

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

***Economic & Commercial Report on the United Kingdom
October 2018***

Overview of UK's Economy

- 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.
- Net trade contributed 0.8 percentage points to GDP growth in Quarter 3 2018, with a 2.7% rise in exports and flat growth in imports.
- Nominal GDP increased by 1.1%, driven by growth in compensation of employees of 1.3%.
- Brexit uncertainty and strong dollar drag Pound below \$ 1.30. Sterling fell as much as 0.5% to a low of \$ 1.2976.

1.1 Producer Price Index

- Labour productivity (output per hour) grew by 1.4%. Although positive, growth has remained noticeably below the long-term trend observed prior to the financial downturn, when growth averaged around 2% per year.

1.1 Consumer Price Index

- The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 2.2% in October 2018, unchanged from September 2018.
- The large downward contributions to the change in the 12-month rate from food and non-alcoholic beverages, clothing and footwear, and some transport elements were offset by upward contributions from rising petrol, diesel and domestic gas prices.

1.1 Employment rate

- The employment rate (the proportion of people aged from 16 to 64 years who were in work) was 75.5%, little changed compared with April to June 2018 but higher than for a year earlier (75.0%).

1.1 Unemployment rate

- The unemployment rate (the number of unemployed people as a proportion of all employed and unemployed people) was 4.1%, slightly higher than for April to June 2018 but lower than for a year earlier (4.3%).

1.1 Index of Services

- Services sector increased by 0.6% due partly to an increase in retail sales.

1.1 Bank rates

- If inflations keep rising and Sterling's renewed weakness is passed on to consumers, Bank of England may firm up plans to further interest rates rise.

1.7 Public sector net borrowing

- UK Public Sector Net Borrowing excluding public sector banks (PSNB ex) for the financial-year-to-date was the lowest since 2002, at £19.9bn. This was £10.7bn less than for the same period last year. Monthly borrowing for September was also lower than a year earlier at £4.1bn, a fall of £0.8bn, driven by stronger growth in tax receipts. Public Sector Net Debt (excluding banks) stood at £1.8trn at the end of September 2018, equivalent to 84.3% of GDP. The news comes ahead of the Budget on Monday.

2. UK-World Trade Review

GBP Billion

Year	UK Export to the world	% change	UK Imports from the world	% change	Total	% change	UK's Balance of Trade
2015	305170	-1.70%	411878	-2.27%	717048	-2.03%	(106708)
2016	304423	-0.19%	470579	+14.16%	775002	+8.14%	(166156)
2017	345250	13.39%	498037	5.75%	843287	+8.75%	(152787)

Jan- Sept 2018	272892	7.48%	37059	0.03%	309951	+3.06%	(370562)
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UK-India Bilateral

3. UK-India Trade Review

GBP Billion

Year	UK Exports to India	% change	UK Imports from India	% change	Total	% change	IND's Balance of Trade
2010	4017	+36.49%	5446	+25.86 %	9463	+30.16%	1429
2011	5488	+36.61%	5868	+7.74 %	11356	+20.00%	380
2012	4567	-16.78%	6010	+2.41 %	10577	-6.85%	1443
2013	5118	+12.06	6186	+2.92 %	11304	+6.87%	1068
2014	3893	-23.93%	6566	+6.14 %	10459	-7.47%	2673
2015	3911	0.46%	6062	-7.67 %	9973	-4.64%	2151
2016	3274	-16.27%	6171	+1.79%	9445	-5.28%	2897
2017	4074	24.43%	7229	17.14%	11303	19.67%	3155
Jan – Sept 2018	3691	24.27%	5565	4.37%	9256	11.49%	1874

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

4. Trade and Investment Enquiries

from India: 68

from UK: 04

5. Tenders from India: 21

6 Investments from the UK to India

- British companies including BP and Vodafone invested \$21.4 billion in India over the past decade, beating French and German companies put together. The investments include multi-billion-dollar deals inked by oil and gas company BP

with Reliance Industries and telecom operator Vodafone's investments in India. There are also examples of companies such as Rolls Royce and JCB that have invested in India for decades.

7. Investments from India to the UK

- According to the inward investment result 2017-18 by the department for International Trade, India is the 4th largest investor in the UK with 120 projects. The US remains the biggest source of investment with 514 projects, followed by Germany with 127 projects and China with 125 Projects. India remained the 2nd largest international job creator in the UK, by creating 5, 659 new jobs and safeguarding 532 jobs. India is expected to invest £1b in UK in near future as part of the new partnership.

8. UK Trade and Investment (Gov.uk/Media Reports)

- Total trade in goods exports for September 2018 were £32.3 billion. This was an increase of £1.0 billion (3.3 per cent) compared with last month, and an increase of £4.0 billion (14 per cent) compared with September 2017.
- Total trade in goods imports for September 2018 were £41.6 billion. This was an increase of £0.1 billion (0.2 per cent) compared with last month, and a decrease of £4.9 billion (10 per cent) compared with September 2017.
- The UK was a net importer this month, with imports exceeding exports by £9.3 billion.

9. India-UK Bilateral Investment– (Media Reports/Press Release (Gov.UK)

- According to Grand Thornton, a growing economy and continued efforts by the Indian government to remove regulatory hurdles and attract foreign investment continue to drive deal momentum in India. The value of corporate deals in India has doubled in the year to date compared to 2017, driven by big ticket consolidation across various sectors. There have already been 10 billion-dollar deals this year, capturing 74% of total deal value, with deal volume more muted. M&A is expected to gain further momentum following amendments to the insolvency and bankruptcy codes recently passed by the Indian parliament. This is likely to result in a number of distressed assets coming up for sale at attractive valuations, particularly in capital-intensive sectors such as real estate, infrastructure, power and cement.

10. Bilateral UK – other countries

The Prime Minister held a bilateral meeting with President Erdogan of Turkey in New York. They agreed that the trade and investment relationship between the UK and Turkey was strong and would continue to strengthen as the UK left the European Union.

11. BREXIT

- UK investors have pulled nearly £ 9bn from funds investing in British companies since the Brexit referendum, as uncertainty surrounds the terms of country's impending exit from the EU.
- The world's leading car makers gathered at Paris motor show and expressed worries about car exports as the UK's car plants are inexorably linked to the continent. More than half of exports of UK travel to Europe. Many top investors like Nissan, Toyota, Honda are in UK because it is a gateway to Europe.

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