ECONOMIST INTELLIGENCE EIU Viewpoint

One-click report : United Kingdom

November 23rd 2022

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One-click report : United Kingdom

Briefing sheet

United Kingdom | Summary | Briefing sheet

November 9th 2022

Political and economic outlook

- In 2022 the UK economy is the sixth largest in the world. Services make up more than 40% of total exports and 80% of GDP. Having left the EU single market and customs union, the UK is seeking to rebalance trading relations towards markets outside the EU.
- Rishi Sunak became prime minister after his predecessor, Liz Truss, resigned after only 50 days. Mr Sunak will have to engage in significant fiscal consolidation after markets were spooked by Ms Truss' programme of unfunded tax cuts. This will keep the Conservative Party divided going into the next election in late 2024, which they are likely to lose.
- Despite Mr Sunak's focus on fiscal discipline, the budget deficit is still likely to widen in 2023 owing to a freezing of household energy prices for six months with the government covering the costs, higher borrowing costs as interest rates rise, and a recession in 2023. The deficit will fall slowly from 2024 as a share of GDP.
- GDP is unlikely to return to its pre-pandemic level until 2025. Growth is likely to contract from the third quarter of 2022 as higher energy costs erode consumer and industrial confidence and spending power. This will persist into 2023, when EIU expects a full-year contraction.

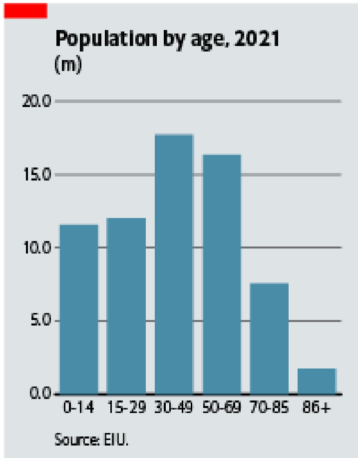
- The UK-EU trade agreement reached in 2020 has created non-tariff barriers, causing dissatisfaction in Northern Ireland and aggravating relations with the EU. We expect a slight thawing of relations as economic and energy issues return to the fore.
- The UK is one of eight European countries with a public debt/GDP ratio above 100%. Borrowing costs are likely to rise amid economic contraction and rising interest rates, but the UK benefits from the ability to borrow in sterling and long average debt maturity.
- Volatile energy costs and supplies are risks to the UK over the 2022/23 winter as the cut-off of Russian gas supplies raises the cost of gas across Europe, and a reduction of French nuclear power production threatens a major source of UK electricity imports.

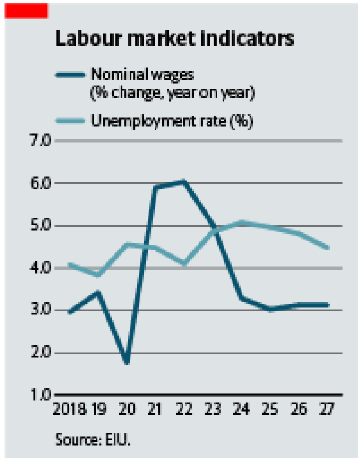
Key indicators

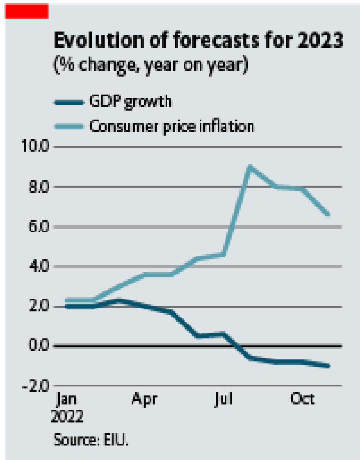
	2022[a]	2023[b]	2024[b]	2025[b]	2026[b]	2027[b]
Real GDP growth (%)	4.4	-1.0	0.9	1.4	1.6	1.7
Consumer price inflation (av; %)	8.0	6.6	2.5	2.0	1.9	1.9
Government balance (% of GDP)	-6.3	-6.9	-5.1	-3.3	-2.6	-2.5
Current-account balance (% of GDP)	-6.4	-6.4	-4.3	-3.7	-3.3	-3.4
Short-term interest rate (av; %)	1.8	3.3	3.1	2.9	2.7	2.5
Unemployment rate (%)	4.1	4.9	5.1	5.0	4.8	4.5
Exchange rate £:US$ (av)	0.81	0.85	0.80	0.76	0.72	0.70

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

Market opportunities







Key changes since October 17th

- Liz Truss resigned as prime minister on October 20th, following weeks of market instability around her mini-budget. She has been replaced by Mr Sunak, her rival in the summer leadership contest.
- Mr Sunak will prioritise fiscal consolidation, leading us to revise down our estimate of the fiscal deficit in 2023 from 8.4% to 6.9% of GDP. However, spending cuts will exacerbate the downturn in 2023, which we have revised from a contraction of 0.8% to 1%.
- On November 3rd the Bank of England (the central bank) raised its main interest rate by 75 basis points, the highest increase since 1989. However, it has signalled a more dovish trajectory, and we now forecast rates will peak at 4.5% in 2023, before gradually declining.

The month ahead

- November 17th – Autumn fiscal statement: The chancellor, Jeremy Hunt, will provide full details of the medium-term fiscal plan, with a greater emphasis on fiscal consolidation, in an attempt to prevent further bouts of financial-market instability.
- November 11th– GDP (Q3): We expect real GDP to have contracted in the third quarter by 0.2% following a month-on-month fall of 0.3% in August and growth of only 0.1% in July, as well as an additional bank holiday in September. We expect this to begin a period of contraction lasting to the second quarter of 2023.

Major risks to our forecast

Scenarios, Q3 2022	Probability	Impact	Intensity
High energy prices push the UK electricity market into crisis	Very High	High	20
Supply-chain disruptions persist throughout 2023, damaging economic activity	Very High	High	20
The impact of Russian gas cut-offs deepens the UK recession	Very High	High	20
The UK is struck by another major cyber-attack	Very High	Moderate	15
A large budget deficit forces the government to backtrack on investment in infrastructure	High	Moderate	12

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

Source: EIU.

Forecast summary

United Kingdom | Economy | Forecast | Forecast summary

November 9th 2022

Forecast summary

(% unless otherwise indicated)

	2022[a]	2023[b]	2024[b]	2025[b]	2026[b]	2027[b]
Real GDP (% change)	4.4	-1.0	0.9	1.4	1.6	1.7
Industrial production (% change)	1.4	-2.0	1.2	1.6	1.6	1.6
Unemployment rate (av; EU/OECD harmonised measure)	4.1	4.9	5.1	5.0	4.8	4.5
Consumer price inflation (av; CPIH measure)	8.0	6.6	2.5	2.0	1.9	1.9
3-month £-LIBOR rate (av)	1.8	3.3	3.1	2.9	2.7	2.5
Bank of England base rate (end-period)	3.50	4.25	3.50	3.00	2.75	2.75
Government budget balance (% of GDP)[c]	-6.3	-6.9	-5.1	-3.3	-2.6	-2.5
Exports of goods fob (US$ bn)	467.9	426.8	450.9	466.2	484.4	497.1
Imports of goods fob (US$ bn)	-825.4	-844.1	-854.0	-883.5	-923.2	-960.1
Current-account balance (US$ bn)	-193.4	-190.1	-144.5	-134.7	-133.9	-145.1
Current-account balance (% of GDP)	-6.4	-6.4	-4.3	-3.7	-3.3	-3.4
Exchange rate US$:£ (av)	1.23	1.17	1.25	1.31	1.39	1.42
Exchange rate ¥:£ (av)	164.1	160.6	154.7	156.0	163.7	166.1

Exchange rate €:£ (av)	1.18	1.18	1.22	1.23	1.24	1.22

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

Political stability

United Kingdom | Politics | Forecast | Political stability

November 9th 2022

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

Mr Sunak, having campaigned for party leader on more fiscal restraint, will focus his premiership on shoring up the public finances. However, the Conservative Party remains divided on several other issues, including the treatment of irregular migrants arriving in small boats, energy and climate policy and managing the fallout from the UK's departure from the EU in 2020. The tax rises and spending cuts Mr Sunak is expected to implement will also be unpopular among both Conservative members of parliament and the wider public. Despite rebounding slightly from its extraordinary lows under Ms Truss, the Conservatives still trail the centre left opposition Labour Party in the polls. These factors will fuel discontent and division within the Conservatives limiting Mr Sunak's ability to push significant policy beyond addressing the immediate energy and fiscal crises, despite the party's roughly 80-seat majority in parliament.

There are medium-term risks to the union of England, Northern Ireland, Scotland and Wales, but the dissolution of the UK is not EIU's core forecast for 2023-27. Pro-independence parties, led by the Scottish National Party (SNP), hold a majority in the Scottish parliament, and have introduced legislation in Scotland to hold a referendum on independence in 2023 unsanctioned by the UK parliament. The government has dismissed the possibility of granting a binding second referendum during this parliamentary term. Even if it were forced to grant one by 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 relevant to voters. We do not expect Scotland to achieve independence in 2023-27, but the issue may return to prominence if the SNP becomes the swing party in a hung parliament after the next election.

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 goods deemed to be ”at risk” of passing into the EU. The arrangement has been difficult to implement and is disliked by Unionist politicians in Northern Ireland for, in effect, creating a border between Northern Ireland and the rest of the UK. Following elections in May, the largest Unionist party, the Democratic Unionist Party (DUP), has refused to join the power-sharing executive unless the Northern Ireland protocol is changed radically. Constitutionally, this has prevented an executive from being formed. This would normally require new elections after six months without a government, but the government has overridden this provision to prevent further divisiveness. To appease the DUP, the previous government introduced legislation to allow the UK to override parts of the protocol, which would risk provoking a trade war with the EU in retaliation, and would at the very least sour relations. Given Mr Sunak's weak position, he is unlikely to risk generating further sources of instability. Even if the government were to seek to override the protocol, it would meet opposition in parliament, and such legislation would be highly unlikely to be passed by the House of Lords (the upper chamber).

Election watch

United Kingdom | Politics | Forecast | Election watch

November 9th 2022

The next election is most likely in the autumn of 2024. The prime minister has the authority to decide the date of the election unilaterally, with the constraint that parliament must be dissolved within five years of the previous election (December 12th 2019) with an election to follow within 25 days, making the latest possible date January 24th 2025. Elections are usually held in May to coincide with fixed-term local elections, but we expect that Mr Sunak will attempt to hold off from calling an election as long as possible (although an election in December or January around the Christmas period would be highly unpopular and probably be avoided), given the poor economic outlook in 2023 and early 2024. An early election is unlikely given the Conservatives' weak polling.

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

International relations

United Kingdom | Politics | Forecast | International relations

November 9th 2022

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

Serious tensions remain between the EU and the UK related to the UK's departure from the bloc. The EU-UK Trade and Co-operation Agreement came into force in May 2021, allowing zero-tariff, zero-quota trade between the UK and the EU. However, leaving the single market and customs union has created a variety of non-tariff trade barriers. The Northern Ireland protocol is by far the main source of UK-EU friction. The government is seeking changes to the protocol to reduce trade blockages and political tensions in Northern Ireland, and has introduced legislation that would allow it to override parts of the protocol unilaterally. The EU has offered limited concessions on the implementation of the protocol, but has said that it will launch infringement proceedings against the UK if the UK reneges on the protocol. The UK and EU agreed to extend a series of grace periods that waive border checks, effective from September 15th, heading off an immediate crisis. A UK-EU trade war is not our baseline forecast, especially given the war in Ukraine, but it remains a risk.

Policy trends

United Kingdom | Economy | Forecast | Policy trends

November 9th 2022

Mr Sunak's primary focus will be on fiscal consolidation. Since taking office, his government has said the campaign promises he had made, including on issues such as repealing all EU law that has been transcribed into UK law and banning onshore wind generation, are currently "under review" owing to the fiscal constraints. Mr Sunak also faces a divided party on many of these issues. Despite his commitment to spending cuts, the ongoing European energy crisis stemming from Russia's invasion of Ukraine is likely to keep natural gas prices elevated. The current cap on retail energy prices extends only until April 2023. However, there will probably need to be further support for the duration of 2023 as energy prices will remain persistently high owing to the ongoing Russian cut-off of natural gas supplies to Europe.

Despite Mr Sunak's emphasis on fiscal consolidation, the Conservative Party was elected on a mandate of increased public spending—particularly on public investment, the National Health Service (which has seen a stark increase in waiting times and deterioration of patient quality since the pandemic), education and the police—and "level up" deprived regions outside London and the south-east. Mr Sunak has emphasised his commitment to the mandate, but is unlikely to make significant headway on any of these issues in an environment of slowing growth and fiscal consolidation. Meanwhile, the opposition Labour Party has yet to set out a compelling alternative solution for these problems.

Fiscal policy

United Kingdom | Economy | Forecast | Fiscal policy outlook

November 9th 2022

Mr Sunak's government will be forced to engage in fiscal consolidation, following a severe adverse market reaction to Ms Truss's proposed mini-budget. To ensure that borrowing costs remain manageable, Mr Sunak and his chancellor, Jeremy Hunt, are planning an autumn budget on November 17th that will contain at least £50bn (US$57bn) in tax increases and spending cuts.

Despite the new government's attempts at fiscal consolidation, we expect an overall widening of the deficit in 2023, to 6.9% of GDP, owing to the emergency freeze of retail energy costs at £2,500 (US$2,800) for a typical household, with the government covering the difference, which is currently scheduled to expire in April 2023, along with depressed tax revenue owing to our forecast full-year contraction. As an advanced economy that borrows exclusively in its own currency, with an exceptionally long bond maturity, the UK has significant scope to borrow. Despite a decline in borrowing costs following Ms Truss's ousting, borrowing costs have risen as major central banks have engaged in monetary tightening, limiting the government's fiscal space.

We expect the fiscal deficit to narrow gradually over 2024-27 as the European gas crisis eases, energy-related expenditure is withdrawn, and the government's planned fiscal consolidation kicks in. As the economy recovers, we forecast that revenue will rise as a share of GDP, and fiscal consolidation efforts will lead to a gradual fall in spending, with the fiscal deficit reaching 2.5% by the end of the forecast period in 2027.

We forecast that public debt will stabilise in 2023-25 at around 107% of GDP, and gradually decline for the remainder of the forecast period. We expect that tax revenue will remain at record levels as a percentage of GDP throughout the forecast period as the population ages and growth remains slow.

Monetary policy

United Kingdom | Economy | Forecast | Monetary policy outlook

November 9th 2022

At its meeting on November 3rd, the Bank of England (BoE, the central bank) raised its key policy interest rate by 75 basis points to 3%, its highest rise since 1989. This was necessary to account for higher inflationary expectations following the mini-budget. However, the BoE has signalled that at the time of the rate increase, market expectations of rates peaking at 5.25% were higher than its own forecasts. Fiscal tightening in the chancellor's autumn statement, the recession slowing wage growth and gradual easing of the energy market will provide significant deflationary pressure in the second half of 2023.

We therefore expect the BoE to slow its pace of tightening, with a 50-basis-point increase at its next meeting in December, taking the policy rate to 3.5% by end-2022, and a peak of 4.5% in mid-2023. We expect a gradual loosening of monetary policy from 2024 amid sluggish growth and subdued inflation reaching a neutral rate of 2.75% by the end of our forecast period in 2027.

Global forecast data

United Kingdom | Economy | Forecast | International assumptions

November 9th 2022

	2022	2023	2024	2025	2026	2027
Economic growth (%)						
US GDP	1.5	0.2	1.7	1.9	2.1	1.8
OECD GDP	2.5	0.4	1.8	1.9	1.9	1.8
EU27 GDP	3.0	-0.2	1.8	1.9	1.8	1.7
World GDP	2.8	1.6	2.6	2.7	2.7	2.6
World trade	3.8	1.8	3.5	3.7	3.7	3.7
Inflation indicators (% unless otherwise indicated)						
US CPI	7.9	3.7	2.0	1.9	2.1	2.1
OECD CPI	8.9	5.2	2.6	2.2	2.1	2.1
EU27 CPI	9.0	6.1	2.7	2.1	1.9	2.0
Manufactures (measured in US$)	1.9	5.3	4.0	3.2	1.9	4.2
Oil (Brent; US$/b)	101.2	89.9	84.8	80.8	76.8	72.8
Non-oil commodities (measured in US$)	15.1	-9.8	-3.4	-1.0	-2.8	-2.8
Financial variables						
US$ 3-month commercial paper rate (av; %)	1.9	4.6	4.3	3.3	2.5	2.3

€ 3-month interbank rate (av; %)	0.2	2.6	2.7	1.9	1.3	1.3
US$:£ (av)	1.23	1.17	1.25	1.31	1.39	1.42
US$:€ (av)	1.04	0.99	1.03	1.07	1.12	1.16

Economic growth

United Kingdom | Economy | Forecast | Economic growth

November 9th 2022

We estimate real GDP growth at 4.4% in 2022, but the headline figure is flattered by strong carry-over effect from 2021, when many lockdown restrictions were still in place. Real GDP is likely to have contracted on a quarterly basis in the third quarter of 2022, and is set to continue to fall until the third quarter of 2023. Rebased GDP data indicate that the economy has failed to recover all of its 2020-21 pandemic-induced losses in 2022. With a forecast contraction in late 2022 and early 2023, we do not expect the UK economy to return to its pre-pandemic (fourth-quarter 2019) size until 2025.

The downturn will be driven by falling real wage growth, in turn explained by elevated inflation (as the European energy crisis and the Ukraine conflict keep gas prices high), as well as monetary tightening. Continued supply-chain disruption and rising overheads will also increase caution among businesses, affecting fixed investment. The introduction of new trade barriers after Brexit has exacerbated the supply shocks, affecting countries across western Europe and making the UK particularly vulnerable to trade-related disruption. Coupled with a much weaker external backdrop, as demand eases from the UK's main trading partners, exports are forecast to contract. We expect these factors to contribute to a 1% contraction in real GDP in 2023.

Growth will rebound slowly, at 0.9% in 2024, and stabilise at about 1.6% in 2025-27. Structural limitations such as low investment and poor productivity, significant skills gaps, high regional inequalities and a reliance on consumer-facing services to drive growth, alongside the creation of new trade barriers by Brexit, will undermine the medium-term growth potential.

Economic growth

%	2022[a]	2023[b]	2024[b]	2025[b]	2026[b]	2027[b]
GDP	4.4	-1.0	0.9	1.4	1.6	1.7
Private consumption	4.4	-1.7	0.9	1.6	1.5	1.5
Government consumption	2.0	4.5	1.4	1.4	1.3	1.3
Gross fixed investment	5.2	-1.8	1.5	3.1	3.0	3.0
Exports of goods & services	3.9	-3.1	1.6	2.2	1.8	2.5
Imports of goods & services	8.4	-5.6	2.1	2.6	2.3	2.6
Domestic demand	5.4	-1.8	1.0	1.5	1.8	1.7
Agriculture	-3.7	-1.2	0.9	1.4	1.6	1.7
Industry	-6.5	-1.1	0.9	1.4	1.6	1.7
Services	7.5	-1.0	0.9	1.4	1.6	1.7

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

Inflation

United Kingdom | Economy | Forecast | Inflation

November 9th 2022

Inflation began to spike sharply from mid-2021 as energy and commodity import costs began rising—a trend that accelerated in 2022 following Russia's invasion of Ukraine. The government's policy to cap household energy prices will slow growth in utility prices in late 2022 and 2023, but the combination of higher input costs and a tight labour market has led to inflationary trends across other products and services. We estimate that consumer price inflation will average 8% in 2022. In 2023 the combination of stabilising global energy prices, negative economic growth and capped energy costs will start to erode inflation, which will average 6.6% that year and decline to 2.5% in 2024, after which energy markets will begin to stabilise, reducing inflation to about 2% in 2025-27.

Exchange rates

United Kingdom | Economy | Forecast | Exchange rates

November 9th 2022

Sterling has been volatile following the unveiling of the government's mini-budget in late September. The UK currency had already weakened steadily over the course of 2022, from US$1.35:£1 at the start of the year to US$1.13:£1 in mid-September, reflecting an aggressive tightening cycle by the Federal Reserve (Fed, the US central bank). It depreciated to US$1.03:£1 on September 26th, before intervention by the BoE helped to steady the markets and stabilise the currency at roughly US$1.13:£1 on November 9th. Although some limited appreciation against the US dollar is likely over 2023 as the Fed begins to slow its tightening cycle, sterling will average a still-weak US$1.17:£1 in 2023 (compared with an average of US$1.23:£1 in 2022). We expect more marked appreciation once inflation eases and the "flight to safety" abates, which is unlikely until 2024.

Sterling has weakened much less noticeably against the euro (trading at about €1.14:£1 in early November, compared with €1.15-1.20:£1 earlier in the year), as Europe has suffered from similar weaknesses against the US dollar. We expect sterling to remain relatively stable against the euro in 2023, averaging £1.18:£1, before rebounding reasonably firmly in 2024-25.

External sector

United Kingdom | Economy | Forecast | External sector

November 9th 2022

The UK has run a persistent current-account deficit since 1985. As in most European countries, we expect the trade balance to deteriorate significantly as energy suppliers are forced to buy imported natural gas on the spot market at prices more than three times their year-earlier levels. Given a dependence on natural gas, we expect this to increase the UK's trade deficit significantly and widen the current-account deficit from 2.6% to 6.4% of GDP in 2022. The deficit will remain elevated at 6.4% of GDP in 2023, before beginning to narrow in 2024 as new domestic supply comes online and international energy prices fall.

Country forecast overview: Business environment rankings

United Kingdom | Business | Business environment | Rankings overview

November 9th 2022

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

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

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

Business environment at a glance

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

November 9th 2022

Policy towards private enterprise and competition

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

2025-27: Greater state intervention in utilities and rail under Labour government. New state aid rules are implemented.

Policy towards foreign investment

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

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

Foreign trade and exchange controls

2023-24: Increased trade barriers with EU. Negotiations over Northern Ireland protocol. Supply-chain disruptions gradually resolve. Sanctions imposed on Russian exports.

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

Taxes

2023-24: Focus on fiscal consolidation to head off inflation. Rise in corporation tax from 19% to 25% in 2023. Freezing of income and inheritance tax rate bands in nominal terms.

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

Financing

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

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

The labour market

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

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

Infrastructure

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

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

Technological readiness

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

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

Market opportunities: Social indicators and living standards

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

May 16th 2022

Social indicators and living standards

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

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

[a] Latest available year.

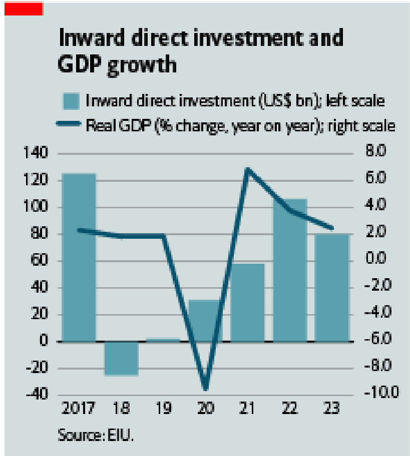
Sources: UN Statistical Office; World Bank; Food and Agriculture Organisation; Euromonitor; World Health Organisation; national statistical offices; International Telecommunication Union; EIU estimates and forecasts.

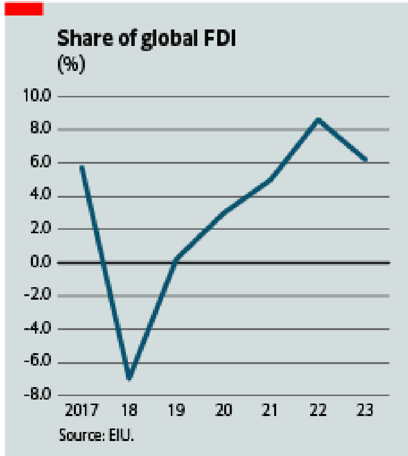
Global position

United Kingdom | Regulation | Global position

December 1st 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 16th 2022

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

Initial conditions: From the early 1990s to 2019, with the exception of the 2008 crisis period, the economic performance of the UK improved relative to that of many regional peers, owing in part to a sharp rise in labour utilisation, with strong employment growth fuelling strong overall expansion. The pace of economic growth began to soften in 2019, and the economy contracted sharply in 2020 amid the coronavirus pandemic. A firm rebound left the UK 0.4% below its 2019 level. Prospects for 2022-23 are weak as private consumption is hit by soaring inflation, corporates face rising debt from the coronavirus crisis (hampering investment), and trade frictions from Brexit and supply-chain disruption depress export-oriented industries. Despite securing the Trade and Co-operation Agreement with the EU, the UK's relationship with the bloc remains unsettled. The UK is likely to diverge in some areas of regulation, particularly in technology and life sciences, while non-tariff barriers put UK firms at a competitive disadvantage within the single market.

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

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

Demographic trends: The working-age population is forecast to rise gradually over the long-term horizon, and the share of the population aged 65 or over will continue to increase. We forecast that by 2050 those aged 65 or older will account for 25.4% of the population (up from 18.7% in 2018). The share of the working-age population peaked at 66% in 2008-09, and we forecast a steady decline to 58.3% by 2050. The labour force participation rate stands at just over

78%—higher than the OECD average. We expect migration to continue to provide a key source of population and human capital growth. Most countries that operate skills-based immigration systems adjust their requirements periodically, a trend that we expect the UK to follow.

The EU is set to remain a key export destination

External conditions: The UK is a highly trade-dependent economy, and thus its departure from the world's largest trading bloc will have implications for its long-term prospects. Despite the UK leaving the single market, the EU is likely to remain the UK's most important export destination, particularly for goods trade, given its proximity and the volume of existing trade. Although the UK's departure from the EU will allow the UK to negotiate trade deals with third countries, the total estimated value of trade deals under negotiation will not make up for the loss of access to the EU market.

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

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

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

Income and market size

	2021	2030	2050
Income and market size			
Population (m)	68.2	70.5	74.1
GDP (US$ bn at market exchange rates)	3,188.4	5,090.8	11,021.6
GDP per head (US$ at market exchange rates)	46,750	72,220	148,780
Private consumption (US$ bn)	1,960.1	3,165.5	7,139.8
Private consumption per head (US$)	28,740	44,910	96,380
GDP (US$ bn at PPP)	3,406.0	5,113.3	10,628.7
GDP per head (US$ at PPP)	49,940	72,540	143,470
Exports of goods & services (US$ bn)	860.6	1,592.2	4,805.6

Imports of goods & services (US$ bn)	900.6	1,730.2	5,404.0
Memorandum items			
GDP per head (at PPP; index, US=100)	72.3	74.2	77.2
Share of world population (%)	0.9	0.8	0.8
Share of world GDP (% at market exchange rates)	3.4	3.5	2.9
Share of world GDP (% at PPP)	2.4	2.2	1.9
Share of world exports of goods & services (%)	3.1	3.7	3.8

Automotive

United Kingdom | Automotive | Overview

October 19th 2022

- The UK's automotive sector is in trend decline. Vehicle 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. Since 2020 activity has also been badly affected by widespread supply-chain disruption from the pandemic and more recently the broadening ripple effects of the Russia-Ukraine war, which has amplified supply-side frictions (constraining new-car stock), high energy and commodity costs and other input-price pressures. There is a risk of energy shortages for businesses and households this winter. Alongside softer new-car demand, vehicle production will remain subdued over EIU's five-year forecast period to 2026.

- The outlook for the UK economy is poor, against a backdrop of soaring living costs, elevated inflation, sharply rising interest rates and record-low consumer sentiment. Unemployment is low, but is likely to rise gradually. Recent policy decisions have triggered significant volatility in financial markets. We expect a recession over the winter and for economic weakness to persist into 2024. Amid a global slowdown and jittery markets, the outlook is highly uncertain and will remain heavily influenced by the conflict in Ukraine and the related development of energy costs.
- New-car sales slumped by 29.4% in 2020 to 1.63m units, the lowest level since 1992 and the fourth consecutive annual decline. This compares with a recent peak of 2.7m in 2016 and an annual average of 2.3m in 2010-19. Sales remained constrained in 2021, rising by just 1%, and were down by 8% year on year in January-September 2022.
- We forecast that new-car sales will decline by 6.5% in 2022 to a multi-decade low, with another contraction expected in 2023. Thereafter pent-up demand, an easing of supply bottlenecks and stabilising economic conditions should support a moderate upturn in sales, but demand will be subdued. We forecast a compound annual growth rate (CAGR) of 2.4% in 2022-26—inflated by the weak 2021 base—with annual sales remaining well 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 and limited charging infrastructure. The UK is the only major European market not to offer purchase incentives for private EV buyers, having scrapped its subsidy scheme in mid-2022.
- New commercial vehicle (CV) sales fell by 29.6% in 2020, to a seven-year low of 300,400 units. Sales rebounded firmly in 2021, driven by demand for light CVs (vans) in the online and logistics sectors. However, sales in this segment have slumped so far in 2022, down by 20% year on year in January-September.
- In 2021 the UK was the world's 18th-largest automotive producer (and the sixth largest in Europe), according to the International Organisation of Motor Vehicle Manufacturers. Vehicle production expanded steadily in 2010-16, but has since fallen sharply, declining for five successive years. Following a drop of 8% in 2018 and 14% in 2019, annual

production slumped by 29% in 2020 and 5% in 2021 to 933,172 units, the lowest in 40 years and half the level of 2016. Output was down by 9% year on year in January-August 2022.

- 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 still represented a ”hard Brexit” with significant new trade frictions and non-tariff barriers, disrupting integrated global supply chains (already under strain from the pandemic). Full customs controls took effect in 2022, introducing tighter import restrictions.
- The UK has five mass producers of vehicles (all foreign-owned) 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 prolonged disruptive effects to supply chains from the pandemic and the war in Ukraine. Recent state-subsidised EV-related investments have safeguarded the near-term future of plants operated by Nissan (Japan) and Vauxhall (owned by Netherlands-based Stellantis), but risks of a downsizing of the UK’s automotive industry will persist in the coming years. A major factor will be the UK’s ability to attract EV battery production facilities (gigafactories) in the face of strong competition from more-established hubs in Europe (such as Germany and Hungary) and Asia.

Consumer goods

United Kingdom | Consumer goods | Overview

November 15th 2022

- The UK’s large consumer sector has faced significant headwinds over recent years, with the covid-19 pandemic, the fallout from the Russia-Ukraine war and the economic consequences of Brexit. Economic prospects for the near future are poor, with consumer sentiment at historical lows and household incomes facing a severe real-term squeeze in the face of elevated cost-of-living pressures from soaring energy and food costs. As a result of recent government policy blunders, the extent of monetary and fiscal tightening in 2022-24 will be greater than in other peer economies, adding to pressure on household finances and a leveraged housing market.

- The UK is the only one of the G7 group of advanced economies that has not recovered to its pre-pandemic level of real GDP and the only one to record an economic contraction in the third quarter of 2022. EIU expects this decline to mark the start of a prolonged recession, lasting until the third quarter of 2023.
- Following an initial pandemic-driven slump, retail sales were fairly resilient in 2020-21, reflecting a surge in online spending, higher food sales and a shift in consumption from services (affected by movement restrictions) to retail goods. However, underlying demand has weakened since mid-2021—retail volumes declined for a fifth successive quarter in July-September 2022. The current squeeze on household finances will weigh on volume sales and we expect them to have contracted by 2% in 2022, with another fall in 2023 and a modest recovery thereafter. Over our forecast period (2023-27) we expect average annual growth of 1%, from a low base in 2023, with the pace of recovery being influenced by events in Ukraine and the related impact on energy costs. High inflation will boost nominal retail sales growth in 2022-24, but declining volume sales and elevated costs will squeeze retailer margins. A rise in bankruptcies and closures among small businesses is likely.
- The UK will remain Europe’s largest online retail market even as economic weakness slows the pace of growth from the pandemic levels. Online grocery retail is more extensive than in most peer countries, partly limiting scope for expansion, but partnerships between major grocers and ”quick commerce” start-ups will sustain growth.
- The retail sector accounts for around 6% of UK GDP and employs about 2.9m people, of which a significant proportion work part-time. The ongoing impact of Brexit and the fallout from the pandemic and the cost-of-living crisis will exacerbate relatively large existing social inequalities across the UK and further polarise demand across discount and luxury channels.

- The UK left the EU single market and customs union on January 1st 2021, after finalising a Trade and Co-operation Agreement (TCA) with the EU. The TCA is limited in scope and the ”hard Brexit” has created significant new non-tariff barriers, trade frictions and regulatory compliance issues. Trade disruption has risen since full customs controls took effect in 2022.
- Brexit has inflamed tensions in Northern Ireland, which remains in a regulatory union with the EU for most goods to avoid border checks on the island of Ireland. This has in effect created a border between Northern Ireland and the rest of the UK, which is disrupting cross-region post-Brexit trade. The UK has threatened to override parts of the Northern Ireland protocol that it agreed to under the TCA, which the EU has warned would trigger retaliatory action by the bloc.
- More broadly, Brexit has led to a decline in UK-EU trade in food products and has disrupted large parts of the UK’s fisheries, agriculture, and food and drink sectors, which face significant medium-term damage. An exodus of EU labour has contributed to employee shortages in the retail and foodservice sectors.

Retail sales

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

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

Sources: Edge by Ascential; EIU.

Energy

United Kingdom | Energy | Overview

September 30th 2022

- EIU expects total energy consumption in the UK to decline by 1.4% year on year in 2022, pulled down by elevated energy prices and concerns about gas supplies. Energy demand will also fall in 2023 as the economy declines. Over our forecast period (2022-31), energy demand will continue to fall, at an annual average of 0.7%, as energy-efficiency gains completely offset demand growth driven by economic growth. We forecast that real GDP will grow at an annual rate of 1.6% in that period.
- Despite rebounding by 11.6% year on year in 2021, oil consumption will decline by 1.9% in 2022, mainly pulled down by high crude and refined-product prices. We forecast that the decline will be steeper in 2023, at 2.2%, and continue in 2022-31, during which oil demand will fall at an annual average of 1.2%, mainly owing to the electrification of transport and efficiency gains in new internal combustion vehicles. It is our view that oil demand in the UK will never return to pre-pandemic levels.
- We expect natural gas consumption to increase by only 0.9% in 2022, and it will decline by 0.5% in 2023 as economic activity declines and gas prices in Europe continue to soar. Gas demand will remain flattish over our forecast period. We expect gas demand in the UK to peak in 2027, after which the increase on renewable-based power generation will start to dent gas consumption.

- Although the decline in coal consumption may be softened in the short term by less use of natural gas in the power generation sector, we expect coal demand to decline in 2022 by 4.7% year on year and in 2023 by 1.9%. Thereafter, coal consumption will fall drastically mainly owing to the planned phase-out of coal use in power generation by end-2024. We expect annual coal consumption to fall by an annual average of 13.8% in 2022-31.
- We expect the share of fossil fuels in total energy demand to decline from 78% in 2022 to 73% in 2031. Natural gas will continue to be the main energy source in the UK in our forecast period.
- We forecast that the share of non-hydro renewables (without considering biomass) in power generation will rise from 33% in 2022 to 54% in 2031.

Energy: key indicators

	2020[a]	2021[a]	2022[b]	2023[b]	2024[b]	2025[b]	2026[b]	2031[b]
GDP (US$ bn at market exchange rates)	2,760	3,188	3,120	3,201	3,654	4,045	4,326	5,212
Real GDP (% change, year on year)	-9.3	7.4	4.4	-0.8	1.4	1.6	1.7	1.6
Population (m)	67.1	67.3	67.5	67.7	68.0	68.2	68.4	69.4
Population (% change, year on year)	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Gross domestic energy consumption (ktoe)	156,477	166,732[c]	164,396	162,735	160,013	159,853	159,628	157,225
Gross domestic energy consumption (% change, year on year)	-8.3	6.6[c]	-1.4	-1.0	-1.7	-0.1	-0.1	-0.7

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

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

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

Financial services

United Kingdom | Finance | Overview | Financial services | Overview

October 21st 2022

- The UK has one of the world's best-developed financial industries. The coronavirus pandemic delivered a sharp, but short, shock to the sector. Managing the country's departure from the EU may prove to be a greater challenge. It is likely to require a long-term shift in trading relationships and may contribute to an ongoing shrinkage of the sector. The country's financial firms are likely to face more difficult conditions in late 2022 and in 2023 as the economy weakens and inflation remains high. Rising interest rates are set to boost banks' profits but may cause difficulties for some borrowers, particularly in the housing market, and will reduce demand for credit.
- London, the capital, is currently one of the two leading global financial centres (along with New York) and has the largest share of many international markets. The UK financial sector—banking, insurance, fund management, securities and alternative investment—plays a significant role in the economy. In 2021 it accounted for 8.9% of gross value added, down from 9.6% at its peak in 2009, according to the Office for National Statistics (ONS). In 2021 it employed 1.1m 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.
- The UK recorded real GDP growth of 7.5% in 2021, following a severe 11% contraction in 2020 amid the pandemic. GDP remained below its pre-pandemic level in the three months to June 2022, according to the ONS, with the UK the only G7 economy still in this position. EIU forecasts growth of 4.4% in 2022, but a contraction of 0.8% in 2023 as high inflation and interest-rate rises weigh on private consumption and investment. Growth is forecast to average 1.6% per year in 2024-26.

- The UK has been gipped by governmental instability in 2022. Boris Johnson had led his Conservative Party to a strong majority in parliament in December 2019, but resigned as prime minister in July 2022 following a series of scandals. His replacement, Liz Truss, took office in September but resigned just 45 days later after an economic programme of tax cuts and energy price caps spooked the financial markets and sparked a sell-off in the pound, resulting in emergency intervention in the bond market by the Bank of England (BoE, the central bank). The party has embarked on a fresh selection process for the next prime minister.
- The BoE has increased its main rate seven times since December 2021, from 0.1% to 2.25%, in the face of growing inflationary pressures. It has also signalled that further rises will be required in the coming months. The BoE is due to start selling government bonds to unwind its quantitative easing programme, which peaked at £895bn, at end-October. However, the sale could be delayed as a consequence of recent market instability. We forecast that inflation will rise significantly in 2022, to an average of 8.4%, and will remain high, at 7.9%, in 2023.
- The UK left the EU on January 31st 2020, and a transition period with the EU ended on December 31st 2020. An EU-UK free-trade agreement was concluded in December 2020, but the pact did not include financial services. The UK and the EU agreed and implemented some temporary arrangements to reduce disruption to financial markets. The UK granted a designation of regulatory equivalence for many EU financial firms, allowing them to continue to operate in the country. However, the EU did not reciprocate for UK financial firms, except for derivatives clearing houses.
- The government is emphasising the benefits of being able to determine its own priorities for the financial sector. It has begun to reform regulations governing UK markets, starting with changes to stockmarket listing rules. Its legislative programme for the year ahead, announced in May 2022, includes the Financial Services and Markets Bill, which proposes to replace some elements of retained EU law applying to the sector.
- We expect London to retain its status as one of the world's main financial centres, especially in the trading of foreign exchange and derivatives, but a loss of influence and post-Brexit restrictions on financial services trade with

the EU are inevitable. Financial firms in the UK must come to terms with the loss of ”passporting” (the right of UK-regulated companies to do business in the EU and vice versa).

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

Healthcare

United Kingdom | Healthcare | Spending

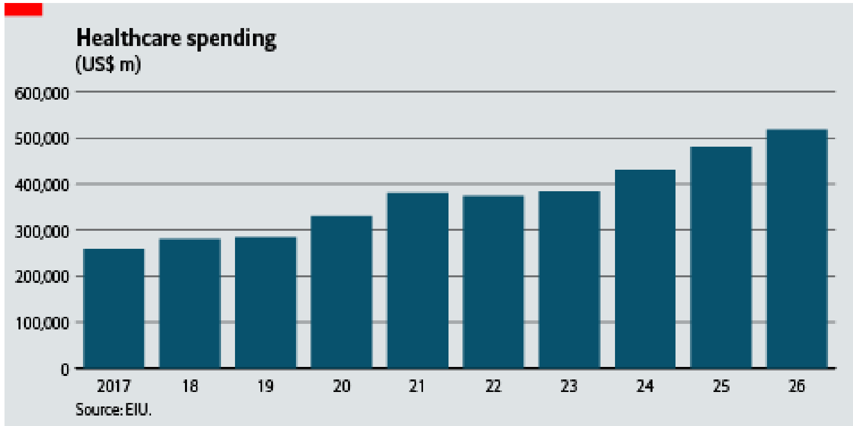
September 30th 2022

Overview

- In the last two years the UK’s healthcare system, already struggling with high demand, has faced three challenges: the covid-19 pandemic, the UK’s departure from the EU’s single market on January 1st 2021 and a global energy crisis following Russia’s invasion of Ukraine in March 2022. The first pushed up death rates, necessitated additional funding and expanded waiting lists for non-covid care. The second has caused recruitment problems and necessitated an overhaul of pharmaceutical supervision. The third has caused high inflation and an economic slowdown; EIU expects real GDP to fall by 0.8% in 2023, pushing down healthcare spending in real terms.
- In addition, the UK’s Conservative prime minister resigned in September 2022 and was replaced by Liz Truss, who appointed a new health minister (Thérèse Coffey). This was shortly followed by a controversial government mini-

budget that aims to cut taxes and bolster investment. However, the reaction of markets and the IMF has been damning, causing the currency to plunge. Unless reversed, the budget is likely to lead to cuts in healthcare spending over the first half of our forecast period.

- The UK responded to the pandemic by increasing spending on healthcare to an estimated 12% of GDP in 2020 and 11.9% in 2021, according to the OECD. We forecast that this share will rebound to 12% in 2022 and in 2023 as real GDP growth slows. However, despite strong nominal growth in healthcare spending in local-currency terms over these two years, we expect spending to fall in real terms in 2023.



- Over our full five-year forecast period (2022-26), we expect health spending to rise at a compound annual growth rate (CAGR) of 5.7%. However, with inflation high, real growth in healthcare spending will average just 1% a year, compared with 2.2% a year in the five years before the pandemic.
- Pharmaceutical sales will grow at a CAGR of 4.9% in nominal local-currency terms in 2022-26, driven partly by covid-19 vaccine sales as well as the higher price of imported medicines as the pound weakens. So far, 86.9% of the

population aged over 12 have received at least two vaccine doses, and over 68% have received three doses, according to government data. A booster (fourth) dose was offered to certain groups from early 2022.

Funding sources

- Healthcare provision in the UK is dominated by the National Health Service (NHS), which is financed primarily via general taxation. NHS care is free at the point of delivery, but fixed charges are levied (in England) for most prescription medicines and dental care, with 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 public share in the UK has increased from 78.5% in 2019, but remains lower than current shares in Germany (85.1%) and France (83.7%).
- The former government had reaffirmed a pre-pandemic funding deal in 2018, which will cause spending (excluding emergency covid-19 funds) to rise by £33.9bn (US$42bn) per year by fiscal year 2023/24 (April 6th-March 5th). The new government may be forced to abandon these promises in light of the UK's weak public finances.
- In particular, the government has reversed a new levy that was intended to raise health and social care funding by £12bn a year, in part to pay for elderly care. The levy, which was to become a tax on earned income from 2023, saw

national insurance payments for all working adults increase by 1.25 percentage points and another 1.25 points for employers. However, the levy will now be cancelled with effect from November 2022.

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)	79.1	79.2	79.3	79.4	79.5	79.7	79.9	80.0	80.2	80.4
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)	201.1	210.0	222.8	257.6	276.7	301.3	316.7	334.2	350.1	365.5
Healthcare spending (% of GDP)	9.6	9.7	9.9	12.0	11.9	12.0	12.0	11.8	11.9	12.0
Healthcare spending (US$ bn)	259.3	280.6	284.6	330.7	380.7	374.4	384.2	431.1	481.3	519.1
Healthcare spending (US$ per head)	3,924	4,223	4,262	4,932	5,658	5,546	5,672	6,344	7,059	7,589
Healthcare (consumer expenditure; US$ bn)	30.6	32.3	31.0	28.4	32.5	31.3	31.6	33.8	36.5	38.2
Doctors (per 1,000 people)	2.8	2.8	3.0	3.0	3.2	3.2	3.2	3.3	3.3	3.3
Hospital beds (per 1,000 people)	2.5	2.5	2.5	2.4	2.3	2.3	2.3	2.3	2.2	2.2

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

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

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

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

Private health insurance

- Voluntary (or private) spending on healthcare accounted for 18.3% (provisional data) of the UK's total health expenditure in 2020, the smallest share since 2010, according to the OECD. By contrast, up until 2018, the share of voluntary spending on healthcare had been gradually rising as a share of overall health expenditure.
- Out-of-pocket (OOP) spending accounted for 13.8% of total health spending, down from 15.9% in 2019. Nevertheless, the amount of 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. In 2020 private spending on private acute medical care in hospitals and clinics shrank by about 30%, as the private sector provided resources to the NHS (at cost). This was followed by a strong rebound in 2021, as private contractors helped the NHS to reduce the backlog of non-covid care.
- The leading independent healthcare group is Bupa, with 2.3m policyholders and 31m customers at the end of June 2020. It was boosted by an agreement between Bupa UK and a friendly society, CS Healthcare, to transfer the latter's 17,500 members as of January 2021.

Telecommunications

United Kingdom | Telecommunications | Overview

November 23rd 2022

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

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

Mobile penetration

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

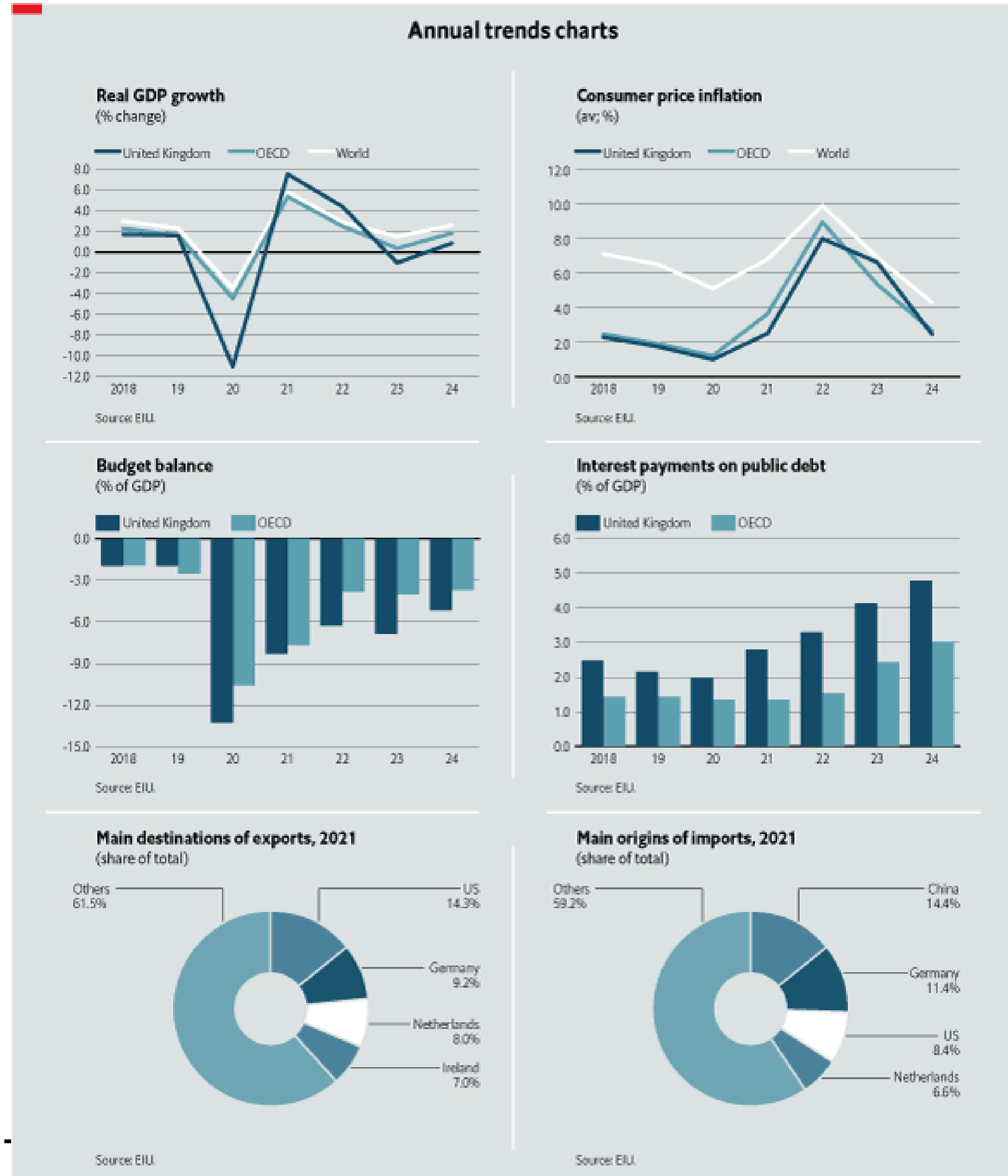
[a] Actual. [b] EIU estimates. [c] EIU forecasts.

Sources: International Telecommunication Union; EIU.

Data and charts: Annual trends charts

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

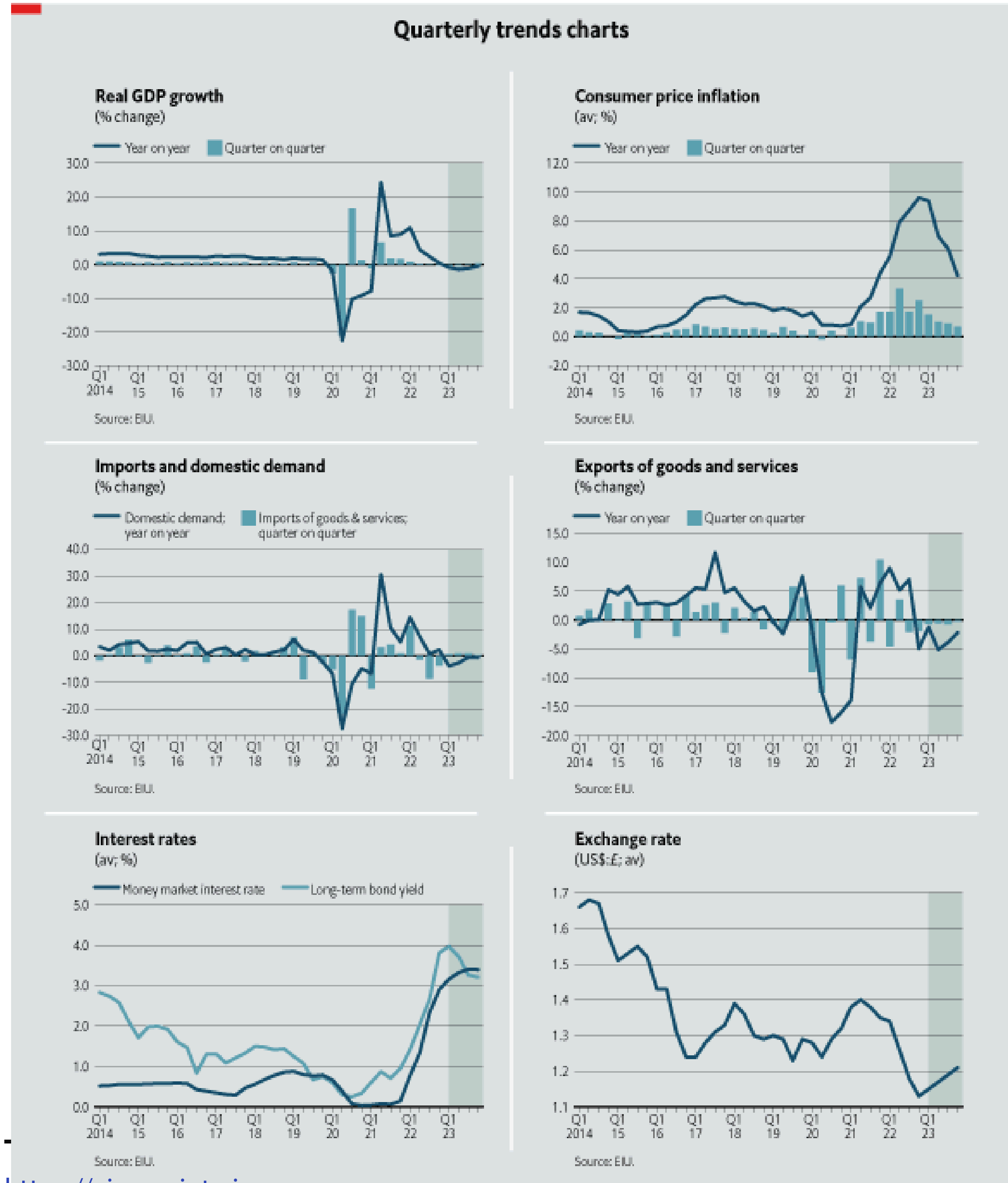
November 9th 2022


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

Data and charts: Quarterly trends charts

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

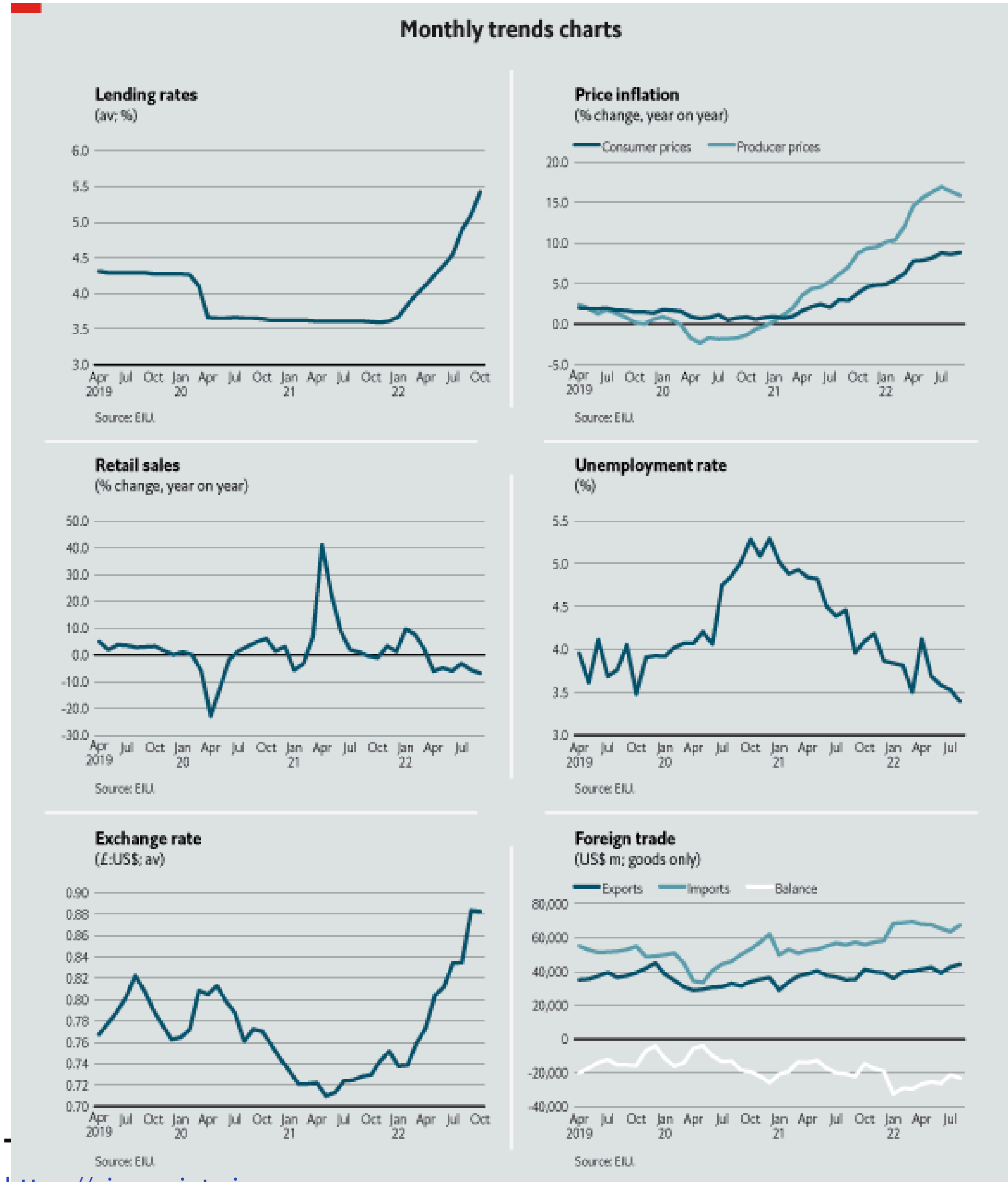
November 9th 2022


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

November 9th 2022


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

Data summary: Gross domestic product, current market prices

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

November 9th 2022

Gross domestic product, at current market prices

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

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

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

Data summary: Gross domestic product, at constant prices

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

November 9th 2022

Gross domestic product, at constant prices

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

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

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

Data summary: Gross domestic product by sector of origin

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

November 9th 2022

Gross domestic product by sector of origin

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

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

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

Data summary: Growth and productivity

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

November 9th 2022

Growth and productivity

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

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

Data summary: Economic structure, income and market size

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

November 9th 2022

Economic structure, income and market size

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

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

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

Data summary: Fiscal indicators

United Kingdom | Economy | Charts and tables | Fiscal indicators

November 9th 2022

Fiscal indicators

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

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

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

Data summary: Monetary indicators

United Kingdom | Economy | Charts and tables | Monetary indicators

November 9th 2022

Monetary indicators

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

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

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

Data summary: Employment, wages and prices

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

November 9th 2022

Employment, wages and prices

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

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

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

Data summary: Current account and terms of trade

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

November 9th 2022

Current account and terms of trade

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

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

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

Data summary: Foreign direct investment

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

November 9th 2022

Foreign direct investment

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

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

Political structure

United Kingdom | Summary | Political structure

November 9th 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 775 members) was reformed in 1999, when most hereditary peers lost their seats

Electoral system

Universal direct suffrage from the age of 18

National elections

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

Head of state

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

National government

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

Main political parties

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

Prime minister: Rishi Sunak

Chancellor of the Duchy of Lancaster: Oliver Dowden

Chancellor of the exchequer: Jeremy Hunt

Leader of the House of Commons: Penny Mordaunt

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

Parliamentary secretary to the Treasury & chief whip: Simon Hart

Party chair & minister without portfolio: Nadhim Zahawi

Secretaries of state

Business, energy & industrial strategy: Grant Shapps

Defence: Ben Wallace

Digital, culture, media & sport: Michelle Donelan

Education: Gillian Keegan

Environment, food & rural affairs: Thérèse Coffey

Foreign, commonwealth & development: James Cleverly

Health & social care: Steve Barclay

Home Office: Suella Braverman

International trade, women and equalities: Kemi Badenoch

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

Levelling up, housing & communities: Michael Gove

Northern Ireland: Chris Heaton-Harris

Scotland: Alister Jack

Transport: Mark Harper

Wales: David Davies

Work & pensions: Mel Stride

Central bank governor

Andrew Bailey

Basic data

United Kingdom | Summary | Basic data

November 9th 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), September 19th (Funeral of Queen Elizabeth II) 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


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