ECONOMIST INTELLIGENCE EIU Viewpoint

One-click report : United Kingdom

April 21st 2022

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Saved on: March 21st 2024

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One-click report : United Kingdom

Briefing sheet

United Kingdom | Summary | Briefing sheet

April 4th 2022

Political and economic outlook

- The UK economy is the fifth largest in the world. Services make up more than 40% of total exports and 80% of GDP. Having left the EU single market and customs union, the UK is seeking to rebalance trading relations towards markets outside the EU.
- In the December 2019 general election the Conservative Party, under the prime minister, Boris Johnson, won an 80-seat majority on a platform of greater investment. EIU expects the government to remain in place until the next election, scheduled for 2024, although ongoing political scandals may prompt a leadership challenge.
- Low investment and productivity have held back UK growth for decades. The govern-ment is providing substantial tax incentives to stimulate private investment and has promised to increase public investment levels. However, tax and national insurance increases, as well as trade frictions, will be a countervailing drag on growth.
- A firm rebound left the UK 0.4% below its 2019 level at end-2021—the fourth highest among the G7 group of advanced economies. In 2022 GDP growth will be hampered by the impact of the Russia-Ukraine conflict (with higher inflation eroding private consumption) but a slow drawdown of savings will provide some support.

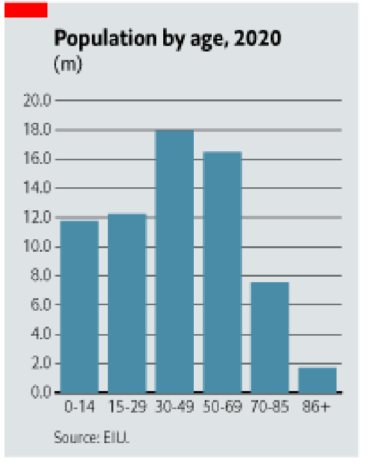
- The new trade agreement between the UK and the EU leaves many aspects of the relationship unsettled. It creates notable non-tariff barriers and has led to serious dissatisfaction in Northern Ireland, which will remain a source of friction.
- The UK is one of eight European countries with a public debt/GDP ratio above 100%. Its ability to borrow in its own currency, long average debt maturity and support from the Bank of England (BoE, the central bank) will keep borrowing costs manageable.
- The invasion of Ukraine by Russia and the ongoing conflict will negatively affect the UK economy. Higher gas prices throughout Europe will fuel energy price inflation, and Russian investment in the UK property sector will also be curtailed by sanctions.

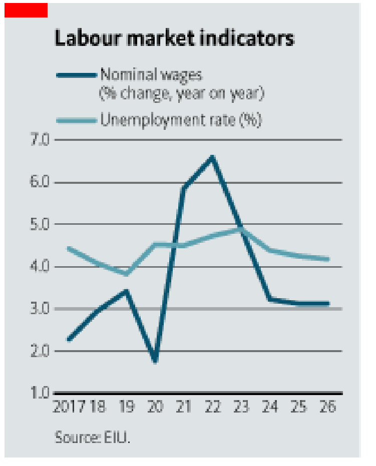
Key indicators

	2021[a]	2022[b]	2023[b]	2024[b]	2025[b]	2026[b]
Real GDP growth (%)	7.4	3.9	2.0	1.8	1.6	1.6
Consumer price inflation (av; %)	2.5	6.4	3.6	2.0	1.9	1.9
Government balance (% of GDP)	-8.4	-5.5	-4.3	-3.7	-3.4	-3.3
Current-account balance (% of GDP)	-3.2[c]	-3.3	-3.2	-3.0	-3.1	-3.2
Short-term interest rate (av; %)	0.1	0.8	1.2	1.6	2.0	2.2
Unemployment rate (%)	4.5	4.7	4.9	4.4	4.2	4.2
Exchange rate £:US$ (av)	0.73	0.76	0.74	0.73	0.70	0.68

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

Market opportunities





Key changes since March 4th

- Following upward revisions to many of our underlying global commodity price forecasts, we have revised our 2022 and 2023 average inflation forecasts to 6.4% and 3.6%, from 5.4% and 3% respectively.
- Higher inflation will negatively affect private consumption, and we have revised down our GDP forecast for this year from 4.6% to 3.9%.
- More substantial government support is likely in response to the cost-of-living crisis. We have increased our fiscal deficit forecast slightly, from 5.4% to 5.5% of GDP, reflecting higher spending.

The month ahead

- April 22nd—Retail sales (March): Retail sales fell on a month-on-month basis in February; March data are also likely to be disappointing, with falling disposable incomes likely to hamper retail sales.
- Late April—Inflation (first estimate, April): A hike in utility rates is likely to be the main factor driving a surge in inflation in April to over 8% year on year. This may influence the BoE's May monetary policy meeting (we expect a 25 basis-points hike in the policy rate, given fears of inflationary expectations becoming entrenched).

Major risks to our forecast

Scenarios, Q1 2022	Probability	Impact	Intensity
Supply-chain disruptions worsen in 2022, damaging economic activity	Very high	High	20
Aggressive rises in interest rates by the Bank of England in response to inflation produces a "stagflation" crisis	High	High	16
High energy prices push the UK electricity market into crisis	High	High	16
Further tax increases stifle the UK economy	Very high	Moderate	15
The UK is struck by another major cyber-attack	Very high	Moderate	15

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

Source: EIU.

Forecast summary

United Kingdom | Economy | Forecast | Forecast summary

April 4th 2022

Forecast summary

(% unless otherwise indicated)

	2021[a]	2022[b]	2023[b]	2024[b]	2025[b]	2026[b]
Real GDP (% change)	7.4	3.9	2.0	1.8	1.6	1.6
Industrial production (% change)	4.7	3.7	2.1	1.6	1.6	1.6
Unemployment rate (av; EU/OECD harmonised measure)	4.5	4.7	4.9	4.4	4.2	4.2
Consumer price inflation (av; CPIH measure)	2.5	6.4	3.6	2.0	1.9	1.9
3-month £-LIBOR rate (av)	0.1	0.8	1.2	1.6	2.0	2.2
Bank of England base rate (end-period)	0.25	1.00	1.50	1.75	2.00	2.25
Government budget balance (% of GDP)[c]	-8.4	-5.5	-4.3	-3.7	-3.4	-3.3
Exports of goods fob (US$ bn)	441.1[d]	505.9	509.8	518.3	554.2	593.6
Imports of goods fob (US$ bn)	-657.1[d]	-790.7	-818.2	-826.8	-882.6	-941.0
Current-account balance (US$ bn)	-102.7[d]	-109.5	-112.3	-112.6	-128.8	-141.5
Current-account balance (% of GDP)	-3.2[d]	-3.3	-3.2	-3.0	-3.1	-3.2
Exchange rate US$:£ (av)	1.38	1.32	1.34	1.38	1.44	1.48
Exchange rate ¥:£ (av)	151.1	153.5	159.0	162.9	169.4	173.2

Exchange rate €:£ (av)	1.16	1.18	1.19	1.17	1.18	1.19

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

Political stability

United Kingdom | Politics | Forecast | Political stability

April 4th 2022

The government led by the Conservative prime minister, Boris Johnson, faces a number of significant challenges. These include managing the economic fallout from the covid-19 pandemic, even after all legal restrictions were repealed in February 2022; high inflation; and weakened public finances, which have been exacerbated by new trade barriers with the EU and energy price spikes following Russia's invasion of Ukraine and corresponding sanctions.

The invasion has, for the time being at least, detracted public attention from the Conservative Party's low approval ratings following a string of scandals. These include revelations in the press that staff members held several parties at the prime minister's residence and office during lockdown, when such events were banned. The events are currently being investigated by the police and have weakened Mr Johnson's standing, limiting his ability to make unpopular decisions. EIU believes that he has a good chance of facing a vote of confidence within his own party, but this is subject to high uncertainty; Mr Johnson benefits from the fact that there is no obvious successor within the Conservative Party, and Russia's invasion of Ukraine has decreased the salience of the scandals and limited the willingness of members of parliament (MPs) to call for his resignation in the immediate term. His political weakness will exacerbate the party's existing ideological divisions between members who favour a larger state and increased investment, particularly in less affluent areas, and those who favour a smaller state and less government spending.

The prime minister belongs to the first camp, whereas the second probably represents the views of more party members and MPs—leading to conflict.

The independence movement in Scotland and renewed tensions around the Irish border pose medium-term risks to the UK's integrity, but the dissolution of the union is not our core forecast for 2022-26. Pro-independence parties, led by the Scottish National Party (SNP), have held a majority in the Scottish parliament and made minor gains in the 2021 local elections on a platform of a second independence referendum (the first was in 2014). The government has dismissed the possibility of granting a second referendum during this parliamentary term. Even if it were forced to grant one by a court order, the poll would take several years to organise. Opinion polling on Scottish independence has generally shown a consistent, if narrow, lead for remaining in the union, except during a period in 2020 when the devolved government's pandemic-related public health powers were abnormally visible to voters. Therefore we do not expect Scotland to achieve independence in 2022-26.

Brexit has inflamed tensions in Northern Ireland, which remains within a regulatory union with the EU for most goods to avoid border checks on the island of Ireland. This requires checks between Northern Ireland and the rest of the UK for all goods deemed by a UK-EU joint committee to be ”at risk” of pass-ing into the EU. This arrangement has been difficult to implement and is disliked by Unionist Northern Irish politicians for, in effect, creating a border between Northern Ireland and the rest of the UK. The Unionist first minister of Northern Ireland resigned on February 3rd to protest against the Northern Ireland protocol, in effect disempowering the Northern Irish devolved government and further raising political tensions.

Election watch

United Kingdom | Politics | Forecast | Election watch

April 4th 2022

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

The Conservatives held a 20-point lead over the opposition Labour Party in spring 2021, during the early success of the vaccination campaign. However, cost-of-living concerns caused that lead to ebb over the autumn, and the reports that the prime minister's staff held parties during lockdown have meant that Labour has led the Conservatives in the polls since early December, although its lead has narrowed from nine points in mid-January to three points in late March. Polling is currently volatile and will probably shift depending on whether more scandals come to light, and the overall impact of higher inflation on households. The dominance of the SNP in Scotland will mean that it is increasingly difficult for any one party to achieve an overall majority, making a hung parliament the most likely outcome, unless polling changes significantly.

International relations

United Kingdom | Politics | Forecast | International relations

April 4th 2022

Following Russia's invasion of Ukraine on February 24th, all countries in Europe have adopted severe sanctions against Russia, preventing their central banks from accessing international reserves, cutting Russian banks from the SWIFT international bank messaging system, and severely curtailing most non-energy trade with Russia. The UK is currently bringing forward legislation to provide greater scrutiny of foreign ownership of UK assets.

Although there have been greater signs of unity between the UK and the EU in response to the Ukraine conflict, underlying sources of tension related to the UK's departure from the EU will remain. The EU-UK Trade and Co-operation Agreement came into force on January 1st 2021. It provides for zero-tariff, zero-quota trade between the UK and the EU, at least in the first instance. However, leaving the single market and customs union has created a variety of non-tariff trade barriers in the form of border checks and product certifications. The introduction of full checks on imports from the EU has, however, been pushed back a number of times already. In the context of ongoing supply-chain disruption, this is likely to continue. The agreement also provides a mechanism whereby if the divergence in regulations on labour, the environment or state aid becomes sufficiently great, the other side can implement retaliatory tariffs to compensate, subject to an arbitration period. The regulatory and tariff regimes may, therefore, drift apart over time.

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

Policy trends

United Kingdom | Economy | Forecast | Policy trends

April 4th 2022

The UK has faced substantial economic policy challenges, including low public investment, wide regional disparities, high housing costs and chronically low productivity growth, for decades. The Conservatives' 2019 election manifesto promised greater public-sector investment (including in green energy and infrastructure) and additional current spending on the National Health Service (NHS), education and the police, as well as to address the issue of long-term social care. The pandemic led to a massive increase in state spending, but managing that emergency, along with ongoing divisions within the Conservative party, has delayed a more comprehensive investment programme.

Once the pandemic began to ease in 2021, the government had hoped to focus its attention on lifting private investment (with a two-year tax "super-deduction", which allows companies to write off tax up to 130% of the value of their capital investment in 2021-23), as well as public investment, led by efforts to "level up" deprived regions outside London and the south-east. This was based on the assumption that firmer underlying economic growth and stronger business sentiment would provide the fiscal resources to lift investment. However, Russia's invasion of Ukraine has prompted a sharp rise in global commodity prices, which is lifting inflation, dampening growth, undermining investor confidence and aggravating cost-of-living concerns. The government has fairly minor measures to increase support to households have been unveiled, but further-reaching measures to cushion the impact of higher utility prices are likely later in 2022. Efforts to lift public investment thereafter will flounder: in 2023 there will be only one year until the next election, with the government likely to use the time on shorter-term initiatives, rather than longer-term investment.

Fiscal policy

United Kingdom | Economy | Forecast | Fiscal policy outlook

April 4th 2022

The pandemic triggered massive expansion of support for households that were unable to work and businesses that were forced to close. These initiatives had mostly been phased out by October 2021, although their fiscal impact has been marked. The budget recorded a deficit of 8.4% of GDP in 2021, and we estimate that the debt/GDP ratio reached 103.5%.

The government has committed to fiscal consolidation, and in September 2021 announced that it planned to increase the corporation-tax rate from 19% to 25% in 2023 and national insurance contributions by 2.5 percentage points to fund additional health and social-care spending. However, this has been contentious within the Conservative Party, particularly in the context of the cost-of-living crisis. In his recent spring statement the chancellor, Rishi Sunak, maintained plans to lift national insurance contributions and corporation tax, making only minor concessions to households (including a cut in fuel duty), but more comprehensive measures are likely in the autumn. The government has revised up its revenue projections as increasing inflation increases the nominal tax take and moves more households into higher income-tax bands, but it has set aside about half of this funding; it therefore has scope for extra measures later in 2022, or to provide tax relief in advance of the 2024 election. Expenditure as a share of GDP is forecast to decline over the forecast period, although much of this will be due to the withdrawal of pandemic-related spending. Coupled with rising revenue, this means the fiscal deficit is forecast to decline gradually from 5.5% of GDP in 2022 to 3.3% of GDP in 2026. We expect the debt/GDP ratio to edge down slightly, from 101.7% of GDP in 2022 to 99.6% of GDP in 2026.

Monetary policy

United Kingdom | Economy | Forecast | Monetary policy outlook

April 4th 2022

On March 17th the Bank of England (BoE) raised its key interest rate by 25 basis points to 0.75%, following similar increases at its previous two meetings. The policy rate is now back at its pre-pandemic level. The tone from the central bank's statement was considerably more dovish than previously, as it expects the inflationary shock emanating from the war in Ukraine to impart a "materially larger" squeeze on household incomes. Another modest rise to 1% is likely in May, but given the weaker growth outlook and a partial reversal of the BoE's quantitative easing (QE) programme, there is a good chance that the central bank could then pause its tightening cycle as it assesses the fallout from the Ukraine crisis. We expect at least one further interest rate rise from 2023, and a winding down of QE, but the latter is not expected to be completed until late 2023 (at the earliest). The policy interest rate is forecast to end 2026 at 2.25%.

Global forecast data

United Kingdom | Economy | Forecast | International assumptions

April 4th 2022

	2021	2022	2023	2024	2025	2026
Economic growth (%)						
US GDP	5.7	3.4	2.1	1.8	1.8	1.7
OECD GDP	5.2	3.4	2.4	2.0	1.9	1.8
EU27 GDP	5.2	3.6	2.8	2.1	2.0	1.9
World GDP	5.6	3.4	3.1	2.8	2.7	2.6
World trade	10.2	5.4	4.4	3.9	3.6	3.7
Inflation indicators (% unless otherwise indicated)						
US CPI	4.7	5.2	2.0	2.2	2.2	2.2
OECD CPI	3.6	4.8	2.4	2.3	2.3	2.2
EU27 CPI	2.8	3.9	2.1	1.9	1.9	2.0
Manufactures (measured in US$)	5.9	0.0	2.3	2.9	2.5	2.2
Oil (Brent; US$/b)	70.4	116.3	95.3	84.0	75.5	67.5
Non-oil commodities (measured in US$)	37.8	17.7	-7.3	-20.9	0.2	0.6
Financial variables						
US$ 3-month commercial paper rate (av; %)	0.1	1.0	2.0	2.5	2.5	2.5

€ 3-month interbank rate (av; %)	-0.5	-0.5	0.1	0.9	1.0	1.0
US$:£ (av)	1.38	1.32	1.34	1.38	1.44	1.48
US$:€ (av)	1.18	1.12	1.13	1.18	1.22	1.24

Economic growth

United Kingdom | Economy | Forecast | Economic growth

April 4th 2022

The economic fallout from the Russia-Ukraine war has weakened our near-term outlook. Surging inflation, supply-chain disruption, commodity price increases and scheduled domestic tax rises will all undermine the pace of growth. The main impact will be felt as a result of higher global commodity prices, with rising inflation eroding disposable incomes and prompting more moderate growth in private consumption. Continued supply shortages and rising overheads will also increase caution among businesses, leading to a slowdown in fixed investment growth. The introduction of new trade barriers after Brexit has exacerbated supply shocks affecting countries across western Europe, both owing to the invasion, and ongoing coronavirus-related lockdowns in Asia, making the UK particularly vulnerable to bouts of trade-related disruption. Overall, real GDP is forecast to grow by 3.9% in 2022, but this still partly reflects a bounce-back from the coronavirus-induced contraction (the headline figure is flattered by year-on-year comparisons with the 2021 base year, when many lockdown restrictions were still in place).

In the medium term the pace of growth will slow, with real GDP growth forecast to average 1.8% in 2023-26. Private consumption will be supported by the drawdown of household savings, which reached the equivalent of 14% of income in 2020 and are likely to have remained elevated in 2021. In 2017-19 household savings had reached historical lows of less than 5%, owing to Brexit uncertainty and slow wage growth. Some unwinding is likely, as households eat into savings to address cost-of-living issues. The UK has one of the most flexible labour markets in Europe, and we expect unemployment to tick up to just below 5% in 2023, before edging back down to 4.2% in 2026.

Economic growth

%	2021[a]	2022[b]	2023[b]	2024[b]	2025[b]	2026[b]
GDP	7.4	3.9	2.0	1.8	1.6	1.6
Private consumption	6.2	4.1	1.5	1.6	1.6	1.8
Government consumption	14.3	5.0	2.0	1.4	1.3	1.3
Gross fixed investment	5.9	5.4	4.9	3.4	3.2	3.2
Exports of goods & services	-1.3	4.4	2.0	2.8	2.8	2.7
Imports of goods & services	3.8	6.1	2.7	2.9	3.7	3.9
Domestic demand	8.5	4.2	2.3	1.8	1.9	2.0
Agriculture	4.0	5.5	1.9	1.9	1.6	1.6
Industry	7.5	3.7	2.0	1.8	1.6	1.6
Services	7.5	3.9	2.1	1.8	1.6	1.6

[a] Actual. [b] EIU forecasts.

Inflation

United Kingdom | Economy | Forecast | Inflation

April 4th 2022

The reopening of the economy caused a sharp spike in inflation in 2021, owing to increased consumer spending and supply-chain disruptions in the domestic market and internationally. The UK is also particularly dependent on natural gas, and a marked increase in gas prices from mid-2021 has dramatically driven up electricity prices, an important component of the consumer prices index. We expect these price pressures to persist in 2022, following the Russian invasion of Ukraine, driving up full-year average inflation from 2.5% in 2021 to 6.4% in 2022. From 2023 inflation will slow to a more modest rate as energy markets begin to stabilise, declining to 1.9% by 2026.

Exchange rates

United Kingdom | Economy | Forecast | Exchange rates

April 4th 2022

After a period of appreciation against the US dollar as the BoE began monetary tightening (with sterling strengthening from US$1.32:£1 in December to US$1.36:£1 in mid-February), sterling weakened to US$1.31:£1 in late March as the Federal Reserve (the US central bank) adopted a much more hawkish tone regarding the pace of its own tightening. We expect further minor depreciation in the remainder of 2022, although as the BoE resumes monetary policy tightening from 2023 sterling is forecast to strengthen again. We expect some appreciation against the euro in 2022, based on our current forecast that the European Central Bank holds off from beginning its own tightening cycle until 2023. We expect that sterling will remain relatively steady against the euro in 2024-26, and that both currencies will appreciate gradually against the dollar, reaching US$1.49:£1 at end-2026.

External sector

United Kingdom | Economy | Forecast | External sector

April 4th 2022

The UK has been among the worst-hit countries in Europe by supply-chain disruptions. In the context of the Ukraine conflict, ongoing disruptions will continue to depress exports and imports. We expect Brexit to drag on imports and exports over the medium term (relative to if the UK had remained in the EU), but we expect a return to overall weak export growth in 2022-23 as global markets unlock and UK exporters adapt to new trading rules.

The UK has run a persistent current-account deficit since 1985. After widening in 2021, we expect the deficit to increase further in 2022 (to 3.3% of GDP), before narrowing to 3% of GDP in 2024, and increasing again at the end of the forecast period. Sanctions on Russia are likely to have a minor influence on the UK external balance—aside from movements of gold in financial transactions, the UK's primary import from Russia is petroleum products, and its exports to Russia are minimal as a percentage of its total exports.

Country forecast overview: Business environment rankings

United Kingdom | Business | Business environment | Rankings overview

April 4th 2022

Value of index[a]		Global rank[b]		Regional rank[c]	
2017-21	**2022-26**	**2017-21**	**2022-26**	**2017-21**	**2022-26**
7.81	7.64	15	23	9	11

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

- The UK's global ranking drops by eight places in the forecast period (2022-26), while its regional ranking falls by two places. Brexit has worsened the UK's terms of trade, but the country's strengths—a pro-business policy stance, a welcoming attitude to foreign investment, and flexible labour and product markets—will continue.

Business environment at a glance

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

April 4th 2022

Policy towards private enterprise and competition

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

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

Policy towards foreign investment

2022-23: Continued openness to investment, but increased scrutiny in sectors considered sensitive to national security. A crackdown on Russian money and the property sector.

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

Foreign trade and exchange controls

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

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

Taxes

2022-23: Corporation tax increases from 19% to 25%, and national insurance contributions by 2.5 percentage points.

2024-26: Additional tax rises are likely, to fund public spending, investment and social care.

Financing

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

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

The labour market

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

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

Infrastructure

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

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

Technological readiness

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

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

Market opportunities: Social indicators and living standards

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

May 11th 2021

Social indicators and living standards

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

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

[a] Latest available year.

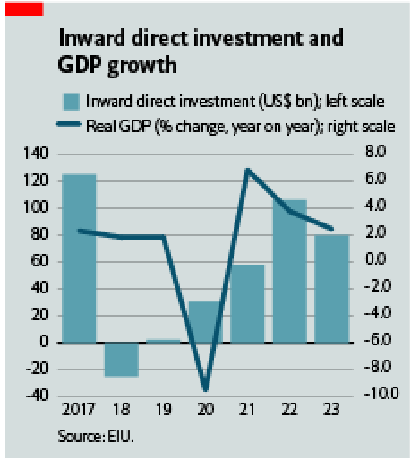
Sources: UN Statistical Office; World Bank; Food and Agriculture Organisation (FAO); Euromonitor; World Health Organisation (WHO); national statistical offices; International Telecommunication Union (ITU); Economist Intelligence Unit estimates and forecasts.

Global position

United Kingdom | Regulation | Global position

December 1st 2021

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



Regulatory/market assessment

United Kingdom | Regulation | Regulatory/market assessment

December 1st 2021

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

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

Regulatory/market watch

United Kingdom | Regulation | Regulatory/market watch

December 1st 2021

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

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

Long-term outlook: The long-term outlook

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

May 11th 2021

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

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

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

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

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

The UK faces entrenched regional and sectoral imbalances

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

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

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

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

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

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

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

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

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

Income and market size

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

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

Automotive

United Kingdom | Automotive | Overview

April 21st 2022

- The UK's automotive sector is seeing a decline in trend. New-car sales, production and exports have fallen steadily since 2016, reflecting the damaging effects of Brexit on trade and the wider economy, as well as structural global factors linked to overcapacity and environmental pressures. In addition, since 2020 the covid-19 pandemic has caused major disruption to supply chains, while curbing vehicle output and consumer demand. A modest recovery in activity, anticipated in 2022, amid easing virus concerns, will be delayed by the fallout from the Russia-Ukraine war. The war will exacerbate supply-side frictions, material shortages, already high energy costs and other inflationary pressures.
- New-car sales dropped by 29.4% in 2020 (the fourth consecutive annual decline), to 1.63m units, the lowest level since 1992. Sales remained constrained in 2021, rising by just 1%, to an estimated 1.65m—compared with a recent

peak of 2.7m in 2016 and an annual average of 2.3m in 2010-19.

- New commercial vehicle (CV) sales fell by 29.6% in 2020, to a seven-year low of 300,400 units. In contrast to the new-car market, CV sales rebounded firmly in 2021 (by 33.1%), supported by expanding online and logistics sectors. Annual sales were 6.3% below their 2019 level.
- In 2021 the UK was the world's 18th-largest automotive producer (and sixth-largest in Europe), according to the International Organisation of Motor Vehicle Manufacturers. Vehicle production expanded steadily in 2010-16, but has since fallen sharply, declining for five successive years. Following a drop of 8% in 2018 and 14% in 2019, output slumped by 29% in 2020 and another 5% in 2021, with annual production of 933,172 units, the lowest in 40 years and just half the level of 2016.
- New-car sales and vehicle production declined over the first quarter of 2022 (sales in March, traditionally the busiest month, were the weakest since 1998). Near-term prospects are weak, given renewed supply-chain disruptions owing to the Russia-Ukraine war and a renewed coronavirus wave in Asia, and with UK households in 2022 expected to experience the largest annual real-term hit to disposable incomes in more than 60 years as a result of soaring energy costs, high inflation and tax increases.
- EIU forecasts growth in new-car sales of 1.7% in 2022, with a firmer recovery from the pandemic-driven slump in 2023-24, assuming a gradual easing of supply bottlenecks and inflationary pressures and no major new coronavirus shocks. A stronger recovery has been impeded by the knock-on effects of the Russia-Ukraine war on commodity markets (not only energy, but also critical components in vehicle and battery production, such as nickel, cobalt and aluminium), global supply chains and consumer sentiment.
- Over our five-year forecast period (2022-26), new-car sales are projected to rise at a compound annual growth rate (CAGR) of 4.6%—inflated by the weak base level in 2021. We expect annual sales to stabilise below their 2010-19 trend. The share of chargeable electric vehicles (EVs) will continue to rise (from 18.5% of new-car sales in 2021), but

significantly wider take-up will be constrained by affordability issues, weak incentives and limited charging infrastructure.

- The UK left the EU single market and customs union in January 2021, having agreed a limited Trade and Co-operation Agreement (TCA) with the EU. This averted the imposition of immediate tariffs and allowed for quota-free trade, but it represented a "hard Brexit" with new trade frictions, new non-tariff barriers and disruption to integrated global supply chains (already under strain from the pandemic). Full customs controls took effect from January 2022, implying tighter import restrictions. TCA provisions, including phased "rules of origin" restrictions, could lead to the imposition of export tariffs in the future.
- The UK has five mass producers of vehicles (all foreign-owned) that have primarily used the country as an export base to the EU. Challenges posed by structurally weakened trade and investment links as a result of Brexit will be amplified by the prolonged disruptive effects to supply chains from the pandemic and the war in Ukraine. Recent state-subsidised EV-related investments have safeguarded the near-term future of plants operated by Nissan (Japan) and Vauxhall (owned by Netherlands-based Stellantis), but risks of a downsizing of the UK's automotive industry will persist in the next five years. A key influencing factor will be the UK's ability to attract new EV battery production facilities (gigafactories) in the face of strong competition from more-established hubs elsewhere in Europe, such as Germany, Hungary and Sweden.

Consumer goods

United Kingdom | Consumer goods | Overview

February 16th 2022

- Consumer demand in the UK lost momentum in 2019 as the slowing global economy and the economically damaging Brexit process dampened the labour market and household finances. The combination of these two events has disrupted the UK's consumer sector significantly since early 2020. In 2021 rising vaccine take-up, the lifting of restrictions over the summer, the partial drawdown of pent-up savings and an improving labour market drove a rebound in consumer demand, although momentum weakened towards the end of the year amid rising inflation and another spike in covid-19 cases.
- Consumer balance sheets (in aggregate) have strengthened throughout the pandemic (owing to furlough schemes and limited scope for spending), but precautionary savings will remain fairly high given the subdued prospects for the UK economy. Lower-income households (which spend a higher share of their income) have been hit particularly hard by the pandemic and Brexit.
- The near-term outlook for consumer spending is modest. Household finances in at least the first half of 2022 will be squeezed by sharply higher inflation, surging energy bills, reduced welfare support, moderately higher interest rates and sizeable tax rises. Amid a rotation in spending from goods to services, we forecast retail sales volume growth of 1.5% in 2022 and annual average growth of 0.8% in 2023-26. Virus risks will persist in 2022 (and possibly longer) amid potential new variants, but vaccine progress implies a low probability of major restrictions being reimposed that could harm economic activity significantly.
- The UK remains Europe's largest online retail market. Robust internet sales have gone hand in hand with falls in retail employment and the number of retail stores, mostly in town centres. The pandemic has accelerated the shift

in consumer behaviour towards online and convenience channels, which will drive growth of more cashier-free and 24-hour stores, click-and-collect services and rapid-delivery start-ups.

- The UK left the EU single market and customs union on January 1st 2021, after finalising a Trade and Co-operation Agreement (TCA) with the EU. The TCA averted a no-deal fiasco, and in theory allows for tariff- and quota-free UK-EU trade. However, the agreement is limited in scope (especially for services) and has created significant new non-tariff barriers, trade frictions and regulatory compliance issues, as well as renewing long-standing tensions over the Irish border. Brexit has led to a sharp fall in UK-EU trade in food products, and disrupted large parts of the UK's fisheries, agriculture, and food and drink sectors, which face significant medium-term damage.
- Retail and foodservice are among the worst affected by the tightening labour market, partly owing to an exodus of EU labour. The minimum wage for workers aged over 23 will go up by 6.6% to £9.50 (US$12.88) per hour from April 2022, but most major retail chains in the UK have already promised higher wages of £10-11.50. Wage inflation has added to cost pressures on retailers already hit by persistently high transport and storage costs, energy and raw material prices. In response, businesses have been raising prices since mid-2021, and more increases are on the cards this year.
- With inflation already at record levels (reaching a 30-year high in December 2021), businesses will have to consider carefully how much of the cost increases can be passed on to consumers without dampening demand. Some relief is likely in the near term as the Omicron wave flattens and the rollback of government support leads to more people rejoining the workforce, but supply challenges are likely to persist through much of 2022.

Energy

United Kingdom | Energy | Overview

March 29th 2022

- Total energy consumption in the UK has trended gradually lower since the mid-1990s. The 8.2% year-on-year growth witnessed in 2021 was due to the economic recovery following the downturn caused by the covid-19 pandemic. Together, fossil fuels account for about 77% of the energy mix.
- EIU expects total energy consumption to increase by an annual average of 0.1% in the 2022-31 forecast period, but growth will become negative by the end of the decade.
- Despite rebounding by 16.7% year on year in 2021, oil consumption will fall by an annual average of 0.4% in 2022-31. This is partly due to the electrification of transport and energy-efficiency measures.
- Natural-gas consumption increased by 6.3% in 2021, but growth will slow to 2.1% in 2022 amid current high energy prices. We forecast that natural-gas consumption will grow at an annual average of 0.2% in 2022-31.
- Coal consumption will fall dramatically, owing mainly to the planned phasing-out of coal use in power generation by the end of 2024. We expect annual coal consumption to fall by an annual average of 22.3% in 2022-31. The UK government has set a deadline of 2024 for phasing out coal-fired power, with only one coal-fired power plant

remaining in the UK by the end of 2022. Although we expect the government to meet this target, there is some risk that this will be delayed if the ”gas crisis” entailing a shortage of supply and high prices is not resolved.

Energy: key indicators

	2020[a]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]	2031[c]
GDP (US$ bn at market exchange rates)	2,763	3,189[a]	3,341	3,525	3,852	4,086	4,358	5,140
Real GDP (% change, year on year)	-9.4	7.5[a]	4.1	2.3	1.7	1.6	1.6	1.6
Population (m)	67.9	68.2	68.5	68.8	69.0	69.3	69.5	70.7
Population (% change, year on year)	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.3
Gross domestic energy consumption (ktoe)	156,477	169,296	171,484	172,636	172,067	172,091	172,190	176,080
Gross domestic energy consumption (% change, year on year)	-8.3	8.2	1.3	0.7	-0.3	0.0	0.1	0.0

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

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

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

- The share of non-hydro renewables in power generation is forecast to rise from 32% in 2022 to 50% in 2031.
- The post-Brexit UK-EU trade deal was finalised in December 2020, and the UK and the EU have not yet reached agreement on all aspects of their future energy relationship. Uncertainty persists over many elements of energy policy, particularly after recent sharp price rises for petrol, natural gas and electricity. The government has subsidised the largest provider of industrial carbon dioxide (CO2) and may intervene in the retail energy sector.

Financial services

United Kingdom | Finance | Overview | Financial services | Overview

April 12th 2022

- The UK has one of the world's best-developed financial industries. The coronavirus has delivered a sharp, but hopefully short, shock to the sector. Managing the country's departure from the EU may prove to be a greater challenge. It is likely to require a long-term shift in trading relationships and may contribute to an ongoing shrinkage of the sector.
- 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 2021 it accounted for 8.3% of gross value added, down from 9.1% at its peak in 2009, according to the Office for National Statistics (ONS). It employed 1.1m people, or 3.2% of the total workforce, down from 3.7% in 2009. The industry makes a substantial contribution to the balance of payments and tax revenue.
- In response to covid-19, the government enforced nationwide shutdowns and rolled out financial support to help workers and businesses affected. This included more than £330bn (US$434bn) in government-backstopped loans, business tax deferments and holidays, targeted aid to the worst-hit sectors, and wage support for salaried and self-employed workers. New measures put in place in December 2021 in response to the emergence of a highly transmissible variant of the virus, named Omicron, were lifted from late February 2022 onwards.
- The UK recorded real GDP growth of 7.4% in 2021, following a severe 9.3% contraction amid the pandemic in 2020. GDP rose above its pre-pandemic level for the first time in November 2021, according to the ONS. EIU forecasts growth of 3.9% in 2022 and an average of 1.8% in 2023-26. The UK has been one of the worst-hit

countries in Europe in economic terms, as well as having among the region's highest cumulative totals of covid-19 deaths and confirmed cases. However, the UK's relatively high coronavirus vaccination rate has helped to contain the incidence of serious illness and hospitalisation during the Omicron wave.

- The UK left the EU on January 31st 2020, ending 47 years of membership. A transition period with the EU ended on December 31st 2020. An EU-UK free-trade agreement was concluded in December 2020 that averted the most extreme form of "no deal" disorder. The trade pact did not include financial services, but the UK and the EU agreed and implemented some temporary arrangements to reduce disruption to financial markets.
- The UK granted a designation of regulatory equivalence for many EU financial firms, allowing them to continue to operate in the country. However, the EU did not reciprocate for UK financial firms, except for derivatives clearing houses. The UK government is emphasising the benefits of being able to determine its own priorities for the financial sector. It has begun to reform regulations governing UK financial markets, starting with changes to stockmarket listing rules.
- The Bank of England (BoE, the central bank) has raised its main rate three times since December 2021, from 0.1% to 0.75%, in the face of rising inflationary pressures. It has also signalled that further modest rate rises could be required in the coming months. UK consumer price inflation averaged 2.5% in 2021, up from 1% in 2020, and we forecast that inflation will rise further, to an average of 6.4%, in 2022. The BoE has begun to reduce its quantitative easing programme, which peaked at £895bn.
- We expect London to retain its status as one of the world's main financial centres, especially in the trading of foreign exchange and derivatives, but a loss of influence and post-Brexit restrictions on financial services trade with the EU are inevitable. Reaching agreement on a complex new trading arrangement will be difficult and time-consuming (taking years, rather than months), and financial firms in the UK must come to terms with the loss of "passporting" (the right of UK-regulated companies to do business in the EU and vice versa).

- Financial services companies previously serving the EU from the UK will continue to relocate some of their operations and staff to within the bloc. Although outflows of financial sector employees (and related tax revenue) from the UK have so far been modest, it is likely that the trend will continue as competing financial services hubs, including Amsterdam (Netherlands), Frankfurt (Germany) and Paris (France), gradually grow in size and influence. European policymakers will strive to attract major financial functions away from London.

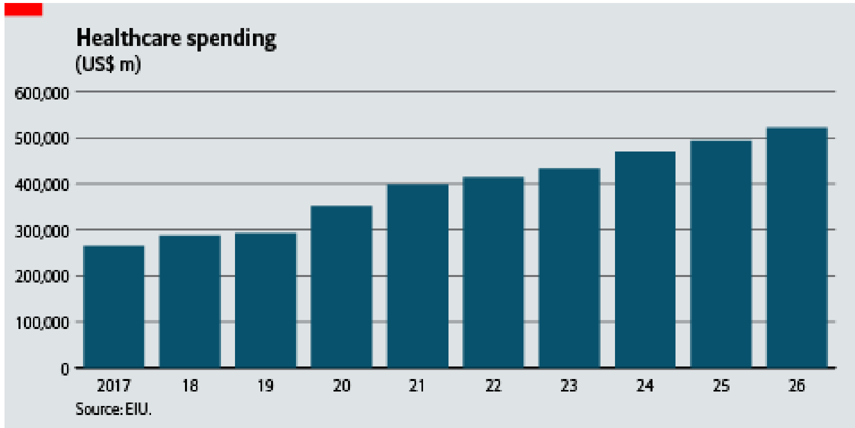
Healthcare

United Kingdom | Healthcare | Spending

March 23rd 2022

Overview

- In the past two years the UK's healthcare system, already struggling with high demand, has faced two challenges: the covid-19 pandemic and the UK's departure from the EU's single market (Brexit) on January 1st 2021. The first has pushed up death rates, necessitated additional funding and expanded waiting lists for non-covid care. The second has caused recruitment problems and necessitated an overhaul of pharmaceutical supervision.
- In order to fund covid spending and support businesses and households during lockdowns, the centre-right Conservative government has let public debt rise to more than 100% of GDP, its highest level since the 1960s. The Russia-Ukraine war is expected to hit the UK economy, dashing hopes that a rapid economic recovery would help to reduce these debts. EIU expects real GDP growth to average 2.3% per year over the forecast period (2022-26), with a marked deceleration.



- The UK responded to the pandemic by increasing spending on healthcare to an estimated 12.8% of GDP in 2020, from 10.2% in 2019, according to the OECD. We estimate that this share fell to 12.5% in 2021 as real GDP recovered, despite continued real growth in healthcare spending.
- An additional tax levy, due to take effect from April 2023, is intended to help to fund health and social care over the forecast period. Even so, we expect total health spending growth to slow as fiscal constraints bite, taking the share of GDP back to 12% in 2026. We forecast that health spending will rise at a compound annual growth rate (CAGR) of 4.1% in 2022-26. However, with inflation high, real growth in healthcare spending will average just 1.3% a year, compared with 2.5% a year in the five years before the pandemic.
- Pharmaceutical sales will grow at a CAGR of 4.6% in nominal local-currency terms in 2022-26, driven partly by covid-19 vaccine sales. So far, about 77.2% of the population aged over 12 have received at least two vaccine doses, and over 56% have received three doses. A booster (fourth) dose is offered to certain groups from early 2022.
- With daily deaths attributed to covid-19 now less than one-fifth of the highest rate, social restrictions were lifted from March and free testing will end in April. The UK has recorded 161,800 cumulative covid-19 deaths out of a

global total of 5.98m. However, in terms of excess deaths per 100,000 population (arguably a better measure of the toll), the UK has performed better than some EU countries.

Funding sources

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

Healthcare: key indicators

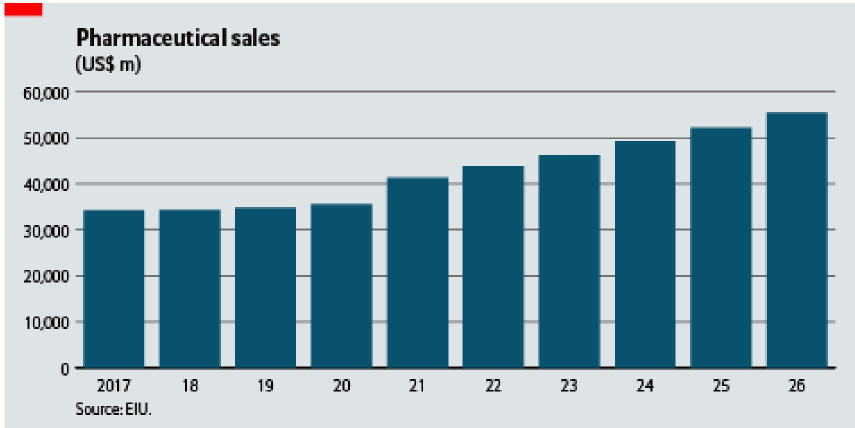
	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]
Life expectancy, average (years)	81.0	81.0	81.1	81.2	81.3	81.4	81.5	81.6	81.8	81.9
Life expectancy, male (years)	81.0	81.0	81.1	81.2	81.3	81.4	81.5	81.6	81.8	81.9
Life expectancy, female (years)	82.8	82.8	82.9	82.9	83.0	83.1	83.1	83.2	83.3	83.4
Infant mortality rate (per 1,000 live births)	3.9	3.8	3.9	3.9	3.9	3.8	3.8	3.8	3.7	3.7
Healthcare spending (£ bn)	205.7	215.3[b]	228.9[b]	274.5[b]	289.7	310.7	323.9	335.7	344.5	354.5
Healthcare spending (% of GDP)	9.8	9.9[b]	10.2[b]	12.8[b]	12.5	12.4	12.3	12.2	12.1	12.0
Healthcare spending (US$ bn)	265.2	287.5[b]	292.4[b]	352.3[b]	398.7	414.3	433.6	469.9	494.4	522.9
Healthcare spending (US$ per head)	3,975	4,282[b]	4,330[b]	5,190[b]	5,845	6,049	6,306	6,809	7,137	7,522
Healthcare (consumer expenditure; US$ bn)	32.5	35.1	36.7	35.2	39.9	40.6	41.9	44.3	46.3	48.6

Doctors (per 1,000 people)	2.8	2.8	3.0	3.0	3.1	3.1	3.2	3.2	3.3	3.3
Hospital beds (per 1,000 people)	2.5	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.3

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

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

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



Private health insurance

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

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

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

Telecommunications

United Kingdom | Telecommunications | Overview

February 10th 2022

- Mobile telephony makes up the majority of telecommunications connections in the UK. The mobile penetration rate has levelled off in recent years amid a saturated market. EIU expects a moderate rise during the five-year forecast period (2022-26), with the rate stabilising around the 116% mark.
- There were an estimated 40.5 broadband subscriptions per 100 people in 2020—the tenth-highest rate in the OECD—with total internet user penetration at 94.8% of the population. We forecast a rise in user penetration to 99.4% by 2026, with the coronavirus pandemic likely to accelerate the upward trend.
- A UK digital strategy was published in 2017, covering areas such as digital skills, connectivity and cyber-security. The publication of an updated strategy, which is expected to focus on tech-led economic growth and productivity

in the light of the pandemic, was still awaited in early February 2022. The government has established a new central digital and data office, which will focus on innovation and transformation strategies related to cyber-security, data and emerging technologies.

- The UK is ahead of many European countries in fifth-generation (5G) deploy-ment, largely owing to a clear policy. The country's largest mobile operators have all launched 5G services, although speed remains below expectations. Operators will focus on boosting revenue from industrial usage of 5G.
- The Telecommunications (Security) Act, aimed at safeguarding the UK's 5G and fibre-broadband infrastructure, became law in November 2021. It provides the state with new powers to impose controls on the use of telecoms goods, services or facilities deemed to be a high risk to national security. Companies that violate these controls will be subject to a fine of up to 10% of their relevant turnover, or £100,000 (US$136,000) per day in cases of persistent violations.
- The government's digital strategy aims for the majority of the population to have 5G mobile coverage by 2027. In 2020 the government and Ofcom, the telecoms regulator, agreed on a scheme with the UK's four main mobile network operators (MNOs)—O2, EE, Vodafone and Three—for a shared rural 4G network that would remove most connectivity "not spots" (areas without 4G coverage) by 2025.
- A 2018 commitment to achieve "full-fibre broadband coverage" by 2025 has been watered down to a minimum of 85% gigabit-capable broadband by the same year. Most of the network will be built through private investment, with a government budget of £5bn (US$6.8bn) allocated to the 20% of UK premises that are hardest to reach. In November 2020 the government announced plans to spend £1.2bn of this funding in 2020-25.

Telecoms penetration

	2017[a]	2018[a]	2019[b]	2020[b]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]
Telephone main lines (m)	31.8	31.5	32.4[a]	32.1[a]	32.4	32.6	32.7	32.8	33.0	33.1

Telephone main lines (per 100 people)	47.6	46.9	48.0	47.3	47.5	47.6	47.6	47.6	47.6	47.6
Mobile subscriptions (m)	79.1	78.9	79.8[a]	79.0[a]	79.2	79.5	79.8	80.1	80.4	80.6
Mobile subscriptions (per 100 people)	118.5	117.5	118.2	116.4	116.2	116.1	116.1	116.1	116.0	115.9

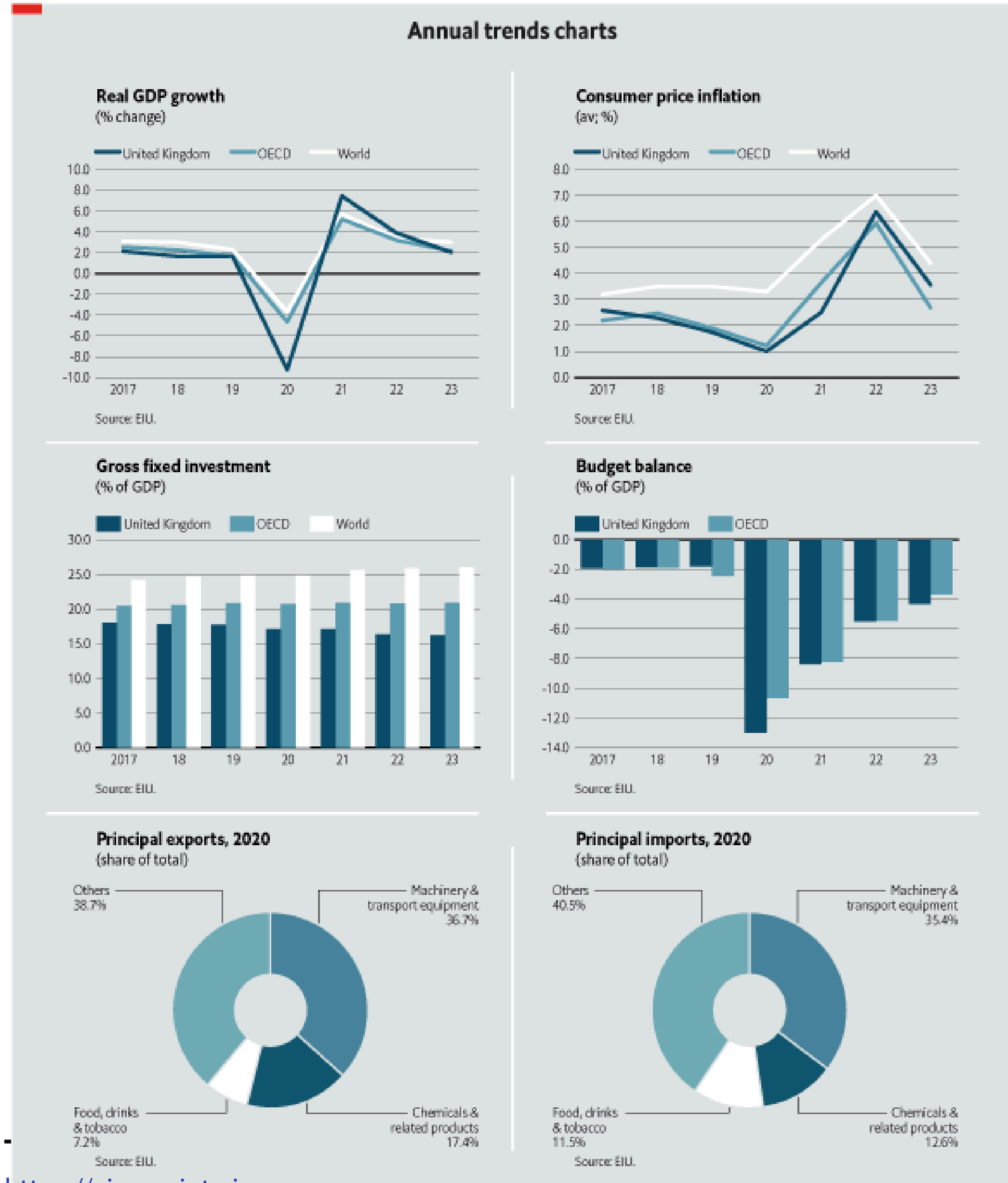
[a] Actual. [b] EIU estimates. [c] EIU forecasts.

Sources: International Telecommunication Union; EIU.

Data and charts: Annual trends charts

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

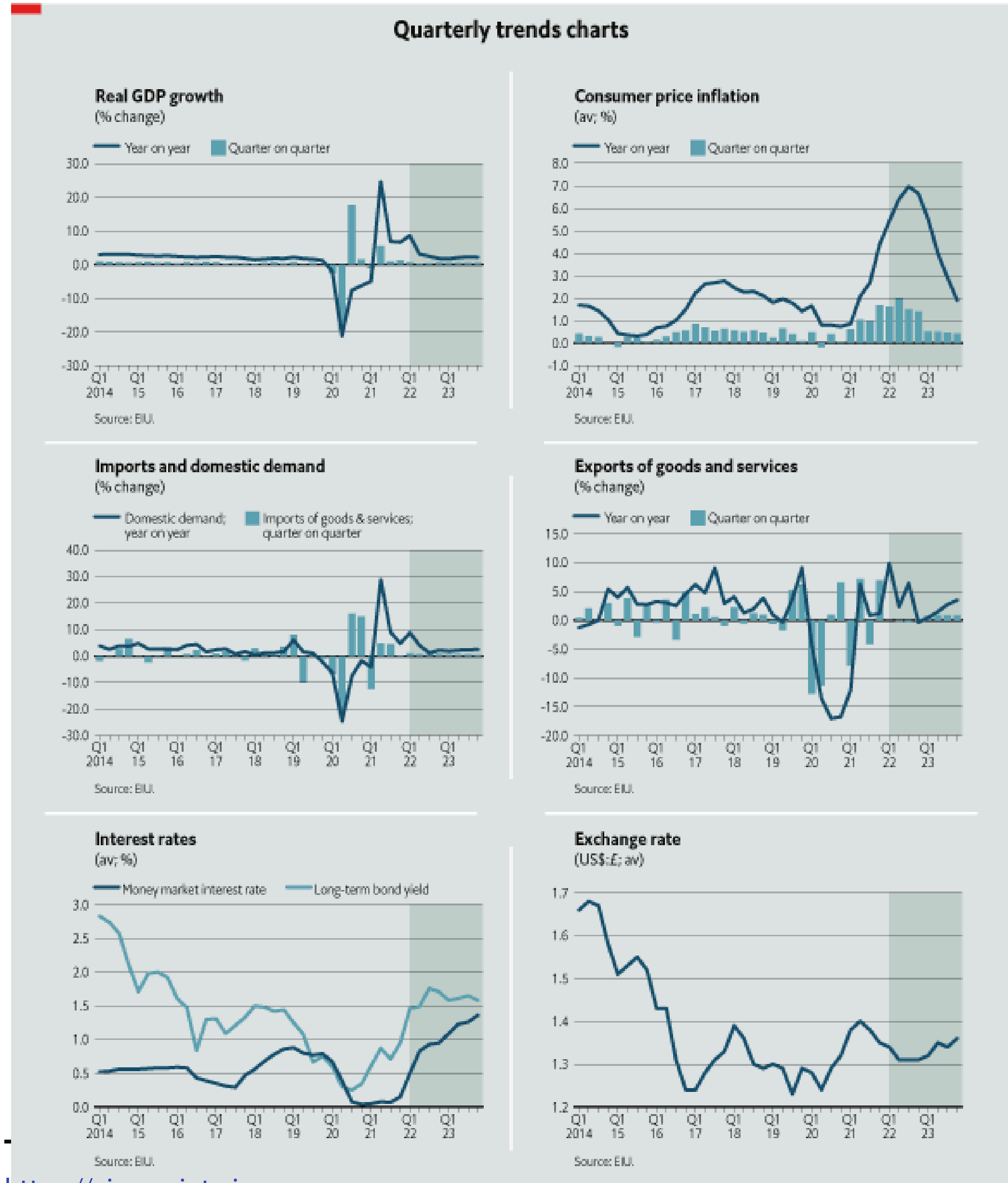
April 4th 2022


Annual trends charts
Real GDP growth
(% change)
United Kingdom
OECD
World
10.0
8.0
6.0
4.0
2.0
0.0
-2.0
-4.0
-6.0
-8.0
-10.0
2017
18
19
20
21
22
23
Source: EIU.
Consumer price inflation
(av; %)
United Kingdom
OECD
World
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
0.0
2017
18
19
20
21
22
23
Source: EIU.
Gross fixed investment
(% of GDP)
United Kingdom
OECD
World
30.0
25.0
20.0
15.0
10.0
5.0
0.0
2017
18
19
20
21
22
23
Source: EIU.
Budget balance
(% of GDP)
United Kingdom
OECD
0.0
-2.0
-4.0
-6.0
-8.0
-10.0
-12.0
-14.0
2017
18
19
20
21
22
23
Source: EIU.
Principal exports, 2020
(share of total)
Others
38.7%
Machinery & transport equipment
36.7%
Food, drinks & tobacco
7.2%
Chemicals & related products
17.4%
Source: EIU.
Principal imports, 2020
(share of total)
Others
40.5%
Machinery & transport equipment
35.4%
Food, drinks & tobacco
11.5%
Chemicals & related products
12.6%
Source: EIU.

Data and charts: Quarterly trends charts

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

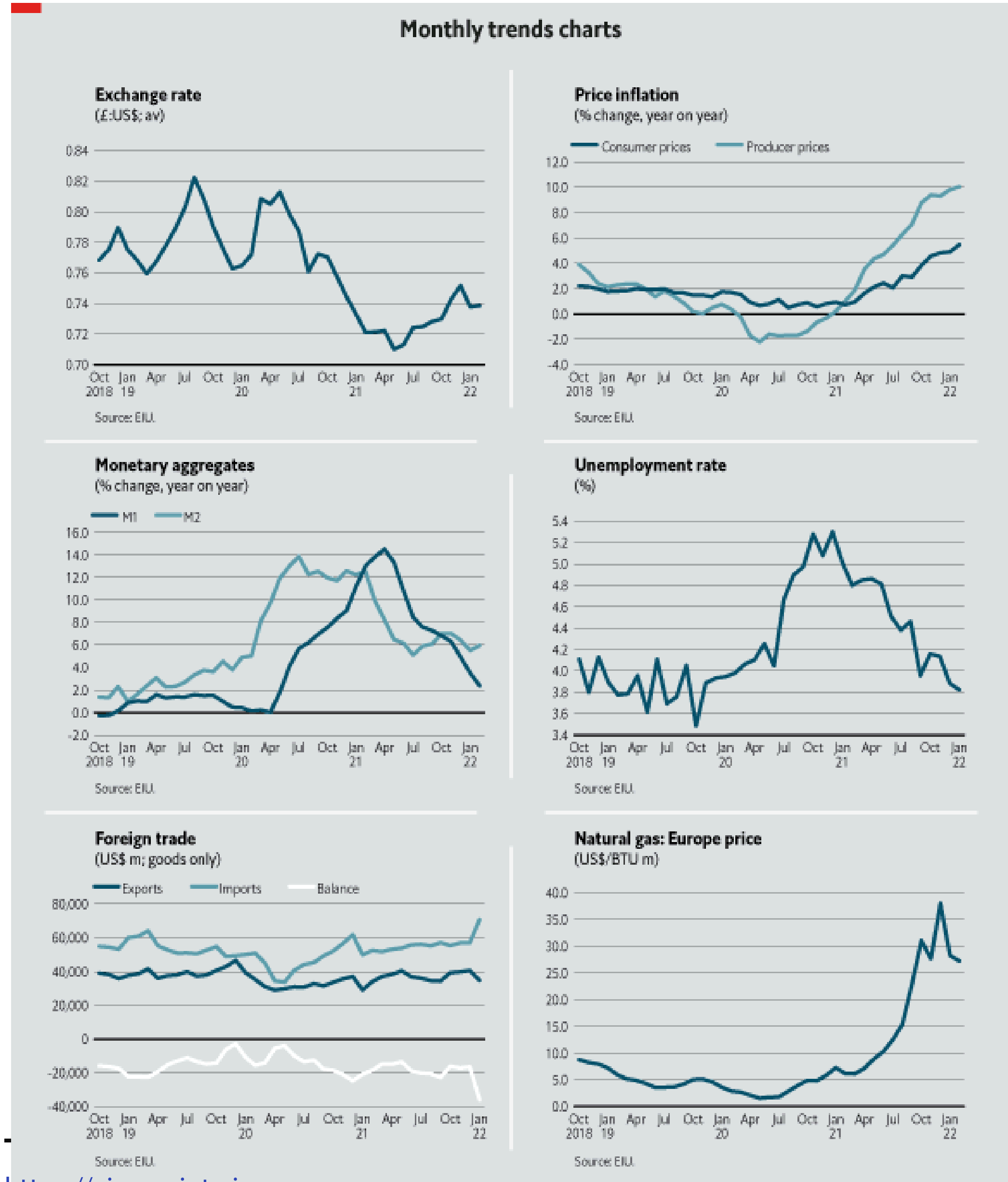
April 4th 2022


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

Data and charts: Monthly trends charts

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

April 4th 2022


Monthly trends charts
Exchange rate
(£:US$; av)
Source: EIU.
Price inflation
(% change, year on year)
Consumer prices
Producer prices
Source: EIU.
Monetary aggregates
(% change, year on year)
M1
M2
Source: EIU.
Unemployment rate
(%)
Source: EIU.
Foreign trade
(US$ m; goods only)
Exports
Imports
Balance
Source: EIU.
Natural gas: Europe price
(US$/BTU m)
Source: EIU.

Data summary: Gross domestic product, current market prices

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

April 4th 2022

Gross domestic product, at current market prices

	2017[a]	2018[a]	2019[a]	2020[a]	2021[a]	2022[b]	2023[b]	2024[b]	2025[b]	2026[b]
Expenditure on GDP (£ bn at current market prices)										
GDP	2,097.1	2,174.4	2,255.3	2,150.4	2,317.1	2,498.6	2,641.5	2,749.3	2,854.5	2,961.3
Private consumption	1,352.8	1,412.3	1,449.1	1,309.6	1,424.4	1,571.4	1,655.2	1,713.5	1,774.5	1,842.9
Government consumption	388.6	399.0	424.0	477.9	511.3	586.4	625.3	652.9	680.5	709.3
Gross fixed investment	377.9	386.5	399.6	367.9	395.8	408.7	428.7	443.2	457.5	472.3
Exports of goods & services	630.1	663.3	699.3	609.9	625.4	726.5	754.4	766.5	793.7	823.6
Imports of goods & services	656.6	691.6	719.9	603.5	654.5	795.4	821.4	825.8	852.8	888.8
Stockbuilding	4.4	4.9	3.3	-8.4	8.1	1.0	-0.7	-1.0	1.0	2.0
Domestic demand	2,123.6	2,202.7	2,276.0	2,147.0	2,339.5	2,567.5	2,708.5	2,808.7	2,913.5	3,026.5
Expenditure on GDP (US$ bn at current market prices)										
GDP	2,703.5	2,904.4	2,880.8	2,760.5	3,188.4	3,291.9	3,546.3	3,787.2	4,096.2	4,367.8
Private consumption	1,743.9	1,886.4	1,851.0	1,681.2	1,960.1	2,070.3	2,222.1	2,360.3	2,546.4	2,718.3
Government consumption	501.0	533.0	541.6	613.4	703.5	772.6	839.4	899.4	976.6	1,046.2

Gross fixed investment	487.1	516.2	510.4	472.3	544.6	538.5	575.5	610.5	656.5	696.7
Exports of goods & services	812.3	886.0	893.2	782.9	860.6	957.2	1,012.8	1,055.8	1,139.0	1,214.8
Imports of goods & services	846.5	923.8	919.6	774.8	900.6	1,047.9	1,102.7	1,137.5	1,223.8	1,311.0
Stockbuilding	5.7	6.5	4.2	-10.8	11.1	1.3	-0.9	-1.4	1.4	3.0
Domestic demand	2,737.7	2,942.2	2,907.2	2,756.2	3,219.4	3,382.6	3,636.1	3,868.9	4,180.9	4,464.1
Economic structure (% of GDP at current market prices)										
Household consumption	64.5	65.0	64.3	60.9	61.5	62.9	62.7	62.3	62.2	62.2
Government consumption	18.5	18.4	18.8	22.2	22.1	23.5	23.7	23.7	23.8	24.0
Gross fixed investment	18.0	17.8	17.7	17.1	17.1	16.4	16.2	16.1	16.0	15.9
Stockbuilding	0.2	0.2	0.1	-0.4	0.3	0.0	0.0	0.0	0.0	0.1
Exports of goods & services	30.0	30.5	31.0	28.4	27.0	29.1	28.6	27.9	27.8	27.8
Imports of goods & services	31.3	31.8	31.9	28.1	28.2	31.8	31.1	30.0	29.9	30.0
Memorandum item										
National savings ratio (%)	14.6	14.1	15.2	14.1	14.2[c]	13.1	13.0	13.1	12.9	12.8

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

Data summary: Gross domestic product, at constant prices

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

April 4th 2022

Gross domestic product, at constant prices

	2017[a]	2018[a]	2019[a]	2020[a]	2021[a]	2022[b]	2023[b]	2024[b]	2025[b]	2026[b]
Real expenditure on GDP(£ bn at 2019 prices)										
GDP	2,182.2	2,218.2	2,255.3	2,046.2	2,198.5	2,284.0	2,330.6	2,372.5	2,411.5	2,450.2
Household consumption	1,398.0	1,430.9	1,449.0	1,295.9	1,376.1	1,432.0	1,453.7	1,476.8	1,500.9	1,528.2
Government consumption	405.4	406.9	424.0	398.9	456.1	479.0	488.5	495.4	501.8	508.3
Gross fixed investment	397.7	397.4	399.6	361.6	382.9	403.5	423.2	437.5	451.7	466.3
Exports of goods & services	658.3	676.5	699.3	608.6	600.8	627.3	640.0	658.1	676.7	694.7
Imports of goods & services	678.6	699.5	719.9	606.4	629.7	668.1	686.3	706.5	732.7	761.4
Stockbuilding (% of GDP)	12.7	1.8	6.5	-9.0	0.2	-1.9	-0.7	-1.0	1.0	2.0
Domestic demand	2,214.3	2,240.1	2,275.9	2,046.6	2,221.0	2,314.9	2,368.7	2,411.9	2,458.9	2,508.1
Real expenditure on GDP (% change)										
GDP	2.1	1.7	1.7	-9.3	7.4	3.9	2.0	1.8	1.6	1.6
Household consumption	1.6	2.4	1.3	-10.6	6.2	4.1	1.5	1.6	1.6	1.8
Government consumption	0.6	0.4	4.2	-5.9	14.3	5.0	2.0	1.4	1.3	1.3
Gross fixed investment	3.3	-0.1	0.5	-9.5	5.9	5.4	4.9	3.4	3.2	3.2

Exports of goods & services	5.7	2.8	3.4	-13.0	-1.3	4.4	2.0	2.8	2.8	2.7
Imports of goods & services	2.9	3.1	2.9	-15.8	3.8	6.1	2.7	2.9	3.7	3.9
Stockbuilding (% contribution to GDP growth)	0.2	-0.5	0.2	-0.7	0.4	-0.1	0.1	0.0	0.1	0.0
Domestic demand	1.9	1.2	1.6	-10.1	8.5	4.2	2.3	1.8	1.9	2.0
Real contribution to GDP growth (% points)										
Private consumption	1.0	1.5	0.8	-6.8	3.9	2.5	1.0	1.0	1.0	1.1
Government consumption	0.1	0.1	0.8	-1.1	2.8	1.0	0.4	0.3	0.3	0.3
Gross fixed investment	0.6	0.0	0.1	-1.7	1.0	0.9	0.9	0.6	0.6	0.6
External balance	0.7	-0.1	0.1	1.0	-1.5	-0.5	-0.2	-0.1	-0.3	-0.4
Memorandum items										
Industrial production (% change)	0.1	3.5	3.6	-8.4	4.7	3.7	2.1	1.6	1.6	1.6
Real personal disposable income (% change)	0.9	2.8	1.3	-0.3	0.9	0.3	1.0	1.0	1.1	1.5

[a] Actual. [b] EIU forecasts.

Data summary: Gross domestic product by sector of origin

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

April 4th 2022

Gross domestic product by sector of origin

	2017[a]	2018[a]	2019[a]	2020[a]	2021[a]	2022[b]	2023[b]	2024[b]	2025[b]	2026[b]
Origin of GDP (£ bn at constant 2018 prices)										
GDP at factor cost	1,950.8	1,981.4	2,017.3	1,832.4	1,969.8	2,046.4	2,088.1	2,125.7	2,160.7	2,195.4
Agriculture	13.4	11.9	13.8	12.5	12.9	13.7	13.9	14.2	14.4	14.6
Industry	389.3	396.1	405.5	361.5	388.5	402.9	411.0	418.5	425.3	432.2
Services	1,548.3	1,573.5	1,598.0	1,458.4	1,568.3	1,629.8	1,663.2	1,693.0	1,721.0	1,748.6
Origin of GDP (real % change)										
Agriculture	5.9	-10.9	15.9	-9.8	4.0	5.5	1.9	1.9	1.6	1.6
Industry	1.3	1.7	2.4	-10.8	7.5	3.7	2.0	1.8	1.6	1.6
Services	2.4	1.6	1.6	-8.7	7.5	3.9	2.1	1.8	1.6	1.6
Origin of GDP (% of factor cost GDP)										
Agriculture	0.7	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Industry	20.0	20.0	20.1	19.7	19.7	19.7	19.7	19.7	19.7	19.7

Services	79.4	79.4	79.2	79.6	79.6	79.6	79.7	79.6	79.6	79.6
Memorandum item										
Industrial production (% change)	0.1	3.5	3.6	-8.4	4.7	3.7	2.1	1.6	1.6	1.6

[a] Actual. [b] EIU forecasts.

Data summary: Growth and productivity

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

April 4th 2022

Growth and productivity

	2017[a]	2018[a]	2019[a]	2020[a]	2021[a]	2022[b]	2023[b]	2024[b]	2025[b]	2026[b]
Growth and productivity (%)										
Labour productivity growth	1.1	0.5	0.6	-8.5	8.0	2.8	1.2	1.3	1.1	1.0
Total factor productivity growth	0.4	0.0	0.1	-9.0	1.3	-1.1	1.2	1.1	0.9	0.8
Growth of capital stock	3.1	2.6	2.3	0.7	1.3	1.9	2.3	2.4	2.5	2.6
Growth of potential GDP	2.0	1.9	1.8	1.9	0.1	0.3	2.4	2.3	2.1	2.1
Growth of real GDP	2.1[c]	1.7[c]	1.7[c]	-9.3[c]	7.4[c]	3.9	2.0	1.8	1.6	1.6
Growth of real GDP per head	0.7[c]	1.0[c]	1.1[c]	-9.7[c]	6.9[c]	3.4	1.6	1.4	1.3	1.2

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

Data summary: Economic structure, income and market size

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

April 4th 2022

Economic structure, income and market size

	2017[a]	2018[a]	2019[a]	2020[a]	2021[a]	2022[b]	2023[b]	2024[b]	2025[b]	2026[b]
Population, income and market size										
Population (m)	66.7	67.1	67.5	67.9	68.2	68.5	68.8	69.0	69.3	69.5
GDP (US$ bn at market exchange rates)	2,704	2,904	2,881	2,760	3,188	3,292	3,546	3,787	4,096	4,368
GDP per head (US$ at market exchange rates)	40,516	43,257	42,660	40,663	46,746	48,058	51,570	54,869	59,130	62,825
Private consumption (US$ bn)	1,744	1,886	1,851	1,681	1,960	2,070	2,222	2,360	2,546	2,718
Private consumption per head (US$)	26,135	28,096	27,410	24,765	28,737	30,224	32,314	34,197	36,758	39,098
GDP (US$ bn at PPP)	3,075	3,165	3,315	3,044	3,406	3,697	3,867	4,035	4,192	4,353
GDP per head (US$ at PPP)	46,076	47,133	49,084	44,834	49,930	53,976	56,234	58,458	60,507	62,605
Personal disposable income (£ bn)	1,381	1,448	1,487	1,493	1,549	1,647	1,726	1,777	1,831	1,895
Personal disposable income (US$ bn)	1,780	1,935	1,900	1,917	2,131	2,170	2,318	2,448	2,627	2,795
Growth of real disposable income (%)	0.9	2.8	1.3	-0.6	1.2	0.3	1.0	1.0	1.1	1.5
Memorandum items										
Share of world population (%)	0.89	0.89	0.89	0.88	0.88	0.88	0.88	0.88	0.89	0.86
Share of world GDP (% at market exchange rates)	3.37	3.41	3.33	3.29	3.39	3.33	3.41	3.43	3.51	3.62

Share of world GDP (% at PPP)	2.56	2.48	2.49	2.32	2.37	2.38	2.34	2.31	2.28	2.29
Share of world exports of goods (%)	2.51	2.47	2.58	2.32	2.01[c]	2.16	2.10	2.05	2.07	2.20

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

Data summary: Fiscal indicators

United Kingdom | Economy | Charts and tables | Fiscal indicators

April 4th 2022

Fiscal indicators

	2017[a]	2018[a]	2019[a]	2020[a]	2021[a]	2022[b]	2023[b]	2024[b]	2025[b]	2026[b]
Fiscal indicators (% of GDP)										
Government expenditure	37.2	37.0	36.8	48.1	44.8	42.7	42.1	41.9	42.0	42.1
Interest[c]	2.6	2.4	2.1	1.9	2.6	2.9	3.2	3.3	3.4	3.6
Non-interest[c]	34.6	34.6	34.8	46.3	42.2	39.8	38.9	38.6	38.6	38.5
Government revenue[c]	35.3	35.1	35.0	35.2	36.4	37.2	37.8	38.2	38.7	38.8
Budget balance[c]	-1.9	-1.9	-1.8	-13.0	-8.4	-5.5	-4.3	-3.7	-3.4	-3.3
Primary balance[c]	0.7	0.5	0.3	-11.1	-5.8	-2.6	-1.1	-0.4	0.1	0.3
Government debt[d]	85.2	84.5	83.8	102.5	103.5[e]	101.7	100.5	100.2	99.9	99.6

[a] Actual. [b] EIU forecasts. [c] General government. [d] General government, gross public debt (Maastricht definition). Includes impact of financial sector interventions in Northern Rock, Bradford & Bingley and compensation payments to Icelandic bank depositors. Does not include impact

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

Data summary: Monetary indicators

United Kingdom | Economy | Charts and tables | Monetary indicators

April 4th 2022

Monetary indicators

	2017[a]	2018[a]	2019[a]	2020[a]	2021[a]	2022[b]	2023[b]	2024[b]	2025[b]	2026[b]
Monetary indicators										
Exchange rate US$:£ (av)	1.29	1.34	1.28	1.28	1.38	1.32	1.34	1.38	1.44	1.48
Exchange rate €:£ (av)	1.14	1.13	1.14	1.12	1.16	1.18	1.19	1.17	1.18	1.19
Exchange rate US$:€ (av)	1.13	1.18	1.12	1.14	1.18	1.12	1.13	1.18	1.22	1.24
Exchange rate €:£ (year-end)	1.13	1.11	1.18	1.11	1.19	1.17	1.18	1.17	1.18	1.19
Real effective exchange rate (av; 2010=100)	97.1	98.8	98.4	98.6	102.3	104.2	106.8	106.9	109.2	110.9
M4 money supply growth (%)[c]	4.8	2.3	3.8	12.6	6.4[d]	7.4	6.6	4.6	4.5	4.4
Domestic credit growth (%)	5.4	3.2	4.9	3.1	1.9[d]	6.1	2.1	4.3	3.8	3.4
Purchasing power parity US$:£ (av)	1.47	1.46	1.47	1.42	1.47	1.48	1.46	1.47	1.47	1.47
3-month £-Libor rate (av; %)	0.4	0.7	0.8	0.3	0.1	0.8	1.2	1.6	2.0	2.2

10-year government bond yield (av; %)	1.2	1.5	0.9	0.4	0.8	1.6	1.6	1.9	1.9	1.9
Bank of England base rate (%; end-period)	0.50	0.75	0.75	0.10	0.25	1.00	1.50	1.75	2.00	2.25
Lending rate (%; average mortgage SVR from UK MFIs)	4.4	4.3	4.3	3.8	3.6	4.0	4.2	4.4	4.5	4.5
Deposit rate (av; %)	0.9	0.9	0.9	0.4	0.2	0.5	1.0	1.1	1.3	1.3

[a] Actual. [b] EIU 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. [d] EIU estimates.

Data summary: Employment, wages and prices

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

April 4th 2022

Employment, wages and prices

	2017[a]	2018[a]	2019[a]	2020[a]	2021[a]	2022[b]	2023[b]	2024[b]	2025[b]	2026[b]
The labour market (av)										
Labour force (m)	33.5	33.8	34.1	34.1	33.9	34.3	34.5	34.7	34.8	35.0
Labour force (% change)	0.5	0.9	0.8	-0.1	-0.6	1.1	0.6	0.5	0.4	0.5
Employment (m)	32.1	32.4	32.8	32.5	32.4	32.7	33.0	33.1	33.3	33.5
Employment (% change)	1.0	1.2	1.1	-0.8	-0.5	1.1	0.8	0.5	0.5	0.6

Unemployment (m)	1.5	1.4	1.3	1.6	1.5	1.6	1.5	1.5	1.5	1.5
Unemployment rate (%; EU/OECD standardised measure)	4.4	4.1	3.8	4.5	4.5	4.7	4.9	4.4	4.2	4.2
Wage and price inflation (% except labour costs per hour)										
GDP deflator	1.8	2.0	2.0	5.1	0.3	3.8	3.6	2.2	2.1	2.1
Consumer prices (av; CPIH measure)	2.6	2.3	1.7	1.0	2.5	6.4	3.6	2.0	1.9	1.9
Producer prices (av)	3.9	3.4	1.4	-1.0	5.2	8.6	4.6	2.0	2.0	2.0
GDP deflator (av)	1.8	2.0	2.0	5.1	0.3	3.8	3.6	2.2	2.1	2.1
Private consumption deflator (av)	1.8	2.0	1.3	1.1	2.4	6.0	3.8	1.9	1.9	2.0
Government consumption deflator (av)	1.0	2.3	2.0	19.8	-6.4	9.2	4.5	3.0	2.9	2.9
Fixed investment deflator (av)	3.0	2.3	2.8	1.7	1.6	-2.0	0.0	0.0	0.0	0.0
Average nominal wages (av)	2.3	3.0	3.4	1.8	5.9	6.6	4.9	3.2	3.1	3.1
Average real wages (av)	-0.3	0.7	1.6	0.8	3.3	0.2	1.3	1.2	1.2	1.2
Unit labour costs (£-based; av)	2.0	2.4	3.0	13.6	-1.1	4.7	4.6	2.9	3.0	3.1
Unit labour costs (US$-based)	-2.9	6.1	-1.5	14.2	6.0	0.3	6.6	5.6	7.3	6.0
Labour costs per hour (£)	22.0[c]	22.7[c]	23.5[c]	23.9[c]	25.3[c]	27.0	28.3	29.2	30.1	31.0
Labour costs per hour (US$)	28.4[c]	30.3[c]	30.0[c]	30.7[c]	34.8[c]	35.5	38.0	40.2	43.2	45.8

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

Data summary: Current account and terms of trade

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

April 4th 2022

Current account and terms of trade

	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]
Current account (US$ bn)										
Current-account balance	-98.1	-112.5	-77.0	-73.7	-102.7	-109.5	-112.3	-112.6	-128.8	-141.5
Current-account balance (% of GDP)	-3.6	-3.9	-2.7	-2.7	-3.2	-3.3	-3.2	-3.0	-3.1	-3.2
Goods: exports fob	435.4	468.3	474.9	396.6	441.1	505.9	509.8	518.3	554.2	593.6
Goods: imports fob	-616.4	-658.0	-651.9	-564.1	-657.1	-790.7	-818.2	-826.8	-882.6	-941.0
Trade balance	-180.9	-189.8	-176.8	-167.5	-216.0	-284.8	-308.4	-308.4	-328.4	-347.4
Services: credit	376.6	416.7	417.7	380.5	416.1	447.0	494.0	528.2	575.2	610.7
Services: debit	-229.8	-264.7	-267.4	-210.6	-223.3	-228.5	-246.3	-269.1	-289.9	-310.4
Services balance	146.8	152.0	150.3	169.9	192.8	218.5	247.7	259.1	285.3	300.3
Primary income: credit	241.8	291.9	277.8	174.6	261.4	304.2	334.5	371.1	378.6	375.4
Primary income: debit	-277.0	-332.6	-294.4	-214.6	-301.4	-306.6	-342.1	-387.1	-412.9	-419.8
Primary income balance	-35.2	-40.7	-16.6	-40.0	-40.0	-2.4	-7.6	-16.0	-34.3	-44.3
Secondary income: credit	22.7	25.0	24.4	26.9	33.0	34.1	36.7	36.9	37.4	39.9
Secondary income: debit	-51.7	-59.1	-58.3	-62.8	-72.5	-74.9	-80.7	-84.1	-88.8	-90.0

Secondary income balance	-29.0	-34.1	-33.9	-35.9	-39.5	-40.8	-44.0	-47.2	-51.3	-50.1
Terms of trade										
Export price index (US$-based; 2010=100)	89.9	96.5	92.3	89.7	109.4	121.3	123.3	121.2	125.7	129.5
Export prices (% change)	1.1	7.3	-4.3	-2.8	21.9	10.9	1.7	-1.7	3.7	3.1
Import price index (US$-based; 2010=100)	89.6	95.4	89.7	86.4	93.5	104.8	106.2	104.7	107.8	110.5
Import prices (% change)	1.2	6.5	-5.9	-3.7	8.2	12.1	1.3	-1.4	2.9	2.5
Terms of trade (2010=100)	100.4	101.2	102.9	103.8	117.0	115.7	116.1	115.7	116.6	117.3
Memorandum item										
Export market growth (%)	4.7	4.5	1.2[b]	-4.5[b]	9.1	6.7	4.8	3.7	3.5	3.3

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

Data summary: Foreign direct investment

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

April 4th 2022

Foreign direct investment

	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]
Foreign direct investment (US$ bn)										
Inward direct investment	125.4	-25.2	2.3	31.0	58.3	106.1	78.2	64.5	79.4	104.2
Inward direct investment (% of GDP)	4.6	-0.9	0.1	1.1	1.8	3.2	2.2	1.7	1.9	2.4
Inward direct investment (% of gross fixed investment)	25.7	-4.9	0.5	6.6	10.7	19.7	13.6	10.6	12.1	15.0
Outward direct investment	-172.0	28.7	48.2	53.3	51.2	51.9	54.4	57.1	60.0	62.9
Net foreign direct investment	-46.6	3.5	50.5	84.3	109.4	157.9	132.6	121.5	139.4	167.1
Stock of foreign direct investment	2,292.0	2,291.0	2,372.0	2,403.0	2,461.3	2,567.4	2,645.6	2,710.0	2,789.4	2,893.6
Stock of foreign direct investment per head (US$)	34,349	34,122	35,125	35,398	36,085	37,481	38,472	39,264	40,267	41,620
Stock of foreign direct investment (% of GDP)	84.8	78.9	82.3	87.1	77.2	78.0	74.6	71.6	68.1	66.2
Memorandum items										
Share of world inward direct investment flows (%)	6.1	-6.4	0.2	3.0	5.2	8.7	6.1	4.9	5.8	7.3
Share of world inward direct investment stock (%)	7.6	7.2	6.9	7.2	6.7	6.4	6.3	6.2	6.2	6.2

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

Political structure

United Kingdom | Summary | Political structure

April 4th 2022

Official name

United Kingdom of Great Britain and Northern Ireland

Form of state

Parliamentary monarchy

Legal system

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

National legislature

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

Electoral system

Universal direct suffrage from the age of 18

National elections

The last general election was held on December 12th 2019; the next election is scheduled for May 2nd 2024

Head of state

Queen Elizabeth II, who acceded to the throne in 1952

National government

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

Main political parties

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

Prime minister: Boris Johnson

Attorney general: Suella Braverman

Chancellor of the exchequer: Rishi Sunak

Chief secretary to the Treasury: Simon Clarke

Leader of the House of Commons: Mark Spencer

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

Minister for Brexit opportunities: Jacob Rees-Mogg

Minister for the Cabinet Office: Stephen Barclay

Parliamentary secretary to the Treasury & chief whip: Chris Heaton-Harris

Party chair & minister without portfolio: Oliver Dowden

President for COP26: Alok Sharma

Secretaries of state

Business, energy & industrial strategy: Kwasi Kwarteng

Defence: Ben Wallace

Digital, culture, media & sport: Nadine Dorries

Education: Nadhim Zahawi

Environment, food & rural affairs: George Eustice

Foreign, Commonwealth & development: Liz Truss

Health & social care: Sajid Javid

Home Office: Priti Patel

Housing, communities & local government: Michael Gove

International trade: Anne-Marie Trevelyan

Justice & Lord Chancellor: Dominic Raab

Northern Ireland: Brandon Lewis

Scotland: Alister Jack

Transport: Grant Shapps

Wales: Simon Hart

Work & pensions: Therese Coffey

Central bank governor

Andrew Bailey

Basic data

United Kingdom | Summary | Basic data

April 4th 2022

Land area

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

Population

67.1m (official mid-year estimate, 2020)

Main urban areas

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

Greater London (capital): 9,304

Greater Manchester: 2,730

West Midlands: 2,607

West Yorkshire: 1,889

Glasgow: 1,673

Climate

Temperate

Weather in London (altitude 5 metres)

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

Language

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

Measures

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

Currency

Pound (or pound sterling) = 100 pence

Time

GMT (summer time, 1 hour ahead)

Fiscal year

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

Public holidays

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

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

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

https://viewpoint.eiu.com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