ECONOMIST INTELLIGENCE EIU Viewpoint

One-click report : United Kingdom

April 29th 2020

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Saved on: March 21st 2024

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One-click report : United Kingdom

Briefing sheet

United Kingdom | Summary | Briefing sheet

April 9th 2020

Political and economic outlook

- The outbreak of the novel coronavirus has caused all non-essential retail activities to be suspended. Owing to this, and the global spread of the virus, The Economist Intelligence Unit expects real GDP to decline by 4.7% in 2020, before rebounding by 3% in 2021.
- The prime minister, Boris Johnson, contracted the coronavirus and was moved to intensive care on April 6th. His cabinet is currently managing the outbreak on a collective basis.
- On January 31st the UK left the EU after 47 years of membership. The UK is currently in a transition period lasting until December 31st 2020, during which time it will remain in the single market and customs union.
- The future UK-EU relationship remains highly uncertain. The coronavirus outbreak has halted negotiations on the future relationship, after only one round of negotiations, making a comprehensive deal unlikely in 2020.0
- The Treasury has committed to £350bn (US$440bn) in coronavirus-related loans, and to cover 80% of workers' wages. We expect government spending to balloon, resulting in a fiscal deficit of 14.8% of GDP and public debt exceeding 100% of GDP.

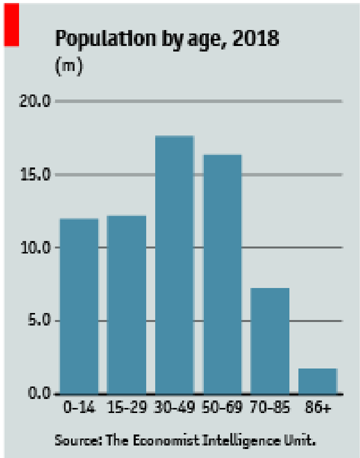
- The Bank of England (BoE, the central bank) has cut rates to historic lows of 0.1% and created a £200bn bond-buying programme. The BoE will directly finance government spending temporarily via the "Ways and Means Facility".

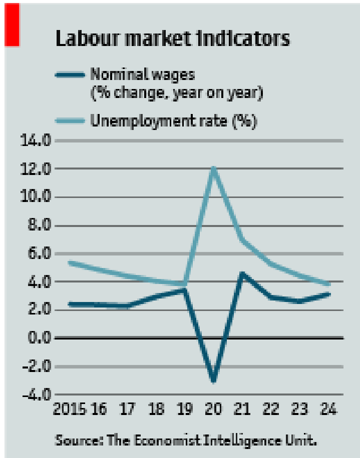
Key indicators

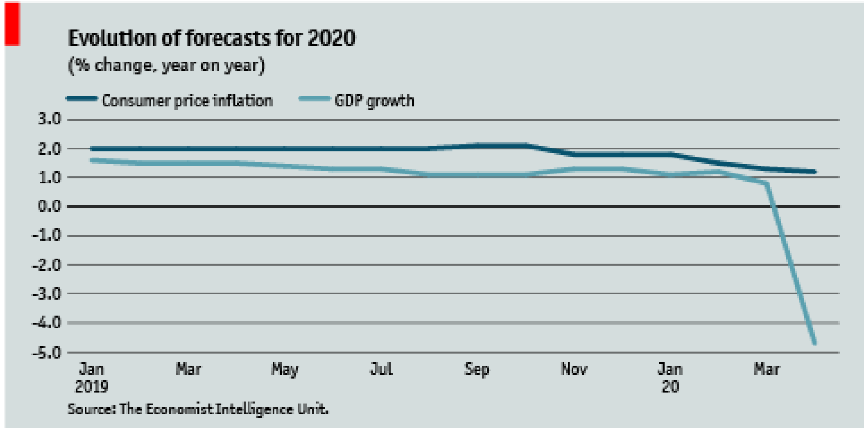
	2019[a]	2020[b]	2021[b]	2022[b]	2023[b]	2024[b]
Real GDP growth (%)	1.4	-4.7	3.0	1.8	1.5	1.5
Consumer price inflation (av; %)	1.7	1.2	0.6	0.9	0.1	1.5
Government balance (% of GDP)[c]	-2.1[d]	-14.8	-5.4	-2.6	-1.3	-1.3
Current-account balance (% of GDP)	-4.0[d]	-2.2	-2.2	-2.3	-2.8	-2.8
Money market rate (av; %)	0.8	0.6	0.5	0.7	0.8	1.0
Unemployment rate (%)	3.8	12.1	7.0	5.3	4.4	3.9
Exchange rate £:US$ (av)	0.78	0.79	0.77	0.75	0.73	0.71

[a] Actual. [b] Economist Intelligence Unit forecasts. [c] General government. [d] Economist Intelligence Unit estimates.

Market opportunities







Key changes since March 7th

- In response to the coronavirus outbreak on March 23rd the government shut down all non-essential retail and required most people to stay at home in an effort to slow the rate of transmission of the disease and protect the National Health Service (NHS).
- Together with a collapse in global trade, the negative impact on domestic demand of these extraordinary measures will cause a contraction of real GDP of a projected 4.7% in 2020.
- The government has expanded its coronavirus economic support measures, with an open-ended commitment to wage support and £330bn in business loan guarantees. This will cause a sharp increase in the fiscal deficit and public debt levels in 2020.
- The prime minister, Boris Johnson, was admitted to intensive care on April 6th, following a worsening of his coronavirus symptoms. The cabinet is taking decisions collectively; if Mr Johnson's incapacity is prolonged, government effectiveness may be impaired.
- Brexit negotiations were postponed after only one round owing to the coronavirus outbreak, and are unlikely to resume while the pandemic is at its height. Talks will continue, but we do not believe that a comprehensive deal is now possible in 2020.

The month ahead

- Mid-April— expected coronavirus peak: Daily new case counts in the first week of April remained steady and showed a slight decline, despite an increase in the number of tests performed. As a result, scientific experts expect daily deaths from the disease to peak near the middle of April, although subsequent numbers will remain high.

- April 21st—Unemployment claimant count (March): These figures will represent the first unemployment data since the shutdown of non-essential retail. We expect up to one- fifth of the workforce to be affected, although many of these will be designated as ”furloughed” by their employers (receiving subsidised wages) rather than ”unemployed”.
- April 23rd—Retail sales figures (March): We expect retail sales to decline precipitously in March after the closure of non-essential shops. Although there is likely to be some boost in food and essential supplies, other sectors are likely to decline by over 50%.
- May 7th—Meeting of the Monetary Policy Committee of the Bank of England: This will be the first Monetary Policy Committee meeting since the BoE cut rates to 0.1% in March. We expect the BoE to maintain current ultra-low rates, and it may review its bond-buying programme if liquidity becomes an issue.

Major risks to our forecast

Scenarios, Q1 2020	Probability	Impact	Intensity
A disorderly UK exit from the Brexit transition period during the coronavirus leads to massive corporate failures, exacerbating the recession	Very high	Very high	25
A second coronavirus wave in the autumn leads to a renewed lockdown	High	Very high	20
The new UK-EU relationship fails to resolve legal uncertainty created by Brexit	Very high	Moderate	15
Expansion of the UK's air transport capacity is delayed	High	Moderate	12
Government investment in the UK's infrastructure falls short	High	Moderate	12

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

Source: The Economist Intelligence Unit.

Forecast summary

United Kingdom | Economy | Forecast | Forecast summary

April 9th 2020

Forecast summary

(% unless otherwise indicated)

	2019[a]	2020[b]	2021[b]	2022[b]	2023[b]	2024[b]
Real GDP (% change)	1.4	-4.7	3.0	1.8	1.5	1.5
Industrial production (% change)	-1.3	-7.8	8.3	1.3	1.0	1.2
Unemployment rate (av; EU/OECD harmonised measure)	3.8	12.1	7.0	5.3	4.4	3.9
Consumer price inflation (av; CPIH measure)	1.7	1.2	0.6	0.9	0.1	1.5
3-month £-LIBOR rate (av)	0.8	0.6	0.5	0.7	0.8	1.0
Bank of England base rate (end-period)	0.75	0.10	0.10	0.25	0.75	1.25
Government budget balance (% of GDP)[c]	-2.1[d]	-14.8	-5.4	-2.6	-1.3	-1.3
Exports of goods fob (US$ bn)	475.4[d]	357.8	414.8	471.0	499.9	523.8
Imports of goods fob (US$ bn)	-640.8[d]	-468.1	-561.7	-661.7	-714.7	-748.5
Current-account balance (US$ bn)	-113.3[d]	-60.9	-63.6	-71.6	-91.0	-96.0
Current-account balance (% of GDP)	-4.0[d]	-2.2	-2.2	-2.3	-2.8	-2.8
Exchange rate US$:£ (av)	1.28	1.26	1.30	1.34	1.37	1.41

Exchange rate ¥:£ (av)	139.3	136.3	139.9	139.1	140.5	138.3
Exchange rate €:£ (av)	1.14	1.14	1.15	1.15	1.14	1.14

[a] Actual. [b] Economist Intelligence Unit forecasts. [c] General government. [d] Economist Intelligence Unit estimates.

Political stability

United Kingdom | Politics | Forecast | Political stability

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Following a general election on December 12th 2019 the Conservative Party, under the prime minister, Boris Johnson, won an emphatic 81-seat majority. This allowed him to achieve his primary campaign promise to leave the EU, which took place on January 31st, ending 47 years of EU membership and three and a half years of political deadlock on the issue.

The government had expected to spend 2020 focusing on negotiating a free-trade relationship with the EU and commencing a spending and investment programme to increase British productivity. However, the spread of the novel coronavirus (Covid-19) throughout the world has moved the government to a crisis-management footing that The Economist Intelligence Unit expects to last through 2020. The government is attempting to slow the spread of the disease and expand the capacity of the National Health Service (NHS) to prevent it from becoming overwhelmed. On March 23rd the government directed all residents to stay at home, leaving only to buy essential supplies, take limited exercise and travel to work in jobs that cannot be done remotely. This followed an order mandating all non-essential shops and entertainment venues to close. The government has also unveiled an economic support package of over £350bn (US$440bn) to protect businesses and workers affected by these closures.

On March 29th Mr Johnson tested positive for the coronavirus, and was admitted to intensive care on April 6th after his condition deteriorated. The foreign secretary, Dominic Raab, is designated first secretary of state, a position that allows him to perform many of the prime minister's roles during his incapacity. However, Mr Raab's position does not grant him full decision-making authority, and the cabinet is currently taking decisions collectively. Should Mr Johnson's illness persist, we expect a more formalised solution to be needed.

Once the acute phase of the crisis abates, we expect that the government will have to transition out of the lockdown provisions and restart economic activity while maintaining sufficiently stringent public-health measures to prevent a second major outbreak later in the year. In addition, Brexit implementation has fallen far behind schedule. Progress on negotiations with the EU, the development of a new immigration system and the establishment of checks outlined in the Northern Irish protocol are unlikely to be completed by the end of the year. Major political events such as local elections scheduled for May 1st and the UN climate change conference, COP26, which the UK was scheduled to host in November, have been pushed back until 2021.

Although the coronavirus crisis has reduced their short-term salience, Brexit has created considerable medium-term risks for the integrity of the UK. Nicola Sturgeon, the leader of the Scottish National Party (SNP), has argued that Brexit represents a material change in the relationship between Scotland and the rest of the UK since the referendum on Scottish independence in 2014, which resulted in a majority favouring the union. Ms Sturgeon may attempt to dramatise the issue through legal battles or other disruptive means, particularly if her party wins a majority in the 2021 Scottish parliament elections. Brexit also exacerbated tensions in Northern Ireland, where the Northern Irish protocol in the withdrawal agreement is unpopular among Northern Ireland's unionists, as well as nationalist communities, and polling has shown a small but significant swing in favour of Irish reunification in the North.

Election watch

United Kingdom | Politics | Forecast | Election watch

April 9th 2020

Given the magnitude of the Conservative majority, we expect the government to last a full term. Under the Fixed-term Parliaments Act (FTPA) that governs elections, the next general election is scheduled for May 2nd 2024. The Conservative manifesto pledged to repeal the FTPA. However, even if this takes place, general elections must be held by the fifth year of a parliament, usually taking place in May to coincide with local elections.

After its defeat in the 2019 election, when it won its lowest seat total since 1935, the opposition Labour Party replaced its leader, Jeremy Corbyn, with Keir Starmer, the former shadow Brexit secretary. Mr Starmer is considered more moderate than Mr Corbyn. However, he has maintained Mr Corbyn's anti-austerity position, which will make it challenging for the government to cut day-to-day spending in the second half of our forecast period should the coronavirus crisis cause public finances to deteriorate further. For Labour to gain a majority, it would require a gain of over 120 seats, a feat that has occurred only once since the second world war. However, for the Conservatives to lose their majority and enter a hung parliament, they would have to lose only 41 seats, a swing that has occurred in ten of the 20 post-war elections.

International relations

United Kingdom | Politics | Forecast | International relations

April 9th 2020

The UK is currently scheduled to exit the transition period with the EU on December 31st. Legally, this deadline can be extended by the EU and the UK by mutual agreement, but the government has set the December 31st 2020 exit date in law and has resisted attempts to amend it. The UK and EU governments had set out a timetable for negotiations that envisaged a comprehensive free-trade agreement (FTA). The key area of disagreement concerns the degree to which the UK would have to update its labour, environmental and state-aid provisions to maintain deep access to the EU market without undercutting EU standards. However, only one round of talks had been held before the UK and EU countries began to implement national lockdowns, and the chief negotiators for both the UK and the EU were forced to self-isolate after developing coronavirus symptoms, effectively stalling the talks. As a result, we no longer believe that it is possible to agree an FTA on the existing timetable.

Given the existing economic disruption and allocation of resources away from implementing a transition exit, the government is likely to come under significant pressure from business to extend the transition period. We expect the government to resist this, as its flagship manifesto promise was to leave the EU institutions by the end of 2020, and it relies on the support of many of the most steadfast advocates of a complete break with the EU for its majority in parliament. At the start of the coronavirus crisis, the government resisted collaboration with the EU on public-health measures such as the joint procurement of ventilators, but was forced to backtrack and sign up to the scheme as the scale of the emergency became clear.

The government had previously been willing to impose additional compliance costs on business with the expectation that in a growing economy they would innovate and adapt to less preferential terms of trade. However, the coronavirus outbreak, and the risk of an outright collapse of the business sector, has increased the risk of burdening export-oriented businesses with new compliance costs, while immigration policy changes risk creating NHS staff shortages. A recent poll has shown that over two-thirds of the public favour an extension until the coronavirus crisis has ended.

As a result, we believe that it will be difficult for the government to maintain its position. However, any decision on this matter will be dependent on the direction of the pandemic, the progress of negotiations and the state of the economy in June, as the government's position thus far has been to oppose any further participation in EU institutions unless absolutely necessary. If the government requests an extension, we expect that a longer timetable will allow for a more gradual erection of trade barriers; if it does not, we expect a slower recovery in 2021.

Among the provisions under the withdrawal agreement is a separate protocol for Northern Ireland, to avoid the presence of physical border checks with the Republic of Ireland. Under this agreement, Northern Ireland will remain within a regulatory union with the EU for most goods. Although it will remain in the UK customs and value-added tax (VAT) areas, customs and VAT checks will be conducted by the UK on the EU's behalf at ports in the Irish Sea for any goods bound for the EU. These arrangements will be subject to revision every four years by a majority vote in the Northern Ireland Assembly. Checkpoints and a border infrastructure between Northern Ireland and the rest of the UK will need to be constructed. This task was unlikely to be completed by end-2020 regardless of the pandemic, and now presents a major implementation risk.

Policy trends

United Kingdom | Economy | Forecast | Policy trends

April 9th 2020

Even prior to the coronavirus pandemic, the UK faced significant economic policy challenges—including low public investment, significant regional disparities, high housing costs and chronically low productivity growth—and these have been allowed to build up, as Brexit has dominated the government's agenda. However, the scale of the disruption caused by the coronavirus is likely to dominate the government's policy agenda through 2020. Large sections of the economy are currently shut down, and even once they are reopened both domestic and global demand are likely to remain supressed. We do not expect the UK to reach its pre-crisis GDP before 2023. Managing the recovery will therefore become a key priority of this government.

Mr Johnson moved his party away from the austerity policies advocated by his predecessors and planned to pursue significant increases in public-sector investment, including massive investment in infrastructure and additional current spending on the NHS, education and the police, as well as reforming the UK's immigration system to emphasise skilled labour. Long-term social care is also an area of health spending that Mr Johnson's manifesto pledged to address, although the particulars remain vague. We expect the government to incorporate these priorities into its recovery strategy, and although we do not expect a return to austerity, the government will face increased fiscal constraints once the crisis passes.

Fiscal policy

United Kingdom | Economy | Forecast | Fiscal policy outlook

April 9th 2020

The chancellor of the exchequer, Rishi Sunak, has developed a series of economic support packages designed to give financial aid to workers and businesses affected by the coronavirus and associated shutdowns until the situation normalises. These include over £330bn in government-backstopped loans; a commitment to pay salaried and self-employed workers up to 80% of their previous earnings, to a maximum of £2,500 (US$3,100) a month for the duration of the crisis; several business tax deferments and holidays; and more targeted aid to the worst-affected sectors such as travel and retail. We expect that further fiscal stimulus measures will be needed in 2020, as demand is likely to remain supressed. As a result, we expect government spending to reach 46.4% of GDP (up from 41% in 2019), with the fiscal deficit rising to 14.8% of GDP and total debt reaching 101.6%. In 2021 the deficit will contract, but debt will continue to rise as tax revenue lags economic activity. We then expect the debt/GDP ratio to stabilise and begin to decline gradually from 2022. Given the political unpopularity of the previous period of austerity, we forecast annual real increases in public-sector consumption of 2%.

Monetary policy

United Kingdom | Economy | Forecast | Monetary policy outlook

April 9th 2020

On March 19th the Bank of England (BoE, the central bank) cut its main rate to 0.1%, the lowest in its history. It has also unveiled a £200bn bond-buying programme covering both corporate and government debt, which it developed in collaboration with the Treasury to facilitate the smooth functioning of government and private debt markets. On April 9th the BoE announced that it would directly finance extra government spending to allow government departments to finance the day-to-day costs of fighting the coronavirus. The BoE has said that both its bond-buying programmes and monetary financing of government spending are temporary and expected to be paid back, the latter by the end of the year. However, we expect that the BoE will continue these transactions to the extent needed to allow the government to borrow. We expect that the BoE will gradually raise rates from 2022.

Global forecast data

United Kingdom | Economy | Forecast | International assumptions

April 9th 2020

	2019	2020	2021	2022	2023	2024
Economic growth (%)						
US GDP	2.3	-2.8	1.9	2.0	1.8	2.2
OECD GDP	1.6	-3.4	1.6	1.9	1.9	1.9
EU27 GDP	1.5	-5.1	1.5	1.7	1.7	1.7
World GDP	2.2	-2.2	2.7	2.9	2.8	2.8
World trade	0.9	-1.4	2.1	3.6	3.7	3.7
Inflation indicators (% unless otherwise indicated)						
US CPI	1.8	1.8	1.9	2.1	1.8	1.8
OECD CPI	1.9	1.7	1.9	2.1	2.0	2.0
EU27 CPI	1.4	1.1	1.5	1.8	1.8	1.9

Manufactures (measured in US$)	-1.2	0.1	3.9	4.0	3.4	3.0
Oil (Brent; US$/b)	64.0	32.1	36.3	58.5	65.0	62.5
Non-oil commodities (measured in US$)	-6.2	0.9	4.7	0.5	1.1	1.3
Financial variables						
US$ 3-month commercial paper rate (av; %)	2.2	0.6	0.5	1.2	1.9	2.2
€ 3-month interbank rate (av; %)	-0.4	-0.5	-0.5	-0.5	-0.3	-0.2
US$:£ (av)	1.28	1.28	1.31	1.35	1.38	1.41
US$:€ (av)	1.12	1.10	1.12	1.17	1.21	1.24

Economic growth

United Kingdom | Economy | Forecast | Economic growth

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The impact of the coronavirus

The novel coronavirus (Covid-19) that originated in December 2019 in Wuhan, central China, is now a global pandemic. The Economist Intelligence Unit assumes that the virus will infect about 50% of the world population; 20% of cases will be severe, and about 1-3% will result in death. Death ratios will depend on the capacity of countries to detect, track and contain the epidemic, and on the capacity of national health systems. We believe that a mass vaccine will be available at end-2021 (at the earliest) and that the coronavirus will become a seasonal disease, with another outbreak in winter 2020/21. Quarantine measures will be effective in limiting the spread of the disease, but they will have severe negative economic consequences. In addition, disruptions to global supply chains will be severe. Overall, we forecast that global output will contract by 2.2% in 2020, and that global trade will drop by 1.4%. All G7 countries and almost all G20 countries will experience a full-year recession in 2020. We forecast real GDP growth in China of 1% in 2020 and a full-year recession of 2.8% in the US. Most countries have responded with huge fiscal expansion to support businesses and households, raising the risk of sovereign debt crises in the medium term. Central banks have cut interest rates and, more importantly, have stepped up as buyers of last resort for government and corporate debt.

The epidemic in Europe is spreading unabated—Italy is currently the worst affected, with more than 135,000 confirmed cases and more than 17,000 deaths as at April 8th. In mid-March the government adopted a countrywide lockdown of all non-essential commercial activities and told citizens to self-quarantine at home. Other European countries have followed suit. The outbreak in the UK has lagged behind continental European counterparts by one to two weeks, but is substantial, with over 60,000 confirmed diagnoses and over 6,000 deaths as at April 8th.

The coronavirus epidemic will have a severe economic impact. We forecast a euro zone recession in 2020 of -5.9%, as output in all of the bloc’s economies will contract. Quarantine measures will result in a sharp supply-side shock, hitting working hours and productivity. Manufacturers will suffer a disruption to global supply chains after Chinese exports contracted by more than 17% in the first two months of the year. Supply-side disruptions will be short-lived, but demand effects will be long-lasting. A decline in confidence is likely to persist after quarantine measures are lifted. For fear of contagion, people may continue to avoid public spaces, and tourism may not resume immediately. Households will limit their consumption in response to a loss of income, and businesses will delay investment.

The political and geopolitical impact could be seismic. The pandemic has resulted in an extraordinary expansion of executive powers, with limited parliamentary oversight. Elections have been cancelled in some countries. Afterwards, governments will face intense scrutiny about how they responded to the epidemic. A failure to address the humanitarian crisis triggered by the coronavirus could further erode trust in national institutions. A severe global economic crisis, followed by renewed fiscal austerity, would fuel a new wave of popular protest. The crisis may encourage support for the nation state and a backlash against globalisation and open borders. The competition for global leadership between China and the US will intensify as a result of the crisis, and a realignment of traditional geopolitical allegiances may ensue as China dispenses aid on a large scale in Europe, Africa and elsewhere.

Economic growth

UK growth in 2018 and 2019 was slow, at 1.3% and 1.4% respectively, owing to softening global demand and Brexit-related political turmoil. However, the coronavirus pandemic and ensuing public-health measures will cause a severe contraction in 2020. The exact degree of economic disruption is subject to significant uncertainty and will depend on the progress of the disease, the effectiveness of the public-health measures, and the likelihood and intensity of further outbreaks. However, we currently forecast that UK GDP will contract by 4.7% in 2020, concentrated in the first two quarters of the year.

Growth since the EU referendum has been driven by private consumption—supported by real wage growth, which reached post-financial-crisis highs in 2019, and a 2019 unemployment rate of 3.8%. However, even with the government's wage support initiatives in place, we expect unemployment to spike significantly, particularly among the self-employed and short-term workers, reaching 12.1% for the year. We also expect wage growth to decline, as the wage-support scheme will cover only 80% of workers' salaries in affected sectors. These trends will be partially reversed once the pandemic abates, and we expect unemployment to fall to 7% in 2021 and to continue to decline thereafter.

We also expect gross capital formation to decline sharply as the highly uncertain business environment depresses investment. We expect a bounce-back in 2021 and 2022 due to pent-up demand, and expect the government to revive its plans to encourage greater investment once the pandemic is resolved. Investment growth should stabilise in 2023-24 at an annual average of 3.4%.

We forecast that export and import growth will turn sharply negative in 2020 as global demand collapses and coronavirus-related travel restrictions persist. The collapse in overall demand will improve the UK's current-account balance as imports decline, with the deficit shrinking to 2.2% of GDP in 2020 from an estimated 4% in 2019, before gradually expanding again from 2021.

Economic growth

%	2019[a]	2020[b]	2021[b]	2022[b]	2023[b]	2024[b]
GDP	1.4	-4.7	3.0	1.8	1.5	1.5
Private consumption	1.1	-6.4	6.5	1.6	1.6	1.4
Government consumption	3.5	10.0	-15.0	2.2	2.1	2.0
Gross fixed investment	0.6	-18.3	20.4	4.8	3.4	3.4
Exports of goods & services	4.8	-14.4	9.3	4.6	2.2	1.9
Imports of goods & services	4.6	-15.1	10.9	6.4	3.8	2.8
Domestic demand	1.6	-5.0	3.5	2.4	2.0	1.8
Agriculture	-1.2	-8.0	2.0	3.0	0.5	0.5
Industry	-0.2	-4.0	3.0	1.8	1.0	1.2
Services	1.8	-4.8	3.0	1.8	1.6	1.6

[a] Actual. [b] Economist Intelligence Unit forecasts.

Inflation

United Kingdom | Economy | Forecast | Inflation

April 9th 2020

We expect price pressures to decline sharply in 2020 and 2021 after inflation averaged 1.7% in 2019. The impact of the coronavirus is expected to depress demand sharply in many sectors of the economy, and global competition between Russia and Saudi Arabia will keep oil prices subdued. These conditions will improve after early 2021, and we expect demand to increase steadily as uncertainty declines, gradually lifting inflation to an average of 1.5% by the end of the forecast period in 2024.

Exchange rates

United Kingdom | Economy | Forecast | Exchange rates

April 9th 2020

The value of the pound has been volatile in recent years, owing to the UK's large current-account deficit, which requires massive international capital investment to support sterling. Since 2016 this has manifested itself in increased volatility around political events, as investors saw the UK's relationship with the EU as a proxy for its investment prospects. Similar behaviour is likely to continue through the coronavirus crisis. Sterling saw a sharp decrease against the dollar in March, reaching a 35-year low of US$1.15:£1, as investors engaged in a flight to safety as firms faced a dollar liquidity shortage. The establishment of swap lines between the Federal Reserve (the US central bank) and other central banks, including the BoE, reversed this trend somewhat, and sterling recovered to

US$1.23:£1 by end-March. However, we expect sterling to remain volatile through the crisis period. Looking ahead, we expect sterling to appreciate gradually as the crisis abates, reaching US$1.41:£1 by the end of the forecast period.

External sector

United Kingdom | Economy | Forecast | External sector

April 9th 2020

The outbreak of coronavirus is expected to cause global trade to contract in 2020 as demand declines, travel is disrupted and global supply chains are compromised by national lockdowns. The UK is no exception, and we expect that both imports and exports will decline sharply in 2020. This will reduce the UK's current-account deficit from an estimated 4% of GDP in 2019 to 2.2% of GDP in 2020. Brexit-related disruption will also weigh on imports and exports. From 2021 we expect trade to rebound, but do not expect services trade to return to pre-crisis levels before 2022 or goods trade before 2024.

Country forecast overview: Business environment rankings

United Kingdom | Business | Business environment | Rankings overview

April 8th 2020

Value of index[a]		Global rank[b]		Regional rank[c]	
2015-19	2020-24	2015-19	2020-24	2015-19	2020-24
7.80	7.84	17	19	11	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 business environment score improves for the forecast period (2020-24) compared with 2015-19. The UK remains in place in the regional rankings but declines by two places in the global rankings. Brexit introduces policy uncertainty, but the country's strengths—including 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

April 8th 2020

Policy towards private enterprise and competition

2020-21: Coronavirus shuts down large segment of retail. Public support for renationalisation of rail sector and utilities.

2022-24: Revamp of regulatory and competition frameworks. Continued state support underpins house prices.

Policy towards foreign investment

2020-21: Coronavirus and Brexit uncertainty limits investment opportunities.

2022-24: Infrastructure plans offer investment opportunities. Possible changes in tax policies to bolster inward investment.

Foreign trade and exchange controls

2020-21: Brexit transition and coronavirus create significant trade uncertainty. New Northern Irish protocol implemented. Talks begin on UK-EU free-trade agreement. Significant risk of "cliff edge" transition for businesses.

2022-24: Expected decline in UK-EU crossborder trade. New trade agreements with other countries, including US, possible.

Taxes

2020-21: Gradual rise in personal income-tax allowance but also in total tax burden. Modest changes to business rates.

2022-24: Ongoing efforts to reduce revenue lost to growing tax avoidance and evasion. Possible changes to the value-added tax (VAT) framework if the UK leaves the EU's VAT regime after 2020.

Financing

2020-21: Monetary policy remains highly accommodative. "Ring-fencing" bank reforms and ongoing capital strengthening. Steady growth in alternative forms of debt financing.

2022-24: Loss of "passporting" rights and restrictions on EU services trade. Modest decline in City of London's status.

The labour market

2020-21: Spike in unemployment from coronavirus. Phased increase in compulsory national living wage.

2022-24: End to free movement of labour from EU after Brexit, but greater liberalisation overall

Infrastructure

2020-21: Modest rise in spending on housing, roads and digital infrastructure. Crossrail service in London begins operation.

2022-24: Increased infrastructure investment, emphasis on ”levelling up” regional infrastructure and competitiveness.

Technological readiness

2020-21: High e-commerce penetration and strong research base, but UK research and development (R&D) spending below EU average and limited provision of e-government services. Continued high threat from cybercrime and cyber-espionage.

2022-24: Possible weakening of research and innovation framework owing to exit from—or more restricted access to—EU structural programmes (such as ”Horizon 2020”) and project financing schemes. Modest rise in public R&D spending.

Market opportunities: Social indicators and living standards

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

May 7th 2019

Social indicators and living standards

	2018		2023	
		Western Europe (av)		Western Europe (av)
Health				
Healthcare spending (% of GDP)	9.8	10.4	10.3	10.7
Healthcare spending (US$ per head)	4,166	4,496	5,149	5,586
Infant mortality rate (per 1,000 live births)	4.2	3.5	4.0	3.4
Physicians (per 1,000 population)	2.9	3.9	3.1	4.1
Food and beverages				
Food, beverages & tobacco (% of household spending)	11.7	17.2	11.9	16.9
Meat consumption (kg per person)	85.3	89.4	87.9	94.3
Milk consumption (litres per person)	240.3	257.8	247.2	270.9
Coffee & tea consumption (kg per person)	4.4	6.1	4.5	6.4
Consumer goods in use (per 1,000 population)				
Passenger cars	521	537	518	553
Telephone main lines	535	446	542	453

Mobile phone subscribers	1,434	1,529	1,446	1,671
Television sets	1,126	804	1,248	881
Personal computers	982	913	1,110	1,005
Households				
No. of households (m)	27.1	186.8	28.0	195.5
No. of people per household (av)	2.5	2.2	2.4	2.2
Income and income distribution				
Median household income (US$)	58,320	51,056	68,690	59,549
Average monthly wage (US$)	3,712	3,757	4,745	4,509
Gini index	33.2[a]	31.7[a]	–	–

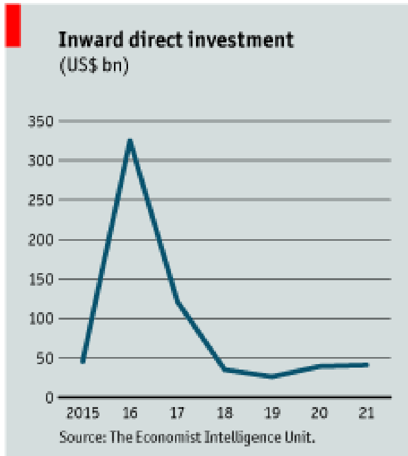
[a] Latest available year.

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

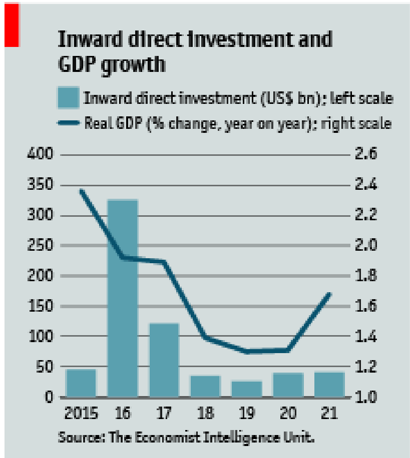
Global position

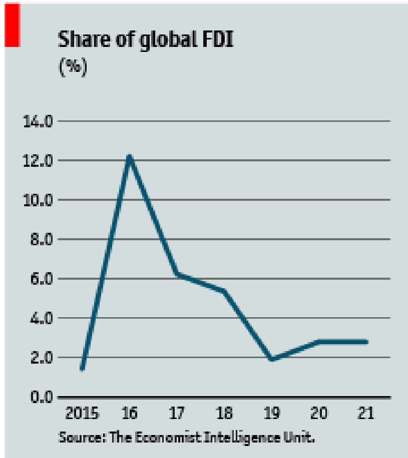
United Kingdom | Regulation | Global position

December 1st 2019



The outlook for the UK has become much more uncertain following the 2016 referendum vote to leave the EU. The UK began the formal process of exiting the bloc in March 2017 when it triggered Article 50 of the Lisbon Treaty. This provided for a two-year exit time frame, although the UK has since asked for three Article 50 extensions, with departure now expected on or by January 31st 2020. A general election takes place in the meantime, on December 12th 2019. The UK and EU have negotiated a withdrawal agreement that allows for a transition period lasting until end-2020 (with an extension possible), during which the UK would retain most aspects of EU membership. Looking beyond the transition period, the UK and EU intend to work towards a free-trade agreement, with the degree of regulatory alignment between the two parties still to be determined. Real GDP growth is expected to be relatively subdued during the next few years, reflecting Brexit-related uncertainties. 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 and transport sectors.





Regulatory/market assessment

United Kingdom | Regulation | Regulatory/market assessment

December 1st 2019

- In October 2019 the government stated its intention to implement legislation expanding its powers to block business transactions that can pose national security risks. Development of the reform was halted after the calling of a general election scheduled for mid-December 2019. Discussions were also cut short on a proposed digital sales tax targeting foreign companies that do substantial business in the UK but pay relatively little tax there.

- In November 2019 the government declared a moratorium on hydraulic fracturing (fracking), which took immediate effect. The move follows the publication of a report from the Oil and Gas Authority, an industry regulator, on the difficulties of predicting the environmental and safety impacts of the practice.
- A March 2019 reform ends the so-called Swedish derogation, which excludes agency workers from the right to pay parity with permanent employees in the company where they are assigned if they are paid between work assignments. The measure takes effect in April 2020.

Regulatory/market watch

United Kingdom | Regulation | Regulatory/market watch

December 1st 2019

- Negotiated in October 2019, the most recent withdrawal agreement between the UK and EU sets a new Brexit deadline at January 31st 2020, following three extensions from the initial target of March 29th 2019. The agreement allows for a transition period lasting until end-2020 (with a possible two-year extension), during which the UK retains most aspects of EU membership including participation in the single market and customs union.
- The withdrawal agreement states that the UK and EU will work towards a free-trade agreement that will clarify their future relationship following the conclusion of the transition period. It envisages that the UK will leave the EU single market and customs union (with special arrangements for Northern Ireland), leaving it free to negotiate trade deals with non-EU countries.

- The withdrawal agreement still requires ratification by the UK and EU to take effect. Results from the UK's general election scheduled for mid-December 2019 will determine how and whether the country passes the agreement in its current form.
- Brexit has put into question the privileged access that nationals from the European Economic Area (the EU plus Iceland, Liechtenstein and Norway) and Switzerland currently enjoy to the UK's labour market. While workers already in the UK can apply for "settled status", the direction of policies targeting new labour migrants remains in flux and inevitably will reflect the composition of government following the December 2019 election.
- Brexit has also compromised the UK's continued access to EU development funding, which will end following the conclusion of the proposed transition period. The Conservative government has proposed the development of a UK Shared Prosperity Fund to replace the EU programmes, but this had not been finalised as of end-November 2019.
- Brexit will mean that the European Court of Justice no longer has broad powers to challenge UK tax law—a particularly contentious area in the past. After leaving the EU, the UK will likely have to balance its new abilities to reform EU laws and overturn precedent with the need to maintain a competitive business environment.
- In November 2019 Prime Minister Boris Johnson announced the Conservative Party would scrap a planned reduction in the corporate income tax rate from 19% to 17% in April 2020, if it wins the upcoming general election. The move aims to support spending on public services.
- Brexit raises the possibility of divergence between UK and EU competition law. The exact outcome will depend on the model the UK adopts in its future relationship with the EU and will likely involve a slow process. EU competition rules would continue to apply to UK companies conducting business within EU member states after the UK leaves the bloc.

- The recent withdrawal agreement proposes that Northern Ireland would stay within a regulatory union with the EU for most goods, remaining in the UK customs and value-added tax (VAT) areas and with checks conducted by the UK on the EU's behalf for any goods bound for the EU across the Irish Sea. The arrangement would be subject to revision every four years by a majority vote in the Northern Ireland Assembly.

Long-term outlook: The long-term outlook

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

May 7th 2019

	2019-30	2031-50	2019-50
Population and labour force (% change; annual av)			
Total population	0.44	0.31	0.39
Working-age population	0.18	0.11	0.11
Working-age minus total population	-0.31	-0.20	-0.26
Labour force	0.43	0.20	0.30
Growth and productivity (% change; annual av)			
Growth of real GDP per head	1.0	1.4	1.3
Growth of real GDP	1.4	1.7	1.6
Labour productivity growth	1.7	1.5	1.7
Growth of capital stock	2.7	2.4	2.6

Total factor productivity growth	0.6	0.7	0.7

Initial conditions: From the early 1990s up to 2008 the economic performance of the UK improved relative to that of many of its regional peers, owing in part to a sharp rise in labour utilisation. A similar pattern emerged in the wake of the global financial crisis, with strong employment growth fuelling a comparatively strong recovery in the UK. The pace of economic growth has since softened, and The Economist Intelligence expects more subdued activity to continue over the next few years, amid Brexit uncertainty, lower investment and weak productivity growth. We do not expect Brexit to have an obvious negative effect on long-term growth prospects, as many of the factors underpinning this in our model are not related to EU membership. A UK departure from the EU would have a negative effect on some sources of growth such as external trade, but it may have a modestly positive effect on others, such as deregulation and fiscal transfers.

In the long-term forecast horizon, we expect economic performance to remain relatively robust. This reflects our view that the country's policymakers will adjust to the new reality over time and develop new pro-growth strategies. With comparatively robust demographic tailwinds—we do not anticipate a sharp post-Brexit tightening of immigration—trend rates of UK real GDP growth will be stronger than in Europe's other large economies. For example, our forecast for average annual UK real GDP growth of 1.6% in 2019-50 (the long-term forecast period) compares with 1.4% in Germany and 1.5% in France.

Small regulatory barriers aid investment

In terms of long-term growth prospects, the UK's advantages have traditionally included a comparatively low regulatory burden, a flexible labour market and a business environment that is conducive to foreign investment. These areas of economic management will be affected by Brexit, but we expect them to remain advantages for the UK. On the negative side, factors that tend to constrain the UK's long-term outlook include over-reliance on wealth effects generated by the volatile financial and real estate sectors, high levels of private-sector debt and a deficit in ”intermediate” labour market skills. 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. It is possible that a Brexit shock would result in a policy shake-up that will address some of the shortcomings that have underpinned this poor productivity performance, although there is little evidence of sufficient political support for such a shift.

The labour force participation rate is higher than the OECD average

Demographic trends: The working-age population is forecast to rise gradually over the long-term horizon, and the share of the population aged 65 or over will continue to increase. By 2050 those aged 65 and older are projected to account for 25.4% of the population (up from 18.7% in 2018). The share of the working-age population peaked at 66% in 2008-09 and is forecast to decline steadily, to 58.3% by 2050. The labour force participation rate is just below 80% —slightly lower than in Denmark and Norway, but much higher than the OECD average. This suggests that some scope exists for raising participation levels, but less than in most of the UK’s peers.

External conditions: The UK is a highly trade-dependent economy, and thus its departure from the world’s largest trading bloc would have implications for its long-term prospects. Proponents of Brexit argue that it would unleash the UK’s trading potential in other parts of the world, but we are sceptical about this argument. First, this new latitude in trade policy—as an EU member the UK is prohibited from agreeing trade deals on its own behalf—will probably come at the price of weaker trade links with the EU, which is the UK’s most significant trading partner. Second, there are deeper factors than EU membership that have hampered the UK’s ability to expand its exports to the world outside the EU, such as weaker policy supports than are offered in many other EU countries, and a business culture that is less familiar with and enthusiastic about tackling the challenges involved in trading with new markets.

The EU will probably remain the UK's main export destination after Brexit

Multilateral trade-liberalisation talks have been foundering in the face of increased political resistance, particularly in Europe and the US. Moreover, global trade growth has slowed in the wake of the financial crisis—in part because of the changing structure of global supply chains—and remains at risk from an increase in protectionist sentiment. The development of the emerging economies in Asia, South America and parts of Africa will present opportunities and challenges for UK companies. Amid some volatility—and a softer pace of expansion in China—we expect relatively solid growth to continue across the emerging world, changing the shape of the global economy and the role of major players on the world stage. Regardless of the precise contours of the UK's post-Brexit settlement, the EU is likely to remain the UK's most important export destination. Given the demographic, structural and political headwinds that the bloc faces, we expect the EU's long-term growth rate to remain modest. The underlying weakness of the euro zone also represents a significant tail risk to the UK, as it remains conceivable that it could lead to a partial or complete break-up of the currency bloc. This would be highly disruptive for the UK economy and its financial system.

Institutions and policy trends: The UK is a healthy democracy with a well-entrenched rule of law (guaranteeing security of contracts), liberalised product markets and a rigorous competition policy regime. The country's decision to leave the EU represents a break with decades of policy consensus. It remains too early to gauge how effectively policymakers and institutions will cope with the challenges involved in taking the UK out of the EU. Questions remain about the capacity of the government and bureaucracy to handle what lies ahead.

Long-term prospects depend on an improvement in productivity

Long-term performance: The UK has less scope for raising labour force participation than most other developed economies, so its long-term economic prospects will depend on raising productivity. It will have to meet three major challenges in this regard: improving its human capital by boosting intermediate and vocational skills; raising the quality of infrastructure for land transport; and relaxing the UK's strict planning regulations, which have contributed to a boom-bust cycle in the residential housing market, raised commercial rents, reduced competition and prevented firms from operating at their most efficient scale. A number of factors could prevent the UK from closing the productivity gap with some of its peers. Examples include the relative scarcity of land, which will require GDP growth to be balanced against other social objectives, and the UK's relatively low share of spending on R&D. The economy is forecast to grow at a respectable pace until 2050. However, many emerging market economies will expand far more rapidly. Not only are their demographic profiles more favourable, but they also have significant potential for catch-up in areas ranging from institutional quality, regulatory efficiency and education to the application of information and communications technology (ICT).

Income and market size

	2018	2030	2050
Income and market size			
Population (m)	66.6	70.6	75.4
GDP (US$ bn at market exchange rates)	2,829	3,972	7,931
GDP per head (US$ at market exchange rates)	42,490	56,280	105,220
Private consumption (US$ bn)	1,870	2,610	4,990
Private consumption per head (US$)	28,090	36,980	66,200
GDP (US$ bn at PPP)	3,075	4,475	9,350
GDP per head (US$ at PPP)	46,180	63,400	124,040
Exports of goods & services (US$ bn)	847	1,278	2,923

Imports of goods & services (US$ bn)	888	1,317	2,959
Memorandum items			
GDP per head (at PPP; index, US=100)	74.4	72.2	72.8
Share of world population (%)	0.88	0.85	0.81
Share of world GDP (% at market exchange rates)	3.36	2.86	2.30
Share of world GDP (% at PPP)	2.31	2.01	1.78
Share of world exports of goods & services (%)	3.43	3.19	2.82

Automotive

United Kingdom | Automotive | Overview

April 10th 2020

- The UK is the world's 13th-largest automotive manufacturer and sixth-largest vehicle market, according to the International Organisation of Motor Vehicle Manufacturers (OICA). Output expanded steadily between 2010 and 2016, but has since fallen sharply amid political uncertainty, weaker domestic and export demand, regulatory changes and a structural shift away from diesel. Total vehicle production in 2019 declined by 14% to a decade-low level.
- The coronavirus (Covid-19) pandemic and the severe quarantine restrictions will result in an unprecedented collapse in global economic activity in 2020 and significant supply-side disruption across the automotive industry. The economic fallout will place financial strain on carmakers, lead to job losses, further consolidation, delays in

investment and perhaps bankruptcies. As at early April 2020, virtually the entire automotive sector was in shutdown.

- In the UK, the process of exiting the EU (Brexit) will add to risks. There is likely to be a permanent (and possibly large) negative hit to the capacity of the auto sector, which was already struggling amid falling demand, the need for large-scale investment in electric vehicle (EV) technology and competition from lower-cost manufacturing locations.

Income and demographics

	2015[a]	2016[a]	2017[a]	2018[a]	2019[a]	2020[b]	2021[b]	2022[b]	2023[b]	2024[b]
Nominal GDP (US$ bn)	2,930.0[c]	2,703.7[c]	2,670.7[c]	2,864.2[c]	2,829.2[c]	2,731.7	2,876.2	3,058.6	3,208.3	3,394.4
Population (m)	65.4[c]	65.8[c]	66.7[c]	67.1	67.5	67.9	68.2	68.5	68.8	69.0
GDP per head (US$ at PPP)	42,334[c]	44,042[c]	45,516[c]	46,481	47,596	45,958	48,029	49,258	50,155	51,436
Private consumption per head (US$)	28,886[c]	26,754[c]	26,021[c]	27,931	27,193	26,145	27,376	28,538	29,570	30,720
No. of households ('000)	26,994	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195
No. of households with annual earnings above US$5,000 ('000)	26,994	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195
No. of households with annual earnings above US$10,000 ('000)	26,994	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195
No. of households with annual earnings above US$50,000 ('000)	18,132	16,237	15,725	17,387	17,109	16,074	17,130	18,207	18,968	19,959
No. of households with net wealth over US$1m ('000)	982	851	1,036	932	1,010	1,054	1,182	1,235	1,403	1,490

[a] Economist Intelligence Unit estimates. [b] Economist Intelligence Unit forecasts. [c] Actual.

Source: The Economist Intelligence Unit.

- The unclear progression of the disease means that there is huge uncertainty over The Economist Intelligence Unit's forecast. Based on an assumption of a gradual return to economic activity in late 2020, we forecast a 20% annual drop in new-car sales and a 25% decline in commercial vehicle (CV) sales this year.
- We expect that new state-funded stimulus measures will be announced later in 2020 to support a recovery in sales. These may include a vehicle scrappage scheme similar to that in 2009 after the financial crisis. This would encourage a partial bounce-back in sales, but a surge in unemployment, reduced household incomes and greater consumer caution will weigh on underlying demand. We expect new-car sales to rise at a compound annual growth rate of just 0.2% in 2020-24, while new-CV sales will rise at a faster rate of 4%.

Consumer goods

United Kingdom | Consumer goods | Overview

February 18th 2020

- Retail sales volume growth has been fairly resilient in recent years, supported by employment gains, low inflation, consumer borrowing and extensive retail discounting. According to Ascential (formerly Planet Retail), a provider of global retail intelligence, sales volumes expanded by 1.1% in 2018. The Economist Intelligence Unit estimates that sales growth accelerated slightly in 2019, to 1.8%, supported by firmer real income gains. However, underlying growth has been softer than in 2014-16 and retail activity lost momentum over the second half of 2019.
- The general election in December 2019 delivered a large majority for the pro-Brexit Conservative Party and the UK will formally leave the EU in 2020. Until the end of 2020 the UK will be entering a standstill "transition period" to

which most existing UK-EU arrangements will still apply. A stable majority government and a clearer ”direction of travel” on Brexit may generate a near-term uplift in sentiment and retail spending in 2020.

- However, underlying economic conditions are fairly weak and the ’real’ Brexit deadline of end-2020—when the UK is scheduled to leave the single market and customs union, with or without a deal—implies a cliff-edge risk and ongoing uncertainty across the economy. We expect a limited ”hard” Brexit deal to be agreed by end-2020, but one that will probably leave many regulatory issues and trading arrangements unresolved.
- Assuming a ”real” Brexit deadline of end-2020, our core forecast is for modest growth in retail sales in 2020 and a decline in 2021, with a mild recovery thereafter. Irrespective of whether a deal is agreed, the UK economy (including the retail sector) will face increased tariff and non-tariff barriers from 2021. This is expected to result in higher consumer prices and supply-chain disruption, with a significant impact on the agricultural and food manufacturing sectors. More severe, and prolonged, negative effects would result from a ”no-deal” Brexit.

Income and demographics

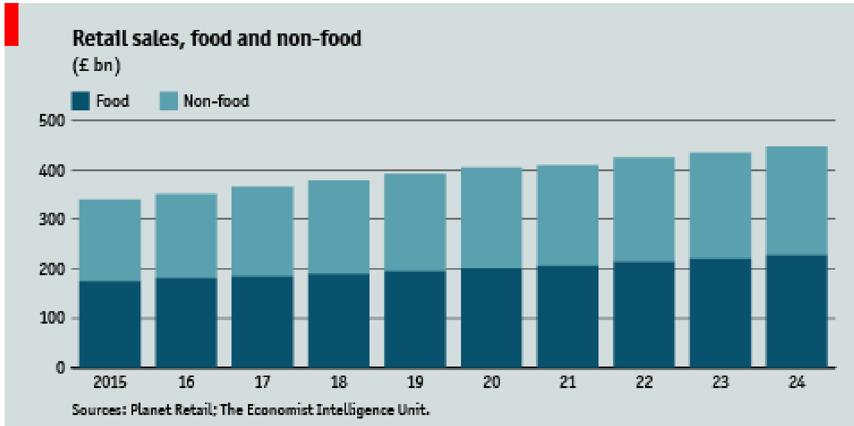
	2015[a]	2016[a]	2017[a]	2018[a]	2019[a]	2020[b]	2021[b]	2022[b]	2023[b]	2024[b]
Nominal GDP (US$ bn)	2,930.0[c]	2,703.7[c]	2,670.7[c]	2,864.2[c]	2,817.8	2,908.5	3,028.5	3,296.4	3,500.0	3,688.1
Population (m)	65.4[c]	65.8[c]	66.7[c]	67.1	67.5	67.9	68.2	68.5	68.8	69.0
GDP per head (US$ at PPP)	42,334[c]	44,042[c]	45,516[c]	46,481	47,958	49,088	50,319	51,526	52,793	53,860
Private consumption per head (US$)	28,886[c]	26,754[c]	26,021[c]	27,931	27,272	27,974	28,889	30,681	32,029	33,078
No. of households ('000)	26,994	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195
No. of households with annual earnings above US$5,000 ('000)	26,994	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195
No. of households with annual earnings above US$10,000 ('000)	26,994	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195

No. of households with annual earnings above US$50,000 ('000)	18,132	16,237	15,725	17,387	16,815	17,283	17,981	19,306	20,245	21,045
No. of households with net wealth over US$1m ('000)	982	851	1,036	932	1,005	1,053	1,186	1,345	1,506	1,639

[a] Economist Intelligence Unit estimates. [b] Economist Intelligence Unit forecasts. [c] Actual.

Source: The Economist Intelligence Unit.

- The UK is Europe's biggest online retail market, but robust internet sales have gone hand in hand with a steady fall in the number of high-street stores and retail employment. These trends will persist, amid rising mobile e-commerce (m-commerce), although annual growth rates will moderate as internet retail matures. A new digital services tax is scheduled to take effect from April 2020, which will target multinational technology groups such as Amazon, eBay and Apple (all US). Retaliation from the US government is possible.



Energy

United Kingdom | Energy | Overview

March 25th 2020

- Total UK energy consumption has trended gradually lower since the mid-1990s, but was fairly stable in 2019 at an estimated 176m tonnes of oil equivalent (toe). This compares with 196m toe a decade earlier. Together, natural gas and oil account for nearly three-quarters of the energy mix. The Economist Intelligence Unit expects total consumption to fall gradually over the next decade, amid subdued economic growth and improving energy efficiency.
- The UK retains significant supplies of coal, oil and natural gas, but production is not sufficient to meet domestic demand. Given reliance on imports (for about 35% of primary energy demand), exposure to volatility in global energy prices will persist. Unusually cold weather in early 2018, which boosted demand, highlighted the UK's dependence on gas imports and its limited gas storage facilities (less than 2% of annual consumption).
- Consumption data for 2018 published by the Department for Business, Energy and Industrial Strategy (BEIS) indicated a further decline in coal usage, alongside a modest fall in demand for oil and an uptick in consumption of natural gas. Electricity consumption declined slightly, within which solid growth in renewables (mainly wind power and biomass) offset a fall in nuclear.
- UK carbon emissions fell for a sixth consecutive year in 2018, by 2%. Driven primarily by the shift from coal for electricity generation towards gas and renewables, the UK has already achieved its EU-mandated target to reduce greenhouse gas emissions by 20% from 1990 levels by 2020—emissions in 2018 were an estimated 43% lower. However, total transport emissions have changed little over the past 30 years.

- The UK's exit from the EU in early 2020 means that it is no longer required to meet EU-mandated climate targets (such as a 40% cut in emissions from 1990 levels). However, the UK's 2008 Climate Change Act still mandates a medium-term reduction of the country's carbon footprint by 2050. This was amended by the previous Conservative government in mid-2019, replacing an existing target of lowering emissions by 80% from 1990 levels with a tougher objective of "net zero" emissions by 2050.
- There is more limited scope to reduce emissions via decarbonising the energy supply, so progress will rely increasingly on behavioural shifts by households and firms, which may not be popular and would probably push up energy costs. There are also doubts over the "green credentials" of the new hard-right Conservative government elected in December 2019. In the short term, however, both energy consumption and emissions are expected to fall as a result of the coronavirus outbreak, which was declared a pandemic by the World Health Organisation in March 2020.
- Until a post-Brexit UK-EU trade deal is finalised—potentially by end-2020 but more realistically some years later, especially as the coronavirus pandemic could cause talks to be postponed—uncertainty will persist over many elements of energy policy. This includes the UK's future level of participation in the EU's internal energy market (IEM), the emissions trading system (ETS), the Euratom Treaty for nuclear regulation, interconnector projects to the continent, and various EU research funding schemes. Changes could have implications for energy prices, security of supply and new capacity expansion. Brexit will impose new non-tariff restrictions on trade and is likely to reduce availability of skilled foreign labour. The risk of a highly disruptive "no-deal" Brexit in early 2021 will persist, and early indications from UK officials suggest that the country will seek to avoid any future alignment obligations with the EU.
- All of the six big energy suppliers in the UK—British Gas, EDF Energy (France), E.ON (Germany), Npower (Germany), Scottish Power and SSE (domestic producers)—have raised energy prices in recent years, citing higher

wholesale energy costs and government policies—including renewables subsidies and smart-meter installation—for the increases in end-user bills.

- The dominance of the ”big six” energy suppliers is declining, amid market and regulatory pressure. Smaller players now account for almost 30% of the market.

Energy: key indicators

	2018[a]	2019[b]	2020[b]	2021[b]	2022[b]	2023[b]	2024[b]	2029[b]
GDP (US$ bn at market exchange rates)	2,864	2,813	2,915	3,034	3,273	3,471	3,654	4,188
Real GDP (% change, year on year)	1.3	1.3	1.2	1.0	1.9	1.8	1.6	1.7
Population (m)	67.1	67.5	67.9	68.2	68.5	68.8	69.0	70.3
Population (% change, year on year)	0.6	0.6	0.5	0.5	0.4	0.4	0.4	0.3
Gross domestic energy consumption (ktoe)	176,884	176,357	175,485	173,804	174,153	173,562	173,672	171,376
Gross domestic energy consumption (% change, year on year)	0.6	-0.3	-0.5	-1.0	0.2	-0.3	0.1	-0.7

[a] Actual. [b] Economist Intelligence Unit forecasts. [c] Economist Intelligence Unit estimates.

Note. Forecasts for 2025-28 are available via The Economist Intelligence Unit's data tool.

Sources: The Economist Intelligence Unit; © OECD/IEA 2018 IEA statistics, www.iea.org/statistics, licence: www.iea.org/t&c.

Financial services

United Kingdom | Finance | Overview | Financial services | Overview

April 29th 2020

- The UK has one of the world's best developed financial industries, but it faces two major challenges in the coming years: coping with the novel coronavirus (Covid-19) and managing the country's departure from the EU. The first will deliver a sharp, but hopefully short shock to the sector. By contrast, the second is likely to require a long-term shift in trading relationships and may contribute to an on-going shrinkage of the industry.
- London is currently one of the two leading global financial centres (along with New York) and has the largest share of many international markets. The UK financial sector—banking, insurance, fund management, securities and alternative investment—plays a significant role in the economy. In 2019 it accounted for 5.9% of GDP, down from 6.8% five years earlier, according to Eurostat. It employed slightly over 1m residents or 3.2% of the workforce, down from 3.5% five years before. The industry makes a substantial contribution to the balance of payments and tax revenue.
- The outbreak of the novel coronavirus caused all non-essential retail activities to be suspended in March 2020. Owing to this, and the global spread of the virus, The Economist Intelligence Unit expects the UK's real GDP to decline by 4.7% in 2020, before rebounding by 3% in 2021. Large sections of the economy are currently shut down, and even once they are reopened both domestic and global demand are likely to remain supressed. We do not expect the UK to reach its pre-crisis GDP before 2023. Managing the recovery will therefore become a key priority of the recently re-elected Conservative government.
- The government has been continuously tweaking the fiscal relief packages on offer in order to ensure comprehensive coverage for British households and businesses, most recently expanding a government guarantee

scheme to cover 100% of loans for the smallest businesses, up from 80%, to allow smaller firms easier and faster access to financing. The UK has advantages vis-à-vis its European peer countries in having the longest average debt maturity by a considerable margin and the ability to borrow in its own currency—bolstered by unprecedented monetary-fiscal policy co-ordination.

- The Bank of England (BoE, the central bank) has extended the use of the "Ways and Means" facility through to the end of 2020, allowing the Treasury to borrow directly from the BoE. The BoE governor, Andrew Bailey, has said that these provisions are temporary, but we do not believe that the BoE can credibly commit to withdrawing them in 2021 if it risks sharply worsening the UK's borrowing position.
- Following a general election on December 12th 2019 the Conservative Party, under the prime minister, Boris Johnson, won an emphatic 81-seat majority. This allowed him to achieve his primary campaign promise to leave the EU, which took place on January 31st, ending 47 years of EU membership and three and a half years of political deadlock on the issue. The future UK-EU relationship remains highly uncertain. The coronavirus outbreak has halted negotiations on the future relationship, after only one round of negotiations, making a comprehensive deal unlikely in 2020.
- The UK is currently scheduled to exit the transition period with the EU on December 31st. Legally, this deadline can be extended by the EU and the UK by mutual agreement, but the government has set the December 31st 2020 exit date in law and has resisted attempts to amend it. The UK and EU governments had set out a timetable for negotiations that envisaged a comprehensive free-trade agreement (FTA). However, only one round of talks had been held before the UK and EU countries began to implement national lockdowns, and the chief negotiators for both the UK and the EU were forced to self-isolate after developing coronavirus symptoms, effectively stalling the talks. As a result, we no longer believe that it is possible to agree an FTA on the existing timetable.
- 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, even in a best-case scenario. Reaching agreement on the many elements of a complex new trading arrangement will be difficult and time-consuming (taking years rather than months) and financial services firms in the UK will almost certainly face restrictions from a loss of ”passporting” (the right for UK-regulated financial companies to do business in the EU and vice versa).

- A future trading and regulatory regime for financial services would most likely be based on a so-called enhanced equivalence framework, which would allow firms to retain some access to the bloc, albeit more limited in most areas than is currently the case. A problem of this approach for UK-based companies is that market access could be withdrawn unilaterally by the EU if it deemed that UK regulation had strayed too far from its standards, implying a constant degree of uncertainty.

Income and demographics

	2015[a]	2016[a]	2017[a]	2018[a]	2019[a]	2020[b]	2021[b]	2022[b]	2023[b]	2024[b]
Nominal GDP (US$ bn)	2,930.0[c]	2,703.7[c]	2,670.7[c]	2,864.2[c]	2,829.2[c]	2,731.7	2,876.2	3,058.6	3,208.3	3,394.4
Population (m)	65.4[c]	65.8[c]	66.7[c]	67.1	67.5	67.9	68.2	68.5	68.8	69.0
GDP per head (US$ at PPP)	42,334[c]	44,042[c]	45,516[c]	46,481	47,596	45,958	48,029	49,258	50,155	51,436
Private consumption per head (US$)	28,886[c]	26,754[c]	26,021[c]	27,931	27,193	26,145	27,376	28,538	29,570	30,720
No. of households ('000)	26,994	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195
No. of households with annual earnings above US$5,000 ('000)	26,994	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195
No. of households with annual earnings above US$10,000 ('000)	26,994	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195
No. of households with annual earnings above US$50,000 ('000)	18,132	16,237	15,725	17,387	17,109	16,074	17,130	18,207	18,968	19,959

No. of households with net wealth over US$1m ('000)	982	851	1,036	932	1,048	941	1,035	1,134	1,248	1,326

[a] Economist Intelligence Unit estimates. [b] Economist Intelligence Unit forecasts. [c] Actual.

Source: The Economist Intelligence Unit.

- UK and EU regulators have agreed and implemented a number of temporary arrangements to try to reduce the potential disruption to financial markets of a disorderly ”no-deal” Brexit. In the large euro-clearing market, for example, which is dominated by London-based firms, a 12-month window of ”equivalence rights” will allow EU-based derivatives traders to continue using UK clearing houses and market infrastructure in the event of a no-deal Brexit. UK regulators have established a temporary permissions regime that would allow EU-based firms passporting into the UK to continue existing regulated business for a limited period after a no-deal Brexit.
- Financial services companies currently serving the EU from the UK will continue to relocate some of their operations and staff to within the bloc, so as to ensure continued passporting provisions of the single market. Although outflows from the UK of financial sector employees (and related tax revenue) have so far been fairly modest, it is likely that this trend will continue as competing financial services hubs, primarily Frankfurt and Paris, gradually increase in size and influence. European policymakers will enhance post-Brexit policy efforts to attract major financial functions away from London. In mid-2019 the European Banking Authority (EBA), the EU’s regulatory agency, completed its relocation from London to Paris, in direct response to Brexit.

Healthcare

United Kingdom | Healthcare | Spending

March 22nd 2020

Overview

- A temporary increase in UK healthcare spending is expected in 2020 in response to the global coronavirus pandemic (Covid-19). As of March 21st, there were over 5,000 confirmed cases in the UK, with 233 deaths, but the government's scientific advisers have warned that deaths could total 510,000 without action. Even with the quarantine measures now in place, the UK's National Health Service (NHS) will face considerable strain, amid workforce shortages and with the number of critical care beds in the UK low by OECD standards.
- In its March 2020 budget the government pledged a £5bn (US$5.8bn) emergency response fund to help the NHS cope with the developing outbreak and the related costs of testing, staff recruitment, stockpiling and containment measures and staff recruitment. This was followed by a £330bn package to mitigate the shock to the UK economy that is likely in 2020, followed by a similar-sized package to support workers and households.
- Nevertheless, quarantine measures will depress GDP, which (combined with the uplift in spending) will inflate the healthcare spending/GDP ratio in 2020 to around 10.1%. By the end of the forecast period, in 2024, we expect total health spending (public and private) to rise to 10.3% of GDP. The UK's ratio in 2018 (latest OECD data) was 9.8% of GDP, lower than in Germany and France (both 11.2%), but above the OECD average of 8.8%.
- Total healthcare expenditure has been constrained over the past decade, during a period of government-imposed fiscal austerity. This has contributed to lengthening waiting times, rising staff shortages and deteriorating finances at NHS providers, with the effect exacerbated by cuts in social care services. Although the NHS has been partly ring-fenced from austerity budgets, funding per head rose by just 0.5% a year in real terms in 2009-16 and declined

slightly in 2017-18, according to OECD data. This compared with average real-terms growth of 3.7% a year since the NHS was founded in 1948.

- Real-term spending growth is expected to strengthen over the 2020-24 forecast period, as attention focuses on health services. In 2018 the then Conservative government (which was re-elected with a large majority in December 2019) set out a five-year spending plan targeting real-term growth of 3.4% a year, with a focus on new hospital investment and nursing recruitment.
- However, the UK's relatively weak public finances will become weaker still as a result of Covid-19. The Economist Intelligence Unit therefore expects real-term growth in 2020-24 to be lower than the government's target. In nominal terms, total health spending (public and private) will rise at a compound annual growth rate (CAGR) of 4% in 2020-24. Pharmaceutical sales are forecast to rise at a CAGR of 3.7% in nominal terms. These forecasts are slightly lower than our previous projections.
- Brexit will also pose a challenge to the healthcare system. The UK formally left the EU at end-January 2020, entering a transition period. The "real" Brexit deadline is end-2020, when the UK is scheduled to leave the single market and customs union. Our core forecast is that a limited "hard Brexit" deal focused on critical sectors will be agreed by end-2020, with negotiations ongoing in other areas. Such a deal would imply a rise in non-tariff barriers, with likely disruption to pharmaceutical supply chains. There is a high risk of no deal at all, with the UK reverting to World Trade Organisation (WTO) rules.

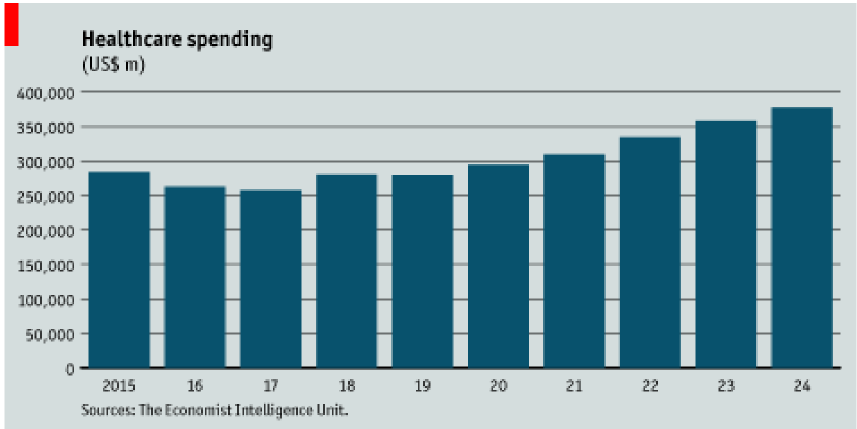
Income and demographics

	2015[a]	2016[a]	2017[a]	2018[a]	2019[a]	2020[b]	2021[b]	2022[b]	2023[b]	2024[b]
Nominal GDP (US$ bn)	2,930.0[c]	2,703.7[c]	2,670.7[c]	2,864.2[c]	2,813.2	2,914.9	3,033.9	3,272.7	3,470.9	3,654.0
Population (m)	65.4[c]	65.8[c]	66.7[c]	67.1	67.5	67.9	68.2	68.5	68.8	69.0
GDP per head (US$ at PPP)	42,334[c]	44,042[c]	45,516[c]	46,481	47,912	49,095	50,261	51,466	52,786	53,975

Private consumption per head (US$)	28,886[c]	26,754[c]	26,021[c]	27,931	27,260	27,978	28,835	30,264	31,530	32,512
No. of households ('000)	26,994	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195
No. of households with annual earnings above US$5,000 ('000)	26,994	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195
No. of households with annual earnings above US$10,000 ('000)	26,994	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195
No. of households with annual earnings above US$50,000 ('000)	18,132	16,237	15,725	17,387	16,806	17,245	17,848	19,070	19,996	20,792
No. of households with net wealth over US$1m ('000)	982	851	1,036	932	1,003	1,023	1,221	1,335	1,496	1,581

[a] Economist Intelligence Unit estimates. [b] Economist Intelligence Unit forecasts. [c] Actual.

Source: The Economist Intelligence Unit.



Funding sources

- Healthcare provision in the UK is dominated by the NHS, which is financed primarily via general taxation. Public expenditure (including compulsory contributions) accounted for 77% of current health spending in 2018, according to the OECD. This share has fallen slightly over the past decade. It is lower than in Germany (85%) and France (83%), but above the OECD average (74%).
- NHS care is free at point of delivery, but fixed charges are levied (in England) for most prescription medicines and dental care, with some exemptions. Devolution since 1999 means that most NHS funding and commissioning occurs under separate frameworks in the four UK nations, with clear variations in some policy areas.

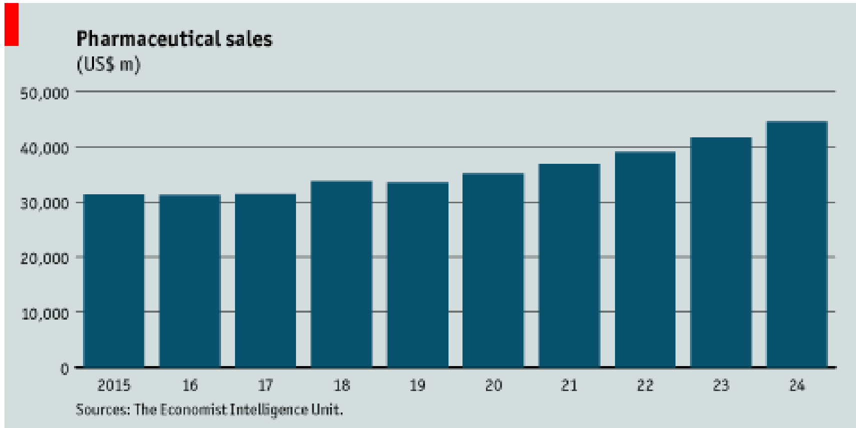
Healthcare: key indicators

	2015[a]	2016[a]	2017[a]	2018[b]	2019[b]	2020[c]	2021[c]	2022[c]	2023[c]	2024[c]
Life expectancy, average (years)	80.9	80.9	81.0	81.0[a]	81.1[a]	81.2	81.3	81.4	81.5	81.6
Life expectancy, male (years)	78.9	79.0	79.1	79.2[a]	79.3[a]	79.4	79.5	79.7	79.9	80.0
Life expectancy, female (years)	82.7	82.8	82.8	82.8[a]	82.9[a]	82.9	83.0	83.1	83.1	83.2
Infant mortality rate (per 1,000 live births)	4.4	4.3	4.3[b]	4.2	4.2	4.1	4.1	4.0	4.0	4.0
Healthcare spending (£ bn)	185.7	193.6	199.5	209.5	218.9	229.8	238.4	248.5	259.6	268.7
Healthcare spending (% of GDP)	9.7	9.7	9.6	9.8	9.9	10.1	10.2	10.2	10.3	10.3
Healthcare spending (US$ bn)	283.9	262.3	257.2	279.8	279.6	294.4	309.5	334.8	358.2	377.5
Healthcare spending (US$ per head)	4,341	3,986	3,854	4,168	4,141	4,337	4,537	4,888	5,209	5,469
Healthcare (consumer expenditure; US$ bn)	32.5	31.8	32.1	34.7	34.5	35.9	37.3	39.4	41.4	43.0
Doctors (per 1,000 people)	2.8	2.8	2.9[b]	2.9	2.9	3.0	3.0	3.1	3.1	3.2
Hospital beds (per 1,000 people)	2.6	2.6[b]	2.6[b]	2.5	2.5	2.5	2.5	2.4	2.4	2.4

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Sources: US Bureau of Census; UN; OECD; World Bank; The Economist Intelligence Unit.

- The Health and Social Care Act 2012 reorganised NHS England funding flows in order to give general practitioners (GPs) control over health commissioning. Management of about 70% of funding was passed to 191 clinical com-missioning groups (CCGs). The reforms did not apply in Scotland, Wales or Northern Ireland. The number of CCGs is expected to fall significantly from 2020 under the NHS long-term plan unveiled in January 2019.



- Total NHS spending increased from £124.7bn in the 2017/18 (April-March) financial year to £126.3bn in 2018/19. Of the 2018/19 total, £114bn went to NHS England, with Scotland, Wales and Northern Ireland sharing the rest under a formula related to population size. The Conservative government's spending plans imply that by 2022/23 the annual budget for NHS England will have risen by £20.5bn (US$26bn) a year in real terms, with budgets for the other three UK regions (Scotland, Wales and Northern Ireland) rising at the same rate.
- In September 2019 the government unveiled additional spending of £1.5bn in 2020/21 for social care services, which are separate from the NHS budget and fall under the remit of local authorities. This will only partly reverse a

sharp real-term drop in social care spending since 2010, which has exacerbated strains on the wider healthcare system.

Private health insurance

- Voluntary (or private) spending on healthcare accounted for 22.9% of the UK's total health expenditure in 2018, according to the OECD. Of this, out-of-pocket (OOP) spending accounted for 16% of total health spending, with 3% coming from private health insurance and the remainder from charitable or company schemes, according to government data.
- The share of OOP spending has risen gradually in recent years, but the private health insurance market has remained broadly flat, reflecting the dominance of the NHS. In 2017 there were 4m private health policies covering 7m people, paying total premiums of £4.8bn, according to LaingBuisson, a consultancy.
- The leading independent healthcare group is Bupa, with 2.2m policyholders in 2018. Other major insurers include AXA PPP, Aviva and VitalityHealth.

Telecommunications

United Kingdom | Telecommunications | Overview

February 18th 2020

- Mobile telephony accounts for a majority of telecommunications connections in the UK. The mobile penetration rate has fallen slightly in recent years, amid a largely saturated market. The Economist Intelligence Unit forecasts a return to growth, albeit weak, in the forecast period (2020-24), rising to 120.5% by 2024. We expect the number of mobile subscriptions to expand at a compound annual growth rate (CAGR) of 0.8%. Growth will be driven in part by an increase in machine-to-machine (M2M) connections.

- Fixed-line penetration is forecast to decline, falling gradually to 44% in 2024. There were an estimated 40 broadband subscriptions per 100 people in 2019, with total internet penetration at almost 96% of the population. We forecast a gradual rise, to 43 broadband subscriptions per 100 people by 2024.
- In March 2017 the government unveiled a national digital strategy that aimed to complete the roll-out of fourth-generation (4G) technology by 2020, alongside £1bn (US$1.3bn) in spending for fifth-generation (5G) technology and fibre broadband deployment. In April 2018 the government announced modest investments of £1bn in developing artificial intelligence (AI). In October 2019 the government and Ofcom, the telecoms regulator, backed a proposal by the UK's four main mobile network operators (MNOs) for a shared rural 4G network to remove connectivity "not-spots"—a term used to describe a complete absence of 4G coverage.
- In July 2018 the UK set targets to achieve "full-fibre coverage" for 15m premises by 2025 and national coverage by 2033. Boris Johnson, who became prime minister in July 2019, pledged at that time to achieve nationwide full-fibre coverage by 2025. This aim has since become less specific, with the re-elected Conservative administration committing in December only to "accelerate the delivery of gigabit-capable broadband". The government's 2018 plans called for the majority of the population to have 5G mobile coverage by 2027. Since mid-2019 all four main MNOs have launched commercially available 5G services.

Telecoms penetration

	2015[a]	2016[a]	2017[a]	2018[a]	2019[b]	2020[c]	2021[c]	2022[c]	2023[c]	2024[c]
Telephone main lines (m)	33.2	33.6	32.2	32.0	31.8	31.5	31.4	31.1	30.7	30.4
Telephone main lines (per 100 people)	50.8	51.1	48.3	47.6	47.0	46.5	46.0	45.4	44.6	44.1
Mobile subscriptions (m)	79.3	78.9	79.2	78.9	79.4	79.8	80.7	81.9	82.6	83.2

Mobile subscriptions (per 100 people)	121.2	120.0	118.6	117.5	117.5	117.5	118.3	119.6	120.2	120.5

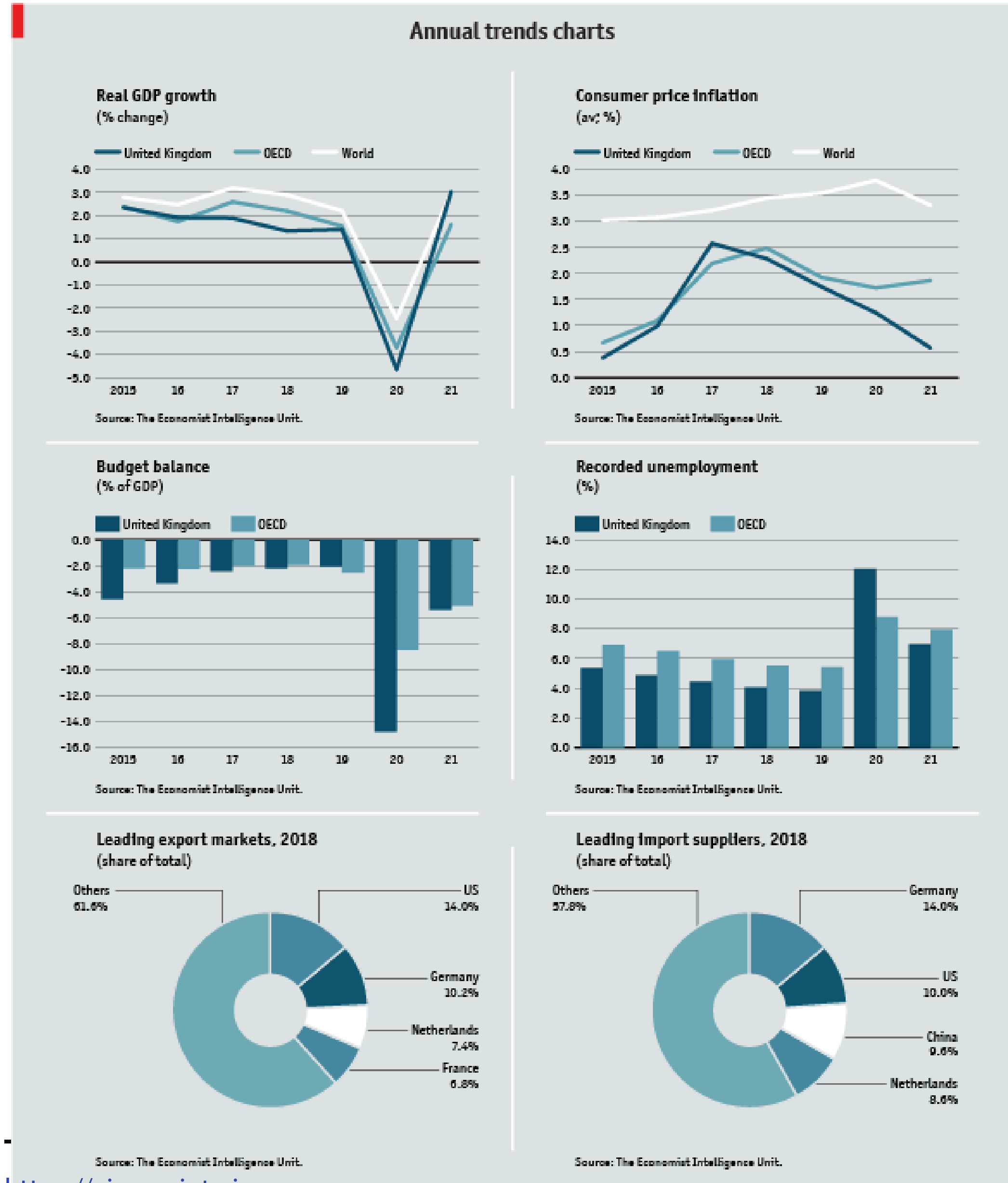
[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Sources: International Telecommunication Union; The Economist Intelligence Unit.

Data and charts: Annual trends charts

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

April 9th 2020

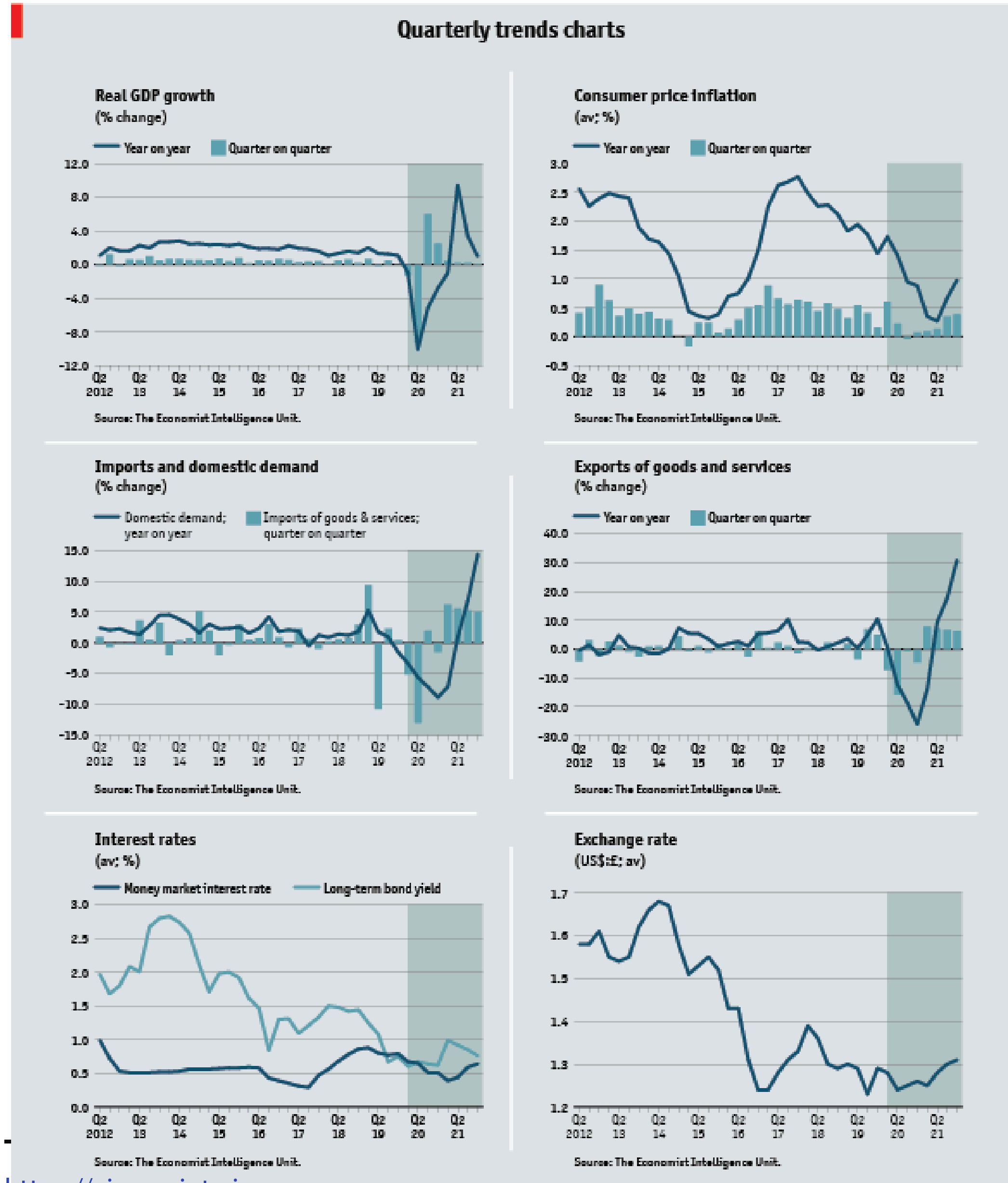

Annual trends charts
Real GDP growth
(% change)
United Kingdom
OECD
World
4.0
3.0
2.0
1.0
0.0
-1.0
-2.0
-3.0
-4.0
-5.0
2015
16
17
18
19
20
21
Source: The Economist Intelligence Unit.
Consumer price inflation
(av; %)
United Kingdom
OECD
World
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
2015
16
17
18
19
20
21
Source: The Economist Intelligence Unit.
Budget balance
(% of GDP)
United Kingdom
OECD
0.0
-2.0
-4.0
-6.0
-8.0
-10.0
-12.0
-14.0
-16.0
2015
16
17
18
19
20
21
Source: The Economist Intelligence Unit.
Recorded unemployment
(%)
United Kingdom
OECD
14.0
12.0
10.0
8.0
6.0
4.0
2.0
0.0
2015
16
17
18
19
20
21
Source: The Economist Intelligence Unit.
Leading export markets, 2018
(share of total)
Others
61.6%
US
14.0%
Germany
10.2%
Netherlands
7.4%
France
6.8%
Source: The Economist Intelligence Unit.
Leading import suppliers, 2018
(share of total)
Others
57.8%
Germany
14.0%
US
10.0%
China
9.6%
Netherlands
8.6%
Source: The Economist Intelligence Unit.

Data and charts: Quarterly trends charts

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

April 9th 2020

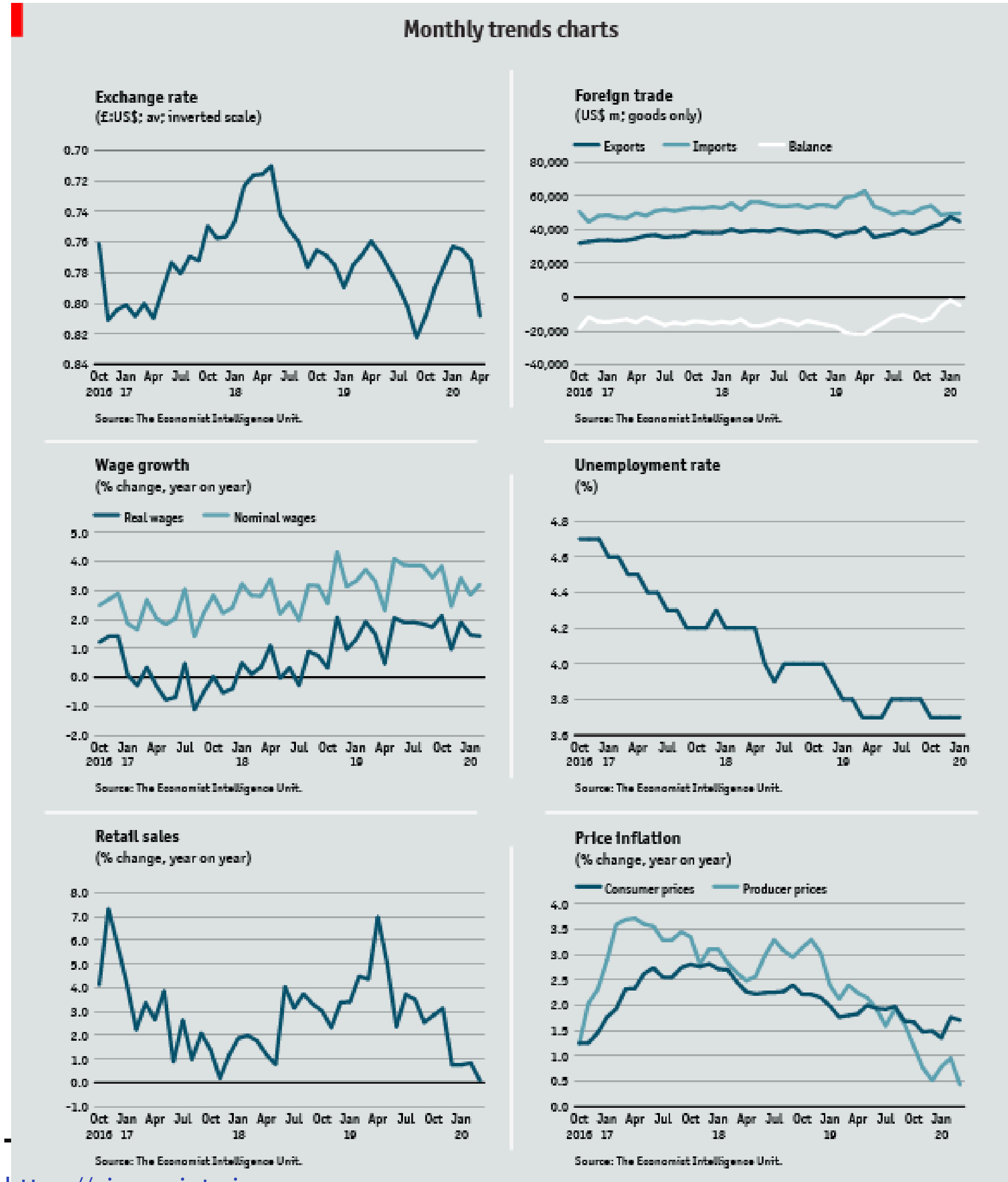
One-click report : United Kingdom ,March 21st 2024



Data and charts: Monthly trends charts

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

April 9th 2020


Monthly trends charts
Exchange rate
(£:US$; av; inverted scale)
0.70 0.72 0.74 0.76 0.78 0.80 0.82 0.84
Oct 2016 Jan 17 Apr Jul Oct Jan 18 Apr Jul Oct Jan 19 Apr Jul Oct Jan 20 Apr
Source: The Economist Intelligence Unit.
Foreign trade
(US$ m; goods only)
Exports Imports Balance
80,000 60,000 40,000 20,000 0 -20,000 -40,000
Oct 2016 Jan 17 Apr Jul Oct Jan 18 Apr Jul Oct Jan 19 Apr Jul Oct Jan 20
Source: The Economist Intelligence Unit.
Wage growth
(% change, year on year)
Real wages Nominal wages
5.0 4.0 3.0 2.0 1.0 0.0 -1.0 -2.0
Oct 2016 Jan 17 Apr Jul Oct Jan 18 Apr Jul Oct Jan 19 Apr Jul Oct Jan 20
Source: The Economist Intelligence Unit.
Unemployment rate
(%)
4.8 4.6 4.4 4.2 4.0 3.8 3.6
Oct 2016 Jan 17 Apr Jul Oct Jan 18 Apr Jul Oct Jan 19 Apr Jul Oct Jan 20
Source: The Economist Intelligence Unit.
Retail sales
(% change, year on year)
8.0 7.0 6.0 5.0 4.0 3.0 2.0 1.0 0.0 -1.0
Oct 2016 Jan 17 Apr Jul Oct Jan 18 Apr Jul Oct Jan 19 Apr Jul Oct Jan 20
Source: The Economist Intelligence Unit.
Price inflation
(% change, year on year)
Consumer prices Producer prices
4.0 3.5 3.0 2.5 2.0 1.5 1.0 0.5 0.0
Oct 2016 Jan 17 Apr Jul Oct Jan 18 Apr Jul Oct Jan 19 Apr Jul Oct Jan 20
Source: The Economist Intelligence Unit.

Data summary: Gross domestic product, current market prices

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

April 8th 2020

Gross domestic product, at current market prices

	2015[a]	2016[a]	2017[a]	2018[a]	2019[a]	2020[b]	2021[b]	2022[b]	2023[b]	2024[b]
Expenditure on GDP (£ bn at current market prices)										
GDP	1,916.9	1,995.5	2,071.7	2,144.3	2,214.9	2,169.1	2,237.5	2,290.3	2,339.4	2,418.3
Private consumption	1,235.9	1,299.1	1,346.9	1,404.0	1,437.6	1,409.4	1,452.6	1,464.3	1,480.8	1,507.7
Government consumption	373.7	381.5	386.7	396.2	418.1	453.1	414.5	437.0	451.9	480.6
Gross fixed investment	324.6	343.7	357.1	362.6	377.7	302.2	380.1	411.1	442.5	472.9
Exports of goods & services	530.0	567.5	629.1	656.5	698.6	598.0	659.6	712.0	732.4	752.3
Imports of goods & services	556.5	599.8	654.2	686.3	724.5	598.6	669.2	736.5	770.6	797.5
Stockbuilding	9.2	3.5	6.0	6.1	7.6	5.0	0.0	2.5	2.4	2.4
Domestic demand	1,943.4	2,027.8	2,096.6	2,169.0	2,241.0	2,169.7	2,247.1	2,314.8	2,377.6	2,463.6
Expenditure on GDP (US$ bn at current market prices)										
GDP	2,930.0	2,703.7	2,670.7	2,864.2	2,829.2	2,731.7	2,899.7	3,057.6	3,210.8	3,397.8
Private consumption	1,889.1	1,760.1	1,736.3	1,875.4	1,836.4	1,774.9	1,882.4	1,954.8	2,032.4	2,118.3
Government consumption	571.2	516.9	498.5	529.3	534.1	570.6	537.2	583.4	620.3	675.2

Gross fixed investment	496.2	465.7	460.3	484.4	482.4	380.6	492.6	548.8	607.3	664.5
Exports of goods & services	810.2	768.9	811.0	876.9	892.4	753.1	854.8	950.6	1,005.2	1,057.0
Imports of goods & services	850.6	812.7	843.4	916.7	925.5	753.8	867.2	983.2	1,057.7	1,120.5
Stockbuilding	14.0	4.8	7.7	8.2	9.7	6.3	0.0	3.3	3.3	3.4
Domestic demand	2,970.5	2,747.5	2,702.8	2,897.2	2,862.6	2,732.4	2,912.2	3,090.2	3,263.3	3,461.3
Economic structure (% of GDP at current market prices)										
Household consumption	64.5	65.1	65.0	65.5	64.9	65.0	64.9	63.9	63.3	62.3
Government consumption	19.5	19.1	18.7	18.5	18.9	20.9	18.5	19.1	19.3	19.9
Gross fixed investment	16.9	17.2	17.2	16.9	17.1	13.9	17.0	17.9	18.9	19.6
Stockbuilding	0.5	0.2	0.3	0.3	0.3	0.2	0.0	0.1	0.1	0.1
Exports of goods & services	27.7	28.4	30.4	30.6	31.5	27.6	29.5	31.1	31.3	31.1
Imports of goods & services	29.0	30.1	31.6	32.0	32.7	27.6	29.9	32.2	32.9	33.0
Memorandum item										
National savings ratio (%)	12.5	12.2	14.0	13.3	13.5[c]	12.0	14.9	15.8	16.2	16.7

[a] Actual. [b] Economist Intelligence Unit forecasts. [c] Economist Intelligence Unit estimates.

Data summary: Gross domestic product, at constant prices

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

April 8th 2020

Gross domestic product, at constant prices

	2015[a]	2016[a]	2017[a]	2018[a]	2019[a]	2020[b]	2021[b]	2022[b]	2023[b]	2024[b]
Real expenditure on GDP(£ bn at chained 2013 prices)										
GDP	1,957.9	1,995.5	2,033.2	2,060.5	2,089.5	1,992.4	2,052.2	2,090.0	2,120.9	2,153.1
Household consumption	1,253.3	1,299.0	1,327.8	1,348.7	1,363.3	1,276.5	1,359.3	1,381.1	1,401.9	1,420.3
Government consumption	377.9	381.5	382.5	384.2	397.7	437.5	371.9	381.2	389.9	398.9
Gross fixed investment	331.6	343.7	349.3	348.5	350.5	286.2	344.4	361.6	376.1	390.3
Exports of goods & services	552.4	567.5	602.1	609.5	639.0	547.1	597.9	625.5	638.4	649.4
Imports of goods & services	574.6	599.8	620.8	633.2	662.2	562.4	623.8	664.4	690.4	710.7
Stockbuilding (% of GDP)	16.1	3.6	-9.0	-5.5	-1.3	5.0	0.0	2.5	2.4	2.4
Domestic demand	1,978.5	2,027.8	2,051.7	2,079.3	2,113.0	2,008.2	2,078.5	2,129.4	2,173.3	2,214.9
Real expenditure on GDP (% change)										
GDP	2.4	1.9	1.9	1.3	1.4	-4.7	3.0	1.8	1.5	1.5
Household consumption	3.0	3.6	2.2	1.6	1.1	-6.4	6.5	1.6	1.5	1.3
Government consumption	1.8	1.0	0.3	0.4	3.5	10.0	-15.0	2.5	2.3	2.3
Gross fixed investment	3.7	3.6	1.6	-0.2	0.6	-18.3	20.4	5.0	4.0	3.8

Exports of goods & services	3.8	2.7	6.1	1.2	4.8	-14.4	9.3	4.6	2.1	1.7
Imports of goods & services	5.4	4.4	3.5	2.0	4.6	-15.1	10.9	6.5	3.9	2.9
Stockbuilding (% contribution to GDP growth)	-0.3	-0.6	-0.6	0.2	0.2	0.3	-0.3	0.1	0.0	0.0
Domestic demand	2.6	2.5	1.2	1.3	1.6	-5.0	3.5	2.4	2.1	1.9
Real contribution to GDP growth (% points)										
Private consumption	1.9	2.3	1.4	1.0	0.7	-4.2	4.2	1.1	1.0	0.9
Government consumption	0.3	0.2	0.0	0.1	0.7	1.9	-3.3	0.5	0.4	0.4
Gross fixed investment	0.6	0.6	0.3	0.0	0.1	-3.1	2.9	0.8	0.7	0.7
External balance	-0.5	-0.5	0.7	-0.2	0.0	0.4	-0.5	-0.6	-0.6	-0.4
Memorandum items										
Industrial production (% change)	1.0	1.2	1.7	0.8	-1.3	-7.8	8.3	1.3	1.0	1.2
Real personal disposable income (% change)	5.3	0.4	1.3	2.4	1.3	-7.4	6.7	2.7	1.8	3.0

[a] Actual. [b] Economist Intelligence Unit forecasts.

Data summary: Gross domestic product by sector of origin

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

April 8th 2020

Gross domestic product by sector of origin

	2015[a]	2016[a]	2017[a]	2018[a]	2019[a]	2020[b]	2021[b]	2022[b]	2023[b]	2024[b]
Origin of GDP (£ bn at chained 2010 prices)										
GDP at factor cost	1,744.2	1,778.1	1,813.5	1,843.5	1,868.7	1,781.8	1,835.3	1,869.1	1,896.8	1,925.6
Agriculture	12.8	12.1	12.8	12.4	12.2	11.2	11.5	11.8	11.9	11.9
Industry	344.0	350.8	362.0	364.0	363.1	348.5	359.0	365.5	369.1	373.5
Services	1,387.5	1,415.2	1,438.7	1,467.1	1,493.4	1,422.0	1,464.9	1,491.9	1,515.8	1,540.1
Origin of GDP (real % change)										
Agriculture	1.0	-5.6	5.8	-3.0	-1.2	-8.0	2.0	3.0	0.5	0.5
Industry	1.9	2.0	3.2	0.5	-0.2	-4.0	3.0	1.8	1.0	1.2
Services	2.2	2.0	1.7	2.0	1.8	-4.8	3.0	1.8	1.6	1.6
Origin of GDP (% of factor cost GDP)										
Agriculture	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.6
Industry	20.3	19.7	19.7	19.6	19.5	19.6	19.6	19.6	19.5	19.5

Services	79.0	79.6	79.6	79.7	79.8	79.7	79.7	79.7	79.8	79.9
Memorandum item										
Industrial production (% change)	1.0	1.2	1.7	0.8	-1.3	-7.8	8.3	1.3	1.0	1.2

[a] Actual. [b] Economist Intelligence Unit forecasts.

Data summary: Growth and productivity

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

April 8th 2020

Growth and productivity

	2015[a]	2016[a]	2017[a]	2018[a]	2019[a]	2020[b]	2021[b]	2022[b]	2023[b]	2024[b]
Growth and productivity (%)										
Labour productivity growth	0.6	0.4	0.9	0.1	0.3	5.9	-3.7	-0.5	0.1	0.5
Total factor productivity growth	0.4	0.1	0.4	-0.1	0.0	-2.9	1.4	0.6	0.3	0.4
Growth of capital stock	2.3	2.5	2.4	2.0	1.9	-0.7	1.5	1.9	2.2	2.4
Growth of potential GDP	1.8	1.7	1.7	1.5	1.7	-4.2	2.7	1.7	1.4	1.5
Growth of real GDP	2.4[c]	1.9[c]	1.9[c]	1.3[c]	1.4[c]	-4.7	3.0	1.8	1.5	1.5
Growth of real GDP per head	1.8[c]	1.3[c]	0.5[c]	0.7	0.8	-5.1	2.5	1.4	1.1	1.1

[a] Economist Intelligence Unit estimates. [b] Economist Intelligence Unit forecasts. [c] Actual.

Data summary: Economic structure, income and market size

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

April 8th 2020

Economic structure, income and market size

	2015[a]	2016[a]	2017[a]	2018[a]	2019[b]	2020[c]	2021[c]	2022[c]	2023[c]	2024[c]
Population, income and market size										
Population (m)	65.4	65.8	66.7	67.1[b]	67.5	67.9	68.2	68.5	68.8	69.0
GDP (US$ bn at market exchange rates)	2,930	2,704	2,671	2,864	2,829[a]	2,732	2,900	3,058	3,211	3,398
GDP per head (US$ at market exchange rates)	44,804	41,097	40,024	42,659[b]	41,895	40,239	42,513	44,638	46,691	49,227
Private consumption (US$ bn)	1,889	1,760	1,736	1,875	1,836[a]	1,775	1,882	1,955	2,032	2,118
Private consumption per head (US$)	28,886	26,754	26,021	27,931[b]	27,193	26,145	27,599	28,538	29,555	30,690
GDP (US$ bn at PPP)	2,768	2,897	3,037	3,121	3,214[a]	3,120	3,275	3,375	3,452	3,554
GDP per head (US$ at PPP)	42,334	44,042	45,516	46,481[b]	47,596	45,958	48,010	49,271	50,204	51,487
Personal disposable income (£ bn)	1,323	1,346	1,383	1,453	1,498[a]	1,444	1,491	1,519	1,541	1,594
Personal disposable income (US$ bn)	2,022	1,824	1,783	1,940	1,913[a]	1,819	1,933	2,028	2,114	2,240
Growth of real disposable income (%)	5.3	0.4	1.3	2.4	1.8	-7.9	6.7	2.7	1.8	3.0
Memorandum items										
Share of world population (%)	0.89	0.89	0.89	0.89[b]	0.89	0.88	0.88	0.88	0.88	0.88
Share of world GDP (% at market exchange rates)	3.94	3.59	3.34	3.38	3.28[a]	3.07	3.09	3.07	3.03	3.02

Share of world GDP (% at PPP)	2.41	2.41	2.39	2.32	2.28[a]	2.12	2.12	2.09	2.04	2.06
Share of world exports of goods (%)	2.71	2.58	2.51	2.46	2.57	1.95	2.12	2.25	2.25	2.24

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Data summary: Fiscal indicators

United Kingdom | Economy | Charts and tables | Fiscal indicators

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Fiscal indicators

	2015[a]	2016[a]	2017[a]	2018[a]	2019[b]	2020[c]	2021[c]	2022[c]	2023[c]	2024[c]
Fiscal indicators (% of GDP)										
Government expenditure	42.3	41.5	41.1	40.9	41.0	46.4	41.4	41.3	41.1	41.1
Interest[d]	2.3	2.4	2.7	2.4	2.0	1.6	1.3	0.9	0.5	0.3
Non-interest[d]	40.0	39.1	38.5	38.5	39.0	44.8	40.0	40.4	40.6	40.8
Government revenue[d]	37.7	38.2	38.7	38.7	38.9	31.6	36.2	38.8	40.1	40.1
Budget balance[d]	-4.6	-3.3	-2.4	-2.2	-2.1	-14.8	-5.1	-2.4	-1.0	-1.0
Primary balance[d]	-2.3	-0.9	0.2	0.2	0.0	-13.2	-3.8	-1.6	-0.5	-0.7
Government debt[e]	86.9	86.8	86.2	85.7	85.1	101.6	103.7	103.7	102.6	100.2

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit 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

April 8th 2020

Monetary indicators

	2015[a]	2016[a]	2017[a]	2018[a]	2019[a]	2020[b]	2021[b]	2022[b]	2023[b]	2024[b]
Monetary indicators										
Exchange rate US$:£ (av)	1.53	1.35	1.29	1.34	1.28	1.26	1.30	1.34	1.37	1.41
Exchange rate €:£ (av)	1.38	1.22	1.14	1.13	1.14	1.14	1.15	1.15	1.14	1.14
Exchange rate US$:€ (av)	1.11	1.11	1.13	1.18	1.12	1.10	1.12	1.17	1.21	1.24
Exchange rate €:£ (year-end)	1.35	1.17	1.13	1.12	1.15	1.15	1.15	1.14	1.13	1.14
Real effective exchange rate (av; 2005=100)	113.7	102.4	97.1	98.8	98.3	97.5	97.7	97.2	95.8	95.9
M4 money supply growth (%)[c]	0.6	6.2	4.8	2.3	3.8	0.5	3.5	1.0	1.7	3.7
Domestic credit growth (%)	0.3	4.2	5.4	3.2	4.9	0.7	3.7	0.6	1.3	3.4
Purchasing power parity US$:£ (av)	1.44	1.45	1.47	1.46	1.45	1.44	1.46	1.47	1.48	1.47
3-month £-Libor rate (av; %)	0.6	0.5	0.4	0.7	0.8	0.6	0.5	0.7	0.8	1.0

10-year government bond yield (av; %)	1.9	1.3	1.2	1.5	0.9	0.6	0.9	1.1	1.5	1.9
Bank of England base rate (%; end-period)	0.50	0.25	0.50	0.75	0.75	0.25	0.25	0.50	1.00	1.25
Lending rate (%; average mortgage SVR from UK MFIs)	4.5	4.4	4.4	4.3	4.3	4.0	4.0	4.2	4.4	4.5
Deposit rate (av; %)	1.6	1.3	0.9	0.9	0.9	0.8	0.8	1.0	1.3	1.5

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

Data summary: Employment, wages and prices

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

April 8th 2020

Employment, wages and prices

	2015[a]	2016[a]	2017[a]	2018[a]	2019[a]	2020[b]	2021[b]	2022[b]	2023[b]	2024[b]
The labour market (av)										
Labour force (m)	33.1	33.4	33.5	33.8	34.1	33.6	34.0	34.1	34.3	34.5
Labour force (% change)	0.9	0.9	0.5	0.9	0.8	-1.6	1.2	0.6	0.5	0.4
Employment (m)	31.3	31.7	32.1	32.4	32.8	29.5	31.6	32.3	32.8	33.1
Employment (% change)	1.7	1.5	1.0	1.2	1.1	-10.0	7.0	2.4	1.4	1.0

Unemployment (m)	1.8	1.6	1.5	1.4	1.3	4.0	2.4	1.8	1.5	1.3
Unemployment rate (%; EU/OECD standardised measure)	5.4	4.9	4.4	4.1	3.8	12.1	7.0	5.3	4.4	3.9
Wage and price inflation (% except labour costs per hour)										
GDP deflator	0.6	2.1	1.9	2.1	1.9	2.7	0.1	0.5	0.6	1.8
Consumer prices (av; CPIH measure)	0.4	1.0	2.6	2.3	1.7	1.2	0.6	0.9	0.1	1.5
Producer prices (av)	-1.7	0.5	3.4	2.9	1.6	1.7	2.2	2.3	2.1	2.1
GDP deflator (av)	0.6	2.1	1.9	2.1	1.9[c]	2.7	0.1	0.5	0.6	1.8
Private consumption deflator (av)	0.0	1.4	1.4	2.6	1.3[c]	4.7	-3.2	-0.8	-0.4	0.5
Government consumption deflator (av)	-0.5	1.1	1.1	2.0	1.9[c]	-1.5	7.6	2.9	1.1	3.9
Fixed investment deflator (av)	2.8	2.2	2.2	1.8	3.6[c]	-2.0	4.5	3.0	3.5	3.0
Average nominal wages (av)	2.4	2.4	2.3	3.0	3.4	-3.0	4.6	2.9	1.4	3.0
Average real wages (av)	2.0	1.4	-0.3	0.7	1.6	-4.2	4.0	2.0	1.3	1.5
Unit labour costs (£-based; av)	0.4	2.1	2.3	2.9	2.7	-7.5	9.1	4.5	2.3	3.5
Unit labour costs (US$-based)	-6.9	-9.5	-2.6	6.6	-1.8	-8.8	12.3	7.6	5.2	5.9
Labour costs per hour (£)	20.8[c]	21.3[c]	22.0[c]	22.7[c]	23.5[c]	22.8	23.8	24.5	24.9	25.6
Labour costs per hour (US$)	31.7[c]	28.9[c]	28.4[c]	30.3[c]	30.0[c]	28.7	30.9	32.7	34.1	36.0

[a] Actual. [b] Economist Intelligence Unit forecasts. [c] Economist Intelligence Unit estimates.

Data summary: Current account and terms of trade

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

April 8th 2020

Current account and terms of trade

	2015[a]	2016[a]	2017[a]	2018[a]	2019[b]	2020[c]	2021[c]	2022[c]	2023[c]	2024[c]
Current account (US$ bn)										
Current-account balance	-143.6	-141.8	-93.0	-110.2	-110.8	-58.6	-61.1	-70.0	-91.3	-99.2
Current-account balance (% of GDP)	-4.9	-5.2	-3.5	-3.8	-3.9	-2.1	-2.1	-2.3	-2.8	-2.9
Goods: exports fob	436.9	402.6	434.8	466.6	475.4	357.8	414.8	471.0	500.6	524.3
Goods: imports fob	-616.6	-583.9	-609.8	-652.4	-640.8	-468.1	-561.7	-662.3	-716.5	-751.8
Trade balance	-179.7	-181.1	-175.1	-185.8	-165.4	-110.4	-147.0	-191.3	-215.9	-227.4
Services: credit	373.0	364.0	376.0	409.2	414.9	372.2	406.5	438.3	463.3	498.6
Services: debit	-233.7	-226.4	-233.3	-263.0	-293.9	-268.1	-291.7	-317.5	-331.9	-347.7
Services balance	139.3	137.6	142.7	146.2	121.0	104.1	114.9	120.8	131.4	150.9
Primary income: credit	207.2	186.4	241.1	291.7	306.3	227.1	236.6	298.3	322.6	344.5
Primary income: debit	-274.0	-252.8	-272.9	-328.1	-339.0	-247.0	-248.7	-279.9	-310.6	-347.3
Primary income balance	-66.8	-66.4	-31.8	-36.4	-32.7	-19.9	-12.0	18.4	12.0	-2.8
Secondary income: credit	24.9	22.8	22.7	24.9	24.6	23.7	25.2	26.6	27.9	29.5
Secondary income: debit	-61.1	-55.0	-51.6	-59.0	-58.3	-56.3	-42.2	-44.5	-46.7	-49.4

Secondary income balance	-36.2	-32.2	-28.9	-34.1	-33.7	-32.5	-17.0	-17.9	-18.8	-19.9
Terms of trade										
Export price index (US$-based; 2010=100)	95.1	89.0	89.9	96.3	92.3	88.7	92.3	100.3	104.6	107.6
Export prices (% change)	-14.2	-6.5	1.1	7.1	-4.2	-3.8	4.1	8.6	4.3	2.9
Import price index (US$-based; 2010=100)	96.7	88.5	89.6	95.3	89.8	83.3	86.3	92.8	96.3	98.7
Import prices (% change)	-12.9	-8.5	1.2	6.4	-5.8	-7.3	3.7	7.5	3.8	2.5
Terms of trade (2010=100)	98.3	100.5	100.4	101.0	102.7	106.5	107.0	108.0	108.6	109.0
Memorandum item										
Export market growth (%)	5.2	4.2	4.8	4.7	3.2	0.4	3.8	3.4	3.4	3.5

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Data summary: Foreign direct investment

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

April 8th 2020

Foreign direct investment

	2015[a]	2016[a]	2017[a]	2018[a]	2019[b]	2020[c]	2021[c]	2022[c]	2023[c]	2024[c]
Foreign direct investment (US$ bn)										
Inward direct investment	45.3	324.8	121.3	81.2	49.9	-3.8	30.4	54.3	68.1	82.7
Inward direct investment (% of GDP)	1.5	12.0	4.5	2.8	1.8	-0.1	1.0	1.8	2.1	2.4
Inward direct investment (% of gross fixed investment)	9.1	69.7	26.4	16.8	10.3	-1.0	6.2	9.9	11.2	12.4
Outward direct investment	60.2	-33.0	-138.1	-56.4	-43.2	-12.2	-59.7	-65.6	-56.3	-52.6
Net foreign direct investment	105.5	291.8	-16.8	24.8	6.7	-16.1	-29.4	-11.3	11.7	30.1
Stock of foreign direct investment	2,080.0	2,009.0	2,292.0	2,291.0	2,340.9	2,337.0	2,367.4	2,421.7	2,489.8	2,572.4
Stock of foreign direct investment per head (US$)	31,806	30,537	34,349	34,122	34,664	34,425	34,709	35,354	36,206	37,270
Stock of foreign direct investment (% of GDP)	71.0	74.3	85.8	80.0	82.7	85.6	81.6	79.2	77.5	75.7
Memorandum items										
Share of world inward direct investment flows (%)	1.4	12.3	6.1	11.5	3.5	-0.3	2.1	3.6	4.3	5.0
Share of world inward direct investment stock (%)	7.9	7.1	7.6	7.2	6.8	6.9	6.7	6.6	6.6	6.5

[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Political structure

United Kingdom | Summary | Political structure

April 9th 2020

Official name

United Kingdom of Great Britain and Northern Ireland

Form of state

Parliamentary monarchy

Legal system

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

National legislature

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

Electoral system

Universal direct suffrage from the age of 18

National elections

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

Head of state

Queen Elizabeth II, who acceded to the throne in 1952

National government

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

Main political parties

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

Prime minister: Boris Johnson

Attorney general: Suella Braverman

Chancellor of the exchequer: Rishi Sunak

Chief secretary to the Treasury: Stephen Barclay

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

Leader of the House of Commons: Jacob Rees-Mogg

Minister for the Cabinet Office: Michael Gove

Party chair and minister without portfolio: Amanda Milling

Parliamentary secretary to the Treasury & chief whip: Mark Spencer

Secretaries of state

Business, energy & industrial strategy: Alok Sharma

Defence: Ben Wallace

Digital, culture, media & sport: Oliver Dowden

Education: Gavin Williamson

Environment, food & rural affairs: George Eustice

Foreign & Commonwealth affairs: Dominic Raab

Health & social care: Matt Hancock

Home Office: Priti Patel

Housing, communities & local government: Robert Jenrick

International development: Anne-Marie Trevelyan

International trade: Liz Truss

Justice & Lord Chancellor: Robert Buckland

Northern Ireland: Brandon Lewis

Scotland: Alister Jack

Transport: Grant Shapps

Wales: Simon Hart

Work & pensions: Therese Coffey

Central bank governor

Andrew Bailey

Basic data

United Kingdom | Summary | Basic data

April 9th 2020

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

66m (official mid-year estimate, 2017)

Main towns

Population in ’000 (official mid-year estimates, 2017)

Greater London (capital): 8,825

Birmingham: 1,137

Leeds: 785

Glasgow: 621

Sheffield: 578

Climate

Temperate

Weather in London (altitude 5 metres)

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

Language

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

Measures

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

Currency

Pound (or pound sterling) = 100 pence

Time

GMT (summer time, 1 hour ahead)

Fiscal year

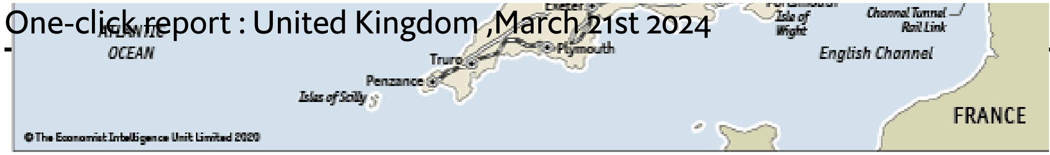
April 1st to March 31st; tax year April 6th to April 5th

Public holidays

January 1st (New Year's Day), April 10th (Good Friday), April 13th (Easter Monday), May 8th (Early May Bank Holiday), May 25th (Spring Bank Holiday), August 31st (Summer Bank Holiday), December 25th and 28th (Christmas Day and Boxing Day*)

(*Boxing Day is traditionally celebrated on December 26th. As that day is a Saturday in 2020, the next working day is given as holiday)


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
ATLANTIC OCEAN
North Sea
Irish Sea
Celtic Sea
Shetland
Orkney
Lewis
Outer Hebrides
Isle of Skye
Mull
Islay
Thurso
Ullapool
Inverness
Kyle of Lochalsh
Aberdeen
SCOTLAND
Dundee
Perth
Oban
Stirling
Dunfermline
Greenock
Glasgow
Edinburgh
Motherwell
Kilmarnock
Berwick-upon-Tweed
Firth of Clyde
Dumfries
Newcastle
Sunderland
Carlisle
Londonderry (Derry)
NORTHERN IRELAND
Antrim
Stranraer
Larne
Omagh
Belfast
Bangor
Armagh
Isle of Man
Middlesbrough
UNITED KINGDOM
Scarborough
Lancaster
York
Bradford
Blackburn
Leeds
Kingston upon Hull
Bolton
Grimsby
Liverpool
Manchester
Sheffield
Birkenhead
Warrington
Lincoln
Holyhead
Anglesey
Bangor
Chester
Wrexham
Stoke
Derby
Nottingham
The Wash
REPUBLIC OF IRELAND
ENGLAND
King's Lynn
Norwich
Great Yarmouth
Shrewsbury
Leicester
Wolverhampton
Peterborough
Cardigan Bay
Birmingham
Coventry
Aberystwyth
Northampton
Cambridge
WALES
Worcester
Ipswich
Milton Keynes
Fishguard
Luton
Gloucester
Oxford
Southend
Newport
Swindon
Swansea
Cardiff
Bristol
LONDON
Bristol Channel
Reading
Canterbury
Crawley
Dover
Folkestone
Barnstaple
Salisbury
Calais
Southampton
Hastings
Brighton
Bournemouth
Portsmouth


ATLANTIC
OCEAN
Exeter
Portsmouth
Isle of Wight
Channel Tunnel Rail Link
Truro
Plymouth
Penzance
Isles of Scilly
English Channel
FRANCE
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