

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

INTRODUCTION & BRIEF ECONOMIC OVERVIEW

1. The United Kingdom of Great Britain and Northern Ireland lies in Northwestern 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, both 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). Sterling was the 2nd best-performing G10 currency against the dollar in 2023 with a gain of about 5%, with only the Swiss franc performing better. London is the world capital for foreign exchange trading, with a market share of 38.1% in 2022 of the daily \$7.5 trillion global turnover. The UK has among the highest levels of income inequality in the OECD, but has a very high HDI ranking. IMF Executive Board Concluded on July 8, that, "Risks to growth and inflation are balanced. In the short term, growth could be lower if the anticipated pick-up in consumption from current weak levels does not materialize, or higher in the event of stronger-than-expected second round effects from falling energy prices (this also represents a downside risk to inflation). Alternatively, stronger wage pressures could lend greater persistence to services inflation, with possible repercussions for growth as monetary policy adjusts. The key downside risk to medium-term growth is that productivity and labour supply disappoint relative to expectations. But bold implementation of ambitious structural reforms and AI adoption similarly present an upside risk to growth".

A Snapshot of United Kingdom's select economic indicators is presented below

Table 1

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	...	...	...
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: Bank of England; HM Treasury; IFS; INS; ONS; and IMF staff estimates.

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, Netherlands, Germany, China and Switzerland. On the other hand five major import partners of United Kingdom are China, United States, Germany, Norway and France .Major five exported goods of United Kingdom are (i) Gold in other semi-manufactured forms, non-monetary, (ii) Petroleum oils and oils obtained from bituminous, (iii) Petroleum oils, etc., (excl. crude); preparation (iv) Other medicaments of mixed or unmixed products and (v) Turbo-jets of a thrust exceeding 25 KN. On the other hand major five imported goods are (i) Gold in other semi-manufactured forms, non-monetary, (ii) Petroleum oils and oils obtained from bituminous, (iii) Natural gas in gaseous state, (iv) Petroleum oils, etc., (excl. crude); preparation and (v) Natural gas, liquefied.

4. United Kingdom's total exports in 2020 were of the order of USD 395,692 million. It has scaled up to USD 512,782 million in 2024 with a positive growth of 18.92% in 2021 in comparison with 2020. During the period from 2020 to 2024, the annual average compound rate of growth of exports was 6.69%.

5. United Kingdom’s total imports in 2020 were of the order of USD 634,174 million and which has touched USD 815,431 million mark in 2024. During the period from 2020 to 2024, the annual average compound rate of growth of Imports was 6.49%.

6. United Kingdom faced an overall Balance of Trade deficit from 2020 to 2024. United Kingdom had a trade deficit of USD 302,649 million in 2024. During the period from 2020 to 2024, the annual average compound rate of growth of total volume of trade was 6.57%.

A snapshot of United Kingdom’s overall Trade Statistics is presented in Table 2 & Figure 1

TABLE - 2

UNITED KINGDOM'S TOTAL EXPORTS AND IMPORTS, VOLUME OF TRADE AND
BALANCE OF TRADE BETWEEN 2020 TO 2024

(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
2020	395692		634174		10,29,866		-238482
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	521207	-2.60	791657	-3.65	13,12,864	-3.24	-270450
2024	512782	-1.62	815431	3.00	13,28,213	1.17	-302649
Annual Compound Growth Rate		6.69			6.49	6.57	

NOTE : Figures relate to calendar year (January to December)
SOURCE : UN COMTRADE PUBLICATION

Figure -1



BILATERAL TRADE WITH INDIA

Merchandise Trade

7. The UK is a significant investor in India, with a large stock of Foreign Direct Investment (FDI) in the country. The India–United Kingdom free trade agreement is a proposed free trade agreement which began negotiations in January 2022. When completed it will be the first comprehensive free trade agreement that India has signed with a European country; it is expected be the third trade agreement signed by Britain since leaving the European Union negotiated completely anew. India is the second largest foreign investor in the UK. India's export to United Kingdom was 2.97% 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 1.25% of India's total import value. United Kingdom was the 16th 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 USD 15,479.57 million. It has increased to USD 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 had a surplus 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 FY2022-23. During the period from 2019-20 to 2023-24, the annual average compound rate of growth of Imports was 5.83%.

A snapshot of India's merchandise trade statistics with respect to United Kingdom is presented in Table 3 & Figure 2

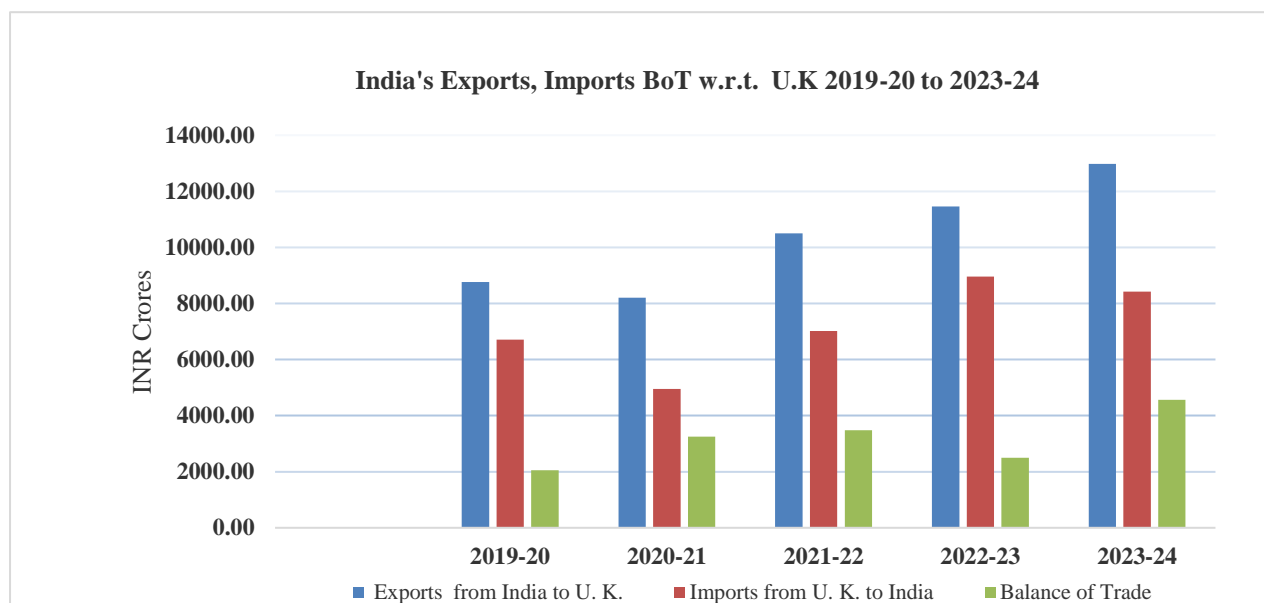
TABLE – 3

(Value in USD Million)							
Year	Exports from India to U. K.	Percentage Growth in Exports	Imports from U. K. to India	Percentage Growth in Imports	Volume of Trade	Percentage Growth in Vol. of Trade	Balance 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/oC&I

Figure 2



10. Additionally, from Table 4 & Table 5 presented 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.

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	RMG Cotton Incl Accessories	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 Formulations 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 Instruments	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

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