ECONOMIST INTELLIGENCE EIU Viewpoint

One-click report : United Kingdom

January 16th 2023

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One-click report : United Kingdom

Briefing sheet

United Kingdom | Summary | Briefing sheet

January 10th 2023

Political and economic outlook

- In 2022 the UK economy was the sixth largest in the world. Services make up more than 40% of total exports and 80% of GDP. Having left the EU single market and customs union, the UK is seeking to rebalance trading relations towards markets outside the EU.
- Rishi Sunak became prime minister after his predecessor, Liz Truss, resigned after only 49 days. Mr Sunak has committed to significant fiscal consolidation after markets were spooked by Ms Truss's programme of unfunded tax cuts. This will keep the Conservative Party divided going into the next election, probably in late 2024, which it is likely to lose.
- Despite Mr Sunak's focus on fiscal discipline, the budget deficit is still likely to widen in 2023 owing to a freezing of household energy prices for six months with the government covering the costs, higher borrowing costs as interest rates rise and a recession in 2023. Debt as a percentage of GDP will stabilise in 2024-25 and gradually fall thereafter.
- EIU expects a full-year contraction in 2023, with GDP unlikely to return to its pre-pandemic level until 2025. Growth began to contract on a quarterly basis in the third quarter of 2022 as higher energy costs eroded consumer

and industrial confidence and spending power. The negative quarterly growth will persist until mid-2023.

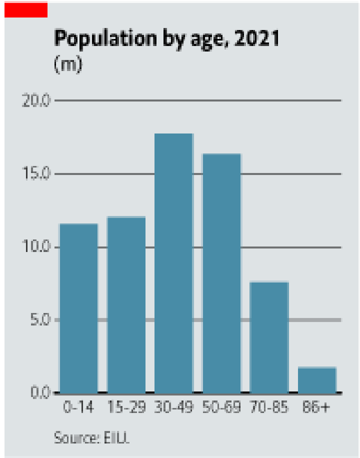
- The UK-EU trade agreement reached in 2020 has caused dissatisfaction in Northern Ireland and aggravated relations with the EU. The current government has focused on resolving the Northern Ireland trade issue, which would improve UK-EU relations.
- The UK is one of eight European countries with a public debt/GDP ratio above 100%. Borrowing costs are likely to rise amid economic contraction and rising interest rates, but the UK benefits from the ability to borrow in sterling and long average debt maturity.
- Energy supply presents risks to the UK over the winter as the cut-off of Russian gas raises energy costs across Europe and a fall in French nuclear power production threatens a major source of UK electricity imports. Warm weather in January has reduced this risk.

Key indicators

	2022[a]	2023[b]	2024[b]	2025[b]	2026[b]	2027[b]
Real GDP growth (%)	4.0	-1.2	1.0	1.5	1.7	1.6
Consumer price inflation (av; %)	7.9	6.4	2.3	2.0	1.9	1.9
Government balance (% of GDP)	-6.8	-8.5	-6.2	-3.7	-3.3	-3.0
Current-account balance (% of GDP)	-5.9	-4.7	-2.7	-3.1	-3.0	-2.9
Short-term interest rate (av; %)	2.0	4.6	4.3	3.7	3.3	3.0
Unemployment rate (%)	4.1	4.9	4.9	4.8	4.7	4.4
Exchange rate £:US$ (av)	0.81[c]	0.82	0.79	0.76	0.72	0.70

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

Market opportunities



Key changes since November 29th

- Warm weather thus far in the winter has led to a decline in natural gas prices as demand has plummeted across Europe. As a result, we expect gas imports to contribute less to the current-account deficit, which we now forecast at 4.7% of GDP in 2023 (5% previously).
- Following the slowing of rate hikes by the Federal Reserve (the US central bank), sterling rose against the US dollar, peaking at US$1.24:£1 on December 15th. Although sterling will remain weak, we now forecast an average of US$1.22:£1 in 2023 (US$1.19:£1 previously).
- Inflation slowed year on year in November, from 9.6% to 9.3%. We expect that inflation will continue to abate in the coming months, and have revised our forecast for inflation in 2023 from 7.3% to 6.4%.

The month ahead

- Ongoing—Northern Ireland protocol negotiations: Negotiations between the UK and EU have intensified following a breakthrough around the sharing of trade data. The two parties have stated their ambition for a new deal to be reached by April. A deal would represent a significant thawing of EU-UK relations.
- Ongoing—Labour unrest: Strike action by major unions has intensified since December, and we expect strikes by healthcare and transport workers in particular to continue throughout the winter. Although we expect the government to remain stable, the unrest will represent a drag on consumer confidence.
- February 2nd—Bank of England monetary policy decision: In December the Bank of England (BoE, the central bank) raised interest rates by 50 basis points, following a 75-point increase at its previous meeting. We expect that, as inflation continues to ease, the BoE will raise rates by 50 points at its next meeting and by 25 points in March.

- February 10th—GDP (Q4 2022): GDP contracted by 0.3% in the third quarter of 2022 and declined month on month in November. We expect that it will have declined by 0.4% in the fourth quarter and will continue to contract until the third quarter of 2023. Overall, we expect that this will lead to GDP growth of 4% in 2022 and a 1.2% contraction in 2023.

Major risks to our forecast

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

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

Source: EIU.

Forecast summary

United Kingdom | Economy | Forecast | Forecast summary

January 10th 2023

Forecast summary

(% unless otherwise indicated)

	2022[a]	2023[b]	2024[b]	2025[b]	2026[b]	2027[b]
Real GDP (% change)	4.0	-1.2	1.0	1.5	1.7	1.6
Industrial production (% change)	-4.4	-2.6	1.2	2.1	2.0	2.0
Unemployment rate (av; EU/OECD harmonised measure)	4.1	4.9	4.9	4.8	4.7	4.4
Consumer price inflation (av; CPIH measure)	7.9	6.4	2.3	2.0	1.9	1.9
3-month £-LIBOR rate (av)	2.0	4.6	4.3	3.7	3.3	3.0
Bank of England base rate (end-period)	3.50	4.50	3.75	3.25	2.75	2.75
Government budget balance (% of GDP)[c]	-6.8	-8.5	-6.2	-3.7	-3.3	-3.0
Exports of goods fob (US$ bn)	535.4	539.0	560.5	585.5	617.7	642.8
Imports of goods fob (US$ bn)	-881.4	-850.8	-858.2	-885.0	-934.9	-977.0
Current-account balance (US$ bn)	-177.0	-146.8	-91.3	-111.5	-118.6	-123.7
Current-account balance (% of GDP)	-5.9	-4.7	-2.7	-3.1	-3.0	-2.9
Exchange rate US$:£ (av)	1.24[d]	1.22	1.26	1.31	1.39	1.42
Exchange rate ¥:£ (av)	163.5[d]	155.9	145.3	147.7	153.9	154.4

Exchange rate €:£ (av)	1.17[d]	1.16	1.18	1.20	1.22	1.22

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

Political stability

United Kingdom | Politics | Forecast | Political stability

January 10th 2023

Rishi Sunak became prime minister on October 25th 2022, replacing Liz Truss, who resigned after only 49 days in office. Mr Sunak was the runner-up in the previous Conservative Party leadership contest, which Ms Truss won on the promise of lower taxes and looser fiscal policy more generally. However, once she took power, Ms Truss's proposals triggered a severe adverse market reaction, lifting borrowing costs sharply and weakening sterling. This eventually forced her to abandon her fiscal programme before resigning.

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

There are medium-term risks to the union of England, Northern Ireland, Scotland and Wales, but the dissolution of the UK is not EIU's core forecast for 2023-27. Both the Conservatives and Labour are against holding a new referendum on Scottish independence, despite the agitation of the pro-independence Scottish National Party (SNP), which holds the largest number of Scottish seats in the UK parliament and the most seats in the devolved Scottish parliament. However, the issue may return to prominence if the SNP becomes the swing party in a hung parliament after the next election. Opinion polling on Scottish independence since 2021 has generally shown a narrow lead for remaining in the union.

Brexit has also inflamed tensions in Northern Ireland, which remains within a regulatory union with the EU for most goods to avoid border checks on the island of Ireland under a separate protocol. This requires checks for most goods passing into Northern Ireland from the rest of the UK. The arrangement is disliked by Unionist politicians in Northern Ireland for, in effect, creating a border between Northern Ireland and the rest of the UK. Following elections in May, the largest Unionist party, the Democratic Unionist Party (DUP), refused to join the power-sharing executive unless the Northern Ireland protocol is changed radically. Constitutionally, this has prevented an executive from being formed. This would normally require new elections 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.

Election watch

United Kingdom | Politics | Forecast | Election watch

January 10th 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 poor economic outlook in 2023 and early 2024, we expect Mr Sunak to try to avoid calling an election for as long as possible (although an election in December or January around the Christmas period would be highly unpopular and probably be avoided). An early election is unlikely, given the Conservatives' weak polling.

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

International relations

United Kingdom | Politics | Forecast | International relations

January 10th 2023

Following Russia's invasion of Ukraine on February 24th, all European countries have adopted severe sanctions against Russia, preventing the Central Bank of Russia from accessing international reserves, cutting off Russian banks from the SWIFT international messaging system and severely curtailing most trade with Russia. The UK also passed legislation providing greater scrutiny of foreign ownership of UK assets. The UK has been the second-largest contributor of military aid to Ukraine in absolute terms (after the US), having committed more than £2.3bn (US$2.8bn) in 2022 and pledged to match this in 2023, while also being heavily involved in the training of Ukrainian military personnel. Including economic and humanitarian aid, the UK's total contribution exceeds £3.8bn.

Tensions persist between the EU and the UK over the UK's departure from the bloc. The EU-UK Trade and Co-operation Agreement (TCA) came into force in May 2021, allowing zero-tariff, zero-quota trade between the UK and the EU. However, leaving the single market and customs union has created a variety of non-tariff trade barriers. The Northern Ireland protocol is by far the main source of UK-EU friction. To address political tensions in Northern Ireland, the previous government had sought changes to the protocol and introduced legislation that would allow the UK to override parts of the protocol unilaterally. The EU has offered limited concessions, but has said that it will launch infringement proceedings against the UK if the UK reneges on the protocol. Since taking office, Mr Sunak has pursued a more conciliatory approach than Mr Johnson, and UK and EU diplomats have expressed greater optimism about reaching a deal that would use enhanced data-sharing to streamline the protocol, aiming for a deal by April 2023. Resolving the Northern Ireland protocol issue would improve UK-EU relations and allow for negotiations on enhancing and streamlining other parts of the TCA. However, negotiations will remain tense, given significant anti-EU sentiment within the Conservative Party.

Policy trends

United Kingdom | Economy | Forecast | Policy trends

January 10th 2023

Mr Sunak has made fiscal consolidation his key domestic priority in order to regain credibility in markets following the severe adverse reaction to Ms Truss's proposed "mini-budget", and to limit the degree of monetary tightening from the Bank of England (BoE, the central bank). In the new government's first fiscal statement in November 2022, Jeremy Hunt, the chancellor of the exchequer, outlined £55bn in tax rises and spending cuts. Despite the government's commitment to fiscal restraint, the ongoing European energy crisis stemming from Russia's invasion of Ukraine will keep natural gas prices high. The government has extended a cap on retail energy prices from April 2023 until April 2024 (albeit at a higher level and with reduced support for businesses). Gas prices have ebbed somewhat owing to warmer weather and effective demand reduction throughout Europe, but they remain higher than in any other period in more than 40 years, and additional support may be necessary if they rise further. The government has also committed to greater investment in gas exploration in the North Sea, as well as nuclear and offshore wind power, although many of these will take several years to bear fruit.

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

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

Fiscal policy

United Kingdom | Economy | Forecast | Fiscal policy outlook

January 10th 2023

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

Despite the new government's attempts at fiscal consolidation, we expect an overall widening of the deficit in 2023, to 8.5% of GDP, as a result of depressed tax revenue due to the forecast full-year contraction, as well as the government's emergency freeze of retail energy costs at £2,500 (US$3,000) for a typical household annually, with the government covering the difference. The autumn statement extended the freeze until April 2024, albeit at the higher level of £3,000. As an advanced economy that borrows exclusively in its own currency, with an exceptionally long bond maturity, the UK has significant scope to borrow. Despite a decline in borrowing costs following Ms Truss's ousting, they have risen as major central banks have engaged in monetary tightening, limiting the government's fiscal space.

We expect the fiscal deficit to narrow in 2024-25, with overall debt peaking at slightly below 110% of GDP as the European gas crisis eases, energy-related expenditure is withdrawn and the government's planned fiscal consolidation kicks in. As the economy recovers, we forecast that revenue will rise as a share of GDP and fiscal consolidation efforts will lead to a gradual fall in spending, with the fiscal deficit reaching 3% of GDP by 2027 and debt declining to 108% of GDP.

Slow productivity growth, higher debt-servicing costs and an ageing population have caused the tax burden to rise as a share of GDP, which we forecast will reach 38.7% of GDP by 2027. The Labour Party is likely to come into office on a platform of higher public spending in 2025. However, their ambition will be limited by the already high tax burden.

Monetary policy

United Kingdom | Economy | Forecast | Monetary policy outlook

January 10th 2023

At its meeting on December 15th, the BoE raised its key policy interest rate by 50 basis points, to 3.5%, following a 75-basis-point increase at its previous meeting in November. The BoE has signalled that tightening will continue in 2023 but is likely to slow, owing to fiscal tightening in the chancellor's autumn statement, the recession slowing wage growth and a gradual easing of the energy market providing significant deflationary pressure in the second half of 2023.

We therefore expect the BoE to slow its pace of tightening, with a 50-basis-point increase at its next meeting in February, followed by a 25-point rise in March, with the policy rate peaking at 4.25%. We expect a gradual loosening of monetary policy from 2024 amid sluggish growth and subdued inflation, reaching a neutral rate of 2.75% by 2027.

Global forecast data

United Kingdom | Economy | Forecast | International assumptions

January 10th 2023

	2022	2023	2024	2025	2026	2027
Economic growth (%)						
US GDP	1.9	0.1	1.6	2.1	2.2	1.9
OECD GDP	2.7	0.4	1.7	1.9	2.0	1.9
EU27 GDP	3.2	0.1	1.8	2.0	1.9	1.8
World GDP	3.0	1.7	2.6	2.7	2.7	2.7
World trade	3.7	1.6	3.1	3.6	3.6	3.7
Inflation indicators (% unless otherwise indicated)						
US CPI	8.1	3.8	1.9	1.9	2.0	2.1
OECD CPI	9.0	5.5	2.5	2.2	2.1	2.0
EU27 CPI	9.2	6.7	2.7	2.1	1.9	1.9
Manufactures (measured in US$)	0.2	2.2	7.0	4.3	3.3	2.5

Oil (Brent; US$/b)	99.6	84.3	80.4	76.4	72.4	68.4
Non-oil commodities (measured in US$)	15.0	-8.9	-3.8	-0.6	-1.7	-1.7
Financial variables						
US$ 3-month commercial paper rate (av; %)	2.0	4.8	4.5	3.5	2.6	2.3
€ 3-month interbank rate (av; %)	0.2	2.6	2.7	1.9	1.3	1.3
US$:£ (av)	1.24	1.22	1.26	1.31	1.39	1.42
US$:€ (av)	1.05	1.05	1.07	1.10	1.14	1.16

Economic growth

United Kingdom | Economy | Forecast | Economic growth

January 10th 2023

Real GDP contracted on a quarterly basis in the third quarter of 2022, and is set to continue to fall until the third quarter of 2023. Rebased GDP data indicate that the economy failed to recover all of its 2020-21 pandemic-induced losses in 2022. With a forecast contraction in late 2022 and early 2023, we do not expect the UK economy to return to its pre-pandemic size until 2025.

The downturn will primarily be driven by inflation eroding real wage growth, as well as monetary tightening—factors that will lead to a slowdown or recession across European economies. However, we expect a more severe decline, of 1.2%, in the UK in 2023 relative to European peers. This is due to the UK's overreliance on private consumption for growth, which will be inordinately affected by declining consumer spending, as well as Brexit eroding export competitiveness. The UK has long faced structural limitations such as low investment, significant skills gaps, high regional inequalities and a reliance on consumer-facing services to drive growth, alongside the creation of Brexit-related trade barriers, which will all serve to exacerbate the downturn, undermine any subsequent recovery and limit the country's medium-term growth potential. Growth will therefore rebound slowly, at 1% in 2024, as energy prices fall and monetary policy eases, with growth stabilising at about 1.6% in 2025-27.

Economic growth

%	2022[a]	2023[b]	2024[b]	2025[b]	2026[b]	2027[b]
GDP	4.0	-1.2	1.0	1.5	1.7	1.6
Private consumption	4.7	-1.5	0.6	1.5	1.7	1.7
Government consumption	1.5	1.5	1.7	1.6	1.3	1.3
Gross fixed investment	5.1	-3.5	0.3	2.3	2.8	2.6
Exports of goods & services	10.4	0.9	1.2	1.8	2.3	2.5
Imports of goods & services	11.8	-4.0	2.7	2.5	2.7	2.8
Domestic demand	4.4	-2.7	1.4	1.8	1.9	1.8
Agriculture	-4.1	-1.3	1.1	1.5	1.7	1.6
Industry	-6.9	-1.2	1.0	1.5	1.7	1.6
Services	7.1	-1.2	1.0	1.5	1.7	1.6

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

Inflation

United Kingdom | Economy | Forecast | Inflation

January 10th 2023

Inflation has been accelerating sharply since mid-2021. This initially reflected supply-chain disruptions following the end of pandemic lockdowns and rising energy prices following Russia's invasion of Ukraine in February 2022. In recent months supply-chain disruptions have been easing, while energy-price inflation is slowing as a result of the cap on household energy prices. Inflation in 2023 will increasingly be driven by higher input costs and a tight labour market putting upward pressure on prices across other products and services. However, we expect these trends to abate over the year as recessionary conditions depress wage growth and constrain consumer spending. We therefore expect that inflation will fall to 6.4% in 2023, following an estimated 7.9% in 2022. Thereafter, energy markets will begin to stabilise, reducing inflation to about 2% per year in 2025-27.

Exchange rates

United Kingdom | Economy | Forecast | Exchange rates

January 10th 2023

Sterling weakened significantly against the US dollar in 2022, from US$1.35:£1 in January to US$1.20:£1 by the end of the year, owing to the aggressive monetary tightening of the Federal Reserve (the US Central Bank), as well as a ”flight to safety” among investors following the war in Ukraine and the subsequent energy crisis. Sterling was relatively stable against the euro, trading at between €1.10:£1 and €1.20:£1 over the course of the year. Over 2023 we expect sterling to appreciate modestly against the dollar as the Fed slows its tightening cycle. However, it is likely to remain below its 2022 average and at the low end of its historical range. Against the euro, we expect a slight year-on-year depreciation, given the worse economic outlook for the UK amid the energy crisis. From 2024 we expect a gradual appreciation of sterling against both currencies as growth returns in the UK, monetary policy stabilises and inflation abates, and the flight to safety unwinds.

External sector

United Kingdom | Economy | Forecast | External sector

January 10th 2023

The UK has run a persistent current-account deficit since 1985. As in most European countries, the trade balance is deteriorating significantly as energy suppliers are forced to buy imported natural gas on the spot market at prices more than three times their 2021 levels. A dependence on natural gas has increased the UK's trade deficit significantly and widened the current-account deficit from 2.6% of GDP to an estimated 5.9% of GDP in 2022. The deficit will narrow slightly in 2023 but remain wide, at 4.7% of GDP, primarily reflecting improvements in the trade deficit as natural gas prices ease from their record highs but remain well above their historical norms. From 2024 we expect the current-account deficit to return to more normal levels as new domestic supply comes online and international energy prices fall, averaging 2.9% of GDP in 2024-27.

Country forecast overview: Business environment rankings

United Kingdom | Business | Business environment | Rankings overview

November 9th 2022

Value of index[a]		Global rank[b]		Regional rank[c]	
2018-22	2023-27	2018-22	2023-27	2018-22	2023-27
7.80	7.70	15	20	9	11

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

- The UK's global ranking drops by five places and regional ranking by two 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

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

November 9th 2022

Policy towards private enterprise and competition

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

2025-27: Greater state intervention in utilities and rail under Labour government. 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. Crackdown on Russian 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. Negotiations over Northern Ireland protocol. Supply-chain disruptions gradually resolve. Sanctions imposed on Russian exports.

2025-27: Continued UK-EU negotiations probable. 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. Rise in corporation tax from 19% to 25% in 2023. Freezing of income and inheritance tax rate bands in nominal terms.

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

Financing

2023-24: Monetary policy tightening, with the Bank of England (the central bank) raising interest rates. Slow progress in establishing equivalence with the EU.

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

The labour market

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

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

Infrastructure

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

2025-27: Increased investment with emphasis on boosting competitiveness; new nuclear reactor to come on line in 2026.

Technological readiness

2023-24: High e-commerce penetration and strong research base, but spending on research and development (R&D) remains below EU average. Continued high threat from cybercrime and cyber-espionage.

2025-27: Modest rise in public R&D spending. Development of state ”blue skies” fund.

Market opportunities: Social indicators and living standards

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

May 16th 2022

Social indicators and living standards

	2021		2026	
		Western Europe (av)		**Western Europe (av)**
Health				
Healthcare spending (% of GDP)	12.5	11.3	12.0	11.1
Healthcare spending (US$ per head)	5,845	5,230	7,522	6,651
Infant mortality rate (per 1,000 live births)	3.9	3.2	3.7	3.0
Physicians (per 1,000 population)	3.1	4.0	3.3	4.2
Food and beverages				
Food, beverages & tobacco (% of household spending)	12.6	19.1	10.9	17.5
Meat consumption (kg per person)	84.1	89.6	84.0	95.1
Milk consumption (litres per person)	239.0	261.0	248.0	279.0

Coffee & tea consumption (kg per person)	4.6	6.2	5.1	6.7
Consumer goods in use (per 1,000 population)				
Passenger cars	547	552	536	n/a
Telephone main lines	475	415	476	401
Mobile phone subscribers	1,160	1,210	1,160	1,230
Television sets	1,177	837	1,339	935
Personal computers	872	843	878	867
Households				
No. of households (m)	28.0	193.0	28.4	200.9
No. of people per household (av)	2.4	2.2	2.5	2.1
Income and income distribution				
Median household income (US$)	64,540	52,760	82,720	62,670
Average monthly wage (US$)	4,500	4,150	5,730	n/a
Gini index	35.1[a]	–	–	–

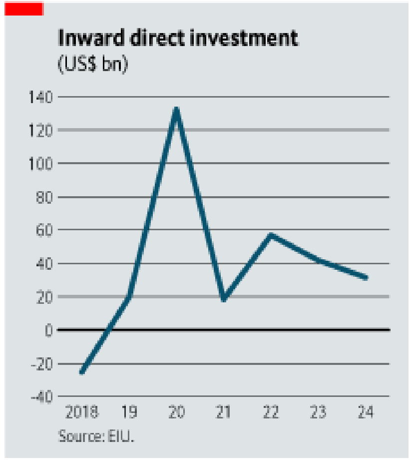
[a] Latest available year.

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

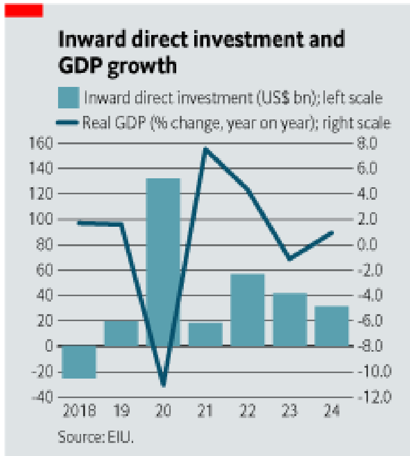
Global position

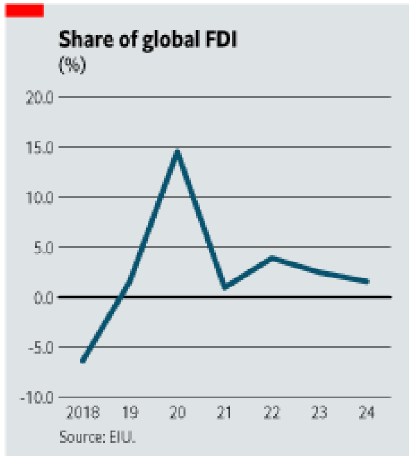
United Kingdom | Regulation | Global position

December 1st 2022



The outlook for the UK has become much more uncertain following the 2016 referendum vote to leave the EU. The UK departed the bloc in early 2020, entering a transition period that lasted until the end of that year, during which the UK retained most aspects of EU membership. An EU-UK Trade and Co-operation Agreement (TCA) came into force on January 1st 2021. It provides for zero-tariff, zero-quota trade between the UK and the EU. However, leaving the EU single market and customs union has created a variety of nontariff trade barriers. The TCA also leaves many aspects of the relationship between the UK and the 27-member bloc unsettled. The coronavirus (covid-19) pandemic compounded an already uncertain outlook during 2020 and 2021, as did Russia's invasion of Ukraine in February 2022. Frequent changes at the top of the British government during the second half of 2022, taking place against a backdrop of challenging economic conditions, have disrupted policymaking. Nevertheless, the UK still has much to offer as an investment destination. Existing clusters and economies of scale in sectors such as pharmaceuticals, biotechnology, software development and financial services will remain powerful magnets for foreign entrants, while significant potential exists for large-scale, long-term investments in the energy, communications and transport sectors.





Regulatory/market assessment

United Kingdom | Regulation | Regulatory/market assessment

December 1st 2022

- In April 2022 the government announced its plans to privatise Channel 4, a state-owned broadcaster. However, the administration of the prime minister, Rishi Sunak, which took office in October 2022, is unlikely to go ahead with the sale. Privatisation would have raised around £1bn.

- The National Security and Investment Act came fully into force from January 2022. Domestic and foreign investors in 17 sectors now must notify the government in advance of any transaction, regardless of size, that might give rise to UK national security risks. The implicated sectors include defence, energy, transport and communications.
- In April 2022 the government announced a new energy security strategy aimed at producing 95% of the country's electricity from domestic low-carbon sources over the medium term. The strategy looks to increase nuclear capacity from 7 GW to 24 GW by 2050. It also sets a 50-GW target for offshore wind power capacity by 2030, up from 10 GW currently. However, most of the initiatives outlined in the strategy are unfunded or reallocate existing funds.
- With effect from April 1st 2022, the hourly minimum wage stands at £9.50 for those aged 23 and over, £9.18 for those aged 21–22, £6.83 for those aged 18–20 and £4.81 for those aged 16–17. For apprentices, the rate is also £4.81 per hour.
- In April 2022 the government launched a UK Shared Prosperity Fund, with annual spending of £400m in fiscal year 2022/23 (ending March 31st), £700 in 2023/24 and £1.5bn in 2024/25. It replaced the previous EU development funding schemes and focuses on local business and community and skill support.
- 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.

- 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

May 16th 2022

	2022-30	2031-50	2022-50
Population and labour force (% change; annual av)			
Total population	0.37	0.25	0.29
Working-age population	0.08	0.01	0.03
Working-age minus total population	-0.29	-0.24	-0.25
Labour force	0.40	0.16	0.24
Growth and productivity (% change; annual av)			
Growth of real GDP per head	1.6	1.4	1.5
Growth of real GDP	2.0	1.7	1.8
Labour productivity growth	1.5	1.5	1.5
Growth of capital stock	3.2	2.7	2.8
Total factor productivity growth	0.4	0.6	0.6

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 firm rebound left the UK 0.4% below its 2019 level. Prospects for 2022-23 are weak as private consumption is hit by soaring inflation, corporates face rising debt from the coronavirus crisis (hampering investment), 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 is likely to 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$1.1bn) into 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 we expect to persist. On the negative side, factors that tend to constrain the UK's long-term outlook include an over-reliance on wealth effects generated by the volatile financial and real estate sectors, high levels of private-sector debt and a deficit in "intermediate" labour market skills, which are skewed by significant geographical inequalities. These have contributed to the development of an unbalanced economy. Levels of productivity in the UK, in terms of output per hour worked, lag well behind those in the US, Germany and France. This weak trend is worrying and will weigh on medium- and long-term growth if not reversed, as well as playing an increasing role in policy debates.

Demographic trends: The working-age population is forecast to rise gradually over the long-term horizon, and the share of the population aged 65 or over will continue to increase. We forecast that by 2050 those aged 65 or older will account for 25.4% of the population (up from 18.7% in 2018). The share of the working-age population peaked at 66% in 2008-09, and we forecast a steady decline to 58.3% by 2050. The labour force participation rate stands at just over 78%—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 UK is likely to maintain its surplus in services, which is expected to grow as a percentage of total trade value over the course of our long-term forecast period as e-commerce and trade in intangible goods become more prominent globally.

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

Long-term performance: Since the 2008 financial crisis the UK has suffered from chronically low productivity growth relative to its OECD peer countries, and relied heavily on moving people into work. The UK's ability to increase its productivity will be the determining factor behind long-term growth potential. A number of factors have been cited as possible causes for the UK's persistent productivity gap with its peers. These include a high degree of centralisation of the economy around the capital, London; the UK's relatively low share of spending on research and development (R&D); the dominance of the volatile financial services sector; and reliance on low-skilled immigration. Successive governments have tried to address the productivity issue, including the current government, which has committed to an increase in public investment to stimulate R&D, a shift in emphasis towards skilled immigration and supporting investment outside London. Whether these plans will boost productivity remains highly uncertain. We forecast that real GDP will grow by an annual average of 2% in 2022-30, and moderate to 1.7% in 2031-50.

Income and market size

	2021	2030	2050
Income and market size			
Population (m)	68.2	70.5	74.1
GDP (US$ bn at market exchange rates)	3,188.4	5,090.8	11,021.6
GDP per head (US$ at market exchange rates)	46,750	72,220	148,780
Private consumption (US$ bn)	1,960.1	3,165.5	7,139.8

Private consumption per head (US$)	28,740	44,910	96,380
GDP (US$ bn at PPP)	3,406.0	5,113.3	10,628.7
GDP per head (US$ at PPP)	49,940	72,540	143,470
Exports of goods & services (US$ bn)	860.6	1,592.2	4,805.6
Imports of goods & services (US$ bn)	900.6	1,730.2	5,404.0
Memorandum items			
GDP per head (at PPP; index, US=100)	72.3	74.2	77.2
Share of world population (%)	0.9	0.8	0.8
Share of world GDP (% at market exchange rates)	3.4	3.5	2.9
Share of world GDP (% at PPP)	2.4	2.2	1.9
Share of world exports of goods & services (%)	3.1	3.7	3.8

Automotive

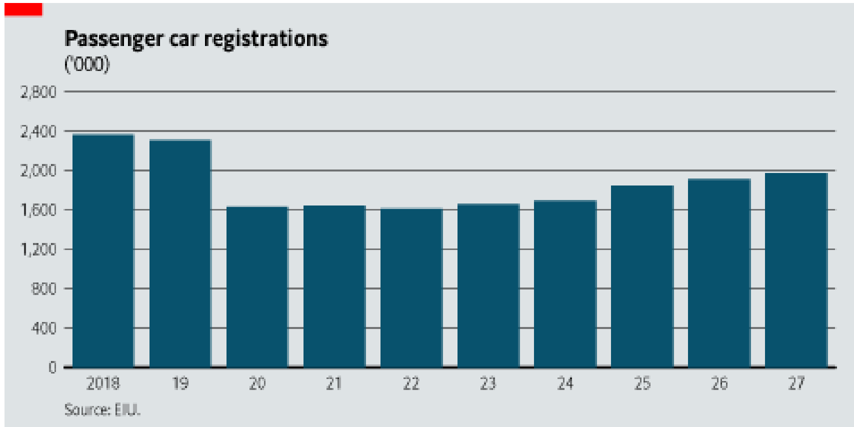
United Kingdom | Automotive | Overview

January 13th 2023

- The UK's automotive sector is in a trend of decline. Vehicle production and exports have fallen steadily since 2016, reflecting the effects of Brexit on trade and the wider economy, as well as structural global factors linked to overcapacity and environmental pressures. Since 2020 activity has been badly affected by widespread supply-chain disruption from the pandemic and the broadening effects of the Russia-Ukraine war, which has led to high energy and commodity costs and other input-price pressures, as well as amplifying the supply-side frictions (constraining new-car stock). Recovering global supply chains will support a modest upturn in activity, but underlying conditions in the UK (economically and politically) will remain relatively unfavourable for the automotive sector over the forecast period (2023-27).

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

- New commercial vehicle (CV) sales have been volatile, falling by about 30% in 2020, to a seven-year low of 300,400 units. Sales rebounded strongly in 2021, but then declined by about 20% in 2022 to far below pre-pandemic levels. Demand will remain subdued in 2023-24.
- In 2021 the UK was the world's 18th-largest automotive producer (and the sixth largest in Europe), according to the International Organisation of Motor Vehicle Manufacturers. Vehicle production expanded steadily in 2010-16, but has since fallen sharply. We estimate that it declined for a sixth straight year in 2022. Annual production in 2021 was the lowest in 40 years and half of the level of 2016.
- The UK left the EU single market and customs union in January 2021, having agreed a limited Trade and Co-operation Agreement with the EU. This averted the imposition of immediate tariffs and allowed for quota-free trade, but it still represented a "hard Brexit" with significant new trade frictions and non-tariff barriers, disrupting integrated global supply chains (already under strain from the pandemic). Full customs controls took effect in 2022, introducing tighter import restrictions.



- The UK has five mass producers of vehicles (all foreign-owned), which have used the country primarily as an export base to the EU. Challenges posed by structurally weakened trade and investment links as a result of Brexit will be amplified by the prolonged disruptive effects to supply chains from the pandemic and the war in Ukraine. Recent state-subsidised EV-related investments have safeguarded the near-term future of plants operated by Nissan (Japan) and Vauxhall (owned by Netherlands-based Stellantis), but risks of a downsizing of the UK's automotive industry will persist in the coming years. A major factor will be the UK's ability to attract EV battery production facilities (gigafactories) in the face of strong competition from more-established hubs in Asia and Europe (such as Germany and Hungary).

Consumer goods

United Kingdom | Consumer goods | Overview

November 15th 2022

- The UK's large consumer sector has faced significant headwinds over recent years, with the covid-19 pandemic, the fallout from the Russia-Ukraine war and the economic consequences of Brexit. Economic prospects for the near future are poor, with consumer sentiment at historical lows and household incomes facing a severe real-term squeeze in the face of elevated cost-of-living pressures from soaring energy and food costs. As a result of recent government policy blunders, the extent of monetary and fiscal tightening in 2022-24 will be greater than in other peer economies, adding to pressure on household finances and a leveraged housing market.
- The UK is the only one of the G7 group of advanced economies that has not recovered to its pre-pandemic level of real GDP and the only one to record an economic contraction in the third quarter of 2022. EIU expects this decline to mark the start of a prolonged recession, lasting until the third quarter of 2023.

- Following an initial pandemic-driven slump, retail sales were fairly resilient in 2020-21, reflecting a surge in online spending, higher food sales and a shift in consumption from services (affected by movement restrictions) to retail goods. However, underlying demand has weakened since mid-2021—retail volumes declined for a fifth successive quarter in July-September 2022. The current squeeze on household finances will weigh on volume sales and we expect them to have contracted by 2% in 2022, with another fall in 2023 and a modest recovery thereafter. Over our forecast period (2023-27) we expect average annual growth of 1%, from a low base in 2023, with the pace of recovery being influenced by events in Ukraine and the related impact on energy costs. High inflation will boost nominal retail sales growth in 2022-24, but declining volume sales and elevated costs will squeeze retailer margins. A rise in bankruptcies and closures among small businesses is likely.
- The UK will remain Europe's largest online retail market even as economic weakness slows the pace of growth from the pandemic levels. Online grocery retail is more extensive than in most peer countries, partly limiting scope for expansion, but partnerships between major grocers and "quick commerce" start-ups will sustain growth.
- The retail sector accounts for around 6% of UK GDP and employs about 2.9m people, of which a significant proportion work part-time. The ongoing impact of Brexit and the fallout from the pandemic and the cost-of-living crisis will exacerbate relatively large existing social inequalities across the UK and further polarise demand across discount and luxury channels.
- The UK left the EU single market and customs union on January 1st 2021, after finalising a Trade and Co-operation Agreement (TCA) with the EU. The TCA is limited in scope and the "hard Brexit" has created significant new non-tariff barriers, trade frictions and regulatory compliance issues. Trade disruption has risen since full customs controls took effect in 2022.
- Brexit has inflamed tensions in Northern Ireland, which remains in a regulatory union with the EU for most goods to avoid border checks on the island of Ireland. This has in effect created a border between Northern Ireland and the rest of the UK, which is disrupting cross-region post-Brexit trade. The UK has threatened to override parts of

the Northern Ireland protocol that it agreed to under the TCA, which the EU has warned would trigger retaliatory action by the bloc.

- More broadly, Brexit has led to a decline in UK-EU trade in food products and has disrupted large parts of the UK's fisheries, agriculture, and food and drink sectors, which face significant medium-term damage. An exodus of EU labour has contributed to employee shortages in the retail and foodservice sectors.

Retail sales

	2018[a]	2019[a]	2020[b]	2021[b]	2022[b]	2023[c]	2024[c]	2025[c]	2026[c]	2027[c]
Retail sales (£ bn)	408.1	425.1	433.7	463.5	497.7	524.9	539.7	563.2	587.1	609.1
Retail sales (US$ bn)	545.1	543.0	556.7	637.8	618.3	620.6	667.5	737.7	816.0	865.0
Retail sales, volume growth (%)	1.4	2.4	1.0	4.3	-0.6	-1.7	0.5	2.3	2.3	1.8
Retail sales, US$ value growth (%)	7.4	-0.4	2.5	14.6	-3.1	0.4	7.6	10.5	10.6	6.0
Non-food retail sales (US$ bn)	292.9	295.2	295.4[a]	356.5	342.7	341.5	360.4	401.4	446.6	472.0
Food retail sales (US$ bn)	252.3	247.7	261.3	281.3	275.5	279.1	307.1	336.3	369.4	393.0
Consumer price inflation (av; %)	2.3	1.7	1.0[a]	2.5[a]	8.0	7.3	2.3	2.0	1.9	1.9

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

Sources: Edge by Ascential; EIU.

Energy

United Kingdom | Energy | Overview

December 15th 2022

- In October 2022 Rishi Sunak, from the Conservative Party, became the new UK prime minister following the resignation of Liz Truss—also a Conservative. Mr Sunak was the chancellor of the exchequer between 2020 and 2022, during Boris Johnson's premiership.
- In his first months in office, Mr Sunak has reinstated the UK de facto ban on fracking—which had been previously lifted by Ms Truss—while ending a moratorium on new onshore wind projects. He aims to be a champion of the energy transition, but his government has recently approved a new coal mine in Cumbria, the first coal mine to be approved in three decades.
- EIU expects total energy consumption in the UK to decline by 3.8% in 2022, pulled down by elevated energy prices and by a sharp decline in gas consumption. Energy demand will also fall in 2023 as the economy contracts. Over our forecast period (2023-32), energy demand will continue to fall, albeit marginally, as energy-efficiency gains completely offset demand growth driven by economic growth. We forecast that real GDP will grow at an annual rate of 1.2% in that period.
- Pulled down by high crude and refined-product prices, we estimate that oil consumption will have declined by 1.6% in 2022. We expect that the decline will be steeper in 2023, at 1.8%, and continue in 2023-32, during which oil demand will fall at an annual average of 0.9%, 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 have decreased by 5.2% in 2022, as demand was pulled down by record high prices and lower supply. The decline will continue in 2023 as prices remain elevated. We forecast that gas demand will remain flattish over our forecast period.
- 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 have declined by 2.8% in 2022 and to continue declining in 2023. Thereafter, coal consumption will fall drastically mainly owing to the planned phase-out of coal use in power generation by end-2024. We expect coal consumption to fall by an annual average of 16.4% in 2023-32.
- We expect the share of fossil fuels in total energy demand to decline from 78% in 2022 to 73% in 2032. Natural gas will continue to be the main energy source in the UK in our forecast period.
- We forecast that the share of non-hydro renewables (without considering biomass) in power generation will rise from 27% in 2022 to 52% in 2032.

Energy: key indicators

	2021[a]	2022[b]	2023[c]	2024[c]	2025[c]	2026[c]	2027[c]	2032[c]
GDP (US$ bn at market exchange rates)	3,133	3,103	3,062	3,359	3,698	4,076	4,328	5,198
Real GDP (% change, year on year)	7.5	4.4	-1.1	0.9	1.5	1.6	1.6	1.5
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[b]	158,347	154,299	153,550	152,529	153,016	155,436	156,032
Gross domestic energy consumption (% change, year on year)	6.9[b]	-3.8	-2.6	-0.5	-0.7	0.3	1.6	-0.5

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

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

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

Financial services

United Kingdom | Finance | Overview | Financial services | Overview

January 16th 2023

- The UK has one of the world's best-developed financial industries. The coronavirus pandemic delivered a sharp, but short, shock to the sector. Managing the country's departure from the EU may prove to be a greater challenge. It is likely to require a long-term shift in trading relationships and may contribute to an ongoing shrinkage of the sector. The country's financial firms are likely to continue to face difficult conditions in 2023 as the economy weakens and inflation remains high. Rising interest rates are set to boost banks' profits but may cause difficulties for some borrowers, particularly in the housing market, and are expected to reduce demand for credit.
- London, the capital, is currently one of the two leading global financial centres (along with New York) and has the largest share of many international markets. The UK financial sector—banking, insurance, fund management, securities and alternative investment—plays a significant role in the economy. In 2021 it accounted for 8.8% of gross value added, down from 9.6% at its peak in 2009, according to the Office for National Statistics (ONS). In 2021 it employed 1.17m people, or 3.3% of the total workforce, down from 3.7% in 2009. The industry makes a substantial contribution to the balance of payments and tax revenue.
- The UK recorded real GDP growth of 7.6% in 2021, following a severe 11% contraction in 2020 amid the pandemic. GDP remained below its pre-pandemic level in the three months to end-September 2022, according to the ONS, with the UK the only G7 economy still in this position. EIU estimates growth of 4% in 2022, but forecasts a

contraction of 1.2% in 2023 as high inflation and interest-rate rises weigh on private consumption and investment. Growth is forecast to average 1.5% per year in 2024-27.

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

proposals to reform the Solvency II regime for insurers and in December outlined a number of financial services rules that it wanted to review.

- 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

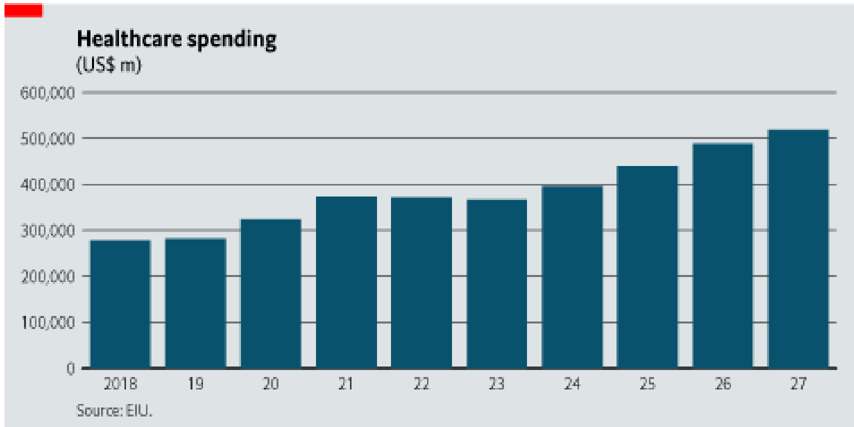
United Kingdom | Healthcare | Spending

December 17th 2022

Overview

- Since 2020 the UK's healthcare system, already struggling with high demand, has faced three challenges: the covid-19 pandemic, the UK's departure from the EU's single market and a global energy crisis following Russia's invasion of Ukraine in February 2022. The first pushed up death rates, necessitated additional funding and expanded waiting lists for non-covid care. The second has caused recruitment problems and necessitated an overhaul of pharmaceutical supervision. The third has caused high inflation and an economic slowdown. EIU expects real GDP to fall by 1.1% in 2023, pushing down healthcare spending in real terms. Inflation is estimated to have accelerated to 8% in 2022, up from 2.5% in 2021, and is expected to remain high at 7.3% in 2023.

- In addition, the UK's Conservative prime minister, Liz Truss, resigned in October, after just seven weeks in post, and was succeeded by Rishi Sunak, who appointed a new health minister (Steve Barclay). Before Ms Truss's departure, the chancellor of the exchequer, Jeremy Hunt, reversed much of the controversial "mini-budget" announced in September. The markets reacted positively to the appointment of the new prime minister, rebounding from their September low.
- The UK responded to the pandemic by increasing spending on healthcare to 12% of GDP in 2020 and 11.9% in 2021, according to the OECD. We forecast that this share will be 12% in 2022 and in 2023 as real GDP growth slows. However, despite strong nominal growth in healthcare spending in local-currency terms over these two years, we expect health spending to fall in real terms in 2023.



- Over our five-year forecast period (2023-27) we expect health spending to rise at a compound annual growth rate (CAGR) of 4.1%. However, with inflation high, real growth in healthcare spending will average just 1% a year, compared with 2.2% a year in the five years before the pandemic.
- Pharmaceutical sales will grow at a CAGR of 2.5% in nominal local-currency terms in 2023-27. So far, 88.3% of the population aged over 12 have received at least two vaccine doses, and 70.2% have received three doses, according to government data. A booster (fourth) dose was offered to certain groups from early 2022, and a seasonal booster dose is now also available to certain groups.

Funding sources

- Healthcare provision in the UK is dominated by the National Health Service (NHS), which is financed primarily via general taxation. NHS care is free at the point of delivery, but fixed charges are levied (in England) for most prescription medicines and dental care, with some exemptions.
- Public expenditure (including compulsory contributions) accounted for 82.9% of health spending in 2021, according to provisional data from the OECD, above the OECD average of 74%. The public share in the UK has increased from 79.4% in 2019, but remains lower than current shares in Germany (86%) and France (84.7%).
- The former government had reaffirmed a pre-pandemic funding deal in 2018, which will cause spending (excluding emergency covid-19 funds) to rise by £33.9bn (US$42bn) per year by fiscal year 2023/24 (April 6th-March 5th). The new government may be forced to abandon these promises in light of the UK's weak public finances. Rapidly accelerating inflation is also eroding the value of any funding packages
- In particular, the government reversed a new levy that was intended to raise health and social care funding by £12bn a year, in part to pay for elderly care. The levy, which was to become a tax on earned income from 2023,

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

Healthcare: key indicators

	2018[a]	2019[a]	2020[a]	2021[a]	2022[b]	2023[c]	2024[c]	2025[c]	2026[c]	2027[c]
Life expectancy, average (years)	81.1	81.7	80.4	80.7	82.2	82.3	82.5	82.6	82.7	82.9
Life expectancy, male (years)	79.3	79.9	78.4	78.7	80.4	80.6	80.8	81.0	81.1	81.3
Life expectancy, female (years)	83.0	83.5	82.4	82.8	83.8	84.0	84.1	84.2	84.3	84.4
Infant mortality rate (per 1,000 live births)	3.8	3.9	3.9	3.9	3.8	3.8	3.8	3.7	3.7	3.6
Healthcare spending (£ bn)	208.4	221.1	252.7	271.8	299.7	310.8	320.4	335.9	351.9	365.7
Healthcare spending (% of GDP)	9.7	9.9	12.0	11.9	12.0	12.0	11.8	11.9	12.0	12.0
Healthcare spending (US$ bn)	278.4	282.5	324.4	374.1	372.3	367.4	396.3	440.0	489.2	519.3
Healthcare spending (US$ per head)	4,190	4,230	4,838	5,560	5,515	5,424	5,832	6,454	7,152	7,571
Healthcare (consumer expenditure; US$ bn)	32.1	30.8	27.4	31.4	31.2	31.4	32.9	35.2	37.4	38.8
Doctors (per 1,000 people)	2.8	3.0	3.0	3.2	3.2	3.2	3.3	3.3	3.3	3.4
Hospital beds (per 1,000 people)	2.5	2.5	2.4	2.3	2.3	2.3	2.3	2.2	2.2	2.2

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

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

- Most NHS funding and commissioning occurs under separate frameworks in the four UK nations, with variations in policies. About 86% of funding goes to NHS England, with Scotland, Wales and Northern Ireland sharing the rest under a formula (the Barnett formula) related to population size.

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

Private health insurance

- Voluntary (or private) spending on healthcare accounted for 17.1% (provisional data) of the UK's total health expenditure in 2021, the smallest share since 1996, according to the OECD. In contrast, up until 2018 the share of voluntary spending on healthcare had been gradually rising as a share of overall health expenditure.
- Out-of-pocket (OOP) spending accounted for 12.3% of total health spending, down from 15.3% in 2019.
- The private health insurance market remained broadly flat in the years preceding the pandemic, reflecting the dominance of the NHS. In 2020 private spending on private acute medical care in hospitals and clinics shrank by about 30%, as the private sector provided resources to the NHS (at cost). This was followed by a strong rebound in 2021, as private contractors helped the NHS to reduce the backlog of non-covid care.
- The leading independent healthcare group is Bupa, with 2.3m policyholders and 31m customers at the end of June 2020. It was boosted by an agreement between Bupa UK and a friendly society, CS Healthcare, to transfer the latter's 17,500 members as at January 2021.

Telecommunications

United Kingdom | Telecommunications | Overview

November 23rd 2022

- Mobile telephony makes up the majority of telecoms connections in the UK. The mobile penetration rate has levelled off in recent years amid a saturated market. EIU expects a moderate rise during the five-year forecast period (2023-27), with the rate reaching 124.4%.
- There were 41.2 broadband subscriptions per 100 people in 2021, with total internet user penetration at an estimated 93.5% of the population. We forecast a rise in user penetration to 95.6% by 2027, with the coronavirus pandemic likely to accelerate the upward trend.
- The government published an updated UK Digital Strategy in June 2022, focusing on technology-led economic growth and productivity. A new central digital and data office became operational in April 2021. Its remit includes innovation and transformation strategies related to cyber-security, data and emerging technologies.
- The UK is ahead of many European countries in fifth-generation (5G) deployment, owing largely to a clear policy. The country's largest mobile operators have all launched 5G services, although speed remains below expectations. During the forecast period operators will focus on boosting revenue from industrial usage of 5G.
- The Telecommunications (Security) Act, aimed at safeguarding the UK's 5G and fibre-broadband infrastructure, became law in November 2021. It provides the state with new powers to impose controls on the use of telecoms goods, services or facilities deemed to be a high risk to national security. Companies that violate these rules will be subject to a fine of up to 10% of their relevant turnover.

- The digital strategy aims for the majority of the population to have 5G mobile coverage by 2027. In 2020 the government and Ofcom, the telecoms regulator, agreed on a scheme with the UK's four main mobile network operators (MNOs)—O2, EE, Vodafone and Three—for a shared rural 4G network that would remove most connectivity "not spots" (areas without 4G coverage) by 2025.
- A 2018 commitment to achieve "full-fibre broadband coverage" by 2025 has been watered down to a minimum of 85% gigabit-capable broadband by the same year. Most of the network will be built through private investment, with a government budget of £5bn (US$6.2bn) allocated to the 20% of premises that are hardest to reach. In November 2020 the government announced plans to spend £1.2bn of this funding in 2020-25.

Mobile penetration

	2018[a]	2019[a]	2020[b]	2021[b]	2022[b]	2023[c]	2024[c]	2025[c]	2026[c]	2027[c]
Mobile voice subscriptions (m)	78.9	80.7	79.0	79.8	80.3	81.2	82.3	83.4	84.4	85.3
Mobile voice subscriptions (per 100 people)	118.8	120.8	117.8	118.6	118.9	119.9	121.1	122.3	123.5	124.4
Mobile broadband subscriptions (m)	66.2	70.1	73.1	76.2	79.3	82.4	85.7	88.6	91.3	93.9
Mobile broadband subscriptions (per 100 people)	99.6	104.9	109.0	113.3	117.4	121.7	126.1	129.9	133.5	136.9

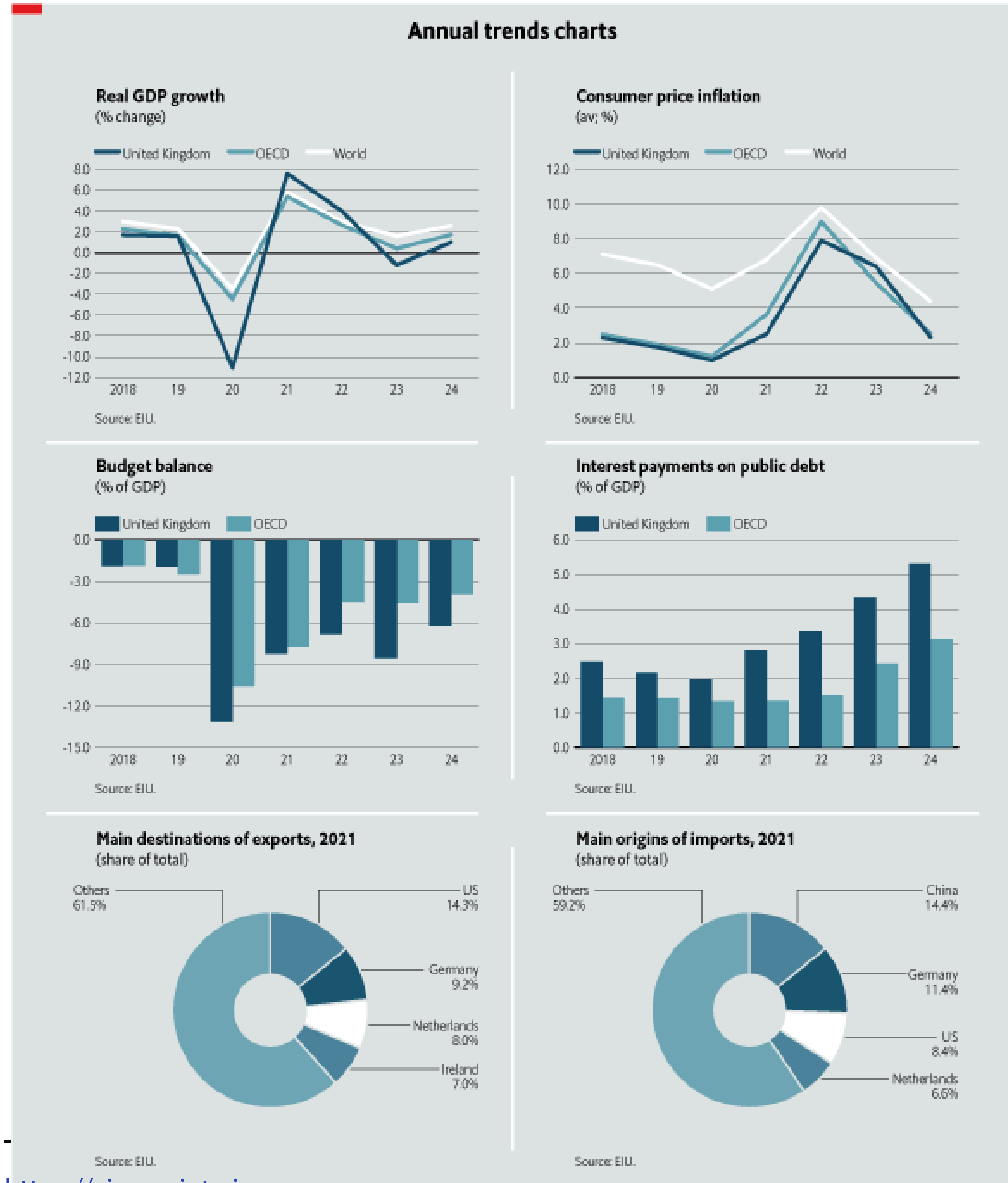
[a] Actual. [b] EIU estimates. [c] EIU forecasts.

Sources: International Telecommunication Union; EIU.

Data and charts: Annual trends charts

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

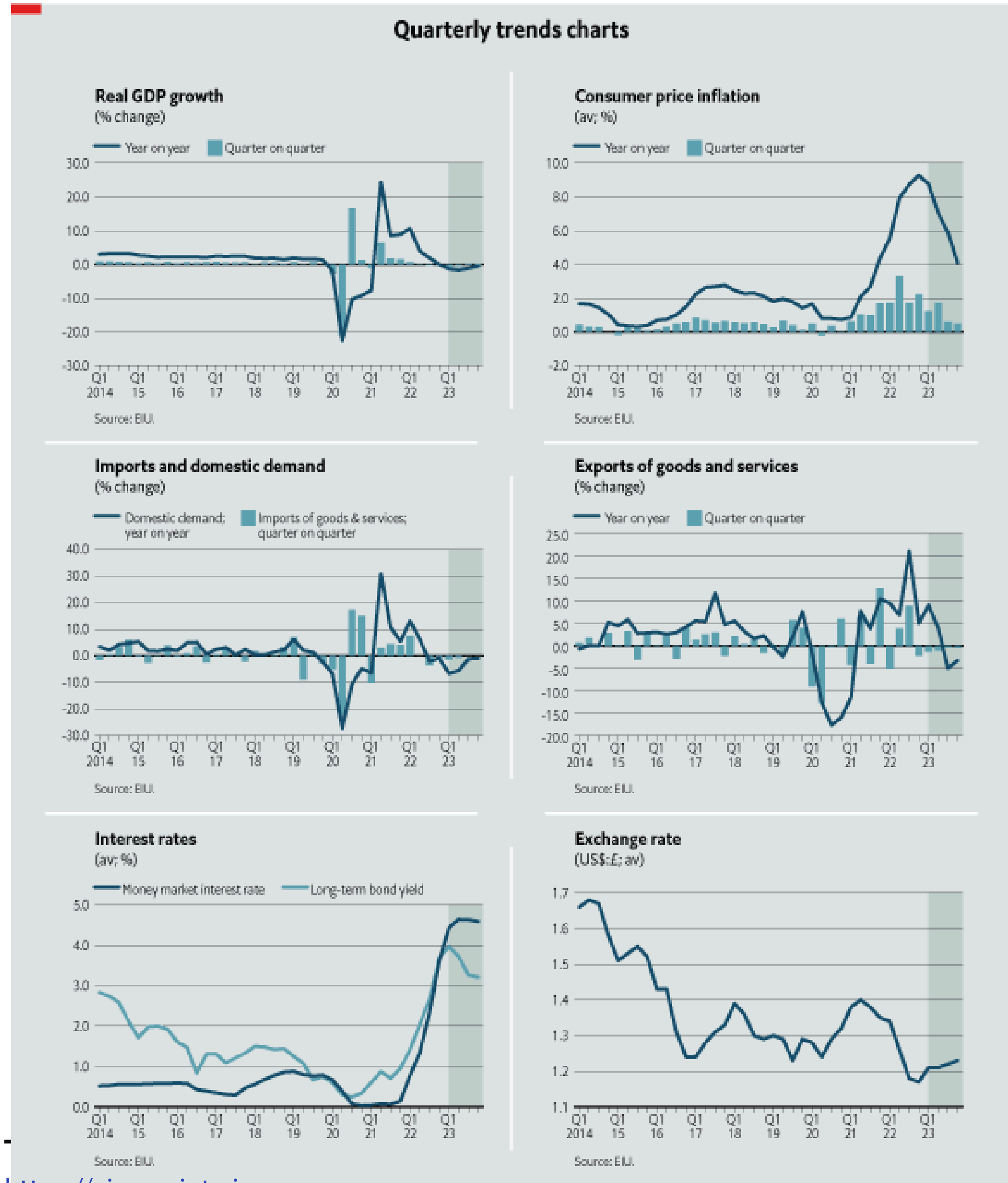
January 10th 2023


Annual trends charts
Real GDP growth
(% change)
United Kingdom
OECD
World
8.0
6.0
4.0
2.0
0.0
-2.0
-4.0
-6.0
-8.0
-10.0
-12.0
2018
19
20
21
22
23
24
Source: EIU.
Consumer price inflation
(av; %)
United Kingdom
OECD
World
12.0
10.0
8.0
6.0
4.0
2.0
0.0
2018
19
20
21
22
23
24
Source: EIU.
Budget balance
(% of GDP)
United Kingdom
OECD
0.0
-3.0
-6.0
-9.0
-12.0
-15.0
2018
19
20
21
22
23
24
Source: EIU.
Interest payments on public debt
(% of GDP)
United Kingdom
OECD
6.0
5.0
4.0
3.0
2.0
1.0
0.0
2018
19
20
21
22
23
24
Source: EIU.
Main destinations of exports, 2021
(share of total)
Others 61.5%
US 14.3%
Germany 9.2%
Netherlands 8.0%
Ireland 7.0%
Source: EIU.
Main origins of imports, 2021
(share of total)
Others 59.2%
China 14.4%
Germany 11.4%
US 8.4%
Netherlands 6.6%
Source: EIU.

Data and charts: Quarterly trends charts

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

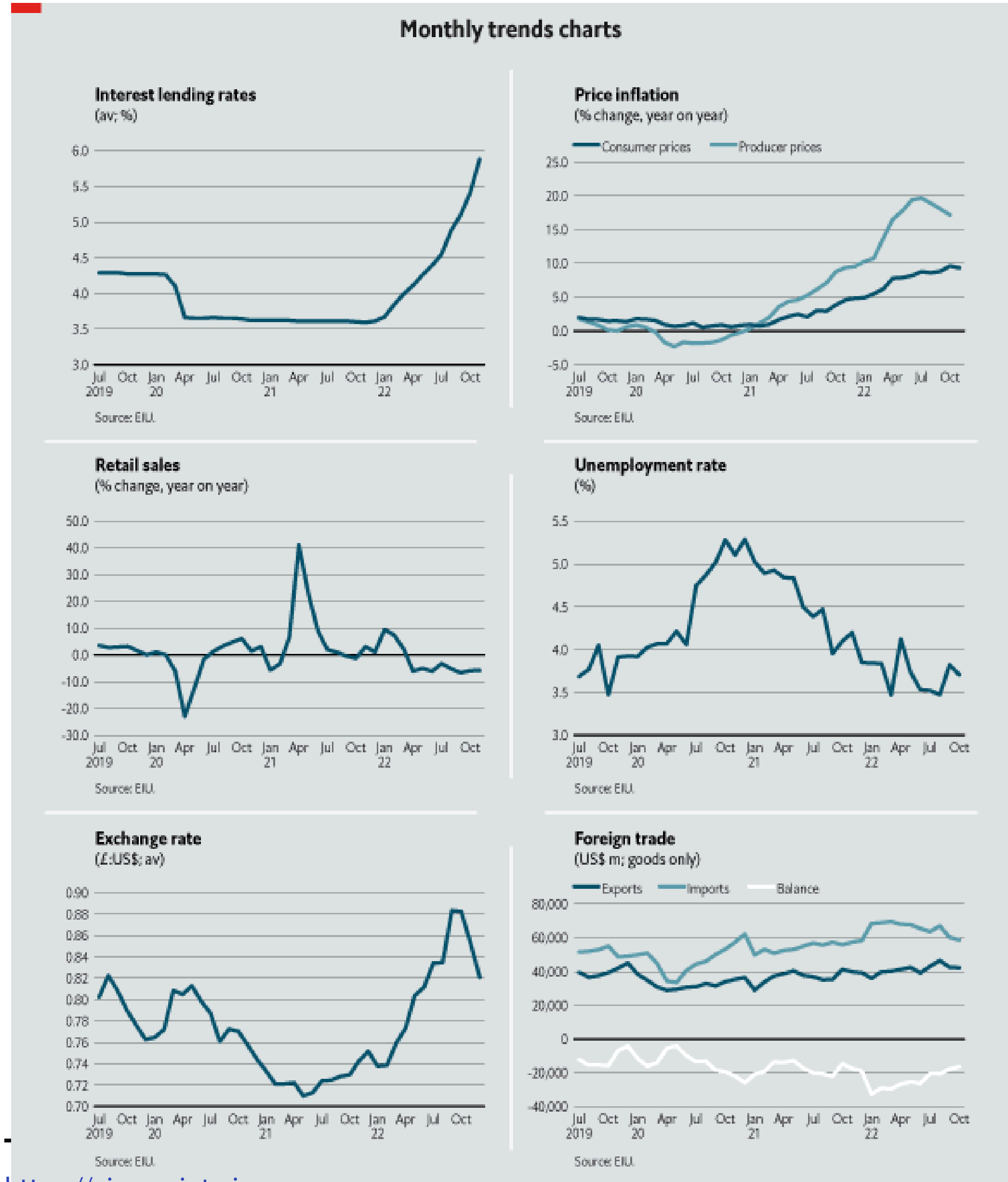
January 10th 2023


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

Data and charts: Monthly trends charts

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

January 10th 2023


Monthly trends charts
Interest lending rates
(av; %)
Source: EIU.
Price inflation
(% change, year on year)
Consumer prices
Producer prices
Source: EIU.
Retail sales
(% change, year on year)
Source: EIU.
Unemployment rate
(%)
Source: EIU.
Exchange rate
(£:US$; av)
Source: EIU.
Foreign trade
(US$ m; goods only)
Exports
Imports
Balance
Source: EIU.

Data summary: Gross domestic product, current market prices

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

November 9th 2022

Gross domestic product, at current market prices

	2018[a]	2019[a]	2020[a]	2021[a]	2022[b]	2023[c]	2024[c]	2025[c]	2026[c]	2027[c]
Expenditure on GDP (£ bn at current market prices)										
GDP	2,157.4	2,238.3	2,109.6	2,276.7	2,458.2	2,543.4	2,683.9	2,787.2	2,899.6	3,018.0
Private consumption	1,401.5	1,440.0	1,262.9	1,376.1	1,533.3	1,604.3	1,656.5	1,716.8	1,776.1	1,847.5
Government consumption	398.4	425.6	475.1	509.5	576.5	648.1	679.8	709.9	739.9	771.2
Gross fixed investment	386.1	403.4	365.9	392.7	405.4	400.2	412.3	415.6	428.0	440.7
Exports of goods & services	673.9	699.7	616.8	636.3	754.8	787.2	811.6	835.4	850.0	879.3
Imports of goods & services	706.9	735.8	609.2	653.9	852.3	905.1	883.7	891.5	896.3	922.6
Stockbuilding	4.4	5.5	-1.8	19.2	40.5	8.8	7.5	1.0	2.0	2.0
Domestic demand	2,190.4	2,274.5	2,102.0	2,297.6	2,555.7	2,661.4	2,756.0	2,843.3	2,946.0	3,061.4
Expenditure on GDP (US$ bn at current market prices)										
GDP	2,881.7	2,859.2	2,708.1	3,132.9	3,017.6	2,979.1	3,353.6	3,651.2	4,030.5	4,285.6
Private consumption	1,872.0	1,839.4	1,621.2	1,893.6	1,882.2	1,879.1	2,069.8	2,249.0	2,468.8	2,623.4
Government consumption	532.1	543.6	609.9	701.2	707.7	759.1	849.5	930.0	1,028.5	1,095.1

Gross fixed investment	515.8	515.2	469.7	540.3	497.6	468.8	515.1	544.4	594.9	625.8
Exports of goods & services	900.1	893.7	791.8	875.6	926.6	922.1	1,014.1	1,094.3	1,181.4	1,248.6
Imports of goods & services	944.2	939.9	782.1	899.8	1,046.2	1,060.2	1,104.2	1,167.9	1,245.9	1,310.1
Stockbuilding	5.9	7.0	-2.4	26.5	49.7	10.3	9.4	1.3	2.8	2.8
Domestic demand	2,925.8	2,905.3	2,698.4	3,161.6	3,137.2	3,117.2	3,443.8	3,724.8	4,094.9	4,347.2
Economic structure (% of GDP at current market prices)										
Household consumption	65.0	64.3	59.9	60.4	62.4	63.1	61.7	61.6	61.3	61.2
Government consumption	18.5	19.0	22.5	22.4	23.5	25.5	25.3	25.5	25.5	25.6
Gross fixed investment	17.9	18.0	17.3	17.2	16.5	15.7	15.4	14.9	14.8	14.6
Stockbuilding	0.2	0.2	-0.1	0.8	1.6	0.3	0.3	0.0	0.1	0.1
Exports of goods & services	31.2	31.3	29.2	27.9	30.7	31.0	30.2	30.0	29.3	29.1
Imports of goods & services	32.8	32.9	28.9	28.7	34.7	35.6	32.9	32.0	30.9	30.6
Memorandum item										
National savings ratio (%)	14.0	15.4	14.0	16.1	11.7	9.7	11.3	11.3	11.5	11.3

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

Data summary: Gross domestic product, at constant prices

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

November 9th 2022

Gross domestic product, at constant prices

	2018[a]	2019[a]	2020[a]	2021[a]	2022[b]	2023[c]	2024[c]	2025[c]	2026[c]	2027[c]
Real expenditure on GDP(£ bn at 2019 prices)										
GDP	2,203.0	2,238.3	1,991.4	2,141.3	2,235.4	2,212.6	2,231.9	2,263.0	2,299.5	2,337.9
Household consumption	1,424.9	1,440.0	1,250.1	1,327.9	1,386.1	1,363.0	1,374.9	1,397.1	1,418.4	1,439.3
Government consumption	408.6	425.6	394.5	444.3	453.2	473.6	480.2	486.9	493.2	499.7
Gross fixed investment	396.0	403.4	361.0	381.1	401.0	393.9	399.8	412.1	424.4	437.0
Exports of goods & services	687.9	699.7	615.1	613.3	636.9	617.4	627.1	640.9	652.2	668.5
Imports of goods & services	717.1	735.8	617.7	634.9	688.3	650.0	663.5	680.9	696.6	714.5
Stockbuilding (% of GDP)	1.3	2.6	-11.4	6.7	40.5	8.8	7.5	1.0	2.0	2.0
Domestic demand	2,233.9	2,274.4	1,993.8	2,165.7	2,283.5	2,243.5	2,265.8	2,300.9	2,341.6	2,381.8
Real expenditure on GDP (% change)										
GDP	1.7	1.6	-11.0	7.5	4.4	-1.0	0.9	1.4	1.6	1.7
Household consumption	2.5	1.1	-13.2	6.2	4.4	-1.7	0.9	1.6	1.5	1.5
Government consumption	0.3	4.1	-7.3	12.6	2.0	4.5	1.4	1.4	1.3	1.3
Gross fixed investment	-0.2	1.9	-10.5	5.6	5.2	-1.8	1.5	3.1	3.0	3.0

Exports of goods & services	3.1	1.7	-12.1	-0.3	3.9	-3.1	1.6	2.2	1.8	2.5
Imports of goods & services	3.3	2.6	-16.0	2.8	8.4	-5.6	2.1	2.6	2.3	2.6
Stockbuilding (% contribution to GDP growth)	-0.5	0.1	-0.6	0.9	1.6	-1.4	-0.1	-0.3	0.0	0.0
Domestic demand	1.2	1.8	-12.3	8.6	5.4	-1.8	1.0	1.5	1.8	1.7
Real contribution to GDP growth (% points)										
Private consumption	1.6	0.7	-8.5	3.9	2.7	-1.0	0.5	1.0	0.9	0.9
Government consumption	0.1	0.8	-1.4	2.5	0.4	0.9	0.3	0.3	0.3	0.3
Gross fixed investment	0.0	0.3	-1.9	1.0	0.9	-0.3	0.3	0.6	0.5	0.6
External balance	-0.1	-0.3	1.5	-1.0	-1.4	0.8	-0.2	-0.2	-0.2	-0.1
Memorandum items										
Industrial production (% change)	3.3	2.3	1.3	7.4	1.4	-2.0	1.2	1.6	1.6	1.6
Real personal disposable income (% change)	2.4	2.1	-1.3	1.1	3.0	-2.5	0.7	1.5	1.5	1.5

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

Data summary: Gross domestic product by sector of origin

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

November 9th 2022

Gross domestic product by sector of origin

	2018[a]	2019[a]	2020[a]	2021[a]	2022[b]	2023[c]	2024[c]	2025[c]	2026[c]	2027[c]
Origin of GDP (£ bn at constant 2018 prices)										
GDP at factor cost	1,966.3	2,000.2	1,788.7	1,924.8	2,009.3	1,988.9	2,006.3	2,034.2	2,067.0	2,101.6
Agriculture	11.6	13.5	13.1	13.8	13.3	13.2	13.3	13.5	13.7	13.9
Industry	387.3	395.4	381.8	416.4	389.5	385.4	388.8	394.2	400.6	407.2
Services	1,567.5	1,591.2	1,393.8	1,494.6	1,606.5	1,590.4	1,604.2	1,626.5	1,652.8	1,680.4
Origin of GDP (real % change)										
Agriculture	-12.5	16.9	-3.5	5.9	-3.7	-1.2	0.9	1.4	1.6	1.7
Industry	1.8	2.1	-3.4	9.1	-6.5	-1.1	0.9	1.4	1.6	1.7
Services	1.7	1.5	-12.4	7.2	7.5	-1.0	0.9	1.4	1.6	1.7
Origin of GDP (% of factor cost GDP)										
Agriculture	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Industry	19.7	19.8	21.3	21.6	19.4	19.4	19.4	19.4	19.4	19.4

Services	79.7	79.6	77.9	77.6	80.0	80.0	80.0	80.0	80.0	80.0
Memorandum item										
Industrial production (% change)	3.3	2.3	1.3	7.4	1.4	-2.0	1.2	1.6	1.6	1.6

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

Data summary: Growth and productivity

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

November 9th 2022

Growth and productivity

	2018[a]	2019[a]	2020[a]	2021[a]	2022[a]	2023[b]	2024[b]	2025[b]	2026[b]	2027[b]
Growth and productivity (%)										
Labour productivity growth	0.5	0.5	-10.2	7.9	3.6	-0.8	0.7	0.8	1.1	1.2
Total factor productivity growth	0.0	0.0	-10.7	1.3	-0.4	-0.9	0.8	1.0	1.2	1.2
Growth of capital stock	2.6	2.5	0.7	1.3	1.8	1.3	1.3	1.6	1.8	1.9
Growth of potential GDP	2.0	1.8	-0.5	-1.1	0.5	-0.2	1.7	1.8	2.1	1.9
Growth of real GDP	1.7[c]	1.6[c]	-11.0[c]	7.5[c]	4.4	-1.0	0.9	1.4	1.6	1.7
Growth of real GDP per head	1.1[c]	1.1[c]	-11.4[c]	7.2[c]	4.0	-1.3	0.5	1.1	1.3	1.4

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

Data summary: Economic structure, income and market size

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

November 9th 2022

Economic structure, income and market size

	2018[a]	2019[a]	2020[a]	2021[a]	2022[b]	2023[c]	2024[c]	2025[c]	2026[c]	2027[c]
Population, income and market size										
Population (m)	66.4	66.8	67.1	67.3	67.5	67.7	68.0	68.2	68.4	68.6
GDP (US$ bn at market exchange rates)	2,882	2,859	2,708	3,133	3,018	2,979	3,354	3,651	4,030	4,286
GDP per head (US$ at market exchange rates)	43,377	42,816	40,384	46,565	44,699	43,981	49,346	53,552	58,930	62,472
Private consumption (US$ bn)	1,872	1,839	1,621	1,894	1,882	1,879	2,070	2,249	2,469	2,623
Private consumption per head (US$)	28,179	27,545	24,175	28,145	27,881	27,741	30,456	32,986	36,097	38,242
GDP (US$ bn at PPP)	3,140	3,290	2,962	3,317	3,692	3,786	3,895	4,016	4,171	4,330
GDP per head (US$ at PPP)	47,264	49,264	44,172	49,306	54,684	55,888	57,313	58,909	60,985	63,116
Personal disposable income (£ bn)	1,448	1,487	1,499	1,556	1,661	1,724	1,777	1,839	1,903	1,980
Personal disposable income (US$ bn)	1,935	1,900	1,924	2,141	2,039	2,020	2,220	2,410	2,645	2,811
Growth of real disposable income (%)	3.1	1.0	-0.2	1.2	0.0	-2.5	0.7	1.5	1.5	1.5
Memorandum items										
Share of world population (%)	0.88	0.88	0.87	0.87	0.86	0.87	0.87	0.87	0.85	0.84
Share of world GDP (% at market exchange rates)	3.38	3.30	3.22	3.30	3.08	2.89	3.03	3.12	3.31	3.33

Share of world GDP (% at PPP)	2.45	2.46	2.24	2.29	2.33	2.25	2.21	2.16	2.18	2.15
Share of world exports of goods (%)	2.46	2.52	2.31	2.06	1.89	1.68	1.68	1.63	1.79	1.73

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

Data summary: Fiscal indicators

United Kingdom | Economy | Charts and tables | Fiscal indicators

November 9th 2022

Fiscal indicators

	2018[a]	2019[a]	2020[a]	2021[a]	2022[b]	2023[c]	2024[c]	2025[c]	2026[c]	2027[c]
Fiscal indicators (% of GDP)										
Government expenditure	37.3	37.1	49.0	45.3	43.7	45.2	43.8	42.9	42.7	42.5
Interest[d]	2.5	2.2	2.0	2.8	3.3	4.1	4.8	5.0	4.8	4.6
Non-interest[d]	34.8	34.9	47.0	42.5	40.4	41.1	39.0	37.9	37.9	37.9
Government revenue[d]	35.4	35.1	35.7	37.0	37.4	38.3	38.7	39.6	40.1	40.0
Budget balance[d]	-1.9	-2.0	-13.3	-8.3	-6.3	-6.9	-5.1	-3.3	-2.6	-2.5
Primary balance[d]	0.5	0.2	-11.3	-5.5	-3.0	-2.7	-0.4	1.6	2.2	2.1
Government debt[e]	86.1	85.5	105.6	105.6	104.1	107.7	107.6	106.9	105.4	103.8

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

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

Data summary: Monetary indicators

United Kingdom | Economy | Charts and tables | Monetary indicators

November 9th 2022

Monetary indicators

	2018[a]	2019[a]	2020[a]	2021[a]	2022[b]	2023[c]	2024[c]	2025[c]	2026[c]	2027[c]
Monetary indicators										
Exchange rate US$:£ (av)	1.34	1.28	1.28	1.38	1.23	1.17	1.25	1.31	1.39	1.42
Exchange rate €:£ (av)	1.13	1.14	1.12	1.16	1.18	1.18	1.22	1.23	1.24	1.22
Exchange rate US$:€ (av)	1.18	1.12	1.14	1.18	1.04	0.99	1.03	1.07	1.12	1.16
Exchange rate €:£ (year-end)	1.11	1.18	1.11	1.19	1.18	1.18	1.22	1.24	1.23	1.25
Real effective exchange rate (av; 2010=100)	99.0	98.6	98.7	102.5	100.6	99.6	101.2	102.9	106.9	107.8
M4 money supply growth (%)[d]	2.3	3.8	12.6	6.4[b]	2.2	-0.4	5.2	2.3	3.6	5.2
Domestic credit growth (%)	3.2	4.9	3.1	6.4[b]	-0.5	2.4	5.2	2.3	3.6	5.2
Purchasing power parity US$:£ (av)	1.46	1.47	1.40	1.46	1.50	1.49	1.45	1.44	1.44	1.43
3-month £-Libor rate (av; %)	0.7	0.8	0.3	0.1	1.8	3.3	3.1	2.9	2.7	2.5

10-year government bond yield (av; %)	1.5	0.9	0.4	0.8	2.5	3.5	3.1	4.0	3.8	3.8
Bank of England base rate (%; end-period)	0.75	0.75	0.10	0.25	3.50	4.25	3.50	3.00	2.75	2.75
Lending rate (%; average mortgage SVR from UK MFIs)	4.3	4.3	3.8	3.6	4.7	7.0	6.9	6.7	6.4	6.0
Deposit rate (av; %)	0.9	0.9	0.4	0.2	2.1	4.4	4.3	4.3	3.9	3.5

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

Data summary: Employment, wages and prices

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

November 9th 2022

Employment, wages and prices

	2018[a]	2019[a]	2020[a]	2021[a]	2022[b]	2023[c]	2024[c]	2025[c]	2026[c]	2027[c]
The labour market (av)										
Labour force (m)	33.8	34.1	34.1	33.9	34.0	34.1	34.3	34.5	34.7	34.7
Labour force (% change)	0.9	0.8	-0.1	-0.4	0.3	0.3	0.6	0.5	0.4	0.2
Employment (m)	32.4	32.8	32.5	32.4	32.7	32.6	32.7	32.9	33.0	33.2
Employment (% change)	1.2	1.1	-0.9	-0.3	0.8	-0.2	0.2	0.6	0.5	0.5

Unemployment (m)	1.4	1.3	1.6	1.5	1.4	1.5	1.7	1.6	1.6	1.5
Unemployment rate (%; EU/OECD standardised measure)	4.1	3.8	4.6	4.5	4.1	4.9	5.1	5.0	4.8	4.5
Wage and price inflation (% except labour costs per hour)										
GDP deflator	1.7	2.1	5.9	0.4	3.4	4.5	4.6	2.4	2.4	2.4
Consumer prices (av; CPIH measure)	2.3	1.7	1.0	2.5	8.0	6.6	2.5	2.0	1.9	1.9
Producer prices (av)	3.4	1.4	-1.0	5.2	14.7	13.3	6.6	2.0	2.0	2.0
GDP deflator (av)	1.7	2.1	5.9	0.4	3.4	4.5	4.6	2.4	2.4	2.4
Private consumption deflator (av)	1.7	1.7	1.0	2.6	6.7	6.4	2.4	2.0	1.9	2.5
Government consumption deflator (av)	2.3	2.6	20.4	-4.8	10.9	7.6	3.4	3.0	2.9	2.9
Fixed investment deflator (av)	2.3	2.5	1.4	1.7	-1.9	0.5	1.5	-2.2	0.0	0.0
Average nominal wages (av)	3.0	3.4	1.8	5.9	6.0	5.0	3.3	3.0	3.1	3.1
Average real wages (av)	0.7	1.6	0.8	3.3	-1.8	-1.5	0.8	1.0	1.2	1.2
Unit labour costs (£-based; av)	2.4	3.0	13.4	-1.4	3.4	6.9	3.6	3.2	3.0	2.9
Unit labour costs (US$-based)	6.1	-1.5	14.0	5.6	-7.8	2.0	10.5	8.2	9.3	5.2
Labour costs per hour (£)	22.7[b]	23.5[b]	23.9[b]	25.3[b]	26.8	28.2	29.1	30.0	30.9	31.9
Labour costs per hour (US$)	30.3[b]	30.0[b]	30.7[b]	34.8[b]	32.9	33.0	36.4	39.3	43.0	45.3

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

Data summary: Current account and terms of trade

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

November 9th 2022

Current account and terms of trade

	2018[a]	2019[a]	2020[a]	2021[a]	2022[b]	2023[c]	2024[c]	2025[c]	2026[c]	2027[c]
Current account (US$ bn)										
Current-account balance	-116.9	-80.7	-87.7	-62.9	-193.4	-190.1	-144.5	-134.7	-133.9	-145.1
Current-account balance (% of GDP)	-4.1	-2.8	-3.2	-2.0	-6.4	-6.4	-4.3	-3.7	-3.3	-3.4
Goods: exports fob	467.7	464.2	394.4	444.6	467.9	426.8	450.9	466.2	484.4	497.1
Goods: imports fob	-658.9	-653.7	-567.2	-656.0	-825.4	-844.1	-854.0	-883.5	-923.2	-960.1
Trade balance	-191.3	-189.4	-172.9	-211.4	-357.5	-417.3	-403.0	-417.4	-438.8	-463.0
Services: credit	431.3	428.9	397.2	429.9	434.2	463.1	515.8	585.8	650.7	702.5
Services: debit	-284.0	-285.6	-216.3	-242.8	-255.7	-254.1	-278.2	-298.9	-322.1	-344.9
Services balance	147.3	143.3	180.9	187.1	178.4	209.0	237.6	286.9	328.6	357.6
Primary income: credit	292.3	291.5	176.1	256.2	350.7	436.3	497.1	522.2	418.3	444.3
Primary income: debit	-331.5	-292.4	-236.8	-270.0	-335.2	-388.5	-442.0	-488.2	-403.6	-447.4
Primary income balance	-39.2	-0.9	-60.7	-13.8	15.6	47.7	55.1	34.0	14.6	-3.1
Secondary income: credit	45.9	35.4	34.7	36.1	34.8	34.3	36.1	36.6	40.4	42.9
Secondary income: debit	-79.8	-69.0	-70.3	-61.1	-64.7	-63.9	-70.3	-74.8	-78.6	-79.4

Secondary income balance	-33.9	-33.6	-35.6	-25.0	-30.0	-29.6	-34.2	-38.2	-38.3	-36.5
Terms of trade										
Export price index (US$-based; 2010=100)	96.5	92.3	89.8	109.8	118.0	120.8	129.0	133.8	138.2	140.6
Export prices (% change)	7.3	-4.3	-2.7	22.2	7.5	2.4	6.8	3.7	3.3	1.7
Import price index (US$-based; 2010=100)	95.4	89.7	86.4	93.6	104.2	114.1	113.2	114.8	117.8	120.0
Import prices (% change)	6.5	-6.0	-3.7	8.4	11.3	9.6	-0.9	1.4	2.6	1.9
Terms of trade (2010=100)	101.2	103.0	104.0	117.3	113.3	105.8	114.0	116.5	117.3	117.2
Memorandum item										
Export market growth (%)	4.3	1.1[b]	-4.8[b]	10.2[b]	4.6	1.1	3.3	3.3	3.4	3.6

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

Data summary: Foreign direct investment

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

November 9th 2022

Foreign direct investment

	2018[a]	2019[a]	2020[a]	2021[a]	2022[b]	2023[c]	2024[c]	2025[c]	2026[c]	2027[c]
Foreign direct investment (US$ bn)										
Inward direct investment	-25.2	19.7	132.4	18.4	55.3	38.4	28.7	46.8	75.0	102.2
Inward direct investment (% of GDP)	-0.9	0.7	4.9	0.6	1.8	1.3	0.9	1.3	1.9	2.4
Inward direct investment (% of gross fixed investment)	-4.9	3.8	28.2	3.4	11.1	8.2	5.6	8.6	12.6	16.3
Outward direct investment	28.7	21.5	4.4	-80.2	-30.6	-61.5	-60.9	-71.5	-92.5	-93.5
Net foreign direct investment	3.5	41.2	136.8	-61.8	24.6	-23.1	-32.2	-24.6	-17.5	8.7
Stock of foreign direct investment	2,226.0	2,317.0	2,548.0	2,562.0	2,617.3	2,655.7	2,684.3	2,731.1	2,806.1	2,908.3
Stock of foreign direct investment per head (US$)	33,507	34,697	37,996	38,079	38,769	39,206	39,498	40,057	41,028	42,394
Stock of foreign direct investment (% of GDP)	77.2	81.0	94.1	81.8	86.7	89.1	80.0	74.8	69.6	67.9
Memorandum items										
Share of world inward direct investment flows (%)	-6.3	1.7	11.4	1.4	4.0	2.6	1.9	3.0	4.6	6.0
Share of world inward direct investment stock (%)	6.9	6.8	7.6	6.9	6.5	6.3	6.2	6.0	6.0	5.9

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

Political structure

United Kingdom | Summary | Political structure

January 10th 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

Universal direct suffrage from the age of 18

National elections

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

Head of state

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

National government

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

Main political parties

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

Prime minister: Rishi Sunak

Chancellor of the Duchy of Lancaster: Oliver Dowden

Chancellor of the exchequer: Jeremy Hunt

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: Nadhim Zahawi

Secretaries of state

Business, energy & industrial strategy: Grant Shapps

Defence: Ben Wallace

Digital, culture, media & sport: Michelle Donelan

Education: Gillian Keegan

Environment, food & rural affairs: Thérèse Coffey

Foreign, commonwealth & development: James Cleverly

Health & social care: Steve Barclay

Home Office: Suella Braverman

International trade, women & equalities: Kemi Badenoch

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

Levelling up, housing & communities: Michael Gove

Northern Ireland: Chris Heaton-Harris

Scotland: Alister Jack

Transport: Mark Harper

Wales: David Davies

Work & pensions: Mel Stride

Central bank governor

Andrew Bailey

Basic data

United Kingdom | Summary | Basic data

January 10th 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)

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

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

Currency

Pound (or pound sterling) = 100 pence

Time

GMT (summer time, 1 hour ahead)

Fiscal year

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

Public holidays

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


Main railway
Main road
International boundary
Country boundary
Main airport
Capital
Major town
Other town
0 km 50 100 150 200
0 miles 50 100
Shetland
Orkney
Thurso
Lewis
Outer Hebrides
Ullapool
Isle of Skye
Inverness
Kyle of Lochalsh
Aberdeen
SCOTLAND
ATLANTIC OCEAN
North Sea
Dundee
Mull
Oban
Perth
Stirling
Dunfermline
Islay
Greenock
Glasgow
Edinburgh
Motherwell
Berwick-upon-Tweed
Kilmarnock
Firth of Clyde
Londonderry (Derry)
NORTHERN IRELAND
Stranraer
Larne
Antrim
Omagh
Belfast
Bangor
Armagh
Dumfries
Newcastle
Sunderland
Carlisle
Middlesbrough
UNITED KINGDOM
Scarborough
Isle of Man
Lancaster
Bradford
York
Irish Sea
Blackburn
Leeds
Kingston upon Hull
Bolton
Grimsby
Liverpool
Manchester
Anglesey
Birkenhead
Sheffield
Holyhead
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The Wash
REPUBLIC OF IRELAND
Bangor
Chester
Wrexham
Stoke
Derby
Nottingham
ENGLAND
King's Lynn
Norwich
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Peterborough
Cardigan Bay
Birmingham
Coventry
Aberystwyth
Northampton
Cambridge
WALES
Worcester
Ipswich
Fishguard
Milton Keynes
Luton
Gloucester
Oxford
Southend
Newport
Swindon
Swansea
Cardiff
Bristol
LONDON
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Bristol Channel
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