



# One-click report : United Kingdom

August 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. Although the UK has left the EU single market and customs union, Europe will remain its largest trading partner, and a key investment source.
- The governing Conservative Party's position in opinion polling has recovered slightly since Rishi Sunak took over as prime minister in October 2022, but the party remains well behind the opposition Labour Party. EIU expects Mr Sunak to lead the party into the next election, expected in late 2024, but it is likely to lose.
- Lower global gas prices will ease the cost of subsidising household energy, but (with higher interest costs and weak growth in tax revenue) the budget deficit will narrow only modestly in 2023. With an election expected in late 2024, fiscal consolidation is unlikely, but it should advance under a new government in 2025.
- In 2023 GDP growth will be weak compared with other major economies, reflecting the UK's overreliance on private consumption—which has been heavily affected by falling real wages—to drive growth, as well as the negative impact of Brexit on export competitiveness. We expect slightly firmer growth in 2024-25, and a return to trend growth in 2026-27.

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- The 2020 UK-EU trade agreement has caused dissatisfaction in Northern Ireland, despite a new UK-EU framework agreed in 2023 to streamline the border check process. Northern Irish Unionists continue to boycott the local executive, raising political instability.
- The UK is one of seven European countries with a public debt/GDP ratio above 100%. Borrowing costs will remain high amid weak economic growth and rising interest rates, but the UK benefits from the ability to borrow in sterling and a long average debt maturity.
- The UK is the second-largest national contributor of military aid to Ukraine in cash terms (after the US), while also being heavily involved in the training of Ukrainian military personnel. It has joined in imposing strict financial sanctions on Russia.

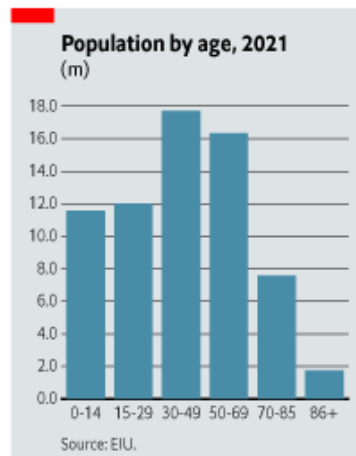
### Key indicators

	2022 <sup>a</sup>	2023 <sup>b</sup>	2024 <sup>b</sup>	2025 <sup>b</sup>	2026 <sup>b</sup>	2027 <sup>b</sup>
Real GDP growth (%)	4.1	0.3	0.9	1.4	1.7	1.6
Consumer price inflation (av; %)	7.9	6.7	2.5	2.0	1.9	1.9
Government balance (% of GDP)	-4.5	-4.3	-4.5	-3.9	-3.4	-3.2
Current-account balance (% of GDP)	-3.9 <sup>c</sup>	-3.3	-2.7	-2.7	-2.7	-2.9
Short-term interest rate (av; %)	2.0	5.3	6.5	5.7	4.6	3.8
Unemployment rate (%)	3.7	4.0	4.2	4.0	3.9	3.8
Exchange rate £:US\$ (av)	0.81	0.79	0.74	0.72	0.71	0.71

<sup>a</sup> Actual. <sup>b</sup> EIU forecasts. <sup>c</sup> EIU estimates.

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### Market opportunities



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### Key changes since July 10th

- Three by-elections took place on July 20th: the Conservatives retained one seat and lost two. The Conservatives' losses will make it difficult for the party to build momentum to close its polling deficit with Labour.
- Producer price inflation has eased more rapidly than we had anticipated. As well as revising down our forecast for producer prices, we also expect this to feed through to consumer price inflation, particularly in 2024, aided by a tighter monetary stance.
- After averaging 6.7% in 2023, we now expect consumer price inflation to average 2.5% in 2024 (2.8% previously). This will provide moderate support to private consumption, resulting in an upgrade to our GDP growth forecast for 2024, to 0.9% (0.7% previously).

### The month ahead

- August 11th–GDP (Q2): The UK economy grew by 0.1% quarter on quarter in the first quarter of 2023. We estimate positive quarterly growth of 0.2% in the second quarter. Growth will remain subdued owing to persistent inflation, a negative wealth effect in the household sector and monetary tightening. A quarterly contraction remains a risk.
- September 21st–Bank of England (BoE) interest-rate decision: With inflation still high, we expect the central bank to continue to raise interest rates, by 25 basis points, to 5.5%. It may give forward guidance relating to future rate increases: we expect increases in November-December, but if inflation slows more sharply, the BoE may pause.



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### Major risks to our forecast

Scenarios, Q3 2023	Probability	Impact	Intensity
Further monetary tightening pushes the UK into a recession	High	High	16
Strains on corporate balance sheets from rising interest rates lead to a wave of business failures	High	High	16
Another major cyber-attack strikes the UK	Very high	Moderate	15
Electricity grid infrastructure proves inadequate for energy transition	High	Moderate	12
High and volatile energy prices push the UK electricity market into a crisis	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

[United Kingdom](#) | [Economy](#) | [Forecast](#) | [Forecast summary](#)

August 3rd 2023

### Forecast summary

(% unless otherwise indicated)

	2022 <sup>a</sup>	2023 <sup>b</sup>	2024 <sup>b</sup>	2025 <sup>b</sup>	2026 <sup>b</sup>	2027 <sup>b</sup>
Real GDP (% change)	4.1	0.3	0.9	1.4	1.7	1.6
Industrial production (% change)	-2.8	-0.4	1.6	2.0	1.9	1.9
Unemployment rate (av; EU/OECD harmonised measure)	3.7	4.0	4.2	4.0	3.9	3.8
Consumer price inflation (av; CPIH measure)	7.9	6.7	2.5	2.0	1.9	1.9
3-month £-LIBOR rate (av)	2.0	5.3	6.5	5.7	4.6	3.8
Bank of England base rate (end-period)	3.50	6.00	6.00	5.00	4.00	3.50
Government budget balance (% of GDP) <sup>c</sup>	-4.5	-4.3	-4.5	-3.9	-3.4	-3.2
Exports of goods fob (US\$ bn)	508.3 <sup>d</sup>	515.1	548.6	578.8	605.9	637.8
Imports of goods fob (US\$ bn)	-796.9 <sup>d</sup>	-771.3	-810.6	-838.8	-913.0	-968.4
Current-account balance (US\$ bn)	-121.4 <sup>d</sup>	-112.2	-100.6	-107.5	-110.2	-125.6
Current-account balance (% of GDP)	-3.9 <sup>d</sup>	-3.3	-2.7	-2.7	-2.7	-2.9
Exchange rate US\$:£ (av)	1.24	1.27	1.35	1.38	1.40	1.42
Exchange rate ¥:£ (av)	162.7	165.7	154.5	149.4	154.4	154.2

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Exchange rate €:£ (av)	1.17	1.16	1.18	1.19	1.19	1.19
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<sup>a</sup> Actual. <sup>b</sup> EIU forecasts. <sup>c</sup> General government. <sup>d</sup> EIU estimates.

Political stability

United Kingdom | Politics | Forecast | Political stability

August 3rd 2023

Despite major fractures within the ruling Conservative Party, Rishi Sunak is likely to remain prime minister until the next general election, which EIU expects 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 taxes, housing policy, 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 are also unpopular with both Conservative members of parliament (MPs) and the public. The poor state of public services, particularly the National Health Service (NHS), has fomented significant public discontent. 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 by a significant margin. These factors will fuel discontent and division within the party, limiting Mr Sunak’s ability to push through significant new policy, despite the party’s comfortable 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 our 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), which holds the largest number of Scottish seats in the UK parliament and the most seats in the devolved Scottish parliament.

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The issue may return to prominence if the SNP becomes the swing party in a hung parliament after the next election. However, the resignation of the SNP's charismatic leader, Nicola Sturgeon, in February, makes this less likely, as the party's position in opinion polls has fallen. Additionally, Ms Sturgeon's successor, Humza Yousaf, has made more gradualist statements regarding his preferred timeline for independence and, unlike Ms Sturgeon, he has not signalled an intention to pursue a referendum immediately.

Tensions are also high in Northern Ireland, where most goods passing from the rest of the UK are subject to customs checks as part of the Brexit agreement, to avoid creating a hard border between Northern Ireland and the Republic of Ireland. The checks led the largest Unionist party, the Democratic Unionist Party (DUP), to pull out of the power-sharing executive in September 2021 unless the Northern Ireland protocol was changed radically, arguing that the protocol had created a barrier between Northern Ireland and the rest of the UK. Constitutionally, this has prevented an executive from being formed. The lack of an executive would normally require a new 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 the EU agreed to the Windsor Framework, which would significantly reduce 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, this breakthrough has failed to convince the DUP to end its boycott of the executive.

## Election watch

[United Kingdom](#) | [Politics](#) | [Forecast](#) | [Election watch](#)

August 3rd 2023

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 (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 will 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, which it is currently on track to achieve. The Conservatives are about 20 points behind Labour in opinion polls. The Conservatives lost over 1,000 council seats out of more than 3,000 seats contested in local elections in May, a result that is consistent with these polling figures. The party also lost two out of three seats in by-elections held in mid-July. A hung parliament is possible if the Conservatives can recover support from voters lost by Ms Truss, or if the party loses a disproportionate number of seats to the centrist Liberal Democrats. However, a Labour government is still the most likely outcome of a hung parliament, as most smaller parties (including the Liberal Democrats, the Green Party, and Scottish and Welsh nationalist parties) are ideologically more sympathetic to a minority Labour government than to a Conservative one.

## International relations

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August 3rd 2023

Following Russia's invasion of Ukraine on February 24th 2022, all European countries have adopted severe sanctions against Russia, freezing about half of the reserves of the Central Bank of Russia, cutting off some Russian banks from the SWIFT international messaging system and banning the import of Russian oil. The UK has also passed legislation providing greater scrutiny of foreign ownership of UK assets. The UK has been the second-largest contributor of military aid to Ukraine in absolute terms (after the US), 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 (US\$4.8bn). On May 11th the UK became the first country to announce that it would supply Ukraine with long-range missiles.

Uncertainty persists between the EU and the UK over the UK's departure from the bloc. The EU-UK Trade and Co-operation Agreement 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 many 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 issues surrounding the Northern Ireland protocol, limiting the potential for progress. 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. In particular, the EU and the UK are near to agreeing UK membership of the EU's Horizon Europe scientific research funding programme, which had been delayed during the Northern Ireland dispute. However, potential for further breakthroughs in this parliament is limited, given significant continued anti-EU sentiment within the Conservative Party. Labour has said

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that it will work to remove barriers around more of the technical issues, but neither party advocates rejoining the EU single market or customs union, limiting the degree of trade liberalisation possible.

## Policy trends

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August 3rd 2023

In late 2022 Mr Sunak made fiscal consolidation his immediate domestic priority in order to maintain financial credibility following a severe adverse market reaction to the proposed mini-budget of Ms Truss. 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. This was partly designed to counteract the impact of the energy price cap, which subsidised energy bills. With gas prices having fallen dramatically in the past 11 months, the government will come under pressure to reverse some of the recent tax rises ahead of the next election.

We expect the government to resist these calls, instead using the increased fiscal space to ease some of the recent spending restraint. Public concerns about the quality of service provision—particularly the NHS (which has seen a deterioration in quality of care and increased waiting times since the pandemic), education and policing—will remain a key factor ahead of the next election. The government will hope to convince the public that it is addressing these concerns. However, given the proximity of the next election and the deep-seated nature of these issues, we do not expect any major improvements under the current government.

Longer-term structural reform to boost the UK's poor productivity growth will be a priority for the next government, regardless of who wins the election. However, divisions within the Conservatives on supply-side issues, such as planning reform and immigration policy, will limit progress. Labour has not yet set out a detailed alternative solution

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for these problems, but it is starting to pad out its policy agenda should it win office. Priorities include an overhaul of planning legislation (to accelerate construction permits) and employment law (to address labour shortages), and an industrial policy of spending focused on green infrastructure that provides incentives to local firms (similar in style, if not scale, to the US Inflation Reduction Act).

## Fiscal policy

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August 3rd 2023

After the previous government's expansionary fiscal policies generated significant volatility in financial markets last autumn, policy has been tightened sharply. However, we expect the deficit to narrow only modestly in 2023, to 4.3% of GDP (from 4.5% in 2022). This will be driven by depressed tax revenue due to slowing growth, as well as the government's emergency subsidising of household and business energy costs, with the government covering the difference between the wholesale and retail price. This cost is abating over 2023 as wholesale energy prices fall.

We expect the fiscal deficit to widen slightly in 2024 as the government keeps spending elevated ahead of the general election. Slow productivity growth, rising debt-servicing costs and an ageing population have caused the tax burden to rise as a share of GDP. The Labour Party is likely to come into office on a platform of higher public spending in 2025. However, its ability to increase spending will be limited by the already high tax burden and still-high borrowing costs. It will seek to increase business investment, but given revenue constraints it will be difficult to lower corporation tax. An emphasis on fiscal credibility is likely to prompt the next government to consolidate the public finances, with the budget deficit likely to shrink to 3.2% of GDP in 2027. We forecast that public debt will peak at 101.9% of GDP in 2024, before moderating slowly to 99.5% of GDP in 2027.



## Monetary policy

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August 3rd 2023

At its August meeting, the Bank of England (BoE, the central Bank) raised its key policy interest rate by 25 basis points to 5.25%, marking the 14th increase in the current monetary policy tightening cycle. Inflation is starting to ease but remains well above target, which suggests that the BoE will continue its tightening cycle even as other central banks are ending theirs. We therefore expect further 25-basis-point rises in September, November and December, reaching a terminal rate of 6%. If inflation slows more rapidly in the coming months, the BoE may keep rates on hold after the November meeting, with a terminal rate of 5.75%. We do not expect a loosening of monetary policy until early 2025, amid still-sluggish growth and subdued inflation. We expect the policy rate to reach 3.5% by end-2027.

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## Global forecast data

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August 3rd 2023

	2022	2023	2024	2025	2026	2027
<b>Economic growth (%)</b>						
US GDP	2.1	1.3	0.8	2.0	2.2	1.9
OECD GDP	2.6	1.1	1.2	1.8	1.9	1.8
EU27 GDP	3.6	0.8	1.5	1.9	1.9	1.8
World GDP	3.1	2.2	2.4	2.7	2.7	2.7
World trade	4.0	1.9	3.1	3.6	3.7	3.9
<b>Inflation indicators (% unless otherwise indicated)</b>						
US CPI	8.0	3.9	2.2	2.1	2.0	2.1
OECD CPI	7.0	4.4	2.2	1.9	1.8	1.8
EU27 CPI	9.1	6.4	2.9	2.3	2.0	2.0
Manufactures (measured in US\$)	-2.2	5.3	4.0	3.4	2.4	2.2
Oil (Brent; US\$/b)	99.8	80.7	76.6	72.9	70.4	67.1
Non-oil commodities (measured in US\$)	14.6	-12.0	-1.8	0.4	-0.4	-0.4
<b>Financial variables</b>						
US\$ 3-month commercial paper rate (av; %)	2.1	5.1	5.1	4.2	3.2	2.5

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€ 3-month interbank rate (av; %)	0.3	3.5	3.9	3.0	2.0	1.6
US\$:£ (av)	1.24	1.27	1.35	1.38	1.40	1.42
US\$:€ (av)	1.05	1.10	1.14	1.16	1.18	1.20

Economic growth

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August 3rd 2023

Growth has slowed markedly since the first quarter of 2022, growing by an average quarter-on-quarter rate of less than 0.1% over the past four quarters. High prices of food and energy, depressed export competitiveness due to Brexit, sharply rising interest rates, a negative wealth effect on households due to rising mortgage servicing costs, and political instability have reduced consumer and business confidence, while real wages have fallen sharply. However, the economy has so far avoided falling into a technical recession (two consecutive quarters of negative real growth), which we expect to continue as commodity prices decline. We forecast that the UK economy will grow by 0.3% in 2023; with a longer, more intense tightening cycle hampering the recovery in 2024, growth will remain fairly weak, at only 0.9%.

This forecast represents a worse performance for the UK than most of its European peers. This is due to the UK’s overreliance on private consumption to drive growth, which will be inordinately affected by declining consumer spending, as well as the unique impacts of Brexit eroding export competitiveness. Rebased GDP data indicate that in 2022 the economy failed to recover all of its 2020-21 pandemic-induced losses, and we do not expect the UK economy to return to its pre-pandemic size until the second quarter of 2024—the last G7 country to do so.

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Moreover, 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 undermine any subsequent recovery and limit the country's medium-term growth potential. We expect GDP growth to average 1.6% in 2025-27.

### Economic growth

%	2022 <sup>a</sup>	2023 <sup>b</sup>	2024 <sup>b</sup>	2025 <sup>b</sup>	2026 <sup>b</sup>	2027 <sup>b</sup>
GDP	4.1	0.3	0.9	1.4	1.7	1.6
Private consumption	5.7	0.4	1.2	1.4	1.4	1.3
Government consumption	1.8	0.1	2.4	1.7	1.6	1.6
Gross fixed investment	8.6	3.0	2.5	2.5	2.6	2.6
Exports of goods & services	9.9	3.4	4.1	2.5	2.3	2.6
Imports of goods & services	13.3	1.1	7.4	3.0	2.2	2.4
Domestic demand	4.5	0.5	1.8	1.7	1.6	1.6
Agriculture	3.5	-6.9	1.0	1.4	1.7	1.6
Industry	-0.1	-6.3	1.0	1.4	1.7	1.6
Services	5.5	2.1	0.9	1.4	1.7	1.6

<sup>a</sup> Actual. <sup>b</sup> EIU forecasts.

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# Inflation

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August 3rd 2023

Annual inflation (CPIH measure) remains elevated. After peaking at 9.6% in October 2022, it has eased to 7.3% in June, but it is not slowing as rapidly as in many European countries, as food and energy price inflation has been slower to ease. Inflation will moderate slowly and unevenly in the coming months as elevated input costs and a tight labour market put upward pressure on prices across other products and services. However, we expect these trends to abate over the year as weaker underlying conditions depress wage growth and constrain consumer spending. We therefore expect that inflation will slow to an average of 6.7% in 2023, from 7.9% in 2022. Thereafter, as energy markets stabilise, inflation will ease to about 2% per year in 2025-27.

## Exchange rates

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August 3rd 2023

Sterling weakened significantly against the US dollar in 2022, from US\$1.36:£1 in January to US\$1.21:£1 at year-end, owing to the aggressive monetary tightening of the Federal Reserve (Fed, the US central bank), as well as a "flight to safety" among investors following the war in Ukraine and the subsequent energy crisis. Sterling has gradually appreciated against the dollar in 2023 as the Fed's monetary tightening cycle has slowed, but it remains weak by historical standards, at about US\$1.28:£1 in early August. In 2022 sterling was stable against the euro, generally trading at between €1.15:£1 and €1.20:£1. In 2023 sterling has begun to appreciate gradually against the euro, trading at about €1.17:£1 in early August, as investors expect the BoE's tightening cycle to persist for longer.

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In the remainder of 2023 we expect sterling to continue to strengthen against the dollar and the euro as the BoE continues to raise the policy interest rate, at a time when both the Fed and the European Central Bank have paused monetary tightening. In 2024-27 we expect sterling to appreciate against the dollar as growth returns in the UK, monetary policy stabilises and inflation abates, and the flight to safety unwinds; it will also appreciate against the euro in 2024, before stabilising in 2025-27.

## External sector

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August 3rd 2023

The UK has run a persistent current-account deficit since 1985 as a large merchandise trade deficit has generally offset a smaller surplus on the services account. Government efforts to foster trading relations with other non-EU markets will fail to offset the loss of the preferential trading terms that the UK enjoyed when it was part of the EU; as a result, growth in exports will remain fairly muted. We expect the current-account deficit to shrink from an unusually large 3.9% of GDP in 2022 (fuelled by high imported gas prices) to 3.3% of GDP in 2023, reflecting an easing of import spending. We forecast that the deficit will stabilise at just under 3% of GDP for the remainder of the forecast period.

# Country forecast overview: Business environment rankings

[United Kingdom](#) | [Business](#) | [Business environment](#) | [Rankings overview](#)

June 13th 2023

Value of index <sup>a</sup>		Global rank <sup>b</sup>		Regional rank <sup>c</sup>	
2018-22	2023-27	2018-22	2023-27	2018-22	2023-27
7.78	7.60	15	25	9	12

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

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

## Business environment at a glance

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June 13th 2023

### Policy towards private enterprise and competition



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2023-24: Policy environment for private enterprise remains broadly favourable, with relatively low levels of regulation.

2025-27: Greater state intervention in utilities and rail under Labour Party 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 to ease supply-chain disruptions. Sanctions imposed on Russian exports remain in place.

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

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

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tax rises.

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

### **Financing"**

2023-24: Commercial lending rates for businesses stabilise in mid-2023 and start to ease in late 2024.

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

### **The labour market**

2023-24: Despite a modest rise in unemployment, the 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.

### **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 stream in 2026.

### **Technological readiness**

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

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.

## 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

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

Coffee & tea consumption (kg per person)	4.4	6.1	4.7	6.4
<b>Consumer goods in use (per 1,000 population)</b>				
Passenger cars	558	566	545	562
Telephone main lines	472	418	458	407
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
<b>Households</b>				
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
<b>Income and income distribution</b>				
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 <sup>a</sup>	–	–	–

<sup>a</sup> 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.

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

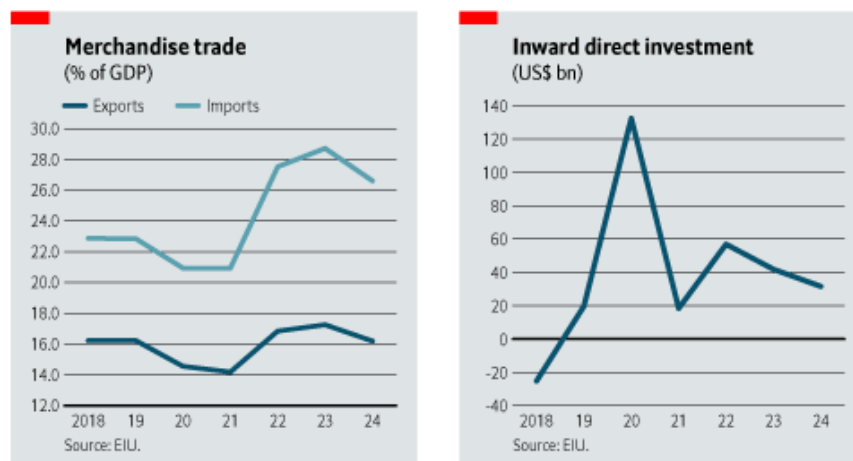
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# Global position

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

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

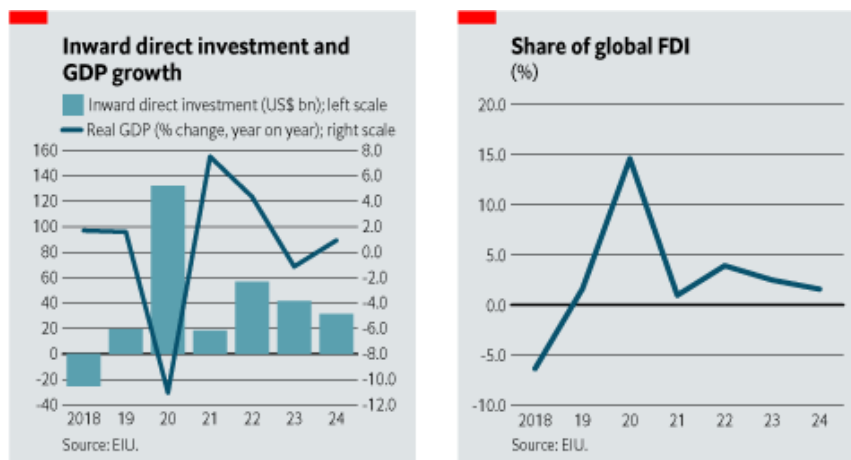
December 1st 2022



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 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

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

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.

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

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- 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.
- 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.
- 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.

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

- 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
<b>Population and labour force (% change; annual av)</b>			
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
<b>Growth and productivity (% change; annual av)</b>			
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

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

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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 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

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

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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 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

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

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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 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

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

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
<b>Income and market size</b>			
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
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
<b>Memorandum items</b>			
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

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

July 14th 2023

- The UK's automotive industry is in structural decline. It is an integral part of the manufacturing sector, accounting for 10% of goods exports, but vehicle production has fallen significantly since 2016 and medium-term prospects are unfavourable. This reflects various factors: the UK's relative economic decline and deteriorating competitiveness over the past decade; the damaging effects of Brexit on trade openness and investor sentiment; global overcapacity and production implications of the transition to electric vehicles (EVs); supply-side frictions from the pandemic and the Russia-Ukraine war; and the lacklustre and short-term approach by the government to industrial policy against the backdrop of an increasingly competitive global automotive industry.
- In 2022 the UK was the world's 17th-largest vehicle producer and the sixth largest in Europe, according to the International Organisation of Motor Vehicle Manufacturers (OICA). Since 2017 annual vehicle output has declined for six consecutive years—production in 2022 of about 876,600 units was the lowest in more than 40 years and down from 1.8m units in 2016. Easing global supply frictions will drive a near-term bounce, but EIU expects production to trend lower over the forecast period (2023-27). There is a high risk that one or more of the UK's five mass vehicle producers (all foreign-owned) will relocate operations abroad.

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



- The new-car market has also weakened significantly, with annual sales falling in five of the past six years. New registrations in 2022, at 1.61m units, were the lowest since 1992, according to the Society of Motor Manufacturers and Traders (SMMT), down from a recent peak of 2.7m in 2016 and an average of 2.3m in 2010-19. Easing supply issues and recovering new-car stocks will drive a countercyclical upturn in sales in 2023 as manufacturers fulfil outstanding orders (mostly fleet) that built up over the pandemic. We forecast that annual new-car registrations will rise by 16% to 1.87m units in full-year 2023.
- Looking through this one-off adjustment, the outlook for the economy is weak, amid a backdrop of materially higher living costs and interest rates, a rising tax burden, and ongoing damage from Brexit. Unemployment is low, and moderating price pressures will cause conditions to stabilise to some extent from 2024. However, income growth and sentiment will remain subdued, with little expectation of a strong revival in new-car demand. From a weak 2022 base, we forecast a compound annual growth rate (CAGR) of 4.4% in 2023-27, with annual new-car sales remaining below their 2010-19 levels.



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

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- The share of chargeable EVs will continue to rise (from 22.8% of new-car sales in 2022), but growth of registrations is slowing, and affordability issues and limitations of charging infrastructure will constrain significantly wider uptake by private buyers. The UK is the only major European market not to offer subsidies for private EV buyers, after scrapping its grant scheme in 2022.
- The UK left the EU single market and customs union in 2021, having agreed a limited Trade and Co-operation Agreement (TCA) with the bloc. This allowed for quota-free trade but still represented a "hard Brexit", imposing significant trade frictions with its main trading partner and disrupting integrated supply chains. EU-UK relations will improve gradually as economic realities force a more conciliatory UK stance, but Brexit has structurally weakened the UK's trade links and reduced its appeal as an investment location. "Rules of origin" requirements under the TCA could result in a 10% tariff being imposed on UK-EU trade in EVs from 2024. A related factor is the intensifying global battle to attract EV battery investment and production facilities. A deferral of the 10% tariff is possible.
- The UK has five mass vehicle producers (all foreign-owned), which have used the country primarily as an export base to the EU. Challenges posed by Brexit are being amplified by an unstable geopolitical environment and fierce global competition to attract EV-related investment, amid a ramping-up of state-led incentives in the US and Asia, with the EU almost certain to follow. New investment in recent years has safeguarded the near-term future of UK plants operated by Vauxhall (owned by Dutch-based Stellantis, which was formed from the merger of Fiat Chrysler Automobiles and Groupe PSA) and Nissan (Japan), but all five producers face major medium-term investment decisions in the next few years, and the outcomes are uncertain. Of consideration will be the UK's struggle to create or attract large-scale battery-production facilities (gigafactories), amid competition from established hubs in Asia and Europe (such as Germany and Hungary), and rising investment in the US.

## Consumer goods

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

August 15th 2023

- The UK has a large consumer and retail sector. Household spending accounts for about 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.
- Household income per head is comparatively high, although this masks large income inequality across the population. Low-income households, which tend to have a higher marginal propensity to consume, are poorer than in most west European countries. Economy-wide average real wages have stagnated since the mid-2000s. This has contributed to a gradual deterioration in living standards, which will continue over the five-year forecast period (2023-27).
- 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—and are expected to continue dipping in 2023. This partly reflected a temporary rotation from retail goods to services consumption after pandemic restrictions were lifted, but was primarily in response to a severe squeeze on households' purchasing power from soaring inflation, energy costs and rising interest rates. Negative wealth effect on households due to rising mortgage servicing costs will continue to weigh on consumer sentiment.
- Economic conditions have stabilised since late 2022, amid a fall in global energy prices, firmer nominal wage growth and fiscal transfers. The outlook for retail spending and the wider economy remains weak. Headline

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

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inflation will ease gradually lower over the year, but cost-of-living pressures will persist, with interest rates and relative prices of essentials such as food, energy and transport materially higher than levels over the past decade. Real personal disposable income fell by 1.9% in 2022 and will contract again in 2023, with a mild recovery expected in 2024. This will limit scope for discretionary spending, which will be directed more towards consumption of services (such as travel, hospitality and entertainment) than goods.

- 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-terms contraction in 2023, with growth firming over 2024-27. The share of online retail in total retail sales will rise gradually to about 25% by 2027 (from 17% in 2019). Online grocery retail penetration is more extensive than in most peer countries, limiting expansion scope, but evolving partnerships between major grocers and "quick commerce" delivery start-ups will sustain modest 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 led to significant new non-tariff barriers, trade frictions and regulatory compliance issues. Strained EU-UK relations will gradually improve as economic realities force a more conciliatory UK stance (partly evident since late 2022), but Brexit will remain a drag on economic activity, trade 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 the export-focused food and drink industry will lose market share.
- In order to avoid border checks on the island of Ireland, the UK and EU agreed (under 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. This compromise led to inevitable political and business tensions. In early 2023 the UK and the EU agreed the Windsor Framework, which will reduce the checks and regulatory requirements for most goods moving between Northern Ireland and Great Britain.

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

**Retail sales**

	2018 <sup>a</sup>	2019 <sup>a</sup>	2020 <sup>b</sup>	2021 <sup>b</sup>	2022 <sup>b</sup>	2023 <sup>c</sup>	2024 <sup>c</sup>	2025 <sup>c</sup>	2026 <sup>c</sup>	2027 <sup>c</sup>
Retail sales (£ bn)	408.1	425.1	433.7	463.3	485.0	512.2	534.2	552.6	566.3	581.7
Retail sales (US\$ bn)	545.1	543.0	556.7	637.6	600.2	651.8	721.4	762.6	792.8	824.5
Retail sales, volume growth (%)	1.4	2.4	1.0	4.2	-3.0	-1.0	1.7	1.4	0.6	0.8
Retail sales, US\$ value growth (%)	7.4	-0.4	2.5	14.5	-5.9	8.6	10.7	5.7	4.0	4.0
Non-food retail sales (US\$ bn)	292.9	295.2	295.4 <sup>a</sup>	356.1	339.5	365.8	404.8	428.6	445.6	464.8
Food retail sales (US\$ bn)	252.3	247.7	261.3	281.4	260.6	286.0	316.6	334.1	347.2	359.7
Consumer price inflation (av; %)	2.3	1.7	1.0 <sup>a</sup>	2.5 <sup>a</sup>	7.9 <sup>a</sup>	6.7	2.5	2.0	1.9	1.9

<sup>a</sup> Actual. <sup>b</sup> EIU estimates. <sup>c</sup> EIU forecasts.

Sources: Edge by Ascential; EIU.

## Energy

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

June 15th 2023

- Since becoming leader of the Conservative Party and prime minister in October 2022, Rishi Sunak has reinstated the UK's de facto ban on fracking—which had been lifted by his predecessor, Liz Truss—while ending a moratorium on new onshore wind projects. Mr Sunak aims to be a champion of the energy transition, but his government has approved a new coal mine in Cumbria, the first coal mine to be approved in three decades.

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

- EIU expects total energy consumption in the UK to decline in 2023, pulled down by elevated energy prices and slowing economic growth. Over our forecast period (2023-32) energy demand will continue to fall as energy-efficiency gains completely offset rising demand driven by economic growth. We forecast that real GDP will grow at an annual rate of 1.4% in that period.
- We expect oil consumption to contract in 2023, pulled down by high crude and refined-product prices. We forecast that the decline will continue in 2023-32, 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 continue to decline in 2023 as demand is pulled down by slowing economic growth and lower supply. We forecast that demand will fall every year over our forecast period as consumption in the industrial, residential and power generation sectors declines.
- 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 in 2023 and in every year of our forecast period. The decline will be particularly sharp in 2025, owing to the planned phase-out of coal use in power generation by end-2024.
- We expect the share of fossil fuels in total energy demand to decline from 78% in 2022 to 71% in 2032. Natural gas will continue to be the main energy source in the UK in our forecast period.
- Owing to a sharp increase in wind and solar power, we forecast that the share of non-hydro renewables (without considering biomass) in power generation will rise from 28% in 2022 to 51% in 2032.

### Energy: key indicators

	2021 <sup>a</sup>	2022 <sup>a</sup>	2023 <sup>b</sup>	2024 <sup>b</sup>	2025 <sup>b</sup>	2026 <sup>b</sup>	2027 <sup>b</sup>	2032 <sup>b</sup>
GDP (US\$ bn at market exchange rates)	3,124	3,083	3,320	3,662	3,875	4,109	4,412	5,311
Real GDP (% change, year on year)	7.6	4.1	0.4	1.0	1.6	1.6	1.8	1.5

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

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 <sup>c</sup>	158,585 <sup>c</sup>	155,785	152,267	148,544	146,934	147,886	142,508
Gross domestic energy consumption (% change, year on year)	6.9 <sup>c</sup>	-3.6 <sup>c</sup>	-1.8	-2.3	-2.4	-1.1	0.6	-0.8

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

<sup>a</sup> Actual. <sup>b</sup> EIU forecasts. <sup>c</sup> EIU estimates.

Sources: EIU; © OECD/IEA 2018 IEA statistics, [www.iea.org/statistics](http://www.iea.org/statistics), licence: [www.iea.org/t&c](http://www.iea.org/t&c).

## Financial services

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

July 25th 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 late 2023 and 2024 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 smother demand for credit.
- London 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

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

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alternative investment—plays a significant role in the economy. In 2022 it accounted for 8.3% of gross value added, down from 9.6% at its peak in 2009, according to the Office for National Statistics (ONS). In 2022 it employed 1.17m people, or 3.2% of the total workforce, down from 3.7% in 2009. The industry makes a substantial contribution to the balance of payments and tax revenue.

- EIU forecasts that UK real GDP will growth by just 0.3% in 2023, reflecting the UK's overreliance on private consumption—which has been heavily affected by falling real wages—to drive growth, as well as the negative impact of Brexit on export competitiveness. This will be down sharply from the 4.1% expansion recorded in 2022 and 7.6% in 2021. We forecast average annual growth of 1.4% in 2024-27.
- Rishi Sunak became prime minister in October 2022, following the resignations of Boris Johnson and Liz Truss earlier in that year. He has sought to rebuild confidence through a return to more conventional economic policies backed by independent assessments. The next general election must be held by late January 2025.
- The Bank of England (BoE, the central bank) raised interest rates by 50 basis points, to 5%, in June 2023, a cumulative 4.9-percentage-point rise in the past 18 months. The BoE governor, Andrew Bailey, has said that inflation was taking longer than expected to fall. We now expect the BoE to raise rates by another 50 basis points in August, with further 25-basis-point rate rises in September, November and December, reaching a terminal rate of 6.25%. We do not expect loosening until early 2025.
- 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.



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

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- 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.
- 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](#)

June 27th 2023

Overview



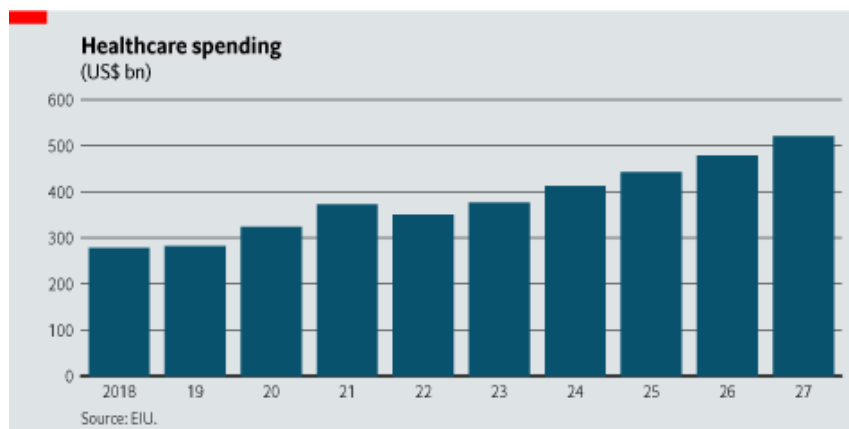
## One-click report : United Kingdom ,March 21st 2024

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- Even with the pandemic subsiding, a backlog of non-covid care, coupled with the impact of Brexit and high inflation, has put immense pressure on the UK's National Health Service (NHS). Tensions have resulted in a series of strikes over pay by ambulance staff, nurses and, most recently, hospital doctors and consultants. With the government reluctant to raise wages sharply despite still-strong inflation, EIU does not expect the unrest to die down quickly.
- In 2021 the UK spent an estimated 11.9% of its GDP on healthcare expenditure, according to the latest OECD data. We estimate that this share dropped to 11.4% in 2022. We forecast an 11.4% share in 2023 as real GDP growth slows to just 0.4%. Despite steady nominal growth in healthcare spending in local-currency terms in 2023, we expect health expenditure in real terms to fall by 0.2%, following a larger drop in 2022.
- We expect spending to return to real-terms growth in 2024. Over our five-year forecast period (2023-27), we expect health spending to rise at a compound annual growth rate (CAGR) of 5.3% in local-currency terms (8.2% in US dollar terms). However, with inflation high, real growth in healthcare spending will average just 2.1% a year. We also expect growth in government expenditure on healthcare to outpace private spending growth in the forecast period. Pharmaceutical sales will expand at a CAGR of 4.8% in local-currency terms in 2023-27, reflecting efforts to hold down prices.
- Rishi Sunak, the Conservative Party leader, took office as prime minister in October 2022, replacing Liz Truss. He appointed Steve Barclay as his new health minister. Mr Sunak's predecessor had reaffirmed a pre-pandemic funding deal, which promised to raise spending (excluding emergency covid-19 funds) by £33.9bn (US\$41bn) per year until financial year 2023/24 (April 6th-April 5th). In addition, the government has promised £14.1bn over two years to help the NHS to reduce its record waiting lists for treatment.

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

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- However, high inflation is eroding the value of this funding package. The government has also 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, would have increased national insurance payments for all working adults by 1.25 percentage points and another 1.25 points for employers. This was cancelled with effect from November 2022.

### Funding sources

- Healthcare provision in the UK is dominated by the 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. These fixed charges or co-payments are generally lower in Wales, Scotland and Northern Ireland.
- 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 health

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

spending is estimated to have dipped to 82.5% in 2022, primarily from scaling back covid-19 funding for tests and vaccines. We expect this share to rise steadily over the forecast period, reaching 82.9% by 2027.

### Healthcare expenditure

	2018 <sup>a</sup>	2019 <sup>a</sup>	2020 <sup>a</sup>	2021 <sup>b</sup>	2022 <sup>b</sup>	2023 <sup>c</sup>	2024 <sup>c</sup>	2025 <sup>c</sup>	2026 <sup>c</sup>	2027 <sup>c</sup>
Healthcare spending (US\$ bn)	278.4 <sup>b</sup>	282.5 <sup>b</sup>	324.4 <sup>b</sup>	373.0	350.8	376.9	413.1	442.8	479.5	520.9
Healthcare spending (£ bn)	208.4 <sup>b</sup>	221.2 <sup>b</sup>	252.7 <sup>b</sup>	271.1	283.5	301.5	314.9	330.5	348.7	366.8
Healthcare spending (% of GDP)	9.7 <sup>b</sup>	9.9 <sup>b</sup>	12.0 <sup>b</sup>	11.9	11.4	11.4	11.3	11.4	11.7	11.8

### Spending by source

Public/compulsory spending (US\$ bn)	220.7	224.2	268.8	309.2	289.5	311.4	341.3	366.4	397.1	431.9
Public/compulsory spending (% of total)	79.3	79.4	82.8	82.9	82.5	82.6	82.6	82.7	82.8	82.9
Government schemes (% of public spending)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Social security funds (% of public spending)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private healthcare spending (US\$ bn)	57.7	58.3	55.7	63.8	61.4	65.5	71.8	76.4	82.4	89.0
Private healthcare spending (% of total)	20.7	20.6	17.2	17.1	17.5	17.4	17.4	17.3	17.2	17.1
Out of pocket (% of private spending)	74.0	74.0	73.1	71.9	73.0	73.1	73.1	73.1	73.1	73.1
Voluntary insurance (% of private spending)	26.0	26.0	26.9	28.1	27.0	26.9	26.9	26.9	26.9	26.9
External healthcare spending (US\$ bn)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

<sup>a</sup> Actual. <sup>b</sup> EIU estimates. <sup>c</sup> EIU forecasts.

Sources: US Bureau of the 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

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

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rest under a formula (the Barnett formula) related to population size.

- 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. The share rose in 2022, but will fall back again in the forecast period, remaining below pre-pandemic levels.
- Out-of-pocket (OOP) spending accounted for 12.3% of total health spending in 2021, down from 15.3% in 2019. We expect OOP expenditure to rise slightly to 12.5% by 2027.
- 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 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 as 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

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

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

August 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 over the forecast period (2023-27), to a rate of 121.1%.
- In 2022 there were 41.7 broadband subscriptions per 100 people, with total internet user penetration at an estimated 97.7% of the population. We forecast a rise to 99.9% by 2027.
- In March and April 2023 the government launched three proposals. The first is to make the UK a global science and technology superpower by 2030, by encouraging investment in three transformational technologies: artificial intelligence (AI), quantum computing and engineering biology—white papers on AI and quantum computing were subsequently announced. The second focused on offering a different version of data protection from that of the EU. The third is the Digital Markets, Competition and Consumers Bill, a piece of legislation looking at tech competition. The UK is very light-touch in regulation to favour innovation, but strict on competition.
- 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. In the forecast period operators will focus on boosting revenue from industrial usage of 5G.

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

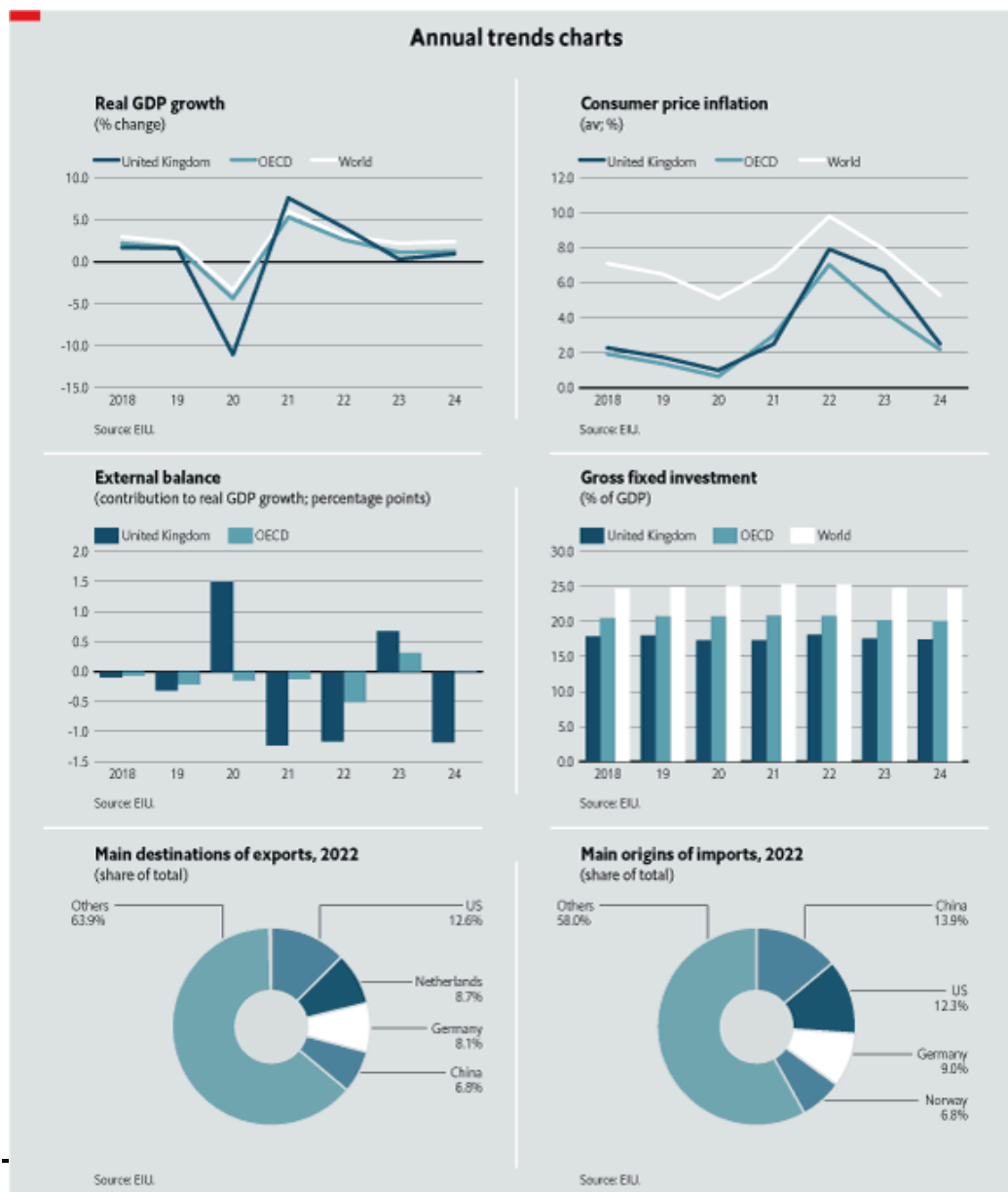
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# Data and charts: Annual trends charts

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

August 3rd 2023

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


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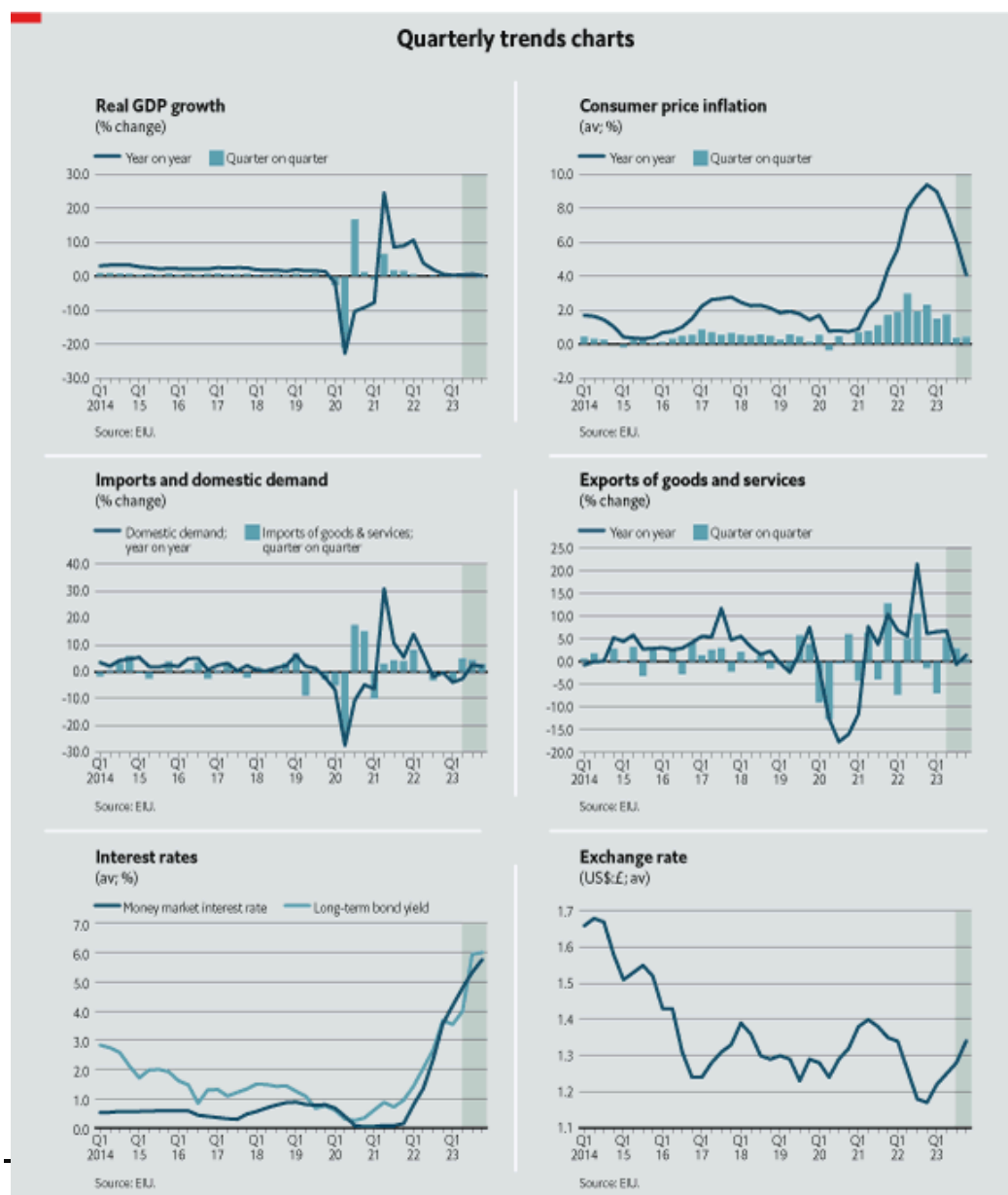
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# Data and charts: Quarterly trends charts

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

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

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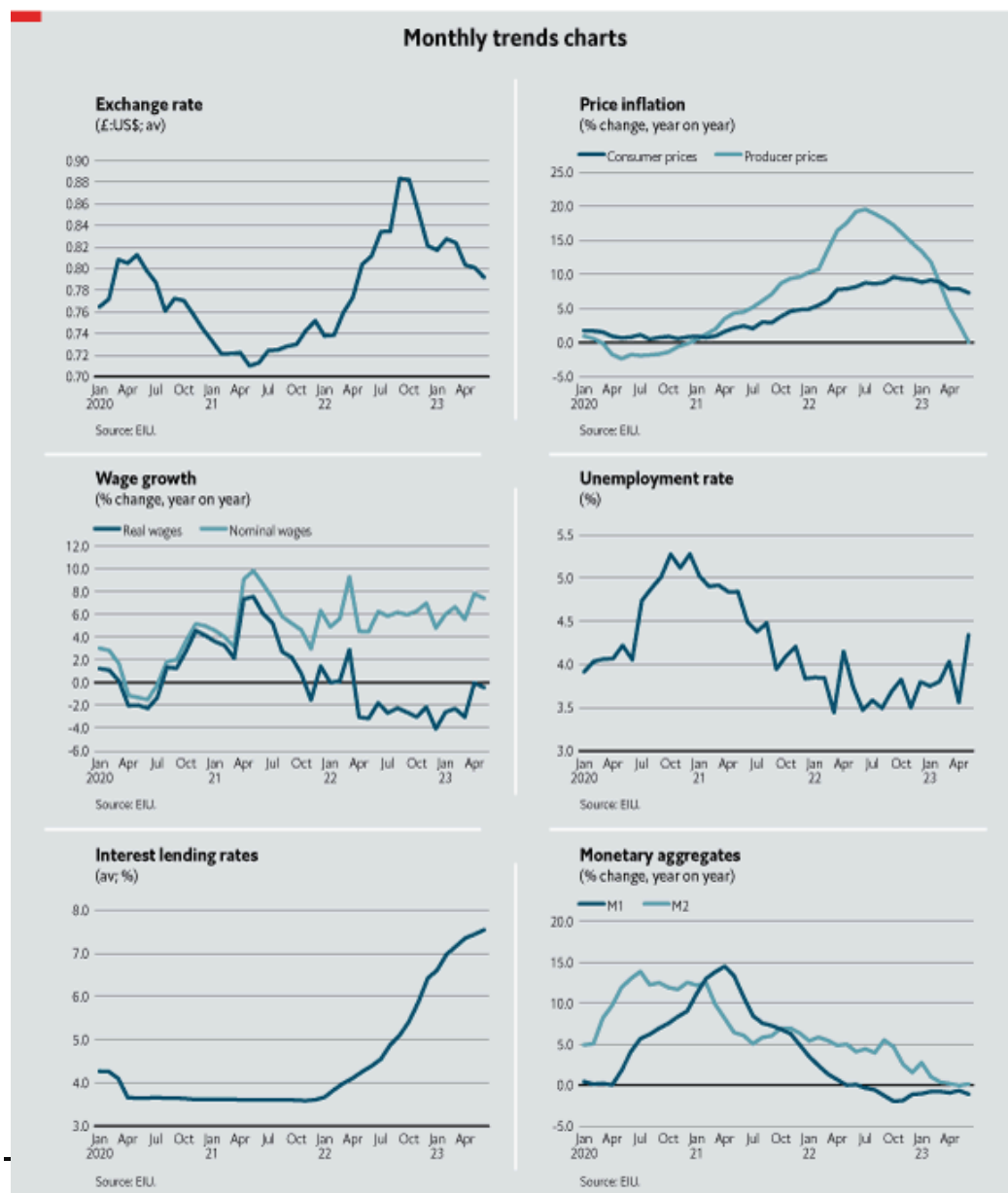
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# Data and charts: Monthly trends charts

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

August 3rd 2023

## 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](#)

June 13th 2023

### Gross domestic product, at current market prices

	2018 <sup>a</sup>	2019 <sup>a</sup>	2020 <sup>a</sup>	2021 <sup>a</sup>	2022 <sup>a</sup>	2023 <sup>b</sup>	2024 <sup>b</sup>	2025 <sup>b</sup>	2026 <sup>b</sup>	2027 <sup>b</sup>
<b>Expenditure on GDP (£ bn at current market prices)</b>										
GDP	2,157.4	2,238.3	2,109.6	2,270.2	2,491.2	2,656.4	2,792.3	2,892.7	2,989.0	3,107.2
Private consumption	1,401.5	1,440.0	1,262.9	1,375.6	1,566.8	1,694.5	1,763.8	1,828.5	1,897.6	1,971.2
Government consumption	398.4	425.6	475.1	508.2	524.5	564.4	599.3	630.1	659.3	689.9
Gross fixed investment	386.1	403.4	365.9	393.5	452.0	467.8	486.5	487.7	500.4	513.5
Exports of goods & services	673.9	699.7	616.8	654.3	815.2	865.1	901.3	939.4	965.7	1,003.8
Imports of goods & services	706.9	735.8	609.2	682.3	901.8	936.3	960.6	996.1	1,038.0	1,074.2
Stockbuilding	4.4	5.5	-1.8	21.7	15.5	1.0	2.0	3.0	4.0	3.0
Domestic demand	2,190.4	2,274.5	2,102.0	2,298.9	2,558.9	2,727.7	2,851.6	2,949.3	3,061.4	3,177.6
<b>Expenditure on GDP (US\$ bn at current market prices)</b>										
GDP	2,881.7	2,859.2	2,708.1	3,124.0	3,082.6	3,320.4	3,662.8	3,876.2	4,109.9	4,412.2
Private consumption	1,872.0	1,839.4	1,621.2	1,892.9	1,938.7	2,118.0	2,313.6	2,450.2	2,609.2	2,799.1
Government consumption	532.1	543.6	609.9	699.3	649.0	705.5	786.2	844.4	906.6	979.6

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

Gross fixed investment	515.8	515.2	469.7	541.5	559.3	584.7	638.1	653.5	688.1	729.2
Exports of goods & services	900.1	893.7	791.8	900.3	1,008.7	1,081.3	1,182.3	1,258.8	1,327.8	1,425.4
Imports of goods & services	944.2	939.9	782.1	938.9	1,115.9	1,170.4	1,260.0	1,334.8	1,427.3	1,525.4
Stockbuilding	5.9	7.0	-2.4	29.8	19.2	1.2	2.6	4.0	5.5	4.3
Domestic demand	2,925.8	2,905.3	2,698.4	3,163.5	3,166.3	3,409.5	3,740.5	3,952.1	4,209.4	4,512.1
<b>Economic structure (% of GDP at current market prices)</b>										
Household consumption	65.0	64.3	59.9	60.6	62.9	63.8	63.2	63.2	63.5	63.4
Government consumption	18.5	19.0	22.5	22.4	21.1	21.2	21.5	21.8	22.1	22.2
Gross fixed investment	17.9	18.0	17.3	17.3	18.1	17.6	17.4	16.9	16.7	16.5
Stockbuilding	0.2	0.2	-0.1	1.0	0.6	0.0	0.1	0.1	0.1	0.1
Exports of goods & services	31.2	31.3	29.2	28.8	32.7	32.6	32.3	32.5	32.3	32.3
Imports of goods & services	32.8	32.9	28.9	30.1	36.2	35.2	34.4	34.4	34.7	34.6
<b>Memorandum item</b>										
National savings ratio (%)	14.0	15.4	14.0	16.8	14.8 <sup>c</sup>	14.7	14.5	14.0	13.8	13.6

<sup>a</sup> Actual. <sup>b</sup> EIU forecasts. <sup>c</sup> EIU estimates.



## 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](#)

June 13th 2023

### Gross domestic product, at constant prices

	2018 <sup>a</sup>	2019 <sup>a</sup>	2020 <sup>a</sup>	2021 <sup>a</sup>	2022 <sup>a</sup>	2023 <sup>b</sup>	2024 <sup>b</sup>	2025 <sup>b</sup>	2026 <sup>b</sup>	2027 <sup>b</sup>
<b>Real expenditure on GDP (£ bn at 2019 prices)</b>										
GDP	2,203.0	2,238.3	1,991.4	2,142.7	2,230.6	2,240.4	2,263.7	2,300.9	2,338.1	2,379.7
Household consumption	1,424.9	1,440.0	1,250.1	1,328.1	1,404.5	1,411.3	1,433.0	1,456.4	1,481.9	1,506.1
Government consumption	408.6	425.6	394.5	443.9	452.0	452.5	463.3	473.0	481.1	489.3
Gross fixed investment	396.0	403.4	361.0	383.0	415.8	428.2	438.7	449.7	461.4	473.5
Exports of goods & services	687.9	699.7	615.1	628.9	691.1	710.8	733.4	753.4	766.0	790.3
Imports of goods & services	717.1	735.8	617.7	656.0	743.2	750.3	797.2	823.6	843.2	870.5
Stockbuilding (% of GDP)	1.3	2.6	-11.4	8.9	14.4	-1.0	3.5	3.0	2.0	2.0
Domestic demand	2,233.9	2,274.4	1,993.8	2,170.1	2,267.6	2,284.4	2,325.7	2,372.5	2,415.2	2,460.5
<b>Real expenditure on GDP (% change)</b>										
GDP	1.7	1.6	-11.0	7.6	4.1	0.4	1.0	1.6	1.6	1.8
Household consumption	2.5	1.1	-13.2	6.2	5.7	0.5	1.5	1.6	1.7	1.6
Government consumption	0.3	4.1	-7.3	12.5	1.8	0.1	2.4	2.1	1.7	1.7
Gross fixed investment	-0.2	1.9	-10.5	6.1	8.6	3.0	2.5	2.5	2.6	2.6

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

Exports of goods & services	3.1	1.7	-12.1	2.2	9.9	2.8	3.2	2.7	1.7	3.2
Imports of goods & services	3.3	2.6	-16.0	6.2	13.3	1.0	6.2	3.3	2.4	3.2
Stockbuilding (% contribution to GDP growth)	-0.5	0.1	-0.6	1.0	0.3	-0.7	0.2	0.0	0.0	0.0
Domestic demand	1.2	1.8	-12.3	8.8	4.5	0.7	1.8	2.0	1.8	1.9
<b>Real contribution to GDP growth (% points)</b>										
Private consumption	1.6	0.7	-8.5	3.9	3.6	0.3	1.0	1.0	1.1	1.0
Government consumption	0.1	0.8	-1.4	2.5	0.4	0.0	0.5	0.4	0.3	0.3
Gross fixed investment	0.0	0.3	-1.9	1.1	1.5	0.6	0.5	0.5	0.5	0.5
External balance	-0.1	-0.3	1.5	-1.2	-1.2	0.6	-1.1	-0.3	-0.3	-0.1
<b>Memorandum items</b>										
Industrial production (% change)	3.3	2.3	1.3	7.3	-2.8	-0.5	1.5	2.1	2.0	2.0
Real personal disposable income (% change)	2.4	2.1	-1.3	1.2	-1.2	-1.8	1.0	1.5	1.6	1.5

<sup>a</sup> Actual. <sup>b</sup> 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](#)

June 13th 2023

### Gross domestic product by sector of origin

	2018 <sup>a</sup>	2019 <sup>a</sup>	2020 <sup>a</sup>	2021 <sup>a</sup>	2022 <sup>a</sup>	2023 <sup>b</sup>	2024 <sup>b</sup>	2025 <sup>b</sup>	2026 <sup>b</sup>	2027 <sup>b</sup>
<b>Origin of GDP (£ bn at constant 2018 prices)</b>										
GDP at factor cost	1,966.3	2,000.2	1,788.7	1,921.4	2,003.6	2,012.4	2,033.3	2,066.7	2,100.1	2,137.5
Agriculture	11.6	13.5	13.1	13.8	14.3	13.3	13.5	13.7	13.9	14.2
Industry	387.3	395.4	381.8	416.0	415.4	389.9	394.1	400.5	407.0	414.2
Services	1,567.5	1,591.2	1,393.8	1,491.6	1,573.9	1,609.2	1,625.8	1,652.6	1,679.2	1,709.1
<b>Origin of GDP (real % change)</b>										
Agriculture	-12.5	16.9	-3.5	5.8	3.5	-6.8	1.1	1.6	1.6	1.8
Industry	1.8	2.1	-3.4	8.9	-0.1	-6.1	1.1	1.6	1.6	1.8
Services	1.7	1.5	-12.4	7.0	5.5	2.2	1.0	1.6	1.6	1.8
<b>Origin of GDP (% of factor cost GDP)</b>										
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	20.7	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	78.6	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	-2.8	-0.5	1.5	2.1	2.0	2.0
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<sup>a</sup> Actual. <sup>b</sup> EIU forecasts.

## Data summary: Growth and productivity

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

June 13th 2023

**Growth and productivity**

	2018 <sup>a</sup>	2019 <sup>a</sup>	2020 <sup>a</sup>	2021 <sup>a</sup>	2022 <sup>a</sup>	2023 <sup>b</sup>	2024 <sup>b</sup>	2025 <sup>b</sup>	2026 <sup>b</sup>	2027 <sup>b</sup>
<b>Growth and productivity (%)</b>										
Labour productivity growth	0.5	0.5	-10.2	7.9	3.0	0.7	0.7	1.0	1.2	1.4
Total factor productivity growth	0.0	0.0	-10.7	7.3	-1.0	0.3	0.5	0.9	1.0	1.2
Growth of capital stock	2.6	2.5	0.7	1.4	2.3	2.4	2.4	2.4	2.5	2.5
Growth of potential GDP	1.8	1.6	-1.3	1.1	1.2	1.3	1.7	2.0	2.1	2.2
Growth of real GDP	1.7 <sup>c</sup>	1.6 <sup>c</sup>	-11.0 <sup>c</sup>	7.6 <sup>c</sup>	4.1 <sup>c</sup>	0.4	1.0	1.6	1.6	1.8
Growth of real GDP per head	1.1 <sup>c</sup>	1.1 <sup>c</sup>	-11.4 <sup>c</sup>	7.2 <sup>c</sup>	3.8 <sup>c</sup>	0.1	0.7	1.3	1.3	1.5

<sup>a</sup> EIU estimates. <sup>b</sup> EIU forecasts. <sup>c</sup> Actual.

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

## Data summary: Economic structure, income and market size

[United Kingdom](#) | [Economy](#) | [Charts and tables](#) | [Economic structure, income and market size](#)

June 13th 2023

### Economic structure, income and market size

	2018 <sup>a</sup>	2019 <sup>a</sup>	2020 <sup>a</sup>	2021 <sup>a</sup>	2022 <sup>a</sup>	2023 <sup>b</sup>	2024 <sup>b</sup>	2025 <sup>b</sup>	2026 <sup>b</sup>	2027 <sup>b</sup>
<b>Population, income and market size</b>										
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	3,083	3,320	3,663	3,876	4,110	4,412
GDP per head (US\$ at market exchange rates)	43,377	42,816	40,384	46,433	45,661	49,019	53,895	56,851	60,092	64,317
Private consumption (US\$ bn)	1,872	1,839	1,621	1,893	1,939	2,118	2,314	2,450	2,609	2,799
Private consumption per head (US\$)	28,179	27,545	24,175	28,134	28,718	31,268	34,043	35,937	38,150	40,802
GDP (US\$ bn at PPP)	3,140	3,290	2,965	3,334	3,713	3,894	4,017	4,165	4,321	4,499
GDP per head (US\$ at PPP)	47,264	49,264	44,215	49,548	55,005	57,483	59,105	61,080	63,172	65,578
Personal disposable income (£ bn)	1,409	1,462	1,458	1,513	1,610	1,703	1,763	1,826	1,893	1,964
Personal disposable income (US\$ bn)	1,882	1,868	1,872	2,081	1,992	2,128	2,312	2,446	2,602	2,789
Growth of real disposable income (%)	2.4	2.1	-1.3	1.2	-1.2 <sup>c</sup>	-1.8	1.0	1.5	1.6	1.5
<b>Memorandum items</b>										
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)	3.37	3.30	3.21	3.27	3.12	3.18	3.29	3.28	3.36	3.43

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

Share of world GDP (% at PPP)	2.45	2.45	2.24	2.29	2.31	2.27	2.23	2.20	2.21	2.19
Share of world exports of goods (%)	2.47	2.52	2.31	2.06	2.09 <sup>c</sup>	2.07	2.03	2.04	1.99	2.02

<sup>a</sup> Actual. <sup>b</sup> EIU forecasts. <sup>c</sup> EIU estimates.

## Data summary: Fiscal indicators

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

June 13th 2023

### Fiscal indicators

	2018 <sup>a</sup>	2019 <sup>a</sup>	2020 <sup>a</sup>	2021 <sup>a</sup>	2022 <sup>a</sup>	2023 <sup>b</sup>	2024 <sup>b</sup>	2025 <sup>b</sup>	2026 <sup>b</sup>	2027 <sup>b</sup>
<b>Fiscal indicators (% of GDP)</b>										
Government expenditure	37.3	37.1	48.8	45.4	42.9	42.7	43.1	42.8	42.8	42.8
Interest <sup>c</sup>	2.5	2.2	2.0	2.8	4.3	5.3	6.6	7.0	6.4	5.5
Non-interest <sup>c</sup>	34.8	35.0	46.9	42.6	38.6	37.4	36.5	35.8	36.4	37.4
Government revenue <sup>c</sup>	35.4	35.1	35.7	37.2	38.3	37.9	38.0	38.5	39.6	39.8
Budget balance <sup>c</sup>	-1.9	-2.0	-13.2	-8.2	-4.6	-4.8	-5.1	-4.3	-3.2	-3.1
Primary balance <sup>c</sup>	0.5	0.2	-11.2	-5.4	-0.3	0.5	1.5	2.7	3.2	2.4
Government debt <sup>d</sup>	86.1	85.5	105.6	105.9	101.0 <sup>e</sup>	101.0	102.1	100.8	100.8	100.3

<sup>a</sup> Actual. <sup>b</sup> EIU forecasts. <sup>c</sup> General government. <sup>d</sup> 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. <sup>e</sup> EIU estimates.

# Data summary: Monetary indicators

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

June 13th 2023

## Monetary indicators

	2018 <sup>a</sup>	2019 <sup>a</sup>	2020 <sup>a</sup>	2021 <sup>a</sup>	2022 <sup>a</sup>	2023 <sup>b</sup>	2024 <sup>b</sup>	2025 <sup>b</sup>	2026 <sup>b</sup>	2027 <sup>b</sup>
<b>Monetary indicators</b>										
Exchange rate US\$:£ (av)	1.34	1.28	1.28	1.38	1.24	1.25	1.31	1.34	1.38	1.42
Exchange rate €:£ (av)	1.13	1.14	1.12	1.16	1.17	1.13	1.14	1.14	1.16	1.18
Exchange rate US\$:€ (av)	1.18	1.12	1.14	1.18	1.05	1.11	1.15	1.17	1.19	1.21
Exchange rate €:£ (year-end)	1.11	1.18	1.11	1.19	1.13	1.14	1.14	1.15	1.16	1.17
Real effective exchange rate (av; 2010=100)	99.0	98.6	98.8	102.6	101.2	101.6	103.7	104.3	105.8	108.2
M4 money supply growth (%) <sup>c</sup>	2.3	3.8	12.6	6.4	1.6	3.4	3.6	1.3	1.3	2.6
Domestic credit growth (%)	3.2	4.9	3.1	1.7	1.0	3.4	3.6	1.3	1.3	2.6
Purchasing power parity US\$:£ (av)	1.46	1.47	1.41	1.47	1.49	1.47	1.44	1.44	1.45	1.45
3-month £-Libor rate (av; %)	0.7	0.8	0.3	0.1	2.0	5.2	5.1	4.3	3.8	3.3

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

10-year government bond yield (av; %)	1.5	0.9	0.4	0.8	2.4	5.0	5.6	3.5	3.0	2.9
Bank of England base rate (%; end-period)	0.75	0.75	0.10	0.25	3.50	5.00	4.75	4.00	3.50	3.00
Lending rate (%; average mortgage SVR from UK MFIs)	4.3	4.3	3.8	3.6	4.7	7.2	6.6	5.8	5.5	5.2
Deposit rate (av; %)	0.9	0.9	0.4	0.2	2.1	4.8	5.1	2.9	2.3	2.5

<sup>a</sup> Actual. <sup>b</sup> EIU forecasts. <sup>c</sup> 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](#)

June 13th 2023

### Employment, wages and prices

	2018 <sup>a</sup>	2019 <sup>a</sup>	2020 <sup>a</sup>	2021 <sup>a</sup>	2022 <sup>a</sup>	2023 <sup>b</sup>	2024 <sup>b</sup>	2025 <sup>b</sup>	2026 <sup>b</sup>	2027 <sup>b</sup>
<b>The labour market (av)</b>										
Labour force (m)	33.8	34.1	34.1	33.9	34.0	34.1	34.3	34.4	34.5	34.6
Labour force (% change)	0.9	0.8	-0.1	-0.4	0.2	0.2	0.5	0.4	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	0.3	0.6	0.4	0.4

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

Unemployment (m)	1.4	1.3	1.6	1.5	1.3	1.4	1.5	1.4	1.4	1.4
Unemployment rate (%; EU/OECD standardised measure)	4.1	3.8	4.6	4.5	3.7	4.2	4.4	4.2	4.1	4.0
<b>Wage and price inflation (% except labour costs per hour)</b>										
GDP deflator	1.7	2.1	5.9	0.0	5.4	6.2	4.0	1.9	1.7	2.1
Consumer prices (av; CPIH measure)	2.3	1.7	1.0	2.5	7.9	6.5	2.7	2.0	1.9	1.9
Producer prices (av)	3.4	1.4	-1.0	5.2	16.1	4.2	1.6	2.0	2.0	2.0
GDP deflator (av)	1.7	2.1	5.9	0.0	5.4	6.2	4.0	1.9	1.7	2.1
Private consumption deflator (av)	1.7	1.7	1.0	2.5	7.7	7.6	2.5	2.0	2.0	2.2
Government consumption deflator (av)	2.3	2.6	20.4	-5.0	1.4	7.5	3.7	3.0	2.9	2.9
Fixed investment deflator (av)	2.3	2.5	1.4	1.4	5.8	0.5	1.5	-2.2	0.0	0.0
Average nominal wages (av)	3.0	3.4	1.8	5.9	5.9	5.3	3.5	3.0	3.1	3.1
Average real wages (av)	0.7	1.6	0.8	3.4	-1.8	-1.1	0.8	1.0	1.2	1.2
Unit labour costs (£-based; av)	2.7	3.0	12.9	-1.5	3.3	5.6	2.8	2.0	2.4	2.2
Unit labour costs (US\$-based)	6.4	-1.5	13.4	5.6	-7.1	6.6	7.9	4.2	5.1	5.6
Labour costs per hour (£)	22.7 <sup>c</sup>	23.5 <sup>c</sup>	23.9 <sup>c</sup>	25.3 <sup>c</sup>	26.8 <sup>c</sup>	28.3	29.3	30.1	31.1	32.0
Labour costs per hour (US\$)	30.3 <sup>c</sup>	30.0 <sup>c</sup>	30.7 <sup>c</sup>	34.8 <sup>c</sup>	33.2 <sup>c</sup>	35.3	38.4	40.4	42.7	45.5

<sup>a</sup> Actual. <sup>b</sup> EIU forecasts. <sup>c</sup> EIU estimates.

## Data summary: Current account and terms of trade

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

[United Kingdom](#) | [Economy](#) | [Charts and tables](#) | [Current account and terms of trade](#)

June 13th 2023

### Current account and terms of trade

	2018 <sup>a</sup>	2019 <sup>a</sup>	2020 <sup>a</sup>	2021 <sup>a</sup>	2022 <sup>b</sup>	2023 <sup>c</sup>	2024 <sup>c</sup>	2025 <sup>c</sup>	2026 <sup>c</sup>	2027 <sup>c</sup>
<b>Current account (US\$ bn)</b>										
Current-account balance	-116.9	-80.7	-87.7	-47.0	-121.4	-99.1	-111.2	-116.6	-128.2	-134.8
Current-account balance (% of GDP)	-4.1	-2.8	-3.2	-1.5	-3.9	-3.0	-3.0	-3.0	-3.1	-3.1
Goods: exports fob	467.7	464.2	394.4	444.8	508.3	514.3	536.4	569.6	586.6	628.5
Goods: imports fob	-658.9	-653.7	-567.2	-677.4	-796.9	-793.5	-853.1	-889.9	-951.6	-992.1
Trade balance	-191.3	-189.4	-172.9	-232.5	-288.5	-279.2	-316.7	-320.3	-365.0	-363.6
Services: credit	431.3	428.9	397.2	454.4	493.1	547.4	612.4	665.6	722.4	783.4
Services: debit	-284.0	-285.6	-216.3	-260.3	-316.0	-351.6	-403.8	-440.0	-472.8	-525.0
Services balance	147.3	143.3	180.9	194.1	177.1	195.8	208.6	225.5	249.6	258.5
Primary income: credit	292.3	291.5	176.1	293.6	350.3	513.3	535.4	581.9	614.4	621.9
Primary income: debit	-331.5	-292.4	-236.8	-277.5	-333.7	-499.6	-504.9	-567.1	-593.1	-619.9
Primary income balance	-39.2	-0.9	-60.7	16.1	16.6	13.8	30.5	14.8	21.3	2.1
Secondary income: credit	45.9	35.4	34.7	38.5	37.2	39.5	40.4	39.4	41.8	44.8
Secondary income: debit	-79.8	-69.0	-70.3	-63.1	-64.0	-68.9	-74.0	-76.1	-76.0	-76.6

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

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Secondary income balance	-33.9	-33.6	-35.6	-24.6	-26.8	-29.4	-33.6	-36.7	-34.2	-31.7
<b>Terms of trade</b>										
Export price index (US\$-based; 2010=100)	96.5	92.3	89.8	109.7	119.0	119.6	124.1	127.8	131.2	134.8
Export prices (% change)	7.3	-4.3	-2.7	22.2	8.4	0.5	3.7	3.0	2.7	2.7
Import price index (US\$-based; 2010=100)	95.4	89.6	86.3	93.6	110.7	113.2	111.5	113.4	118.4	121.6
Import prices (% change)	6.5	-6.0	-3.7	8.4	18.3	2.2	-1.5	1.8	4.4	2.7
Terms of trade (2010=100)	101.2	103.0	104.1	117.3	107.5	105.7	111.3	112.7	110.9	110.8
<b>Memorandum item</b>										
Export market growth (%)	4.5	1.3	-4.8	9.9	6.1 <sup>a</sup>	1.3	3.1	3.2	3.2	3.3

<sup>a</sup> Actual. <sup>b</sup> EIU estimates. <sup>c</sup> EIU forecasts.

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

## Data summary: Foreign direct investment

[United Kingdom](#) | [Economy](#) | [Charts and tables](#) | [Foreign direct investment](#)

June 13th 2023

### Foreign direct investment

	2018 <sup>a</sup>	2019 <sup>a</sup>	2020 <sup>a</sup>	2021 <sup>a</sup>	2022 <sup>b</sup>	2023 <sup>c</sup>	2024 <sup>c</sup>	2025 <sup>c</sup>	2026 <sup>c</sup>	2027 <sup>c</sup>
<b>Foreign direct investment (US\$ bn)</b>										
Inward FDI flows	-25.2	19.7	132.4	6.0	44.1	45.2	97.6	94.9	123.6	110.2
Inward FDI flows (% of GDP)	-0.9	0.7	4.9	0.2	1.4	1.4	2.7	2.4	3.0	2.5
Inward FDI flows (% of gross fixed investment)	-4.9	3.8	28.2	1.1	7.9	7.7	15.3	14.5	18.0	15.1
Outward FDI flows	28.7	21.5	4.4	-160.9	-158.9	-164.5	-162.7	-176.5	-202.4	-209.2
Net FDI flows	3.5	41.2	136.8	-154.9	-114.8	-119.4	-65.2	-81.6	-78.7	-98.9
Stock of inward FDI flows	2,226.0	2,317.0	2,548.0	2,562.0	2,606.1	2,651.3	2,748.9	2,843.7	2,967.4	3,077.6
Stock of inward FDI flows per head (US\$)	33,507	34,697	37,996	38,079	38,604	39,141	40,447	41,709	43,386	44,863
Stock of inward FDI flows (% of GDP)	77.2	81.0	94.1	82.0	84.5	79.8	75.0	73.4	72.2	69.8
<b>Memorandum items</b>										
Share of world inward FDI flows (%)	-6.4	1.6	11.0	0.5	3.0	2.9	6.1	5.7	7.2	6.2
Share of world inward FDI stock (%)	6.9	6.8	7.6	6.9	6.4	6.1	6.2	6.1	6.2	6.1

<sup>a</sup> Actual. <sup>b</sup> EIU estimates. <sup>c</sup> EIU forecasts.

## Political structure

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

August 3rd 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

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

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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 (also deputy prime minister): Oliver Dowden

Chancellor of the exchequer: Jeremy Hunt

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

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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: Alex Chalk

Levelling up, housing & communities: Michael Gove

Northern Ireland: Chris Heaton-Harris

Science, innovation & technology: Michelle Donelan

Scotland: Alister Jack



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

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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](#)

August 3rd 2023

### 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)

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

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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

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

### Currency

Pound (or pound sterling) = 100 pence

### Time

GMT (one hour ahead in summer)

### 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)

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

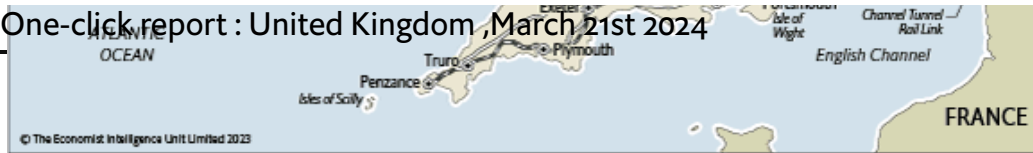
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## One-click report : United Kingdom ,March 21st 2024



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



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

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#### London

Economist Intelligence  
The Adelphi  
1-11 John Adam Street  
London, WC2N 6HT  
United Kingdom  
Tel: +44 (0) 20 7576 8181  
E-mail: [london@eiu.com](mailto:london@eiu.com)

#### New York

Economist Intelligence  
900 Third Avenue  
16th Floor  
New York, NY 10022  
United States  
Tel: +1 212 541 0500  
E-mail: [americas@eiu.com](mailto:americas@eiu.com)

#### Hong Kong

Economist Intelligence

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1301 Cityplaza Four  
12 Taikoo Wan Road  
Taikoo Shing  
Hong Kong  
Tel: +852 2585 3888  
E-mail: asia@eiu.com

Skootr Spaces, Unit No. 1,  
12th Floor, Tower B, Building No. 9  
DLF Cyber City, Phase - III  
Gurugram - 122002  
Haryana  
India  
Tel: +91 124 6409486  
E-mail: asia@eiu.com

### Dubai

Economist Intelligence  
PO Box No - 450056  
Office No - 1301A  
Aurora Tower  
Dubai Media City  
Dubai  
United Arab Emirates  
Tel: +971 4 463 147  
E-mail: mea@eiu.com

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