

COUNTRY PROFILE REPORT OF ITJ DIVISION, DGCI&S INDIA-UNITED KINGDOM BILATERAL TRADE RELATIONS

INTRODUCTION & BRIEF ECONOMIC OVERVIEW

The United Kingdom of Great Britain and Northern Ireland lies in north Western Europe, occupying the major portion of the British Isles. The country's only land boundary is with the Republic of Ireland. Northern Ireland is a constitutionally distinct part of the United Kingdom. Great Britain, consisting of one large island and a number of smaller ones, comprises England, Scotland to the north and Wales to the west. It is separated from the coast of Western Europe by the English Channel to the south and by the North Sea to the east. The northern and western shores are washed by the Atlantic Ocean. Ireland lies to the west across the Irish Sea. The United Kingdom is a member of the UN, WTO, NATO, BIS, OECD, the Council of Europe, WEU, OSCE, CERN, the Commonwealth, Inter-American Development Bank, Asian Development Bank, the Pacific Community, IOM and the Antarctic Treaty.

2. The UK has a regulated social market economy. Based on market exchange rates, the UK is the sixth-largest economy in the world and the second-largest in Europe by nominal GDP. Its currency, the pound sterling, is the fourth most-traded currency in the foreign exchange market and the world's fourth-largest reserve currency (after the United States dollar, euro, and yen). IMF Executive Board Concludes 2024 Article IV Consultation with the United Kingdom July 8, 2024. The economy is approaching a soft landing, with growth recovering faster than expected after a mild technical recession in 2023. Inflation has fallen rapidly to near-target from last year's double-digit levels, due to the reversal of the energy price shock and the demand impact of tight monetary policy. Growth is projected at a modest 0.7 percent in 2024, strengthening to 1.5 percent in 2025, as disinflation buoys real incomes, monetary policy starts easing, and financial conditions become more accommodative. Fiscal policy has remained tight, continuing to target medium-term debt stabilization, although the last two budgets did include tax cuts aimed at boosting investment and labour supply. Inflation is forecast to temporarily rise from around 2 percent presently to 2.5 percent by end-2024, due to regulated energy price base effects, before returning durably to 2 percent in early 2025.

A snapshot of United Kingdom's select economic indicators:

TABLE-I

United Kingdom: Selected Economic Indicators				
	2023	2024	2025	2026
	Est.	Projections		
Output				
Real GDP growth (%)	0.1	0.7	1.5	1.7
Unemployment				
Unemployment (%)	4.0	4.2	4.1	4.0
Prices				
Inflation, annual average (%)	7.3	2.7	2.1	2.0
Inflation, end-of-period (%)	4.0	2.5	2.0	2.0
Public sector finances (fiscal year)				
Revenue (% GDP)	40.6	40.3	40.3	40.5

Expenditure (% GDP)	44.8	43.7	43.5	43.4
Public sector overall balance (% GDP)	-4.2	-3.4	-3.2	-2.9
Public sector cyclically adjusted primary balance (staff estimates)	-1.0	-0.7	-0.1	0.1
Public sector net debt (excl. BoE) 2/	89.2	91.6	93.1	94.5
Money and Credit				
Broad money (% change)	-0.9	...	...	...
Credit to the private sector (% change)	0.2	...	...	...
3-month interbank rate (%)	5.0	...	...	...
Balance of Payments				
Current account balance (% GDP)	-3.3	-3.2	-3.5	-3.3
Net FDI (% GDP)	2.7	0.2	0.2	0.2
Reserves (end-of-period, billions of US dollars)	190.5	...	...	...
Net international investment position (% GDP)	-30.7	...	...	...
Exchange Rates				
REER (% change) 1/	2.5	...	...	...
Sources: Bank of England; HM Treasury; IFS; INS; ONS; and IMF staff estimates.				
1/ Based on relative consumer prices. An increase denotes an appreciation.				
2/ Public sector net debt is defined as public sector gross debt minus liquid assets held by general government and non-financial public corporations. It excludes Bank of England operations. The fiscal year begins in April.				

Sources :- IMF Executive Board Concludes 2024 Article IV Consultation with the United Kingdom July 8, 2024.

FOREIGN TRADE

3. As per recent available inputs on WITS (World Integrated Trade Solution), the five major merchandise export partners of United Kingdom are United States, Germany, Switzerland, Netherlands and Ireland. On the other hand five major import partners of United Kingdom are China, Germany, United States, Netherlands and Norway. Major four exported goods of United Kingdom are (i) Gold in other semi-manufactured forms, non-monetary (ii) Petroleum oils and oils obtained from bituminous, (iii) Other medicaments of mixed or unmixed products and (iv) Turbo-jets of a thrust exceeding 25 KN. On the other hand major four imported goods are (i) Gold in other semi-manufactured forms, non-monetary (ii) Natural gas, liquefied Petroleum oils and oils obtained from bituminous (iii) Natural gas in gaseous state and (iv) Transmission apparatus, for radiotelephony incorpo.

4. United Kingdom's total exports in 2019 were of the order of US\$ 468,322 million. It has scaled up to US\$ 521,184 million in 2023 with a positive growth of 18.92% in 2021 in comparison with 2020. During the period from 2019 to 2023, the annual average compound rate of growth of exports was 2.71%.

5. United Kingdom's total imports in 2019 were of the order of US\$ 692,494 million and which has touched US\$ 791,638 million mark in 2023. During the period from 2019 to 2023, the annual average compound rate of growth of Imports was 3.40%.

6. United Kingdom faced an overall Balance of Trade deficit from 2019 to 2023. United Kingdom had a trade deficit of USD 270,454 million in 2023. During the period from 2019 to 2023, the annual average compound rate of growth of total volume of trade was 3.12%.

A snapshot of UK's overall Trade Statistics is presented in Table 2 and Figure 1 below.

A snapshot of India's merchandise trade statistics w.r.t. UK is presented in Table 3 Figure 2.

BILATERAL TRADE WITH INDIA

Merchandise Trade

7. India is the second largest foreign investor in the UK. While UK ranks 18th as a trading partner of India and third after Mauritius and Singapore as an investor in India. There are many bilateral trade agreements between the two nations designed to strengthen ties. Following a meeting between Finance Minister Arun Jaitley and Chancellor of the Exchequer Philip Hammond at the 9th UK-India economic and financial dialogue, Jaitley announced that the two countries had agreed to discuss a bilateral free trade agreement. India's export to United Kingdom was 2.96% of India's total export value in FY2023-24. United Kingdom was the India's 6th largest export destination in FY 2023-24. In the same financial year imports from United Kingdom was 1.24% of India's total import value. United Kingdom was the 20th largest trading partner of India in FY 2023-24. Almost 1.92% of India's total international trade value between India and United Kingdom has been recorded in FY 2023-24 as per DGCI&S data base.

8. Indo-United Kingdom total volume of bilateral trade in FY 2019-20 was of the order of US\$ 15,479.57 million. It has increased to US\$ 21,402.65 million in FY 2023-24. The annual compound growth rate of volume of trade during the period from 2019-20 to 2023-24 has been of the order of 8.44%.

9. It appears from the available figures that between 2019-20 and 2023-24, India has had a deficit Balance of Trade with United Kingdom. Exports from India to United Kingdom increased steeply by 27.94% in FY 2021-22 immediately after the pandemic hit year. The annual average compound rate of growth of Exports was 10.31% during the period under review. On the other hand, imports from United Kingdom to India increased by 41.60% in FY 2021-22 and 27.69 % in FY 2022-23. During the period from 2019-20 to 2023-24, the annual average compound rate of growth of Imports was 5.83%.

10. Additionally, from Tables 4 & 5 presented at Annexure-II below the following are stated:

a. **(i) Petroleum Products, (ii) Telecom Instruments and (iii) Electric Machinery And Equipments** are occupying the top three slots in India's exports to United Kingdom in the year 2023-24. Petroleum Products occupied the highest share of 10.28% in total exports from India to United Kingdom.

b. **(i) Silver, (ii) Iron And Steel and (iii) Electric Machinery And Equipments** are the three major commodities in India's imports list from United Kingdom in the year 2023-24, **Silver** is occupying bulk share of 23.66% in India's imports from United Kingdom.

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TABLE - 2
UNITED KINGDOM'S TOTAL EXPORTS AND IMPORTS, VOLUME OF TRADE AND BALANCE OF TRADE
BETWEEN 2019 TO 2023

(Figures in USD Million)

Year	Exports	Percentage Growth in Exports	Imports	Percentage Growth in Imports	Volume of Trade	Percentage Growth in Vol. of Trade	Balance of Trade
2019	468322		692494		11,60,816		-224172
2020	395692	-15.51	634175	-8.42	10,29,867	-11.28	-238483
2021	470548	18.92	688237	8.52	11,58,785	12.52	-217689
2022	535135	13.73	821631	19.38	13,56,766	17.09	-286496
2023	521184	-2.61	791638	-3.65	13,12,822	-3.24	-270454
Annual Growth Rate	Compound	2.71		3.40		3.12	

NOTE : Figures relate to calendar year (January to December)

SOURCE : UN COMTRADE PUBLICATION

Figure - 1

U.K.'s Exports, Imports and BoT 2019-2023



TABLE - 3

INDIA'S MERCHANDISE EXPORTS & IMPORTS w.r.t. UNITED KINGDOM

FY 2019-2020 to 2023-2024

(Value in USD Million)

Year	Exports from India to U. K.	Percentage	Imports from U. K. to India	Percentage	Volume of Trade	Percentage	Balance of Trade
		Growth in Exports		Growth in Imports		Growth in Vol. of Trade	
2019-20	8766.76		6712.81		15479.57		2053.95
2020-21	8206.24	-6.39	4955.99	-26.17	13162.23	-14.97	3250.25
2021-22	10498.75	27.94	7017.78	41.60	17516.53	33.08	3480.97
2022-23	11457.77	9.13	8960.73	27.69	20418.50	16.57	2497.04
2023-24	12981.85	13.30	8420.80	-6.03	21402.65	4.82	4561.05

Annual	Compound						
Growth Rate		10.31		5.83		8.44	

NOTE : Figures relate to Financial Year (April to March)

SOURCE : DGCI&S, M/o C&I

Figure 2

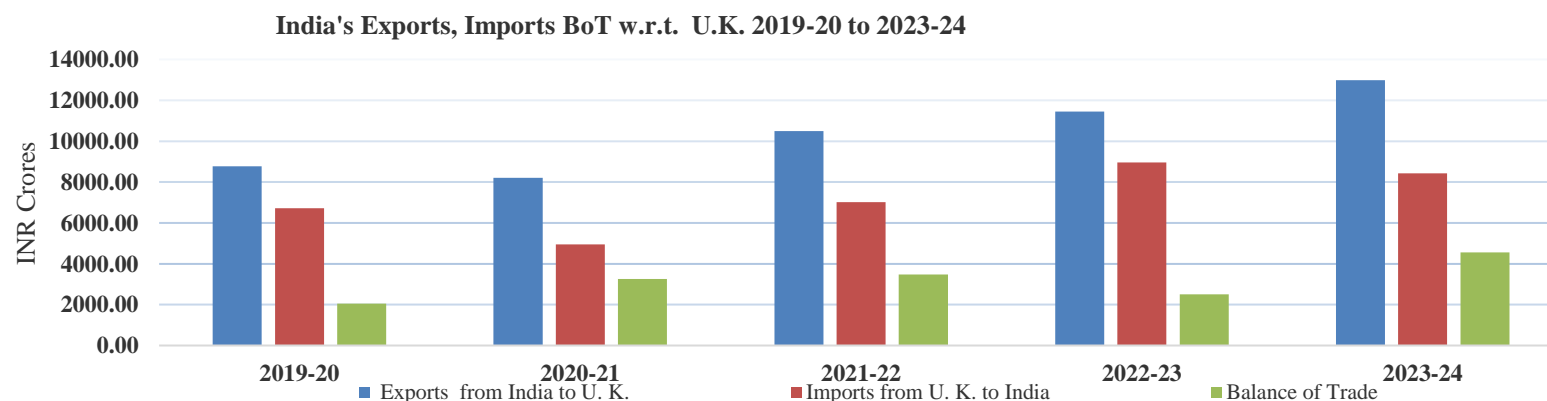


TABLE -4

**INDIA'S MAJOR ITEMS OF MERCHANDISE EXPORTS TO UNITED KINGDOM
2019-2020 TO 2023-2024 AND THEIR GROWTH RATES**

(Value in USD Million)

Sl. No.	Name of the Merchandise Commodities	Value of Exports					Annual Growth Rates			
		2019-20	2020-21	2021-22	2022-23	2023-24	20-21 over 2019-20	21-22 over 2020-21	22-23 over 2021-22	23-24 over 2022-23
1	Petroleum Products	222.37	108.01	173.99	924.14	1334.15	-51.43	61.09	431.15	44.37
	Share in total export	2.54	1.32	1.66	8.07	10.28				
2	Telecom Instruments	68.02	265.62	501.12	900.96	1159.83	290.50	88.66	79.79	28.73
	Share in total export	0.78	3.24	4.77	7.86	8.93				
3	Electric Machinery And Equipments	639.99	381.91	530.83	652.24	954.54	-40.33	38.99	22.87	46.35
	Share in total export	7.30	4.65	5.06	5.69	7.35				
4	Telecom Instruments	867.83	653.13	844.38	885.60	783.84	-24.74	29.28	4.88	-11.49
	Share in total export	9.90	7.96	8.04	7.73	6.04				
5	Drugs Formulatiions Biologicals	446.51	610.95	607.44	523.88	673.40	36.83	-0.57	-13.76	28.54
	Share in total export	5.09	7.44	5.79	4.57	5.19				
6	Iron And Steel	79.36	94.56	355.84	224.08	383.82	19.15	276.31	-37.03	71.29
	Share in total export	0.91	1.15	3.39	1.96	2.96				
7	Gold And Other Precs. Metals Jewellery	318.49	213.39	433.96	379.52	379.96	-33.00	103.36	-12.54	0.12
	Share in total export	3.63	2.60	4.13	3.31	2.93				
8	Products Of Iron And Steel	296.54	271.32	420.78	338.09	355.49	-8.50	55.09	-19.65	5.15
	Share in total export	3.38	3.31	4.01	2.95	2.74				
9	RMG Manmade Fibres	410.43	219.56	312.16	340.80	285.30	-46.50	42.18	9.17	-16.29
	Share in total export	4.68	2.68	2.97	2.97	2.20				
10	Paper, Paper Board And products	80.25	77.68	120.58	148.84	272.09	-3.20	55.23	23.44	82.81
	Share in total export	0.92	0.95	1.15	1.30	2.10				
	Total export to UNITED KINGDOM	8766.76	8206.24	10498.75	11457.77	12981.85	-6.39	27.94	9.13	13.30

NOTE : Figures relate to each Financial Year (April to March)

SOURCE : DGCI&S, M/o C&I

TABLE -5

**INDIA'S MAJOR ITEMS OF MERCHANDISE IMPORTS FROM UNITED KINGDOM
2019-2020 TO 2023-2024 AND THEIR GROWTH RATES**

(Value in USD Million)

Sl. No	Name of the Merchandise Commodities	Value of Imports					Annual Growth Rates			
		2019-20	2020-21	2021-22	2022-23	2023-24	20-21 over 2019-20	21-22 over 2020-21	22-23 over 2021-22	23-24 over 2022-23
1	Silver	488.96	113.36	1309.18	2683.49	1992.19	-76.82	1054.89	104.97	-25.76
	Share in total imports	7.28	2.29	18.66	29.95	23.66				
2	Iron And Steel	327.50	220.85	185.69	763.25	761.82	-32.56	-15.92	311.03	-0.19
	Share in total imports	4.88	4.46	2.65	8.52	9.05				
3	Electric Machinery And Equipments	652.13	331.79	456.78	481.32	465.55	-49.12	37.67	5.37	-3.28
	Share in total imports.	9.71	6.69	6.51	5.37	5.53				
4	Cosmetics And Toiletries	37.99	32.74	123.65	173.76	427.35	-13.82	277.67	40.53	145.94
	Share in total import	0.57	0.66	1.76	1.94	5.07				
5	Aluminium, Products Of Aluminium	260.92	225.29	369.69	413.37	326.87	-13.66	64.10	11.82	-20.93
	Share in total import	3.89	4.55	5.27	4.61	3.88				
6	Alcoholic Beverages	168.59	131.70	192.96	375.70	315.02	-21.88	46.51	94.70	-16.15
	Share in total import	2.51	2.66	2.75	4.19	3.74				
7	Medical And Scientific Instruments	140.99	120.45	170.16	190.69	247.58	-14.57	41.27	12.07	29.83
	Share in total import	2.10	2.43	2.42	2.13	2.94				
8	Indl. Machinery For Dairy Etc.	201.69	209.43	220.20	196.38	208.78	3.84	5.14	-10.82	6.31
	Share in total import	3.00	4.23	3.14	2.19	2.48				
9	Electronic Components	89.53	84.52	99.32	164.27	193.61	-5.60	17.51	65.39	17.86
	Share in total import	1.33	1.71	1.42	1.83	2.30				
10	Electronic Instrments	222.00	182.77	184.41	196.60	187.64	-17.67	0.90	6.61	-4.56
	Share in total import	3.31	3.69	2.63	2.19	2.23				
	Total import from UNITED KINGDOM	6712.81	4955.99	7017.78	8960.73	8420.80	-26.17	41.60	27.69	-6.03

NOTE : Figures relate to each Financial Year (April to March)

SOURCE : DGCI&S, M/o C&I