Viewpoint

One-click report : United Kingdom

November 20th 2021

Saved on: March 21st 2024

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One-click report : United Kingdom

Briefing sheet

United Kingdom | Summary | Briefing sheet

November 16th 2021

Political and economic outlook

- The UK economy is the fifth-largest in the world. Services make up more than 40% of total exports and 80% of GDP. Having left the EU single market and customs union, the UK is seeking to rebalance trading relations towards markets outside the EU.
- In the December 2019 general election the Conservative Party, under the prime minister, Boris Johnson, won an 80-seat majority on a platform of greater investment. EIU expects the government to remain in place until the next election, scheduled for 2024, although it may choose to hold an early election in 2023 if its polling position improves.
- Low investment and productivity have held back UK growth for decades. The government is providing significant tax incentives to stimulate private investment, and has promised to increase public-investment levels. However, tax and national insurance increases and trade frictions will be a countervailing drag on growth.
- We estimate that real GDP will rebound by 6.7% in 2021 after the pandemic-induced lockdowns of 2020 and early 2021. We forecast that full-year real GDP will return to its pre-crisis 2019 level in 2022. Consumer and government spending is driving growth, but a slow drawdown of pandemic-related savings will constrain the recovery.

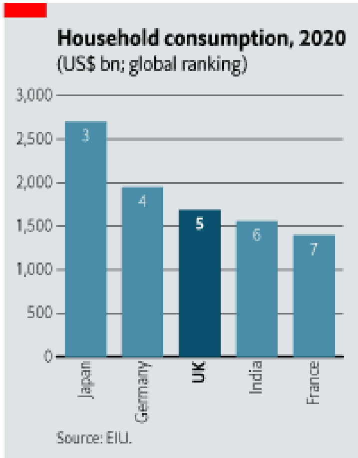
- The new trade agreement between the UK and the EU leaves many aspects of the relationship unsettled. It creates notable non-tariff barriers, and has led to significant dissatisfaction in Northern Ireland, which will remain a source of friction.
- The UK is now one of eight European countries whose public 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) will keep borrowing costs manageable.
- The UK government is attempting to develop an active, global foreign policy outside the EU. It is seeking greater engagement in Asia and Oceania, including in the form of new trade deals.

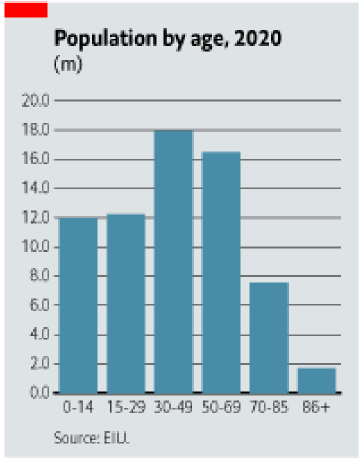
Key indicators

	2021[a]	2022[b]	2023[b]	2024[b]	2025[b]	2026[b]
Real GDP growth (%)	6.7	4.0	1.9	1.7	1.6	1.7
Consumer price inflation (av; %)	2.4	3.6	2.2	2.0	1.9	1.9
Government balance (% of GDP)	-10.9	-6.7	-3.9	-3.8	-3.3	-3.1
Current-account balance (% of GDP)	-2.9	-2.7	-2.7	-2.7	-2.5	-2.7
Short-term interest rate (av; %)	0.1	0.4	0.8	0.9	1.3	1.5
Unemployment rate (%)	4.8	4.8	4.4	4.3	4.1	3.9
Exchange rate £:US$ (av)	0.73	0.74	0.74	0.72	0.70	0.69

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

Market opportunities





Key changes since October 6th

- A series of corruption scandals involving the taking of second jobs by MPs has led to significant public backlash. The government is likely to survive it, but its position in opinion polls has been weakened to a statistical tie with the Labour Party.
- The 2022 autumn budget was released, increasing the long-term level of government spending through to 2026. We have revised up our expenditure estimate, with total expenditure set to rise again after 2023, reaching 42% of GDP by 2026.
- Flash GDP estimates from the Office of National Statistics (ONS) showed GDP growth of 1.3% in the third quarter. This is slightly above our previous estimate of 0.9% and we have revised up our full-year GDP growth estimate for 2021 from 6.4% to 6.7%.
- Third-quarter external-sector data show exports of goods and services declined by 1.8% due to supply-chain disruptions, with import growth also slowing. We have revised down both 2021 estimates, with export growth in 2021 now negative.

The month ahead

- November 17th—Inflation (October): The increase in energy costs is likely to cause year-on-year inflation to rise above 4% by December. We forecast annual average inflation in 2021 to reach only 2.4% due to subdued inflation in the first quarter, but increases in the final quarter of the year will cause annual inflation to rise to 3% in 2022.
- December 22nd—Meeting of the monetary policy committee of the Bank of England (BoE): The (BoE) has come under increasing pressure to raise interest rates amid supply-chain disruptions. We expect them to do so in early 2022. However, there is a risk they may decide to do so at their next meeting, in December.

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: EIU.

Forecast summary

United Kingdom | Economy | Forecast | Forecast summary

November 16th 2021

Forecast summary

(% unless otherwise indicated)

	2021[a]	2022[b]	2023[b]	2024[b]	2025[b]	2026[b]
Real GDP (% change)	6.7	4.0	1.9	1.7	1.6	1.7
Industrial production (% change)	4.8	3.7	2.1	1.6	1.6	1.6
Unemployment rate (av; EU/OECD harmonised measure)	4.8	4.8	4.4	4.3	4.1	3.9
Consumer price inflation (av; CPIH measure)	2.4	3.6	2.2	2.0	1.9	1.9
3-month £-LIBOR rate (av)	0.1	0.4	0.8	0.9	1.3	1.5
Bank of England base rate (end-period)	0.10	0.50	1.00	1.50	2.00	2.00
Government budget balance (% of GDP)[c]	-10.9	-6.7	-3.9	-3.8	-3.3	-3.1
Exports of goods fob (US$ bn)	453.5	500.2	526.2	539.5	575.3	610.6
Imports of goods fob (US$ bn)	-680.5	-742.7	-777.3	-793.8	-837.8	-887.0
Current-account balance (US$ bn)	-91.8	-92.0	-95.9	-99.2	-99.7	-112.5
Current-account balance (% of GDP)	-2.9	-2.7	-2.7	-2.7	-2.5	-2.7
Exchange rate US$:£ (av)	1.38	1.35	1.36	1.39	1.43	1.46
Exchange rate ¥:£ (av)	150.2	150.1	152.1	157.1	161.3	160.3

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

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

Political stability

United Kingdom | Politics | Forecast | Political stability

November 16th 2021

At the general election on December 12th 2019 the Conservative Party, under the prime minister, Boris Johnson, won an 80-seat majority. EIU expects the government to last a full term. On January 31st 2020 the UK left the EU after 47 years of membership, leaving the EU's single market and customs union after negotiating a free-trade agreement (FTA).

The spread of the coronavirus (covid-19) 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. The spread of the more contagious Delta variant of covid-19 means that the government has not ruled out re-imposing restrictions or vaccination requirements in the winter. However, we expect any such requirements to be minor.

The independence movement in Scotland and the renewal of the Irish border question as a result of Brexit both pose medium-term risks to the integrity of the UK, but the dissolution of the union is not our core forecast in 2022-26. The pro-independence Scottish National Party (SNP) made minor gains in the 2021 election, and claims that this represents a mandate for a second referen-dum on Scottish independence (the first of which, in 2014, failed). 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 generally shown a consistent, if narrow, lead for remaining in the union, with the exception of that conducted during 2020, when the devolved government's powers were abnormally relevant to voters. We do not, therefore, expect Scotland to achieve independence over the medium-term 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. Northern Ireland remains in the UK's customs and value-added tax (VAT) areas, but customs and VAT checks must 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, in effect, creating a border between Northern Ireland and the rest of the UK. In response to Unionist pressure and outbreaks of violence in Northern Ireland, the UK has unilaterally extended indefinitely a series of grace periods on the implementation of border checks between Northern Ireland and the rest of the UK. A solution does not seem imminent, and, provided current arrangements remain in place, political tensions in Northern Ireland will remain high, with a risk of further violence.

Election watch

United Kingdom | Politics | Forecast | Election watch

November 16th 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 parliamentary term to expire.

After holding a 20-point lead over the opposition Labour Party in spring 2021, amid the early success of the vaccination campaign, polls now show the two parties in a statistical tie, reflecting rising living costs, a slowing economic recovery, and an ongoing scandal over several MPs holding second jobs, which has been criticised as de facto lobbying. However, the Labour Party has, to date, shown little capacity to win back the constituencies it lost to the Conservatives in the previous election, reducing its ability to make gains. A hung parliament would be the most likely outcome if polling persists at this level through to the next election. Given the concentration of Labour voters in a smaller number of seats, under current polling, the Conservatives would likely remain the largest party in this scenario. However, most smaller parties are more likely to pursue cooperation with Labour in a hung parliament.

International relations

United Kingdom | Politics | Forecast | International relations

November 16th 2021

The EU-UK Trade and Co-operation Agreement for free trade 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.

The Northern Ireland protocol will remain a source of UK-EU friction. UK negotiators have proposed scrapping large parts of the protocol to reduce trade blockages and political tensions between Northern Ireland and the rest of the UK, and have mooted triggering an emergency over-ride provision of the protocol owing to the risk of violence. The UK has several times extended the grace periods on internal checks between Northern Ireland and the rest of the UK and, most recently, for an indefinite period of time. However, the government has not invoked the over-ride provision enshrined in Article 16 of the Northern Ireland protocol, although it reserves the right to do so. The EU has said that it would implement significant trade penalties against the UK if Article 16 were invoked, arguing that these difficulties were foreseeable when the protocol was agreed. The EU has offered limited concessions on how the protocol is to be implemented and negotiations are ongoing. We do not expect the UK to trigger Article 16 in the short term, while it seeks to persuade the EU to make further substantive concessions. However, tensions remain high and a UK-EU trade war remains a significant risk. In the meantime, checks between the UK and EU are likely to remain unenforced as negotiations continue on a less invasive system.

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. On September 15th the UK signed a comprehensive trilateral security pact with Australia and the US (the so-called AUKUS agreement) to deepen cyber and tech co-operation, while also providing Australia with nuclear-submarine capacity. Because of the nuclear element, the AUKUS deal locks the country into an insoluble long-term security partnership that will require the deployment of considerable resources in the Pacific. 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 (CPTPP), a trade bloc of 11 Pacific nations.

Policy trends

United Kingdom | Economy | Forecast | Policy trends

November 16th 2021

Long 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. The 2019 Conservative Party election manifesto promised greater public-sector investment, including in green energy and infrastructure; additional current spending on the National Health Service (NHS), education and the police; and to address the issue of long-term social care. The government has provided £12bn (US$16.4bn) a year in additional spending for health and social care after the pandemic, but other spending, including on infrastructure and social policies, has been delayed by the pandemic and divisions in the Conservative Party.

The government has reformed the UK's immigration system to prioritise skilled labour. The government is also trying to encourage public and private invest-ment 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%. Significant proposed reforms to the planning system, which have prevented new development, have proven controversial. 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

November 16th 2021

The pandemic led to a massive expansion of support for households unable to work and businesses forced to close during the pandemic. These initiatives were mostly phased out by October 2021, but their fiscal impact has been significant. We estimate that the budget will record a deficit of 10.9% of GDP in 2021, with the debt/GDP ratio peaking at 106%.

The government has committed to fiscal consolidation, with a planned increase in the corporation-tax rate from 19% to 25% in 2023 and an additional increase in national-insurance contributions of 2.5% in September 2021 to fund additional health and social-care spending. Further tax increases are possible during the forecast period if fiscal-consolidation targets are not reached, and we expect the debt/GDP ratio to decline to 104.3% by 2026.

Monetary policy

United Kingdom | Economy | Forecast | Monetary policy outlook

November 16th 2021

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 (QE) pro-gramme, committing to £450bn in asset purchases, which was expanded twice further in 2020, reaching a total of £895bn. The BoE announced that it expected to begin tapering once interest rates reach 0.5%, which we currently forecast in late 2022.

The BoE has expressed a view that inflation stemming from the reopening of the economy and supply shocks is likely to be transitory, and a rate rise is unlikely to have a significant effect in terms of taming inflation, given most of the drivers are on the supply side. That said, as inflation has continued to surge, the BoE has come under growing pressure to raise rates to keep inflationary expectations in check. Our baseline forecast is that the BoE will begin to raise rates in early 2022. A more aggressive tightening would pose significant risks to the debt sustainability of UK corporates that borrowed heavily during the pandemic, as well as to the UK government.

Global forecast data

United Kingdom | Economy | Forecast | International assumptions

November 16th 2021

	2021	2022	2023	2024	2025	2026
Economic growth (%)						
US GDP	5.7	3.8	2.2	1.9	2.1	1.8
OECD GDP	5.1	3.8	2.2	2.0	2.0	1.8
EU27 GDP	4.8	4.2	2.3	2.1	1.9	1.7
World GDP	5.4	4.1	3.0	2.8	2.7	2.6
World trade	9.0	5.8	4.8	4.1	4.0	4.0
Inflation indicators (% unless otherwise indicated)						
US CPI	4.4	3.2	2.2	1.9	2.0	2.3
OECD CPI	3.3	2.8	2.2	2.0	2.1	2.2
EU27 CPI	2.3	1.9	1.7	1.8	1.8	2.0
Manufactures (measured in US$)	6.8	1.0	1.9	2.2	2.6	2.5
Oil (Brent; US$/b)	71.7	78.5	66.0	61.0	55.5	53.5
Non-oil commodities (measured in US$)	34.4	-0.5	-2.3	-9.5	0.0	0.7
Financial variables						
US$ 3-month commercial paper rate (av; %)	0.1	0.2	1.1	2.0	2.2	2.4

€ 3-month interbank rate (av; %)	-0.5	-0.5	-0.5	-0.5	-0.3	0.1
US$:£ (av)	1.38	1.35	1.36	1.39	1.43	1.46
US$:€ (av)	1.19	1.17	1.15	1.18	1.22	1.24

Economic growth

United Kingdom | Economy | Forecast | Economic growth

November 16th 2021

The impact of the coronavirus: global and regional assumptions

EIU forecasts that the post-pandemic recovery will continue in 2022, with global GDP expanding by 4.1%, after rebounding by an estimated 5.4% in 2021. The sharp rebound, with global GDP returning to its pre-coronavirus (covid-19) level in late 2021, masks great variations in the pace of recovery across regions. A prolonged rise in inflation (not our forecast, despite rising commodity prices and supply-chain disruptions) represents the main risk to the global recovery. Exacerbating this risk is the recent rise in global energy prices, which will remain elevated at least throughout the northern hemisphere winter (2021/22). Major central banks are poised to start tightening monetary policy in 2022 to curb inflation, but will do so slowly lest they derail the economic recovery. Governments' unprecedented fiscal responses to the covid-19 pandemic have led to a sharp increase in public debt in developed and developing economies. Debt servicing remains modest in advanced economies, suggesting that the debt outlook is sustainable, as long as interest-rate rises remain modest. Developing economies are more at risk from modest increases in global bond yields, which could ultimately lead to a dangerous surge in debt-servicing costs.

The roll-out of covid-19 vaccines and the threat of new variants of the virus will condition economic prospects this year and beyond. Most developed economies will achieve widespread vaccination coverage this year or early next year, preventing the re-imposition 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. The main goal of vaccination programmes is no longer to achieve herd immunity but to reduce the risk of severe symptoms, hospitalisation and death. The pandemic is likely to remain prevalent for several more years in endemic form; living with the virus will become the new normal.

In Europe we expect real GDP to return to its 2019 level in 2022, on average. The EU economy returned to growth in the second quarter of 2021 as the rolling-back of pandemic restrictions allowed consumers to resume some of their pre-pandemic activities. The outlook for Europe in the second half of the year is mixed. Expansionary fiscal and monetary policies will continue to provide crucial support to the economic recovery, and furlough schemes have been extended in many countries. However, the manufacturing sector is increasingly struggling from supply-chain disruptions, especially the global shortage of semiconductor chips (a major input for the automotive industry). Higher electricity prices in the region will also weigh on industrial production and consumption. Energy prices are rising to record levels across Europe, especially for natural gas. Double-digit year-on-year increases are likely to continue throughout the winter, feeding into consumer price inflation. Several governments across the region are subsidising the cost of electricity or providing financial assistance to households. However, a hit to consumer spending is inevitable. Governments are leaning heavily on their vaccination programmes, with France, Italy and Ireland introducing mandatory vaccine passports to allow access to restaurants and other public places. On average, 65% of the EU total population had been fully vaccinated as at October 25th, but country-specific rates vary from more than 87% in Portugal to 21% in Bulgaria. With vaccines proving less effective against the Delta variant, we expect a return to some restrictions over the winter, to prevent health services from becoming overwhelmed. A return to lockdowns is 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. Failure to address the social crisis triggered by covid-19 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

Following a precipitous drop in real GDP in 2020, we estimate that the economy will grow by 6.7% in 2021. However, this rebound will have been primarily concentrated in the second quarter, when the most stringent lockdown provisions were lifted. Private-sector consumption has slowed markedly since the reopening of the economy in July. The more infectious Delta variant, energy-price shocks and continued supply shortages have led to increased consumer caution. The drawdown of household savings, which reached the equivalent of 16% of income in 2020, will be a major driver of private-sector growth in the forecast period. In 2017-19 household savings reached historic lows of less than 7%, owing to Brexit uncertainty and slow wage growth. However, we do not expect savings to return to those levels given continued uncertainty, and this will limit the rebound in consumption.

We forecast real GDP growth of 4% in 2022. However, this figure is flattered by year-on-year comparisons with the 2021 base year, when many lockdown restrictions were still in place. We also expect supply-chain disruption to persist into 2022. By 2023 GDP growth is forecast to return to a more normal rate of 1.9%. We forecast average annual real GDP growth of 1.7% in 2024-26.

Despite the furlough of upwards of 9m workers, unemploy-ment remained modest throughout the pandemic, at less than 5%. We expect a slight uptick in the final months of 2021 as the furlough scheme is withdrawn, but estimate an annual average unemployment rate of 4.8% in 2021 and 2022. We expect it to decline from 2023, reaching 3.9% in 2026.

Despite estimated growth of 5.4% in 2021, gross capital formation remains well below its pre-pandemic peak. We expect a more robust bounce-back in investment growth in 2022-23, 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 covid-19-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. We expect supply chains to normalise by the end of the forecast period, but the tightening of the labour market and erection of new trade barriers after Brexit have exacerbated the pandemic-induced supply shocks that have affected countries across western Europe, making the UK particularly vulnerable to disruption in 2022-23.

Economic growth

%	2021[a]	2022[b]	2023[b]	2024[b]	2025[b]	2026[b]
GDP	6.7	4.0	1.9	1.7	1.6	1.7
Private consumption	3.4	4.0	1.5	1.2	1.0	1.5
Government consumption	15.7	3.4	1.7	1.4	1.3	1.3
Gross fixed investment	5.4	8.7	4.6	3.4	3.2	3.2

Exports of goods & services	-2.5	7.8	4.4	2.7	3.6	3.3
Imports of goods & services	1.4	9.4	4.3	2.4	3.3	3.3
Domestic demand	6.9	4.5	1.9	1.6	1.5	1.8
Agriculture	-6.0	3.0	4.0	1.0	1.0	1.0
Industry	5.0	4.5	1.5	1.4	1.4	1.4
Services	7.3	3.8	2.0	1.7	1.6	1.8

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

Inflation

United Kingdom | Economy | Forecast | Inflation

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The reopening of the economy led to a sharp spike in inflation in 2021, owing to increased consumer spending and supply-chain disruptions in the domestic market and internationally. The UK is also particularly dependent on natural gas, and a significant increase in gas prices from mid-2021 has dramatically driven up electricity prices, an important component of the consumer price index (CPI). We expect these price pressures to persist well into 2022, driving up full-year average inflation to 2.4% in 2021 and 3.6% in 2022. From 2023 inflation will decline to a more modest rate as pent-up demand is exhausted and supply chains normalise, stabilising at 1.9% by 2026.

Exchange rates

United Kingdom | Economy | Forecast | Exchange rates

November 16th 2021

The value of sterling has been volatile in recent years owing to political uncertainty and the UK's large current-account deficit, which requires significant international investment 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$1.37:£1. Sterling similarly appreciated against the euro in 2021 as Brexit uncertainty dissipated and the UK economy unlocked more rapidly.

For most of the forecast period, sterling is likely to remain relatively stable against the euro at about €1.18:£1. We expect a modest depreciation in sterling against the dollar in 2022 as supply disruptions are more pronounced in the UK, and once the Federal Reserve (Fed, the US central bank) initiates its own monetary tightening. From 2023 we expect sterling to appreciate gradually against the dollar as global economic conditions stabilise and demand for the safe-haven currency decreases, with sterling reaching US$1.46:£1 by end-2026.

External sector

United Kingdom | Economy | Forecast | External sector

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After a Brexit-related decline in January, goods trade in 2021 rebounded partially, although a combination of pandemic- and Brexit- related disruption has caused a further decline. The UK's services trade balance improved in 2021, as the tourism sector remained depressed. We expect Brexit to be a slight drag on imports and exports over the medium term (relative to the projected position if the UK had remained), but expect a more significant increase in trade growth in 2022-23 as global markets unlock and UK exporters adapt to new trading rules. The UK has run a persistent current-account deficit since 1985. We expect the deficit to have widened to 2.9% of GDP in 2021, as the export sector has been weakened by worse terms of trade with the EU, but forecast that it will stabilise thereafter.

Country forecast overview: Business environment rankings

United Kingdom | Business | Business environment | Rankings overview

November 16th 2021

Value of index[a]		Global rank[b]		Regional rank[c]	
2017-21	2022-26	2017-21	2022-26	2017-21	2022-26
7.81	7.74	15	20	9	11

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

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

Business environment at a glance

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

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Policy towards private enterprise and competition

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

2024-26: Continued elevated state intervention in investment and innovation. New state-aid rules implemented.

Policy towards foreign investment

2022-23: Continued openness to investment, but increased scrutiny in sectors considered sensitive to national security.

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

Foreign trade and exchange controls

2022-23: Increased trade barriers with EU. New Northern Ireland protocol under renegotiation. Bounce-back in global trade following pandemic. Ongoing supply-chain disruptions.

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

Taxes

2022-23: Corporation tax increase from 19% to 25%, a 2.5% rise in national-insurance contributions.

2024-26: Additional tax rises, such as equalisation of self-employed and regular income taxes, likely to fund public spending, investment and social care.

Financing

2022-23: Monetary policy begins to tighten, with Bank of England (central bank) asset purchases tapering from 2023. Loss of ”passporting” rights and restrictions on EU services trade. Slow progress in establishing equivalence with EU.

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

The labour market

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

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

Infrastructure

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

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

Technological readiness

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

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

Market opportunities: Social indicators and living standards

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

May 11th 2021

Social indicators and living standards

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

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

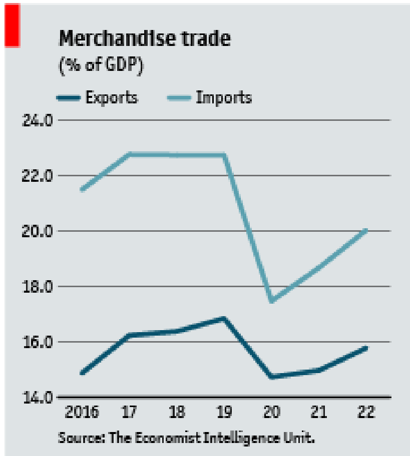
[a] Latest available year.

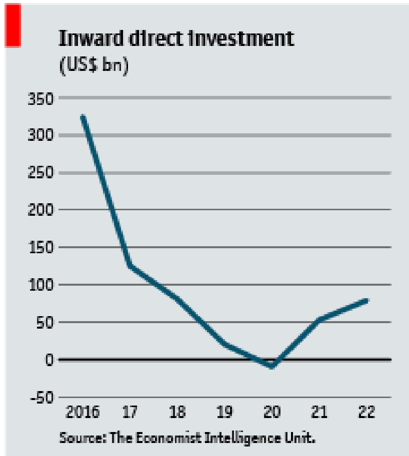
Sources: UN Statistical Office; World Bank; Food and Agriculture Organisation (FAO); Euromonitor; World Health Organisation (WHO); national statistical offices; International Telecommunication Union (ITU); Economist Intelligence Unit estimates and forecasts.

Global position

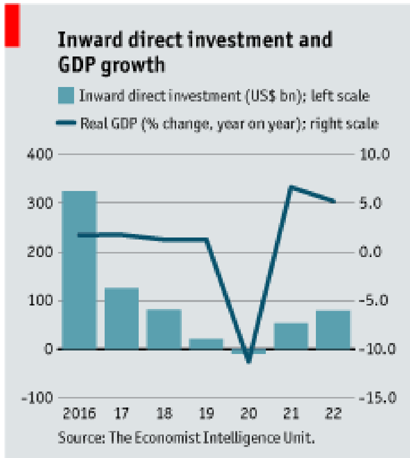
United Kingdom | Regulation | Global position

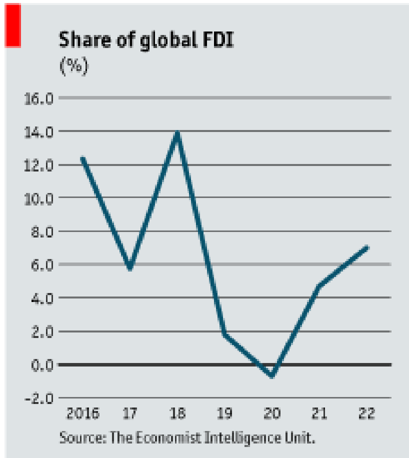
December 1st 2020





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

October 18th 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 structural global trends like overcapacity, environmental pressures, digitisation and 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. Annual new-car sales slumped by 29.4% in 2020, for the fourth consecutive year, to 1.63m units, a 28-year low. Commercial-vehicle (CV) sales dropped by 22% 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 dropped sharply in response to Brexit weakness, softer global demand, regulatory changes and pandemic-related

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

- New-car sales and production rebounded by 39% in the first half of 2021 amid a comparatively rapid vaccine rollout in the UK, easing of restrictions, a release in pent-up demand and reviving global activity. However, mid-year momentum in the automotive sector has weakened sharply. A global shortage of semiconductors or microchips (a key vehicle component) and heightened supply-chain disruption—a consequence of the pandemic and Brexit—have depressed production and dampened new-car sales. Softening consumer demand is also a reflection of lingering virus-related risks, a deteriorating economic outlook—amid rising inflation, surging energy costs, planned tax increases and withdrawal of pandemic-support measures—and current severe fuel shortages in the UK.
- Accordingly, EIU has lowered its sales and production forecasts for 2021-22. We expect annual new-car sales of just 1.65m in 2021, about the same as the multi-decade low in 2020 and far below the annual average of 2.3m units in 2010-19. Ongoing supply-chain challenges and fairly subdued consumer demand have undermined the rebound in 2022. Year-to-date new-CV registrations have held up better, with the light CV (van) segment benefiting from an expanding online delivery market. However, a return to pre-pandemic sales levels will take longer than previously forecast.
- In our five-year forecast period (2021-25), we expect annual new-car sales to rise at a compound annual growth rate (CAGR) of 5%, inflated by the weak base level in 2020. Annual sales are expected to stabilise at 2.1m units in 2024-25, slightly below the medium-term trend. The share of chargeable electric vehicles (EVs) will continue to rise from 11% in 2020, but will face constraints from modest incentives, affordability issues and limited charging infrastructure. New-CV sales are forecast to expand at a CAGR of 5.4% in our forecast period.
- 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 integrated global supply chains (the current ”fuel

crisis"—alongside food and labour shortages—in the UK is largely a consequence of Brexit). Various provisions, including phased "rules of origin" restrictions, could lead to the imposition of export tariffs in the future.

- The UK has six mass-vehicle producers (all foreign-owned) that have primarily used the country as an export base to the EU. We expect Brexit to contribute directly to a permanent downsizing of the UK automotive sector in the next five years, with factory closures and reduced investment. Global automotive overcapacity, tighter environmental regulations and the structural transition to EVs will also be influencing factors. Recent announcements of new (state-subsidised) investments have safeguarded the near-term future of plants operated by Nissan (Japan) and Vauxhall (owned by Netherlands-based Stellantis), but the medium-term outlook remains weak. Much will depend on the UK's ability to attract new EV battery production, but it will face intense competition from better-established hubs elsewhere in Europe, such as Germany, Sweden and Hungary.

Consumer goods

United Kingdom | Consumer goods | Overview

November 20th 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 finances. The consumer sector then suffered huge disruption in 2020 from the coronavirus pandemic. Retail sales held up fairly well, but overall household spending slumped.
- Since early 2020 a series of national lockdowns, other pandemic restrictions, changed working patterns, shifting consumer habits and virus-driven caution have contributed to large swings in the composition of household

spending, retail store closures, sharply contrasting fortunes in the foodservice sector and increased online retail activity and digital payments.

- Consumer spending strengthened in the second and third quarters of 2021, as rising vaccine take-up, the lifting of restrictions and a recovering labour market drove a rebound in sentiment and the release of pent-up demand. Retail sales volumes have surpassed pre-crisis levels, but there is still a shortfall of around 5% in total household spending. Consumer balance sheets (in aggregate) have strengthened over the pandemic, but precautionary savings remain high and lower-income households (which have a higher propensity to consume) have been hit particularly hard by the crisis.
- The near-term outlook has weakened amid another upturn in virus infections, rising inflation, reduced welfare support, ongoing supply-chain disruptions (resulting in food and goods shortages) owing to Brexit and the pandemic, and upcoming tax rises in early 2022. This will dampen consumer spending over the winter, as pent-up demand also eases. Vaccines have significantly weakened the relationship between infections and hospitalisations, but reimposition of some virus-related restrictions is possible. A new lockdown that would weigh more significantly on retail, although unlikely, remains one of the biggest risks to our forecasts. EIU expects nominal retail sales growth of 4.2% in 2021. Assuming no major virus setbacks, we forecast average sales growth of 3.3% per year in 2022-26.
- The UK remains Europe’s largest online retail market. Robust internet sales have gone hand in hand with falls in retail employment and the number of retail stores, mostly in town centres. The pandemic has accelerated the shift in consumer behaviour towards online and convenience channels, which will drive growth of more cashier-free and 24-hour stores, click-and-collect services and rapid-delivery start-ups. Online marketplaces will continue to thrive, amid increased regulatory scrutiny and new e-commerce taxation. Discount grocery retailers will gradually increase market share.

- 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.

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

October 1st 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 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. 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 more than £330bn (US$422bn) 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. A scheme introduced in March 2020 to pay 80% of workers' wages came to an end on

September 30th 2021. A third national lockdown imposed in January was relaxed in stages, with most remaining restrictions lifted in July.

- EIU forecasts a partial rebound in real GDP growth of 6.4% in 2021, following a severe 9.7% contraction amid the coronavirus pandemic in 2020. We foresee expansion of 4.1% in 2022, with GDP returning to its pre-pandemic level. The UK has been one of the worst-hit countries in Europe in economic terms, as well as having among the region's highest cumulative totals of Covid-19 deaths and confirmed cases.
- The UK left the EU on January 31st 2020, ending 47 years of membership. A transition period with the EU ended on December 31st 2020. An EU-UK free-trade agreement was concluded in December 2020 that averted the most extreme form of "no deal" disorder. The trade pact did not include financial services, but the UK and the EU agreed and implemented some temporary arrangements to reduce disruption to financial markets.
- The UK granted a designation of regulatory equivalence for many EU financial firms, allowing them to continue to operate in the country. However, the EU did not reciprocate for UK financial firms, except for derivatives clearing houses. The UK had hoped to negotiate additional such designations, but talks have made little progress. 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 securities markets.
- In March 2020 the Bank of England (BoE, the central bank) cut its main rate to 0.1%, its lowest ever level. It also renewed its quantitative easing programme. Despite the recent uptick in inflation, we do not expect the BoE to raise rates before 2022. A premature tightening would pose significant risks to the debt sustainability of UK corporates that borrowed heavily during the pandemic, as well as to the government.
- 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 strive to attract major financial functions away from London.

Healthcare

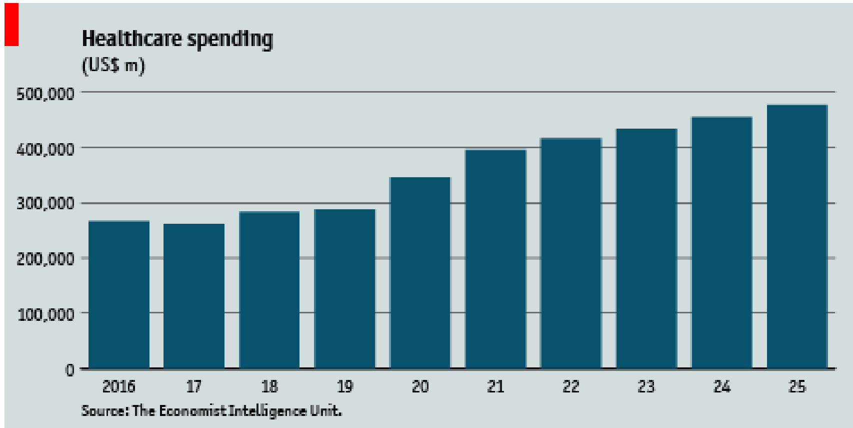
United Kingdom | Healthcare | Spending

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%).

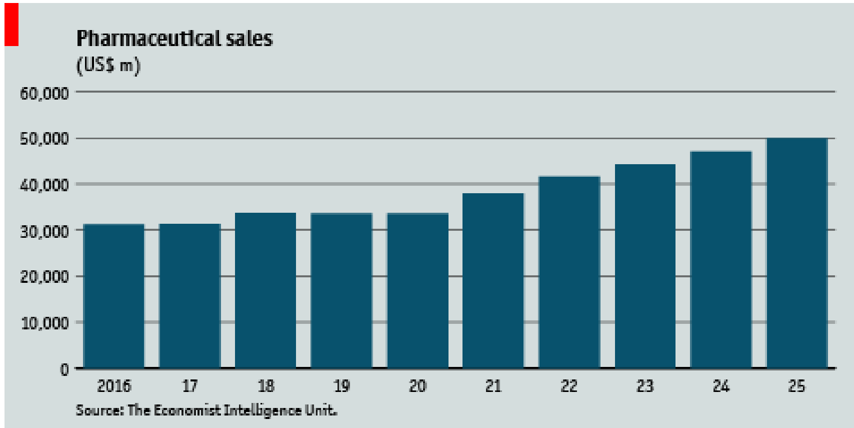
Healthcare: key indicators

	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

November 15th 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. EIU expects a moderate decline during the five-year forecast period (2022-26), with the penetration rate falling from 116% in 2020 to 112% in 2026.
- There were an estimated 40.5 broadband subscriptions per 100 people in 2020—the tenth-highest rate in the OECD—with total internet user penetration at 94.8% of the population. We forecast a rise in user penetration to 99.4% by 2026, with the coronavirus pandemic likely to accelerate the upward trend.
- A UK digital strategy was published in 2017, covering areas such as 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 £100,000 (US$136,000) 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 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 been watered down to a minimum of 85% "gigabit-capable broadband" by the same year. Most of the network will be built through private investment, with a government budget of £5bn (US$6.8bn) allocated 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

	2017[a]	2018[a]	2019[b]	2020[b]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]
Telephone main lines (m)	31.8	31.5	32.4[a]	32.1[a]	31.8	32.0	32.0	32.1	32.1	32.2
Telephone main lines (per 100 people)	47.6	46.9	48.0	47.3	46.7	46.8	46.6	46.5	46.4	46.2
Mobile subscriptions (m)	79.1	78.9	79.8[a]	79.0[a]	78.7	78.5	78.4	78.1	77.9	77.9
Mobile subscriptions (per 100 people)	118.5	117.5	118.2	116.4	115.4	114.6	113.9	113.1	112.4	112.0

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

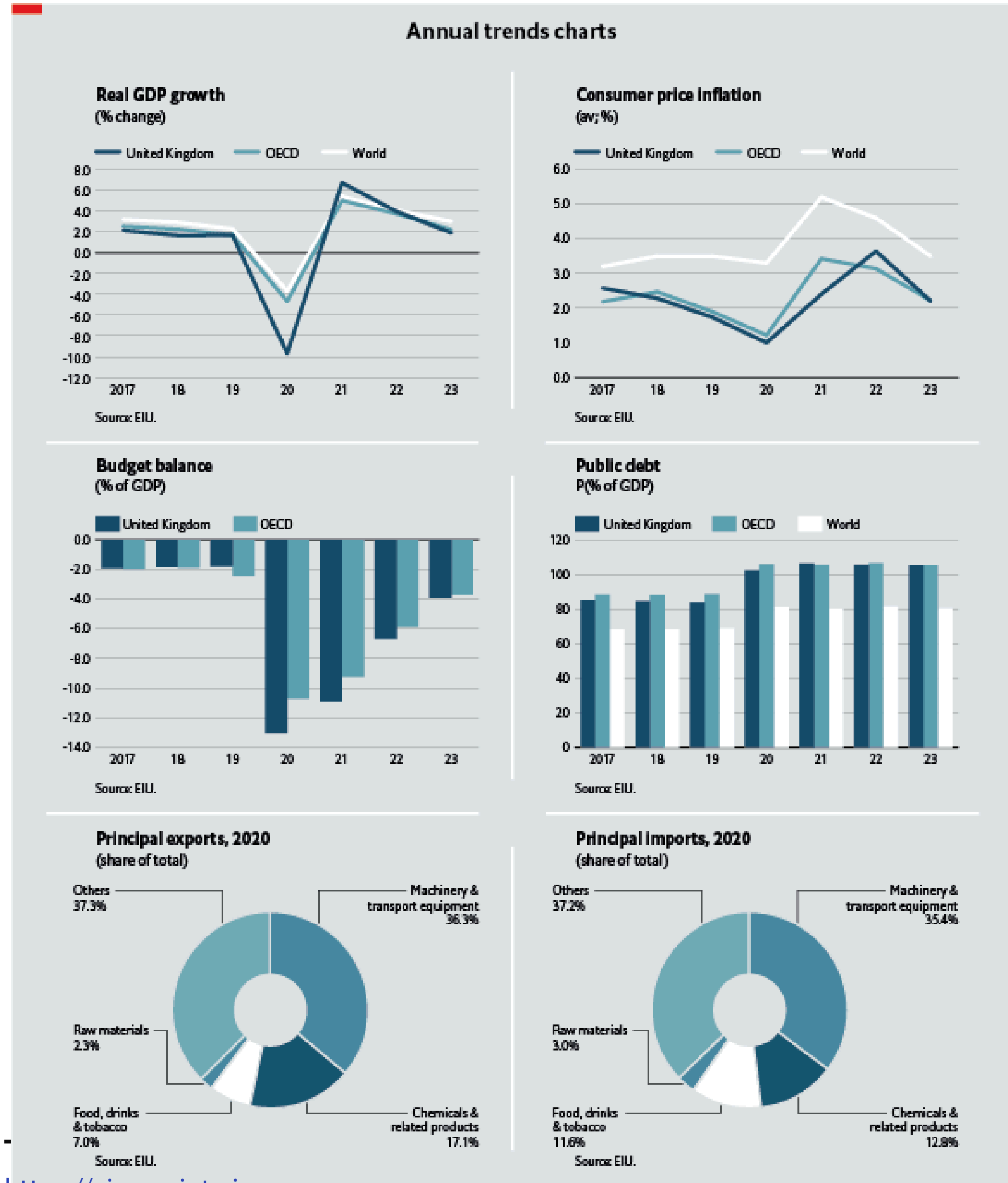
Sources: International Telecommunication Union; EIU

Data and charts: Annual trends charts

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

November 16th 2021

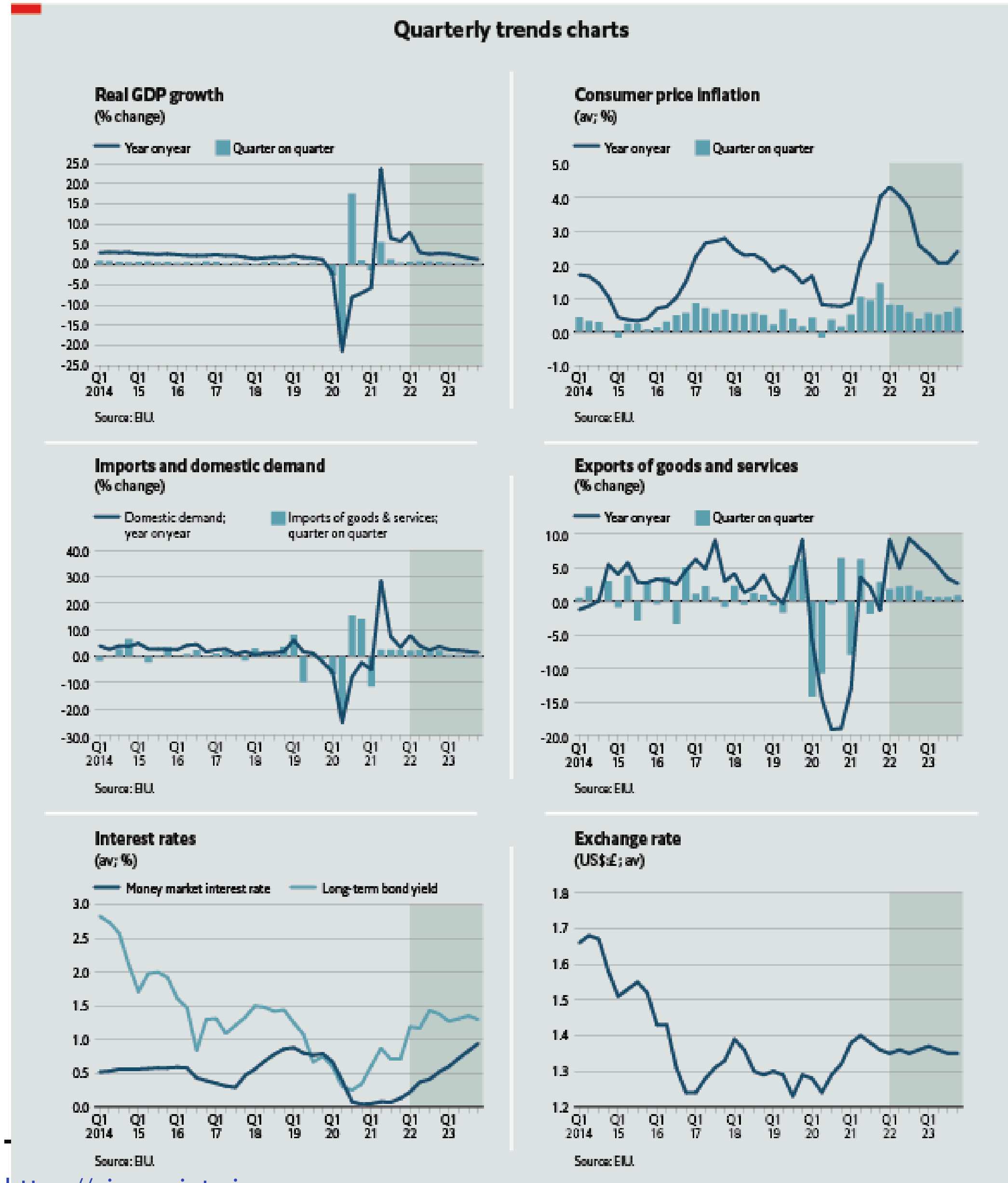
One-click report : United Kingdom ,March 21st 2024



Data and charts: Quarterly trends charts

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

November 16th 2021


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

Data and charts: Monthly trends charts

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

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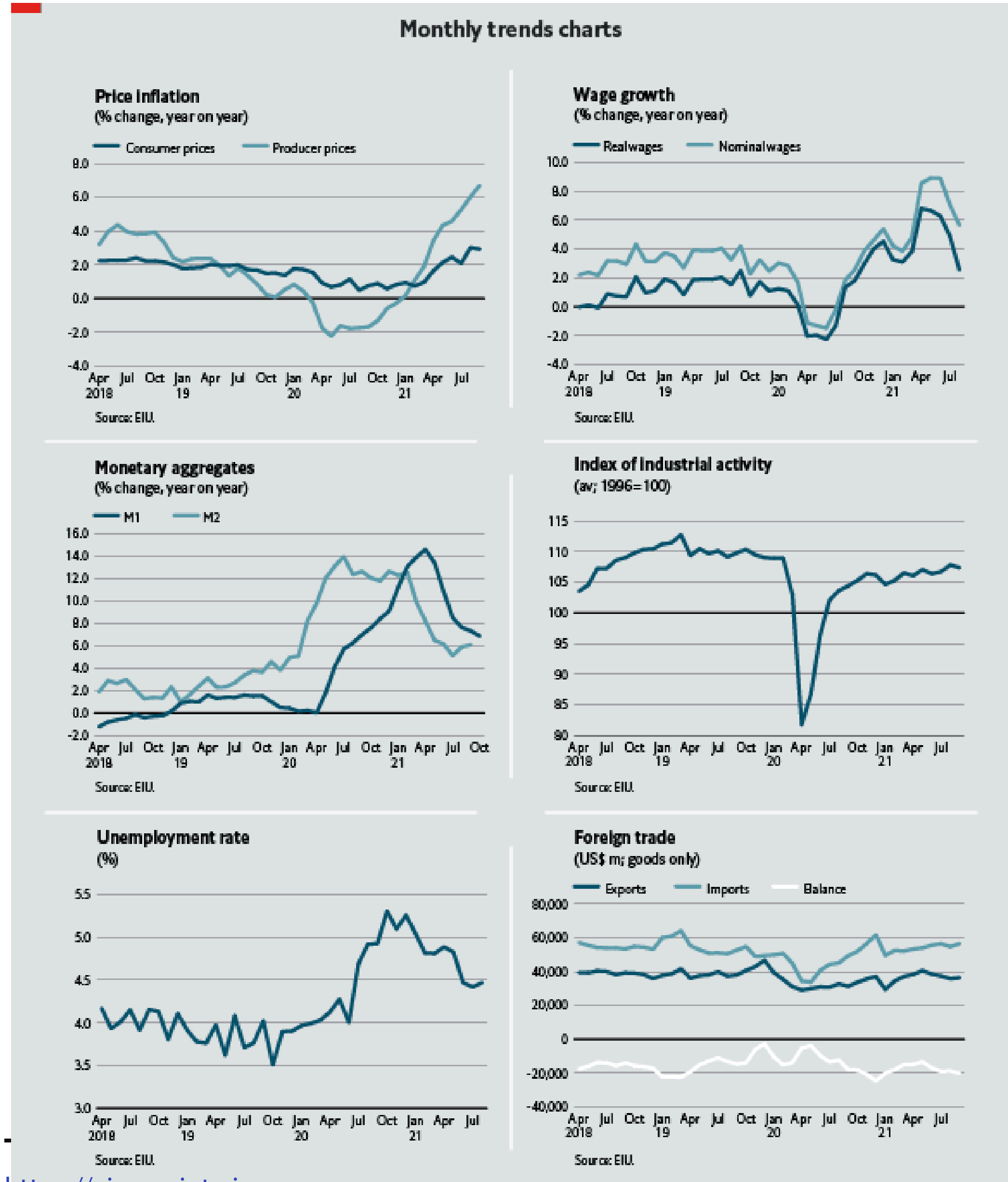

Monthly trends charts
Price inflation
(% change, year on year)
Consumer prices
Producer prices
Source: EIU.
Wage growth
(% change, year on year)
Real wages
Nominal wages
Source: EIU.
Monetary aggregates
(% change, year on year)
M1
M2
Source: EIU.
Index of industrial activity
(av; 1996=100)
Source: EIU.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

Data summary: Gross domestic product, current market prices

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

November 16th 2021

Gross domestic product, at current market prices

	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]
Expenditure on GDP (£ bn at current market prices)										
GDP	2,097.1	2,174.4	2,255.3	2,156.1	2,310.6	2,491.1	2,589.6	2,690.9	2,789.5	2,893.7
Private consumption	1,352.8	1,412.3	1,449.1	1,313.3	1,387.4	1,499.3	1,550.5	1,601.0	1,647.0	1,703.9
Government consumption	388.6	399.0	424.0	480.4	540.3	595.3	624.7	652.3	679.9	708.6
Gross fixed investment	377.9	386.5	399.6	369.6	399.4	425.6	445.2	460.2	475.0	490.3
Exports of goods & services	630.1	663.3	699.3	601.0	631.0	705.2	742.9	761.3	795.9	834.3
Imports of goods & services	656.6	691.6	719.9	596.7	657.5	738.1	774.1	782.9	809.4	843.4
Stockbuilding	4.4	4.9	3.3	-8.7	8.0	4.0	0.5	-1.0	1.0	0.0
Domestic demand	2,123.6	2,202.7	2,276.0	2,154.6	2,335.1	2,524.1	2,620.8	2,712.5	2,802.9	2,902.8
Expenditure on GDP (US$ bn at current market prices)										
GDP	2,703.5	2,904.4	2,880.8	2,767.8	3,183.3	3,369.9	3,514.0	3,740.4	3,982.0	4,210.3
Private consumption	1,743.9	1,886.4	1,851.0	1,685.9	1,911.4	2,028.2	2,103.9	2,225.3	2,351.1	2,479.1
Government consumption	501.0	533.0	541.6	616.7	744.4	805.3	847.7	906.7	970.5	1,031.0

Gross fixed investment	487.1	516.2	510.4	474.5	550.2	575.7	604.1	639.7	678.1	713.4
Exports of goods & services	812.3	886.0	893.2	771.5	869.3	953.9	1,008.1	1,058.2	1,136.1	1,213.9
Imports of goods & services	846.5	923.8	919.6	766.0	905.8	998.5	1,050.4	1,088.2	1,155.4	1,227.1
Stockbuilding	5.7	6.5	4.2	-11.2	11.0	5.4	0.7	-1.4	1.4	0.0
Domestic demand	2,737.7	2,942.2	2,907.2	2,765.9	3,217.0	3,414.5	3,556.3	3,770.3	4,001.2	4,223.5
Economic structure (% of GDP at current market prices)										
Household consumption	64.5	65.0	64.3	60.9	60.0	60.2	59.9	59.5	59.0	58.9
Government consumption	18.5	18.4	18.8	22.3	23.4	23.9	24.1	24.2	24.4	24.5
Gross fixed investment	18.0	17.8	17.7	17.1	17.3	17.1	17.2	17.1	17.0	16.9
Stockbuilding	0.2	0.2	0.1	-0.4	0.3	0.2	0.0	0.0	0.0	0.0
Exports of goods & services	30.0	30.5	31.0	27.9	27.3	28.3	28.7	28.3	28.5	28.8
Imports of goods & services	31.3	31.8	31.9	27.7	28.5	29.6	29.9	29.1	29.0	29.1
Memorandum item										
National savings ratio (%)	14.6	14.1	15.2	14.1	14.7	14.5	14.5	14.4	14.6	14.3

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

Data summary: Gross domestic product, at constant prices

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

November 16th 2021

Gross domestic product, at constant prices

	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]
Real expenditure on GDP(£ bn at 2019 prices)										
GDP	2,182.2	2,218.2	2,255.3	2,036.7	2,173.5	2,259.7	2,302.7	2,341.0	2,378.2	2,419.4
Household consumption	1,398.0	1,430.9	1,449.0	1,291.3	1,334.7	1,387.6	1,408.2	1,425.6	1,439.3	1,461.2
Government consumption	405.4	406.9	424.0	397.1	459.5	475.1	483.2	490.0	496.3	502.8
Gross fixed investment	397.7	397.4	399.6	363.4	383.0	416.5	435.7	450.4	464.9	479.8
Exports of goods & services	658.3	676.5	699.3	596.5	581.5	626.7	654.2	671.6	695.4	718.7
Imports of goods & services	678.6	699.5	719.9	599.2	607.5	664.5	693.3	709.9	733.0	757.3
Stockbuilding (% of GDP)	12.7	1.8	6.5	-9.2	8.0	4.0	0.5	-1.0	1.0	0.0
Domestic demand	2,214.3	2,240.1	2,275.9	2,041.2	2,182.9	2,281.4	2,325.5	2,363.0	2,399.5	2,441.8
Real expenditure on GDP (% change)										
GDP	2.1	1.7	1.7	-9.7	6.7	4.0	1.9	1.7	1.6	1.7
Household consumption	1.6	2.4	1.3	-10.9	3.4	4.0	1.5	1.2	1.0	1.5
Government consumption	0.6	0.4	4.2	-6.3	15.7	3.4	1.7	1.4	1.3	1.3
Gross fixed investment	3.3	-0.1	0.5	-9.1	5.4	8.7	4.6	3.4	3.2	3.2

Exports of goods & services	5.7	2.8	3.4	-14.7	-2.5	7.8	4.4	2.7	3.6	3.3
Imports of goods & services	2.9	3.1	2.9	-16.8	1.4	9.4	4.3	2.4	3.3	3.3
Stockbuilding (% contribution to GDP growth)	0.2	-0.5	0.2	-0.7	0.8	-0.2	-0.2	-0.1	0.1	0.0
Domestic demand	1.9	1.2	1.6	-10.3	6.9	4.5	1.9	1.6	1.5	1.8
Real contribution to GDP growth (% points)										
Private consumption	1.0	1.5	0.8	-7.0	2.1	2.4	0.9	0.8	0.6	0.9
Government consumption	0.1	0.1	0.8	-1.2	3.1	0.7	0.4	0.3	0.3	0.3
Gross fixed investment	0.6	0.0	0.1	-1.6	1.0	1.5	0.8	0.6	0.6	0.6
External balance	0.7	-0.1	0.1	0.8	-1.1	-0.5	-0.1	0.0	0.0	0.0
Memorandum items										
Industrial production (% change)	0.1	3.5	3.6	-8.3	4.8	3.7	2.1	1.6	1.6	1.6
Real personal disposable income (% change)	0.9	2.8	1.3	-1.3	-0.2	0.9	0.2	1.1	0.9	1.4

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

Data summary: Gross domestic product by sector of origin

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

November 16th 2021

Gross domestic product by sector of origin

	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]
Origin of GDP (£ bn at constant 2018 prices)										
GDP at factor cost	1,950.8	1,981.4	2,017.3	1,832.1	1,955.2	2,032.8	2,071.5	2,105.9	2,139.4	2,176.4
Agriculture	13.4	11.9	13.8	12.6	11.8	12.2	12.6	12.8	12.9	13.0
Industry	389.3	396.1	405.5	361.9	380.0	397.1	403.0	408.6	414.4	420.2
Services	1,548.2	1,573.4	1,598.0	1,457.7	1,563.5	1,623.6	1,655.8	1,684.4	1,712.1	1,743.3
Origin of GDP (real % change)										
Agriculture	5.9	-10.9	15.9	-9.1	-6.0	3.0	4.0	1.0	1.0	1.0
Industry	1.3	1.7	2.4	-10.8	5.0	4.5	1.5	1.4	1.4	1.4
Services	2.4	1.6	1.6	-8.8	7.3	3.8	2.0	1.7	1.6	1.8
Origin of GDP (% of factor cost GDP)										
Agriculture	0.6	0.6	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6
Industry	20.4	20.3	20.0	19.7	19.4	19.5	19.4	19.4	19.3	19.3

Services	79.0	79.0	79.4	79.6	80.0	79.9	80.0	80.0	80.1	80.1
Memorandum item										
Industrial production (% change)	0.1	3.5	3.6	-8.3	4.8	3.7	2.1	1.6	1.6	1.6

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

Data summary: Growth and productivity

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

November 16th 2021

Growth and productivity

	2017[a]	2018[a]	2019[a]	2020[a]	2021[a]	2022[b]	2023[b]	2024[b]	2025[b]	2026[b]
Growth and productivity (%)										
Labour productivity growth	1.1	0.5	0.6	-8.9	6.7	3.1	1.2	1.0	1.0	1.2
Total factor productivity growth	0.4	0.0	0.1	-9.4	0.3	-1.0	1.0	0.7	0.7	0.9
Growth of capital stock	3.1	2.6	2.3	0.7	1.3	2.3	2.6	2.7	2.8	2.9
Growth of potential GDP	2.1	2.0	1.5	1.2	0.9	0.4	2.1	2.1	1.9	2.1
Growth of real GDP	2.1[c]	1.7[c]	1.7[c]	-9.7[c]	6.7	4.0	1.9	1.7	1.6	1.7
Growth of real GDP per head	0.7[c]	1.0[c]	1.1[c]	-10.2[c]	6.2	3.5	1.5	1.3	1.2	1.4

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

Data summary: Economic structure, income and market size

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

November 16th 2021

Economic structure, income and market size

	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]
Population, income and market size										
Population (m)	66.7	67.1	67.5	67.9	68.2	68.5	68.8	69.0	69.3	69.5
GDP (US$ bn at market exchange rates)	2,704	2,904	2,881	2,768	3,183	3,370	3,514	3,740	3,982	4,210
GDP per head (US$ at market exchange rates)	40,516	43,257	42,660	40,771	46,670	49,197	51,101	54,191	57,482	60,558
Private consumption (US$ bn)	1,744	1,886	1,851	1,686	1,911	2,028	2,104	2,225	2,351	2,479
Private consumption per head (US$)	26,135	28,096	27,410	24,834	28,023	29,609	30,595	32,241	33,940	35,658
GDP (US$ bn at PPP)	3,075	3,165	3,315	3,029	3,346	3,583	3,754	3,900	4,037	4,202
GDP per head (US$ at PPP)	46,076	47,133	49,084	44,625	49,058	52,311	54,586	56,503	58,279	60,435
Personal disposable income (£ bn)	1,376	1,441	1,487	1,500	1,523	1,596	1,630	1,681	1,728	1,785
Personal disposable income (US$ bn)	1,774	1,925	1,899	1,926	2,098	2,160	2,212	2,337	2,466	2,598
Growth of real disposable income (%)	0.3	2.7	1.8[b]	-0.8[b]	-0.7	0.9	0.2	1.1	0.9	1.4
Memorandum items										
Share of world population (%)	0.89	0.89	0.89	0.88	0.88	0.88	0.88	0.88	0.89	0.86
Share of world GDP (% at market exchange rates)	3.37	3.42	3.34	3.31	3.42	3.43	3.40	3.43	3.46	3.52

Share of world GDP (% at PPP)	2.56	2.48	2.49	2.32	2.37	2.38	2.35	2.31	2.28	2.30
Share of world exports of goods (%)	2.51	2.47	2.58	2.32	2.14	2.20	2.22	2.19	2.22	2.26

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

Data summary: Fiscal indicators

United Kingdom | Economy | Charts and tables | Fiscal indicators

November 16th 2021

Fiscal indicators

	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]
Fiscal indicators (% of GDP)										
Government expenditure	37.2	37.0	36.8	48.0	45.8	42.2	41.4	41.8	41.9	42.0
Interest[d]	2.6	2.4	2.1	1.8	1.1	1.4	1.7	2.0	2.3	2.5
Non-interest[d]	34.6	34.6	34.8	46.2	44.7	40.8	39.7	39.7	39.6	39.5
Government revenue[d]	35.3	35.1	35.0	35.0	34.9	35.5	37.5	38.0	38.6	38.9
Budget balance[d]	-1.9	-1.9	-1.8	-13.0	-10.9	-6.7	-3.9	-3.8	-3.3	-3.1
Primary balance[d]	0.7	0.5	0.3	-11.2	-9.8	-5.2	-2.2	-1.7	-1.0	-0.6
Government debt[e]	85.2	84.5	83.8	102.3	106.3	105.3	105.0	105.0	104.8	104.3

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

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

Data summary: Monetary indicators

United Kingdom | Economy | Charts and tables | Monetary indicators

November 16th 2021

Monetary indicators

	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]
Monetary indicators										
Exchange rate US$:£ (av)	1.29	1.34	1.28	1.28	1.38	1.35	1.36	1.39	1.43	1.46
Exchange rate €:£ (av)	1.14	1.13	1.14	1.12	1.16	1.16	1.18	1.18	1.17	1.17
Exchange rate US$:€ (av)	1.13	1.18	1.12	1.14	1.19	1.17	1.15	1.18	1.22	1.24
Exchange rate €:£ (year-end)	1.13	1.11	1.18	1.11	1.17	1.17	1.17	1.18	1.18	1.19
Real effective exchange rate (av; 2010=100)	97.1	98.8	98.4	98.6	102.2	103.6	105.3	106.6	107.6	108.0
M4 money supply growth (%)[d]	4.8	2.3	3.8	12.6	6.1	7.3	4.7	4.5	4.3	4.3
Domestic credit growth (%)	5.4	3.2	4.9	3.1	0.4	6.0	0.1	4.1	2.2	-0.3
Purchasing power parity US$:£ (av)	1.47	1.46	1.47	1.41	1.45	1.44	1.45	1.45	1.45	1.45
3-month £-Libor rate (av; %)	0.4	0.7	0.8	0.3	0.1	0.4	0.8	0.9	1.3	1.5

10-year government bond yield (av; %)	1.2	1.5	0.9	0.4	0.7	1.3	1.3	1.9	1.9	1.9
Bank of England base rate (%; end-period)	0.50	0.75	0.75	0.10	0.10	0.50	1.00	1.50	2.00	2.00
Lending rate (%; average mortgage SVR from UK MFIs)	4.4	4.3	4.3	3.8	3.7	4.0	4.2	4.4	4.5	4.5
Deposit rate (av; %)	0.9	0.9	0.9	0.4	0.2	0.5	1.0	1.1	1.3	1.3

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

Data summary: Employment, wages and prices

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

November 16th 2021

Employment, wages and prices

	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]
The labour market (av)										
Labour force (m)	33.5	33.8	34.1	34.1	34.2	34.4	34.5	34.8	34.9	35.0
Labour force (% change)	0.5	0.9	0.8	-0.1	0.3	0.8	0.3	0.6	0.4	0.3
Employment (m)	32.1	32.4	32.8	32.5	32.5	32.8	33.0	33.2	33.4	33.6
Employment (% change)	1.0	1.2	1.1	-0.8	0.0	0.8	0.7	0.7	0.6	0.5

Unemployment (m)	1.5	1.4	1.3	1.6	1.6	1.7	1.5	1.5	1.4	1.4
Unemployment rate (%; EU/OECD standardised measure)	4.4	4.1	3.8	4.5	4.8	4.8	4.4	4.3	4.1	3.9
Wage and price inflation (% except labour costs per hour)										
GDP deflator	1.8	2.0	2.0	5.9	0.4	3.7	2.0	2.2	2.0	2.0
Consumer prices (av; CPIH measure)	2.6	2.3	1.7	1.0	2.4	3.6	2.2	2.0	1.9	1.9
Producer prices (av)	3.9	3.4	1.4	-1.0	4.3	3.0	1.9	2.0	2.0	2.0
GDP deflator (av)	1.8	2.0	2.0	5.9	0.4	3.7	2.0	2.2	2.0	2.0
Private consumption deflator (av)	1.8	2.0	1.3	1.7	2.2	3.9	1.9	2.0	1.9	1.9
Government consumption deflator (av)	1.0	2.3	2.0	21.0	-2.8	6.5	3.2	3.0	2.9	2.9
Fixed investment deflator (av)	3.0	2.3	2.8	1.7	2.5	-2.0	0.0	0.0	0.0	0.0
Average nominal wages (av)	2.3	3.0	3.4	1.8	3.0	5.7	3.5	3.3	3.1	3.1
Average real wages (av)	-0.3	0.7	1.6	0.8	0.6	2.0	1.3	1.3	1.2	1.2
Unit labour costs (£-based; av)	2.4	2.8	3.3	13.8	-3.0	3.5	3.3	3.3	3.1	2.9
Unit labour costs (US$-based)	-2.6	6.5	-1.2	14.4	4.1	1.6	3.6	5.9	5.9	4.9
Labour costs per hour (£)	22.0[b]	22.7[b]	23.5[b]	23.9[b]	24.6	26.0	26.9	27.8	28.7	29.6
Labour costs per hour (US$)	28.4[b]	30.3[b]	30.0[b]	30.7[b]	33.9	35.2	36.6	38.7	41.0	43.1

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

Data summary: Current account and terms of trade

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

November 16th 2021

Current account and terms of trade

	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]
Current account (US$ bn)										
Current-account balance	-98.1	-112.5	-77.0	-72.5	-91.8	-92.0	-95.9	-99.2	-99.7	-112.5
Current-account balance (% of GDP)	-3.6	-3.9	-2.7	-2.6	-2.9	-2.7	-2.7	-2.7	-2.5	-2.7
Goods: exports fob	435.4	468.3	474.9	396.3	453.5	500.2	526.2	539.5	575.3	610.6
Goods: imports fob	-616.4	-658.0	-651.9	-563.0	-680.5	-742.7	-777.3	-793.8	-837.8	-887.0
Trade balance	-180.9	-189.8	-176.8	-166.7	-227.0	-242.4	-251.1	-254.3	-262.5	-276.5
Services: credit	376.6	416.7	417.7	375.1	415.5	453.5	481.7	518.5	560.8	603.6
Services: debit	-229.8	-264.7	-267.4	-204.3	-219.8	-246.8	-259.2	-275.4	-294.7	-314.4
Services balance	146.8	152.0	150.3	170.8	195.7	206.6	222.5	243.0	266.1	289.1
Primary income: credit	241.8	291.9	277.8	174.3	282.7	307.1	345.8	330.2	337.0	366.3
Primary income: debit	-277.0	-332.6	-294.4	-215.1	-301.6	-319.3	-367.1	-369.2	-388.2	-436.4
Primary income balance	-35.2	-40.7	-16.6	-40.8	-18.9	-12.2	-21.4	-39.0	-51.2	-70.1
Secondary income: credit	22.7	25.0	24.4	22.0	25.3	26.8	27.9	29.7	31.7	33.5
Secondary income: debit	-51.7	-59.1	-58.3	-58.2	-66.9	-70.9	-73.9	-78.7	-83.7	-88.5

Secondary income balance	-29.0	-34.1	-33.9	-36.2	-41.6	-44.1	-46.0	-48.9	-52.1	-55.1
Terms of trade										
Export price index (US$-based; 2010=100)	89.9	96.6	92.3	89.7[b]	108.6	110.6	110.7	110.9	114.0	117.4
Export prices (% change)	1.1	7.4	-4.4	-2.8[b]	21.0	1.9	0.1	0.2	2.8	3.0
Import price index (US$-based; 2010=100)	89.6	95.7	89.8	86.4[b]	102.8	103.2	103.4	103.4	105.6	108.2
Import prices (% change)	1.2	6.8	-6.2	-3.8[b]	19.0	0.4	0.2	0.0	2.1	2.4
Terms of trade (2010=100)	100.4	101.0	102.9	103.9[b]	105.6	107.1	107.0	107.3	108.0	108.5
Memorandum item										
Export market growth (%)	4.7	4.5	1.2[b]	-4.3[b]	8.2	6.3	4.5	4.1	3.8	3.9

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

Data summary: Foreign direct investment

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

November 16th 2021

Foreign direct investment

	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[c]	2023[c]	2024[c]	2025[c]	2026[c]
Foreign direct investment (US$ bn)										
Inward direct investment	125.4	-25.2	2.3	31.0	58.3	107.5	79.3	63.7	76.1	97.7
Inward direct investment (% of GDP)	4.6	-0.9	0.1	1.1	1.8	3.2	2.3	1.7	1.9	2.3
Inward direct investment (% of gross fixed investment)	25.7	-4.9	0.5	6.5	10.6	18.7	13.1	10.0	11.2	13.7
Outward direct investment	-172.0	28.7	48.2	53.3	51.1	52.0	54.2	57.0	59.9	62.8
Net foreign direct investment	-46.6	3.5	50.5	84.3	109.4	159.5	133.5	120.7	135.9	160.5
Stock of foreign direct investment	2,292.0	2,291.0	2,372.0	2,403.0	2,461.3	2,568.8	2,648.0	2,711.7	2,787.8	2,885.5
Stock of foreign direct investment per head (US$)	34,349	34,122	35,125	35,398	36,085	37,501	38,508	39,288	40,243	41,504
Stock of foreign direct investment (% of GDP)	84.8	78.9	82.3	86.8	77.3	76.2	75.4	72.5	70.0	68.5
Memorandum items										
Share of world inward direct investment flows (%)	5.7	-5.4	0.2	3.0	5.2	8.9	6.3	4.9	5.6	6.9
Share of world inward direct investment stock (%)	7.6	7.2	6.9	7.2	6.7	6.5	6.4	6.4	6.3	6.2

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

Political structure

United Kingdom | Summary | Political structure

November 16th 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, Reform UK (formerly Brexit Party), Green Party, Scottish National Party (SNP), Plaid Cymru (Welsh National Party); Northern Ireland parties: Ulster Unionist Party (UUP), Democratic Unionist Party (DUP), Alliance Party, Social Democratic and Labour Party (SDLP), Sinn Fein

Prime minister: Boris Johnson

Attorney general: Suella Braverman

Chancellor of the exchequer: Rishi Sunak

Chief secretary to the Treasury: Simon Clarke

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

Leader of the House of Commons: Jacob Rees-Mogg

Minister for the Cabinet Office: Stephen Barclay

Party chair & minister without portfolio: Oliver Dowden

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: Nadine Dorries

Education: Nadhim Zahawi

Environment, food & rural affairs: George Eustice

Foreign, Commonwealth & development: Liz Truss

Health & social care: Sajid Javid

Home Office: Priti Patel

Housing, communities & local government: Michael Gove

International trade: Anne-Marie Trevelyan

Justice & Lord Chancellor: Dominic Raab

Northern Ireland: Brandon Lewis

Scotland: Alister Jack

Transport: Grant Shapps

Wales: Simon Hart

Work & pensions: Therese Coffey

Central bank governor

Andrew Bailey

Basic data

United Kingdom | Summary | Basic data

November 16th 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

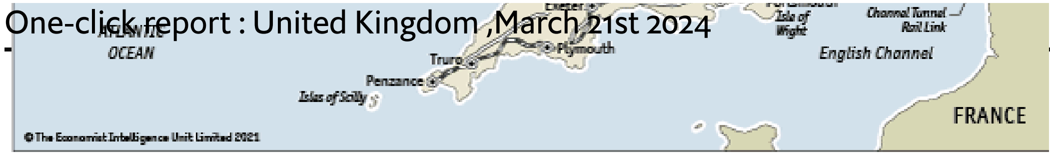
April 1st to March 31st; tax year April 6th to April 5th

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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