ECONOMIST INTELLIGENCE EIU Viewpoint

One-click report : United Kingdom

January 18th 2022

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Saved on: March 21st 2024

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One-click report : United Kingdom

Briefing sheet

United Kingdom | Summary | Briefing sheet

January 18th 2022

Political and economic outlook

- The UK economy is the fifth-largest in the world. Services make up more than 40% of total exports and 80% of GDP. Having left the EU single market and customs union, the UK is seeking to rebalance trading relations towards markets outside the EU.
- In the December 2019 general election the Conservative Party, under the prime minister, Boris Johnson, won an 80-seat majority on a platform of greater investment. EIU expects the government to remain in place until the next election, which is scheduled for 2024, although ongoing political scandals may lead to Mr Johnson being removed by his party.
- Low investment and productivity have held back UK growth for decades. The government is providing substantial tax incentives to stimulate private investment, and has promised to increase public-investment levels. However, tax and national insurance increases and trade frictions will be a countervailing drag on growth.
- We estimate that real GDP rebounded by 7.2% in 2021 after the coronavirus-induced lockdowns of 2020 and early 2021. We forecast that full-year real GDP will return to its pre-crisis 2019 level in 2022. Consumer and government spending is driving growth, but a slow drawdown of pandemic-related savings will constrain the recovery.

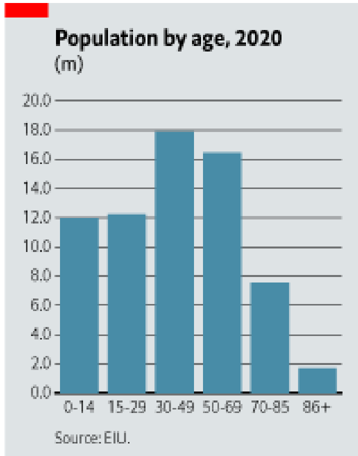
- The new trade agreement between the UK and the EU leaves many aspects of the relationship unsettled. It creates notable non-tariff barriers and has led to serious dissatisfaction in Northern Ireland, which will remain a source of friction.
- The UK is one of eight European countries with a public debt/GDP ratio above 100%. The UK's ability to borrow in its own currency, long average debt maturity and support from the Bank of England (BoE, the central bank) will keep borrowing costs manageable.
- The UK government is attempting to develop an active, global foreign policy outside the EU. It is seeking greater engagement in Asia and Oceania, including in the form of new trade deals.

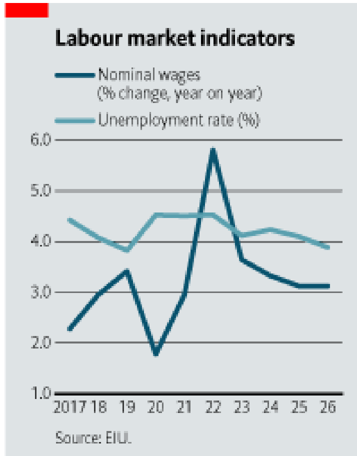
Key indicators

	2021[a]	2022[b]	2023[b]	2024[b]	2025[b]	2026[b]
Real GDP growth (%)	7.2	4.3	2.0	1.7	1.7	1.6
Consumer price inflation (av; %)	2.4	3.7	2.3	2.0	1.9	1.9
Government balance (% of GDP)	-9.9	-6.5	-4.6	-4.0	-3.4	-3.0
Current-account balance (% of GDP)	-2.8	-2.6	-2.9	-2.7	-2.5	-2.8
Short-term interest rate (av; %)	0.1	0.4	0.9	1.0	1.4	1.6
Unemployment rate (%)	4.5	4.5	4.1	4.2	4.1	3.9
Exchange rate £:US$ (av)	0.73	0.71	0.69	0.71	0.70	0.68

[a] EIU estimates. [b] EIU forecasts.

Market opportunities





Key changes since December 2nd

- On December 16th the BoE raised interest rates to 0.25%, the first rate rise since 2018. We now expect two further rises in 2022. Sterling rallied against the Euro and US dollar, a trend that we expect to continue throughout 2022.
- Preliminary GDP estimates for November showed strong month-on-month growth of 0.9%. External sector data for earlier quarters was also revised upwards. As a result, we have revised up our estimate for GDP growth in 2021 from 6.7% to 7.2%.
- Revelations that several parties were hosted in the residence of Mr Johnson during lockdowns have led to a sharp decline in the Conservative Party's standing in opinion polls, and calls from Conservative members of parliament (MPs) for him to resign.
- The risk of a leadership challenge to Mr Johnson before the next election has increased significantly, particularly if another serious scandal emerges or if the Conservatives remain significantly behind the opposition Labour Party in the polls.

The month ahead

- Late January/early February–Gray inquiry reports: Critics of Mr Johnson are holding off any action until after an inquiry by a senior civil servant, Sue Gray, concludes. We expect the report to be highly critical of the prime minister's management practices, but Mr Johnson is likely to shift blame to senior staff.
- February 11th–GDP (Q4): The economy grew by 0.9% month on month in November after a lacklustre 0.1% expansion in October as supply-chain disruptions resolved and energy prices stabilised. However, the rise of the Omicron variant and the reintroduction of limited coronavirus restrictions are likely to have slowed growth in December.

Major risks to our forecast

Scenarios, Q4 2021	Probability	Impact	Intensity
The UK invokes Article 16 of the Northern Ireland protocol, prompting a trade war with the EU	Very high	High	20
An aggressive rise in interest rates by the Bank of England in response to inflation makes the UK's debt burden unsustainable	High	High	16
Strains on corporate balance sheets from the pandemic and Brexit lead to a wave of business failures	High	High	16
Supply-chain disruptions worsen in 2022, damaging economic activity	High	High	16
Violence in Northern Ireland escalates amid post-Brexit uncertainty	High	High	16

Note. Scenarios and scores are taken from our Risk Briefing product. Risk scenarios are potential developments that might substantially change the business operating environment over the coming two years. Risk intensity is a product of probability and impact, on a 25-point scale.

Source: EIU.

Forecast summary

United Kingdom | Economy | Forecast | Forecast summary

January 18th 2022

Forecast summary

(% unless otherwise indicated)

	2021[a]	2022[b]	2023[b]	2024[b]	2025[b]	2026[b]
Real GDP (% change)	7.2	4.3	2.0	1.7	1.7	1.6
Industrial production (% change)	4.8	3.7	2.1	1.6	1.6	1.6
Unemployment rate (av; EU/OECD harmonised measure)	4.5	4.5	4.1	4.2	4.1	3.9
Consumer price inflation (av; CPIH measure)	2.4	3.7	2.3	2.0	1.9	1.9
3-month £-LIBOR rate (av)	0.1	0.4	0.9	1.0	1.4	1.6
Bank of England base rate (end-period)	0.25	0.75	1.00	1.50	2.00	2.00
Government budget balance (% of GDP)[c]	-9.9	-6.5	-4.6	-4.0	-3.4	-3.0
Exports of goods fob (US$ bn)	467.8	523.0	557.8	556.9	585.5	617.2
Imports of goods fob (US$ bn)	-661.1	-742.2	-785.7	-810.5	-861.4	-920.3
Current-account balance (US$ bn)	-89.4	-92.2	-109.6	-103.0	-101.1	-122.1
Current-account balance (% of GDP)	-2.8	-2.6	-2.9	-2.7	-2.5	-2.8
Exchange rate US$:£ (av)	1.38	1.41	1.44	1.40	1.44	1.48
Exchange rate ¥:£ (av)	151.1	162.9	168.6	165.8	169.8	173.3

Exchange rate €:£ (av)	1.16	1.27	1.28	1.19	1.18	1.19

[a] EIU estimates. [b] EIU forecasts. [c] General government.

Political stability

United Kingdom | Politics | Forecast | Political stability

January 18th 2022

At the general election on December 12th 2019 the Conservative Party, under the prime minister, Boris Johnson, won an 80-seat majority on a promise to leave the EU after 47 years of membership. This was accomplished on January 31st 2020, when the UK also left the EU's single market and customs union after negotiating a free-trade agreement. The spread of the coronavirus in early 2020 put the government on a crisis-management footing, requiring it to implement three lockdowns over the course of 2020 and 2021. Most domestic restrictions were phased out in mid-2021 on the back of a successful vaccination campaign, but the spread of the more contagious Omicron variant in late 2021 has led to minor restrictions around mask-wearing and home-working being temporarily reimposed from December 2021. With new cases now appearing to be falling, EIU expects these restrictions to be lifted by February 2022.

Despite an improvement in the coronavirus situation, the government faces a number of significant challenges in the coming months. These include managing the economic fallout from the pandemic, including high inflation and weakened public finances, which have been exacerbated by new trade barriers with the EU. More pressing still are the Conservative Party's plummeting approval ratings following a string of scandals in recent months, including revelations in the press that staff members at 10 Downing Street, the prime minister's residence and office, held several parties during periods of lockdown when such events were banned, at least one of which was attended by

Mr Johnson himself. The public backlash to these revelations, combined with the ideological frictions within the party, has led to calls for Mr Johnson's resignation by at least six Conservative members of parliament (MPs). We expect that Mr Johnson will resist calls for him to step down, but this scandal represents the most serious challenge to his leadership, and his future remains uncertain.

These developments will exacerbate existing ideological divisions within the Conservative Party between members who favour a larger state and increased investment, particularly in less affluent areas, and those who favour a smaller state and less government spending. The prime minister belongs to the first camp, whereas the second probably represents the views of more party members and MPs, which has led to conflict.

The independence movement in Scotland and renewed tensions around the Irish border both pose medium-term risks to the integrity of the UK, but the dissolution of the union is not our core forecast in 2022-26. The Scottish National Party (SNP), a pro-independence party, made minor gains in the 2021 Scottish election, with claims that this represents a mandate for a second referendum on Scottish independence (the first of which, in 2014, failed). The government has dismissed the possibility of granting a second referendum during this parliamentary term. Even if it were forced to grant one by a court order, the poll would take several years to organise. Opinion polling on Scottish independence has generally shown a consistent, if narrow, lead for remaining in the union, except during a period in 2020 when the devolved government's pandemic-related public health powers were abnormally visible to voters. We do not, therefore, expect Scotland to achieve independence in the 2022-26 forecast period.

Brexit has inflamed tensions in Northern Ireland, which remains within a regulatory union with the EU for most goods to avoid border checks on the island of Ireland. This requires checks between Northern Ireland and the rest of the UK for all goods deemed by a UK-EU joint committee to be "at risk" of passing into the EU. This arrangement has been difficult to implement and is disliked by Unionist Northern Irish politicians for, in effect, creating a border between Northern Ireland and the rest of the UK, raising political tensions as well as the risk of violence in Unionist communities.

Election watch

United Kingdom | Politics | Forecast | Election watch

January 18th 2022

The next general election is currently scheduled for May 2nd 2024 under the Fixed-term Parliaments Act (FTPA). The government is in the process of repealing the FTPA. However, even once this repeal is passed, a general election must be called within five years of the preceding one, and they are usually held in May to coincide with local elections. UK governments often call an early election in the penultimate year of a parliament to consolidate their gains, but this is unlikely unless the Conservatives' polling improves dramatically.

The Conservatives held a 20-point lead over the opposition Labour Party in spring 2021, during the early success of the vaccination campaign. However, cost-of-living concerns caused that lead to ebb over the autumn, and the reports that Downing Street staff held parties while in lockdown have put the Conservatives 10 points behind Labour as at January 17th. Polling is currently volatile and will probably shift depending on whether more scandals come to light, or whether Mr Johnson is forced out by his party.

International relations

United Kingdom | Politics | Forecast | International relations

January 18th 2022

The EU-UK Trade and Co-operation Agreement for free trade came into force on January 1st 2021. It provides for zero-tariff, zero-quota trade between the UK and the EU, at least in the first instance. However, leaving the single market and customs union has created a variety of non-tariff trade barriers in the form of border checks and product certifications. The agreement also provides a mechanism whereby, if the divergence in regulations on labour, the environment or state aid becomes sufficiently great, the other side can implement retaliatory tariffs to compensate, subject to an arbitration period. The regulatory and tariff regimes may, therefore, drift apart over time.

The Northern Ireland protocol will remain a source of UK-EU friction. UK negotiators have proposed scrapping large parts of the protocol to reduce trade blockages and political tensions between Northern Ireland and the rest of the UK, and have mooted triggering an emergency over ride provision enshrined in Article 16 of the protocol owing to the risk of violence. The UK has several times extended the grace periods on internal checks between Northern Ireland and the rest of the country, most recently for an indefinite period of time. The government has not invoked Article 16, although it reserves the right to do so. The EU has offered limited concessions on how the protocol is to be implemented, and negotiations are ongoing. However, the EU has said that it would apply substantial trade penalties against the UK if Article 16 were to be invoked, arguing that the current difficulties were foreseeable when the protocol was agreed. We do not expect the UK to trigger Article 16 in the short term while it seeks to persuade the EU to make further substantive concessions. However, tensions remain high and a UK-EU trade war remains a risk. Checks on goods travelling to Northern Ireland are likely to remain unenforced in the meantime as negotiations continue on a less invasive system.

The UK government has stated its intention to look outward, pursuing a ”Global Britain” strategy. In September 2021 the UK signed a comprehensive trilateral security pact with Australia and the US (the AUKUS agreement) to deepen cyber and technology co-operation, while also providing Australia with nuclear-submarine capacity and committing the UK to a long-term security partnership requiring the deployment of resources in the Pacific. On trade, the UK achieved continuity agreements with most countries that had agreements with the EU, and has applied to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, a trade bloc of 11 Pacific nations.

Policy trends

United Kingdom | Economy | Forecast | Policy trends

January 18th 2022

Long before the pandemic the UK faced substantial economic-policy challenges, including low public investment, wide regional disparities, high housing costs and chronically low productivity growth. The Conservatives' 2019 election manifesto promised greater public-sector investment, including in green energy and infrastructure; additional current spending on the National Health Service (NHS), education and the police; and to address the issue of long-term social care. The government has provided £12bn (US$16.4bn) a year in additional spending for health and social care related to the pandemic, but other spending, including on infrastructure and social policies, has been delayed by the pandemic and by divisions in the Conservative Party.

The government has reformed the UK's immigration system to prioritise skilled labour, and is trying to encourage public and private investment to address the country's chronic low productivity. This has resulted most prominently in a two-year tax "super-deduction", which allows companies to write off tax up to 130% of the value of their capital investment in 2021-23, and in an expansion of the scope of public borrowing for investment from 2% of GDP to 3%. Proposed reforms to the planning system, which has prevented new development, have proven controversial. These initiatives are likely to yield modest benefits, but the UK's deficits in investment and productivity are long-standing and will not be reversed in a single parliamentary term.

Fiscal policy

United Kingdom | Economy | Forecast | Fiscal policy outlook

January 18th 2022

The pandemic triggered a massive expansion of support for households unable to work and businesses forced to close. These initiatives had mostly been phased out by October 2021, but their fiscal impact has been marked. We estimate that the budget recorded a deficit of 9.9% of GDP in 2021, with the debt/GDP ratio reaching 103.8%.

The government has committed to fiscal consolidation, with a planned increase in the corporation-tax rate from 19% to 25% in 2023 and an increase in national-insurance contributions of 2.5% announced in September 2021 to fund additional health and social-care spending. A decline in fiscal expenditure as a share of GDP will also help consolidation efforts, although spending will remain higher than pre-pandemic levels. Further tax increases are possible during the forecast period if fiscal-consolidation targets are not reached, and we expect the debt/GDP ratio to stabilise at about 104% by 2026.

Monetary policy

United Kingdom | Economy | Forecast | Monetary policy outlook

January 18th 2022

On December 16th 2021 the Bank of England (BoE, the central bank) raised its main rate by 15 basis points to 0.25%, having held the rate at record lows since March 2020. This was the first rate rise since 2018. Such a small rise is unlikely to have a serious effect in terms of taming inflation, particularly as most of the drivers are on the supply side. However, as inflation has surged, the BoE has come under growing pressure to raise rates to keep inflationary expectations in check. We expect two further rate rises in 2022. A more aggressive tightening would pose substantial risks to the debt sustainability of UK corporates that borrowed heavily during the pandemic, as well as to the government.

During the pandemic the BoE also resumed its quantitative easing (QE) programme, committing to £450bn in asset purchases, which was expanded twice in 2020, reaching a total of £895bn. The BoE has said that it expects to begin tapering once interest rates reach 0.5%, which we currently forecast in mid-2022.

Global forecast data

United Kingdom | Economy | Forecast | International assumptions

January 18th 2022

	2021	2022	2023	2024	2025	2026
Economic growth (%)						
US GDP	5.5	3.8	2.2	1.9	2.0	1.8
OECD GDP	5.0	3.7	2.3	2.0	2.0	1.8
EU27 GDP	5.0	4.1	2.5	2.1	2.0	1.8
World GDP	5.4	4.0	3.0	2.8	2.7	2.6
World trade	9.7	5.7	4.4	3.9	3.6	3.8
Inflation indicators (% unless otherwise indicated)						
US CPI	4.7	4.3	2.2	2.2	2.2	2.2
OECD CPI	3.5	3.5	2.2	2.1	2.1	2.1

EU27 CPI	2.6	2.6	1.8	1.8	1.8	1.9
Manufactures (measured in US$)	6.9	1.4	2.1	1.8	2.2	2.3
Oil (Brent; US$/b)	70.4	74.1	66.5	61.0	55.5	53.5
Non-oil commodities (measured in US$)	37.0	3.0	-5.6	-11.3	0.0	0.7
Financial variables						
US$ 3-month commercial paper rate (av; %)	0.1	0.2	1.1	2.0	2.2	2.4
€ 3-month interbank rate (av; %)	-0.5	-0.5	-0.5	-0.5	0.1	0.5
US$:£ (av)	1.38	1.41	1.44	1.40	1.44	1.48
US$:€ (av)	1.18	1.12	1.13	1.18	1.22	1.24

Economic growth

United Kingdom | Economy | Forecast | Economic growth

January 18th 2022

The impact of the coronavirus: global and regional assumptions

EIU forecasts that the economic recovery from the pandemic-related recession of 2020 will continue in 2022, with global GDP expanding by 4%, after rebounding by an estimated 5.4% in 2021. Global GDP returned to its pre-covid-19 level in late 2021, but the strong overall rebound masks great variations in the pace of recovery across regions. The recent emergence of a new coronavirus variant, Omicron, poses a risk to the global recovery. Preliminary data suggest that Omicron is much more transmissible, but possibly less severe, than Delta. If this is confirmed, and three doses of the current vaccines are effective against Omicron, the variant could mark the transition of covid-19 towards endemicity. In this scenario, we expect that measures put in place to curb Omicron's spread will be lifted in many economies in early 2022. The rollout of coronavirus vaccines will continue to condition economic prospects in 2022 and beyond as living with the virus becomes the new normal. Most developed economies achieved widespread vaccination coverage in 2021, which will prevent the reimposition of sweeping lockdowns in 2022. However, production, financial and logistical constraints mean that global immunisation timelines will stretch beyond 2023 in most developing countries.

We expect real GDP in the EU to return to its 2019 level in 2022 on average. This is a much slower trajectory than in the US (where economic activity returned to pre-pandemic levels in 2021), reflecting the EU's greater dependence on global export demand, more limited fiscal stimulus and a slower structural adjustment following the crisis. The EU economy bounced back strongly in 2021 as the rolling-back of coronavirus restrictions allowed consumers to resume some of their pre-pandemic activities and fiscal and monetary policies remained highly supportive. However, growth rates slowed in the second half of the year, and will remain subdued in early 2022 as a result of three factors. First, the manufacturing sector is struggling with supply-chain disruptions, including global shortages of shipping containers and semiconductor chips (a major input for the automotive industry). Second, energy prices have reached record highs across Europe, driven in particular by a surge in gas prices. Double-digit year-on-year increases in energy prices are likely to continue throughout the winter, feeding into consumer price inflation and weighing on purchasing power. Third, even before the arrival of Omicron, a new wave of covid-19 cases caused by the Delta variant was dampening services sector activity.

Countries across Europe have registered record-high numbers of new cases since late 2021. Governments have responded by tightening coronavirus restrictions. Austria and the Netherlands are the only countries in western Europe to have reintroduced a national lockdown. Belgium and Germany implemented partial lockdowns. Most governments are expanding the use of covid passes in order to exclude non-vaccinated people from indoor public spaces, including workplaces in some countries. Vaccination will become a legal requirement for all adults in Austria from February; Italy has introduced vaccine mandates for the over-50s and Greece for the over-60s. Other countries, including Germany and Ireland, are also considering making vaccination mandatory. Governments are reluctant to reintroduce blanket stay-at-home national lockdowns, but a tightening of measures is possible if healthcare services come under growing strain.

The political and geopolitical effects of the crisis will continue to be significant. The pandemic has resulted in an extraordinary expansion of executive powers, often with limited parliamentary oversight, and an unprecedented withdrawal of civil liberties. Elections have been cancelled or delayed in some countries, and have gone ahead in others in controversial circumstances. Governments' handling of the response will continue to face scrutiny. Public support for measures to combat the pandemic has frayed in some countries. Failure to address the social crisis triggered by the coronavirus could further erode trust in national institutions. The crisis has encouraged support for the nation state, and a backlash against globalisation and open borders. It will also intensify the competition for global leadership between China and the US, and a realignment of geopolitical spheres of influence may ensue in Europe, Africa and other regions.

Economic growth

Following a precipitous drop in real GDP in 2020, we estimate that the economy grew by 7.2% in 2021. However, this rebound will have been primarily concentrated in the second quarter, when the most stringent lockdown provisions were lifted. Private-sector consumption has slowed markedly since the reopening of the economy in July as ongoing coronavirus-related risks, energy-price shocks and continued supply shortages have led to increased consumer caution. The drawdown of household savings, which reached the equivalent of 14% of income in 2020, will be a major driver of private-sector growth in the forecast period. In 2017-19 household savings had reached historic lows of less than 5%, owing to Brexit uncertainty and slow wage growth, but we do not expect savings to return to those levels, given continued uncertainty, limiting the rebound in consumption.

We forecast real GDP growth of 4.3% in 2022, but year-on-year comparisons with the 2021 base year, when many lockdown restrictions were still in place, flatter this figure. We also expect supply-chain disruption to persist throughout the first half of 2022 and consumer confidence to be depressed by ongoing caution around the coronavirus. In 2023 growth will return to a more normal rate of 2%. We forecast average annual real GDP growth of 1.7% in 2024-26. Despite the furlough of more than 9m workers, unemployment remained modest throughout the pandemic, averaging less than 5% across 2020. We expect a slight uptick in the final months of 2021, when the furlough scheme was withdrawn, but estimate an annual average unemployment rate of 4.5% in 2021-22. We expect this to decline from 2023, reaching 3.9% in 2026.

Despite estimated gross capital formation growth of 5.2% in 2021, this remains well below its pre-pandemic peak. We expect a more robust rebound in investment growth in 2022-23, driven in part by the government’s investment tax super-deduction, a more stable post-Brexit investment environment and reduced pandemic-related disruption. Investment growth should stabilise from 2023 until the end of the forecast period. Brexit and the pandemic continue to disrupt the external sector, with periodic supply-chain issues. We expect supply chains to normalise by the end of the forecast period, but tightening of the labour market and the erection of new trade barriers after Brexit have exacerbated the pandemic-induced supply shocks affecting countries across western Europe, making the UK particularly vulnerable to disruption in 2022-23.

Economic growth

%	2021[a]	2022[b]	2023[b]	2024[b]	2025[b]	2026[b]
GDP	7.2	4.3	2.0	1.7	1.7	1.6
Private consumption	5.9	4.8	1.5	1.1	1.3	1.6
Government consumption	14.7	4.7	1.8	1.4	1.3	1.3
Gross fixed investment	5.2	6.2	4.5	3.4	3.2	3.2
Exports of goods & services	-1.2	5.7	3.2	3.1	2.8	2.9
Imports of goods & services	4.5	8.1	3.6	2.2	2.8	3.6
Domestic demand	7.9	5.1	2.1	1.5	1.8	1.9
Agriculture	-6.0	3.0	4.0	1.0	1.0	1.0
Industry	5.0	4.5	1.5	1.4	1.4	1.4
Services	7.8	4.3	2.0	1.8	1.8	1.7

[a] EIU estimates. [b] EIU forecasts.

Inflation

United Kingdom | Economy | Forecast | Inflation

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The reopening of the economy caused a sharp spike in inflation in 2021, owing to increased consumer spending and supply-chain disruptions in the domestic market and internationally. The UK is also particularly dependent on natural gas, and a marked increase in gas prices from mid-2021 has dramatically driven up electricity prices, an important component of the consumer price index (CPI). We expect these price pressures to persist well into 2022, driving up full-year average inflation from an estimated 2.4% in 2021 to 3.7% in 2022. From 2023 inflation will slow to a more modest rate as pent-up demand is exhausted and supply chains normalise, stabilising at 1.9% by 2026.

Exchange rates

United Kingdom | Economy | Forecast | Exchange rates

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The value of sterling has been volatile in recent years, given political uncertainty and the UK's large current-account deficit, which requires sizeable international investment to support the currency. After a period of weakening against the US dollar in the second half of 2021, bottoming out at US$1.32:£1 in mid-December, sterling has strengthened as the BoE has begun monetary tightening, reaching US$1.37:£1 as at January 17th. We expect this appreciation to continue throughout early 2021 until the Federal Reserve (the US central bank) begins its own tightening, before stabilising for the remainder of 2022-23. We expect significant appreciation against the euro in 2022, as the

European Central Bank is unlikely to begin its own tightening until later in the forecast period. From 2024-26 we expect sterling to remain relatively steady against the euro and both currencies to appreciate gradually against the dollar, reaching US$1.49:£1 at end-2026, as global economic conditions stabilise and demand for the safe-haven currency decreases.

External sector

United Kingdom | Economy | Forecast | External sector

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After a Brexit-related decline in January, goods trade began to rebound in 2021, although a combination of pandemic-related—and more severe Brexit-related—disruption has caused a further decline. The UK's services trade balance improved in 2021 as tourism remained depressed. We expect Brexit to drag on imports and exports over the medium term (relative to if the UK had remained in the EU), but expect a more marked increase in trade growth in 2022-23 as global markets unlock and UK exporters adapt to new trading rules. The UK has run a persistent current-account deficit since 1985. We estimate that this shortfall widened to 2.8% of GDP in 2021, as the export sector has been weakened by worse terms of trade with the EU, but forecast that it will stabilise thereafter.

Country forecast overview: Business environment rankings

United Kingdom | Business | Business environment | Rankings overview

January 18th 2022

Value of index[a]		Global rank[b]		Regional rank[c]	
2017-21	2022-26	2017-21	2022-26	2017-21	2022-26
7.81	7.77	15	19	9	10

[a] Out of 10. [b] Out of 82 countries. [c] Out of 18 countries: Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey and the UK.

- The UK's global ranking drops by four places, while its regional ranking falls by one place. Brexit has worsened the UK's terms of trade, but the country's strengths—a pro-business policy stance, a welcoming attitude to foreign investment, and flexible labour and product markets—will continue.

Business environment at a glance

United Kingdom | Business | Business environment | Business environment at a glance

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Policy towards private enterprise and competition

2022-23: Final coronavirus-related support is phased out. A 130% ”super-deduction” on capital investment is in place.

2024-26: Elevated state intervention in investment and innovation continues. New state-aid rules are implemented.

Policy towards foreign investment

2022-23: Continued openness to investment, but increased scrutiny in sectors considered sensitive to national security.

2024-26: Infrastructure plans offer investment opportunities. Possible changes in tax policies to bolster inward investment.

Foreign trade and exchange controls

2022-23: Increased trade barriers with EU. New Northern Ireland protocol undergoes renegotiation. A bounce-back in global trade follows initial pandemic lockdowns. Supply-chain disruptions persist.

2024-26: Continued UK-EU negotiations probable. New trade agreements with other countries, including potential accession to Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) trade bloc.

Taxes

2022-23: Corporation tax increase from 19% to 25%; there is also a2.5% rise in national-insurance contributions.

2024-26: Additional tax rises, such as equalisation of self-employed and regular income taxes, are likely, to fund public spending, investment and social care.

Financing

2022-23: Monetary policy begins to tighten, with Bank of England (central bank) asset purchases tapering from 2022. Loss of "passporting" rights and restrictions on EU services trade. Slow progress in establishing equivalence with EU.

2024-26: Modest decline in City of London's status. Steady growth in alternative forms of debt financing.

The labour market

2022-23: Labour market remains tight. Pandemic-related departure of expatriates and sharp drop in immigration from EU due to the end to free movement of labour. Shortages in low-skilled occupations continue.

2024-26: Increased immigration from Hong Kong. Addition of more low-wage sectors to shortage lists.

Infrastructure

2022-23: Modest rise in spending on housing, roads and digital infrastructure. Crossrail service in London begins operation in 2022.

2024-26: Increased infrastructure investment, emphasis on "levelling up" regional infrastructure and competitiveness.

Technological readiness

2022-23: High e-commerce penetration and strong research base, but research and development (R&D) spending remains below EU average. Continued high threat from cybercrime and cyber-espionage.

2024-26: Modest rise in public R&D spending. Development of state "blue skies" fund.

Market opportunities: Social indicators and living standards

United Kingdom | Business | Market opportunities | Social indicators and living standards

May 11th 2021

Social indicators and living standards

	2020		2025	
		Western Europe (av)		Western Europe (av)
Health				
Healthcare spending (% of GDP)	11.0	10.8	10.4	10.7
Healthcare spending (US$ per head)	4,395	4,406	5,708	5,779
Infant mortality rate (per 1,000 live births)	4.1	3.4	3.9	3.3
Physicians (per 1,000 population)	3.0	4.0	3.2	4.1
Food and beverages				
Food, beverages & tobacco (% of household spending)	12.9	19.4	11.5	18.5
Meat consumption (kg per person)	79.4	86.4	86.2	94.0
Milk consumption (litres per person)	232.0	258.0	243.0	276.0
Coffee & tea consumption (kg per person)	4.3	6.1	4.5	6.5
Consumer goods in use (per 1,000 population)				
Passenger cars	524	542	536	552
Telephone main lines	450	412	412	379

Mobile phone subscribers	1,190	1,200	1,180	1,250
Television sets	1,149	823	1,285	906
Personal computers	865	832	886	862
Households				
No. of households (m)	27.8	191.4	28.3	199.3
No. of people per household (av)	2.4	2.2	2.4	2.1
Income and income distribution				
Median household income (US$)	58,290	49,740	69,970	57,670
Average monthly wage (US$)	4,090	3,850	5,250	4,630
Gini index	35.1[a]	–	–	–

[a] Latest available year.

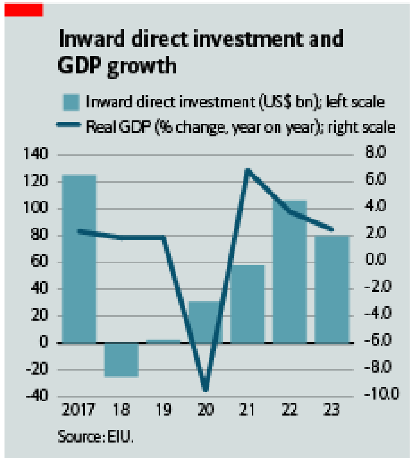
Sources: UN Statistical Office; World Bank; Food and Agriculture Organisation (FAO); Euromonitor; World Health Organisation (WHO); national statistical offices; International Telecommunication Union (ITU); Economist Intelligence Unit estimates and forecasts.

Global position

United Kingdom | Regulation | Global position

December 1st 2021

The outlook for the UK has become much more uncertain following the 2016 referendum vote to leave the EU. The UK departed the bloc on January 31st 2020, entering a transition period that lasted until end-2020, during which the UK retained most aspects of EU membership. An EU-UK Trade and Co-operation Agreement (TCA) came into force on January 1st 2021. It provides for zero-tariff, zero-quota trade between the UK and the EU. However, leaving the EU single market and customs union has created a variety of nontariff trade barriers. The TCA also leaves many aspects of the relationship between the UK and the 27-member bloc unsettled. The coronavirus (Covid-19) pandemic has compounded an already uncertain outlook during 2020 and 2021. Lockdowns and travel restrictions have delivered a severe blow to industries such as hospitality, tourism and aviation, as well as parts of the retail sector. The UK still has much to offer as an investment destination. Existing clusters and economies of scale in sectors such as pharmaceuticals, biotechnology, software development and financial services will remain powerful magnets for foreign entrants, while significant potential exists for large-scale, long-term investments in the energy, communications and transport sectors.



Regulatory/market assessment

United Kingdom | Regulation | Regulatory/market assessment

December 1st 2021

- The National Security and Investment Act passed into law in April 2021 and comes fully into force from January 4th 2022. The act makes it mandatory for investors (domestic and foreign) in 17 sectors to notify the government in advance of any transaction, regardless of size, that might give rise to UK national security risks. The implicated sectors include defence, energy, transport and communications.

- In October 2021 the government unveiled a "net zero" strategy, outlining how the UK will meet its target to effectively eliminate green-house gas emissions by 2050. The following month, while the UK was hosting the UN's COP26 climate talks, lawmakers approved a new Environmental Act that replaces EU legislation and oversight following the UK's departure from the bloc.
- Citizens of the European Economic Area (the EU, plus Iceland, Liechtenstein and Norway) and Switzerland became subject to UK immigration controls from January 1st 2021. A new points-based immigration system now treats EU and non-EU citizens equally.
- In March 2021 the UK government repealed legislation implementing the EU's directive on the taxation of interest and royalty payments. Companies now must rely on arrangements set out in bilateral tax treaties with individual EU member states, which in many cases eliminate withholding tax.
- The EU-UK Trade and Co-operation Agreement came into force in January 2021, outlining the initial terms of trade relations following the UK's departure from the EU. The agreement provides for zero-tariff, zero-quota trade between the UK and the EU, at least in the first instance. However, leaving the single market and customs union have created a variety of nontariff trade barriers in the form of border checks and product certifications.

Regulatory/market watch

United Kingdom | Regulation | Regulatory/market watch

December 1st 2021

- After lifting most coronavirus (Covid-19) restrictions in mid-2021, the government introduced additional measures in early December 2021 following the emergence of the new Omicron variant. The provisions, which fall well short of the full lockdowns from earlier in the pandemic, include orders to work from home, wear face masks in public spaces and use vaccine passes.
- The government launched its coronavirus vaccination programme in December 2020, and nearly 70% of the UK population was fully vaccinated by end-November 2021. The government is encouraging uptake of booster shots following the emergence of Omicron, with just under 28% of the population having received the additional dose.
- The government has wound down most of the relief mechanisms it put in place to support workers and businesses during the pandemic, including the Coronavirus Job Retention Scheme, which expired in September 2021. A Kickstart scheme remains active; it funds new job placements for young people aged 16–24 and pays 100% of the national minimum wage for 25 hours per week for six months.
- A UK Shared Prosperity Fund is expected to launch in April 2022, with annual spending of around £1.5bn. It will replace the previous EU development funding schemes and will focus on regional development and employment support.
- The corporate income tax rate will increase from 19% to 25% in April 2023, according to an announcement by the government in March 2021. The higher rate will apply to companies with annual profits exceeding £250,000.

- At least in the short term, EIU does not expect the UK to trigger Article 16 of the Northern Ireland protocol, which would override that agreement. However, tensions remain high and a UK-EU trade war remains a notable risk. Checks between the UK and EU are likely to remain unenforced in the meantime as negotiations continue on a less invasive system.
- The government has said it will remove its 2% digital services tax once the OECD's new arrangement on global corporate tax takes effect. The agreement, which was finalised in October 2021, is meant to come into force by 2023 but could be derailed if the US fails to ratify it.

Long-term outlook: The long-term outlook

United Kingdom | Economy | Long-term outlook | Long-term outlook

May 11th 2021

	2021-30	2031-50	2021-50
Population and labour force (% change; annual av)			
Total population	0.38	0.25	0.29
Working-age population	0.10	0.01	0.04
Working-age minus total population	-0.28	-0.24	-0.25
Labour force	0.19	0.09	0.12
Growth and productivity (% change; annual av)			
Growth of real GDP per head	2.0	1.5	1.7
Growth of real GDP	2.4	1.8	2.0

Labour productivity growth	2.1	1.7	1.8
Growth of capital stock	3.1	2.5	2.7
Total factor productivity growth	0.4	0.8	0.7

Initial conditions: From the early 1990s up to 2019, with the exception of the 2008 crisis period, the economic performance of the UK improved relative to that of many of its regional peers, owing in part to a sharp rise in labour utilisation, with strong employment growth fuelling strong overall expansion. The pace of economic growth began to soften in 2019, and the economy contracted sharply in 2020 amid the coronavirus pandemic. The Economist Intelligence Unit expects UK GDP to return to its pre-crisis level by 2022 as restrictions are lifted and pent-up consumer demand returns. The recovery will be constrained as corporates face rising debt from the coronavirus crisis and trade frictions from Brexit depress export-oriented industries.

The UK's prospects for growth in the medium term will be highly dependent on government policy formulation in response to these challenges. Both major parties have signalled a willingness to pursue a more interventionist strategy in the economy, and provide more public investment, in an effort to address the UK's regional inequality and weak productivity growth. The current govern-ment has increased its threshold for borrowing for investment from 2% of GDP to 3%, established a national infrastructure bank in addition to the pre-existing British Business Bank, and an £800bn (US$1.1bn) "blue skies" fund to support innovative research.

Despite securing the Trade and Co-operation Agreement with the EU, the UK's relationship with the EU remains unsettled. The UK is likely to diverge in some areas of regulation, particularly in technology and life sciences regulation, while non-tariff barriers put UK firms as a competitive disadvantage within the single market.

The UK faces entrenched regional and sectoral imbalances

We expect economic performance to bounce back from the current recession, and reach pre-crisis real GDP levels by 2022. Between Brexit and the pandemic, this is likely to mask significant sectoral disruption, and the UK economy may need to become less reliant on consumer spending relative to investment to support growth.

The UK's structural advantages have traditionally included a comparatively low regulatory burden, a flexible labour market and a business environment that is conducive to foreign investment, which we expect to persist. On the negative side, factors that tend to constrain the UK's long-term outlook include over-reliance on wealth effects generated by the volatile financial and real estate sectors, high levels of private-sector debt and a deficit in "intermediate" labour market skills, which are skewed by significant geographical inequalities. These have contributed to the development of an unbalanced economy. Levels of productivity in the UK, in terms of output per hour worked, lag well behind those in the US, Germany and France. This weak trend is worrying and will weigh on medium- and long-term growth if not reversed, and will play an increasing role in policy debates.

Labour force participation is high, but will be depressed by the coronavirus

Demographic trends: The working-age population is forecast to rise gradually over the long-term horizon, and the share of the population aged 65 or over will continue to increase. By 2050 those aged 65 and older are projected to account for 25.4% of the population (up from 18.7% in 2018). The share of the working-age population peaked at 66% in 2008-09 and is forecast to decline steadily, to 58.3% by 2050. Prior to the pandemic, the labour force participation rate was just below 80%— significantly higher than the OECD average. After declining in 2020, we expect it to gradually return to that level. We expect migration will continue to provide a key source of population and human capital growth. Most countries that operate skills-based immigration systems adjust their requirements periodically, a trend that we expect the UK to follow.

EU trade will decline, but it will remain the UK's most important trade partner

External conditions: The UK is a highly trade-dependent economy, and thus its departure from the world's largest trading bloc will have implications for its long-term prospects. Despite the UK leaving the single market, the EU is likely to remain the UK's most important export destination, particularly for goods trade, given its proximity and the volume of existing trade. This is likely to be exacerbated if the pandemic leads companies globally to pursue shorter supply chains. Although the UK's departure from the EU will allow the UK to negotiate trade deals with third countries, trade experts have estimated that the total estimated value of trade deals currently in negotiation will not make up for the loss of access to the EU market. However, given the demographic, structural and political headwinds that the bloc faces, we expect the EU's long-term growth rate to remain modest.

The UK is likely to maintain its surplus in services, which is expected to grow as a percentage of total trade value over the course of our long-term forecast period, as e-commerce and trade in intangible goods become more prominent globally.

Institutions and policy trends: The UK is a long-established democracy with well-entrenched rule of law (guaranteeing security of contracts), liberalised product markets and a rigorous competition policy regime. Much of the UK's policy around competition, trade, product regulation and other areas of economic policymaking was informed by its EU membership, as was the governance of its own internal market, much of which is currently being moved to domestic equivalent authorities. It remains too early to gauge how effectively policymakers and institutions will manage these competencies on a national level, and whether any benefits can be realised from regaining direct control.

Long-term performance: Since the 2008 financial crisis the UK has suffered from chronically low productivity growth relative to its OECD peer countries, and relied heavily on moving people into work. Its labour force participation rate peaked at over 79% with unemployment at 3.8% prior to the outbreak of the pandemic. The flexibility of the UK labour market will see unemployment rapidly return to its downward trend as pandemic restrictions are lifted, but the UK's ability to increase its productivity will be the key driver of its performance in the long-term. A number of factors have been cited as possible causes for the UK's persistent productivity gap with its peers. These include the high degree of centralisation of the economy around London; the UK's relatively low share of spending on R&D; the dominance of the volatile financial services sector; and reliance on low-skilled immigration. Successive governments have tried to address the productivity issue, including the current government, which has committed to an increase in public investment to stimulate R&D, a shift in emphasis towards skilled immigration, and supporting investment outside London. Whether these plans will boost productivity remains highly uncertain. Real GDP is forecast to grow by an annual average of 2.4% in 2021-30, owing to rapid post-pandemic recovery in 2021 and 2022, but will moderate to 1.8% in 2031-50.

Income and market size

	2020	2030	2050
Income and market size			
Population (m)	67.9	70.5	74.1
GDP (US$ bn at market exchange rates)	2,711.3	4,640.5	10,106.7
GDP per head (US$ at market exchange rates)	39,940	65,840	136,430
Private consumption (US$ bn)	1,649.2	2,751.3	5,648.2
Private consumption per head (US$)	24,290	39,030	76,240
GDP (US$ bn at PPP)	2,975.1	4,632.3	9,927.6
GDP per head (US$ at PPP)	43,820	65,720	134,010
Exports of goods & services (US$ bn)	742.0	1,503.2	5,585.0

Imports of goods & services (US$ bn)	751.7	1,593.7	5,584.8
Memorandum items			
GDP per head (at PPP; index, US=100)	69.3	72.5	76.2
Share of world population (%)	0.9	0.8	0.8
Share of world GDP (% at market exchange rates)	3.2	3.2	2.8
Share of world GDP (% at PPP)	2.3	2.1	2.0
Share of world exports of goods & services (%)	3.4	3.7	4.9

Automotive

United Kingdom | Automotive | Overview

January 17th 2022

- The pandemic has caused significant disruption to the UK's automotive sector, which was already facing increased strain owing to structural global trends such as overcapacity, environmental pressures and digitalisation, apart from the damaging economic and societal effects of Brexit. The UK fared worse than most other advanced economies in its handling of the pandemic in 2020, resulting in one of the highest levels of virus-related deaths and one of the deepest falls in real GDP. Annual vehicle sales and production both fell sharply. A comparatively rapid vaccine rollout supported a partial recovery in the first half of 2021, but momentum has since reversed amid a global shortage of semiconductors (a key vehicle component), heightened supply-chain disruption, worsening near-term economic prospects and the recent rapid spread of the Omicron variant.

- New-car sales slumped by 29.4% in 2020 (a fourth successive annual decline) to 1.63m units, a 28-year low. Sales remained weak in 2021, rising by just 3% to 1.67m, far below a recent peak of 2.7m in 2016 and an annual average of 2.3m in 2010-19.
- Commercial-vehicle (CV) sales declined by 22% in 2020 to a seven-year low of 332,557 units. EIU estimates that the CV market rebounded firmly in 2021, supported by growing online and logistics sectors, with annual sales almost just 6% shy of their 2019 level.
- In 2020 the UK was the world's 16th-largest automotive producer, according to the International Organisation of Motor Vehicle Manufacturers (OICA). Vehicle production rose steadily in 2010-16, but has since dropped sharply in response to softer demand, Brexit-related weakness, regulatory changes and pandemic-driven disruption. Following declines of 8% in 2018 and 14% in 2019, respectively, vehicle output slumped by 29% in 2020 to its lowest level since 1984. Production in January-November 2021 was down by 5% year on year.
- Near-term prospects for new-car sales and production are weak, given virus-related consumer caution, ongoing supply-chain challenges and a squeeze on household incomes from a spike in inflation, surging energy costs and new substantial tax rises. However, assuming no major new virus disruption, we expect a moderate strengthening in vehicle sales and output in 2022 as supply bottlenecks and inflationary pressures gradually diminish.
- Over our five-year forecast period (2022-26), new-car sales are projected to rise at a compound annual growth rate (CAGR) of 3.9%—although this is inflated by a weak base level in 2021. Annual sales are expected to stabilise at about 2.1m units from 2023-24, slightly below the medium-term trend. The share of chargeable electric vehicles (EVs) will continue to rise (from an estimated 18.5% of new-car sales in 2021), but will be constrained by modest incentives, affordability issues and poor charging infrastructure. New-CV sales are forecast to expand at a CAGR of 3% in 2022-26, from a firmer base than the car market.

- The UK left the EU single market and customs union in January 2021, having agreed a limited Trade and Co-operation Agreement (TCA) with the EU. This averted the imposition of immediate tariffs and allowed for quota-free trade, but it represented a ”hard Brexit” with new trade frictions, significant new non-tariff barriers and disruption to integrated global supply chains (already under strain from the pandemic). Full customs controls took effect from January 2022, implying tighter import restrictions. Various provisions, including phased ”rules of origin” restrictions, could lead to the imposition of export tariffs in the future.
- The UK has six mass-vehicle producers (all foreign-owned) that have primarily used the country as an export base to the EU. We expect Brexit to contribute directly to a permanent downsizing of the UK automotive industry (and the broader manufacturing sector) in the next five years, with reduced output and investment, and possible factory closures. Global automotive overcapacity, the structural transition to EVs and tighter environmental regulations will also be influencing factors. Announcements since mid-2021 of (state-subsidised) EV-related investments have safeguarded the near-term future of plants operated by Nissan (Japan) and Vauxhall (owned by Netherlands-based Stellantis), but other sites remain vulnerable and the medium-term outlook is unclear. Much will depend on the UK’s ability to attract EV battery production facilities amid fierce competition from better-established hubs elsewhere in Europe, such as Germany, Sweden and Hungary.

Consumer goods

United Kingdom | Consumer goods | Overview

November 20th 2021

- After firm retail sales volume growth in 2016-18, amid employment gains, low inflation and extensive retail discounting, consumer demand lost momentum in 2019 as a slowing global economy and the economically damaging Brexit process dampened the labour market and household finances. The consumer sector then suffered huge disruption in 2020 from the coronavirus pandemic. Retail sales held up fairly well, but overall household spending slumped.

- Since early 2020 a series of national lockdowns, other pandemic restrictions, changed working patterns, shifting consumer habits and virus-driven caution have contributed to large swings in the composition of household spending, retail store closures, sharply contrasting fortunes in the foodservice sector and increased online retail activity and digital payments.
- Consumer spending strengthened in the second and third quarters of 2021, as rising vaccine take-up, the lifting of restrictions and a recovering labour market drove a rebound in sentiment and the release of pent-up demand. Retail sales volumes have surpassed pre-crisis levels, but there is still a shortfall of around 5% in total household spending. Consumer balance sheets (in aggregate) have strengthened over the pandemic, but precautionary savings remain high and lower-income households (which have a higher propensity to consume) have been hit particularly hard by the crisis.
- The near-term outlook has weakened amid another upturn in virus infections, rising inflation, reduced welfare support, ongoing supply-chain disruptions (resulting in food and goods shortages) owing to Brexit and the pandemic, and upcoming tax rises in early 2022. This will dampen consumer spending over the winter, as pent-up demand also eases. Vaccines have significantly weakened the relationship between infections and hospitalisations, but reimposition of some virus-related restrictions is possible. A new lockdown that would weigh more significantly on retail, although unlikely, remains one of the biggest risks to our forecasts. EIU expects nominal retail sales growth of 4.2% in 2021. Assuming no major virus setbacks, we forecast average sales growth of 3.3% per year in 2022-26.
- The UK remains Europe’s largest online retail market. Robust internet sales have gone hand in hand with falls in retail employment and the number of retail stores, mostly in town centres. The pandemic has accelerated the shift

in consumer behaviour towards online and convenience channels, which will drive growth of more cashier-free and 24-hour stores, click-and-collect services and rapid-delivery start-ups. Online marketplaces will continue to thrive, amid increased regulatory scrutiny and new e-commerce taxation. Discount grocery retailers will gradually increase market share.

- The UK left the EU single market and customs union on January 1st 2021, after finalising a Trade and Co-operation Agreement (TCA) with the EU. The TCA averted a no-deal fiasco and in theory allows for tariff- and quota-free UK-EU trade, but it is limited in scope (especially for services) and created significant new non-tariff barriers and trade frictions, as well as widespread regulatory uncertainty. This has led to major disruption across parts of the UK's fisheries, agriculture, and food and drink sectors, which all face medium-term damage.

Energy

United Kingdom | Energy | Overview

December 17th 2021

- Total energy consumption in the UK has trended gradually lower since the mid-1990s. The year-on-year growth witnessed in 2021 is due to the economic recovery following the downturn caused by the covid-19 pandemic. At an estimated 172m tonnes of oil equivalent (toe), consumption was up by 10% compared with 2020 but down by about 9% compared with a decade earlier. Together, natural gas and oil account for just over 74% of the energy mix.
- Data from the Department of Business, Energy and Industrial Strategy (BEIS) show that energy consumption rebounded in the second quarter of 2021, although first-half consumption was flat compared with the same period of 2020. EIU expects total consumption to resume a gradual decline between 2026 and 2031 after flattening out in earlier years.

- We forecast that oil consumption will fall by an annual average of 1.6% between 2022 and 2031, which is more pessimistic than our previous forecast of 0.7%. This is partly due to the electrification of transport and energy efficiency measures. Natural gas consumption will rise by an annual average of 0.4%, but will decline slightly beyond 2026. Coal consumption will fall dramatically, owing mainly to the planned phasing-out of coal use in power generation by the end of 2024. We expect annual coal consumption to fall by an annual average of 23.5% over the forecast period (2022-31).

Energy: key indicators

	2020[a]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]	2031[c]
GDP (US$ bn at market exchange rates)	2,768	3,183	3,370	3,514	3,740	3,982	4,210	5,031
Real GDP (% change, year on year)	-9.7	6.7	4.0	1.9	1.7	1.6	1.7	1.6
Population (m)	67.9	68.2	68.5	68.8	69.0	69.3	69.5	70.7
Population (% change, year on year)	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.3
Gross domestic energy consumption (ktoe)	156,477	172,117	175,780	177,230	177,691	177,694	176,406	167,526
Gross domestic energy consumption (% change, year on year)	-8.3	10.0[d]	2.1	0.8	0.3	0.0	-0.7	-1.8

Note. Forecasts for all dates are available via EIU's data tool.

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

Sources: EIU; © OECD/IEA 2018 IEA statistics, www.iea.org/statistics, licence: www.iea.org/t&c.

- The share of non-hydro renewables in power generation is forecast to rise from 32% in 2022 to 50% in 2031. Meanwhile, coal is set to disappear from the electricity generation mix, with only one coal-fired power plant remaining in the UK by the end of 2022. The UK government has set a deadline of 2024 for phasing out coal-fired power.

- The post-Brexit UK-EU trade deal was finalised in December 2020, and the UK and the EU have not yet reached agreement on all aspects of their future energy relationship. Uncertainty persists over many elements of energy policy, particularly after recent sharp price rises for petrol, natural gas and electricity. The government has subsidised the largest provider of industrial carbon dioxide (CO2) and may intervene in the retail energy sector.

Financial services

United Kingdom | Finance | Overview | Financial services | Overview

January 15th 2022

- The UK has one of the world's best-developed financial industries, but it faces two major challenges in the coming years: coping with the coronavirus and managing the country's departure from the EU. The first has delivered a sharp, but hopefully short, shock to the sector. By contrast, the second is likely to require a long-term shift in trading relationships and may contribute to an ongoing shrinkage of the industry.
- London (the UK capital) is currently one of the two leading global financial centres (along with New York) and has the largest share of many international markets. The UK financial sector—banking, insurance, fund management, securities and alternative investment—plays a significant role in the economy. In the third quarter of 2021 it accounted for 7.6% of GDP, down from 8.3% at its peak in 2009, according to the Office for National Statistics (ONS). It employed 1.09m people, or 3.1% of the workforce, down from 3.7% in 2009. The industry makes a substantial contribution to the balance of payments and tax revenue.
- In response to covid-19, the government enforced nationwide shutdowns and rolled out financial support to help workers and businesses affected. This included more than £330bn (US$422bn) in government-backstopped loans, business tax deferments and holidays, targeted aid to the worst-hit sectors, and wage support for salaried and self-

employed workers. A scheme to pay 80% of workers' wages came to an end on September 30th 2021. A third national lockdown imposed in January 2021 was relaxed in stages, with most remaining restrictions lifted in July. Some new measures were put in place in December 2021 in response to the emergence of a highly transmissible variant of the virus, known as Omicron.

- EIU estimates a partial rebound in real GDP growth of 6.7% in 2021, following a severe 9.7% contraction amid the pandemic in 2020. GDP rose above its pre-pandemic level for the first time in November 2021, according to the ONS. We foresee growth of 3.6% in 2022 and an average of 1.8% in 2023-26. The UK has been one of the worst-hit countries in Europe in economic terms, as well as having among the region's highest cumulative totals of covid-19 deaths and confirmed cases. However, the UK's relatively high coronavirus vaccination rate appears to be helping to contain the incidence of serious illness and hospitalisation during the ongoing Omicron wave.
- The UK left the EU on January 31st 2020, ending 47 years of membership. A transition period with the EU ended on December 31st 2020. An EU-UK free-trade agreement was concluded in December 2020 that averted the most extreme form of "no deal" disorder. The trade pact did not include financial services, but the UK and the EU agreed and implemented some temporary arrangements to reduce disruption to financial markets.
- The UK granted a designation of regulatory equivalence for many EU financial firms, allowing them to continue to operate in the country. However, the EU did not reciprocate for UK financial firms, except for derivatives clearing houses. Instead, the UK government is emphasising the benefits of being able to determine its own priorities for the financial services sector. It has begun to reform regulations governing UK financial markets, starting with changes to stockmarket listing rules.
- The Bank of England (BoE, the central bank) raised its main rate to 0.25%, from 0.1%, in December 2021, in the face of rising inflationary pressures. It also signalled that further modest rate rises would be required in coming months. EIU estimates that UK consumer price inflation averaged 2.7% in 2021, up from 1% in 2020, and we

forecast that inflation will rise further, to 4.5%, in 2022. The BoE decided in December to maintain the amount of quantitative easing at £895bn.

- We expect London to retain its status as one of the world's main financial centres, especially in the trading of foreign exchange and derivatives, but a loss of influence and post-Brexit restrictions on financial services trade with the EU are inevitable. Reaching agreement on a complex new trading arrangement will be difficult and time-consuming (taking years, rather than months), and financial firms in the UK must come to terms with the loss of "passporting" (the right of UK-regulated companies to do business in the EU and vice versa).
- Financial services companies previously serving the EU from the UK will continue to relocate some of their operations and staff to within the bloc. Although outflows of financial sector employees (and related tax revenue) from the UK have so far been modest, it is likely that the trend will continue as competing financial services hubs, including Amsterdam (Netherlands), Frankfurt (Germany) and Paris (France), gradually grow in size and influence. European policymakers will strive to attract major financial functions away from London.

Healthcare

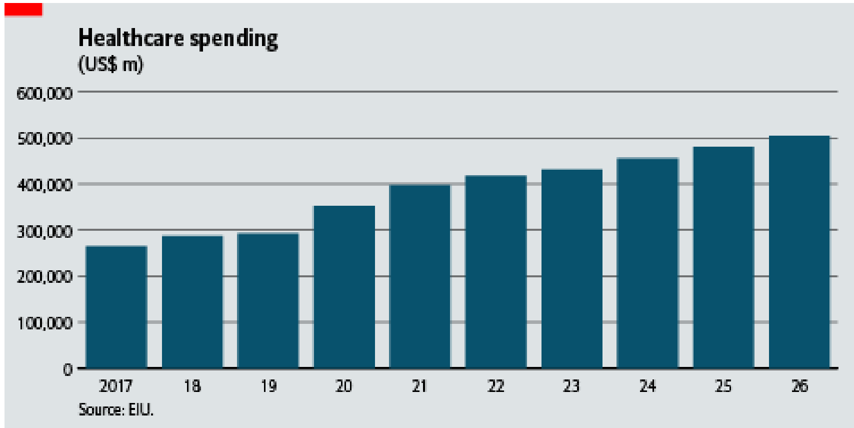
United Kingdom | Healthcare | Spending

December 14th 2021

Overview

- The UK has managed a rapid coronavirus vaccination programme, after facing one of the worst tolls from the pandemic globally. As at early December 2021 the country had recorded over 146,000 covid-19 deaths out of a worldwide total of 5.29m. About 81% of the population aged over 12 has received at least two vaccine doses, while nearly 41% have received three. Although all social restrictions were lifted in July, some were reintroduced in December in response to the rapid spread of the new Omicron variant.

- The impact of the pandemic has been exacerbated by the UK's departure from the EU's single market (Brexit) on January 1st 2021. Even though real GDP contracted by 9.7% in 2020, EIU estimates growth of 6.7% in 2021, followed by a drop in growth rates through the forecast period. Moreover, in order to fight the pandemic and support businesses and households, the centre-right Conservative government has let public debt rise to more than 100% of GDP, its highest level since the 1960s.



- The UK responded to the pandemic by increasing public spending on healthcare to 12.8% of GDP in 2020, from 10.2% in 2019, according to the OECD. We estimate that this share fell to 12.5% in 2021 as real GDP recovered, despite continued real growth in healthcare spending. Spending growth will slow towards the end of our forecast period as fiscal constraints bite, taking the share back to 12% in 2016. We have raised this forecast to reflect a tax levy announced by the government in early 2021, and due to take effect from April 2023, which is intended to fund health and social care.

- Over the 2022-26 forecast period we expect health spending to rise at a compound annual growth rate (CAGR) of 3.8%—similar to the growth rate seen in the five years before the pandemic. We expect pharmaceutical sales to rise at a robust CAGR of 4.3% in local-currency terms in 2022-26, driven primarily by the vaccine rollout.

Funding sources

- Healthcare provision in the UK is dominated by the National Health Service (NHS), which is financed primarily via general taxation. NHS care is free at the point of delivery, but fixed charges are levied (in England) for most prescription medicines and dental care, with some exemptions.
- Public expenditure (including compulsory contributions) accounted for 81.7% of current health spending in 2020, according to provisional data from the OECD, above the OECD average of 74%. The UK's share has increased from 78.5% in 2019 (returning to the share last seen in 2010) and is likely to have risen further during the pandemic. Even so, the share will remain lower than current shares in Germany (85.1%) and France (83.7%).

Healthcare: key indicators

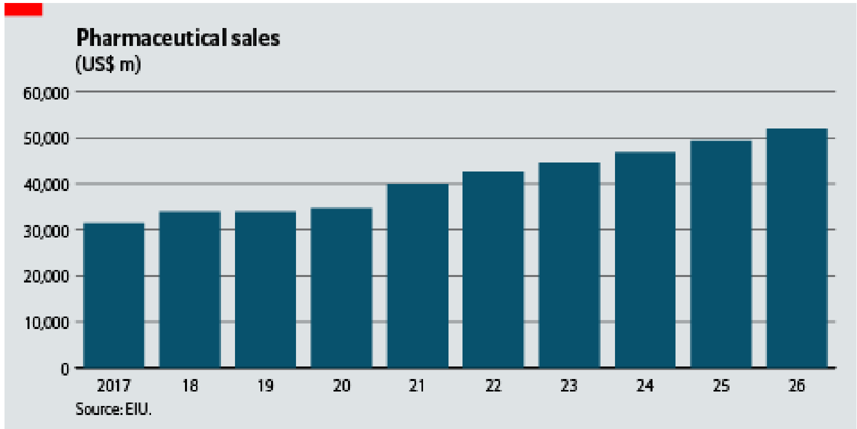
	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]
Life expectancy, average (years)	81.0	81.0	81.1	81.2	81.3	81.4	81.5	81.6	81.8	81.9
Life expectancy, male (years)	79.1	79.2	79.3	79.4	79.5	79.7	79.9	80.0	80.2	80.4
Life expectancy, female (years)	82.8	82.8	82.9	82.9	83.0	83.1	83.1	83.2	83.3	83.4
Infant mortality rate (per 1,000 live births)	4.5	4.4	4.4	4.4	4.3	4.2	4.1	4.1	4.0	3.9
Healthcare spending (£ bn)	205.7	215.3[b]	228.9[b]	274.9[b]	288.8	308.9	318.5	328.3	337.5	347.2
Healthcare spending (% of GDP)	9.8	9.9[b]	10.2[b]	12.8[b]	12.5	12.4	12.3	12.2	12.1	12.0
Healthcare spending (US$ bn)	265.2	287.5[b]	292.4[b]	352.9[b]	397.9	417.9	432.2	456.3	481.8	505.2
Healthcare spending (US$ per head)	3,975	4,282[b]	4,330[b]	5,198[b]	5,834	6,100	6,285	6,611	6,955	7,267

Healthcare (consumer expenditure; US$ bn)	32.5	35.1	36.7	36.1[b]	39.4	41.0	42.2	44.5	46.8	49.3
Doctors (per 1,000 people)	2.8	2.8	3.0	3.0	3.1	3.1	3.2	3.2	3.3	3.3
Hospital beds (per 1,000 people)	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.3

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

Sources: US Bureau of Census; UN; OECD; World Bank; EIU.

- Devolution since 1999 means that most NHS funding and commissioning occurs under separate frameworks in the four UK nations, with variations in some policy areas. About 86% of funding goes to NHS England, with Scotland, Wales and Northern Ireland sharing the rest under a formula (the Barnett formula) related to population size.
- The UK's relatively weak public finances will come under further pressure as a result of the coronavirus crisis. However, the government has reaffirmed a pre-pandemic funding deal in 2018, which will cause spending (excluding emergency covid-19 funds) to rise by £33.9bn (US$45bn) per year by 2023/24.
- Planned NHS spending increased to £212bn in fiscal year 2020/21 (April-March) from £150bn in 2019/20. The country has also allocated more than £20bn in covid-19 funding for 2021/22.
- In September 2021 the government announced plans to increase national insurance for all working adults by 1.25 percentage points from April 2022. The levy, which will become a tax on earned income from 2023, is intended to raise health and social care funding by £12bn a year.



Private health insurance

- Voluntary (or private) spending on healthcare accounted for 18.3% (provisional data) of the UK's total health expenditure in 2020, the smallest share since 2010, according to the OECD. Spending also fell when measured on a per capita basis at purchasing power parity (PPP) current prices that year. By contrast, up until 2018, the share of voluntary spending on healthcare had been gradually rising as a share of overall health expenditure.
- This decline was driven by a fall in spending on healthcare from voluntary healthcare payment schemes. These shrank in both per capita PPP terms and also as a percentage of overall spending to 4.4%, from 5.6% a year earlier.
- Meanwhile, out-of-pocket (OOP) spending accounted for 13.8% of total health spending, down from 15.9% in 2019. Nevertheless, the amount of OOP spending continued to rise on a per capita basis (current prices; PPP).
- The private health insurance market remained broadly flat in the years preceding the pandemic, reflecting the dominance of the NHS. However, according to a 2021 study by LaingBuisson, a consultancy, in 2020 private spending on private acute medical care in hospitals and clinics shrank by about 30% to an estimated £6.17bn, as

the private sector provided resources to the NHS (at cost). Demand for private acute medical care also ceased in response to covid-19 travel restrictions.

- The LaingBuisson report also highlighted a strong rebound in private acute medical care towards the end of 2020. Again much of this comes from NHS contracts, as the health services tries to reduce the backlog of non-covid care. Demand from people wishing to finance their own diagnostic and elective procedures has also risen. As restrictions tighten in 2022, we expect the private acute medical care sector will see a downturn in demand once more.
- The leading independent healthcare group is Bupa, with 2.3m policyholders and 31m customers at the end of June 2020, and was boosted by an agreement between Bupa UK and a friendly society, CS Healthcare, to transfer the latter's 17,500 members as of January 2021.

Telecommunications

United Kingdom | Telecommunications | Overview

November 15th 2021

- Mobile telephony accounts for a majority of telecommunications connections in the UK. The mobile penetration rate has levelled off in recent years amid a saturated market. EIU expects a moderate decline during the five-year forecast period (2022-26), with the penetration rate falling from 116% in 2020 to 112% in 2026.
- There were an estimated 40.5 broadband subscriptions per 100 people in 2020—the tenth-highest rate in the OECD—with total internet user penetration at 94.8% of the population. We forecast a rise in user penetration to 99.4% by 2026, with the coronavirus pandemic likely to accelerate the upward trend.

- A UK digital strategy was published in 2017, covering areas such as connectivity, digital skills and cyber-security. An updated strategy, which is expected to focus on tech-led economic growth and productivity in the light of the pandemic, is scheduled for publication in the fourth quarter of 2021. The government has established a new central digital and data office that will be focused on innovation and transformation strategies relating to cyber-security, data and emerging technologies.
- The UK is ahead of many European countries in fifth-generation (5G) deployment, largely owing to a clear 5G policy. The country's largest mobile operators have all launched 5G services, although speed remains below expectations. Operators will focus on boosting revenue from industrial usage of 5G.
- The government published its Telecommunications (Security) bill in late 2020, aimed at safeguarding the country's 5G and fibre broadband infrastructure. The bill provides the state with new powers to impose controls on the use of telecoms goods, services or facilities deemed to be a high risk to national security. Companies that violate these controls will be subject to a fine of up to 10% of relevant turnover or £100,000 (US$136,000) per day in cases of persistent violations.
- The government's digital strategy aims for a majority of the population to have 5G mobile coverage by 2027. In 2020 the government and Ofcom, the telecoms regulator, agreed on a scheme with the UK's four main mobile network operators (MNOs)—O2, EE, Vodafone and Three—for a shared rural 4G network to remove most connectivity "not spots"—a term used to describe the absence of 4G coverage—by 2025.
- A 2018 commitment to achieve "full-fibre broadband coverage" by 2025 has been watered down to a minimum of 85% "gigabit-capable broadband" by the same year. Most of the network will be built through private investment, with a government budget of £5bn (US$6.8bn) allocated for the 20% of UK premises that are hardest to reach. In November 2020 the government announced plans for spending £1.2bn of this funding over the next four years.

Telecoms penetration

	2017[a]	2018[a]	2019[b]	2020[b]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]
Telephone main lines (m)	31.8	31.5	32.4[a]	32.1[a]	31.8	32.0	32.0	32.1	32.1	32.2
Telephone main lines (per 100 people)	47.6	46.9	48.0	47.3	46.7	46.8	46.6	46.5	46.4	46.2
Mobile subscriptions (m)	79.1	78.9	79.8[a]	79.0[a]	78.7	78.5	78.4	78.1	77.9	77.9
Mobile subscriptions (per 100 people)	118.5	117.5	118.2	116.4	115.4	114.6	113.9	113.1	112.4	112.0

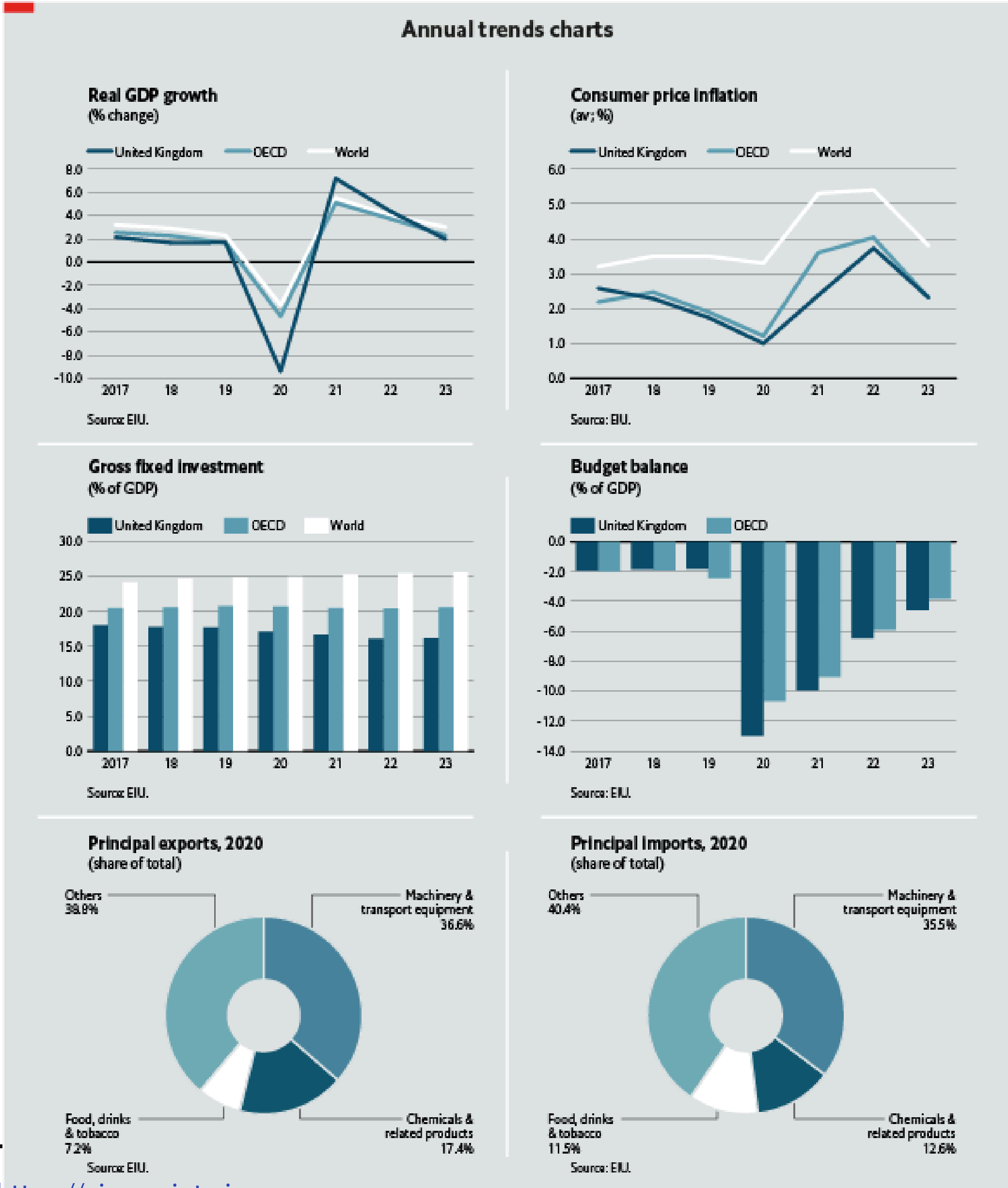
[a] Actual. [b] EIU estimates. [c] EIU forecasts.

Sources: International Telecommunication Union; EIU

Data and charts: Annual trends charts

United Kingdom | Economy | Charts and tables | Annual trends charts

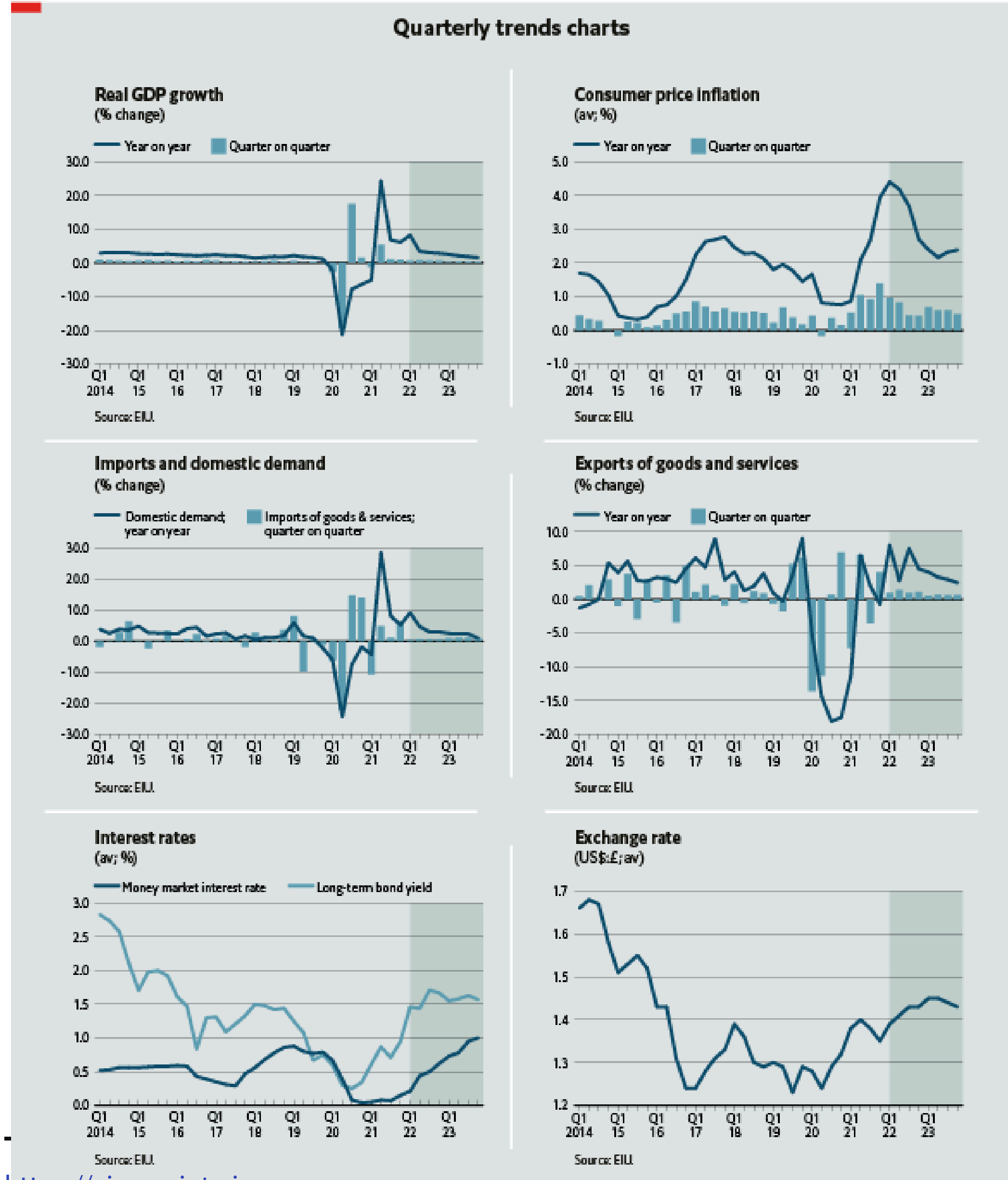
January 18th 2022


Annual trends charts
Real GDP growth
(% change)
United Kingdom
OECD
World
Source: EIU.
Consumer price inflation
(av; %)
United Kingdom
OECD
World
Source: EIU.
Gross fixed investment
(% of GDP)
United Kingdom
OECD
World
Source: EIU.
Budget balance
(% of GDP)
United Kingdom
OECD
Source: EIU.
Principal exports, 2020
(share of total)
Others 38.8%
Machinery & transport equipment 36.6%
Food, drinks & tobacco 7.2%
Chemicals & related products 17.4%
Source: EIU.
Principal imports, 2020
(share of total)
Others 40.4%
Machinery & transport equipment 35.5%
Food, drinks & tobacco 11.5%
Chemicals & related products 12.6%
Source: EIU.

Data and charts: Quarterly trends charts

United Kingdom | Economy | Charts and tables | Quarterly trends charts

January 18th 2022

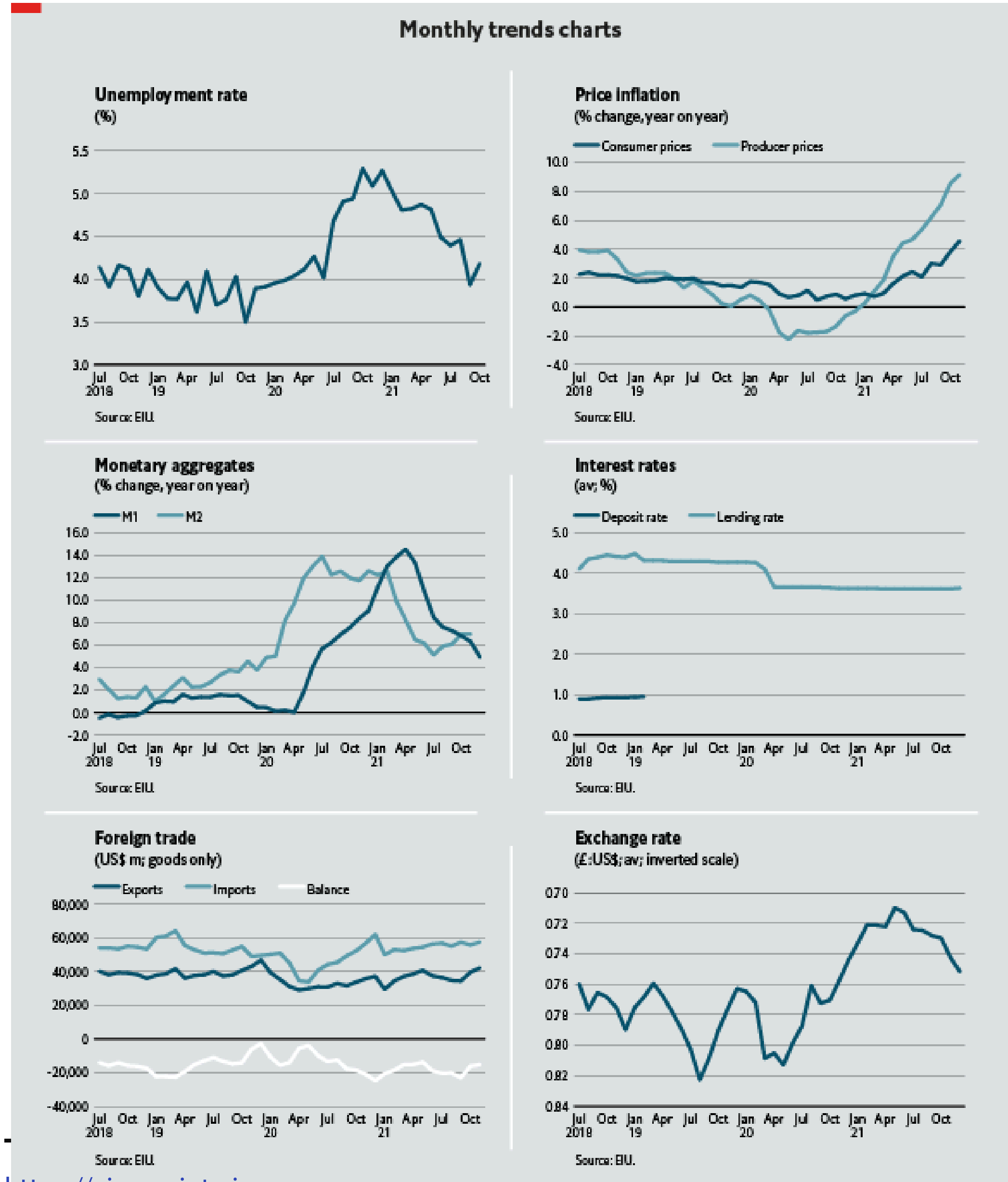

Quarterly trends charts
Real GDP growth
(% change)
Year on year
Quarter on quarter
Source: EIU.
Consumer price inflation
(av; %)
Year on year
Quarter on quarter
Source: EIU.
Imports and domestic demand
(% change)
Domestic demand; year on year
Imports of goods & services; quarter on quarter
Source: EIU.
Exports of goods and services
(% change)
Year on year
Quarter on quarter
Source: EIU.
Interest rates
(av; %)
Money market interest rate
Long-term bond yield
Source: EIU.
Exchange rate
(US$:£; av)
Source: EIU.

Data and charts: Monthly trends charts

United Kingdom | Economy | Charts and tables | Monthly trends charts

January 18th 2022

One-click report : United Kingdom ,March 21st 2024



Data summary: Gross domestic product, current market prices

United Kingdom | Economy | Charts and tables | GDP at current market prices

January 18th 2022

Gross domestic product, at current market prices

	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]
Expenditure on GDP (£ bn at current market prices)										
GDP	2,097.1	2,174.4	2,255.3	2,152.6	2,347.6	2,529.6	2,628.8	2,704.4	2,803.6	2,905.7
Private consumption	1,352.8	1,412.3	1,449.1	1,313.0	1,421.7	1,533.0	1,584.7	1,632.3	1,687.4	1,747.6
Government consumption	388.6	399.0	424.0	481.1	536.1	598.3	629.1	657.0	684.8	713.7
Gross fixed investment	377.9	386.5	399.6	368.2	391.3	407.4	425.8	440.2	454.3	469.0
Exports of goods & services	630.1	663.3	699.3	605.3	648.3	705.1	733.0	765.4	797.0	831.7
Imports of goods & services	656.6	691.6	719.9	602.5	650.8	715.3	744.8	789.4	820.9	857.2
Stockbuilding	4.4	4.9	3.3	-8.8	-1.0	1.0	1.0	-1.0	1.0	1.0
Domestic demand	2,123.6	2,202.7	2,276.0	2,153.5	2,348.1	2,539.7	2,640.6	2,728.5	2,827.5	2,931.2
Expenditure on GDP (US$ bn at current market prices)										
GDP	2,703.5	2,904.4	2,880.8	2,763.4	3,230.5	3,578.2	3,794.6	3,786.2	4,023.1	4,285.9
Private consumption	1,743.9	1,886.4	1,851.0	1,685.5	1,956.4	2,168.6	2,287.4	2,285.2	2,421.4	2,577.7
Government consumption	501.0	533.0	541.6	617.5	737.7	846.3	908.1	919.8	982.6	1,052.7

Gross fixed investment	487.1	516.2	510.4	472.7	538.5	576.3	614.6	616.2	652.0	691.7
Exports of goods & services	812.3	886.0	893.2	777.1	892.1	997.4	1,058.0	1,071.5	1,143.7	1,226.7
Imports of goods & services	846.5	923.8	919.6	773.4	895.5	1,011.8	1,075.0	1,105.2	1,178.0	1,264.4
Stockbuilding	5.7	6.5	4.2	-11.2	-1.4	1.4	1.4	-1.4	1.4	1.5
Domestic demand	2,737.7	2,942.2	2,907.2	2,764.5	3,231.2	3,592.6	3,811.6	3,819.9	4,057.4	4,323.6
Economic structure (% of GDP at current market prices)										
Household consumption	64.5	65.0	64.3	61.0	60.6	60.6	60.3	60.4	60.2	60.1
Government consumption	18.5	18.4	18.8	22.3	22.8	23.7	23.9	24.3	24.4	24.6
Gross fixed investment	18.0	17.8	17.7	17.1	16.7	16.1	16.2	16.3	16.2	16.1
Stockbuilding	0.2	0.2	0.1	-0.4	0.0	0.0	0.0	0.0	0.0	0.0
Exports of goods & services	30.0	30.5	31.0	28.1	27.6	27.9	27.9	28.3	28.4	28.6
Imports of goods & services	31.3	31.8	31.9	28.0	27.7	28.3	28.3	29.2	29.3	29.5
Memorandum item										
National savings ratio (%)	14.6	14.1	15.2	14.0	13.9	13.6	13.3	13.5	13.7	13.3

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

Data summary: Gross domestic product, at constant prices

United Kingdom | Economy | Charts and tables | GDP at constant prices

January 18th 2022

Gross domestic product, at constant prices

	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]
Real expenditure on GDP(£ bn at 2019 prices)										
GDP	2,182.2	2,218.2	2,255.3	2,043.4	2,190.0	2,285.1	2,329.8	2,369.3	2,410.4	2,449.6
Household consumption	1,398.0	1,430.9	1,449.0	1,297.3	1,373.3	1,438.6	1,460.5	1,476.4	1,496.3	1,520.8
Government consumption	405.4	406.9	424.0	401.2	460.2	481.8	490.5	497.3	503.8	510.3
Gross fixed investment	397.7	397.4	399.6	361.9	380.8	404.5	422.8	437.1	451.1	465.7
Exports of goods & services	658.3	676.5	699.3	601.8	594.5	628.1	648.1	668.1	687.1	707.3
Imports of goods & services	678.6	699.5	719.9	605.3	632.6	683.7	707.9	723.5	743.8	770.3
Stockbuilding (% of GDP)	12.7	1.8	6.5	-9.5	-1.0	1.0	1.0	-1.0	1.0	1.0
Domestic demand	2,214.3	2,240.1	2,275.9	2,050.2	2,211.3	2,324.5	2,373.1	2,408.3	2,450.6	2,496.3
Real expenditure on GDP (% change)										
GDP	2.1	1.7	1.7	-9.4	7.2	4.3	2.0	1.7	1.7	1.6
Household consumption	1.6	2.4	1.3	-10.5	5.9	4.8	1.5	1.1	1.3	1.6
Government consumption	0.6	0.4	4.2	-5.4	14.7	4.7	1.8	1.4	1.3	1.3
Gross fixed investment	3.3	-0.1	0.5	-9.4	5.2	6.2	4.5	3.4	3.2	3.2

Exports of goods & services	5.7	2.8	3.4	-13.9	-1.2	5.7	3.2	3.1	2.8	2.9
Imports of goods & services	2.9	3.1	2.9	-15.9	4.5	8.1	3.6	2.2	2.8	3.6
Stockbuilding (% contribution to GDP growth)	0.2	-0.5	0.2	-0.7	0.4	0.1	0.0	-0.1	0.1	0.0
Domestic demand	1.9	1.2	1.6	-9.9	7.9	5.1	2.1	1.5	1.8	1.9
Real contribution to GDP growth (% points)										
Private consumption	1.0	1.5	0.8	-6.7	3.7	3.0	1.0	0.7	0.8	1.0
Government consumption	0.1	0.1	0.8	-1.0	2.9	1.0	0.4	0.3	0.3	0.3
Gross fixed investment	0.6	0.0	0.1	-1.7	0.9	1.1	0.8	0.6	0.6	0.6
External balance	0.7	-0.1	0.1	0.8	-1.7	-0.8	-0.2	0.2	-0.1	-0.3
Memorandum items										
Industrial production (% change)	0.1	3.5	3.6	-8.4	4.8	3.7	2.1	1.6	1.6	1.6
Real personal disposable income (% change)	0.9	2.8	1.3	-0.5	0.9	2.6	1.1	0.8	1.2	1.6

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

Data summary: Gross domestic product by sector of origin

United Kingdom | Economy | Charts and tables | GDP by sector of origin

January 18th 2022

Gross domestic product by sector of origin

	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]
Origin of GDP (£ bn at constant 2018 prices)										
GDP at factor cost	1,950.8	1,981.4	2,017.3	1,831.1	1,962.5	2,047.8	2,087.7	2,123.2	2,160.0	2,195.1
Agriculture	13.4	11.9	13.8	12.6	11.8	12.2	12.6	12.8	12.9	13.0
Industry	389.3	396.1	405.5	361.6	379.7	396.7	402.7	408.3	414.1	419.8
Services	1,548.2	1,573.4	1,598.0	1,457.0	1,571.0	1,638.9	1,672.4	1,702.1	1,733.1	1,762.2
Origin of GDP (real % change)										
Agriculture	5.9	-10.9	15.9	-9.0	-6.0	3.0	4.0	1.0	1.0	1.0
Industry	1.3	1.7	2.4	-10.8	5.0	4.5	1.5	1.4	1.4	1.4
Services	2.4	1.6	1.6	-8.8	7.8	4.3	2.0	1.8	1.8	1.7
Origin of GDP (% of factor cost GDP)										
Agriculture	0.6	0.6	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6
Industry	20.4	20.3	20.0	19.6	19.2	19.3	19.2	19.1	19.1	19.0

Services	79.0	79.0	79.4	79.7	80.2	80.2	80.2	80.3	80.4	80.4
Memorandum item										
Industrial production (% change)	0.1	3.5	3.6	-8.4	4.8	3.7	2.1	1.6	1.6	1.6

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

Data summary: Growth and productivity

United Kingdom | Economy | Charts and tables | Growth and productivity

January 18th 2022

Growth and productivity

	2017[a]	2018[a]	2019[a]	2020[a]	2021[a]	2022[b]	2023[b]	2024[b]	2025[b]	2026[b]
Growth and productivity (%)										
Labour productivity growth	1.1	0.5	0.6	-8.6	6.9	3.5	1.2	1.2	1.2	1.1
Total factor productivity growth	0.4	0.0	0.1	-9.1	0.5	-0.4	1.2	1.0	1.0	0.9
Growth of capital stock	3.1	2.6	2.3	0.7	1.2	1.9	2.3	2.4	2.5	2.6
Growth of potential GDP	2.0	1.9	1.8	1.8	1.1	0.8	2.2	2.3	2.1	2.0
Growth of real GDP	2.1[c]	1.7[c]	1.7[c]	-9.4[c]	7.2	4.3	2.0	1.7	1.7	1.6
Growth of real GDP per head	0.7[c]	1.0[c]	1.1[c]	-9.9[c]	6.7	3.9	1.6	1.3	1.4	1.3

[a] EIU estimates. [b] EIU forecasts. [c] Actual.

Data summary: Economic structure, income and market size

United Kingdom | Economy | Charts and tables | Economic structure, income and market size

January 18th 2022

Economic structure, income and market size

	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]
Population, income and market size										
Population (m)	66.7	67.1	67.5	67.9	68.2	68.5	68.8	69.0	69.3	69.5
GDP (US$ bn at market exchange rates)	2,704	2,904	2,881	2,763	3,231	3,578	3,795	3,786	4,023	4,286
GDP per head (US$ at market exchange rates)	40,516	43,257	42,660	40,706	47,363	52,238	55,181	54,855	58,076	61,646
Private consumption (US$ bn)	1,744	1,886	1,851	1,685	1,956	2,169	2,287	2,285	2,421	2,578
Private consumption per head (US$)	26,135	28,096	27,410	24,828	28,683	31,659	33,263	33,109	34,954	37,076
GDP (US$ bn at PPP)	3,075	3,165	3,315	3,039	3,368	3,613	3,783	3,939	4,092	4,246
GDP per head (US$ at PPP)	46,076	47,133	49,084	44,772	49,382	52,746	55,012	57,076	59,070	61,070
Personal disposable income (£ bn)	1,381	1,448	1,487	1,493	1,546	1,633	1,682	1,727	1,783	1,847
Personal disposable income (US$ bn)	1,780	1,935	1,900	1,917	2,128	2,310	2,427	2,417	2,559	2,724
Growth of real disposable income (%)	0.9	2.8	1.3[b]	-0.8[b]	1.2	2.6	1.1	0.8	1.2	1.6
Memorandum items										
Share of world population (%)	0.89	0.89	0.89	0.88	0.88	0.88	0.88	0.88	0.89	0.86
Share of world GDP (% at market exchange rates)	3.37	3.41	3.33	3.30	3.45	3.62	3.66	3.47	3.49	3.57

Share of world GDP (% at PPP)	2.56	2.48	2.48	2.32	2.36	2.35	2.32	2.29	2.26	2.27
Share of world exports of goods (%)	2.51	2.47	2.58	2.32	2.15	2.24	2.30	2.20	2.20	2.28

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

Data summary: Fiscal indicators

United Kingdom | Economy | Charts and tables | Fiscal indicators

January 18th 2022

Fiscal indicators

	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]
Fiscal indicators (% of GDP)										
Government expenditure	37.2	37.0	36.8	48.1	44.8	41.8	41.2	41.9	42.1	42.1
Interest[d]	2.6	2.4	2.1	1.9	1.1	1.5	1.8	2.2	2.4	2.6
Non-interest[d]	34.6	34.6	34.8	46.2	43.7	40.3	39.3	39.7	39.7	39.5
Government revenue[d]	35.3	35.1	35.0	35.1	34.9	35.3	36.6	37.9	38.6	39.1
Budget balance[d]	-1.9	-1.9	-1.8	-13.0	-9.9	-6.5	-4.6	-4.0	-3.4	-3.0
Primary balance[d]	0.7	0.5	0.3	-11.1	-8.8	-5.0	-2.7	-1.8	-1.0	-0.4
Government debt[e]	85.2	84.5	83.8	102.4	103.8	102.8	103.3	104.6	104.5	104.0

[a] Actual. [b] EIU estimates. [c] EIU forecasts. [d] General government. [e] General government, gross public debt (Maastricht definition). Includes impact of financial sector interventions in Northern Rock, Bradford & Bingley and compensation payments to Icelandic bank depositors. Does

not include impact of reclassification of Royal Bank of Scotland and Lloyds Banking Group as public corporations by the Office for National Statistics. Does not include impact of gilt transactions with the Bank of England. End-period.

Data summary: Monetary indicators

United Kingdom | Economy | Charts and tables | Monetary indicators

January 18th 2022

Monetary indicators

	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]
Monetary indicators										
Exchange rate US$:£ (av)	1.29	1.34	1.28	1.28	1.38	1.41	1.44	1.40	1.44	1.48
Exchange rate €:£ (av)	1.14	1.13	1.14	1.12	1.16	1.27	1.28	1.19	1.18	1.19
Exchange rate US$:€ (av)	1.13	1.18	1.12	1.14	1.18	1.12	1.13	1.18	1.22	1.24
Exchange rate €:£ (year-end)	1.13	1.11	1.18	1.11	1.19	1.29	1.24	1.18	1.18	1.19
Real effective exchange rate (av; 2010=100)	97.1	98.8	98.4	98.6	102.2	110.1	112.9	107.0	107.6	109.1
M4 money supply growth (%)[d]	4.8	2.3	3.8	12.6	7.9	7.3	4.7	3.4	4.3	4.2
Domestic credit growth (%)	5.5	3.2	4.9	3.1	3.4	6.0	0.2	3.0	3.6	3.3
Purchasing power parity US$:£ (av)	1.47	1.46	1.47	1.41	1.43	1.43	1.44	1.46	1.46	1.46
3-month £-Libor rate (av; %)	0.4	0.7	0.8	0.3	0.1	0.4	0.9	1.0	1.4	1.6

10-year government bond yield (av; %)	1.2	1.5	0.9	0.4	0.8	1.6	1.6	1.9	1.9	1.9
Bank of England base rate (%; end-period)	0.50	0.75	0.75	0.10	0.25	0.75	1.00	1.50	2.00	2.00
Lending rate (%; average mortgage SVR from UK MFIs)	4.4	4.3	4.3	3.8	3.6	4.0	4.2	4.4	4.5	4.5
Deposit rate (av; %)	0.9	0.9	0.9	0.4	0.2	0.5	1.0	1.1	1.3	1.3

[a] Actual. [b] EIU estimates. [c] EIU forecasts. [d] Headline broad money (M4) figures from Bank of England include deposits of "intermediate other financial corporations" (IOFCs) that specialise in intermediation between banks, giving a distorted measure of underlying M4 growth.

Data summary: Employment, wages and prices

United Kingdom | Economy | Charts and tables | Employment, wages and prices

January 18th 2022

Employment, wages and prices

	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]
The labour market (av)										
Labour force (m)	33.5	33.8	34.1	34.1	34.2	34.4	34.5	34.8	34.9	35.0
Labour force (% change)	0.5	0.9	0.8	-0.1	0.3	0.8	0.3	0.6	0.4	0.3
Employment (m)	32.1	32.4	32.8	32.5	32.6	32.9	33.1	33.3	33.4	33.6
Employment (% change)	1.0	1.2	1.1	-0.8	0.3	0.8	0.7	0.5	0.5	0.5

Unemployment (m)	1.5	1.4	1.3	1.6	1.5	1.6	1.4	1.5	1.4	1.4
Unemployment rate (%; EU/OECD standardised measure)	4.4	4.1	3.8	4.5	4.5	4.5	4.1	4.2	4.1	3.9
Wage and price inflation (% except labour costs per hour)										
GDP deflator	1.8	2.0	2.0	5.3	1.8	3.3	1.9	1.2	1.9	2.0
Consumer prices (av; CPIH measure)	2.6	2.3	1.7	1.0	2.4	3.7	2.3	2.0	1.9	1.9
Producer prices (av)	3.9	3.4	1.4	-1.0	4.7	4.2	2.5	2.0	2.0	2.0
GDP deflator (av)	1.8	2.0	2.0	5.3	1.8	3.3	1.9	1.2	1.9	2.0
Private consumption deflator (av)	1.8	2.0	1.3	1.2	2.3	2.9	1.8	1.9	2.0	1.9
Government consumption deflator (av)	1.0	2.3	2.0	19.9	-2.8	6.6	3.3	3.0	2.9	2.9
Fixed investment deflator (av)	3.0	2.3	2.8	1.7	1.0	-2.0	0.0	0.0	0.0	0.0
Average nominal wages (av)	2.3	3.0	3.4	1.8	2.9	5.8	3.6	3.3	3.1	3.1
Average real wages (av)	-0.3	0.7	1.6	0.8	0.5	2.0	1.3	1.3	1.2	1.2
Unit labour costs (£-based; av)	2.0	2.4	3.0	13.6	-3.2	3.2	3.4	3.1	2.9	3.0
Unit labour costs (US$-based)	-2.9	6.1	-1.5	14.2	3.8	6.1	5.5	0.0	5.4	5.9
Labour costs per hour (£)	22.0[b]	22.7[b]	23.5[b]	23.9[b]	24.6	26.0	27.0	27.9	28.8	29.7
Labour costs per hour (US$)	28.4[b]	30.3[b]	30.0[b]	30.7[b]	33.9	36.8	39.0	39.0	41.3	43.7

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

Data summary: Current account and terms of trade

United Kingdom | Economy | Charts and tables | Current account and terms of trade

January 18th 2022

Current account and terms of trade

	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]
Current account (US$ bn)										
Current-account balance	-98.1	-112.5	-77.0	-73.7	-89.4	-92.2	-109.6	-103.0	-101.1	-122.1
Current-account balance (% of GDP)	-3.6	-3.9	-2.7	-2.7	-2.8	-2.6	-2.9	-2.7	-2.5	-2.8
Goods: exports fob	435.4	468.3	474.9	396.6	467.8	523.0	557.8	556.9	585.5	617.2
Goods: imports fob	-616.4	-658.0	-651.9	-564.1	-661.1	-742.2	-785.7	-810.5	-861.4	-920.3
Trade balance	-180.9	-189.8	-176.8	-167.5	-193.3	-219.2	-227.9	-253.6	-275.9	-303.1
Services: credit	376.6	416.7	417.7	380.5	424.0	474.0	499.7	514.1	557.8	609.2
Services: debit	-229.8	-264.7	-267.4	-210.6	-228.5	-244.6	-256.4	-275.4	-294.6	-316.0
Services balance	146.8	152.0	150.3	169.9	195.5	229.5	243.4	238.7	263.2	293.3
Primary income: credit	241.8	291.9	277.8	174.6	249.9	276.1	310.9	361.0	390.1	413.9
Primary income: debit	-277.0	-332.6	-294.4	-214.6	-301.4	-334.3	-389.0	-402.1	-428.6	-473.0
Primary income balance	-35.2	-40.7	-16.6	-40.0	-51.5	-58.2	-78.0	-41.2	-38.5	-59.1
Secondary income: credit	22.7	25.0	24.4	26.9	33.4	37.0	39.2	39.1	41.6	44.3
Secondary income: debit	-51.7	-59.1	-58.3	-62.8	-73.4	-81.3	-86.2	-86.0	-91.4	-97.4

Secondary income balance	-29.0	-34.1	-33.9	-35.9	-40.0	-44.3	-47.0	-46.9	-49.8	-53.1
Terms of trade										
Export price index (US$-based; 2010=100)	89.9	96.6	92.3	89.7[b]	109.8	115.4	117.0	114.1	117.8	122.1
Export prices (% change)	1.1	7.4	-4.4	-2.8[b]	22.4	5.1	1.4	-2.4	3.2	3.7
Import price index (US$-based; 2010=100)	89.6	95.6	89.6	86.3[b]	95.9	99.6	101.6	102.8	106.3	109.7
Import prices (% change)	1.2	6.7	-6.2	-3.7[b]	11.1	3.8	2.0	1.2	3.4	3.2
Terms of trade (2010=100)	100.4	101.0	103.0	103.9[b]	114.5	115.9	115.2	111.1	110.8	111.2
Memorandum item										
Export market growth (%)	4.7	4.5	1.2[b]	-4.7[b]	8.1	8.3	4.5	3.2	2.8	3.2

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

Data summary: Foreign direct investment

United Kingdom | Economy | Charts and tables | Foreign direct investment

January 18th 2022

Foreign direct investment

	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]
Foreign direct investment (US$ bn)										
Inward direct investment	125.4	-25.2	2.3	31.0	59.1	112.4	89.8	73.5	82.4	103.0
Inward direct investment (% of GDP)	4.6	-0.9	0.1	1.1	1.8	3.1	2.4	1.9	2.0	2.4
Inward direct investment (% of gross fixed investment)	25.7	-4.9	0.5	6.6	11.0	19.5	14.6	11.9	12.6	14.9
Outward direct investment	-172.0	28.7	48.2	53.3	51.3	52.4	54.4	56.5	59.7	62.8
Net foreign direct investment	-46.6	3.5	50.5	84.3	110.4	164.8	144.2	130.0	142.2	165.9
Stock of foreign direct investment	2,292.0	2,291.0	2,372.0	2,403.0	2,462.1	2,574.5	2,664.3	2,737.8	2,820.2	2,923.2
Stock of foreign direct investment per head (US$)	34,349	34,122	35,125	35,398	36,097	37,585	38,744	39,665	40,711	42,046
Stock of foreign direct investment (% of GDP)	84.8	78.9	82.3	87.0	76.2	71.9	70.2	72.3	70.1	68.2
Memorandum items										
Share of world inward direct investment flows (%)	5.7	-5.4	0.2	3.0	5.2	9.1	6.9	5.5	5.9	7.1
Share of world inward direct investment stock (%)	7.6	7.2	6.9	7.2	6.7	6.5	6.4	6.3	6.2	6.2

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

Political structure

United Kingdom | Summary | Political structure

January 18th 2022

Official name

United Kingdom of Great Britain and Northern Ireland

Form of state

Parliamentary monarchy

Legal system

Based on statute and common law; no written constitution; Scotland has its own system

National legislature

Bicameral; the House of Commons (the lower house of parliament) has 650 members directly elected on a first-past-the-post basis; the House of Lords (the upper house, with about 800 members) was reformed in 1999, when most hereditary peers lost their seats

Electoral system

Universal direct suffrage from the age of 18

National elections

Most recent general election: December 12th 2019. Next election scheduled: May 2nd 2024

Head of state

Queen Elizabeth II, who acceded to the throne in 1952

National government

Cabinet headed by the prime minister, who is appointed by the monarch on the basis of ability to form a government with the support of the House of Commons. The centre-right Conservative Party took office as a majority government in December 2019

Main political parties

Conservative Party, Labour Party, Liberal Democrats, Reform UK (formerly Brexit Party), Green Party, Scottish National Party (SNP), Plaid Cymru (Welsh National Party); Northern Ireland parties: Ulster Unionist Party (UUP), Democratic Unionist Party (DUP), Alliance Party, Social Democratic and Labour Party (SDLP), Sinn Fein

Prime minister: Boris Johnson

Attorney general: Suella Braverman

Chancellor of the exchequer: Rishi Sunak

Chief secretary to the Treasury: Simon Clarke

Leader of the House of Commons: Jacob Rees-Mogg

Leader of the House of Lords & Lord Privy Seal: Baroness Evans

Minister for the Cabinet Office: Stephen Barclay

Parliamentary secretary to the Treasury & chief whip: Mark Spencer

Party chair & minister without portfolio: Oliver Dowden

Secretaries of state

Business, energy & industrial strategy: Kwasi Kwarteng

Defence: Ben Wallace

Digital, culture, media & sport: Nadine Dorries

Education: Nadhim Zahawi

Environment, food & rural affairs: George Eustice

Foreign, Commonwealth & development: Liz Truss

Health & social care: Sajid Javid

Home Office: Priti Patel

Housing, communities & local government: Michael Gove

International trade: Anne-Marie Trevelyan

Justice & Lord Chancellor: Dominic Raab

Northern Ireland: Brandon Lewis

Scotland: Alister Jack

Transport: Grant Shapps

Wales: Simon Hart

Work & pensions: Therese Coffey

Central bank governor

Andrew Bailey

Basic data

United Kingdom | Summary | Basic data

January 18th 2022

Land area

244,100 sq km (including inland water), of which 71% is arable and pasture land, 10% forest and 19% urban and other. England totals 130,400 sq km, Scotland 78,800 sq km, Wales 20,800 sq km and Northern Ireland 14,100 sq km

Population

67.1m (official mid-year estimate, 2020)

Main urban areas

Population in ’000 (official mid-year estimates, 2020)

Greater London (capital): 9,304

Greater Manchester: 2,730

West Midlands: 2,607

West Yorkshire: 1,889

Glasgow: 1,673

Climate

Temperate

Weather in London (altitude 5 metres)

Hottest month, July, 13-22°C; coldest month, January, 2-6°C; driest months, March, April, 37 mm average rainfall; wettest month, November, 64 mm average rainfall

Language

English. Welsh is also spoken in Wales, and Gaelic in parts of Scotland

Measures

Officially metric system, but the former UK imperial system is still widely used

Currency

Pound (or pound sterling) = 100 pence

Time

GMT (summer time, 1 hour ahead)

Fiscal year

April 1st to March 31st; tax year April 6th to April 5th

Public holidays

January 3rd (New Year's Day*), April 15th (Good Friday), April 18th (Easter Monday), May 2rd (Early May Bank Holiday), June 2nd (Spring Bank Holiday), June 3rd (Platinum Jubilee Bank Holiday), August 29th (Summer Bank Holiday), December 26th and 27th (Christmas Day and Boxing Day*)

(New Year's Day is traditionally celebrated on January 1st, and *Christmas Day and Boxing Day are traditionally celebrated on December 25th and 26th. As those days fall on weekends in 2022, the next two working days are given as holiday)

One-click report : United Kingdom ,March 21st 2024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Plymouth
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