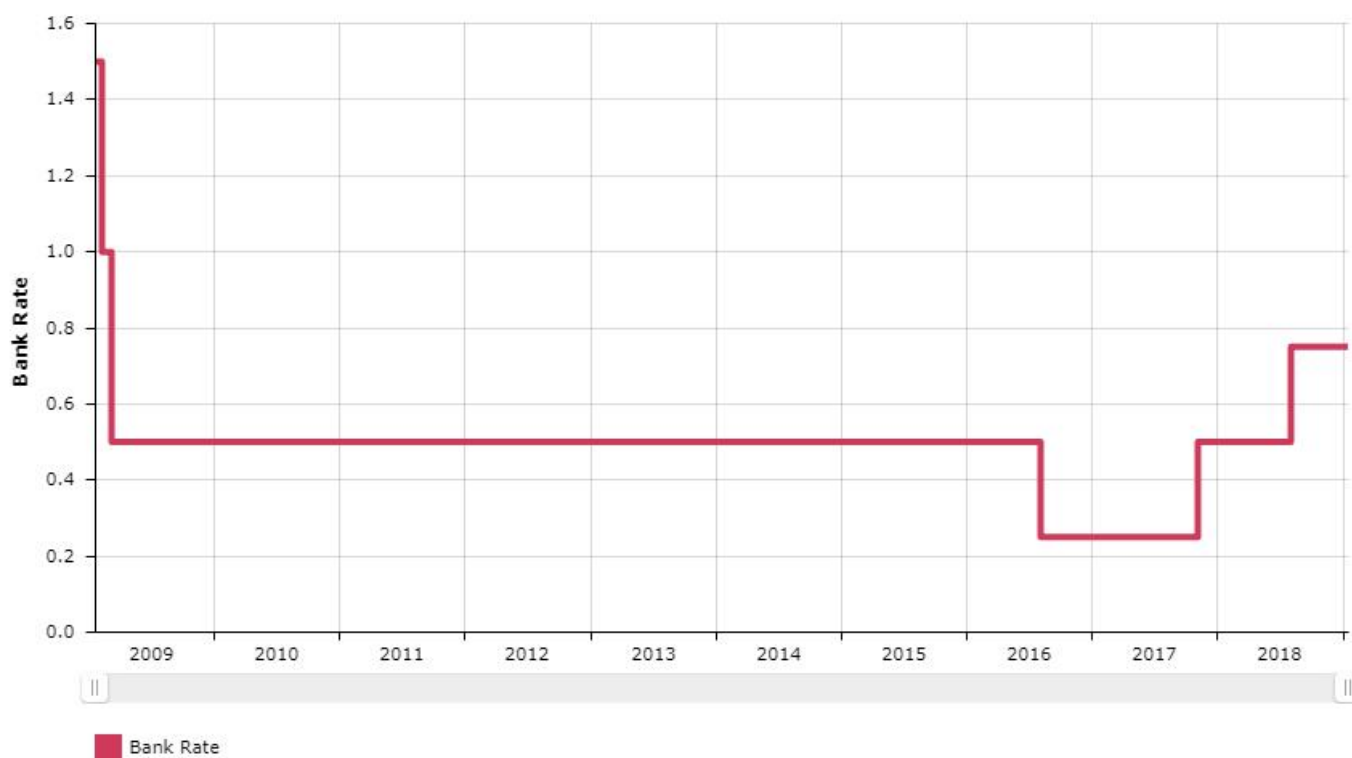
The unemployment rate (the number of unemployed people as a proportion of all employed and unemployed people) was estimated at 4.1%, virtually unchanged compared with May to July 2018 but lower than the estimate for a year earlier (4.3%).

1.5 Index of Services

- The Index of Services increased by 0.3% between October 2018 and November 2018.
- In the three months to November 2018, services output increased by 1.8% compared with the three months ending November 2017..

1.6 Bank rates

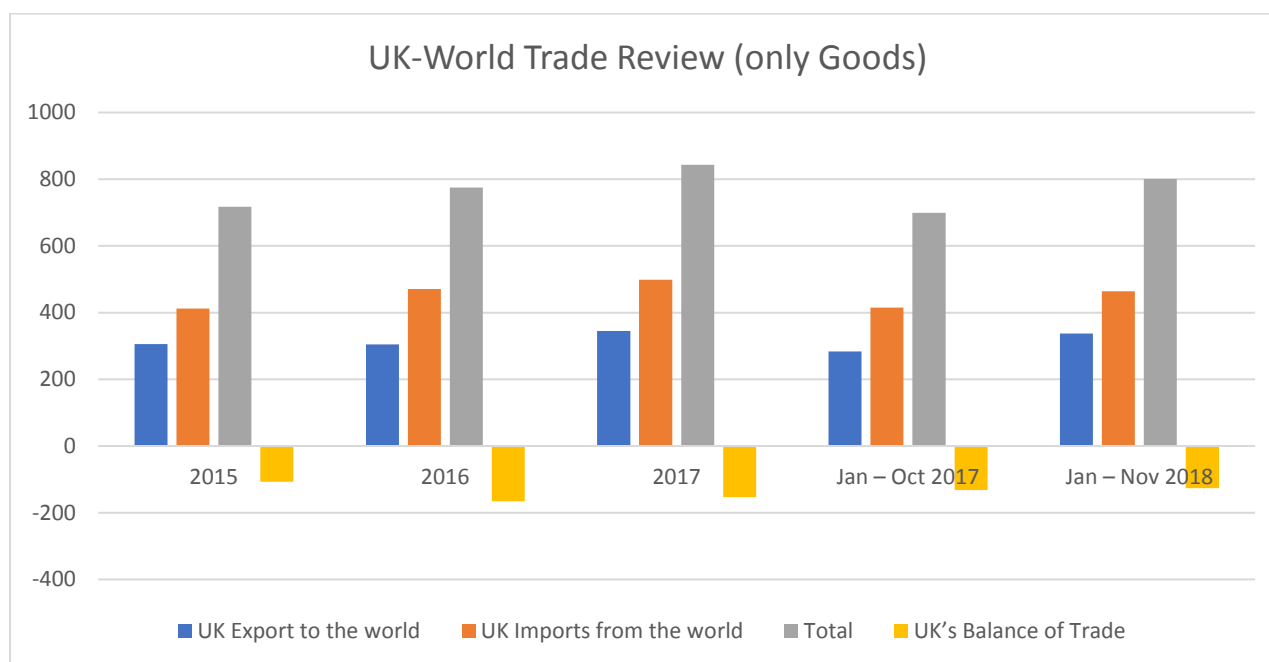
- The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. At its meeting ending on 31 October 2018, the MPC voted unanimously to maintain Bank Rate at 0.75%.



1.7 Public sector net borrowing

- Borrowing (public sector net borrowing excluding public sector banks) in November 2018 was £7.2 billion, £0.9 billion less than in November 2017; this was the lowest November borrowing for 14 years (since 2004).
- Debt (public sector net debt excluding public sector banks) at the end of November 2018 was £1,795.1 billion (or 83.9% of gross domestic product (GDP)); an increase of £59.3 billion (unchanged at 83.9% of GDP) on November 2017.
- On 29 October 2018, the Office for Budget Responsibility (OBR) revised their official forecast of borrowing for the financial year ending (FYE) March 2019 down by £11.6 billion to £25.5 billion.

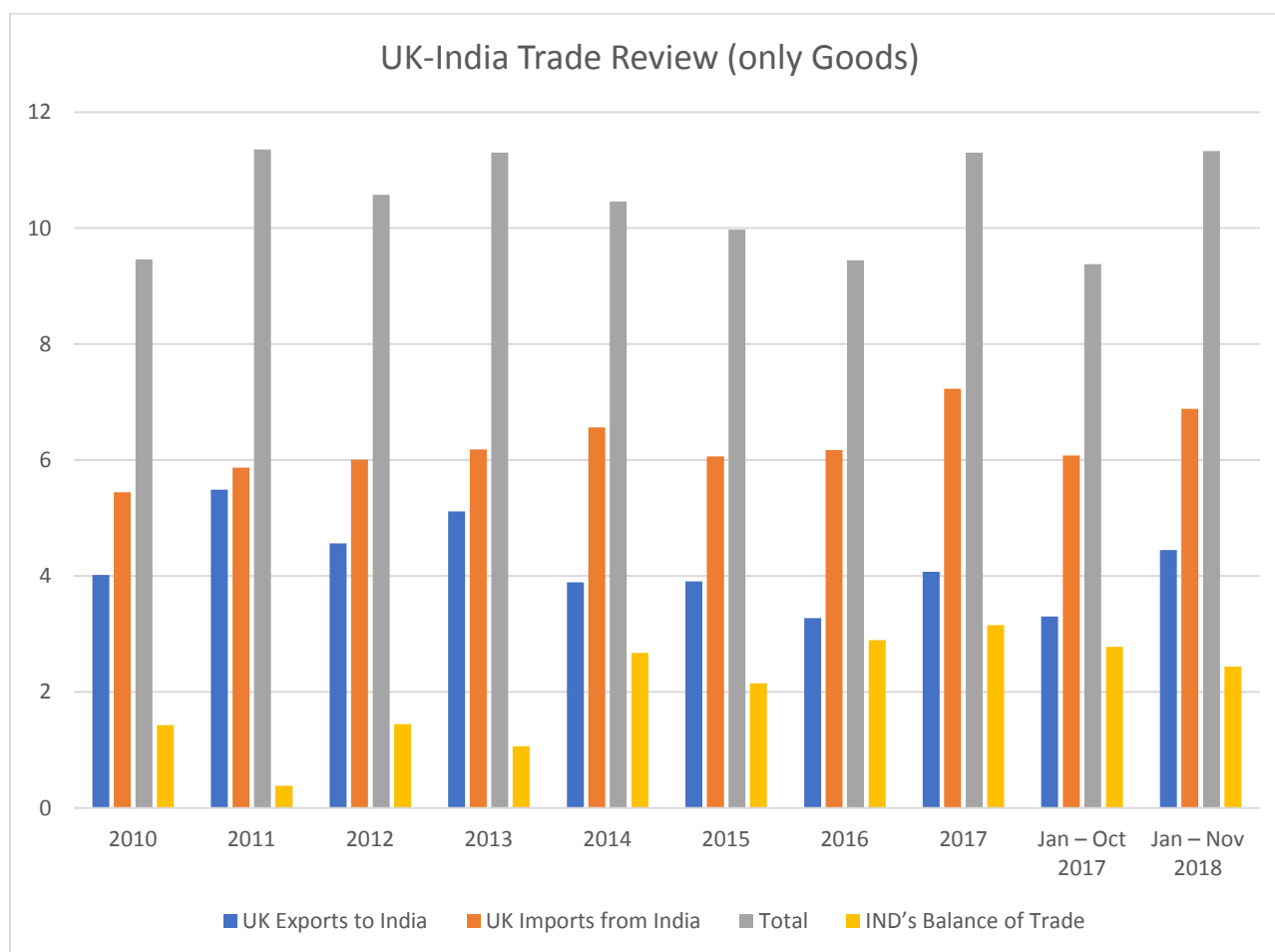
2. UK-World Trade Review (only Goods)



GBP Billion

Year	UK Export to the world	% change	UK Imports from the world	% change	Total	% change	UK's Balance of Trade
2015	305.170	-1.70%	411.878	-2.27%	717.048	-2.03%	(106.708)
2016	304.423	-0.19%	470.579	+14.16%	775.002	+8.14%	(166.156)
2017	345.250	13.39%	498.037	5.75%	843.287	+8.75%	(152.787)
Jan - Oct 2017	283.480		415.200		698.680		131.72
Jan - Nov 2018	336.907	7.45%	463.603	1.08%	800.510	3.66%	126.696

3. UK-India Trade Review (only Goods)



GBP Billion

Year	UK Exports to India	% change	UK Imports from India	% change	Total	% change	IND's Balance of Trade
2010	4.017	+36.49%	5.446	+25.86 %	9.463	+30.16%	1.429
2011	5.488	+36.61%	5.868	+7.74 %	11.356	+20.00%	0.380
2012	4.567	-16.78%	6.010	+2.41 %	10.577	-6.85%	1.443
2013	5.118	+12.06	6.186	+2.92 %	11.304	+6.87%	1.068
2014	3.893	-23.93%	6.566	+6.14 %	10.459	-7.47%	2.673
2015	3.911	0.46%	6.062	-7.67 %	9.973	-4.64%	2.151
2016	3.274	-16.27%	6.171	+1.79%	9.445	-5.28%	2.897
2017	4.074	24.43%	7.229	17.14%	11.303	19.67%	3.155
Jan – Oct 2017	3.301		6.079		9.380		2.778

Jan – Nov 2018	4.448	22.25%	6.885	2.26%	11.333	9.28%	2.437
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(Source: Office for National Statistics and Overseas Trade Statistics, HM Customs & Excise)

4. Trade and Investment Enquiries

from India: 65

from UK: 04

5. Tenders from India: 20

6 Investments from the UK to India

- UK to invest 1 million pounds in pilot elements of UK-India Technology Partnership
<https://www.moneycontrol.com/news/technology/uk-to-invest-1-million-pounds-in-pilot-elements-of-uk-india-technology-partnership-amo-kalar-3316771.html>
- UK-India FutureTech Festival To Fastrack Funds For Indian Startups
<https://inc42.com/features/uk-india-futuretech-festival-to-fastrack-funds-for-indian-startups-says-uk-trade-director-south-asia-rhiannon-harries/>
- GlaxoSmithKline sells Indian Horlicks business to Unilever
<https://www.proactiveinvestors.co.uk/companies/news/210385/glaxosmithkline-sells-indian-horlicks-business-to-unilever-210385.html>
- UK musical instrument maker celebrates export success to Indian Army
https://www.business-standard.com/article/pti-stories/uk-musical-instrument-maker-celebrates-export-success-to-indian-army-118120301124_1.html

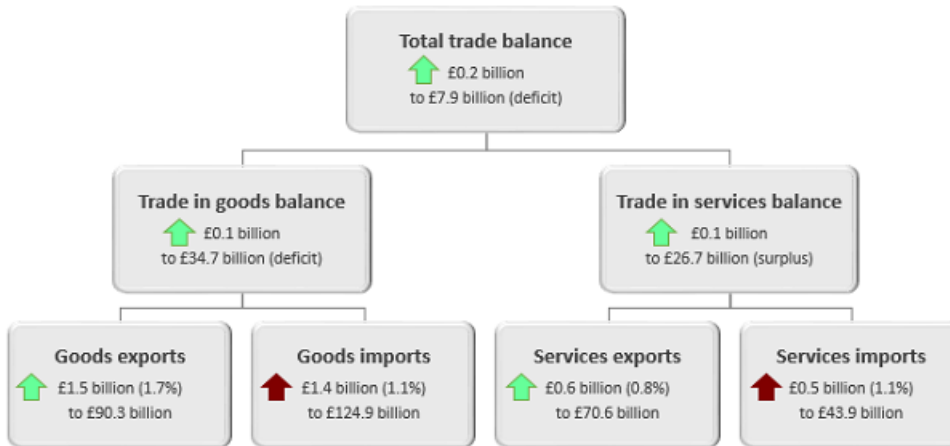
7. Investments from India to the UK

- Between 2000 and 2018, total FDI which flowed into India from all channels from the UK is estimated at \$50.57 billion
<http://www.cbi.org.uk/news/uk-is-front-runner-as-largest-western-investor-in-india-cbi-grant-thornton/>

8. UK Trade with the World

- The total trade deficit (goods and services) narrowed £0.2 billion to £7.9 billion in the three months to November 2018 as both goods and services exports each increased £0.1 billion more than their respective imports.
- Large increases in export prices of oil and aircraft drove the narrowing of the total trade deficit; removing the effect of inflation, the total trade deficit widened £0.3 billion to £6.5 billion in the three months to November 2018.

Changes in the UK trade balances, exports and imports, three months to November 2018 compared with three months to August 2018



9. Bilateral UK – other countries

- Australia: Prime Minister Theresa May met Prime Minister Scott Morrison of Australia for the first time on the side-lines of the G-20 Summit in Buenos Aires on December 1. UK PM congratulated Prime Minister Morrison on his appointment and said the UK remained committed to the strong and enduring partnership between our countries.
- Japan: Prime Minister Theresa May met Prime Minister Shinzo Abe of Japan in the margins of the G-20 Summit in Buenos Aires on 1 December.
- Chile: Prime Minister Theresa May met with President Sebastian Pinera of Chile at Buenos Aires on the side-lines of the G-20 Summit on 1 December.
- Lebanon: On 12 December, Rolls Royce signed a \$300 million deal with Middle East Airlines to provide engines and support to new fleet of aircraft seals deal at a UK-Lebanon Business & Investment event.

10. BREXIT

- According to a landmark European Court of Justice ruling in December 2018, Britain is free to cancel its notification to leave the EU without the consent of other EU member states and the ruling places no conditions on the decision. However, the judges did note that a decision to revoke Article 50 should be “unequivocal and unconditional”, suggesting the decision cannot be used as a tactic in an ongoing negotiation about membership terms.
- UK Prime Minister Theresa May survived a vote of no-confidence triggered by members of her own party over her handling of Britain's departure from the European Union. May won by 200 votes to 117.

[Sources: ONS, Gov.uk, UK Trade Info, FCO Global and UK Economy Weekly, media.]