ECONOMIST INTELLIGENCE EIU Viewpoint

One-click report : United Kingdom

September 30th 2021

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Saved on: March 21st 2024

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One-click report : United Kingdom

Briefing sheet

September 6th 2021

Political and economic outlook

- 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.
- In the last general election in December 2019, the Conservative Party, under the prime minister, Boris Johnson, won an 80-seat majority on a platform of greater investment, although the party is internally divided on this issue. The Economist Intelligence Unit expects the government to remain in place until the next election, scheduled for 2024.
- The government is beginning to phase out its extraordinary pandemic support for households and businesses, a process that will last until 2022. The government is also providing significant tax incentives to stimulate lacklustre private investment, although tax increases planned for 2023 and increased trade barriers will drag on growth.
- Real GDP contracted by 9.8% in 2020 as a result of pandemic lockdowns and a collapse in global trade. Growth is currently rebounding, and we estimate that full-year GDP will match its pre-crisis level in 2022. Consumer and

government spending is driving growth as the economy reopens, but an elevated post-pandemic savings rate will constrain the recovery.

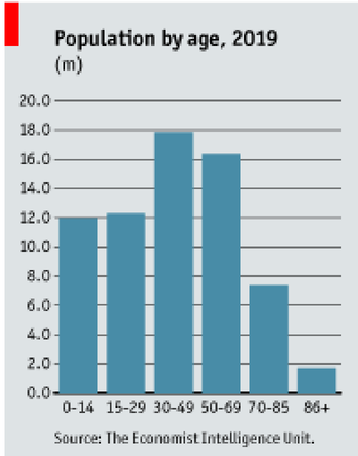
- The new trade agreement between the UK and the EU leaves many aspects of the relationship unsettled. It creates significant non-tariff barriers, and has led to significant dissatisfaction in Northern Ireland, which will remain a source of friction.
- The UK is now one of eight European countries whose debt/GDP ratio exceeds 100%. The UK's ability to borrow in its own currency, its long average debt maturity and support from the Bank of England (BoE, the central bank) mean that borrowing costs will be manageable.
- The UK government is attempting to develop an active, global foreign policy outside the EU. It is seeking greater engagement in Asian and Oceania, including in the form of new trade deals, and will host the UN Climate Change Conference (COP26) in November.

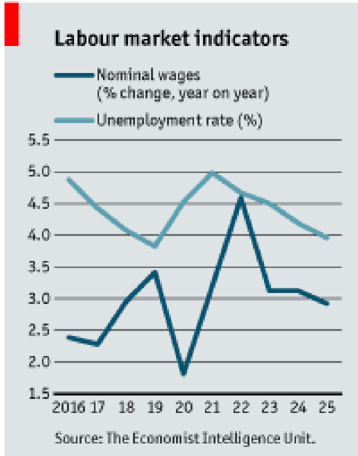
Key indicators

	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]
Real GDP growth (%)	-9.8	6.6	5.6	1.6	1.7	1.8
Consumer price inflation (av; %)	1.0	2.6	2.5	2.0	1.8	1.7
Government balance (% of GDP)	-12.3	-10.9	-6.3	-3.2	-2.9	-2.9
Current-account balance (% of GDP)	-3.5	-4.5	-4.0	-3.9	-4.0	-4.2
Money market rate (av; %)	0.3	0.2	0.5	0.7	1.0	1.0
Unemployment rate (%)	4.5	5.0	4.7	4.5	4.2	4.0
Exchange rate £:US$ (av)	0.78	0.72	0.71	0.71	0.70	0.69

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

Market opportunities





Key changes since August 3rd

- Preliminary second-quarter GDP data showed the economy growing by a quarterly 4.8%, as private sector consumption rebounded amid the economy reopening. This was above our previous forecast of 3.5% owing to higher than expected government consumption.
- As a result, we have revised up our estimates for full-year government consumption growth to 13.7% from 11% and full-year GDP growth to 6.6% from 5.8%.

The month ahead

- September 14th—Unemployment (August): August will be the final month before the furlough scheme, which pays 80% of workers' wages, is phased out in September. We expect unemployment to remain steady into August, rise in September as support is withdrawn, and begin to decline again from the fourth quarter.
- September 23rd—Meeting of the monetary policy committee of the BoE: At its June meeting the BoE raised its inflation forecast above 3% but kept rates unchanged, arguing that current inflation was transitory. We expect the BoE to signal that it will keep rates at 0.1% throughout 2021, before beginning to tighten them from late 2022.
- September 30th—Expiration of Brexit grace periods: We expect negotiations during September to remain fraught. A temporary compromise is likely on checks for goods entering Northern Ireland, and we do not expect the UK to disapply the Northern Ireland Protocol, but tensions are likely to continue past September.

Major risks to our forecast

Scenarios, Q3 2021	**Probability**	**Impact**	**Intensity**
Inflation forces the Bank of England to raise interest rates, making the UK's debt burden unsustainable	High	Very high	20
Strains on corporate balance sheets from the pandemic and Brexit lead to a wave of business failures	High	High	16
Violence in Northern Ireland escalates amid post-Brexit uncertainty	High	High	16
Further tax increases stifle the UK economy	Very high	Moderate	15
The UK is struck by another cyber-attack	Very high	Moderate	15

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

Source: The Economist Intelligence Unit.

Forecast summary

United Kingdom | Economy | Forecast | Forecast summary

September 6th 2021

Forecast summary

(% unless otherwise indicated)

	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]
Real GDP (% change)	-9.8	6.6	5.6	1.6	1.7	1.8
Industrial production (% change)	-8.0	4.8	3.7	2.1	1.6	1.6
Unemployment rate (av; EU/OECD harmonised measure)	4.5	5.0	4.7	4.5	4.2	4.0
Consumer price inflation (av; CPIH measure)	1.0	2.6	2.5	2.0	1.8	1.7
3-month £-LIBOR rate (av)	0.3	0.2	0.5	0.7	1.0	1.0
Bank of England base rate (end-period)	0.10	0.10	0.25	0.75	1.25	1.50
Government budget balance (% of GDP)[c]	-12.3	-10.9	-6.3	-3.2	-2.9	-2.9
Exports of goods fob (US$ bn)	399.1	485.0	568.3	587.0	595.4	618.3
Imports of goods fob (US$ bn)	-548.0	-678.9	-743.6	-772.3	-796.8	-838.6
Current-account balance (US$ bn)	-95.4	-141.8	-140.0	-139.7	-149.7	-167.8
Current-account balance (% of GDP)	-3.5	-4.5	-4.0	-3.9	-4.0	-4.2
Exchange rate US$:£ (av)	1.28	1.39	1.40	1.42	1.44	1.46
Exchange rate ¥:£ (av)	137.1	151.2	156.0	158.6	162.2	162.7

Exchange rate €:£ (av)	1.12	1.16	1.20	1.23	1.22	1.20

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

Political stability

United Kingdom | Politics | Forecast | Political stability

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At the general election on December 12th 2019 the Conservative Party, under the prime minister, Boris Johnson, won an 80-seat majority. The Economist Intelligence Unit expects the government to last a full term. On January 31st 2020 Mr Johnson fulfilled his campaign promise to take the UK out of the EU, ending 47 years of EU membership. On January 1st 2021 the UK left the EU's single market and customs union after negotiating a free-trade agreement. The government is currently managing the implementation of a new trading relationship with the EU while addressing the fallout from the coronavirus pandemic.

The spread of the coronavirus in early 2020 put the government on a crisis-management footing. The government implemented three lockdowns in England, with many non-essential businesses ordered to close. Domestic restrictions were phased out over the course of 2021, as the population was vaccinated. All domestic restrictions on activity in England were lifted on July 19th, although devolved administrations in Scotland and Wales retained minor restrictions, and the spread of the more contagious Delta variant of the coronavirus means that the government is considering mandating vaccination for certain activities.

Brexit and the pandemic increased the medium-term risk to the integrity of the UK. Nicola Sturgeon, the leader of the Scottish National Party (SNP), has argued that Brexit represents a material change in the relationship between

Scotland and the UK since the 2014 referendum on Scottish independence, in which a majority favoured the continuation of the union. The SNP, with the support of the pro-independence Scottish Green Party, has held a majority in the Scottish Parliament since 2016, which Ms Sturgeon claims gives her a mandate to pursue a second referendum. However, the UK government has dismissed the possibility of granting a second referendum during this parliamentary term. Even if it were forced to grant one by a court order, the poll would take several years to organise. Opinion polling on Scottish independence has also shown a consistent, if narrow, lead for remaining in the union, after briefly swinging towards a majority for independence in 2020. We therefore believe that there are significant obstacles to Scotland becoming independent and do not expect this to happen during the forecast period.

Brexit has inflamed tensions in Northern Ireland. Under the UK withdrawal agreement, Northern Ireland remains within a regulatory union with the EU for most goods to avoid border checks on the island of Ireland. Although Northern Ireland remains in the UK's customs and value-added tax (VAT) areas, customs and VAT checks will be conducted by the UK at ports in the Irish Sea for goods bound for the EU. This requires checks between Northern Ireland and the rest of the UK for all goods deemed by a UK-EU joint committee to be ”at risk” of passing into the EU.

This arrangement has been difficult to implement, and is disliked by Unionist Northern Irish politicians for ostensibly creating a border between Northern Ireland and the rest of the UK. Rioting broke out in Northern Ireland on April 2nd and persisted for more than a week. The protests originated among Unionist communities, partly in opposition to the Irish Sea border checks. The UK and the EU have intensified talks on how to implement the Northern Ireland protocol, and a series of grace periods on the implementation of border checks between Northern Ireland and the rest of the UK have been extended until September 30th in an attempt to find a solution that will satisfy Unionist communities. Tensions will remain elevated, with a high risk of further violence.

Election watch

United Kingdom | Politics | Forecast | Election watch

September 6th 2021

The next general election is currently scheduled for May 2nd 2024 under the Fixed-term Parliaments Act (FTPA). The government is in the process of repealing the FTPA. However, even once this is passed, a general election must be called within five years of the preceding one, and they are usually held in May, to coincide with local elections. There is a risk of an early election in 2023; UK governments have often taken advantage of strong economic performance in the penultimate year of a parliament to consolidate their gains, rather than waiting for the parliament to expire.

During 2020 the Conservative Party's lead in opinion polls over the opposition Labour Party dropped from more than 20 percentage points at the outbreak of the crisis to a near-tie by the end of 2020 after several scandals and rapid policy reversals reduced public confidence in the government. The success of the vaccine rollout pushed the Conservatives' polling position to a double-digit margin ahead of Labour, although their lead has since fallen back to mid-single digits as the Delta variant has slowed the reopening of the economy and created more political and economic uncertainty.

International relations

United Kingdom | Politics | Forecast | International relations

September 6th 2021

The EU-UK Trade and Co-operation Agreement for free trade, which was reached on December 24th 2020, came into force on January 1st 2021. It provides for zero-tariff, zero-quota trade between the UK and the EU, at least in the first instance. However, leaving the single market and customs union created a variety of non-tariff trade barriers in the form of border checks and product certifications. The agreement also provides a mechanism whereby if the divergence in regulations on labour, the environment or state aid becomes sufficiently great, the other side can implement retaliatory tariffs to compensate, subject to an arbitration period.

The regulatory and tariff regimes may therefore drift apart over time. For example, the EU has found the UK's data protection regime "adequate" to allow for the free flow of data between the UK and the EU. However, the EU has committed to reviewing this decision every four years, as the UK will not agree to remain in alignment with EU standards in any formal way. UK-EU negotiations are ongoing over the UK receiving designations of equivalence on financial services, although such an agreement looks increasingly unlikely. The UK has applied to rejoin the Lugano convention, which allows legal judgements to be enforced across borders, but several EU member states oppose non-EU countries joining the convention.

The Northern Ireland protocol will remain a source of UK-EU friction. UK negotiators have proposed scrapping large parts of the protocol in order to limit border tensions between Northern Ireland and the rest of the UK, and have mooted triggering an emergency override provision of the protocol owing to the risk of violence. The EU will resist the relaxation of checks to avoid undermining the integrity of the single market and has argued that these difficulties were foreseeable when the protocol was agreed. Notwithstanding these tensions, we expect the protocol to remain in place, given the commitments by both sides not to recreate a hard customs border between Northern Ireland and the Republic of Ireland and the lack of a viable alternative, although there may be further extensions of grace periods.

The UK government has stated its intention to be outward looking, pursuing a "Global Britain" strategy. In March it unveiled an updated defence and security policy outlining a strategy of greater engagement in Asia, in addition to continued engagement in the Atlantic. The UK will host the UN Climate Change Conference (COP26) in Glasgow in November, which it intends to use to take an enhanced role in global climate policy. On trade, the UK achieved continuity agreements with most countries that had agreements with the EU and has applied to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, a trade bloc of 11 Pacific nations.

Policy trends

United Kingdom | Economy | Forecast | Policy trends

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Even before the pandemic, the UK faced significant economic policy challenges, including low public investment, wide regional disparities, high housing costs and chronically low productivity growth. However, the scale of the disruption caused by the virus is likely to dominate the government's policy focus at least until all extraordinary support measures are withdrawn in 2022.

Since becoming the Conservative Party leader and prime minister, Mr Johnson has advocated greater public-sector investment, including in green energy and infrastructure, and additional current spending on the National Health Service (NHS), education and the police. The government has also reformed the UK's immigration system to emphasise skilled labour. Long-term social care is an area that Mr Johnson's manifesto pledged to address. The government is also attempting to encourage public and private investment to address the UK's chronic low productivity. This has resulted most prominently in a two-year tax ”super-deduction”, which allows companies to write off tax up to 130% of the value of their capital investment in 2021-23, and in expanding the scope of public borrowing for investment from 2% of GDP to 3%. These initiatives are likely to yield modest benefits, but the UK's deficits in investment and productivity are long-standing and will not be reversed in a single parliamentary term.

Fiscal policy

United Kingdom | Economy | Forecast | Fiscal policy outlook

September 6th 2021

At the outbreak of the pandemic the government enforced nationwide shutdowns and developed financial support packages for workers and businesses. These included government-backstopped loans; several business tax deferments and holidays; targeted aid to the worst-affected sectors, such as travel and retail; and wage support schemes for salaried and self-employed workers. In its March budget the government committed to extending most pandemic support measures into the autumn of 2021, only completely phasing them out by March 2022. We expect this to lead to a fiscal deficit of 10.9% of GDP in 2021, with the debt/GDP ratio peaking at 108%.

The budget also committed to greater fiscal consolidation, with a planned increase in corporation tax from 19% to 25% in 2023. However, this budget assumes highly ambitious increases in productivity and minimal increases in health, education and welfare spending from pre-pandemic levels after 2022; this is unlikely, given the government's campaign promises of greater spending and investment. The government is also under pressure to reform the funding and costing system for social care, particularly as the pandemic puts further strain on the NHS. We therefore expect further tax increases during the forecast period, with debt declining only marginally, to 105% of GDP by 2025.

Monetary policy

United Kingdom | Economy | Forecast | Monetary policy outlook

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On March 19th 2020 the Bank of England (BoE, the central bank) cut its main rate to 0.1%, its lowest ever level. It also resumed its quantitative easing programme, committing to £450bn (US$620bn) in asset purchases, which was expanded another two times in 2020, reaching a total of £895bn.

Despite a recent uptick in inflation, we do not expect the BoE to raise rates before late 2022. The BoE has expressed a view that inflation stemming from the reopening of the economy is likely to be transitory. A premature tightening would pose significant risks to the debt sustainability of UK corporates that have borrowed heavily during the pandemic and also the UK government.

Global forecast data

United Kingdom | Economy | Forecast | International assumptions

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	2020	2021	2022	2023	2024	2025
Economic growth (%)						
US GDP	-3.5	6.0	3.7	2.2	1.9	2.1
OECD GDP	-4.8	4.9	3.8	2.2	2.0	2.0
EU27 GDP	-6.2	4.4	4.3	2.5	2.1	1.9
World GDP	-3.8	5.4	4.1	3.0	2.8	2.7
World trade	-8.1	8.9	5.7	4.8	4.3	4.1
Inflation indicators (% unless otherwise indicated)						
US CPI	1.2	3.6	2.2	2.2	1.9	2.0
OECD CPI	1.2	3.0	2.3	2.1	2.0	2.1
EU27 CPI	0.6	2.1	1.7	1.7	1.8	1.8
Manufactures (measured in US$)	0.2	7.6	1.8	1.5	2.0	2.5
Oil (Brent; US$/b)	42.3	68.5	71.0	65.5	61.0	55.5
Non-oil commodities (measured in US$)	2.9	32.0	-1.6	-0.7	-8.7	-0.1
Financial variables						
US$ 3-month commercial paper rate (av; %)	0.6	0.1	0.1	0.3	1.1	1.6

€ 3-month interbank rate (av; %)	-0.4	-0.5	-0.5	-0.5	-0.5	-0.3
US$:£ (av)	1.28	1.39	1.40	1.42	1.44	1.46
US$:€ (av)	1.14	1.19	1.17	1.15	1.18	1.22

Economic growth

United Kingdom | Economy | Forecast | Economic growth

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The impact of the coronavirus: global and regional assumptions

The Economist Intelligence Unit forecasts that global GDP will rebound by 5.4% in 2021. The sharp rebound will boost global GDP back to its pre-coronavirus level in late 2021. However, the pace of recovery will vary greatly across regions. Asia and North America will recover the fastest, with real GDP back to pre-coronavirus levels as early as this year. The recovery will take longer in Europe, Latin America, and the Middle East and Africa region, stretching into 2022. The rollout of coronavirus vaccines will condition economic prospects this year and beyond. Most developed economies will achieve widespread immunisation coverage this year or early next year, preventing the reimposition of sweeping lockdowns. However, production, financial and logistical constraints mean that global immunisation timelines will stretch beyond 2023 in most developing countries. The slow pace of vaccine distribution will weigh on the global recovery and create opportunities for variants to emerge that may prove resistant to current vaccines.

Governments' unprecedented fiscal responses to the coronavirus pandemic have led to a sharp increase in public debt in developed and developing economies. Rising debt/GDP ratios have alarmed fiscal hawks, but debt servicing remains modest in advanced economies, suggesting that the debt outlook is sustainable. However, a prolonged spike in inflation (not our core forecast, despite the expected rise in commodities prices this year) represents a risk to the global recovery. In such a scenario, central banks would probably raise monetary policy rates to tame the rise in inflation, resulting in a sharp rise in debt-servicing costs.

The EU economy returned to growth in the second quarter of 2021, as the rolling back of pandemic restrictions allowed consumers to return to some of their pre-pandemic activities. In quarterly terms, Portugal and Austria registered the strongest growth, but this reflects a later bounce-back, with economies such as Spain and Hungary having returned to growth in the first quarter. In Germany, growth undershot expectations in the first half of the year. Despite unusually buoyant private-sector sentiment, the manufacturing sector is increasingly struggling from supply-chain disruptions, especially the global shortage of semiconductor chips (a major input for the automotive industry). The outlook for Europe in the second half of the year is mixed. Expansionary fiscal and monetary policies will continue to support the economic recovery, and furlough schemes have been extended in many countries. The rapid recovery in the US and Asia means that manufacturing order books in Europe are full, and capacity constraints are prompting greater investment and hiring. However, the spread of the more contagious Delta variant, which is now dominant, will result in accelerating infection rates and put a dampener on the recovery in the services sector as consumers continue to act with caution and maintain a high level of savings.

In this context, governments are leaning heavily on their vaccination programmes, with France, Italy and Ireland introducing mandatory vaccine passports for access to restaurants and other public places and to boost vaccine take-up. On average, 51.4% of the EU population is now fully vaccinated, but country-specific rates vary from almost 90% in Malta and more than 60% in Belgium, Denmark, Spain and Portugal to less than 15% in Bulgaria. We maintain our view that the EU will have immunised the bulk of its population by end-2021. Nonetheless, with the vaccines proving less effective against the spread of the Delta variant, we now expect a return to at least some restrictions over the winter, to prevent health services from becoming overwhelmed. A return to lockdowns is a downside risk, but not our core forecast.

The political and geopolitical effects of the crisis will continue to be significant. The pandemic has resulted in an extraordinary expansion of executive powers, often with limited parliamentary oversight, and an unprecedented withdrawal of civil liberties. It has also been a testing time for central-local government relations, which have deteriorated in many countries owing to conflicts over power-sharing, policy responses and financial support. Elections have been cancelled or delayed in some countries, and have gone ahead in others in controversial circumstances. Governments' handling of the response will continue to face scrutiny. Public support for measures to combat the pandemic is fraying in some countries, and we expect social unrest to rise in 2021. Failure to address the social crisis triggered by the coronavirus could further erode trust in national institutions. The crisis has encouraged support for the nation state, and a backlash against globalisation and open borders. It will also intensify the competition for global leadership between China and the US, and a realignment of geopolitical spheres of influence may ensue in Europe, Africa and other regions.

Economic growth

The pandemic and ensuing public health measures caused a severe economic contraction in 2020, with real GDP shrinking by 9.8%, followed by a further 1.6% quarter-on-quarter drop in January-March 2021. A significant bounce-back began in the second quarter, with quarterly growth reaching 4.8% as the private sector reopened and government spending on test and trace and other public health programmes ramped up further. We expect growth of 6.6% in 2021 as a whole, and further catch-up growth of 5.6% in 2022—the first full year without social distancing restrictions; real GDP should return to its pre-crisis level in the first half of that year. Most of the headline growth will stem from favourable year-on-year comparisons with the 2020-21 lockdowns as shut-down activities restart, rather than robust new economic activity. The drawdown of household savings, which reached 16% of income in 2020, will significantly contribute to growth. In 2017-19 household savings reached historic lows of less than 7%, owing to Brexit uncertainty and slow wage growth, and we do not expect savings to return to those levels, limiting the increase in overall consumption. In 2023-25 we expect economic expansion to slow, to an average of 1.7% per year, as taxes rise and catch-up growth abates.

Unemployment rose in 2020, as the pandemic caused prolonged business closures. The spike in unemployment was modest, however, at an average rate of 4.5% in 2020, owing to the government's furlough scheme. We expect unemployment to average 5% in 2021 as the scheme is withdrawn, and decline thereafter, reaching 4% by 2025.

Gross capital formation declined sharply in 2020 as the uncertain environment depressed investment. We expect a significant bounce-back in investment growth in 2021-22, driven in part by the government's investment tax super-deduction, as well as a more stable post-pandemic and post-Brexit investment environment. Investment growth should stabilise from 2023 until the end of the forecast period.

Export and import growth turned sharply negative in 2020 as global demand collapsed and coronavirus-related travel restrictions persisted. Despite a partial bounce-back in trade in 2021, Brexit and the pandemic continue to disrupt the external sector, with periodic supply chain disruptions, including a shortage of hauliers authorised to operate in the UK. We expect trade to recover more robustly from 2022 as the pandemic abates and supply chains with the EU normalise.

Economic growth

%	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]
GDP	-9.8	6.6	5.6	1.6	1.7	1.8
Private consumption	-11.0	4.8	5.0	1.1	1.4	1.7
Government consumption	-6.5	13.7	2.0	1.4	1.4	1.3
Gross fixed investment	-8.8	6.2	10.2	4.8	3.4	3.2

Exports of goods & services	-16.4	3.3	11.2	2.1	2.5	2.8
Imports of goods & services	-17.8	7.2	10.2	3.0	2.8	3.2
Domestic demand	-10.5	7.4	5.3	1.9	1.8	1.9
Agriculture	-9.3	-6.0	3.0	4.0	1.0	1.0
Industry	-9.9	5.0	4.5	1.5	1.4	1.4
Services	-9.0	7.1	5.9	1.6	1.8	1.9

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

Inflation

United Kingdom | Economy | Forecast | Inflation

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Inflation declined sharply in 2020, to an average of only 1%, as the pandemic depressed demand. Prices have begun to rebound sharply this year, owing to increased consumer spending and supply constraints in the domestic market and internationally. We expect these price pressures to persist until late 2021, which we expect will drive up full-year average inflation to 2.6%. Inflation will remain elevated in 2022, at 2.5%, owing to year-on-year comparisons in the first months of 2022 comparing favourably to the still subdued price levels of 2021. From 2023 inflation will decline to a more modest rate as pent-up demand is exhausted, stabilising at 1.7% by 2025.

Exchange rates

United Kingdom | Economy | Forecast | Exchange rates

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The value of sterling has been volatile in recent years owing to political uncertainty related to Brexit and the pandemic, as well as the UK's large current-account deficit, which requires significant international capital invest-ment to support the currency. Sterling strengthened against the US dollar in late 2020 and early 2021 as the uncertainty surrounding a potential no-deal Brexit ended and a flight to safety in dollar liquidity gradually unwound, with sterling peaking at US$1.42:£1 in June 2021 before stabilising at about US$1.39:£1. Sterling similarly appreciated against the euro in 2021 as Brexit uncertainty dissipated and the UK economy unlocked more rapidly.

Sterling should continue to appreciate against the euro, rising from €1.08:£1 at end-2020 to €1.19:£1 by end-2021. We expect it to stabilise against the euro from 2022, averaging €1:21:£1 in 2022-25; both currencies will appreciate modestly against the dollar during this period as demand for the safe-haven currency decreases, with sterling reaching US$1.46:£1 by end-2025.

External sector

United Kingdom | Economy | Forecast | External sector

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The coronavirus outbreak caused a sharp fall in global trade as demand declined, travel was disrupted and global supply chains were compromised by national lockdowns. The UK was not exempt from this, with both imports and exports declining sharply in 2020. After a Brexit-related decline in January, goods trade in 2021 has largely rebounded, although 2021 growth will primarily stem from favourable comparisons against 2020, rather than robust new expansion. The UK's services trade balance is likely to improve as British tourists' ability to spend abroad remains curtailed. We expect Brexit to drag on imports and exports permanently (relative to if the UK had remained), but by 2022 the headline figures will improve as global markets further unlock and UK exporters will have adapted to new trading rules. The UK has run a persistent current-account deficit since 1985. We expect the deficit to widen from 3.5% of GDP in 2020 to 4.5% of GDP in 2021 as the export sector is weakened by worse terms of trade with the EU, before stabilising thereafter.

Country forecast overview: Business environment rankings

United Kingdom | Business | Business environment | Rankings overview

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Value of index[a]		**Global rank[b]**		**Regional rank[c]**	
2016-20	**2021-25**	**2016-20**	**2021-25**	**2016-20**	**2021-25**
7.73	7.75	15	19	9	10

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

- The UK's business environment score rises slightly in the forecast period (2021-25) as Brexit- and pandemic-related uncertainty dissipates. The UK's global ranking drops by four places, owing to greater increases elsewhere, while its regional ranking falls by one place. 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

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Policy towards private enterprise and competition

2021-22: Extraordinary state support for coronavirus-affected businesses. A 130% "super-deduction" on capital investment.

2023-25: Continued elevated state intervention in investment and innovation. New state aid rules implemented.

Policy towards foreign investment

2021-22: Continued openness to investment, although increased scrutiny in sectors considered sensitive to national security.

2023-25: Infrastructure plans offer investment opportunities. Possible changes in tax policies to bolster inward investment.

Foreign trade and exchange controls

2021-22: Increased trade barriers with EU. New Northern Ireland protocol implemented. Negotiations continue with third countries. Expected decline in UK-EU crossborder trade. Bounce-back in global trade following pandemic.

2023-25: Continued UK-EU negotiations probable. New trade agreements with other countries, including potential accession to Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) trade bloc.

Taxes

2021-22: Tax holidays and deferments throughout the coronavirus crisis. Changes to the value-added tax (VAT) framework.

2023-25: Corporation tax increase from 19% to 25%. Additional tax rises, such as equalisation of self-employed and regular income taxes, likely to fund public spending, investment and social care.

Financing

2021-22: Monetary policy remains highly accommodative, with Bank of England (central bank) asset purchases continuing. Loss of ”passporting” rights and restrictions on EU services trade. Slow progress in establishing equivalence with EU.

2023-25: Modest decline in City of London’s status. Steady growth in alternative forms of debt financing.

The labour market

2021-22: Increased unemployment as furlough scheme expires. Pandemic-related departure of expatriates and sharp drop in immigration from EU due to end to free movement of labour. Increased immigration from Hong Kong.

2023-25: Greater emphasis on skills-based migration from outside EU may risk labour shortages in low-skilled occupations.

Infrastructure

2021-22: Modest rise in spending on housing, roads and digital infrastructure. Crossrail service in London begins operation in 2022.

2023-25: Increased infrastructure investment, emphasis on "levelling up" regional infrastructure and competitiveness.

Technological readiness

2021-22: High e-commerce penetration and strong research base, but research and development (R&D) spending remains below EU average. Continued high threat from cybercrime and cyber-espionage.

2023-25: Modest rise in public R&D spending. Development of state "blue skies" fund.

Market opportunities: Social indicators and living standards

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

May 11th 2021

Social indicators and living standards

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

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

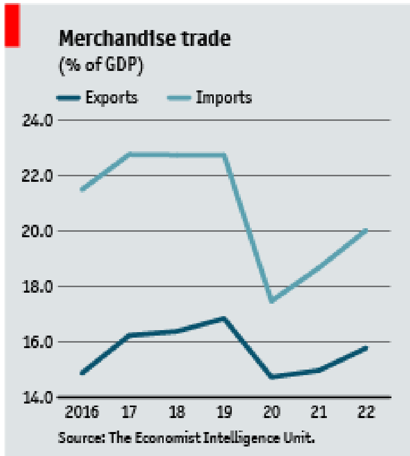
[a] Latest available year.

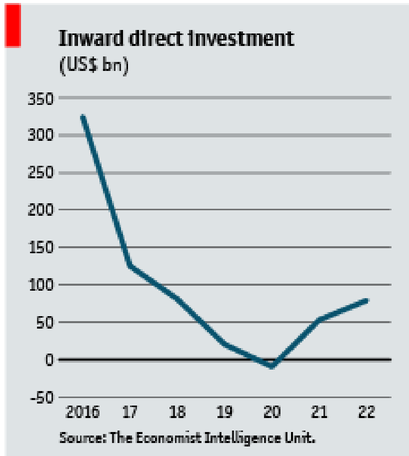
Sources: UN Statistical Office; World Bank; Food and Agriculture Organisation (FAO); Euromonitor; World Health Organisation (WHO); national statistical offices; International Telecommunication Union (ITU); Economist Intelligence Unit estimates and forecasts.

Global position

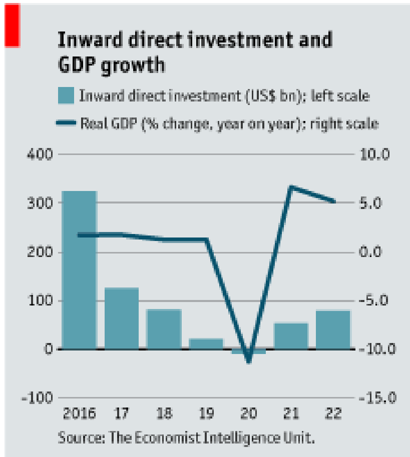
United Kingdom | Regulation | Global position

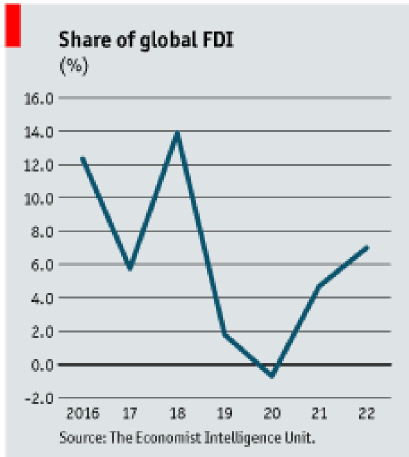
December 1st 2020





The outlook for the UK has become much more uncertain following the 2016 referendum vote to leave the EU. The UK began the formal process of exiting the EU in 2017 when it triggered Article 50 of the Lisbon Treaty, and departed the bloc on January 31st 2020. The UK and EU have negotiated a withdrawal agreement that allows for a transition period lasting until end-2020, during which the UK retains most aspects of EU membership. Looking beyond the transition period, the UK and EU are negotiating a free-trade agreement, with the degree of regulatory alignment between the two parties still to be finalised as of November 2020. A "no deal" scenario, whereby the transition period expires without a free-trade agreement in place, remains a risk. The coronavirus (Covid-19) pandemic has compounded an already uncertain outlook during 2020. 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 2020

- In March 2020 the government implemented a nationwide lockdown to contain the coronavirus (Covid-19) outbreak. Restrictions were mostly relaxed by July 2020 and then reintroduced in time-limited local rounds. The government, which also launched relief programmes for workers and businesses, has suggested that restrictions on economic activity will be in place until at least March 2021.
- In November 2020 the government published draft legislation that would introduce mandatory notification requirements for foreign investments in 17 sectors, based on national security grounds. Once approved, the rules would apply retroactively to November 12th 2020. They have similarities with investment-screening mechanisms already in place in other countries, including the US.
- In November 2020 the government published a ten-point plan for the environment, including revised targets for ending the sale of new petrol and diesel cars and for increased renewable-energy production. A white paper focusing on energy is to be released at end-2020, providing further details on these proposals.
- A national digital-services tax took effect in April 2020 at a rate of 2%. It applies on the UK-generated revenues of large digital services providers.

Regulatory/market watch

United Kingdom | Regulation | Regulatory/market watch

December 1st 2020

- On January 31st 2020 the UK exited the EU after 47 years of membership. It subsequently entered a transition arrangement and is scheduled to leave the EU's single market and customs union on December 31st 2020.
- As of November 2020, the UK and the EU were still negotiating a free-trade agreement that will set the terms of their future relationship. Sticking points in the talks concern issues related to fishing and a level playing field. The little time remaining to agree and implement a deal will create significant disruption for business in the immediate term, even if a deal is agreed.
- Following the end of the transition period, the privileged access that nationals from the European Economic Area (the EU plus Iceland, Liechtenstein and Norway) and Switzerland have enjoyed to the UK's labour market will come to an end. Those already resident in the UK for five years can apply for "settled status", which grants them the same healthcare, education, benefits and pension rights as UK nationals. Special rules will apply to Irish citizens.
- The end of the transition period also means that the UK will lose access to EU development funding. The UK government has committed to guaranteeing any EU funding secured before end-2020. A proposed UK Shared Prosperity Fund was to replace the EU programmes from 2021, but it has yet to be established.
- Brexit will mean that the European Court of Justice no longer has broad powers to challenge UK tax law—a particularly contentious area in the past. After leaving the EU, the UK will likely have to balance its new abilities to reform EU laws and overturn precedent with the need to maintain a competitive business environment.

- Brexit raises the possibility of divergence between UK and EU competition law. The exact outcome will depend on the model the UK adopts in its future relationship with the EU and will likely involve a slow process. EU competition rules will continue to apply to UK companies conducting business within EU member states.
- The UK and EU have agreed that Northern Ireland will stay within a regulatory union with the EU for most goods, remaining in the UK customs and value-added tax areas and with checks conducted by the UK on the EU's behalf for any goods bound for the EU across the Irish Sea. The arrangement is subject to revision every four years by a majority vote in the Northern Ireland Assembly.

Long-term outlook: The long-term outlook

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

May 11th 2021

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

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

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

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

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

The UK faces entrenched regional and sectoral imbalances

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

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

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

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

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

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

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

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

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

Income and market size

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

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

Automotive

United Kingdom | Automotive | Overview

July 26th 2021

- The coronavirus (Covid-19) pandemic has caused significant disruption to the UK's automotive sector, which was already facing increased strain as a result of the damaging economic effects of Brexit. In 2020 the UK fared worse than most other advanced economies in its handling of the pandemic, resulting in one of the highest levels of virus-related deaths and one of the deepest falls in real GDP. Having declined in each of the three previous years, annual new-car sales slumped by 29.4% in 2020 to 1.63m units, a 28-year low. Commercial-vehicle (CV) sales dropped by 22.1% to 332,557 units, a seven-year low.
- In 2020 the UK was the world's 16th-largest automotive producer, according to the International Organisation of Motor Vehicle Manufacturers (OICA). Vehicle production rose steadily between 2010 and 2016, but has since fallen sharply in response to Brexit weakness, softer global demand, regulatory changes and pandemic-related

restrictions. After a drop of 8% and 14% in 2018 and 2019 respectively, vehicle output collapsed by 29% in 2020 to its lowest level since 1984.

- New-car sales and production rebounded moderately in the first half of 2021, aided by a comparatively rapid vaccine rollout in the UK, a gradual easing of restrictions, firming global demand and positive base effects. However, there were constraints owing to the lingering virus uncertainty and the global shortage of semiconductors, which are important vehicle components.
- The Economist Intelligence Unit forecasts a partial recovery in new-car sales this year, with growth of 20% lifting annual sales to 1.96m units. However, this will be well below its pre-pandemic level and an annual average of 2.3m units in 2010-19. Stronger growth of about 26% in new-CV registrations will bring sales close to their pre-pandemic level, with the light CV (van) segment benefiting from an expanding online delivery market.
- Over our five-year forecast period (2021-25), we forecast annual new-car sales to rise at a compound annual growth rate (CAGR) of 7.1%. This is inflated by the weak base level in 2020, with annual sales expected to stabilise in 2023-25 at 2.3m units. The share of chargeable electric vehicles (EVs) will rise steadily, but will face constraints from modest incentives and limited charging infrastructure. New-CV sales will expand at a CAGR of 5.2% in 2021-25.
- In December 2020 the UK agreed on a limited trade deal with the EU. This averted the immediate imposition of tariffs on the automotive sector, allowing quota-free trade, but it represented a ”hard Brexit” with new trade frictions, significant new non-tariff barriers and disruption to highly integrated global supply chains. Various provisions, including phased ”rules of origin” restrictions, could lead to the imposition of future export tariffs.
- The UK has six mass-vehicle producers (all foreign-owned), which primarily use the country as an export base to the EU. We expect Brexit to contribute directly to a permanent downsizing of the UK automotive sector over the next five years, with reduced investment and factory closures. Global automotive overcapacity, tighter environmental regulations and the structural transition to EVs will also contribute to this downsizing. Recent

announcements of new (part-subsidised) investments have safeguarded the near-term future of plants operated by Nissan and Vauxhall (the latter is owned by Stellantis of the Netherlands), but the medium-term outlook for the sector remains uncertain. Much will depend on the UK’s ability to attract new battery production.

Consumer goods

United Kingdom | Consumer goods | Overview

August 13th 2021

- After firm retail sales volume growth in 2016-18, amid employment gains, low inflation and extensive retail discounting, consumer demand lost momentum in 2019 as a slowing global economy and the economically damaging Brexit process dampened the labour market and household sentiment. The consumer sector then suffered major disruption in 2020 from the coronavirus pandemic.
- Conditions have improved steadily since early 2021. An extensive vaccination rollout and the lifting of almost all restrictions in the second quarter have bolstered sentiment, with the release of pent-up demand causing a temporary retail spike in April-May (after most shops reopened) and a more recent uplift in services. The overall pattern has been of a steady rebound in household spending, but by no means a ”consumer boom”. This reflects in part lingering Covid-19 risks, pockets of labour market uncertainty and higher inflation.
- Assuming that there are no major virus setbacks, ongoing catch-up growth across consumer services (particularly in travel, hospitality and entertainment) and the partial drawdown of higher accumulated savings during the pandemic will underpin firm household spending growth until 2022. However, the medium-term outlook is for fairly subdued consumer demand, amid a weakened labour market (as temporary state support is withdrawn) and the gradually corrosive effects of the UK’s ”hard Brexit” on the economy.

- Near-term retail demand will be partly constrained by a shift back to services consumption. The Economist Intelligence Unit forecasts annual average retail volume growth of 1.6% over the forecast period (2021-25). The main near-term downside risk is the emergence of virus variants that are more resistant to current vaccines, potentially leading to the reimposition of restrictions.
- The UK left the EU single market and customs union on January 1st 2021, after finalising a Trade and Co-operation Agreement (TCA) with the EU. The TCA averted a no-deal fiasco and in theory allows for tariff- and quota-free UK-EU trade, but it is limited in scope (especially for services) and created significant new non-tariff barriers and trade frictions, as well as widespread regulatory uncertainty. This has led to major disruption across parts of the UK's fisheries, agriculture, and food and drink sectors, which all face medium-term damage.
- The UK is Europe's biggest online retail market. Robust internet sales have gone hand in hand with declines in retail employment and the number of retail stores, especially in town centres. The pandemic has intensified the shift in consumer behaviour towards online and convenience channels. We expect a higher rate of store closures as more business moves online, amid growth of "quick commerce" delivery start-ups.

Energy

United Kingdom | Energy | Overview

September 30th 2021

- Total energy consumption in the UK has trended gradually lower since the mid-1990s. However, with the consumption of oil, gas and coal falling year on year, owing to the impact of the coronavirus pandemic, the drop in 2020 was more pronounced. At an estimated 148m tonnes of oil equivalent (toe), consumption was down by about

14% compared with 2019 and 23% compared with a decade earlier. Together, natural gas and oil account for just over 75% of the energy mix.

- Data from the Department of Business, Energy and Industrial Strategy (BEIS) shows that energy consumption rebounded in the second quarter of 2021, although first-half consumption was flat compared with the same period of 2020. EIU expects total consumption to rebound by 5.6% in 2021, but to resume a gradual decline in most years between 2023 and 2030.
- We forecast that oil consumption will fall by an annual average of 1.3% between 2021 and 2030, which is more pessimistic than our previous forecast of 0.7%. This is partly due to the electrification of transport and energy efficiency measures. Natural gas consumption will rise by an annual average of 0.6%, but will decline slightly beyond 2026. Coal consumption will fall more dramatically, owing mainly to the planned phasing out of coal use in power generation by the end of 2024. We expect annual coal consumption to fall by an annual average of 9% over the forecast period (2021-30).

Energy: key indicators

	2019[a]	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]	2030[b]
GDP (US$ bn at market exchange rates)	2,834	2,711	3,165	3,465	3,606	3,774	3,955	4,721
Real GDP (% change, year on year)	1.4	-9.8	6.6	5.6	1.6	1.7	1.8	1.5
Population (m)	67.5	67.9	68.2	68.5	68.8	69.0	69.3	70.5
Population (% change, year on year)	0.6	0.5	0.5	0.4	0.4	0.4	0.4	0.3
Gross domestic energy consumption (ktoe)	171,364	147,801[c]	156,032	158,098	158,192	155,588	153,213	149,518
Gross domestic energy consumption (% change, year on year)	-2.2	-13.7[c]	5.6	1.3	0.1	-1.6	-1.5	-1.1

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.

- The share of non-hydro renewables in power generation is forecast to rise from 29% in 2021 to 44% in 2030. Meanwhile, coal is set to disappear from the electricity generation mix, with only one coal-fired power plant remaining in the UK by the end of 2022. The UK government has set a deadline of 2024 for phasing out coal-fired power.
- The post-Brexit UK-EU trade deal was finalised in December 2020, and the UK and the EU have not yet reached an agreement on all aspects of their future energy relationship. Uncertainty persists over many elements of energy policy, particularly after recent sharp price rises for petrol, natural gas and electricity. The government has subsidised the largest provider of industrial carbon dioxide (CO2) and may intervene in the retail energy sector.

Financial services

United Kingdom | Finance | Overview | Financial services | Overview

July 9th 2021

- The UK has one of the world's best developed financial industries, but it faces two major challenges in the coming years: coping with the novel coronavirus and managing the country's departure from the EU. The first has delivered a sharp, but hopefully short, shock to the sector. By contrast, the second is likely to require a long-term shift in trading relationships and may contribute to an ongoing shrinkage of the industry.
- London is currently one of the two leading global financial centres (along with New York) and has the largest share of many international markets. The UK financial sector—banking, insurance, fund management, securities and

alternative investment—plays a significant role in the economy. In 2020 it accounted for 5.9% of GDP, down from 7.7% at its peak in 2009, according to the Office for National Statistics (ONS). It employed 1.14m people, or 3.3% of the workforce, down from 3.7% in 2009. The industry makes a substantial contribution to the balance of payments and tax revenue.

- The government enforced nationwide shutdowns and rolled out financial support to help workers and businesses affected by the coronavirus. This included over £330bn (US$458bn) in government-backstopped loans; several business tax deferments and holidays; targeted aid to the worst-hit sectors; and wage support for salaried and self-employed workers. In March 2021 the government extended a scheme to pay 80% of workers' wages until end-September, with employers' contributions rising from July 1st. A third national lockdown imposed in early January was relaxed in stages, with most remaining restrictions lifted on July 19th.
- The pandemic and ensuing public health measures caused a severe economic contraction in 2020. The UK has been one of the worst-hit countries in Europe in economic terms, as well as having among the region's highest cumulative total of Covid-19 deaths and confirmed cases. Real GDP shrank by 9.8% in 2020. The Economist Intelligence Unit forecasts a partial rebound in real GDP growth of 5.7% in 2021, with a 5.6% expansion in 2022. We expect GDP to return to its pre-pandemic level in 2022.
- At a general election in December 2019, the Conservative Party, under the prime minister, Boris Johnson, won a large majority. This allowed him to achieve his key campaign pledge to take the UK out of the EU; this occurred on January 31st 2020, ending 47 years of membership. The UK left a transition period with the EU on December 31st 2020. An EU-UK free-trade agreement was concluded in December 2020 that averted the most extreme form of "no deal" disorder, but its last-minute nature gave businesses little time to prepare. The trade pact did not include financial services, but the UK and the EU agreed and implemented some temporary arrangements to reduce disruption to financial markets. In March 2021 the UK and the EU reached agreement on a draft Memorandum of

Understanding on future co-operation in financial services. Details have not been made public, but press reports suggest that it is quite a minimal framework.

- 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 in the EU, except for derivatives clearing houses. The UK had hoped to negotiate additional such designations, but talks had made little progress as of July 2021. Instead, the UK government is emphasising the benefits of being able to determine its own priorities for the financial services sector. It is considering reforms to the rules governing UK financial markets, including those relating to stockmarket listings, with a view to boosting competitiveness.
- In March 2020 the Bank of England (BoE, the central bank) cut its main rate to 0.1%, its lowest ever level. It has extended the use of the ”Ways and Means” facility, allowing the Treasury to borrow directly from the BoE. The BoE’s governor, Andrew Bailey, has said that these provisions are temporary, but we do not believe that the BoE can credibly commit to withdrawing them in 2021 if doing so would risk sharply worsening the UK’s borrowing position.
- We expect London to retain its status as one of the world’s main financial centres, especially in the trading of foreign exchange and derivatives, but a loss of influence and post-Brexit restrictions on financial services trade with the EU are inevitable. Reaching agreement on a complex new trading arrangement will be difficult and time-consuming (taking years, rather than months), and financial firms in the UK must come to terms with the loss of ”passporting” (the right of UK-regulated companies to do business in the EU and vice versa).
- Financial services companies previously serving the EU from the UK will continue to relocate some of their operations and staff to within the bloc. Although outflows of financial sector employees (and related tax revenue) from the UK have so far been modest, it is likely that the trend will continue as competing financial services hubs, including Amsterdam, Frankfurt and Paris, gradually grow in size and influence. European policymakers will boost their efforts to attract major financial functions away from London.

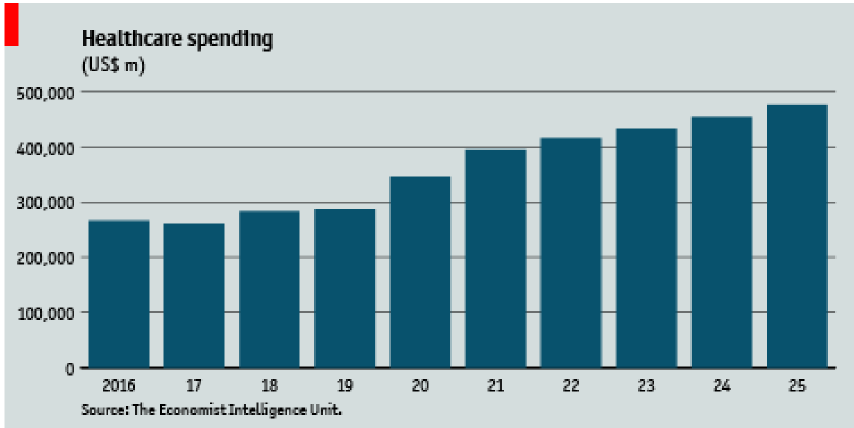
Healthcare

United Kingdom | Healthcare | Spending

September 13th 2021

Overview

- The UK has managed a rapid coronavirus (Covid-19) vaccination programme, after facing one of the worst tolls from the pandemic globally. About 48.2m people have received their first dose of a vaccine, and more than 43m have received both doses. The deadline for lifting all legal pandemic-related restrictions, originally set for June 21st, had to be delayed after a rapid rise in cases of the Delta coronavirus variant. However, life is now returning to near-normal.
- Even as restrictions are lifted, the UK faces economic challenges, with the impact of the pandemic exacerbated by the UK's departure from the EU's single market (Brexit) on January 1st 2021. Real GDP contracted by 9.8% in 2020, and although The Economist Intelligence Unit forecasts growth of 6.6% in 2021, the economy will take until 2023 to regain its 2019 levels in nominal terms. Moreover, in order to fight the pandemic and support businesses and households, the centre-right Conservative government has let public debt rise to more than 100% of GDP, its highest level since the 1960s.



- The UK responded to the pandemic by raising public spending on healthcare to 12.8% of GDP in 2020, from 10.2% in 2019, according to the OECD. We expect this share to fall to 12.5% in 2021 as real GDP recovers, although healthcare spending will continue rising in nominal terms. Spending growth will slow in 2024-25 as fiscal constraints bite, taking the share back to 12.1%. We have raised this forecast to reflect a tax levy announced by the govern-ment in early 2021, which is intended to fund health and social care.
- Over the 2021-25 forecast period we expect health spending to rise at a compound annual growth rate (CAGR) of 4%—similar to the growth rate seen in the five years before the pandemic. The government forecasts that total costs of the pandemic to the healthcare system will reach £27bn (US$37bn). We expect pharmaceutical sales to rise at a robust CAGR of 5.6% in 2021-25, driven primarily by the vaccine rollout.

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 81.3% of current health spending in 2020, according to the OECD. This share has fallen slightly over the past decade, but is likely to have risen during the pandemic. Even so, it will remain lower than in Germany (85.6%) and France (83.8%), but above the OECD average (74%).

Healthcare: key indicators

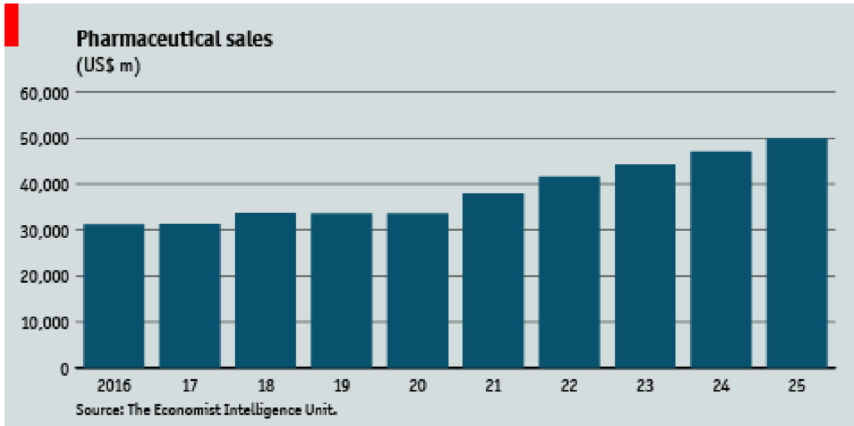
	2016[a]	2017[a]	2018[b]	2019[b]	2020[b]	2021[c]	2022[c]	2023[c]	2024[c]	2025[c]
Life expectancy, average (years)	80.9	81.0	81.0[a]	81.1[a]	81.2[a]	81.3	81.4	81.5	81.6	81.8
Life expectancy, male (years)	79.0	79.1	79.2[a]	79.3[a]	79.4[a]	79.5	79.7	79.9	80.0	80.2
Life expectancy, female (years)	82.8	82.8	82.8[a]	82.9[a]	82.9[a]	83.0	83.1	83.1	83.2	83.3
Infant mortality rate (per 1,000 live births)	4.3	4.3[b]	4.2	4.2	4.1	4.1	4.0	4.0	4.0	3.9
Healthcare spending (£ bn)	196.9	202.9	212.0	225.2	269.3	285.4	296.7	306.8	316.9	327.5
Healthcare spending (% of GDP)	9.9	9.8	9.9	10.2	12.8	12.5	12.0	12.0	12.1	12.1
Healthcare spending (US$ bn)	266.8	261.6	283.2	287.6	345.7	395.7	416.5	434.2	454.7	476.5
Healthcare spending (US$ per head)	4,055	3,921	4,218	4,259	5,092	5,801	6,080	6,314	6,588	6,879
Healthcare (consumer expenditure; US$ bn)	31.1	32.4	36.6[a]	37.1[a]	36.1	40.4	42.8	43.7	45.0	46.7
Doctors (per 1,000 people)	2.8	2.8	2.8[a]	3.0[a]	3.0	3.0	3.1	3.1	3.2	3.2
Hospital beds (per 1,000 people)	2.6[b]	2.6[b]	2.6	2.6	2.6	2.6	2.5	2.5	2.5	2.5

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

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

- Devolution since 1999 means that most NHS funding and commissioning occurs under separate frameworks in the four UK nations, with variations in some policy areas. During the coronavirus crisis, for example, the four nations followed separate lockdown policies. About 86% of funding goes to NHS England, with Scotland, Wales and Northern Ireland sharing the rest under a formula related to population size.

- The UK's relatively weak public finances will become weaker still as a result of the coronavirus crisis. However, the government has reaffirmed a pre-pandemic funding deal in 2018, which will cause spending (excluding emergency Covid-19 funds) to rise by £33.9bn per year by 2023/24.
- Planned NHS spending increased from £150bn in fiscal year 2019/20 (April-March) to £212bn in 2020/21, of which £199bn was current (operational) funding and £13bn was capital spending on hospitals and equipment. More than £20bn in Covid-19 funding has been allocated for 2021/22.
- In September 2021 the government announced plans to increase national insurance for all working adults by 1.25 percentage points from April 2022. The levy, which will become a tax on earned income from 2023, is intended to raise health and social care funding by £12bn a year.



Private health insurance

- Voluntary (or private) spending on healthcare accounted for 18% of the UK's total health expenditure in 2020, according to the OECD. Of this, out-of-pocket (OOP) spending accounted for 14% of total health spending, with 3% coming from private health insurance and the remainder from charitable or company schemes, according to government data.
- The share of OOP spending has risen gradually in recent years, but the private health insurance market has remained broadly flat, reflecting the dominance of the NHS. In 2018 spending on private acute medical care in hospitals and clinics fell by 1.1% to £5.8bn, according to LaingBuisson, a consultancy, reflecting a decline in care done under contract to the NHS. This decline came despite a 4.8% increase in the self-pay market.
- The leading independent healthcare group is Bupa, with 2.3m policyholders and 31m customers at end-June 2020. Other major insurers include AXA PPP, Aviva and Vitality Health. Health insurers have seen claims fall during lockdowns, with many policyholders unable to access care. BUPA and the not-for-profit insurer WPA have given their customers refunds to reflect these savings, but most rivals have not followed suit.

Telecommunications

United Kingdom | Telecommunications | Overview

August 8th 2021

- Mobile telephony accounts for a majority of telecommunications connections in the UK. The mobile penetration rate has levelled off in recent years amid a saturated market. The Economist Intelligence Unit expects moderate growth during the five-year forecast period (2021-25), with the penetration rate rising from 120% in 2020 to 124% in 2025.

- There were an estimated 40.3 broadband subscriptions per 100 people in 2020—the tenth-highest rate in the OECD—with total internet user penetration at 93.6% of the population. We forecast a rise in internet user penetration to 97.6% by 2025, with the coronavirus (Covid-19) pandemic likely to accelerate the upward trend.
- A UK digital strategy was published in 2017, covering areas such as connectivity, digital skills and cyber-security. An updated strategy, which is expected to focus on tech-led economic growth and productivity in the light of the pandemic, is scheduled for publication in the fourth quarter of 2021. The government has established a new central digital and data office that will be focused on innovation and transformation strategies relating to cyber-security, data and emerging technologies.
- The UK is ahead of many European countries in fifth-generation (5G) deployment, largely owing to a clear 5G policy. The country's largest mobile operators have all launched 5G services, although speed remains below expectations. Operators will focus on boosting revenue from industrial usage of 5G.
- The government published its Telecommunications (Security) bill in late 2020, aimed at safeguarding the country's 5G and fibre broadband infrastructure. The bill provides the state with new powers to impose controls on the use of telecoms goods, services or facilities deemed to be a high risk to national security. Companies that violate these controls will be subject to a fine of up to 10% of relevant turnover or even £100,000 (US$138,000) per day in cases of persistent violations.
- The government's digital strategy aims for a 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 fourth-generation (4G) network to remove most connectivity ”not spots”—a term used to describe the absence of 4G coverage—by 2025.
- A 2018 commitment to achieve ”full-fibre broadband coverage” by 2025 has since 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$6.4bn) allocated for the 20% of UK premises that are hardest to reach. In November 2020 the government announced plans for spending £1.2bn of this funding over the next four years.

Telecoms penetration

	2016[a]	2017[a]	2018[a]	2019[b]	2020[b]	2021[c]	2022[c]	2023[c]	2024[c]	2025[c]
Telephone main lines (m)	32.6	31.8	31.5	30.9	30.2	29.7	29.2	28.7	28.4	28.1
Telephone main lines (per 100 people)	49.6	47.6	46.9	45.7	44.4	43.6	42.7	41.8	41.2	40.5
Mobile subscriptions (m)	78.9	79.1	79.5	81.0[a]	81.8	82.6	83.6	84.3	85.1	85.7
Mobile subscriptions (per 100 people)	120.0	118.5	118.4	119.9	120.4	121.2	122.1	122.6	123.2	123.7

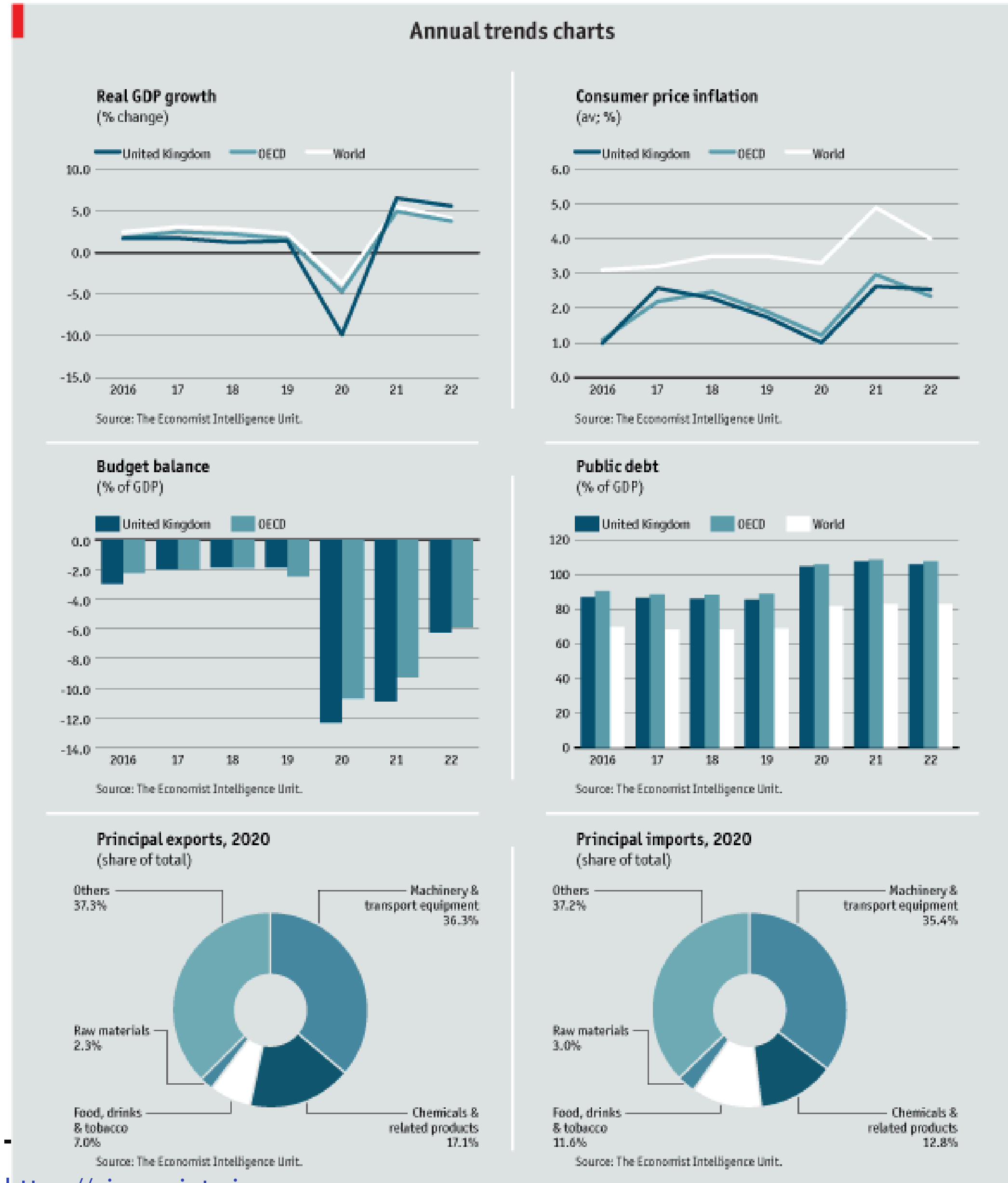
[a] Actual. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Sources: International Telecommunication Union; The Economist Intelligence Unit.

Data and charts: Annual trends charts

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

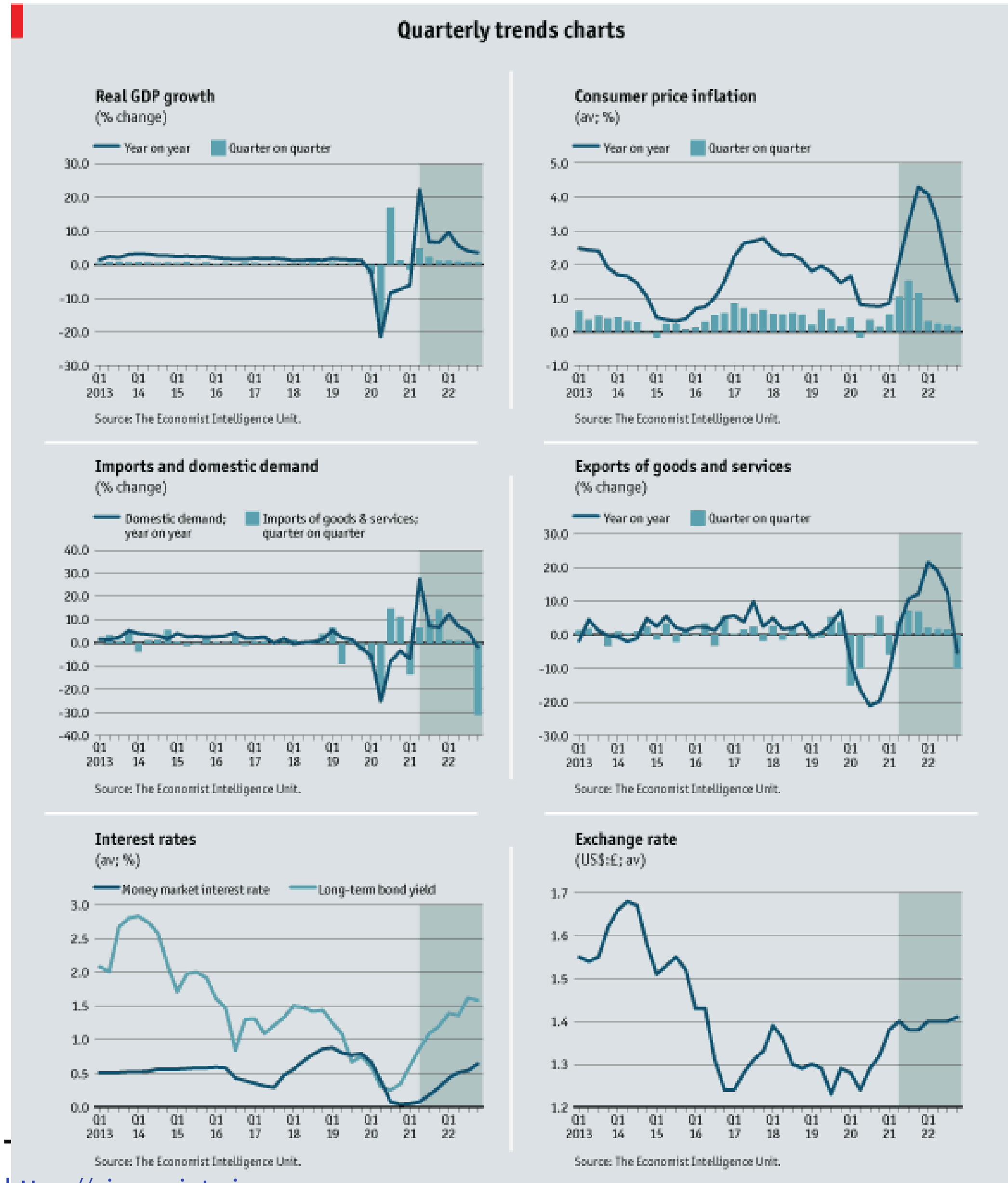
September 6th 2021


Annual trends charts
Real GDP growth
(% change)
United Kingdom
OECD
World
10.0
5.0
0.0
-5.0
-10.0
-15.0
2016
17
18
19
20
21
22
Source: The Economist Intelligence Unit.
Consumer price inflation
(av; %)
United Kingdom
OECD
World
6.0
5.0
4.0
3.0
2.0
1.0
0.0
2016
17
18
19
20
21
22
Source: The Economist Intelligence Unit.
Budget balance
(% of GDP)
United Kingdom
OECD
0.0
-2.0
-4.0
-6.0
-8.0
-10.0
-12.0
-14.0
2016
17
18
19
20
21
22
Source: The Economist Intelligence Unit.
Public debt
(% of GDP)
United Kingdom
OECD
World
120
100
80
60
40
20
0
2016
17
18
19
20
21
22
Source: The Economist Intelligence Unit.
Principal exports, 2020
(share of total)
Others
37.3%
Machinery & transport equipment
36.3%
Raw materials
2.3%
Food, drinks & tobacco
7.0%
Chemicals & related products
17.1%
Source: The Economist Intelligence Unit.
Principal imports, 2020
(share of total)
Others
37.2%
Machinery & transport equipment
35.4%
Raw materials
3.0%
Food, drinks & tobacco
11.6%
Chemicals & related products
12.8%
Source: The Economist Intelligence Unit.

Data and charts: Quarterly trends charts

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

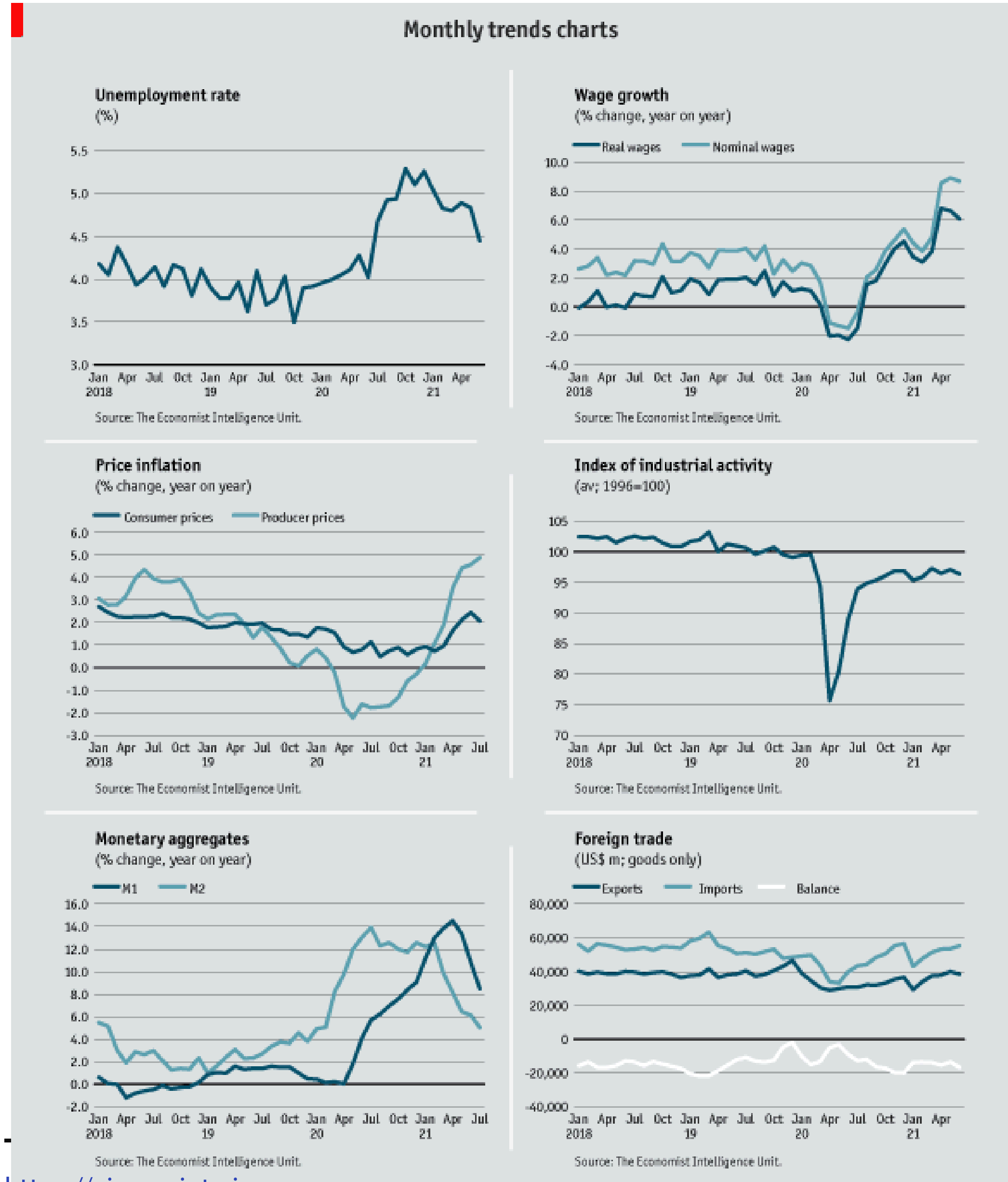
September 6th 2021


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

Data and charts: Monthly trends charts

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

September 6th 2021


Monthly trends charts
Unemployment rate
(%)
Source: The Economist Intelligence Unit.
Wage growth
(% change, year on year)
Real wages
Nominal wages
Source: The Economist Intelligence Unit.
Price inflation
(% change, year on year)
Consumer prices
Producer prices
Source: The Economist Intelligence Unit.
Index of industrial activity
(av; 1996=100)
Source: The Economist Intelligence Unit.
Monetary aggregates
(% change, year on year)
M1
M2
Source: The Economist Intelligence Unit.
Foreign trade
(US$ m; goods only)
Exports
Imports
Balance
Source: The Economist Intelligence Unit.

Data summary: Gross domestic product, current market prices

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

September 6th 2021

Gross domestic product, at current market prices

	2016[a]	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]
Expenditure on GDP (£ bn at current market prices)										
GDP	1,994.7	2,068.8	2,141.8	2,218.4	2,112.0	2,283.2	2,468.6	2,548.4	2,629.8	2,718.0
Private consumption	1,293.0	1,334.4	1,385.7	1,420.3	1,284.7	1,382.0	1,475.5	1,513.2	1,553.6	1,603.9
Government consumption	382.0	387.3	398.4	423.1	481.8	533.3	573.7	599.1	624.5	649.6
Gross fixed investment	353.2	372.3	381.2	399.5	371.0	402.0	438.7	459.7	475.2	490.4
Exports of goods & services	563.2	622.9	661.6	689.3	573.5	632.7	717.1	739.7	757.4	786.5
Imports of goods & services	599.4	652.8	687.1	716.7	585.5	666.8	736.0	763.4	781.9	813.5
Stockbuilding	2.7	4.6	1.9	6.9	-12.7	-2.0	-0.5	0.0	1.0	1.0
Domestic demand	2,030.8	2,098.6	2,167.3	2,249.8	2,124.8	2,315.3	2,487.5	2,572.0	2,654.2	2,744.9
Expenditure on GDP (US$ bn at current market prices)										
GDP	2,702.7	2,666.9	2,860.8	2,833.7	2,711.3	3,165.3	3,465.0	3,606.0	3,773.7	3,954.7
Private consumption	1,751.9	1,720.2	1,850.9	1,814.2	1,649.2	1,915.9	2,071.2	2,141.2	2,229.4	2,333.7
Government consumption	517.6	499.3	532.2	540.5	618.5	739.3	805.3	847.8	896.1	945.1

Gross fixed investment	478.6	480.0	509.2	510.3	476.2	557.3	615.8	650.4	681.9	713.6
Exports of goods & services	763.2	803.0	883.7	880.4	736.2	877.2	1,006.5	1,046.7	1,086.9	1,144.4
Imports of goods & services	812.1	841.5	917.8	915.5	751.7	924.3	1,033.0	1,080.2	1,122.0	1,183.6
Stockbuilding	3.6	6.0	2.6	8.8	-16.3	-2.8	-0.7	0.0	1.4	1.5
Domestic demand	2,751.6	2,705.5	2,894.9	2,873.8	2,727.6	3,209.7	3,491.6	3,639.4	3,808.8	3,993.9
Economic structure (% of GDP at current market prices)										
Household consumption	64.8	64.5	64.7	64.0	60.8	60.5	59.8	59.4	59.1	59.0
Government consumption	19.1	18.7	18.6	19.1	22.8	23.4	23.2	23.5	23.7	23.9
Gross fixed investment	17.7	18.0	17.8	18.0	17.6	17.6	17.8	18.0	18.1	18.0
Stockbuilding	0.1	0.2	0.1	0.3	-0.6	-0.1	0.0	0.0	0.0	0.0
Exports of goods & services	28.2	30.1	30.9	31.1	27.2	27.7	29.0	29.0	28.8	28.9
Imports of goods & services	30.0	31.6	32.1	32.3	27.7	29.2	29.8	30.0	29.7	29.9
Memorandum item										
National savings ratio (%)	12.4	14.5	14.2	15.2	13.4	13.0	13.7	14.2	14.1	13.8

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

Data summary: Gross domestic product, at constant prices

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

September 6th 2021

Gross domestic product, at constant prices

	2016[a]	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]
Real expenditure on GDP(£ bn at chained 2013 prices)										
GDP	2,079.1	2,115.3	2,141.8	2,172.5	1,958.6	2,087.2	2,204.2	2,239.1	2,277.1	2,318.1
Household consumption	1,350.8	1,366.1	1,385.6	1,400.9	1,247.3	1,307.4	1,373.1	1,388.5	1,407.3	1,431.4
Government consumption	393.0	395.9	398.4	414.4	387.6	440.7	449.5	455.8	462.2	468.2
Gross fixed investment	369.6	379.8	381.2	387.1	353.1	375.1	413.5	433.3	447.9	462.3
Exports of goods & services	609.2	642.1	661.6	679.2	567.7	586.5	652.3	666.0	682.9	702.2
Imports of goods & services	651.6	668.9	687.1	705.9	580.1	621.7	685.0	705.7	725.4	748.3
Stockbuilding (% of GDP)	8.8	13.5	-0.8	1.7	-9.6	-2.0	-0.5	0.0	1.0	1.0
Domestic demand	2,123.5	2,157.2	2,167.2	2,202.9	1,971.1	2,117.0	2,229.9	2,272.6	2,313.0	2,357.7
Real expenditure on GDP (% change)										
GDP	1.7	1.7	1.3	1.4	-9.8	6.6	5.6	1.6	1.7	1.8
Household consumption	3.4	1.1	1.4	1.1	-11.0	4.8	5.0	1.1	1.4	1.7
Government consumption	1.0	0.7	0.6	4.0	-6.5	13.7	2.0	1.4	1.4	1.3
Gross fixed investment	4.4	2.8	0.4	1.5	-8.8	6.2	10.2	4.8	3.4	3.2

Exports of goods & services	2.7	5.4	3.0	2.7	-16.4	3.3	11.2	2.1	2.5	2.8
Imports of goods & services	3.9	2.6	2.7	2.7	-17.8	7.2	10.2	3.0	2.8	3.2
Stockbuilding (% contribution to GDP growth)	-0.1	0.2	-0.7	0.1	-0.5	0.4	0.1	0.0	0.0	0.0
Domestic demand	3.0	1.6	0.5	1.6	-10.5	7.4	5.3	1.9	1.8	1.9
Real contribution to GDP growth (% points)										
Private consumption	2.2	0.7	0.9	0.7	-7.1	3.1	3.1	0.7	0.8	1.1
Government consumption	0.2	0.1	0.1	0.7	-1.2	2.7	0.4	0.3	0.3	0.3
Gross fixed investment	0.8	0.5	0.1	0.3	-1.6	1.1	1.8	0.9	0.7	0.6
External balance	-0.4	0.8	0.1	-0.1	0.7	-1.2	0.1	-0.3	-0.1	-0.2
Memorandum items										
Industrial production (% change)	1.1	1.8	0.9	-1.2	-8.0	4.8	3.7	2.1	1.6	1.6
Real personal disposable income (% change)	0.5	0.1	2.3	1.8	-0.7	-0.3	2.2	0.3	1.4	1.7

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

Data summary: Gross domestic product by sector of origin

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

September 6th 2021

Gross domestic product by sector of origin

	2016[a]	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]
Origin of GDP (£ bn at chained 2010 prices)										
GDP at factor cost	1,852.6	1,884.9	1,910.2	1,937.4	1,760.1	1,875.7	1,980.7	2,012.2	2,046.3	2,083.1
Agriculture	11.8	12.6	12.2	13.0	11.7	11.0	11.4	11.8	11.9	12.1
Industry	373.9	385.7	388.2	387.2	348.7	366.2	382.6	388.4	393.8	399.3
Services	1,466.8	1,486.6	1,509.9	1,537.2	1,399.6	1,498.4	1,586.7	1,612.0	1,640.5	1,671.7
Origin of GDP (real % change)										
Agriculture	-6.0	6.3	-3.3	6.3	-9.3	-6.0	3.0	4.0	1.0	1.0
Industry	2.0	3.1	0.6	-0.2	-9.9	5.0	4.5	1.5	1.4	1.4
Services	1.6	1.4	1.6	1.8	-9.0	7.1	5.9	1.6	1.8	1.9
Origin of GDP (% of factor cost GDP)										
Agriculture	0.6	0.6	0.6	0.7	0.7	0.6	0.6	0.6	0.6	0.6
Industry	20.0	20.4	20.3	20.0	19.9	19.6	19.4	19.4	19.4	19.3

Services	79.3	79.0	79.0	79.4	79.4	79.8	80.0	80.0	80.1	80.1
Memorandum item										
Industrial production (% change)	1.1	1.8	0.9	-1.2	-8.0	4.8	3.7	2.1	1.6	1.6

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

Data summary: Growth and productivity

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

September 6th 2021

Growth and productivity

	2016[a]	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]
Growth and productivity (%)										
Labour productivity growth	0.3	0.7	0.1	0.3	-9.1	6.8	4.7	0.9	1.0	1.2
Total factor productivity growth	-0.2	0.1	-0.4	-0.1	-9.6	4.2	2.6	1.1	0.7	0.8
Growth of capital stock	2.9	2.9	2.5	2.4	0.9	1.5	2.7	3.0	3.0	3.0
Growth of potential GDP	1.7	1.7	1.6	1.3	1.1	4.9	3.9	2.5	2.0	2.1
Growth of real GDP	1.7[c]	1.7[c]	1.3[c]	1.4[c]	-9.8[c]	6.6	5.6	1.6	1.7	1.8
Growth of real GDP per head	1.1[c]	0.3[c]	0.6[c]	0.9[c]	-10.3[c]	6.1	5.2	1.2	1.3	1.4

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

Data summary: Economic structure, income and market size

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

September 6th 2021

Economic structure, income and market size

	2016[a]	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]
Population, income and market size										
Population (m)	65.8	66.7	67.1	67.5	67.9	68.2	68.5	68.8	69.0	69.3
GDP (US$ bn at market exchange rates)	2,703	2,667	2,861	2,834	2,711	3,165	3,465	3,606	3,774	3,955
GDP per head (US$ at market exchange rates)	41,081	39,968	42,609	41,963	39,938	46,407	50,586	52,438	54,674	57,088
Private consumption (US$ bn)	1,752	1,720	1,851	1,814	1,649	1,916	2,071	2,141	2,229	2,334
Private consumption per head (US$)	26,628	25,780	27,567	26,865	24,294	28,089	30,237	31,137	32,300	33,689
GDP (US$ bn at PPP)	2,896	3,033	3,117	3,260	2,975	3,240	3,497	3,641	3,781	3,922
GDP per head (US$ at PPP)	44,025	45,452	46,426	48,282	43,824	47,505	51,053	52,952	54,776	56,616
Personal disposable income (£ bn)	1,348	1,376	1,441	1,487	1,500	1,535	1,595	1,623	1,666	1,720
Personal disposable income (US$ bn)	1,826	1,774	1,925	1,899	1,926	2,128	2,240	2,296	2,391	2,503
Growth of real disposable income (%)	0.5	0.1	2.3	1.8[c]	-0.7[c]	-0.3	2.2	0.3	1.4	1.7
Memorandum items										
Share of world population (%)	0.89	0.89	0.89	0.89	0.88	0.88	0.88	0.88	0.88	0.89
Share of world GDP (% at market exchange rates)	3.58	3.32	3.36	3.28	3.24	3.40	3.53	3.51	3.49	3.46

Share of world GDP (% at PPP)	2.53	2.52	2.44	2.44	2.27	2.31	2.34	2.30	2.26	2.23
Share of world exports of goods (%)	2.57	2.50	2.47	2.58	2.34	2.32	2.56	2.52	2.45	2.41

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

Data summary: Fiscal indicators

United Kingdom | Economy | Charts and tables | Fiscal indicators

September 6th 2021

Fiscal indicators

	2016[a]	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]
Fiscal indicators (% of GDP)										
Government expenditure	38.1	37.7	37.6	37.5	48.1	45.7	41.5	40.7	41.1	41.0
Interest[c]	2.4	2.6	2.4	2.1	1.9	1.2	1.6	1.9	2.0	2.0
Non-interest[c]	35.7	35.1	35.1	35.3	46.2	44.5	39.9	38.9	39.1	39.0
Government revenue[c]	35.1	35.7	35.7	35.6	35.8	34.8	35.2	37.6	38.1	38.2
Budget balance[c]	-3.0	-2.0	-1.9	-1.9	-12.3	-10.9	-6.3	-3.2	-2.9	-2.9
Primary balance[c]	-0.6	0.7	0.5	0.2	-10.4	-9.7	-4.7	-1.3	-1.0	-0.9
Government debt[d]	86.8	86.3	85.8	85.2	104.5	107.5	105.7	105.4	105.3	104.9

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

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

Data summary: Monetary indicators

United Kingdom | Economy | Charts and tables | Monetary indicators

September 6th 2021

Monetary indicators

	2016[a]	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]
Monetary indicators										
Exchange rate US$:£ (av)	1.35	1.29	1.34	1.28	1.28	1.39	1.40	1.42	1.44	1.46
Exchange rate €:£ (av)	1.22	1.14	1.13	1.14	1.12	1.16	1.20	1.23	1.22	1.20
Exchange rate US$:€ (av)	1.11	1.13	1.18	1.12	1.14	1.19	1.17	1.15	1.18	1.22
Exchange rate €:£ (year-end)	1.17	1.13	1.11	1.18	1.11	1.17	1.22	1.23	1.21	1.19
Real effective exchange rate (av; 2010=100)	102.4	97.1	98.8	98.4	98.6	102.8	106.3	108.5	108.5	107.5
M4 money supply growth (%)[c]	6.2	4.8	2.3	3.8	12.6	7.1	7.6	3.8	3.6	3.9
Domestic credit growth (%)	4.2	5.4	3.2	4.9	3.1	2.5	5.7	0.4	3.6	3.9
Purchasing power parity US$:£ (av)	1.45	1.47	1.46	1.47	1.41	1.42	1.42	1.43	1.44	1.44
3-month £-Libor rate (av; %)	0.5	0.4	0.7	0.8	0.3	0.2	0.5	0.7	1.0	1.0

10-year government bond yield (av; %)	1.3	1.2	1.5	0.9	0.4	0.9	1.5	1.5	1.9	1.9
Bank of England base rate (%; end-period)	0.25	0.50	0.75	0.75	0.10	0.10	0.25	0.75	1.25	1.50
Lending rate (%; average mortgage SVR from UK MFIs)	4.4	4.4	4.3	4.3	3.8	3.7	4.0	4.2	4.4	4.5
Deposit rate (av; %)	1.3	0.9	0.9	0.9	0.4	0.2	0.6	0.9	1.1	1.3

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

Data summary: Employment, wages and prices

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

September 6th 2021

Employment, wages and prices

	2016[a]	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]
The labour market (av)										
Labour force (m)	33.4	33.5	33.8	34.1	34.1	34.2	34.4	34.5	34.7	34.8
Labour force (% change)	0.9	0.5	0.9	0.8	-0.1	0.3	0.6	0.5	0.4	0.4
Employment (m)	31.7	32.1	32.4	32.8	32.5	32.5	32.8	33.0	33.2	33.4
Employment (% change)	1.5	1.0	1.2	1.1	-0.8	-0.2	0.9	0.7	0.7	0.6

Unemployment (m)	1.6	1.5	1.4	1.3	1.6	1.7	1.6	1.6	1.5	1.4
Unemployment rate (%; EU/OECD standardised measure)	4.9	4.4	4.1	3.8	4.5	5.0	4.7	4.5	4.2	4.0
Wage and price inflation (% except labour costs per hour)										
GDP deflator	2.2	1.9	2.2	2.1	5.6	1.4	2.4	1.6	1.5	1.5
Consumer prices (av; CPIH measure)	1.0	2.6	2.3	1.7	1.0	2.6	2.5	2.0	1.8	1.7
Producer prices (av)	0.2	3.9	3.4	1.4	-1.0	4.3	3.7	2.5	2.0	2.0
GDP deflator (av)	2.2	1.9	2.2	2.1	5.6	1.4	2.4	1.6	1.5	1.5
Private consumption deflator (av)	1.4	2.0	2.4	1.4	1.6	2.6	1.7	1.4	1.3	1.5
Government consumption deflator (av)	0.9	0.7	2.2	2.1	21.7	-2.7	5.5	3.0	2.8	2.7
Fixed investment deflator (av)	2.2	2.6	2.0	3.2	1.8	2.0	-1.0	0.0	0.0	0.0
Average nominal wages (av)	2.4	2.3	3.0	3.4	1.8	3.2	4.6	3.1	3.1	2.9
Average real wages (av)	1.4	-0.3	0.7	1.6	0.8	0.6	2.0	1.1	1.3	1.2
Unit labour costs (£-based; av)	2.2	2.4	2.8	3.3	13.8	-2.9	0.9	3.2	3.1	2.7
Unit labour costs (US$-based)	-9.4	-2.6	6.5	-1.2	14.4	4.9	2.2	4.1	4.6	4.1
Labour costs per hour (£)	21.3[c]	22.0[c]	22.7[c]	23.5[c]	23.9[c]	24.7	25.8	26.6	27.4	28.2
Labour costs per hour (US$)	28.9[c]	28.4[c]	30.3[c]	30.0[c]	30.7[c]	34.2	36.2	37.7	39.4	41.1

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

Data summary: Current account and terms of trade

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

September 6th 2021

Current account and terms of trade

	2016[a]	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]
Current account (US$ bn)										
Current-account balance	-147.7	-100.5	-104.8	-87.6	-95.4	-141.8	-140.0	-139.7	-149.7	-167.8
Current-account balance (% of GDP)	-5.5	-3.8	-3.7	-3.1	-3.5	-4.5	-4.0	-3.9	-4.0	-4.2
Goods: exports fob	402.0	433.1	468.6	476.3	399.1	485.0	568.3	587.0	595.4	618.3
Goods: imports fob	-581.4	-607.5	-651.1	-643.6	-548.0	-678.9	-743.6	-772.3	-796.8	-838.6
Trade balance	-179.4	-174.5	-182.4	-167.3	-148.8	-193.9	-175.2	-185.3	-201.4	-220.4
Services: credit	358.7	369.5	414.1	403.6	342.8	398.6	444.9	466.7	498.9	534.2
Services: debit	-228.1	-233.6	-265.5	-271.3	-205.0	-237.9	-270.9	-282.5	-298.8	-320.1
Services balance	130.6	135.9	148.6	132.3	137.8	160.7	174.0	184.2	200.0	214.1
Primary income: credit	186.5	241.8	291.5	277.8	166.5	266.7	285.4	307.1	322.7	324.0
Primary income: debit	-253.3	-274.9	-328.5	-296.6	-215.0	-333.2	-378.1	-397.6	-420.8	-432.8
Primary income balance	-66.8	-33.1	-37.0	-18.8	-48.5	-66.5	-92.7	-90.6	-98.1	-108.8
Secondary income: credit	23.0	22.7	24.9	24.4	22.4	26.2	28.6	29.8	31.2	32.7
Secondary income: debit	-55.2	-51.7	-58.9	-58.3	-58.5	-68.3	-74.8	-77.8	-81.4	-85.3

Secondary income balance	-32.2	-29.0	-34.0	-33.9	-36.1	-42.1	-46.1	-48.0	-50.2	-52.7
Terms of trade										
Export price index (US$-based; 2010=100)	89.0	89.9	96.5	92.3	89.7[c]	106.9	109.6	110.8	110.4	112.4
Export prices (% change)	-6.5	1.1	7.3	-4.3	-2.8[c]	19.1	2.5	1.1	-0.3	1.8
Import price index (US$-based; 2010=100)	88.5	89.6	95.4	89.7	86.3[c]	100.3	100.7	101.7	101.9	103.9
Import prices (% change)	-8.5	1.2	6.5	-5.9	-3.8[c]	16.2	0.4	1.0	0.2	1.9
Terms of trade (2010=100)	100.5	100.4	101.2	102.9	104.0[c]	106.6	108.8	108.9	108.4	108.2
Memorandum item										
Export market growth (%)	4.1	4.7	4.4	1.2[c]	-4.5[c]	8.7	6.1	4.9	4.4	3.6

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

Data summary: Foreign direct investment

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

September 6th 2021

Foreign direct investment

	2016[a]	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]
Foreign direct investment (US$ bn)										
Inward direct investment	324.8	125.4	81.2	2.3	18.2	51.1	105.8	81.7	67.1	78.0
Inward direct investment (% of GDP)	12.0	4.7	2.8	0.1	0.7	1.6	3.1	2.3	1.8	2.0
Inward direct investment (% of gross fixed investment)	67.9	26.1	15.9	0.5	3.8	9.2	17.2	12.6	9.8	10.9
Outward direct investment	-33.0	-172.0	-56.4	48.2	35.3	11.9	57.4	26.7	26.9	27.2
Net foreign direct investment	291.8	-46.6	24.8	50.5	53.5	63.0	163.2	108.5	94.0	105.2
Stock of foreign direct investment	2,009.0	2,292.0	2,291.0	2,372.0	2,390.2	2,441.3	2,547.1	2,628.8	2,695.9	2,774.0
Stock of foreign direct investment per head (US$)	30,537	34,349	34,122	35,125	35,209	35,793	37,185	38,228	39,059	40,043
Stock of foreign direct investment (% of GDP)	74.3	85.9	80.1	83.7	88.2	77.1	73.5	72.9	71.4	70.1
Memorandum items										
Share of world inward direct investment flows (%)	12.0	5.8	16.5	0.2	1.4	3.6	7.1	5.3	4.2	4.6
Share of world inward direct investment stock (%)	7.1	7.6	7.2	6.9	7.1	6.7	6.6	6.5	6.4	6.3

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

Political structure

United Kingdom | Summary | Political structure

September 6th 2021

Official name

United Kingdom of Great Britain and Northern Ireland

Form of state

Parliamentary monarchy

Legal system

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

National legislature

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

Electoral system

Universal direct suffrage from the age of 18

National elections

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

Head of state

Queen Elizabeth II, who acceded to the throne in 1952

National government

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

Main political parties

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

Prime minister: Boris Johnson

Attorney general: Suella Braverman

Chancellor of the exchequer: Rishi Sunak

Chief secretary to the Treasury: Stephen Barclay

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

Leader of the House of Commons: Jacob Rees-Mogg

Minister for the Cabinet Office: Michael Gove

Party chair & minister without portfolio: Amanda Milling

Parliamentary secretary to the Treasury & chief whip: Mark Spencer

Secretaries of state

Business, energy & industrial strategy: Kwasi Kwarteng

Defence: Ben Wallace

Digital, culture, media & sport: Oliver Dowden

Education: Gavin Williamson

Environment, food & rural affairs: George Eustice

Foreign & Commonwealth affairs: Dominic Raab

Health & social care: Sajid Javid

Home Office: Priti Patel

Housing, communities & local government: Robert Jenrick

International trade: Liz Truss

Justice & Lord Chancellor: Robert Buckland

Northern Ireland: Brandon Lewis

Scotland: Alister Jack

Transport: Grant Shapps

Wales: Simon Hart

Work & pensions: Therese Coffey

Central bank governor

Andrew Bailey

Basic data

United Kingdom | Summary | Basic data

September 6th 2021

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

66.8m (official mid-year estimate, 2019)

Main urban areas

Population in ’000 (official mid-year estimates, 2019)

Greater London (capital): 8,962

West Midlands: 2,929

Greater Manchester: 2,836

West Yorkshire: 2,332

Merseyside: 1,430

Climate

Temperate

Weather in London (altitude 5 metres)

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

Language

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

Measures

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

Currency

Pound (or pound sterling) = 100 pence

Time

GMT (summer time, 1 hour ahead)

Fiscal year

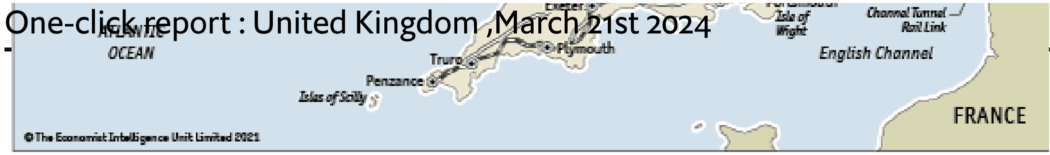
April 1st to March 31st; tax year April 6th to April 5th

Public holidays

January 1st (New Year's Day), April 2nd (Good Friday), April 5th (Easter Monday), May 3rd (Early May Bank Holiday), May 31st (Spring Bank Holiday), August 30th (Summer Bank Holiday), December 27th and 28th (Christmas Day and Boxing Day*)

(*Christmas Day and Boxing Day are traditionally celebrated on December 25th and 26th. As those days fall on a weekend in 2021, the next two working days are given as holiday)

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