



One-click report : United Kingdom

March 15th 2023

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Briefing sheet

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Political and economic outlook

- In 2022 the UK economy was the sixth 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.
- Rishi Sunak became prime minister after his predecessor, Liz Truss, resigned after only 49 days. Under Mr Sunak, the Conservatives' position in opinion polling has recovered slightly, but they remain well behind the opposition Labour Party. We expect Mr Sunak to lead the party into the next election, probably in late 2024, which it is likely to lose.
- Despite Mr Sunak's focus on fiscal discipline, the budget deficit is likely to widen in 2023, owing to a freezing of household energy prices with the government covering the costs, higher borrowing costs as interest rates rise and a recession this year. Debt as a percentage of GDP will stabilise in 2024-25 and gradually fall thereafter.
- EIU expects a full-year contraction in 2023, with GDP unlikely to return to its pre-pandemic level until mid-2024. This is weak relative to European peers, reflecting the UK's overreliance on private consumption to drive growth

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(which will be heavily affected by falling consumer spending), as well as Brexit, which will erode export competitiveness.

- The UK-EU trade agreement reached in 2020 has caused dissatisfaction in Northern Ireland and aggravated relations with the EU. The current government has focused on resolving the Northern Ireland trade issue, which would improve UK-EU relations.
- The UK is one of eight European countries with a public debt/GDP ratio above 100%. Borrowing costs will remain high amid economic contraction and rising interest rates, but the UK benefits from the ability to borrow in sterling and a long average debt maturity.
- Energy supply presents risks to the UK ahead of next winter as the Russian gas cut-off limits supply to Europe and global liquefied natural gas demand increases. Mild weather has reduced this risk, as replenishing gas stores over the summer will be easier.

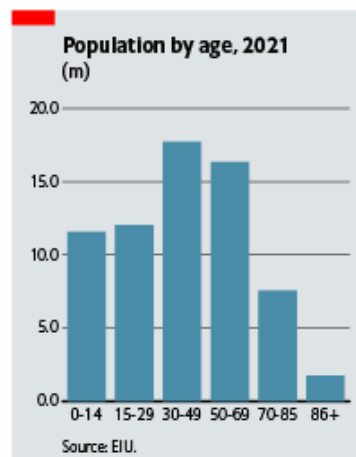
Key indicators

	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b
Real GDP growth (%)	4.0	-0.3	1.0	1.7	1.5	1.6
Consumer price inflation (av; %)	7.9	5.9	2.1	2.0	1.9	1.9
Government balance (% of GDP)	-5.1	-5.4	-5.3	-3.6	-3.0	-2.7
Current-account balance (% of GDP)	-3.0 ^c	-3.2	-2.8	-2.8	-2.7	-2.7
Short-term interest rate (av; %)	2.0	5.1	4.6	4.0	3.6	3.1
Unemployment rate (%)	3.7 ^c	4.3	4.4	4.3	4.1	3.9
Exchange rate £:US\$ (av)	0.81	0.82	0.79	0.76	0.72	0.70

^a Actual. ^b EIU forecasts. ^c EIU estimates.

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Market opportunities



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Key changes since February 14th

- On February 15th Nicola Sturgeon, the pro-independence Scottish first minister, announced her resignation. Ms Sturgeon's popularity will be difficult to replicate, and her departure reduces the likelihood of Scottish independence in the forecast period.
- On February 27th the UK and EU governments agreed to the "Windsor framework" which dramatically reduces border checks in Northern Ireland, and allows Northern Irish Unionists a mechanism to block EU rule changes applying to Northern Ireland.
- We expect the Windsor framework to become law and lead to a gradual thawing in UK-EU relations. However, some members of the Conservative and Democratic Unionist Parties are still likely to oppose the deal.

The month ahead

- March 15th—Spring budgetJeremy Hunt, the chancellor of the exchequer, will present his second major fiscal event, after an October statement designed to restore market confidence. A mild winter and higher than projected tax receipts will help, but spending pressures will remain elevated on the back of ongoing public-sector pay disputes.
- March 23rd—Bank of England monetary policy decision: At its previous meeting on February 2nd, the Bank increased its main interest rate by 50 basis points to 4%, but changed its language to be more dovish. Continued inflationary pressure means we expect a 25bps increase in March and a further increase in May to 4.5%, before stopping.

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Major risks to our forecast

Scenarios, Q4 2022	Probability	Impact	Intensity
The UK is struck by another major cyber-attack	Very high	Moderate	15
A fall in real wages sparks greater industrial unrest	High	Moderate	12
Gaping fiscal deficit forces more tax increases, hitting businesses	High	Moderate	12
Labour shortages persist in the medium term	High	Moderate	12
The new UK-EU relationship fails to resolve legal uncertainty created by Brexit	High	Moderate	12

Note. Scenarios and scores are taken from our Operational Risk 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.

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Forecast summary

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Forecast summary

(% unless otherwise indicated)

	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b
Real GDP (% change)	4.0	-0.3	1.0	1.7	1.5	1.6
Industrial production (% change)	-3.6	-2.6	1.2	2.1	2.0	2.0
Unemployment rate (av; EU/OECD harmonised measure)	3.7 ^c	4.3	4.4	4.3	4.1	3.9
Consumer price inflation (av; CPIH measure)	7.9	5.9	2.1	2.0	1.9	1.9
3-month £-LIBOR rate (av)	2.0	5.1	4.6	4.0	3.6	3.1
Bank of England base rate (end-period)	3.50	4.50	4.25	3.75	3.25	2.75
Government budget balance (% of GDP) ^d	-5.1	-5.4	-5.3	-3.6	-3.0	-2.7
Exports of goods fob (US\$ bn)	514.1 ^c	524.3	547.5	566.9	597.5	622.5
Imports of goods fob (US\$ bn)	-798.3 ^c	-813.1	-812.0	-840.2	-896.3	-938.4
Current-account balance (US\$ bn)	-92.3 ^c	-101.5	-94.7	-101.4	-107.4	-117.1
Current-account balance (% of GDP)	-3.0 ^c	-3.2	-2.8	-2.8	-2.7	-2.7
Exchange rate US\$:£ (av)	1.24	1.22	1.27	1.31	1.39	1.42
Exchange rate ¥:£ (av)	162.7	145.2	139.5	141.2	153.2	154.4

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Exchange rate €:£ (av)	1.17	1.10	1.11	1.14	1.20	1.20
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^a Actual. ^b EIU forecasts. ^c EIU estimates. ^d General government.

Political stability

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Despite ongoing fractures within the ruling Conservative Party, Rishi Sunak is likely to remain prime minister until the next general election, which is likely to be held in late 2024. Having campaigned for the party leadership on greater fiscal restraint, Mr Sunak will continue to focus on shoring up the public finances. However, his party will remain divided on other issues, including the treatment of irregular migrants arriving in small boats, energy and climate policy, and managing the fallout from the UK’s departure from the EU in 2020. The tax rises and spending cuts Mr Sunak has announced will also be unpopular among both Conservative members of parliament (MPs) and the public. The poor state of public services, particularly the National Health Service (NHS), has also fomented significant public unhappiness and will make fiscal consolidation more difficult. Despite rebounding slightly from their extraordinary lows under his predecessor, Liz Truss, the Conservatives still trail the centre-left opposition Labour Party in the polls. These factors will fuel discontent and division within the party, limiting Mr Sunak’s ability to push through significant policy beyond addressing the immediate energy and fiscal crises, despite the party’s roughly 80-seat majority in parliament.

There are medium-term risks to the union of England, Northern Ireland, Scotland and Wales, but the dissolution of the UK is not EIU’s core forecast for 2023-27. Both the Conservatives and Labour are against holding a new referendum on Scottish independence, despite the agitation of the pro-independence Scottish National Party (SNP),

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which holds the largest number of Scottish seats in the UK parliament and the most seats in the devolved Scottish parliament. The issue may return to prominence if the SNP becomes the swing party in a hung parliament after the next election, but the resignation of the SNP's charismatic leader, Nicola Sturgeon, in February, makes this less likely. Opinion polling on Scottish independence since 2021 has generally shown a narrow lead for remaining in the union.

Brexit has also 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 under a separate protocol. This requires checks for most goods passing into Northern Ireland from the rest of the UK, which led to the largest Unionist party, the Democratic Unionist Party (DUP), to pull out of the power-sharing executive unless the Northern Ireland protocol was changed radically, arguing that this protocol has created a barrier between Northern Ireland and the rest of the UK.

Constitutionally, this has prevented an executive from being formed. This would normally require new a election after six months, but the government has overridden this provision to prevent further divisions. Northern Ireland is likely to go for an extended period without a government. In February 2023 the UK and EU agreed to the Windsor framework, which would significantly reduce the checks between the rest of the UK and Northern Ireland, and grant the Northern Ireland Assembly a veto on new EU laws applying to Northern Ireland. However, it is unclear if this will be sufficient to restore power-sharing.

Election watch

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The next election is likely to be in the autumn of 2024. The prime minister is able to decide the date of the election unilaterally, with the constraint that parliament must be dissolved within five years of the previous election

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(December 12th 2019), with an election to follow within 25 days. This makes the latest possible date January 24th 2025. Elections are usually held in May to coincide with fixed-term local elections. Given the weak economic outlook in 2023 and the Conservatives' weak polling, we expect Mr Sunak to try to avoid calling an election for as long as possible (although an election in December or January around the Christmas period would be highly unpopular and probably be avoided).

Our baseline forecast is that the next election will produce a Labour government. Labour's support is disproportionately concentrated in metropolitan seats, and so the party would need about a 10-point lead to win an overall majority. The Conservatives are currently more than 20 points behind Labour in opinion polls. This represents an improvement over the 30-point deficit under Ms Truss, but, given that the economy is set to remain weak and that fiscal consolidation will prove unpopular, Mr Sunak is unlikely to close the gap with Labour significantly. A Labour minority government is possible if the Conservatives can recover more support from voters who supported the former prime minister Boris Johnson (which were lost by Ms Truss). However, Labour also has the advantage that most smaller parties would probably prefer a minority Labour government to a Conservative one.

International relations

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Following Russia's invasion of Ukraine on February 24th 2022, all European countries have adopted severe sanctions against Russia, preventing the Central Bank of Russia from accessing international reserves, cutting off Russian banks from the SWIFT international messaging system and severely curtailing most trade with Russia. The UK also passed legislation providing greater scrutiny of foreign ownership of UK assets. The UK has been the second-largest

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contributor of military aid to Ukraine in absolute terms (after the US), having committed more than £2.3bn (US\$2.8bn) in 2022 and pledged to match this in 2023, while also being heavily involved in the training of Ukrainian military personnel. Including economic and humanitarian aid, the UK's total contribution exceeds £3.8bn.

Uncertainty persists between the EU and the UK over the UK's departure from the bloc. The EU-UK Trade and Co-operation Agreement (TCA) came into force in 2021, allowing zero-tariff, zero-quota trade between the UK and the EU. However, leaving the single market and customs union has created a variety of non-tariff trade barriers, in short-term business travel, recognition of professional qualifications and other areas. The previous government pursued a strategy of greater confrontation with the EU, particularly around outstanding issues surrounding the Northern Ireland protocol, limiting the potential for progress. However, the current government's resolution of the Northern Ireland issue through the agreement of the Windsor framework will allow for greater collaboration in other areas; the EU has explicitly said it will begin a review of allowing UK membership of the EU's Horizon 2020 scientific research funding programme. However, potential for further breakthroughs in this parliament is limited, given significant continued anti-EU sentiment within the Conservatives. Labour has said it will work to remove barriers around more of these technical issues, but neither party advocates the UK rejoining the EU single market or customs union, limiting the degree of trade liberalisation possible.

Policy trends

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Mr Sunak has made fiscal consolidation his key domestic priority in order to regain credibility in markets following the severe adverse reaction to Ms Truss's proposed "mini-budget", and to limit the degree of monetary tightening

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from the Bank of England (BoE, the central bank). In the new government's first fiscal statement in November 2022, Jeremy Hunt, the chancellor of the exchequer, outlined £55bn in tax rises and spending cuts. Despite the government's commitment to fiscal restraint, the ongoing European energy crisis stemming from Russia's invasion of Ukraine will keep natural gas prices high. The government has extended a cap on retail energy prices from April 2023 until April 2024 (albeit at a higher level and with reduced support for businesses). Gas prices have ebbed owing to warmer weather and effective demand reduction throughout Europe, but they remain higher than in any other period in more than 40 years, and additional support may be necessary if they rise again. The government has also committed to greater investment in gas exploration in the North Sea, as well as nuclear and offshore wind power, although many of these projects will take several years to bear fruit.

Despite Mr Sunak's emphasis on fiscal consolidation, the Conservatives were elected on a mandate of increased public spending—particularly on public investment, the NHS (which has seen a stark increase in waiting times and deterioration in quality of care since the pandemic), education and the police, as well as "levelling up" deprived regions outside London and the south-east. Mr Sunak has emphasised his commitment to the mandate, but is unlikely to make significant headway on any of these issues amid slowing growth and fiscal consolidation. High inflation and efforts by the government to restrain spending growth have also triggered a prolonged period of labour unrest; multiple public-sector unions, primarily in the healthcare and transport sectors, have begun a series of rolling strikes. The government is attempting to hold the line on pay rises, and has proposed legislation to reduce the number of days unions can strike, but labour unrest is likely to persist throughout 2023.

Longer-term structural reform to improve the UK's poor productivity growth is an increasing priority. However, divisions within the Conservatives on supply-side issues, such as planning reform and immigration policy, will limit progress. Meanwhile, Labour has yet to set out a compelling alternative solution for these problems.

Fiscal policy

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In the government's autumn fiscal statement on November 17th 2022 Mr Hunt announced a programme designed to generate £55bn in savings by the 2027-28 fiscal year. This programme relies heavily on freezing thresholds for income, inheritance and other taxes at their current nominal levels for five years, while increasing budgets for government departments at below-inflation levels.

Although the government is pursuing fiscal consolidation in the medium term, we expect an overall widening of the deficit in 2023, to 5.4% of GDP (from 5.1% in 2022), as a result of depressed tax revenue due to the forecast full-year contraction, as well as the government's emergency freeze of retail energy costs at £2,500 (US\$3,000) a year for a typical household, with the government covering the difference between the wholesale and retail price. The autumn statement extended the freeze until April 2024 at a higher level of £3,000, although the government may choose to retain the price cap at £2,500, as lower global gas prices make it more feasible for the government to do so (as implicit subsidies will be less costly). Higher than projected tax revenue and lower energy demand have improved the fiscal position ahead of the spring budget on March 15th. However, much of the revenue is likely to be used to settle disputes with striking public-sector workers, and the impact on fiscal consolidation will only be modest.

As an advanced economy that borrows exclusively in its own currency, with exceptionally long bond maturity, the UK has significant scope to borrow. Despite a decline in borrowing costs immediately following Ms Truss's ousting, the longer-term trend has been a gradual increase as major central banks have engaged in monetary tightening, limiting the government's fiscal space.

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We expect the fiscal deficit to narrow in 2024-27, with overall debt peaking at about 105.9% of GDP in 2024, as the European gas crisis eases, energy-related expenditure is withdrawn and the government's planned fiscal consolidation kicks in. As the economy recovers, we forecast that revenue will rise as a share of GDP and fiscal consolidation efforts will lead to a gradual fall in spending, with the fiscal deficit reaching 2.7% of GDP in 2027 and debt declining to 104.1% of GDP.

Slow productivity growth, higher debt-servicing costs and an ageing population have caused the tax burden to rise as a share of GDP. Labour is likely to come into office on a platform of higher public spending in 2025. However, its ambition will be limited by the already high tax burden.

Monetary policy

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At its February meeting, the BoE raised its key policy interest rate by 50 basis points to 4%, the highest level since October 2008. The BoE has signalled that its tightening cycle is near its end. However, owing to persistent inflationary pressures, we expect two further rate rises, of 25 basis points, at the BoE's next meetings in March and May, with the policy rate peaking at 4.5%. We expect a gradual loosening of monetary policy from 2024 amid sluggish growth and subdued inflation, with the policy rate reaching a neutral rate of 2.75% by 2027.

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Global forecast data

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	2022	2023	2024	2025	2026	2027
Economic growth (%)						
US GDP	2.1	0.3	1.5	2.1	2.2	2.0
OECD GDP	2.8	0.7	1.7	1.9	2.0	1.9
EU27 GDP	3.5	0.7	1.7	2.0	1.9	1.8
World GDP	3.1	1.9	2.6	2.7	2.7	2.7
World trade	4.4	1.7	3.4	3.7	3.6	3.8
Inflation indicators (% unless otherwise indicated)						
US CPI	8.0	3.5	1.8	1.9	2.0	2.1
OECD CPI	9.0	5.3	2.5	2.2	2.1	2.0
EU27 CPI	9.1	6.7	2.8	2.2	2.0	1.9
Manufactures (measured in US\$)	0.4	3.1	6.3	3.8	3.3	2.5
Oil (Brent; US\$/b)	99.8	86.8	83.7	79.7	75.7	71.2
Non-oil commodities (measured in US\$)	14.6	-8.5	-2.4	-0.9	-1.3	-1.2
Financial variables						
US\$ 3-month commercial paper rate (av; %)	2.1	5.0	4.8	3.7	2.8	2.6

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€ 3-month interbank rate (av; %)	0.3	3.6	3.6	2.8	1.8	1.6
US\$:£ (av)	1.24	1.22	1.27	1.31	1.39	1.42
US\$:€ (av)	1.05	1.12	1.14	1.15	1.16	1.18

Economic growth

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The economy narrowly avoided slipping into a technical recession in late 2022, with real GDP stagnating in the fourth quarter, following a small quarterly contraction in the third quarter. However, we expect economic activity to decline in the first half of 2023, with full-year output shrinking by 0.3%. Rebased GDP data indicate that the economy failed to recover all of its 2020-21 pandemic-induced losses in 2022. With a forecast contraction in 2023, we do not expect the UK economy to return to its pre-pandemic size until mid-2024.

The downturn will primarily be driven by inflation eroding real wage growth, as well as monetary tightening—factors that will also lead to a slowdown across Europe. However, we expect a worse performance in the UK than in its European peers. This is due to the UK’s overreliance on private consumption for growth, which will be inordinately affected by declining consumer spending, as well as Brexit eroding export competitiveness. The UK has long faced structural limitations such as low investment, significant skills gaps, high regional inequalities and a reliance on consumer-facing services to drive growth, alongside the creation of Brexit-related trade barriers, all of which will serve to exacerbate the downturn, undermine any subsequent recovery and limit the country’s medium-term growth

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potential. Growth will therefore rebound slowly, at 1% in 2024, as energy prices fall and monetary policy eases, with growth stabilising at about 1.6% in 2025-27.

Economic growth

%	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b
GDP	4.0	-0.3	1.0	1.7	1.5	1.6
Private consumption	5.4	-0.5	1.4	1.6	1.8	1.7
Government consumption	1.9	1.5	1.6	2.1	1.3	1.3
Gross fixed investment	7.7	-2.0	0.2	2.4	2.8	2.6
Exports of goods & services	10.3	2.3	1.4	1.6	1.9	2.3
Imports of goods & services	12.6	-0.1	2.1	3.2	2.7	2.9
Domestic demand	4.0	-0.5	1.0	2.4	1.7	1.8
Agriculture	3.5	-7.6	1.0	1.7	1.5	1.6
Industry	-0.9	-6.2	1.0	1.7	1.5	1.6
Services	5.5	1.4	1.0	1.7	1.5	1.6

^a Actual. ^b EIU forecasts.

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Inflation

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Annual inflation (CPIH measure) has slowed slightly in recent months but remains elevated (at 8.8% in January). This largely reflects an easing of supply-chain disruptions, while energy price inflation is slowing as a result of the cap on household energy prices. Inflation in the coming months will increasingly be driven by higher input costs and a tight labour market putting upward pressure on prices across other products and services. However, we expect these trends to abate over the year as recessionary conditions depress wage growth and constrain consumer spending. We therefore expect that inflation will slow to an average of 5.9% in 2023 from 7.9% in 2022. Thereafter, as energy markets stabilise, inflation will ease to about 2% per year in 2024-27.

Exchange rates

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Sterling weakened significantly against the US dollar in 2022, from US\$1.35:£1 in January to US\$1.20:£1 by the end of the year, owing to the aggressive monetary tightening of the Federal Reserve (the US central bank), as well as a "flight to safety" among investors following the war in Ukraine and the subsequent energy crisis. Sterling was relatively stable against the euro, trading at between €1.10:£1 and €1.20:£1 over the course of the year. In 2023 we expect sterling to weaken marginally against the dollar. Against the euro, we expect a slightly larger year-on-year

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depreciation, given the worse economic outlook for the UK. From 2024 we expect a gradual appreciation of sterling against both currencies as growth returns in the UK, monetary policy stabilises and inflation abates, and the flight to safety unwinds.

External sector

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The UK has run a persistent current-account deficit since 1985. As in most European countries, the trade balance is deteriorating significantly as energy suppliers are forced to buy imported natural gas on the spot market at elevated prices. A dependence on natural gas has increased the UK's trade deficit significantly and widened the current-account deficit from 1.5% of GDP in 2021 to an estimated 3% of GDP in 2022. The deficit will widen further in 2023, to 3.2% of GDP, before narrowing slightly from 2024.

Country forecast overview: Business environment rankings

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Value of index ^a		Global rank ^b		Regional rank ^c	
2018-22	2023-27	2018-22	2023-27	2018-22	2023-27
7.76	7.51	15	25	9	12

^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 score in the business environment rankings for the forecast period (2023-27) falls compared with the historical period (2018-22). The UK’s regional ranking falls by three places, from 9th to 12th. The country’s global ranking falls to 25th, down ten places from the historical period. The macroeconomic environment will remain weak on the back of increased trade barriers between the UK and the rest of Europe, a higher tax burden and labour shortages. However the UK’s traditional strengths—a pro-business policy orientation, a low burden of regulation and developed product and services markets—will partly offset the deterioration in other areas. Structural deficits, such as weak productivity and inadequate intermediate skills, will persist.

Business environment at a glance

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Policy towards private enterprise and competition

2023-24: A 130% "super-deduction" on capital investment expires in April 2023.

2025-27: Greater state intervention in utilities and rail under Labour government, which is likely to win the 2024 election. New state aid rules are implemented.

Policy towards foreign investment

2023-24: Continued openness to investment, but increased scrutiny in sectors considered sensitive to national security. Further crackdown on Russian and Chinese investment and money-laundering through the property sector.

2025-27: Infrastructure plans offer investment opportunities. Possible changes in tax policies to bolster inward investment.

Foreign trade and exchange controls

2023-24: Increased trade barriers with EU persist. Resolution of Northern Ireland issue could help ease supply-chain disruptions. Sanctions imposed on Russian exports remain in place.

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2025-27: Continued UK-EU negotiations accelerate under Labour government. New trade agreements with other countries, including potential accession to Comprehensive and Progressive Agreement for Trans-Pacific Partnership trade bloc.

Taxes

2023-24: Focus on fiscal consolidation to head off inflation in short term. Corporation tax rise from 19% to 25% takes effect in April 2023. Freezing of most income and inheritance tax rate bands in nominal terms, leading to real-terms tax rises.

2025-27: Continued focus on fiscal consolidation, tax rises are likely to fund public spending, investment and social care.

Financing

2023-24: With policy interest rates stabilising from mid-2023 and falling gradually from 2024, commercial lending rates for businesses will start to ease. Slow progress in establishing equivalence with the EU.

2025-27: Modest decline in City of London's status. Steady growth in alternative forms of debt-financing.

The labour market

2023-24: Recession in first half of 2023 leads to modest rise in unemployment but labour market remains tight. Shortages in low-skilled occupations continue. Increased immigration to fill shortage sectors.

2025-27: Increased immigration from Hong Kong. Addition of more low-wage sectors to shortage lists.

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Infrastructure

2023-24: Spending on housing, transport and energy. Offshore oil and gas exploration expansion.

2025-27: Increased investment with emphasis on boosting competitiveness; new nuclear reactor to come on line in 2026. Construction on the HS2 high-speed railway to continue with delays.

Technological readiness

2023-24: High e-commerce penetration and strong research base, but spending on research and development (R&D) remains below EU average. Advanced Research and Invention Agency, a "blue skies" fund, begins operation.

2025-27: Modest rise in public R&D spending. Continued high threat from cybercrime and cyber-espionage.

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

Market opportunities: Social indicators and living standards

[United Kingdom](#) | [Business](#) | [Market opportunities](#) | [Social indicators and living standards](#)

March 14th 2023

Social indicators and living standards

	2022		2027	
	Western Europe (av)		Western Europe (av)	
Health				
Healthcare spending (% of GDP)	12.0	11.2	12.0	11.2
Healthcare spending (US\$ per head)	5,356	5,057	7,430	6,825
Infant mortality rate (per 1,000 live births)	3.8	3.2	3.6	3.0
Physicians (per 1,000 population)	3.2	4.2	3.4	4.4
Food and beverages				
Food, beverages & tobacco (% of household spending)	16.4	17.1	16.2	16.7
Meat consumption (kg per person)	76.7	79.9	74.3	80.5
Milk consumption (litres per person)	242.0	260.0	246.0	265.0
Coffee & tea consumption (kg per person)	4.4	6.1	4.7	6.4
Consumer goods in use (per 1,000 population)				
Passenger cars	558	566	545	562
Telephone main lines	472	418	458	407

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Mobile phone subscribers	1,190	1,230	1,250	1,260
Television sets	1,219	856	1,380	956
Personal computers	838	841	818	877
Households				
No. of households (m)	27.6	193.0	28.0	200.4
No. of people per household (av)	2.4	2.2	2.5	2.1
Income and income distribution				
Median household income (US\$)	60,320	51,280	81,160	65,080
Average monthly wage (US\$)	4,300	3,810	5,910	5,080
Gini index	35.1 ^a	–	–	–

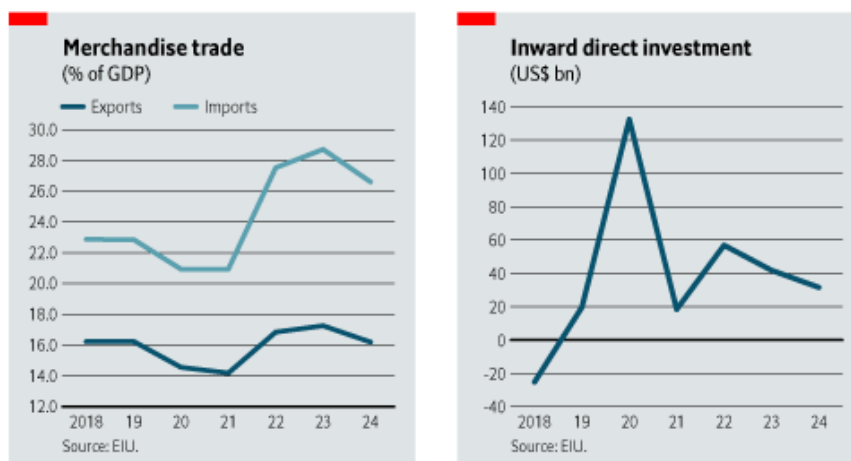
^a Latest available year.

Sources: UN Statistics Division; World Bank; Food and Agriculture Organisation; Euromonitor; World Health Organisation; national statistical offices; International Telecommunication Union; EIU estimates and forecasts.

Global position

[United Kingdom](#) | [Regulation](#) | [Global position](#)

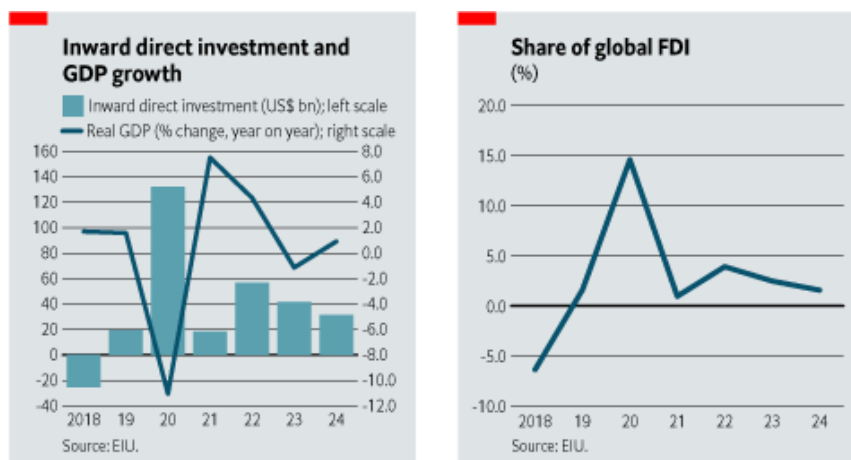
December 1st 2022



The outlook for the UK has become much more uncertain following the 2016 referendum vote to leave the EU. The UK departed the bloc in early 2020, entering a transition period that lasted until the end of that year, 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 compounded an already uncertain outlook during 2020 and 2021, as did Russia's invasion of Ukraine in February 2022. Frequent changes at the top of the British government during the second half of 2022, taking place against a

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

backdrop of challenging economic conditions, have disrupted policymaking. Nevertheless, 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 2022

- In April 2022 the government announced its plans to privatise Channel 4, a state-owned broadcaster. However, the administration of the prime minister, Rishi Sunak, which took office in October 2022, is unlikely to go ahead with the sale. Privatisation would have raised around £1bn.
- The National Security and Investment Act came fully into force from January 2022. Domestic and foreign investors in 17 sectors now must 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 April 2022 the government announced a new energy security strategy aimed at producing 95% of the country's electricity from domestic low-carbon sources over the medium term. The strategy looks to increase nuclear capacity from 7 GW to 24 GW by 2050. It also sets a 50-GW target for offshore wind power capacity by 2030, up from 10 GW currently. However, most of the initiatives outlined in the strategy are unfunded or reallocate existing funds.
- With effect from April 1st 2022, the hourly minimum wage stands at £9.50 for those aged 23 and over, £9.18 for those aged 21–22, £6.83 for those aged 18–20 and £4.81 for those aged 16–17. For apprentices, the rate is also £4.81 per hour.
- In April 2022 the government launched a UK Shared Prosperity Fund, with annual spending of £400m in fiscal year 2022/23 (ending March 31st), £700 in 2023/24 and £1.5bn in 2024/25. It replaced the previous EU development funding schemes and focuses on local business and community and skill support.

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- Effective from May 2022, the government introduced a levy of 25% on top of existing taxes on the profits of oil-and-gas companies, taking the combined rate to 65%. In November 2022 the government announced a further increase in the levy to 35%, effective from 2023. The levy is in response to rising energy prices amid the war in Ukraine.
- The UK signed free-trade agreements (FTAs) with Australia and New Zealand in December 2021 and February 2022, respectively. The UK is also negotiating an FTA with India, which is likely to be finalised in 2023.

Regulatory/market watch

[United Kingdom](#) | [Regulation](#) | [Regulatory/market watch](#)

December 1st 2022

- Rishi Sunak, a former chancellor of the exchequer, won the leadership contest to replace Liz Truss as prime minister after her resignation in October 2022. Mr Sunak is focusing his premiership on fiscal consolidation and shoring up the public finances. However, discontent and division within the Conservative Party will limit his ability to push significant policy beyond addressing the immediate energy and fiscal crises.
- Since early 2020, the government has introduced measures to control the spread of the coronavirus (covid-19) pandemic, including three national lockdowns. By February 2022, all restrictions had been largely lifted. About 75% of the UK's population has received a full course of vaccination against the coronavirus.
- The government has announced a series of measures to cushion workers and businesses against surging energy prices amid the Russia-Ukraine war. These include cash transfers, as well as an Energy Price Guarantee that reduces the unit cost of electricity and gas temporarily.

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- In June 2022 the government introduced legislation to allow the UK to override parts of the Northern Ireland protocol unilaterally. The EU has offered limited concessions on the implementation of the protocol but has said that it will launch infringement proceedings against the UK if the country reneges on it. EIU does not expect a UK-EU trade war, but this remains a risk.
- The UK has introduced a number of import restrictions on Russian goods following Russia's invasion of Ukraine. These include bans on the import of Russian oil, liquefied natural gas and iron and steel products. The UK has also banned the export of various goods to Russia, including aviation and space-related goods and technology.
- In July 2022 a Data Protection and Digital Information Bill, aimed at amending the UK's data-protection framework, was introduced to parliament. However, progress of the bill has been delayed by changes at the top of government, and it was unclear as of end-November 2022 whether the legislation will proceed in its current form.

Long-term outlook: The long-term outlook

[United Kingdom](#) | [Economy](#) | [Long-term outlook](#) | [Long-term outlook](#)

March 14th 2023

	2023-30	2031-50	2023-50
Population and labour force (% change; annual av)			
Total population	0.31	0.18	0.21
Working-age population	0.15	-0.10	-0.03
Working-age minus total population	-0.16	-0.28	-0.24
Labour force	0.37	0.37	0.37
Growth and productivity (% change; annual av)			
Growth of real GDP per head	1.0	1.3	1.2
Growth of real GDP	1.3	1.5	1.5
Labour productivity growth	1.0	1.2	1.1
Growth of capital stock	2.1	2.6	2.5
Total factor productivity growth	0.6	0.4	0.5

Initial conditions: From the early 1990s to 2019, with the exception of the 2008 crisis period, the economic performance of the UK improved relative to that of many 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. A protracted rebound left the UK 0.4% below its 2019 level at end-2022, the only country among the G7 economies to have failed to recover

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

to pre-pandemic levels. Prospects for 2023 are weak as private consumption is hit by soaring inflation, corporates, having accrued significant debt during the coronavirus pandemic, face rising debt-servicing costs from rising interest rates, and trade frictions from Brexit and supply-chain disruption depress export-oriented industries. Despite securing the Trade and Co-operation Agreement with the EU, the UK's relationship with the bloc remains unsettled. The UK may diverge in some areas of regulation, particularly in technology and life sciences, while non-tariff barriers put UK firms at a competitive disadvantage within the single market.

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 government 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 invested £800m (US\$1bn) into the Advanced Research and Invention Agency (ARIA), a "blue skies," fund to support innovative research.

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 EIU expects to persist. On the negative side, factors that tend to constrain the UK's long-term outlook include an 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, as well as playing an increasing role in policy debates.

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. We forecast that by 2050 those aged 65 or older will

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

account for 26% of the population (up from 18.8% in 2021). The share of the working-age population peaked at 66% in 2008-09, and we forecast a steady decline to 59% by 2050. The labour force participation rate stands at nearly 80%—higher than the OECD average. We expect migration to 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.

The EU is set to remain a key export destination

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. Although the UK's departure from the EU will allow the UK to negotiate trade deals with third countries, the total estimated value of trade deals under negotiation will not make up for the loss of access to the EU market. The importance of the EU market means that some degree of re-liberalisation of trade is likely, particularly under a Labour government from late 2024, but rejoining the single market or customs union remains politically unlikely owing to the unwillingness of politicians to revisit the divisive Brexit issue, particularly around immigration.

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 had been informed by its EU membership, as was the governance of its own internal market, much of which is currently being

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

repatriated to domestic equivalent authorities. It remains too early to gauge how effectively policymakers and institutions will manage these competencies on a national level.

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. The UK's ability to increase its productivity will be the determining factor behind long-term growth potential. A number of factors have been cited as possible causes for the UK's persistent productivity gap with its peers. These include a high degree of centralisation of the economy around the capital, London; the UK's relatively low share of spending on research and development (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. We forecast that real GDP will grow by an annual average of 1.3% in 2023-30, largely owing to the recession and slow recovery in 2023-24 and stabilise at 1.5% in 2031-50.

Income and market size

	2022	2030	2050
Income and market size			
Population (m)	67.5	69.2	71.7
GDP (US\$ bn at market exchange rates)	3,071.3	4,798.2	9,515.4
GDP per head (US\$ at market exchange rates)	45,490	69,360	132,740
Private consumption (US\$ bn)	1,933.0	3,031.9	5,679.4
Private consumption per head (US\$)	28,630	43,830	79,230
GDP (US\$ bn at PPP)	3,697.4	4,878.7	9,802.6

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GDP per head (US\$ at PPP)	54,770	70,530	136,740
Exports of goods & services (US\$ bn)	1,006.4	1,601.4	5,362.4
Imports of goods & services (US\$ bn)	1,111.1	1,693.3	5,570.6
Memorandum items			
GDP per head (at PPP; index, US=100)	73.0	72.5	76.6
Share of world population (%)	0.9	0.8	0.8
Share of world GDP (% at market exchange rates)	3.1	3.2	2.3
Share of world GDP (% at PPP)	2.3	2.1	1.7
Share of world exports of goods & services (%)	3.2	3.6	3.9

Automotive

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January 13th 2023

- The UK's automotive sector is in a trend of decline. Vehicle production and exports have fallen steadily since 2016, reflecting the effects of Brexit on trade and the wider economy, as well as structural global factors linked to overcapacity and environmental pressures. Since 2020 activity has been badly affected by widespread supply-chain disruption from the pandemic and the broadening effects of the Russia-Ukraine war, which has led to high energy and commodity costs and other input-price pressures, as well as amplifying the supply-side frictions (constraining new-car stock). Recovering global supply chains will support a modest upturn in activity, but underlying conditions

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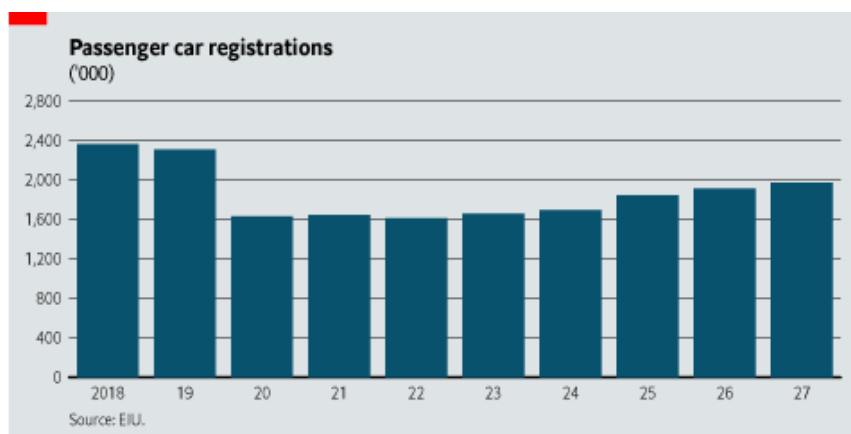
in the UK (economically and politically) will remain relatively unfavourable for the automotive sector over the forecast period (2023-27).

- The outlook for the UK economy is poor, against a backdrop of soaring living costs, elevated inflation, higher interest rates, rising taxes, deteriorating public services, growing industrial unrest, weak consumer sentiment, medium-term damage from Brexit and a highly unpopular government. Unemployment is low, but is likely to rise in 2023. Amid a global slowdown, economic prospects will also be affected by the war in Ukraine and the related development of energy costs. Economic conditions and price pressures should stabilise from 2024, but there is little expectation of a strong recovery in new-car demand.
- New-car sales, after a slump of 29.4% in 2020 (the fourth consecutive annual decline), were broadly flat in 2021. Sales declined by 2% in 2022 to 1.61m units, the lowest level since 1992. This compares with a recent peak of 2.7m in 2016 and an annual average of 2.3m in 2010-19.
- New-car waiting lists remain long after the pandemic. Steadily improving supply chains and new-car availability are expected to induce a 2.8% rise in new-car sales in 2023, despite the weak economic environment. Thereafter, modest pent-up demand should underpin a gradual strengthening of new registrations, although annual sales will remain well below their 2010-19 levels. EIU forecasts a compound annual growth rate (CAGR) of 4.1% in 2023-27, inflated by the weak 2022 base.
- The share of chargeable electric vehicles (EVs) will continue to rise (22.8% of new-car sales in 2022), but growth of registrations is slowing and significantly wider uptake by private buyers will be constrained by affordability issues and limited charging infrastructure. The UK is the only major European market not to offer purchase incentives for private EV buyers, having scrapped its subsidy scheme in mid-2022.
- New commercial vehicle (CV) sales have been volatile, falling by about 30% in 2020, to a seven-year low of 300,400 units. Sales rebounded strongly in 2021, but then declined by about 20% in 2022 to far below pre-pandemic levels.

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Demand will remain subdued in 2023-24.

- In 2021 the UK was the world's 18th-largest automotive producer (and the sixth largest in Europe), according to the International Organisation of Motor Vehicle Manufacturers. Vehicle production expanded steadily in 2010-16, but has since fallen sharply. We estimate that it declined for a sixth straight year in 2022. Annual production in 2021 was the lowest in 40 years and half of the level of 2016.
- The UK left the EU single market and customs union in January 2021, having agreed a limited Trade and Co-operation Agreement with the EU. This averted the imposition of immediate tariffs and allowed for quota-free trade, but it still represented a "hard Brexit" with significant new trade frictions and non-tariff barriers, disrupting integrated global supply chains (already under strain from the pandemic). Full customs controls took effect in 2022, introducing tighter import restrictions.



- The UK has five mass producers of vehicles (all foreign-owned), which have used the country primarily as an export base to the EU. Challenges posed by structurally weakened trade and investment links as a result of Brexit will be amplified by the prolonged disruptive effects to supply chains from the pandemic and the war in Ukraine. Recent

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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 risks of a downsizing of the UK's automotive industry will persist in the coming years. A major factor will be the UK's ability to attract EV battery production facilities (gigafactories) in the face of strong competition from more-established hubs in Asia and Europe (such as Germany and Hungary).

Consumer goods

[United Kingdom](#) | [Consumer goods](#) | [Overview](#)

February 7th 2023

- The UK has a large consumer and retail sector. Household spending accounts for around two-thirds of annual GDP, similar to the US and the biggest share of all major European economies. The grocery retail sector is saturated, highly consolidated and competitive. Retail is an important economic contributor, comprising about 5% of GDP and employing 2.9m people. The food and drink industry is the single largest manufacturing sector, accounting for 1.4% of GDP. Imports account for 40% of food and beverages consumed.
- Household income per head is comparatively high, although this masks large income inequality across the population. Low-income households—who tend to have a high propensity to consume—are relatively poorer than in almost all west European countries. Across the economy as a whole, real wages have stagnated since the mid-2000s. This has contributed to a gradual deterioration in living standards and a relative economic decline vis-à-vis most other high-income countries is expected over the forecast period.
- Retail volumes were fairly resilient in 2020-21 (after an initial pandemic-driven slump), amid robust food and online sales, but declined by 3% in 2022, the largest annual contraction in three decades. This partly reflected a temporary

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

rotation from retail goods to services consumption after pandemic restrictions were lifted, but also a squeeze on households' purchasing power from soaring inflation and rising interest rates. Consumer sentiment is at its lowest sustained level in 50 years, with a recent major wave of public-sector strikes.

- The near-term outlook for retail spending and the wider economy is weak. Conditions are expected to improve gradually in 2023 as inflation moderates, but households will continue to face significant cost-of-living pressures, limiting scope for discretionary spending. The relative cost of essentials such as food, energy, transport and housing will remain materially higher than in the past decade.
- EIU forecasts that retail volumes will decline by 2.5% in 2023, with modest growth in 2024. In our five-year forecast period (2023-27) we expect average annual real growth of 0.8%. Higher prices will bolster nominal value growth in 2023, but retailers' margins—especially of smaller businesses—will be squeezed by elevated costs and lower consumer spending, heightening insolvency risks.
- The UK will remain Europe's largest online retail market. After strong growth in 2020-21, online sales fell in 2022 amid weaker demand and stabilising post-pandemic consumption patterns. We expect another real-term drop in 2023 and moderate growth in 2024-27. After declining in 2022, the online share of retail sales will rise gradually to around 26% in 2027 (up from 17% in 2019). Online grocery retail is more extensive than in most peer countries, limiting expansion scope, although partnerships between major grocers and "quick commerce" start-ups will sustain growth.
- The UK left the EU single market and customs union on January 1st 2021, after finalising a limited Trade and Co-operation Agreement (TCA) with the EU. The "hard Brexit" has created significant new non-tariff barriers, trade frictions and regulatory compliance issues. In order to avoid border checks on the island of Ireland, the UK and EU agreed as part of the TCA for Northern Ireland to remain in the EU's single market for most goods, creating instead an implied customs border between Northern Ireland and the rest of the UK. The UK has subsequently threatened

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

to override parts of the Northern Ireland protocol, which the EU has warned would trigger retaliatory action by the bloc. Some form of compromise is possible, but by no means certain.

- Brexit will remain a drag on trade, investment and living standards in 2023-27. Lower external competitiveness could spur a modest rise in low-productivity domestic food production, but the fisheries sector and export-focused food and drink industry will lose market share.

Retail sales

	2018 ^a	2019 ^a	2020 ^b	2021 ^b	2022 ^b	2023 ^c	2024 ^c	2025 ^c	2026 ^c	2027 ^c
Retail sales (£ bn)	408.1	425.1	433.7	463.3	484.8	502.8	521.6	543.7	562.8	581.5
Retail sales (US\$ bn)	545.1	543.0	556.7	637.6	599.9	611.7	656.6	712.2	782.4	825.7
Retail sales, volume growth (%)	1.4	2.4	1.0	4.2	-3.0	-2.5	1.4	2.2	1.6	1.4
Retail sales, US\$ value growth (%)	7.4	-0.4	2.5	14.5	-5.9	2.0	7.3	8.5	9.8	5.5
Non-food retail sales (US\$ bn)	292.9	295.2	295.4 ^a	356.1	340.1	348.5	376.6	413.1	454.2	478.8
Food retail sales (US\$ bn)	252.3	247.7	261.3	281.4	259.8	263.3	280.0	299.2	328.1	346.9
Consumer price inflation (av; %)	2.3	1.7	1.0 ^a	2.5 ^a	7.9	6.4	2.3	2.0	1.9	1.9

^a Actual. ^b EIU estimates. ^c EIU forecasts.

Sources: Edge by Ascential; EIU.

Energy

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March 15th 2023

- In October 2022 Rishi Sunak, from the Conservative Party, became the new UK prime minister following the resignation of Liz Truss—also a Conservative. Mr Sunak was the chancellor of the exchequer between 2020 and 2022, during Boris Johnson’s premiership.
- Mr Sunak has reinstated the UK de facto ban on fracking—which had previously been lifted by Ms Truss—while ending a moratorium on new onshore wind projects. He aims to be a champion of the energy transition, but his government has recently approved a new coal mine in Cumbria, the first coal mine to be approved in three decades.
- EIU expects total energy consumption in the UK to decline by 2.5% in 2023, pulled down by elevated energy prices and declining economic activity. Over our forecast period (2023-32), energy demand will continue to fall, albeit marginally, as energy-efficiency gains completely offset demand growth driven by economic growth. We forecast that real GDP will grow at an annual rate of 1.4% in that period.
- Pulled down by high crude and refined-product prices, we estimate that oil consumption will contract by 1.9% in 2023. We forecast that the decline will continue in 2023-32, during which oil demand will fall at an annual average of 1.1%, mainly owing to the electrification of transport and efficiency gains in new internal combustion vehicles. It is our view that oil demand in the UK will never return to pre-pandemic levels.
- We expect natural gas consumption to fall by 3.1% in 2023, as demand is pulled down by declining economic activity and lower supply. We forecast that gas demand will remain flattish over our forecast period.

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

- Although the decline in coal consumption may be softened in the short term by less use of natural gas in the power generation sector, we expect coal demand to contract by 1.4% in 2023. Thereafter, coal consumption will fall drastically, mainly owing to the planned phase-out of coal use in power generation by end-2024. We expect coal consumption to fall by an annual average of 16.1% in 2023-32.
- We expect the share of fossil fuels in total energy demand to decline from 78% in 2022 to 72% in 2032. Natural gas will continue to be the main energy source in the UK in our forecast period.
- We forecast that the share of non-hydro renewables (without considering biomass) in power generation will rise from 27% in 2022 to 52% in 2032.

Energy: key indicators

	2021 ^a	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b	2032 ^b
GDP (US\$ bn at market exchange rates)	3,124	3,071	3,158	3,434	3,671	4,046	4,281	5,194
Real GDP (% change, year on year)	7.6	4.0	-0.3	1.0	1.7	1.5	1.6	1.6
Population (m)	67.3	67.5	67.7	68.0	68.2	68.4	68.6	69.5
Population (% change, year on year)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2
Gross domestic energy consumption (ktoe)	164,591 ^c	157,204 ^c	153,200	152,548	151,521	151,738	154,201	151,980
Gross domestic energy consumption (% change, year on year)	6.9 ^c	-4.5 ^c	-2.5	-0.4	-0.7	0.1	1.6	-0.6

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

^a Actual. ^b EIU forecasts. ^c EIU estimates.

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

Financial services

[United Kingdom](#) | [Finance](#) | [Overview](#) | [Financial services](#) | [Overview](#)

January 16th 2023

- The UK has one of the world's best-developed financial industries. The coronavirus pandemic delivered a sharp, but short, shock to the sector. Managing the country's departure from the EU may prove to be a greater challenge. It is likely to require a long-term shift in trading relationships and may contribute to an ongoing shrinkage of the sector. The country's financial firms are likely to continue to face difficult conditions in 2023 as the economy weakens and inflation remains high. Rising interest rates are set to boost banks' profits but may cause difficulties for some borrowers, particularly in the housing market, and are expected to reduce demand for credit.
- London, the 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 2021 it accounted for 8.8% of gross value added, down from 9.6% at its peak in 2009, according to the Office for National Statistics (ONS). In 2021 it employed 1.17m people, or 3.3% of the total workforce, down from 3.7% in 2009. The industry makes a substantial contribution to the balance of payments and tax revenue.
- The UK recorded real GDP growth of 7.6% in 2021, following a severe 11% contraction in 2020 amid the pandemic. GDP remained below its pre-pandemic level in the three months to end-September 2022, according to the ONS, with the UK the only G7 economy still in this position. EIU estimates growth of 4% in 2022, but forecasts a contraction of 1.2% in 2023 as high inflation and interest-rate rises weigh on private consumption and investment. Growth is forecast to average 1.5% per year in 2024-27.

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

- The UK underwent a period of governmental instability in 2022. Boris Johnson led his Conservative Party to a strong majority in parliament in 2019, but resigned as prime minister in July 2022 following a series of scandals. His replacement, Liz Truss, took office in September 2022 but resigned just 45 days later after an economic programme of tax cuts and energy price caps spooked the financial markets and sparked a sell-off in the pound, resulting in emergency intervention in the bond market by the Bank of England (BoE, the central bank). Rishi Sunak became prime minister on October 25th, and has sought to rebuild confidence through a return to more conventional economic policies backed by independent assessments.
- The BoE has increased its main rate nine times since December 2021, from 0.1% to 3.5%, in the face of growing inflationary pressures. It has also signalled that further rises will be required in the coming months. The BoE started selling government bonds to unwind its quantitative easing programme, which peaked at £895bn (US\$1.1trn), in November 2022. Consumer prices rose by 8.4% across 2022. We forecast that inflation will remain high in 2023, at 4.3%, before easing to 2.2% in 2024.
- The UK left the EU on January 31st 2020, and a transition period with the EU ended on December 31st 2020. An EU-UK free-trade agreement was concluded in December 2020, but did not include financial services. 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.
- The government is emphasising the benefits of being able to determine its own priorities for the financial sector. It has begun to reform regulations governing UK markets, starting with changes to stockmarket listing rules. Its ongoing legislative programme includes the Financial Services and Markets Bill, which opens the way to replacing elements of retained EU law applying to the sector. In November 2022 the government announced its final proposals to reform the Solvency II regime for insurers and in December outlined a number of financial services rules that it wanted to review.

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

- 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. 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 employees (and related tax revenue) from the UK have so far been modest, it is likely that the trend will continue as competing 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](#)

March 15th 2023

Overview

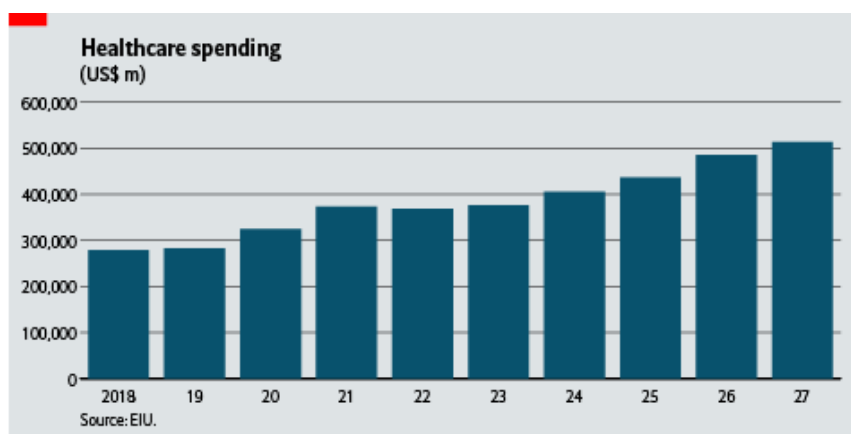
- Facing high demand, the UK's healthcare system has faced some key challenges in the recent times. The covid-19 pandemic pushed up death rates, squeezed out additional funding and extended waiting lists for non-covid care. Brexit led to a labour crunch in the public healthcare system and recruitment issues. The war in Ukraine has caused high inflation putting immense pressure on energy and food prices leading to an economic slowdown. Inflation accelerated to an average of 7.9% in 2022, up from 2.5% in 2021. EIU expects real GDP to fall by 0.3% in 2023, while consumer price inflation will remain elevated at an average of 5.9%, pushing down healthcare spending in real terms.

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

- The UK responded to the pandemic by increasing spending on healthcare to 12% of GDP in 2020 and an estimated 11.9% in 2021, according to data from the OECD. We estimate this share at 12% in 2022 and forecast 11.9% in 2023 as real GDP growth stalls. However, despite strong nominal growth in healthcare spending in local-currency terms over these two years, we expect health expenditure to fall by 2.5% in real terms in 2023.
- Rishi Sunak, the Conservative Party leader, took office as prime minister in October 2022, replacing Liz Truss, and appointed Steve Barclay as his new health minister. Since December, the new government has been faced with intensifying widespread strikes by healthcare workers, including nurses and ambulance staff, over pay disputes.



- Over our five-year forecast period (2023-27) we expect health spending to rise at a compound annual growth rate (CAGR) of 4% in local-currency terms. However, with inflation high, real growth in healthcare spending will average just 1.2%.
- Pharmaceutical sales will grow at a CAGR of 2.2% in nominal terms in 2023-27. So far, 88.8% of UK's population aged over 12 have received at least two vaccine doses, and 70.1% have received three doses, according to

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

government data. A booster (fourth) dose was offered to certain groups from early 2022, and a seasonal booster dose became available to certain groups in the final months of 2022.

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 certain exemptions.
- Public expenditure (including compulsory contributions) accounted for 82.9% of health spending in 2021, according to provisional data from the OECD, well above the OECD average. The government's share in UK's health spending has increased from 79.3% in 2018, but remains lower than in Germany (86% in 2021) and France (84.7% in 2020).
- Mr Sunak's predecessor had reaffirmed a pre-pandemic funding deal, which will cause spending (excluding emergency covid-19 funds) to rise by £33.9bn (US\$41bn) per year by financial year 2023/24 (April 6th-April 5th). The government may be forced to abandon these promises in light of the UK's weak public finances. High inflation is also eroding the value of any funding packages.
- In particular, the government reversed a new levy that was intended to raise health and social care funding by £12bn a year, in part to pay for elderly care. The levy, which was to become a tax on earned income from 2023,

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

would have increased national insurance payments for all working adults by 1.25 percentage points and another 1.25 points for employers. However, it was cancelled with effect from November 2022.

Healthcare: key indicators

	2018 ^a	2019 ^a	2020 ^a	2021 ^b	2022 ^b	2023 ^c	2024 ^c	2025 ^c	2026 ^c	2027 ^c
Life expectancy, average (years)	81.1	81.7	80.4	80.7	82.2	82.3	82.5	82.6	82.7	82.9
Life expectancy, male (years)	79.3	79.9	78.4	78.7	80.4	80.6	80.8	81.0	81.1	81.3
Life expectancy, female (years)	83.0	83.5	82.4	82.8	83.8	84.0	84.1	84.2	84.3	84.4
Infant mortality rate (per 1,000 live births)	3.8	3.9	3.9	3.9	3.8	3.8	3.8	3.7	3.7	3.6
Healthcare spending (£ bn)	208.4 ^b	221.1 ^b	252.7 ^b	271.1	297.9	307.7	320.0	333.5	349.3	361.7
Healthcare spending (% of GDP)	9.7 ^b	9.9 ^b	12.0 ^b	11.9	12.0	11.9	11.8	11.9	12.0	12.0
Healthcare spending (US\$ bn)	278.4 ^b	282.5 ^b	324.4 ^b	373.0	368.6	375.9	405.2	436.9	485.5	513.7
Healthcare spending (US\$ per head)	4,190 ^b	4,230 ^b	4,838 ^b	5,544	5,459	5,549	5,963	6,408	7,098	7,488
Healthcare (consumer expenditure; US\$ bn)	32.1	30.8	27.4	31.4	31.2	31.6	33.2	34.7	37.0	37.9
Doctors (per 1,000 people)	2.8	3.0	3.0	3.2	3.2	3.2	3.3	3.3	3.3	3.4
Hospital beds (per 1,000 people)	2.5	2.5	2.4	2.3	2.3	2.3	2.3	2.2	2.2	2.2

^a Actual. ^b EIU estimates. ^c EIU forecasts.

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

- Most NHS funding and commissioning occurs under separate frameworks in the four UK nations, with variations in policies. 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.

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

- The 2021 Health and Care Act reorganised NHS England funding flows from July 2022. It has transferred management from the 191 clinical commissioning groups (CCGs) set up in 2012 to 42 integrated care systems that will co-ordinate care at regional levels. The reforms do not apply in Scotland, Wales or Northern Ireland.

Private health insurance

- Voluntary (or private) spending on healthcare accounted for 17.1% (provisional data) of the UK's total health expenditure in 2021, the smallest share since 1996, according to the OECD. In contrast, up until 2018 the share of voluntary spending on healthcare had been gradually rising as a share of overall health expenditure.
- Out-of-pocket (OOP) spending accounted for 12.3% of total health spending in 2021, down from 15.3% in 2019.
- The private health insurance market remained broadly flat in the years preceding the pandemic, reflecting the dominance of the NHS. In 2020 private spending on private acute medical care in hospitals and clinics shrank by about 30%, as the private sector provided resources to the NHS (at cost). This was followed by a strong rebound in 2021 and 2022, as private contractors helped the NHS to reduce the backlog of non-covid care.
- The leading independent healthcare group is Bupa, with 3.1m UK customers at end-2022. It was boosted by an agreement between Bupa UK and a friendly society, CS Healthcare, to transfer the latter's 17,500 members in January 2021.

Telecommunications

[United Kingdom](#) | [Telecommunications](#) | [Overview](#)

February 10th 2023

- Mobile telephony makes up the majority of telecoms connections in the UK. The mobile penetration rate has levelled off in recent years amid a saturated market. EIU expects a moderate rise during the five-year forecast period (2023-27), with the rate reaching 125.3%.
- There were 41.7 broadband subscriptions per 100 people in 2022, with total internet user penetration at an estimated 98.1% of the population. We forecast a rise in user penetration to 99.9% in 2027.
- The government published an updated UK Digital Strategy in June 2022, focusing on technology-led economic growth and productivity. A new central digital and data office became operational in April 2021. Its remit includes innovation and transformation strategies related to cyber-security, data and emerging technologies. In February 2023 the prime minister, Rishi Sunak, created a new government department for science, innovation and technology, which includes digital responsibilities.
- The UK is ahead of many European countries in 5G deployment, owing largely to a clear policy. The country's largest mobile operators have all launched 5G services, although speed remains below expectations. During the forecast period operators will focus on boosting revenue from industrial usage of 5G.
- The Telecommunications (Security) Act, aimed at safeguarding the UK's 5G and fibre-broadband infrastructure, became law in November 2021. It 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 rules will be subject to a fine of up to 10% of their relevant turnover.

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

- The digital strategy aims for the 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 that would remove most connectivity "not spots" (areas without 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\$6.1bn) allocated to the 20% of premises that are hardest to reach. In November 2020 the government announced plans to spend £1.2bn of this funding in 2020-25.

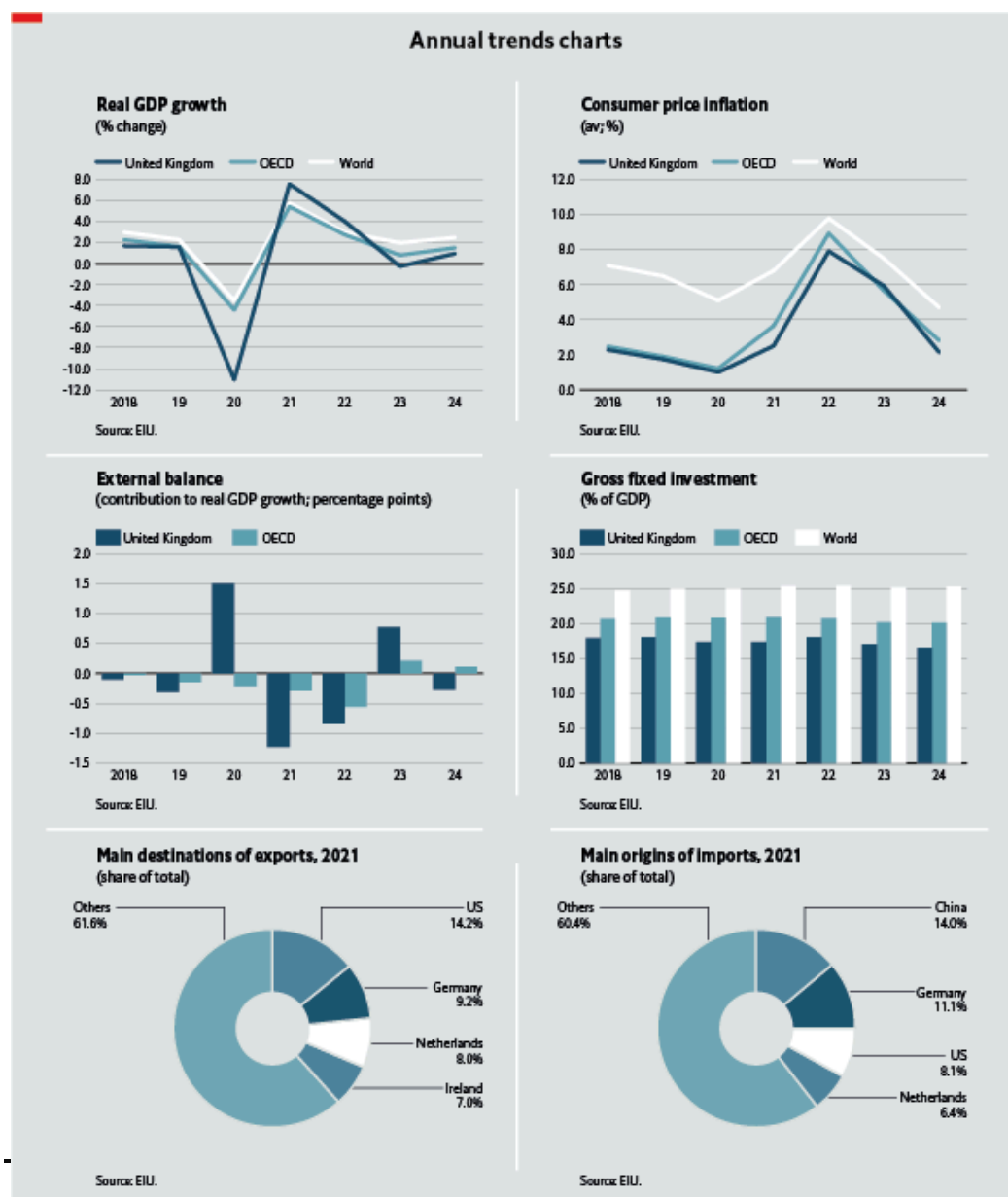
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Data and charts: Annual trends charts

[United Kingdom](#) | [Economy](#) | [Charts and tables](#) | [Annual trends charts](#)

March 6th 2023

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


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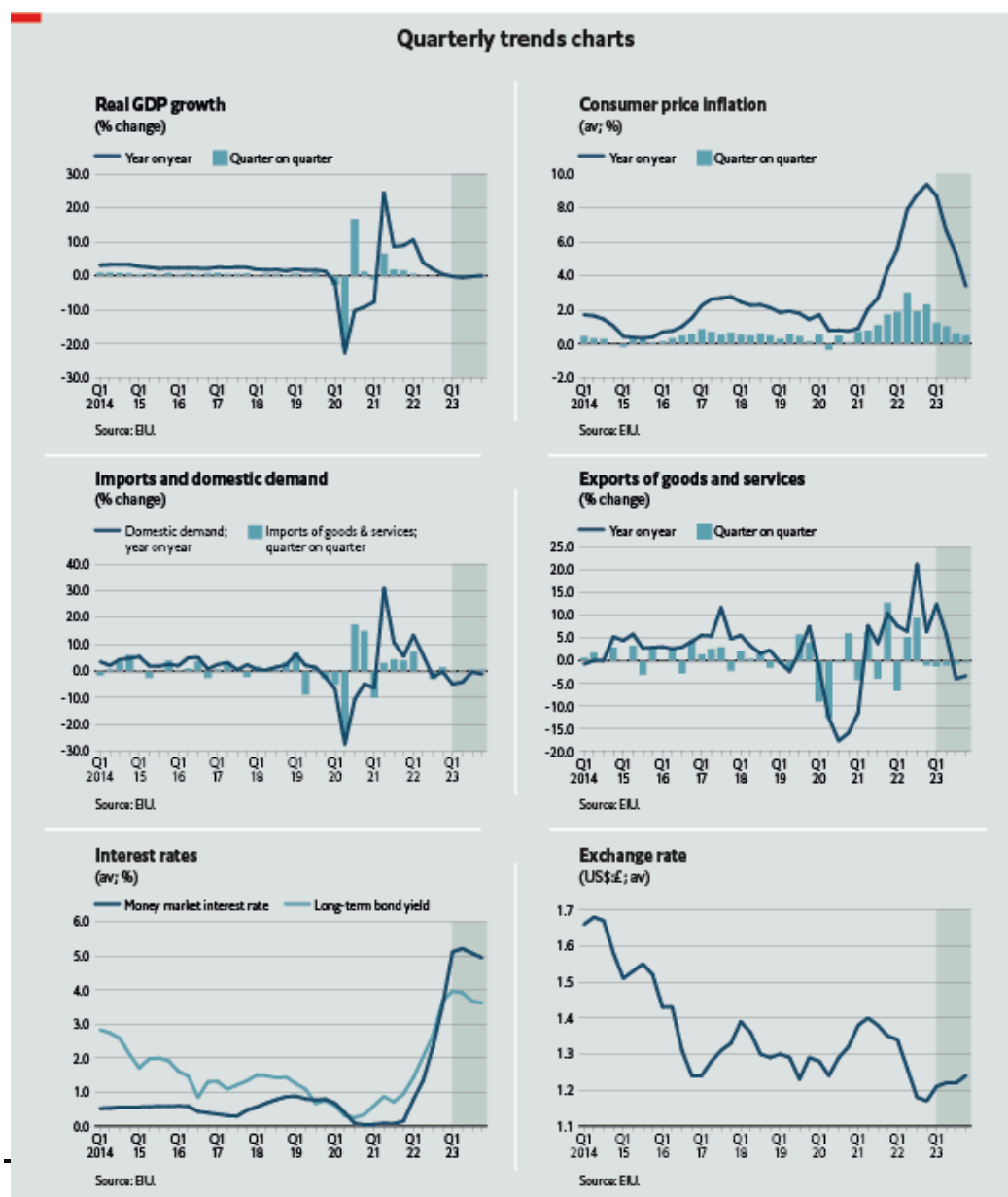
One-click report : United Kingdom ,March 21st 2024

Data and charts: Quarterly trends charts

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March 6th 2023

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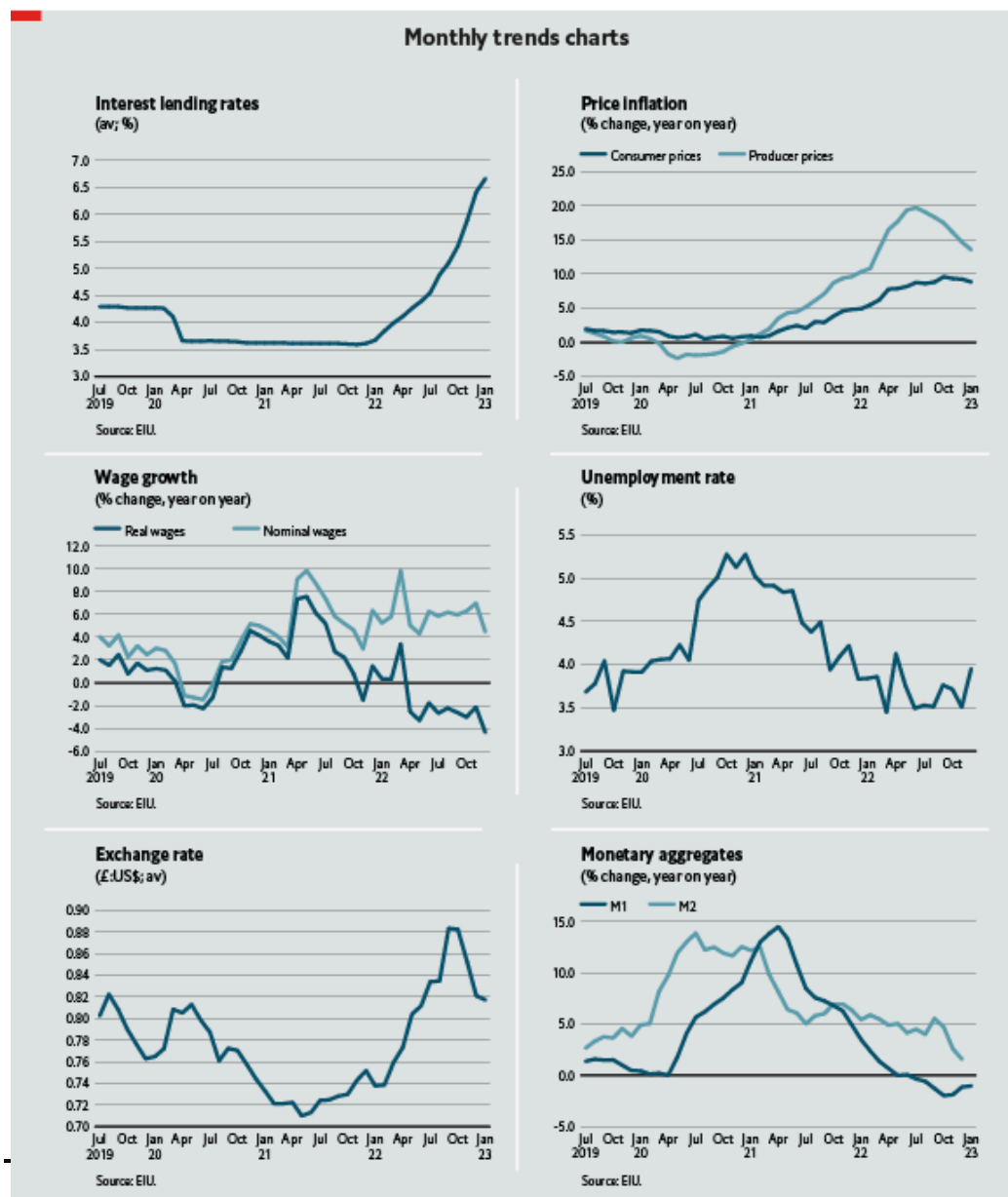
One-click report : United Kingdom ,March 21st 2024

Data and charts: Monthly trends charts

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



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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](#)

March 14th 2023

Gross domestic product, at current market prices

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b
Expenditure on GDP (£ bn at current market prices)										
GDP	2,157.4	2,238.3	2,109.6	2,270.2	2,482.1	2,585.5	2,711.8	2,802.6	2,910.5	3,014.5
Private consumption	1,401.5	1,440.0	1,262.9	1,375.6	1,562.2	1,646.7	1,710.1	1,767.3	1,834.8	1,906.6
Government consumption	398.4	425.6	475.1	508.2	524.9	569.7	596.9	627.6	654.1	681.7
Gross fixed investment	386.1	403.4	365.9	393.5	447.2	440.4	447.9	448.4	460.9	472.9
Exports of goods & services	673.9	699.7	616.8	654.3	813.3	868.1	888.8	911.5	929.1	959.7
Imports of goods & services	706.9	735.8	609.2	682.3	898.0	940.4	933.9	955.2	972.3	1,009.5
Stockbuilding	4.4	5.5	-1.8	21.7	13.1	1.0	2.0	3.0	4.0	3.0
Domestic demand	2,190.4	2,274.5	2,102.0	2,298.9	2,547.5	2,657.8	2,756.9	2,846.3	2,953.7	3,064.3
Expenditure on GDP (US\$ bn at current market prices)										
GDP	2,881.7	2,859.2	2,708.1	3,124.0	3,071.3	3,158.4	3,434.1	3,671.4	4,045.6	4,280.6
Private consumption	1,872.0	1,839.4	1,621.2	1,892.9	1,933.0	2,011.5	2,165.6	2,315.2	2,550.3	2,707.4
Government consumption	532.1	543.6	609.9	699.3	649.5	695.9	755.9	822.1	909.2	968.0

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

Gross fixed investment	515.8	515.2	469.7	541.5	553.3	538.0	567.2	587.5	640.6	671.6
Exports of goods & services	900.1	893.7	791.8	900.3	1,006.4	1,060.5	1,125.5	1,194.0	1,291.4	1,362.8
Imports of goods & services	944.2	939.9	782.1	938.9	1,111.1	1,148.8	1,182.6	1,251.3	1,351.5	1,433.5
Stockbuilding	5.9	7.0	-2.4	29.8	16.2	1.2	2.5	3.9	5.6	4.3
Domestic demand	2,925.8	2,905.3	2,698.4	3,163.5	3,152.1	3,246.7	3,491.1	3,728.7	4,105.7	4,351.3
Economic structure (% of GDP at current market prices)										
Household consumption	65.0	64.3	59.9	60.6	62.9	63.7	63.1	63.1	63.0	63.2
Government consumption	18.5	19.0	22.5	22.4	21.1	22.0	22.0	22.4	22.5	22.6
Gross fixed investment	17.9	18.0	17.3	17.3	18.0	17.0	16.5	16.0	15.8	15.7
Stockbuilding	0.2	0.2	-0.1	1.0	0.5	0.0	0.1	0.1	0.1	0.1
Exports of goods & services	31.2	31.3	29.2	28.8	32.8	33.6	32.8	32.5	31.9	31.8
Imports of goods & services	32.8	32.9	28.9	30.1	36.2	36.4	34.4	34.1	33.4	33.5
Memorandum item										
National savings ratio (%)	14.0	15.4	14.0	16.8	15.5	13.9	13.8	13.3	13.3	13.1

^a Actual. ^b EIU forecasts.

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

Data summary: Gross domestic product, at constant prices

[United Kingdom](#) | [Economy](#) | [Charts and tables](#) | [GDP at constant prices](#)

March 14th 2023

Gross domestic product, at constant prices

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b
Real expenditure on GDP (£ bn at 2019 prices)										
GDP	2,203.0	2,238.3	1,991.4	2,142.7	2,229.4	2,223.8	2,245.5	2,284.2	2,319.1	2,355.5
Household consumption	1,424.9	1,440.0	1,250.1	1,328.1	1,400.3	1,393.4	1,412.5	1,435.4	1,460.9	1,485.5
Government consumption	408.6	425.6	394.5	443.9	452.4	459.1	466.5	476.3	482.5	488.8
Gross fixed investment	396.0	403.4	361.0	383.0	412.6	404.3	405.1	414.7	426.2	437.4
Exports of goods & services	687.9	699.7	615.1	628.9	693.6	709.8	719.4	731.2	745.5	762.8
Imports of goods & services	717.1	735.8	617.7	656.0	738.7	737.7	753.3	777.3	797.9	820.7
Stockbuilding (% of GDP)	1.3	2.6	-11.4	8.9	9.8	-5.0	-4.5	4.0	2.0	2.0
Domestic demand	2,233.9	2,274.4	1,993.8	2,170.1	2,256.7	2,245.7	2,267.4	2,321.2	2,361.0	2,403.7
Real expenditure on GDP (% change)										
GDP	1.7	1.6	-11.0	7.6	4.0	-0.3	1.0	1.7	1.5	1.6
Household consumption	2.5	1.1	-13.2	6.2	5.4	-0.5	1.4	1.6	1.8	1.7
Government consumption	0.3	4.1	-7.3	12.5	1.9	1.5	1.6	2.1	1.3	1.3
Gross fixed investment	-0.2	1.9	-10.5	6.1	7.7	-2.0	0.2	2.4	2.8	2.6

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Exports of goods & services	3.1	1.7	-12.1	2.2	10.3	2.3	1.4	1.6	1.9	2.3
Imports of goods & services	3.3	2.6	-16.0	6.2	12.6	-0.1	2.1	3.2	2.7	2.9
Stockbuilding (% contribution to GDP growth)	-0.5	0.1	-0.6	1.0	0.0	-0.7	0.0	0.4	-0.1	0.0
Domestic demand	1.2	1.8	-12.3	8.8	4.0	-0.5	1.0	2.4	1.7	1.8
Real contribution to GDP growth (% points)										
Private consumption	1.6	0.7	-8.5	3.9	3.4	-0.3	0.9	1.0	1.1	1.1
Government consumption	0.1	0.8	-1.4	2.5	0.4	0.3	0.3	0.4	0.3	0.3
Gross fixed investment	0.0	0.3	-1.9	1.1	1.4	-0.4	0.0	0.4	0.5	0.5
External balance	-0.1	-0.3	1.5	-1.2	-0.8	0.8	-0.3	-0.5	-0.3	-0.2
Memorandum items										
Industrial production (% change)	3.3	2.3	1.3	7.3	-3.6	-2.6	1.2	2.1	2.0	2.0
Real personal disposable income (% change)	2.4	2.1	-1.3	1.2	-2.0	-2.0	0.8	1.5	1.7	1.6

^a Actual. ^b EIU forecasts.

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

Data summary: Gross domestic product by sector of origin

[United Kingdom](#) | [Economy](#) | [Charts and tables](#) | [GDP by sector of origin](#)

March 14th 2023

Gross domestic product by sector of origin

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b
Origin of GDP (£ bn at constant 2018 prices)										
GDP at factor cost	1,966.3	2,000.2	1,788.7	1,921.4	2,000.8	1,995.8	2,015.3	2,050.0	2,081.3	2,113.9
Agriculture	11.6	13.5	13.1	13.8	14.3	13.2	13.4	13.6	13.8	14.0
Industry	387.3	395.4	381.8	416.0	412.3	386.7	390.6	397.2	403.3	409.6
Services	1,567.5	1,591.2	1,393.8	1,491.6	1,574.3	1,595.9	1,611.4	1,639.2	1,664.2	1,690.3
Origin of GDP (real % change)										
Agriculture	-12.5	16.9	-3.5	5.8	3.5	-7.6	1.0	1.7	1.5	1.6
Industry	1.8	2.1	-3.4	8.9	-0.9	-6.2	1.0	1.7	1.5	1.6
Services	1.7	1.5	-12.4	7.0	5.5	1.4	1.0	1.7	1.5	1.6
Origin of GDP (% of factor cost GDP)										
Agriculture	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Industry	19.7	19.8	21.3	21.7	20.6	19.4	19.4	19.4	19.4	19.4

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

Services	79.7	79.6	77.9	77.6	78.7	80.0	80.0	80.0	80.0	80.0
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Memorandum item

Industrial production (% change)	3.3	2.3	1.3	7.3	-3.6	-2.6	1.2	2.1	2.0	2.0
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^a Actual. ^b EIU forecasts.

Data summary: Growth and productivity

[United Kingdom](#) | [Economy](#) | [Charts and tables](#) | [Growth and productivity](#)

March 14th 2023

Growth and productivity

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b
Growth and productivity (%)										
Labour productivity growth	0.5	0.5	-10.2	7.9	3.0	0.0	0.8	1.1	1.0	1.1
Total factor productivity growth	0.0	0.0	-10.7	7.3	-1.0	-0.1	0.8	1.3	1.1	1.1
Growth of capital stock	2.6	2.5	0.7	1.4	2.2	1.6	1.4	1.6	1.7	1.8
Growth of potential GDP	2.0	1.8	1.3	-1.4	0.6	0.7	1.5	2.1	1.9	1.9
Growth of real GDP	1.7 ^c	1.6 ^c	-11.0 ^c	7.6 ^c	4.0 ^c	-0.3	1.0	1.7	1.5	1.6
Growth of real GDP per head	1.1 ^c	1.1 ^c	-11.4 ^c	7.2 ^c	3.7 ^c	-0.6	0.6	1.4	1.2	1.3

^a EIU estimates. ^b EIU forecasts. ^c Actual.

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

Data summary: Economic structure, income and market size

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March 14th 2023

Economic structure, income and market size

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b
Population, income and market size										
Population (m)	66.4	66.8	67.1	67.3	67.5	67.7	68.0	68.2	68.4	68.6
GDP (US\$ bn at market exchange rates)	2,882	2,859	2,708	3,124	3,071	3,158	3,434	3,671	4,046	4,281
GDP per head (US\$ at market exchange rates)	43,377	42,816	40,384	46,433	45,494	46,628	50,530	53,848	59,152	62,398
Private consumption (US\$ bn)	1,872	1,839	1,621	1,893	1,933	2,012	2,166	2,315	2,550	2,707
Private consumption per head (US\$)	28,179	27,545	24,175	28,134	28,634	29,697	31,865	33,957	37,289	39,466
GDP (US\$ bn at PPP)	3,140	3,290	2,965	3,334	3,697	3,825	3,928	4,071	4,216	4,376
GDP per head (US\$ at PPP)	47,264	49,264	44,215	49,548	54,769	56,462	57,791	59,711	61,642	63,794
Personal disposable income (£ bn)	1,409	1,462	1,458	1,512	1,597	1,658	1,713	1,768	1,834	1,904
Personal disposable income (US\$ bn)	1,882	1,868	1,872	2,080	1,976	2,026	2,169	2,316	2,549	2,703
Growth of real disposable income (%)	2.4	2.1	-1.3	1.1	-1.9 ^c	-2.0	0.8	1.5	1.7	1.6
Memorandum items										
Share of world population (%)	0.88	0.88	0.87	0.87	0.86	0.87	0.87	0.87	0.85	0.84
Share of world GDP (% at market exchange rates)	3.38	3.30	3.21	3.28	3.11	3.07	3.16	3.19	3.37	3.39

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Share of world GDP (% at PPP)	2.45	2.45	2.24	2.29	2.30	2.24	2.19	2.16	2.17	2.13
Share of world exports of goods (%)	2.47	2.52	2.31	2.06	2.07 ^c	2.08	2.05	2.01	2.21	2.18

^a Actual. ^b EIU forecasts. ^c EIU estimates.

Data summary: Fiscal indicators

[United Kingdom](#) | [Economy](#) | [Charts and tables](#) | [Fiscal indicators](#)

March 14th 2023

Fiscal indicators

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b
Fiscal indicators (% of GDP)										
Government expenditure	37.3	37.1	48.8	45.4	43.4	44.6	43.7	43.1	42.5	42.2
Interest ^c	2.5	2.2	2.0	2.8	4.3	5.2	6.2	6.5	5.8	5.2
Non-interest ^c	34.8	35.0	46.8	42.6	39.1	39.4	37.5	36.6	36.7	36.9
Government revenue ^c	35.4	35.1	35.7	37.2	38.3	39.2	38.4	39.5	39.5	39.4
Budget balance ^c	-1.9	-2.0	-13.1	-8.2	-5.1	-5.4	-5.3	-3.6	-3.0	-2.7
Primary balance ^c	0.5	0.2	-11.2	-5.4	-0.8	-0.2	0.9	2.9	2.8	2.5
Government debt ^d	86.1	85.5	105.6	105.9	104.8 ^e	105.9	105.9	105.7	104.8	104.1

^a Actual. ^b EIU forecasts. ^c General government. ^d 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

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

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. ^e EIU estimates.

Data summary: Monetary indicators

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Monetary indicators

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b
Monetary indicators										
Exchange rate US\$:£ (av)	1.34	1.28	1.28	1.38	1.24	1.22	1.27	1.31	1.39	1.42
Exchange rate €:£ (av)	1.13	1.14	1.12	1.16	1.17	1.10	1.11	1.14	1.20	1.20
Exchange rate US\$:€ (av)	1.18	1.12	1.14	1.18	1.05	1.12	1.14	1.15	1.16	1.18
Exchange rate €:£ (year-end)	1.11	1.18	1.11	1.19	1.10	1.11	1.11	1.17	1.21	1.20
Real effective exchange rate (av; 2010=100)	99.0	98.6	98.7	102.5	101.0	98.7	99.8	102.2	107.4	108.8
M4 money supply growth (%) ^c	2.3	3.8	12.6	6.4	1.6	0.1	2.4	2.5	1.7	2.0
Domestic credit growth (%)	3.2	4.9	3.1	1.7	1.2	0.1	2.4	2.5	1.7	2.0
Purchasing power parity US\$:£ (av)	1.46	1.47	1.41	1.47	1.49	1.48	1.45	1.45	1.45	1.45
3-month £-Libor rate (av; %)	0.7	0.8	0.3	0.1	2.0	5.1	4.6	4.0	3.6	3.1

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10-year government bond yield (av; %)	1.5	0.9	0.4	0.8	2.4	3.8	3.7	3.5	3.0	2.9
Bank of England base rate (%; end-period)	0.75	0.75	0.10	0.25	3.50	4.50	4.25	3.75	3.25	2.75
Lending rate (%; average mortgage SVR from UK MFIs)	4.3	4.3	3.8	3.6	4.7	7.0	6.6	5.8	5.5	5.2
Deposit rate (av; %)	0.9	0.9	0.4	0.2	2.1	4.4	4.4	2.9	2.3	2.5

^a Actual. ^b EIU forecasts. ^c 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](#)

March 14th 2023

Employment, wages and prices

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b
The labour market (av)										
Labour force (m)	33.8	34.1	34.1	33.9	34.0	34.1	34.2	34.4	34.5	34.6
Labour force (% change)	0.9	0.8	-0.1	-0.4	0.2	0.3	0.3	0.5	0.3	0.3
Employment (m)	32.4	32.8	32.5	32.4	32.7	32.6	32.7	32.9	33.1	33.2
Employment (% change)	1.2	1.1	-0.9	-0.3	1.0	-0.3	0.2	0.6	0.5	0.5

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Unemployment (m)	1.4	1.3	1.6	1.5	1.3	1.5	1.5	1.5	1.4	1.3
Unemployment rate (%; EU/OECD standardised measure)	4.1	3.8	4.6	4.5	3.7	4.3	4.4	4.3	4.1	3.9
Wage and price inflation (% except labour costs per hour)										
GDP deflator	1.7	2.1	5.9	0.0	5.1	4.4	3.9	1.6	2.3	2.0
Consumer prices (av; CPIH measure)	2.3	1.7	1.0	2.5	7.9	5.9	2.1	2.0	1.9	1.9
Producer prices (av)	3.4	1.4	-1.0	5.2	16.2	6.4	2.2	2.0	2.0	2.0
GDP deflator (av)	1.7	2.1	5.9	0.0	5.1	4.4	3.9	1.6	2.3	2.0
Private consumption deflator (av)	1.7	1.7	1.0	2.5	7.7	5.9	2.4	1.7	2.0	2.2
Government consumption deflator (av)	2.3	2.6	20.4	-5.0	1.4	6.9	3.1	3.0	2.9	2.9
Fixed investment deflator (av)	2.3	2.5	1.4	1.4	5.5	0.5	1.5	-2.2	0.0	0.0
Average nominal wages (av)	3.0	3.4	1.8	5.9	6.0	4.7	3.0	3.0	3.1	3.1
Average real wages (av)	0.7	1.6	0.8	3.4	-1.8	-1.2	0.8	1.0	1.2	1.2
Unit labour costs (£-based; av)	2.7	3.0	12.9	-1.6	2.5	5.6	3.2	2.9	3.1	3.0
Unit labour costs (US\$-based)	6.4	-1.5	13.4	5.4	-7.8	4.3	6.9	6.4	9.4	5.3
Labour costs per hour (£)	22.7 ^c	23.5 ^c	23.9 ^c	25.3 ^c	26.8 ^c	28.1	28.9	29.8	30.7	31.7
Labour costs per hour (US\$)	30.3 ^c	30.0 ^c	30.7 ^c	34.8 ^c	33.2 ^c	34.3	36.6	39.0	42.7	45.0

^a Actual. ^b EIU forecasts. ^c EIU estimates.

Data summary: Current account and terms of trade

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

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Current account and terms of trade

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^b	2023 ^c	2024 ^c	2025 ^c	2026 ^c	2027 ^c
Current account (US\$ bn)										
Current-account balance	-116.9	-80.7	-87.7	-47.0	-92.3	-101.5	-94.7	-101.4	-107.4	-117.1
Current-account balance (% of GDP)	-4.1	-2.8	-3.2	-1.5	-3.0	-3.2	-2.8	-2.8	-2.7	-2.7
Goods: exports fob	467.7	464.2	394.4	444.8	514.1	524.3	547.5	566.9	597.5	622.5
Goods: imports fob	-658.9	-653.7	-567.2	-677.4	-798.3	-813.1	-812.0	-840.2	-896.3	-938.4
Trade balance	-191.3	-189.4	-172.9	-232.5	-284.2	-288.8	-264.6	-273.3	-298.8	-315.9
Services: credit	431.3	428.9	397.2	454.4	486.9	526.9	562.5	598.6	650.3	681.2
Services: debit	-284.0	-285.6	-216.3	-260.3	-304.7	-332.6	-363.7	-397.9	-424.5	-460.8
Services balance	147.3	143.3	180.9	194.1	182.2	194.3	198.8	200.8	225.8	220.4
Primary income: credit	292.3	291.5	176.1	293.6	306.9	396.6	475.0	522.0	532.4	607.5
Primary income: debit	-331.5	-292.4	-236.8	-277.5	-266.9	-371.9	-468.4	-511.8	-527.8	-592.2
Primary income balance	-39.2	-0.9	-60.7	16.1	40.0	24.7	6.6	10.2	4.6	15.3
Secondary income: credit	45.9	35.4	34.7	38.5	37.8	38.4	39.0	38.7	42.7	45.2
Secondary income: debit	-79.8	-69.0	-70.3	-63.1	-68.2	-70.1	-74.5	-77.8	-81.7	-82.2

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Secondary income balance	-33.9	-33.6	-35.6	-24.6	-30.4	-31.7	-35.5	-39.1	-39.0	-37.0
Terms of trade										
Export price index (US\$-based; 2010=100)	96.5	92.4	89.9	109.8	119.1	120.6	124.8	128.6	133.7	136.5
Export prices (% change)	7.3	-4.3	-2.7	22.2	8.5	1.2	3.5	3.1	3.9	2.1
Import price index (US\$-based; 2010=100)	95.4	89.7	86.4	93.7	110.9	114.2	112.5	113.8	118.3	121.4
Import prices (% change)	6.5	-6.0	-3.7	8.4	18.4	3.0	-1.5	1.2	3.9	2.6
Terms of trade (2010=100)	101.2	103.0	104.0	117.2	107.4	105.6	110.9	113.0	113.0	112.5
Memorandum item										
Export market growth (%)	4.3	1.1	-4.8	10.1	6.0	1.3	3.1	3.1	3.1	3.3

^a Actual. ^b EIU estimates. ^c EIU forecasts.

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

Data summary: Foreign direct investment

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Foreign direct investment

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^b	2023 ^c	2024 ^c	2025 ^c	2026 ^c	2027 ^c
Foreign direct investment (US\$ bn)										
Inward direct investment	-25.2	19.7	132.4	6.0	50.0	39.9	33.3	50.6	77.4	103.5
Inward direct investment (% of GDP)	-0.9	0.7	4.9	0.2	1.6	1.3	1.0	1.4	1.9	2.4
Inward direct investment (% of gross fixed investment)	-4.9	3.8	28.2	1.1	9.0	7.4	5.9	8.6	12.1	15.4
Outward direct investment	28.7	21.5	4.4	-160.9	-69.6	-93.6	-92.8	-104.6	-127.4	-129.9
Net foreign direct investment	3.5	41.2	136.8	-154.9	-19.7	-53.7	-59.4	-54.0	-50.0	-26.4
Stock of foreign direct investment	2,226.0	2,317.0	2,548.0	2,562.0	2,612.0	2,651.8	2,685.2	2,735.8	2,813.2	2,916.7
Stock of foreign direct investment per head (US\$)	33,507	34,697	37,996	38,079	38,691	39,149	39,510	40,125	41,132	42,517
Stock of foreign direct investment (% of GDP)	77.2	81.0	94.1	82.0	85.0	84.0	78.2	74.5	69.5	68.1
Memorandum items										
Share of world inward direct investment flows (%)	-6.4	1.6	11.0	0.4	3.4	2.6	2.1	3.1	4.5	5.8
Share of world inward direct investment stock (%)	6.9	6.8	7.6	6.9	6.4	6.2	6.1	6.0	5.9	5.9

^a Actual. ^b EIU estimates. ^c EIU forecasts.

Political structure

[United Kingdom](#) | [Summary](#) | [Political structure](#)

March 6th 2023

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 775 members) was reformed in 1999, when most hereditary peers lost their seats

Electoral system

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

Universal direct suffrage from the age of 18

National elections

The last general election was held on December 12th 2019; the next election must be held by January 2025

Head of state

King Charles III, who acceded to the throne on September 8th 2022

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: Rishi Sunak

Chancellor of the Duchy of Lancaster: Oliver Dowden

Chancellor of the exchequer: Jeremy Hunt

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Leader of the House of Commons: Penny Mordaunt

Leader of the House of Lords & Lord Privy Seal: Lord True

Parliamentary secretary to the Treasury & chief whip: Simon Hart

Party chair & minister without portfolio: Greg Hands

Secretaries of state

Business & trade, women & equalities: Kemi Badenoch

Defence: Ben Wallace

Education: Gillian Keegan

Energy, security & net zero: Grant Shapps

Environment, food & rural affairs: Thérèse Coffey

Foreign, commonwealth & development: James Cleverly

Health & social care: Steve Barclay

Home Office: Suella Braverman

Justice & lord chancellor (also deputy prime minister): Dominic Raab

Levelling up, housing & communities: Michael Gove

Northern Ireland: Chris Heaton-Harris

Science, innovation & technology: Michelle Donelan

Scotland: Alister Jack

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Transport: Mark Harper

Wales: David Davies

Work & pensions: Mel Stride

Central bank governor

Andrew Bailey

Basic data

[United Kingdom](#) | [Summary](#) | [Basic data](#)

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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

67m (official mid-year estimate, 2021)

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Main urban areas

Population in '000 (official mid-year estimates, 2021)

Greater London (capital): 8,797

West Midlands (Birmingham): 2,916

Greater Manchester: 2,868

West Yorkshire (Leeds): 2,350

Merseyside (Liverpool): 1,423

Climate

Temperate

Weather in London (altitude 5 metres)

Hottest month, July, 13-22°C; coldest month, January, 2-6°C; driest months, March and 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

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

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 2nd (New Year's Day observed), April 7th (Good Friday), April 10th (Easter Monday), May 1st (Early May Bank Holiday), May 8th (Coronation of King Charles III), May 29th (Late May Bank Holiday), August 28th (Summer Bank Holiday), December 25th and 26th (Christmas Day and Boxing Day)

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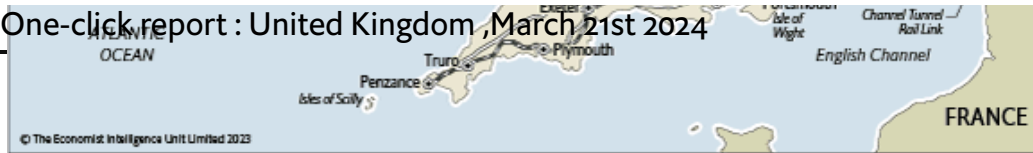
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