

Consulate General of India Birmingham

Economic & Commercial Report for June, 2015

A. Macro-Economic Development in UK

UK GDP growth has slumped to its weakest level until the 2nd week of May since the final quarter of 2012, according to the UK Office for National Statistics. GDP grew just 0.3pc in the first quarter of the year, half what it was in the last three months of 2014. However, a rebound in activity in the UK's dominant services sector has boosted hopes overall that economic growth will strengthen in the second quarter of the year.

The Consumer Prices Index (CPI) fell by 0.1% in the year to April 2015, compared to no change (0.0%) in the year to March 2015. This is the first time the CPI has fallen over the year since official records began in 1996 and the first time since 1960 based on comparable historic estimates. The largest downward contribution came from transport services - notably air and sea fares.

UK construction industry contracts sharply in May

The construction industry contracted sharply in May, raising fears the economy has entered a rough patch. The Office for National Statistics said construction output fell 1.3 per cent between April and May, having shrunk by a revised 0.5 per cent. Economists were expecting a 0.2 per cent rebound. The slowdown in building activity follows disappointing data for UK manufacturing, which fell 0.6 per cent in May. Industrial production posted an unexpected increase, however, thanks to strong activity in the extractive sector.

UK Real wage growth highest in 7 years

Employment Minister Priti Patel said annual real wage growth reached 2.7% – the highest it has been since 2007. In further proof that the jobs market is continuing to grow, there are over 2.4 million more people working in the private sector than in 2010, with annual private sector pay growth now up to 3.3%. More than 400,000 extra people are in work compared to a year ago, while unemployment has also fallen nearly 350,000 over the same period to its lowest level since August 2008. The proportion of the workforce claiming benefits because they are unemployed is now at its lowest level since 1975 – down to 2.3%.

B. Development in Economic Policy in UK

George Osborne pledges to 'fix foundations' of economy

Chancellor of the Exchequer, George Osborne sought to "fix the foundations of the British economy" with a plan to reverse the UK's long-standing problem of low productivity and raise living standards. The plan largely rebadged existing policies into eight drivers of improved economic

efficiency, and some critics asked whether it was bold enough to address such a fundamental shortcoming in the economy. The Treasury's analysis suggests that "a large productivity gap exists between the UK and leading advanced economies". One official said matching the productivity of the US would raise GDP by 31 per cent, equating to around £21,000 per annum for every household in the UK.

Britain's fastest-growing companies to support apprenticeship recruitment

Business Secretary Sajid Javid announced a new scheme on 17 June 2015 to place apprentices in small and medium companies quoted on AIM, London Stock Exchange's growth market for ambitious small and medium businesses. He said the scheme would bring together innovative new companies that are the future of British business, and the hardworking young apprentices who are the future of the British workforce.

PM announces Migration Advisory Committee will consider new measures to reduce demand for migrant labour

PM David Cameron announced that the Migration Advisory Committee would consider new measures to reduce demand for migrant labour. Migration Advisory Committee (MAC) will look at proposals to cut non-EEA work migration and give British people the skills they need. MAC to advise on a funding boost to UK apprenticeships through a new Tier 2 visa levy, a rise on the minimum salary thresholds for migrant workers, and reforms to skills shortage criteria.

C. UK's Global Trade and Bilateral trade with India

UK Global Trade slumps down in May

In May 2015 the value of UK exports decreased 1.7 per cent to £25.8bn, and imports also decreased 2.0 per cent to £32.8bn, compared with last month. Consequently the UK is a net importer in May with imports exceeding exports by £7.0 billion. UK Exports fell 7.7% for Q1 2015 on Q1 2014, but imports rose 2.3% during the same period expanding UK's trade deficit by 39% for Q1 2015. USA, Germany, China, Switzerland and France were the main destinations for UK exports in May, UK's major imports were from Germany, USA, Netherland, China & France.

Indian exports to UK in the first five months (Jan-May) of 2015 declined 0.6% to £2.626 billion compared to the exports during the same period in 2014 and the Indian imports from UK during the corresponding period jumped 37.5% to £1.764. India is the 17th trade partner of UK with 1.5% share of UK's global trade.

D. News on major Economic & Business Developments

UK car sales rise for 39th consecutive month in May

New car registrations in UK rose 2.4% in May, marking the 39th consecutive month of growth. Latest figures have shown. The Society of Motor Manufacturers and Traders (SMMT) said 198,706 vehicles were registered during the month, with demand especially strong in the ultra-low emission

vehicles (ULEVs) segment. For the year-to-date, registrations are up 5.7% on the first five months of last year at 1,119,072 (2014: 1,058,974).

UK leads the way with £15.8 million seizure in global operation targeting counterfeit and unlicensed medicines and devices

The Medicines and Healthcare products Regulatory Agency (MHRA) on 18 June announced £15.8 million worth of counterfeit and unlicensed medicines and devices have been seized in the UK as part of a global operation. The seizures – the biggest recorded to date in the UK - include huge quantities of illegally supplied and potentially harmful slimming pills, erectile dysfunction tablets, anaemia tablets and narcolepsy tablets. Unlicensed foreign medicines and fake condoms were also found and removed. The seizures are a result of a month-long international crackdown on the illegal internet trade of medical products that yielded £51.6 million worth of items from 115 different countries globally. The ‘Operation Pangea VIII’ initiative, coordinated through INTERPOL, concluded with a week of international raids between 9 and 16 June that resulted in 156 arrests worldwide. The operation also targeted websites that were offering falsified, counterfeit and unlicensed medicines and led to their closure or suspension by removal of their domain name or payment facility.

BAE Systems announces plans to recruit 2,000 new apprentices

In a significant boost to the Chancellor’s Summer Budget announcement on apprenticeships, BAE Systems, the UK’s largest defence firm, announced plans to recruit 2,000 new apprentices. The decision comes just a day after the Chancellor announced a major shake up to how Britain’s biggest companies can help deliver millions of apprenticeships, with the introduction of a new apprentice levy. The radical plan will get large employers to play a full role in achieving the government’s ambitious target of 3 million apprentices by the end of the Parliament.

UK space industry boosted: major new space facilities launched

Another boost for the UK’s £11.3 billion space industry as 2 new space facilities are opened at the UK Space Gateway in Oxfordshire. UK arm of Airbus Defence and Space awarded contract for Quantum satellite with Eutelsat and European Space Agency (ESA).

Rise of the machines causing skills shortages, new report finds

The advance of robotics and 3D printing is boosting the demand for highly-skilled, IT literate workers in the UK’s advanced manufacturing sector, according to a new study by the government’s skills experts the UK Commission for Employment and Skills. The global advanced manufacturing market is predicted to double in size to £750 billion by 2020, largely driven by developments in new technologies. But the UKCES report ‘Skills and performance challenges in the advanced manufacturing sector’ warns that the advances achieved through automation are at risk if the right people with the right skills are not available to support them.

Lloyds share sales raise over £12bn for the taxpayer

The UK government sold a further 1% shareholding in Lloyds Banking Group through the trading plan launched in December, taking the total raised for the taxpayer to over £12 billion and reducing the government's shareholding to below 17%. All sales are used to reduce the national debt.

An aerospace and 3D printing centre opened in Coventry

UK Business Minister Anna Soubry opened new cutting edge research facilities in Coventry on 22 June 2015 and announced new technology projects to keep the UK a world leader in aerospace. The projects, which are jointly funded by industry and government, include work to develop 'slippery wings' and boost productivity.

Jaguar Land Rover set for further expansion

TATA Motor's Jaguar Land Rover has given a strong hint on its plans to beef up its new Special Vehicle Operations division by unveiling plans to develop a former air base in Warwickshire. The expansion of the facility at Fen End, near Kenilworth, could see hundreds of workers relocated from JLR operations in Coventry and Gaydon. JLR purchased the former aerodrome last year because of its close proximity to its engineering and manufacturing operations. The company is currently developing the hub of its new special operations.

World-class" big data centre opens in Leeds

BIG data is set to make a big impact in Leeds with the opening of a centre that will be a major resource for the regional economy. The Leeds Institute for Data Analytics (LIDA) at the University of Leeds will work with public and private sector organisations to assist them to meet the challenges and opportunities of Big Data. The purpose-built facility has space for more than 40 academic and research personnel, and will also provide a safe data room, advanced computational infrastructure, and a fully-equipped training suite.

Siemens gets full go-ahead for turbine blade factory in Hull creating 1,000 jobs

Wind energy firm Siemens has been given approval for a turbine blade factory and other facilities in Hull. Hull City Council's planning committee gave permission for the construction of a 426,251 sq ft factory on Alexandra Dock to manufacture 75 metre turbine blades and components. In partnership with Associated British Ports, Siemens is investing £310m in the city's biggest ever inward investment.

Birmingham climbs global office cost rankings

Birmingham is the world's 37th most expensive city in which to rent an office, according to CBRE's latest global 'Prime Office Occupancy Costs' survey. According to the research, which ranks the 50 top priced prime office locations, the average cost - including rent, business rates and service charge - of occupying a Grade A office in Birmingham is now £46 per sq ft. The city has moved two places up the rankings, from 39th position at the end of 2014.

Jaguar Land Rover announces new overseas production deal

Indian-owned Jaguar Land Rover has signed a new deal that will see it produce future vehicles at a plant in Austria. JLR has agreed a manufacturing partnership with Magna Steyr, an operating unit of Magna International, that will see it produce vehicles at a plant in Graz. The company said that with its three UK vehicle plants approach near capacity, the collaboration with Magna Steyr would create additional volumes needed to support the company's plans for further growth.

West Midlands has lowest sickness rate in the UK

The West Midlands officially has the lowest sickness rate in the UK, according to new figures. The 2015 Sickness Absence Survey report, published by EEF, the manufacturers' organisation and employee benefits company Jelf, shows that 4.2 days a year were lost to sickness per person in the region last year – down from 4.9 days a year previously and lower than anywhere else in the UK. In stark contrast the North West appears to be the unhealthiest region in the UK, losing on average 6.2 days a year to sickness.

FDI creates hundreds of jobs across the West Midlands

Businesses in the Black Country, Coventry & Warwickshire and The Marches area have all benefitted from millions of pounds of direct foreign investment, latest figures have shown. The figures from UK Trade & Investment show that in the Black Country investment by foreign-owned businesses over the past 12 months has been one of the chief factors in a 310% increase in new jobs. There were 457 new jobs attributed to foreign direct investment (FDI), well up on the 2013/14 figure of 146.

Rolls-Royce secures £320m engine supply deal and £144m US defence deal

Aero engine manufacturer, Rolls-Royce has secured a major new supply deal with an African-based airline that could be worth £320m (\$500m) to the business. Ethiopian Airlines has agreed to use the Trent 1000 engines to power six of its Boeing 787-8 Dreamliner aircraft. The deal also includes a long-term TotalCare support package.

Rolls-Royce has also secured services contracts valued at up to £144m (\$224m) to support US military branches and global air forces supplied by the US Department of Defense. The contracts will support Rolls-Royce AE 2100, Adour (F405) and T56 engines across a variety of fleets.

JLR opens new £650,000 education centre

Jaguar Land Rover, which is the UK's largest automotive employer, has opened a brand new £650,000 Education Business Partnership Centre at its Engine Manufacturing Centre, near Wolverhampton. The project is in partnership with Staffordshire County Council, South Staffordshire Council, Wolverhampton City Council and Wolverhampton College. The new Education Centre will provide school visits, work placements and bespoke education programmes for thousands of young people across the West Midlands each year.

HSBC Birmingham plans secure following job cuts announcement

HSBC has announced plans to axe 8,000 jobs in UK and a further 12,000 worldwide in a major cost-cutting drive. However, it is to continue with its \$11bn plan to create a ring-fenced bank based in Birmingham as one of its “strategic actions”.

West Midlands manufacturing confidence levels at two-year low

Manufacturing firms have reported the biggest decline in optimism since March 2013. The latest Business Trends Report by BDO in the West Midlands shows exporters have been particularly hard-hit as the continued slow performance of the Eurozone hits overseas markets and the strong pound makes British goods more expensive.

Birmingham embarks on unprecedented construction spree

Birmingham is said to be embarking on an unprecedented construction spree to keep up with demand for space from financial services firms. According to figures quoted by inward investment agency Marketing Birmingham, more than 1m sq ft of office construction is planned to be completed from 2017 as the city attempts to turn itself into a global financial services hub competing with other major European cities for investment. Demand for office space has rocketed in the past 12 months.

Chinese investors behind plans to create 1,000 jobs in Liverpool

The creation of 200,000 sq ft of commercial space in Liverpool's Chinatown could become home to up to 200 new Chinese businesses employing more than 1,000 people. The redevelopment of derelict land close to the Anglican Cathedral, which runs up to the Black-E community arts centre, would also see around 800 residential units built on the Great George Street site. The proposals would see the plans developed in three phases, with a planning application for the first phase expected to be submitted during the summer.

Visitors put Liverpool economy on high

Liverpool City Region's visitor economy now supports more than 49,000 jobs and generates income in excess of £3.8bn, according to new figures. The destination now attracts almost 54 million day visitors annually, and the number of staying visitors has risen to 4.8 million.

Manchester proving to be property hotspot

Rental levels for prime and secondary office space in central Manchester are now almost double those of city centre Liverpool, according to the latest annual office rents map from real estate advisers Colliers International. The research shows that average rental levels for prime or Grade A office space in central Manchester had increased by 6% to £34 per sq ft and in Manchester South by 22% to £22 per sq ft over the past 12 months.

E. Bilateral Trade and Investment promotion measures

Participation of Indian companies in "Subcon 2015"

Dr. Virander Kumar Paul, Deputy High Commissioner, HCI, London inaugurated the EEPC India's India Pavillion in "SUBCON 2015", Birmingham on 2nd June, 2015. Engineering Exports Promotion Council of India (EEPC) led the India business delegation with 25 manufacturers/exporters in advance engineering sector.

Dr. Paul visited each stand in the India pavilion and had brief discussions with the company representatives. He encouraged the company representatives to contact the High Commission of India and the Consulate General of India for follow-up action on their business enquiries. He also had a brief discussion with Mr. Rajat Srivastava, Regional Director, EEPC India and introduced him to a few key personnel in London, who could support the cause of EEPC in promoting trade and investment in India. Promoting EEPC India's flagship business promotion event "India Engineering Sourcing Show(IESS) 2015" (24-26 November, 2015, Mumbai) was also discussed during the visit. The Consulate also interacted with a few professionals to promote IESS 2015.

Road Show on "Incredible India"

India Tourism Office, London organised 'Incredible India' road show in Birmingham on June 18. It was attended by more than 30 travel agents and tour operators, officials of Air India and Birmingham Airport. A documentary film on tourism promotion was screened on the occasion.

Trade and Investment Meeting

Barclays Bank organized a Business meeting on 24th June, 2015 in Birmingham, wherein a presentation on trade and investment opportunities in India with focus on the new initiatives of Govt. of India including "Make in India" was made by Consul(Commerce). The meeting was attended by more than 25 businessmen. The officials of Barclays bank and UKTI also made presentations about the facilities being provided by them.

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