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News in Review

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"Britain is open for business"

After more than three years of negotiations, Britain has sealed a trade deal with India which is set to boost the economy by £4.8bn a year. The agreement includes reduced tax on Indian exports such as cars, clothing, food and jewellery. UK exports with lower tariffs include medical devices, aerospace parts, luxury cars, gin and whisky.

Sir Keir Starmer and Indian Prime Minister Narendra Modi signed the agreement at Chequers last week. It is the biggest trade deal that Britain has made since Brexit and is one of India's most significant agreements to date.

The UK already imports £11bn in goods from India. In the long run, the deal is expected to boost bilateral trade by £25.5bn per year. On average, tariffs for UK exports to India will go down from 15% to 3%. Levies on whisky and gin shipped to India will be cut in half from 150% to 75%, dropping further to 40% by 2035. This will give the UK the edge over international competitors selling goods to India.

The agreement is expected to create 2,200 jobs in Britain as Indian companies will expand operations in the UK, while British firms secure more business opportunities in India. Also, there is a reciprocal agreement that Indian staff in Britain will be exempt from National Insurance contributions and vice versa. Labour's opponents have expressed concern that this will undercut British workers, however Business Secretary Jonathan Reynolds refuted this.

Commenting on the deal, Starmer said, *"We're sending a very powerful message that Britain is open for business*." Prime Minister Modi said, *"This isn't merely paving the way for economic partnership but is also a blueprint for our shared prosperity."*

Vehicle manufacturing declines in H1

The automotive sector is under pressure, with UK vehicle production in H1 falling to the lowest level since 1953, not including during the pandemic. According to the Society of Motor Manufacturers and Traders (SMMT), total vehicle manufacturing declined by 11.9% in the first six months of the year. Car output fell by 7.3%, although electric car production increased by 1.8%. Meanwhile, van output dropped by 45%, partly due to the closure of Vauxhall's van plant in Luton. Uncertainty over US tariffs caused production to slow; however, there was a small rise in vehicle manufacturing in June after the UK and US agreed to reduce tariffs on British car exports from 27.5% to 10%.

Mike Hawes, SMMT Chief Executive, commented on the figures, *"Global economic uncertainty and trade protectionism have taken their toll on automotive production across the globe, with the UK no exception. The figures are not, therefore, unexpected but remain very disappointing. However, there are foundations for a return to growth."*

UK borrowing moves higher

Figures from the Office for National Statistics (ONS) show that, in June, borrowing hit the second-highest figure since monthly records began in 1993. The public sector spent significantly more than it received in tax income, causing borrowing to reach £20.7bn, up £6.6bn when compared to June 2024. Interest payments on government debt were £16.4bn, nearly double the £8.4bn recorded the previous year. This adds pressure to Chancellor Rachel Reeves, with many experts predicting an increase in taxes in the Autumn Budget.

Consumer confidence falls

GfK's Consumer Confidence Index fell by one point to -19 in July. The index measures consumer attitudes towards the state of the economy and their willingness to spend. It found that the expectations for the general economic situation over the next 12 months decreased to -29, down one point from June and 18 points lower than July 2024. Meanwhile, the Savings Index increased to 34, up 7 points on the previous month and the highest level since November 2007. This suggests that consumers are cautious about what's next for the economy.

Consumer Insights Director at GfK, Neil Bellamy, said, *"The key measures on personal finances, the economy and purchase intentions are flat in July, and many will conclude that consumers are in a cautious wait-and-see mood. But the data suggests that some people may be sensing stormy conditions ahead."*

Here to help

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.