



A globalised British economy

The UK economy that emerges from the current downturn will continue to be defined by globalisation, which will create huge opportunities for British businesses, although it will also bring new competitive pressures.

Increased competitive pressure from emerging economies mean that the comparative advantages of UK firms will continue to be focused in high-value goods and services based on sophisticated knowledge and skills. The fragmentation of global supply chains means that British firms are likely to increasingly produce and trade in intermediate goods rather than finished consumer products.

They will also be responding to a number of broad global trends:

- **Rising global incomes**, especially in the emerging economies, will drive consumer demand for sophisticated, higher value-added products;
- **Increased demand for environmental goods and services**, both a general function of rising incomes and a general global shift. This will be reinforced by international agreements to reduce carbon emissions which will drive up demand for more low carbon goods and services;
- **New technologies** will drive the development of new products. The strength of global demand for products which offer new functionality, entertainment or luxury to both consumers and businesses will remain considerable, even as the life cycles for these products shorten;
- **Ageing populations** will also impact on consumer demand. Over the next twenty years the ratio of elderly to the working age population is expected to increase by 40-60% in the advanced economies. In contrast, emerging economies will see an increase in the number of people under 25.