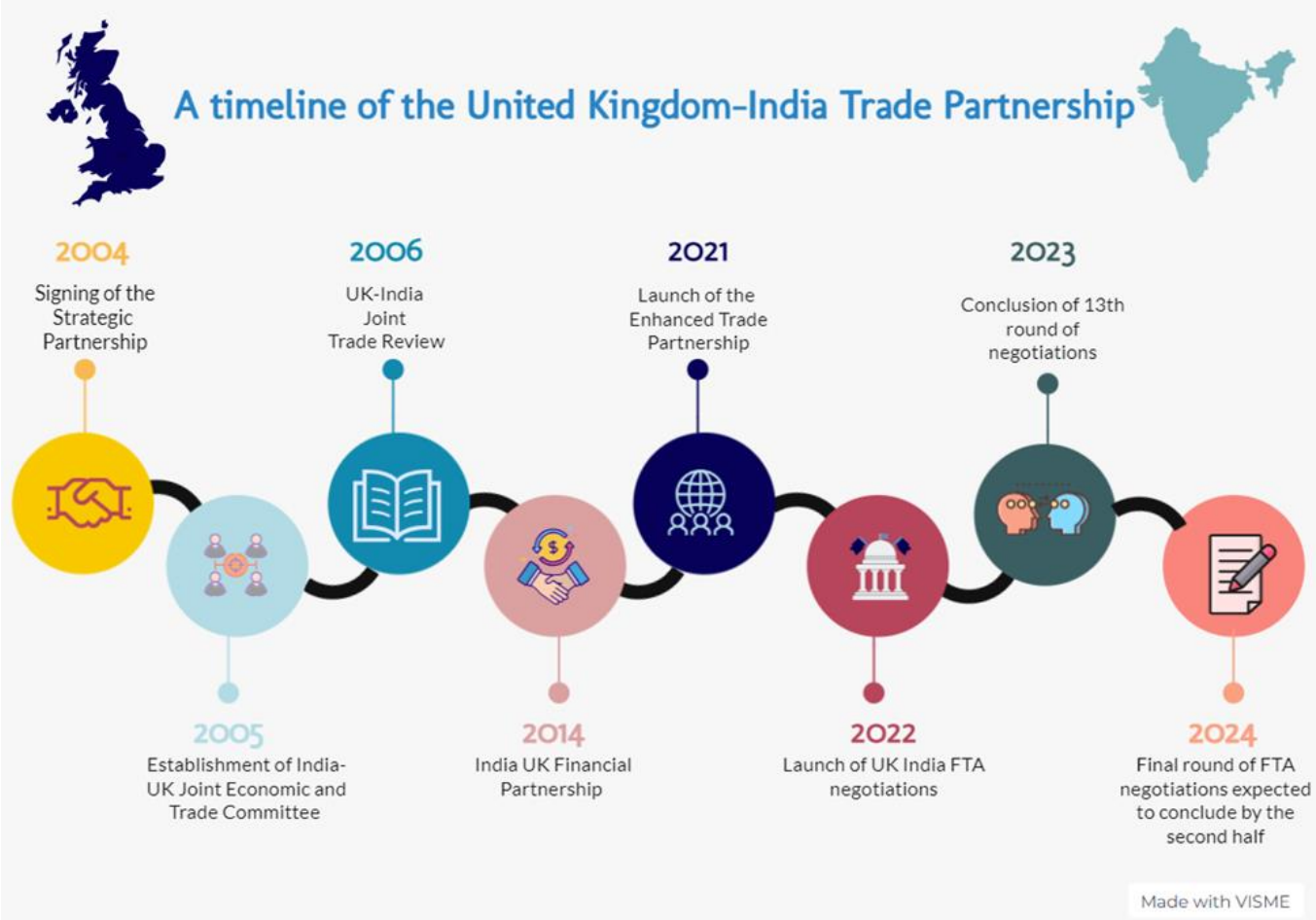
UNITED KINGDOM – INDIA

TRADE UPDATES

June 2024



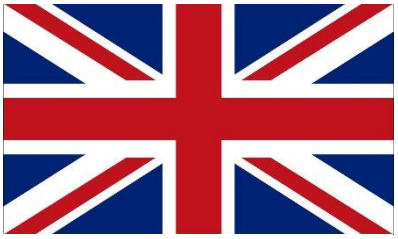
International Economics

Strategic Analysis For Growth & Development

International Economics
Strategic Analysis For Growth & Development

UNITED KINGDOM – INDIA

TRADE PARTNERSHIP OVERVIEW



Population **67 million** Year 2022 | Region **Europe** | GDP Per Capita **$46,125** Year 2022

Total Imports **$791.4 billion** Year 2023 | Total Exports **$520.8 billion** Year 2023

- India was the UK's **11th largest** export partner in 2023 accounting for **2.3%** of total exports.
- India was the UK's **15th largest** import partner in 2023 accounting for **1.8%** of total imports.
- India is also the UK's **20th largest** services export market with a **1.1%** share of UK services exports.

£6.0 billion of the UK's export potential to India, covers electrical machinery, chemicals and aircraft and parts.





Population **1.4 billion** Year 2022 | Region **Asia** | GDP Per Capita **$2,411** Year 2022

Total Imports **$732.6 billion** Year 2022 | Total Exports **$452.7 billion** Year 2022

- The UK was India's **7th largest** export partner in 2022 accounting for **2.5%** of total exports.
- The UK was India's **21st largest** import partner in 2022 accounting for **1.3%** of total imports.
- UK is also India's **2nd largest** services export market with a **6.7%** share in services exports.

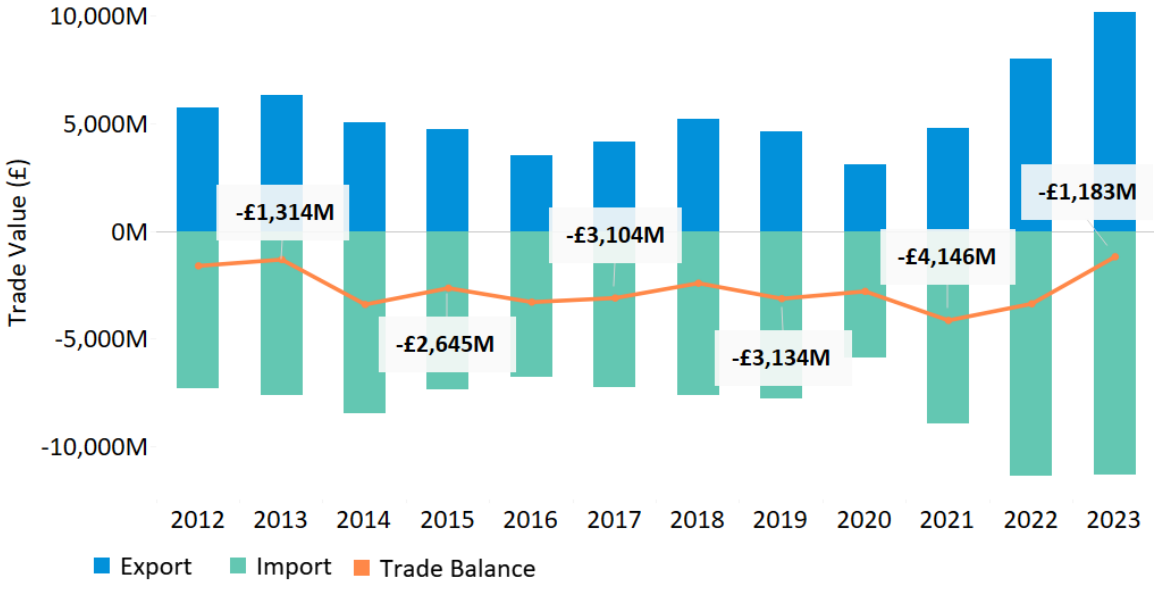
£5.3 billion of India's export potential to the UK, covers apparel, machinery, and jewellery made of precious metals.



Source: IEC Calculations; ITC; World Bank; IMF

TRADE in GOODS

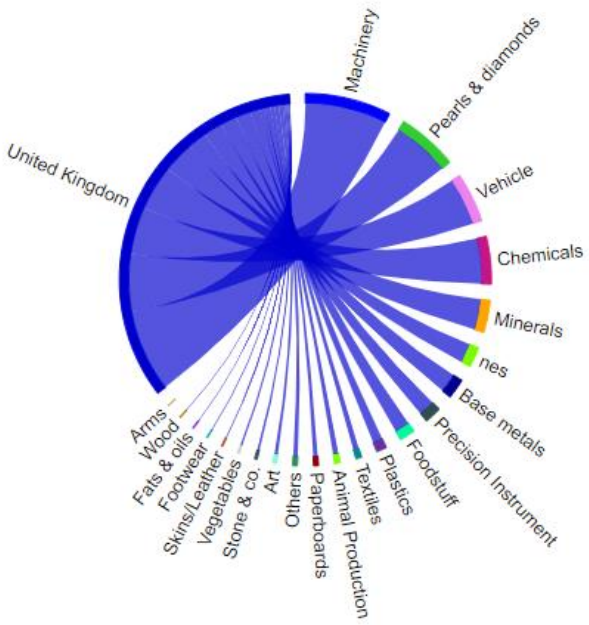
UK Trade in Goods with India, 2012-2023



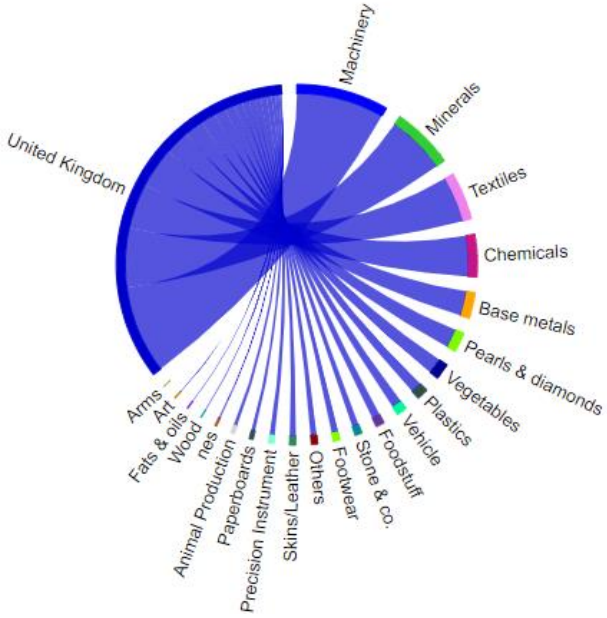
Source: IEC Calculations based on UN Comtrade

Export growth (2012-2023): **5.4%** CAGR | Import growth (2012-2023): **4.1%** CAGR | Total trade in 2023: £ **21.5 Bn**

The United Kingdom's exports to India, 2023



The United Kingdom's imports from India, 2023



Source: IEC Country Profiles

TRADE in Services

UK Export of Services to India

The **top 5** service types **exported** from the UK to India in 2023 were:

- Travel **£5.6 billion**, 57.2%
- Other Business Services **£2.1 billion,** 21.7%
- Transportation **£680 million,** 7.0%
- Intellectual property **£459 million**, 4.7%
- Telecommunications, computer and information services **£301 million**, 3.1%

UK Import of Services from India

The **top 5** service types **imported** to the UK from India in 2023 were:

- Other Business Services **£9.4 billion**, 69.6%
- Travel **£1.7 billion**, 12.3%
- Telecommunications, computer and information services **£1.5 billion**, 10.8%
- Transportation **£307 million**, 2.3 %
- Financial **£274 million**, 2.0%

Source: ONS (2024)

TRADE in SERVICES

Services Trade Restrictiveness Index (STRI)



The UK implements an open regulatory and policy framework for services – with an STRI of **0.16**.

On the other hand, India still has a relatively restricted regulatory framework for service trade - with an STRI of **0.44**.

Source: IEC Trade Insights

INVESTMENT RELATIONS

- The UK is the **6th** largest investor in India and has invested US$ 34.79 Bn in FDI inflows between Apr 2000 to Dec 2023.
- There are currently 635 UK companies in India with a combined turnover of £ 51 billion
- Employing about 667,000 people directly as of 2023.

- India was the 2nd largest FDI contributor in the UK in 2022.
- Over 954 Indian companies employing 105,931 people operate in the UK, with combined revenues of ~ $65 Bn, up from 900 companies in 2022.

UK's investment potential in India span several sectors:

➢ **Green & Renewable Energy**: India stands **4th globally** in Renewable Energy Installed Capacity (including Large Hydro), 4th in Wind Power capacity & 4th in Solar Power capacity. The country has set an enhanced target at the COP26 of **500 GW** of non-fossil fuel-based energy by 2030. India's renewable energy potential is over **1,000 GW**, however, the installed capacity is just **160 GW**.

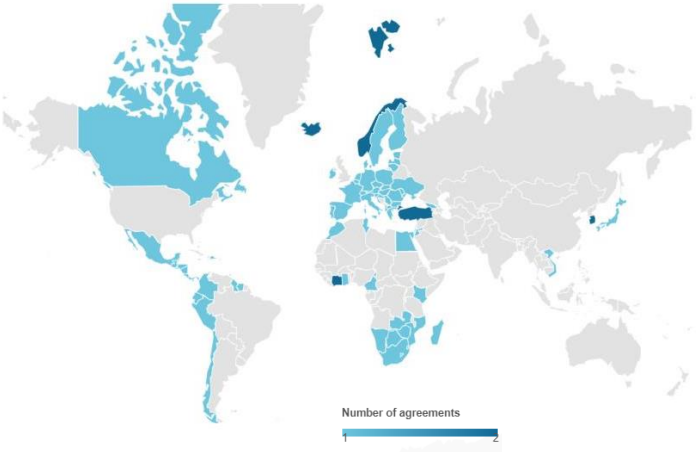
➢ **Infrastructure**: India is welcoming investments in infrastructure to support its growing economy. This includes areas such as roads, airports, ports, and railways. The UK India roadmap to 2030 emphasises on deepening cooperation on infrastructure including airports and multi-modal transport hubs, through the establishment of a G2G bilateral framework through which projects can be facilitated between government and industry**. $275 billion** to be invested on roads under India's National Infrastructure Pipeline between 2019 to 2025.

➢ **Healthcare and MedTech**: The Indian MedTech industry was valued at **$10 billion** in 2020. By 2025, it is expected to reach **$50 billion**. The digital healthcare market in India is expected to be expanding at a CAGR of **27.41%** during the 2019-2024 period. The growing healthcare and MedTech market in India will foster demand for UK healthcare in India, where investors and companies such as AstraZeneca and GSK can expand operations.

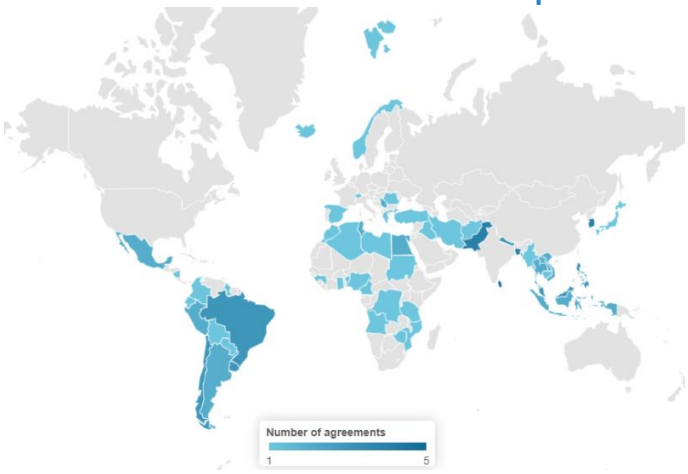
➢ **Innovation & ICT**: The UK has a technology sector valued of **$1 trillion**, with more unicorns than France, Germany, and Israel combined. In India, the technology industry is estimated to have 5.4 Mn employees and contribution of **53%** in India's service exports in 2023. As of October 2023, India is home to 111 unicorns with a total valuation of $349.67 billion.

GLOBAL TRADE PARTNERSHIPS

The United Kingdom's Global Trade Partnerships



India's Global Trade Partnerships



Note: The map for India and the UK shows trading agrrangements that they are a signatory to, not just FTAs.
Source: IEC Trade Insights

Alongside the ongoing negotiations with the UK, India is also party to **13 FTAs** with **50+ countries** globally. India is also actively negotiating FTAs with the European Union and Gulf Cooperation Council (GCC) countries.

The UK, on the other hand, has signed **38 FTAs** with **90+ countries** globally.

UK-INDIA FTA POTENTIAL

A UK-India FTA is estimated to increase UK GDP by **£3.3 billion to £6.2 billion** and India's GDP is expected to increase by **£3.7 billion to £8.6 billion** by 2035 depending on the depth of the agreement[1].

A full liberalisation scenario would increase the UK's exports of goods to India by **£2.3 billion**

A partial liberalisation would increase UK exports to India by **£1.5 billion.**

UK has a strong Bilateral Revealed Comparative Advantage (BRCA) to India in **animals and other food products, machinery and electricals, metals, stone and glass** and **transportation**. These are also the sectors where the UK would see the most sectoral gains in terms of exporting to India.

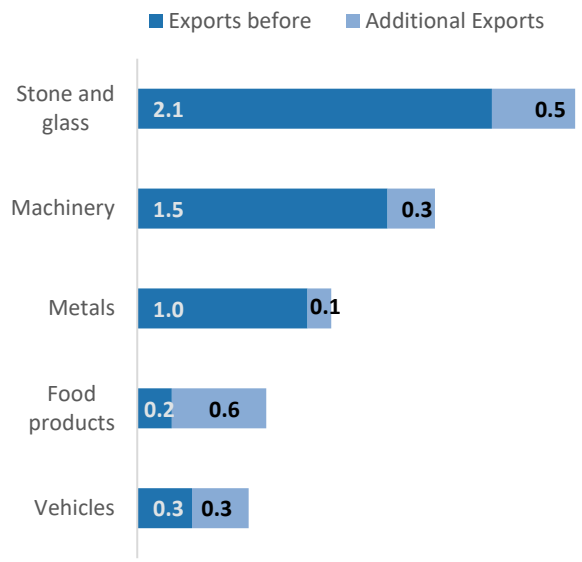
A full tariff liberalisation would increase India's exports by **£2.5 billion**

A partial liberalisation would increase Indian exports to the UK by **£1.4 billion.**

India has a strong Bilateral Revealed Comparative Advantage (BRCA) in **textiles and clothing, footwear, hides and skins, food products** and **vegetable sectors**. These are also the sectors where India would see the most sectoral gains in terms of exporting to the UK.

[1] When compared to projections of UK GDP in 2035

Trade Effects arising from India's liberalisation of tarrifs on trade with UK (£ billions)



Trade Effects arising from UK's liberalisation of tarrifs on trade with India (£ billions)



Source: IEC Internal Calculations and DIT (2022). UK-India: Free Trade Agreement, The UK's Strategic Approach

OPPORTUNITIES

+160%
in India's imports

India's economy is expected to grow by 6% yearly until 2030. India's import market is expected to grow by £0.5 trillion by 2030.

growing middle class

The strong growth of the middle class in India suggests greater demand for services, especially insurance, healthcare, and education.

+60 Mn
High income earners

India's growing consumer base is expected to have 60 million consumers earning over $12,535 by 2030, which is like the UK

+ £300 Bn

Indian demand for sectors where the UK specialises is expected to grow to over £300bn by 2030.

Distributional impacts from the agreement are expected to be witnessed in chemicals, drugs and pharmaceuticals, beverages, manufacturing of electrical equipment, automotive and services.

+£533 Mn
Indian investment

The Enhanced Trade Partnership (ETP) includes £533 million of new Indian investment into the UK

Source : DIT (2022); Gov.uk (2022); WEF (2021) ; IEC

We help our clients grow in international markets

International Economics brings our unique capabilities in trade, investment, and public policy in five key Strategic Areas.



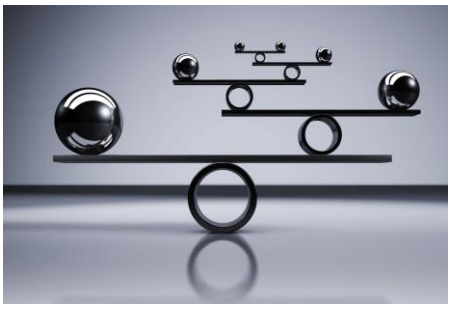
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We build tailor-made strategies for trade-oriented business solutions. We carry out sensitivity analysis and prepare detailed resource scheduling and standard performance dashboards to track the implementation process and financial ratio performance of your products and services. Finally, we develop the analytics and risk matrices and use our cognitive computing insights to update these in real-time.



E-commerce and Digital Trade

International Economics provides advice and solutions on some of the latest emerging trends in e-commerce and digital trade such as paperless trading, e-payments, online consumer protection and data protection. We assist governments and businesses worldwide in creating an enabling environment for e-commerce and digital trade, to maximise economic growth and development.



Policy and Negotiations

Our team supports the public and private sectors in navigating the international trade policy and negotiation landscape via establishing robust framework with sophisticated real-time dashboards and reporting systems to ensure the best outcomes. We support negotiators to participate effectively in trade negotiations and deliberations and advocate for their countries' interests and positions.



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At International Economics, we provide strategic insights to assist organisations, businesses, and governments in anticipating risks, building resilience, mitigating impacts, and supporting our clients on their recovery against such shocks. We support decision-makers with informed and evidence-based analyses and policy options. We map out key government measures and responses to the risks and challenges to formulate strategies for our clients to respond and adapt to the new social, political, and economic landscapes.



Monitoring, Evaluation & Learning

Using innovative methodologies to collect and analyse data, International Economics assist our clients in tracking the economic, social, and environmental aspects of their projects to maximise efficiency and improve their development objectives. Through the lessons learnt and the feedback mechanisms, we support institutional strengthening and the re-alignment of resources to ensure the sustainability and maximum impact of projects, helping our clients make well-informed strategic decisions.

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