



One-click report : United Kingdom

March 25th 2020

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Briefing sheet

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Political and economic outlook

- On January 31st the UK left the EU after 47 years of membership. The UK is currently in a transition period lasting until December 31st 2020, during which time it will remain in the single market and customs union.
- The future UK-EU relationship remains highly uncertain, with many decisions deferred to the transition period. Boris Johnson, the prime minister, has committed to not extending the transition, creating the risk of a "cliff edge" for many industries.
- The Economist Intelligence Unit expects that the UK will leave the transition period with a deal with the EU, but that deal will be limited to critical sectors. Negotiations in other sectors will continue in 2021.
- The spread of a novel coronavirus in early 2020 is expected to lead to a marked decline in demand as consumers and businesses cut back on travel and other spending. This will combine with Brexit uncertainty to lower UK growth to 0.8% in 2020 and 0.9% in 2021.
- We expect fiscal policy to be loosened in 2020 and 2021 with fiscal deficits of 2.4% of GDP in 2020 and 2.8% in 2021, raising public debt to a peak of 86.1% of GDP in 2021.

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- We expect the Bank of England (BoE, the central bank) to cut rates twice in 2020, to 0.25%, and to begin a gradual tightening from 2022.

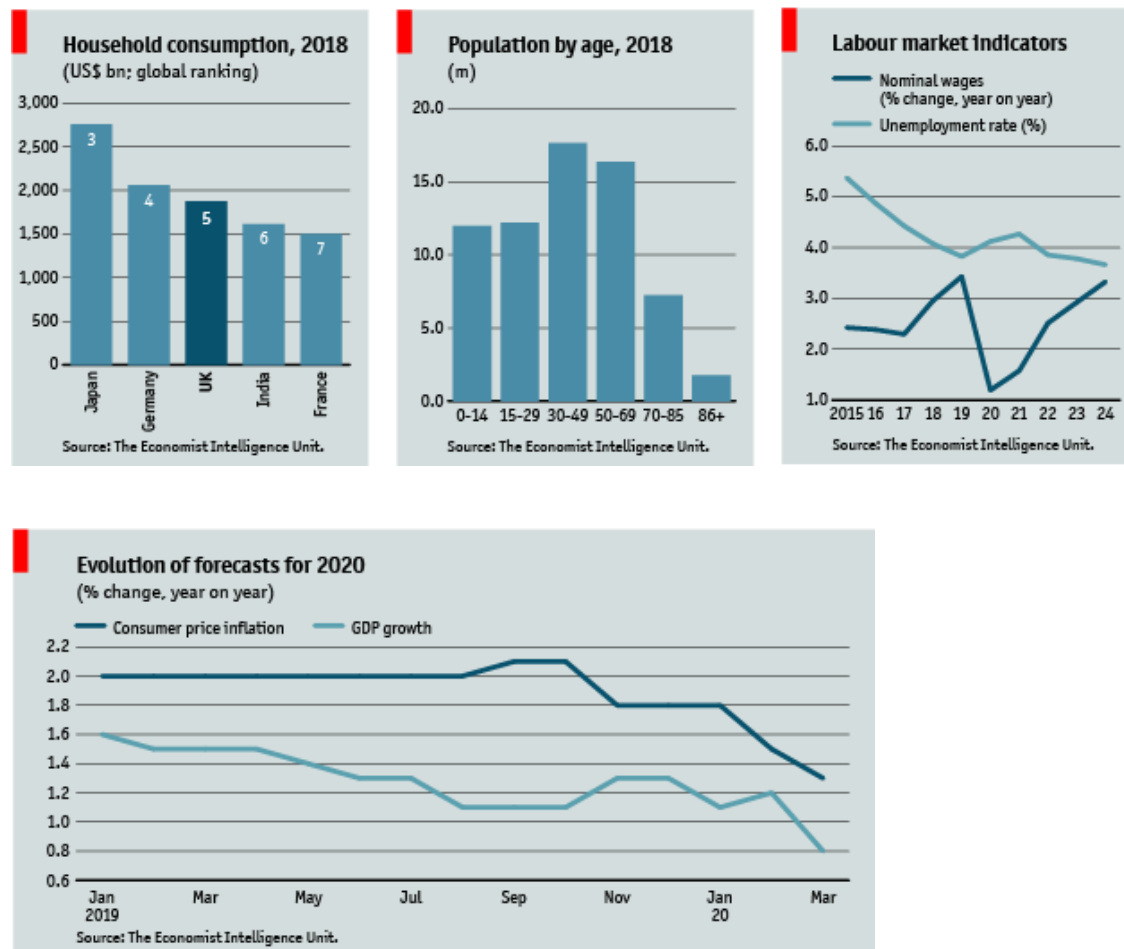
Key indicators

	2019 ^a	2020 ^b	2021 ^b	2022 ^b	2023 ^b	2024 ^b
Real GDP growth (%)	1.4	0.8	0.9	1.9	1.7	1.7
Consumer price inflation (av; %)	1.7	1.3	1.4	1.5	1.6	1.8
Government balance (% of GDP) ^c	-2.1 ^d	-2.4	-2.8	-2.5	-2.4	-2.6
Current-account balance (% of GDP)	-3.9 ^d	-4.3	-4.7	-4.5	-4.3	-4.2
Money market rate (av; %)	0.8	0.6	0.5	0.7	0.8	1.0
Unemployment rate (%)	3.8	4.1	4.3	3.9	3.8	3.7
Exchange rate £:US\$ (av)	0.78	0.78	0.77	0.74	0.72	0.71

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

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Market opportunities



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Key changes since February 6th

- The spread of a novel and potentially lethal coronavirus has led to quarantine measures across Europe and Asia, with cases beginning to arrive in the UK. As a result, we have cut our outlook for UK growth in 2020 significantly, from 1.2% to 0.8%.
- In a cabinet reshuffle, the chancellor of the exchequer, Sajid Javid, resigned, and was replaced by Rishi Sunak, over a dispute about the autonomy of the Treasury. As a result of this and the coronavirus we expect the budget to loosen fiscal policy significantly.
- The EU and UK have both finalised their mandates for negotiations on a future free-trade agreement (FTA). Although both parties envisage a comprehensive FTA, disputes over a regulatory "level playing field" and fisheries raise the risk of the UK leaving without a deal.
- GDP in the fourth quarter of 2019 was flat, while at the same time, upward revisions to the second and third quarter data caused overall GDP growth for 2019 to reach 1.4%. This is slightly higher than our estimate of 1.3% growth, which was based on previous data.

The month ahead

- March 11th—Budget for 2020/21: The first budget since the election is likely to include more funding for the National Health Service (NHS) and infrastructure. However, the government will be limited by its pledges to maintain current taxation rates and to maintain a balanced current budget, especially if Brexit depresses tax revenue.
- March 26th—Bank of England interest-rate decision: After the Federal Reserve (the US central bank) cut rates in response to coronavirus fears, we expect the Bank of England to follow suit with a 25-basis-point rate cut, with a

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further 25 basis point cut later in 2020.

- March 26th—Retail sales (February): This will provide a gauge of consumer confidence in reaction to the coronavirus outbreak. We expect retail sales to remain robust, as the virus did not arrive in Europe until late February, but risks are on the downside.
- April 4th—Labour Party leadership election results: The opposition Labour party will replace its unpopular outgoing leader, Jeremy Corbyn. We expect the former shadow Brexit Secretary, Keir Starmer, to win. Although this will not affect policy directly, a new, permanent opposition leader will provide more scrutiny for the government.

Major risks to our forecast

Scenarios, Q1 2020	Probability	Impact	Intensity
The UK leaves the transition period on December 31st 2020 without a comprehensive deal, creating a "cliff edge" for business	High	Very high	20
The new UK-EU relationship fails to resolve legal uncertainty created by Brexit	Very High	Moderate	15
Expansion of the UK's air transport capacity is delayed	High	Moderate	12
Government investment in the UK's infrastructure falls short	High	Moderate	12
The government's planned reorganisation of the civil service creates more inefficiency, reduces government bandwidth	High	Moderate	12

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

Source: The Economist Intelligence Unit.

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Forecast summary

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Forecast summary

(% unless otherwise indicated)

	2019 ^a	2020 ^b	2021 ^b	2022 ^b	2023 ^b	2024 ^b
Real GDP (% change)	1.4	0.8	0.9	1.9	1.7	1.7
Industrial production (% change)	-1.3	-1.6	-1.7	2.8	2.0	1.7
Unemployment rate (av; EU/OECD harmonised measure)	3.8	4.1	4.3	3.9	3.8	3.7
Consumer price inflation (av; CPIH measure)	1.7	1.3	1.4	1.5	1.6	1.8
3-month £-LIBOR rate (av)	0.8	0.6	0.5	0.7	0.8	1.0
Bank of England base rate (end-period)	0.75	0.25	0.25	0.50	1.00	1.25
Government budget balance (% of GDP) ^c	-2.1 ^d	-2.4	-2.8	-2.5	-2.4	-2.6
Exports of goods fob (US\$ bn)	474.8 ^d	455.8	444.0	471.9	499.7	524.5
Imports of goods fob (US\$ bn)	-640.1 ^d	-629.8	-638.8	-673.5	-709.4	-741.7
Current-account balance (US\$ bn)	-109.0 ^d	-125.9	-141.4	-147.4	-149.6	-152.3
Current-account balance (% of GDP)	-3.9 ^d	-4.3	-4.7	-4.5	-4.3	-4.2
Exchange rate US\$:£ (av)	1.28	1.28	1.31	1.35	1.38	1.41
Exchange rate ¥:£ (av)	139.3	139.0	141.0	140.4	141.3	138.3

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Exchange rate €:£ (av)	1.14	1.16	1.16	1.16	1.15	1.14
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^a Actual. ^b Economist Intelligence Unit forecasts. ^c General government. ^d Economist Intelligence Unit estimates.

Political stability

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Following a general election on December 12th, 2019, the Conservative Party, under the prime minister, Boris Johnson, won an emphatic 81-seat majority. This victory allowed him to achieve his primary campaign promise to leave the EU, which took place on January 31st, ending 47 years of EU membership and three and a half years of political deadlock on the issue. Mr Johnson's success in the election also means that, for the first time since 2010, the prime minister's party has a large parliamentary majority and a relatively free hand in policymaking-related decisions.

Brexit still generates considerable uncertainty in British politics. The UK is currently in a transition period during which it will remain within the EU single market and customs union as the UK and EU negotiate an agreement concerning their future trade and security relationship. This transition will legally expire on December 31st 2020. This tight deadline creates significant uncertainty for governments and businesses. Given the complexity of negotiating and implementing a final-status arrangement, it is unlikely that the trade and security relationship between the UK and EU will be fully finalised by December 31st, even if a deal is secured.

Although it is legally possible to request a formal extension, Mr Johnson has said that he will not do so. However, a period of phased implementation or continued negotiations over less urgent issues will probably be necessary, even if a deal is secured in 2020—as any changes to the UK's terms of trade and customs procedures, particularly in

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Northern Ireland—will require more than a year to be implemented by businesses and the government. New customs infrastructure will also need to be established.

The election result and Brexit are likely to increase strains on the union between the constituent parts of the UK. Nicola Sturgeon, the leader of the Scottish National Party (SNP), has argued that Brexit represents a material change in the relationship between Scotland and the rest of the UK since the referendum on Scottish independence in 2014, which resulted in a majority favouring the union. The SNP performed strongly in the 2019 election, winning 49 of the 59 parliamentary seats in Scotland, which Ms Sturgeon cites as justification for a second independence referendum. Mr Johnson is likely to resist calls for another independence referendum, but there is a significant risk that Ms Sturgeon may attempt to dramatise the issue through legal battles or other disruptive means.

Brexit has also exacerbated tensions in Northern Ireland. The Northern Irish protocol in the withdrawal agreement is unpopular among Northern Ireland's unionists, and nationalist communities in both the North and the Republic of Ireland, as it establishes regulatory barriers between Northern Ireland and the UK, and customs barriers between Northern Ireland and the Republic of Ireland. The Democratic Unionist Party (DUP), which supported the previous government, lost two of its ten seats in the election and, as a result, there are for the first time more nationalist members of parliament elected from Northern Ireland than unionists. One public opinion poll has shown majority support in Northern Ireland for Irish unification for the first time.

We also expect the worldwide spread of a novel coronavirus to increasingly dominate the government's agenda in 2020. The government has unveiled a plan to attempt to slow the spread of any outbreak, with the aim of preventing the National Health Service (NHS) from becoming overwhelmed. The government is likely to have to devote significant bandwidth to managing this crisis on top of managing Brexit, leading to significant operational risk.

Election watch

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

International relations

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In their negotiating mandates, both the UK and EU envisage a comprehensive free-trade agreement (FTA), with the UK outside the single market and customs union. The primary dispute between the two sides will be the EU's demand that deep market access to the single market must be accompanied by "level playing field" commitments from the UK, assurances not to implement policies that undercut the EU on labour, environmental or state aid standards. The UK opposes these provisions on sovereignty grounds. Negotiating the level of EU access to UK fisheries will also be controversial. Other contentious issues include determining the adequacy of the UK's data protection regime; access to the EU market for service providers, including the financial sector, and the conditions for continuing the UK's security, sanctions and law enforcement co-operation with the EU. We believe that a UK exit

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without a deal is a considerable risk. However, the negative shock from a disorderly exit would be highly disruptive, and we believe it is more likely than not that a deal will be agreed.

The withdrawal agreement creates a separate protocol for Northern Ireland, to avoid the presence of physical border checks with the Republic of Ireland. Under this agreement, Northern Ireland will remain within a regulatory union with the EU for most goods. Although it will remain in the UK customs and value-added tax (VAT) areas, customs and VAT checks will be conducted by the UK on the EU's behalf at ports in the Irish Sea for any goods bound for the EU. These arrangements will be subject to revision every four years by a majority vote in the Northern Ireland Assembly. The UK government has reiterated its intention to comply with the protocol but has also claimed that it will not implement checks on intra-UK trade to Northern Ireland. If the UK reneges on this agreement, it is likely to face legal challenges for violating its international treaty obligations, and will undermine its credibility in negotiating further international agreements, including FTAs.

Since leaving the EU in January, the UK is also free to negotiate additional FTAs with other countries. Securing an FTA with the US is a stated priority for the Johnson government. However, the UK will probably resist conceding to what are likely to be the US's highest-priority demands: the UK's adoption of US agricultural standards, including allowing the use of genetically modified organisms (GMOs) and the adoption of sanitary and phytosanitary practices, which are unpopular in the UK and are incompatible with its continued alignment with and access to the EU agricultural sector); and preferential procurement rules for US pharmaceutical firms to the NHS.

As a founding member of the UN Security Council, the UK will remain an important global economic and security power during our forecast period and beyond.

Policy trends

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The UK faces significant economic policy challenges—including low public investment, significant regional disparities, high housing costs and chronically low productivity growth—but these have been allowed to build up, as Brexit has dominated the government's agenda. Mr Johnson has signalled that he will use his sizeable majority to address these issues by the end of 2020. However, both the UK's Brexit policy and the impact of the coronavirus are likely to create significant economic shocks that the government will have to manage.

Since becoming the prime minister in July 2019, Mr Johnson has moved his party away from the austerity policies advocated by his predecessors and plans to pursue significant increases in public-sector investment, including massive investment in infrastructure and additional current spending on the NHS, education and the police, as well as reforming the UK's immigration system to emphasise skilled labour. Long-term social care is also an area of health spending that Mr Johnson's manifesto has pledged to address, although the particulars remain vague.

In February 2020 an infectious coronavirus with a case fatality rate of roughly 1-2% spread from China to Europe, with cases beginning to be identified in the UK. The government and corporations have begun to implement public health measures to contain the virus, which are likely to suppress overall demand and worker productivity. The virus is unlikely to be contained before the summer, and may exhibit seasonality and recur in the fourth quarter.

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Fiscal policy

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After a period of austerity in 2010-18, when annual real government spending grew by an average of 0.9%, fiscal policy was relaxed modestly in 2019. Under Mr Johnson the government has pledged to increase spending significantly. In his 2019 annual spending review, the then chancellor of the exchequer, Sajid Javid, promised more than £13.8bn (US\$17.7bn) in additional spending across all government departments, concentrated in health, education and the police. On top of those commitments, the Conservative manifesto pledged an additional £2.9bn in current expenditure by 2024 and promised to raise the cap on borrowing for investment from 2% of GDP to 3%. We expect the next budget, to be released on March 11th, to further loosen spending, particularly on infrastructure and the NHS, as well as public health and stimulus efforts to combat the coronavirus. Although we expect targeted tax increases on property and the closure of existing loopholes, the combination of increased spending and declining tax revenue from depressed growth will cause the budget deficit to expand sharply in 2020 and 2021, reaching 2.8% of GDP in 2021. Thereafter we expect the deficit to stabilise at annual average of 2.5% in 2022-24. This will cause the UK's public debt/GDP ratio to spike to 86.1% in 2021, before gradually declining to about 84.7% by 2024.

Monetary policy

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On December 20th the government announced that Andrew Bailey, the head of the Financial Conduct Authority, one of the UK's main banking regulatory agencies, will take over as governor of the Bank of England (BoE, the central

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bank) from the incumbent, Mark Carney, on March 16th. Mr Bailey is likely to pursue broad policy continuity after Mr Carney's departure.

The BoE has been wary of cutting rates so that it retains monetary policy space for a potential disorderly Brexit. However, the BoE's monetary policy committee, which decides interest rates, was split 7-2 in its three most recent meetings, with a minority voting to cut interest rates immediately owing to the accelerated Brexit timetable. However, we expect the BoE to cut rates by 25 basis points at its next meeting, following a 50-basis-point emergency rate cut by the Federal Reserve, (Fed, the US central bank), to calm market fears around the impact of the coronavirus outbreak. We expect a second rate cut later this year, bringing the BoE's main rate to 0.25%. We anticipate that once Brexit and coronavirus uncertainty dissipates in 2022 the BoE will tighten rates again, with them reaching 1.25% by the end of the forecast period.

Global forecast data

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	2019	2020	2021	2022	2023	2024
Economic growth (%)						
US GDP	2.3	1.6	1.9	2.0	1.8	2.2
OECD GDP	1.6	1.3	1.7	1.9	1.8	2.0
EU27 GDP	1.5	1.1	1.7	1.8	1.7	1.8
World GDP	2.3	1.9	2.7	2.9	2.8	2.8

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World trade	0.7	1.8	3.2	3.6	3.6	3.7
Inflation indicators (% unless otherwise indicated)						
US CPI	1.8	1.8	1.9	2.1	1.8	1.8
OECD CPI	1.9	1.9	1.9	2.1	2.0	2.0
EU27 CPI	1.4	1.5	1.6	1.8	1.9	1.8
Manufactures (measured in US\$)	-0.9	1.4	3.9	4.0	3.4	3.0
Oil (Brent; US\$/b)	64.0	60.4	67.0	71.0	72.0	68.0
Non-oil commodities (measured in US\$)	-6.2	2.2	3.3	0.5	1.1	1.3
Financial variables						
US\$ 3-month commercial paper rate (av; %)	2.2	1.3	1.3	1.6	2.0	2.2
€ 3-month interbank rate (av; %)	-0.4	-0.5	-0.5	-0.5	-0.3	-0.2
US\$:£ (av)	1.28	1.28	1.31	1.35	1.38	1.41
US\$:€ (av)	1.12	1.10	1.12	1.17	1.21	1.24

Economic growth

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UK growth in 2018 and 2019 was slow, at 1.3% and 1.4% respectively, owing to softening global demand and Brexit-related political turmoil. There was a pick-up in investor and business sentiment after the December 2019 election,

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but we expect this to dissipate as Brexit and the coronavirus introduce frictions in the external sector, and negatively affect consumer demand and business confidence. This will be partly offset by increased government expenditure, but we expect growth to be weak, at 0.8% in 2020 and 0.9% in 2021.

Growth since the EU referendum has been driven by private consumption—supported by real wage growth, which reached post-financial-crisis highs in 2019, and a 2019 unemployment rate of 3.8%. However, employment growth has stalled recently, growing by 0.6% in full-year 2019, as the economy is already near full employment, and productivity growth remains low. Further private consumption growth will be constrained. We expect that the decline in demand caused by the coronavirus and the fall in UK exporting firms' competitiveness post-Brexit will strain UK corporate balance sheets, particularly in the export and travel sectors, leading to negative job growth in 2020 and 2021. This will have further negative knock-on effects on consumption.

Gross capital formation stalled in 2018 and turned negative in the second and third quarters of 2019, following a first-quarter increase driven by construction and machinery investment, as well as Brexit-related inventory stockpiling, growing by only 0.4% in full-year 2019. Mr Johnson's government has made the stimulation of investment and productivity a priority. With an already tight labour market and low productivity growth, this will be necessary to make up for any decline in consumer demand.

However, we forecast that continued business uncertainty around the final UK-EU relationship and the coronavirus will cause investment to turn negative again in 2020. Investment will rise gradually from 2021 as Brexit and coronavirus uncertainty recedes, and will gather pace thereafter, reaching its pre-Brexit level of 3.6% by 2024.

We forecast that export growth will turn negative in 2020 and 2021 as increased regulatory and administrative barriers to trade are erected owing to both Brexit and coronavirus-related travel restrictions. Imports will also decline, as the UK implements customs checks and overall domestic demand declines owing to the coronavirus. The external

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balance will continue to be a drag on GDP growth. Exports and imports will rise again from 2022 as businesses adjust to the new terms of trade, but both will remain below their pre-Brexit trend.

Economic growth

%	2019 ^a	2020 ^b	2021 ^b	2022 ^b	2023 ^b	2024 ^b
GDP	1.4	0.8	0.9	1.9	1.7	1.7
Private consumption	1.3	0.0	0.5	1.0	1.3	1.5
Government consumption	3.6	3.6	3.0	2.5	2.3	2.3
Gross fixed investment	0.4	-0.7	2.1	2.8	3.6	3.6
Exports of goods & services	3.7	-1.7	-2.3	1.9	1.9	2.1
Imports of goods & services	3.6	-1.1	-1.7	1.3	2.5	3.3
Domestic demand	1.6	1.0	1.0	1.7	1.9	2.0
Agriculture	-1.7	-1.0	-1.0	8.0	0.5	0.5
Industry	-0.1	-0.8	-1.2	1.8	1.0	1.2
Services	1.8	1.2	1.4	1.8	1.9	1.8

^a Actual. ^b Economist Intelligence Unit forecasts.

Inflation

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We expect price pressures to remain subdued in 2020 and 2021 after inflation averaged 1.7% in 2019. Brexit- and coronavirus-related uncertainty, structural retail disinflationary trends and our expectation of relatively low global oil prices will suppress inflation to an average of 1.3% in 2020 and 1.4% in 2021. These conditions will improve after early 2021, and we expect demand to increase steadily as uncertainty around Brexit and the coronavirus declines and demand rebounds, gradually lifting inflation to an average of 1.8% by the end of the forecast period in 2024.

Exchange rates

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The value of sterling has been tied closely to Brexit developments and is expected to remain volatile throughout the transition period and its immediate aftermath, before strengthening as uncertainty recedes. Following Mr Johnson's election victory, sterling briefly strengthened to US\$1.35:£1, before declining to US\$1.30:£1 after Mr Johnson reiterated his opposition to extending the transition period. Owing to the UK's large current-account deficit, movements in sterling are tied to international capital investment, which has generally responded positively to Mr Johnson's domestic agenda and negatively to his Brexit agenda. As a result, we expect sterling to remain volatile throughout 2020 and 2021 as Brexit negotiations progress. After briefly appreciating to €1.20:£1 early in 2020, we

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expect sterling to depreciate against the euro for the remainder of 2020, as the UK leaves the transition period, and to remain stable against the euro for the rest of the forecast period, at between €1.14:£1 and €1.16:£1. Coronavirus fears are also likely to weigh on the pound, as investors seek safe-haven currencies such as the US dollar. However, we expect a gradual appreciation of sterling against the dollar after 2021, once Brexit and coronavirus fears abate, reaching US\$1.41:£1 by the end of the forecast period.

External sector

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The current account recorded an estimated deficit of 3.9% of GDP in 2019. We expect that the UK's departure from the EU single market and customs union will widen the current-account deficit, as increased trade barriers with the EU post-Brexit will cause exports to decrease sharply in 2020 and 2021 as the new terms of trade are implemented. Imports will also decline as consumer demand weakens owing to the coronavirus, and Brexit creates new customs barriers. Consequently, the current-account deficit will expand to 4.3% of GDP in 2020, before peaking at 4.7% of GDP in 2021. The current-account deficit will gradually narrow throughout the remainder of the forecast period as exporters find new markets and build new supply chains.

Country forecast overview: Business environment rankings

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Value of index ^a		Global rank ^b		Regional rank ^c	
2015-19	2020-24	2015-19	2020-24	2015-19	2020-24
7.85	7.94	17	18	11	10

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

- The UK’s business environment score improves for the forecast period (2020-24) compared with 2015-19, and the UK rises by one place in the regional rankings, but declines by one place in the global rankings. Brexit introduces policy uncertainty, but the country’s strengths—including a pro-business policy stance, a welcoming attitude to foreign investment, and flexible labour and product markets—will continue.

Business environment at a glance

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Policy towards private enterprise and competition

2020-21: Government retains large stake in Royal Bank of Scotland. Public support for renationalisation of rail sector and utilities.

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

Policy towards foreign investment

2020-21: Reduced foreign investor activity. Automotive sector "assurances" under previous government no longer operative.

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

Foreign trade and exchange controls

2020-21: Accelerated timetable for transition period creates significant trade uncertainty. New Northern Ireland protocol implemented. Talks begin on UK-EU free-trade agreement. Significant risk of "cliff edge" transition for businesses.

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

Taxes

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

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

Financing

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

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

The labour market

2020-21: Firms defer hiring decisions amid Brexit uncertainty. Phased increase in compulsory national living wage.

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

Infrastructure

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

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

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

Technological readiness

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

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

Market opportunities: Social indicators and living standards

[United Kingdom](#) | [Business](#) | [Market opportunities](#) | [Social indicators and living standards](#)

May 7th 2019

Social indicators and living standards

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

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

^a Latest available year.

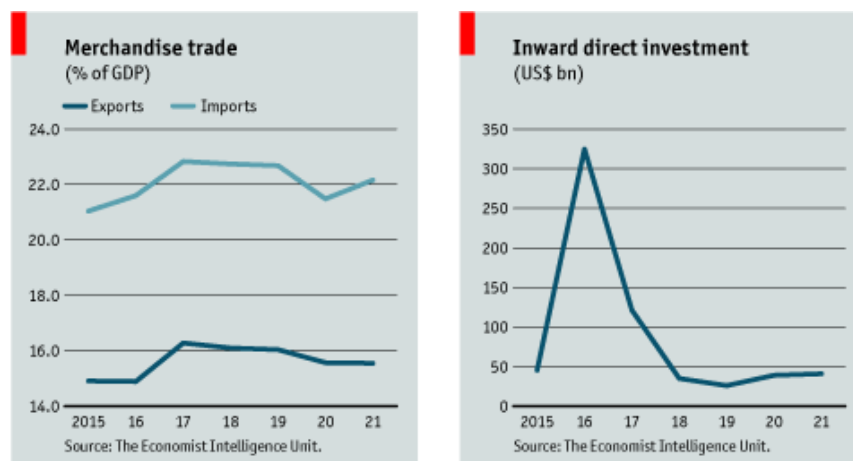
Sources: UN Statistical Office; World Bank; Food and Agriculture Organisation (FAO); Euromonitor; World Health Organisation (WHO); national statistical offices; Pyramid Research; Economist Intelligence Unit estimates and forecasts.

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Global position

[United Kingdom](#) | [Regulation](#) | [Global position](#)

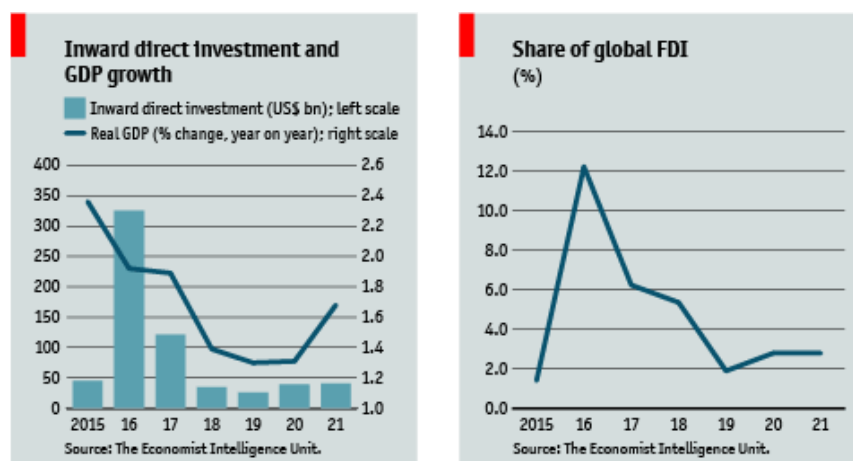
December 1st 2019



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

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subdued during the next few years, reflecting Brexit-related uncertainties. The UK still has much to offer as an investment destination. Existing clusters and economies of scale in sectors such as pharmaceuticals, biotechnology, software development and financial services will remain powerful magnets for foreign entrants, while significant potential exists for large-scale, long-term investments in the energy and transport sectors.



Regulatory/market assessment

[United Kingdom](#) | [Regulation](#) | [Regulatory/market assessment](#)

December 1st 2019

- In October 2019 the government stated its intention to implement legislation expanding its powers to block business transactions that can pose national security risks. Development of the reform was halted after the calling

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

of a general election scheduled for mid-December 2019. Discussions were also cut short on a proposed digital sales tax targeting foreign companies that do substantial business in the UK but pay relatively little tax there.

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

Regulatory/market watch

[United Kingdom](#) | [Regulation](#) | [Regulatory/market watch](#)

December 1st 2019

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

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

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

Long-term outlook: The long-term outlook

[United Kingdom](#) | [Economy](#) | [Long-term outlook](#) | [Long-term outlook](#)

May 7th 2019

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

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

Total factor productivity growth	0.6	0.7	0.7
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Initial conditions: From the early 1990s up to 2008 the economic performance of the UK improved relative to that of many of its regional peers, owing in part to a sharp rise in labour utilisation. A similar pattern emerged in the wake of the global financial crisis, with strong employment growth fuelling a comparatively strong recovery in the UK. The pace of economic growth has since softened, and The Economist Intelligence expects more subdued activity to continue over the next few years, amid Brexit uncertainty, lower investment and weak productivity growth. We do not expect Brexit to have an obvious negative effect on long-term growth prospects, as many of the factors underpinning this in our model are not related to EU membership. A UK departure from the EU would have a negative effect on some sources of growth such as external trade, but it may have a modestly positive effect on others, such as deregulation and fiscal transfers.

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

Small regulatory barriers aid investment

In terms of long-term growth prospects, the UK’s advantages have traditionally included a comparatively low regulatory burden, a flexible labour market and a business environment that is conducive to foreign investment. These areas of economic management will be affected by Brexit, but we expect them to remain advantages for the UK. On the negative side, factors that tend to constrain the UK’s long-term outlook include over-reliance on wealth

effects generated by the volatile financial and real estate sectors, high levels of private-sector debt and a deficit in "intermediate" labour market skills. These have contributed to the development of an unbalanced economy. Levels of productivity in the UK, in terms of output per hour worked, lag well behind those in the US, Germany and France. This weak trend is worrying and will weigh on medium- and long-term growth if not reversed. It is possible that a Brexit shock would result in a policy shake-up that will address some of the shortcomings that have underpinned this poor productivity performance, although there is little evidence of sufficient political support for such a shift.

The labour force participation rate is higher than the OECD average

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

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

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

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

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

Long-term prospects depend on an improvement in productivity

Long-term performance: The UK has less scope for raising labour force participation than most other developed economies, so its long-term economic prospects will depend on raising productivity. It will have to meet three major challenges in this regard: improving its human capital by boosting intermediate and vocational skills; raising the

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

quality of infrastructure for land transport; and relaxing the UK's strict planning regulations, which have contributed to a boom-bust cycle in the residential housing market, raised commercial rents, reduced competition and prevented firms from operating at their most efficient scale. A number of factors could prevent the UK from closing the productivity gap with some of its peers. Examples include the relative scarcity of land, which will require GDP growth to be balanced against other social objectives, and the UK's relatively low share of spending on R&D. The economy is forecast to grow at a respectable pace until 2050. However, many emerging market economies will expand far more rapidly. Not only are their demographic profiles more favourable, but they also have significant potential for catch-up in areas ranging from institutional quality, regulatory efficiency and education to the application of information and communications technology (ICT).

Income and market size

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

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

Automotive

[United Kingdom](#) | [Automotive](#) | [Overview](#)

January 17th 2020

- The UK is the world's 13th-largest automotive manufacturer and sixth-largest vehicle market, according to the International Organisation of Motor Vehicle Manufacturers (OICA). Output expanded steadily between 2010 and 2016, but it has since fallen sharply amid Brexit-related disruption, weaker domestic and export demand, regulatory changes and a shift away from diesel.
- Vehicle production fell by 8.3% in 2018, to a four-year low of 1.6m units—well below its 1998 peak of 2m units. Car production in January-November 2019 was down by another 14.5% year on year, according to data from the Society

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of Motor Manufacturers and Traders (SMMT). Commercial vehicle (CV) production, which makes up less than 5% of the total, also declined.

Income and demographics

	2015 ^a	2016 ^a	2017 ^a	2018 ^a	2019 ^a	2020 ^b	2021 ^b	2022 ^b	2023 ^b	2024 ^b
Nominal GDP (US\$ bn)	2,930.0 ^c	2,703.7 ^c	2,670.7 ^c	2,858.8 ^c	2,792.9	3,034.0	3,210.1	3,262.5	3,323.9	3,653.3
Population (m)	65.4 ^c	65.8 ^c	66.7 ^c	67.1	67.5	67.9	68.2	68.5	68.8	69.0
GDP per head (US\$ at PPP)	42,334 ^c	43,418 ^c	44,924 ^c	45,526	46,959	48,164	49,665	50,438	51,335	52,688
Private consumption per head (US\$)	28,886 ^c	26,754 ^c	26,021 ^c	27,893	27,296	29,275	30,791	31,073	31,424	33,864
No. of households ('000)	26,994	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195
No. of households with annual earnings above US\$5,000 ('000)	26,994	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195
No. of households with annual earnings above US\$10,000 ('000)	26,994	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195
No. of households with annual earnings above US\$50,000 ('000)	18,132	16,237	15,725	17,387	16,797	18,167	19,148	19,419	19,669	20,909
No. of households with net wealth over US\$1m ('000)	982	851	1,036	932	1,001	1,150	1,318	1,285	1,451	1,648

^a Economist Intelligence Unit estimates. ^b Economist Intelligence Unit forecasts. ^c Actual.

Source: The Economist Intelligence Unit.

- Political drift since mid-2016, when the country voted to leave the EU, ended with the December election, which delivered a solid majority for the pro-Brexit Conservative Party. The prime minister, Boris Johnson, has formed a unified government and has vowed to "get Brexit done" by the January 31st deadline.

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

- While this will bolster consumer and business confidence in the short term, a further deadline looms at the end of 2020, when the transition period ends. The Economist Intelligence Unit expects only a limited trade deal to be achieved by then, leaving several issues over mutual recognition and regulation unresolved.
- New-car sales have been in decline since reaching a record in 2016, and fell by a further 2.4% in 2019. We expect another decline in 2020, and annual sales will remain volatile in subsequent years. We expect new-car sales to expand at a compound annual growth rate (CAGR) of just 0.7% over our 2020-24 forecast period as a whole.
- The CV market reversed two years of decline in 2019, when it expanded by an estimated 3.5%. It is likely to dip in 2020 and again in 2022, but to post a CAGR of 1.3% in 2020-24. Risks to these forecasts are fairly high, given remaining uncertainties over Brexit.

Consumer goods

[United Kingdom](#) | [Consumer goods](#) | [Overview](#)

February 18th 2020

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

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

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

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

Income and demographics

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

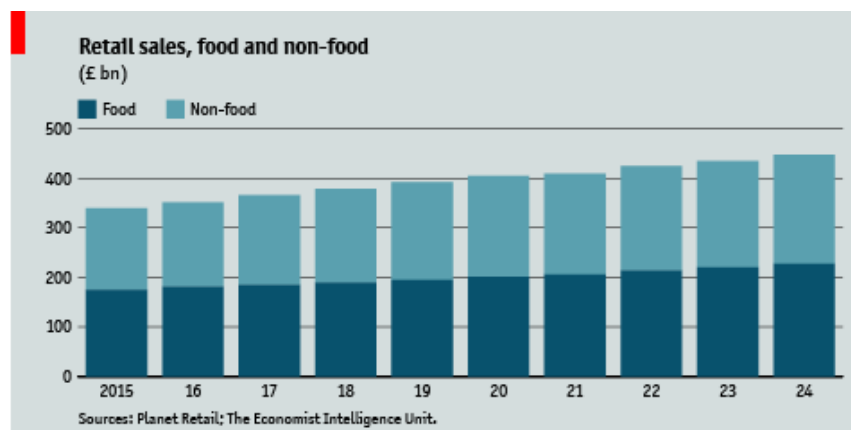
One-click report : United Kingdom ,March 21st 2024

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

^a Economist Intelligence Unit estimates. ^b Economist Intelligence Unit forecasts. ^c Actual.

Source: The Economist Intelligence Unit.

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



Energy

[United Kingdom](#) | [Energy](#) | [Overview](#)

March 25th 2020

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

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

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

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

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

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

Energy: key indicators

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

^a Actual. ^b Economist Intelligence Unit forecasts. ^c Economist Intelligence Unit estimates.

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

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

Financial services

[United Kingdom](#) | [Finance](#) | [Overview](#) | [Financial services](#) | [Overview](#)

January 28th 2020

- 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 2018 it accounted for 6.1% of GDP and employed 3.3% of the workforce, according to Eurostat. It makes a substantial contribution to the balance of payments and tax revenue.
- Political drift since mid-2016, when the country voted to leave the EU, ended with the December 2019 election, which delivered a large majority for the pro-Brexit Conservative Party, aided by an unpopular Labour Party opposition. The prime minister, Boris Johnson, has formed a unified government and the UK will formally leave the EU on January 31st 2020, entering a relatively short "transition period" that the government insists will expire at the end of 2020. Status quo UK-EU arrangements will mostly apply in this period, during which negotiations will take place on a post-Brexit trading agreement. The British electorate and the constituent nations of the UK remain deeply split over the Brexit issue.
- A stable majority government and a clearer "direction of travel" on Brexit may generate a short-term increase in consumer and business confidence, but the underlying economic backdrop remains weak and a further Brexit deadline looms at the end of 2020. The government's stated intention to exit the single market and customs union, with or without some form of UK-EU deal, creates the risk of a "cliff edge" for the financial services sector (and other industries) when the transition period ends. The Economist Intelligence Unit expects a limited trade deal to

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

be achieved by end-2020, but one that will most likely leave many issues over mutual recognition and regulation unresolved.

- Headline real GDP growth has been modest, if resilient, in recent years, averaging 1.9% in 2016 and 2017, before slowing to 1.3% in 2018. Amid modest real-income gains, flat investment and softer global demand, we estimate real GDP growth of 1.3% in 2019. Growth in 2020-21 is likely to be weaker owing to the accelerated timetable for leaving the single market and customs union, which will constrain exports, investment and consumer demand. This will be partially offset by increased government expenditure, but we expect growth to average 1.1% in both years. Downside risks stem from the possibility of a disorganised withdrawal. In a disorderly Brexit, a range of UK asset prices, such as the exchange rate, equities, and corporate and government debt, as well as bank funding costs, would be expected to adjust sharply, tightening financial conditions for UK households and businesses.
- Sterling depreciated sharply against the US dollar and the euro after the Brexit referendum. It has since recovered a little ground on a trade-weighted basis, but at end-2019 it was about 7% weaker than just before the Brexit vote, and almost 15% weaker than in mid-2015. Changes in the value of sterling (in either direction) will remain heavily influenced by Brexit developments.
- Benchmark ten-year UK government bond yields averaged 1.5% in 2018, up slightly from a year earlier, but declined to a record-low 0.9% in 2019. The main London stockmarket indices have followed broad global trends, falling sharply in late 2018 and rebounding in 2019, but their overall performance has lagged almost all major indices in the UK's peer economies since the Brexit vote. Firms and sectors directly exposed to the domestic market have generally fared less well than listed foreign firms, which have benefited from the weaker level of sterling.
- We expect London to retain its status as one of the world's main financial centres, especially in the trading of foreign exchange and derivatives, but a loss of influence and post-Brexit restrictions on financial services trade with the EU are inevitable, even in a best-case scenario. Reaching agreement on the many elements of a complex new trading arrangement will be difficult and time-consuming (taking years rather than months) and financial services

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

- UK and EU regulators have agreed and implemented a number of temporary arrangements to try to reduce the potential disruption to financial markets of a disorderly "no-deal" Brexit. In the large euro-clearing market, for example, which is dominated by London-based firms, a 12-month window of "equivalence rights" would allow EU-based derivatives traders to continue using UK clearing houses and market infrastructure in the event of a no-deal Brexit. UK regulators have established a temporary permissions regime that would allow EU-based firms passporting into the UK to continue existing regulated business for a limited period after a no-deal Brexit.

Income and demographics

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

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

No. of households with annual earnings above US\$10,000 ('000)	26,994	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195
No. of households with annual earnings above US\$50,000 ('000)	18,132	16,237	15,725	17,387	16,815	17,283	17,981	19,306	20,245	21,045
No. of households with net wealth over US\$1m ('000)	982	851	1,036	932	1,005	1,053	1,186	1,345	1,506	1,639

^a Economist Intelligence Unit estimates. ^b Economist Intelligence Unit forecasts. ^c Actual.

Source: The Economist Intelligence Unit.

- Financial services companies currently serving the EU from the UK will continue to relocate some of their operations and staff to within the bloc, so as to ensure continued passporting provisions of the single market. Although outflows from the UK of financial sector employees (and related tax revenue) have so far been fairly modest, it is likely that this trend will continue as competing financial services hubs, primarily Frankfurt and Paris, gradually increase in size and influence. European policymakers will enhance post-Brexit policy efforts to attract major financial functions away from London.
- The UK was a notable casualty of the global market turmoil of 2008-09, with unprecedented measures taken to rescue and support the banking sector. Its underlying resilience has since improved, as banks have bolstered their capital and liquidity buffers amid tighter regulation and major restructuring, although some institutions (such as the Royal Bank of Scotland, RBS) remain fragile.
- The broader environment for the UK banking sector will remain challenging against a backdrop of low profitability, high household indebtedness, weaker economic growth prospects and Brexit-related uncertainty. Bank margins will continue to be squeezed by continued low or negative interest rates and as the Basel III capital requirements are implemented.

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

- Total lending growth has gradually softened since early 2018 and we expect subdued credit demand in 2020-24 (our forecast period), amid Brexit-related strains and modest global growth. There has been a steady rise in alternative forms of debt financing, which will continue throughout the forecast period.
- In August 2016—largely in response to the Brexit vote—the Bank of England (BoE, the central bank) announced a package of stimulus measures, including a cut in its policy interest rate and an expansion of its quantitative easing (QE) asset purchase programme. In November 2017 the BoE reversed this interest-rate move, implementing its first rate rise (to 0.5%) for more than a decade. In August 2018 the BoE raised its policy rate to 0.75%. Since early 2019 the BoE has shifted to a more dovish stance, and policy loosening appears likely in 2020. A no-deal Brexit would almost certainly trigger a range of policy stimulus measures from the BoE.

Healthcare

[United Kingdom](#) | [Healthcare](#) | [Spending](#)

March 22nd 2020

Overview

- A temporary increase in UK healthcare spending is expected in 2020 in response to the global coronavirus pandemic (Covid-19). As of March 21st, there were over 5,000 confirmed cases in the UK, with 233 deaths, but the government's scientific advisers have warned that deaths could total 510,000 without action. Even with the quarantine measures now in place, the UK's National Health Service (NHS) will face considerable strain, amid workforce shortages and with the number of critical care beds in the UK low by OECD standards.

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

- In its March 2020 budget the government pledged a £5bn (US\$5.8bn) emergency response fund to help the NHS cope with the developing outbreak and the related costs of testing, staff recruitment, stockpiling and containment measures and staff recruitment. This was followed by a £330bn package to mitigate the shock to the UK economy that is likely in 2020, followed by a similar-sized package to support workers and households.
- Nevertheless, quarantine measures will depress GDP, which (combined with the uplift in spending) will inflate the healthcare spending/GDP ratio in 2020 to around 10.1%. By the end of the forecast period, in 2024, we expect total health spending (public and private) to rise to 10.3% of GDP. The UK's ratio in 2018 (latest OECD data) was 9.8% of GDP, lower than in Germany and France (both 11.2%), but above the OECD average of 8.8%.
- Total healthcare expenditure has been constrained over the past decade, during a period of government-imposed fiscal austerity. This has contributed to lengthening waiting times, rising staff shortages and deteriorating finances at NHS providers, with the effect exacerbated by cuts in social care services. Although the NHS has been partly ring-fenced from austerity budgets, funding per head rose by just 0.5% a year in real terms in 2009-16 and declined slightly in 2017-18, according to OECD data. This compared with average real-terms growth of 3.7% a year since the NHS was founded in 1948.
- Real-term spending growth is expected to strengthen over the 2020-24 forecast period, as attention focuses on health services. In 2018 the then Conservative government (which was re-elected with a large majority in December 2019) set out a five-year spending plan targeting real-term growth of 3.4% a year, with a focus on new hospital investment and nursing recruitment.
- However, the UK's relatively weak public finances will become weaker still as a result of Covid-19. The Economist Intelligence Unit therefore expects real-term growth in 2020-24 to be lower than the government's target. In nominal terms, total health spending (public and private) will rise at a compound annual growth rate (CAGR) of 4% in 2020-24. Pharmaceutical sales are forecast to rise at a CAGR of 3.7% in nominal terms. These forecasts are slightly lower than our previous projections.

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- Brexit will also pose a challenge to the healthcare system. The UK formally left the EU at end-January 2020, entering a transition period. The "real" Brexit deadline is end-2020, when the UK is scheduled to leave the single market and customs union. Our core forecast is that a limited "hard Brexit" deal focused on critical sectors will be agreed by end-2020, with negotiations ongoing in other areas. Such a deal would imply a rise in non-tariff barriers, with likely disruption to pharmaceutical supply chains. There is a high risk of no deal at all, with the UK reverting to World Trade Organisation (WTO) rules.

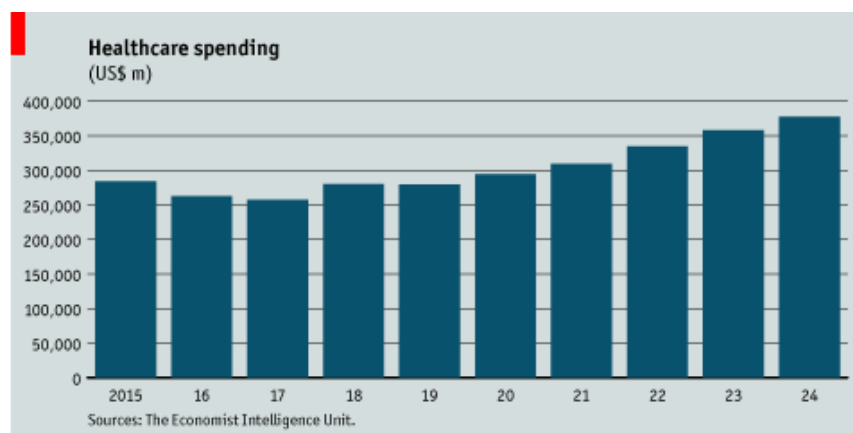
Income and demographics

	2015 ^a	2016 ^a	2017 ^a	2018 ^a	2019 ^a	2020 ^b	2021 ^b	2022 ^b	2023 ^b	2024 ^b
Nominal GDP (US\$ bn)	2,930.0 ^c	2,703.7 ^c	2,670.7 ^c	2,864.2 ^c	2,813.2	2,914.9	3,033.9	3,272.7	3,470.9	3,654.0
Population (m)	65.4 ^c	65.8 ^c	66.7 ^c	67.1	67.5	67.9	68.2	68.5	68.8	69.0
GDP per head (US\$ at PPP)	42,334 ^c	44,042 ^c	45,516 ^c	46,481	47,912	49,095	50,261	51,466	52,786	53,975
Private consumption per head (US\$)	28,886 ^c	26,754 ^c	26,021 ^c	27,931	27,260	27,978	28,835	30,264	31,530	32,512
No. of households ('000)	26,994	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195
No. of households with annual earnings above US\$5,000 ('000)	26,994	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195
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No. of households with annual earnings above US\$50,000 ('000)	18,132	16,237	15,725	17,387	16,806	17,245	17,848	19,070	19,996	20,792
No. of households with net wealth over US\$1m ('000)	982	851	1,036	932	1,003	1,023	1,221	1,335	1,496	1,581

^a Economist Intelligence Unit estimates. ^b Economist Intelligence Unit forecasts. ^c Actual.

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

Source: The Economist Intelligence Unit.



Funding sources

- Healthcare provision in the UK is dominated by the NHS, which is financed primarily via general taxation. Public expenditure (including compulsory contributions) accounted for 77% of current health spending in 2018, according to the OECD. This share has fallen slightly over the past decade. It is lower than in Germany (85%) and France (83%), but above the OECD average (74%).

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

- NHS care is free at point of delivery, but fixed charges are levied (in England) for most prescription medicines and dental care, with some exemptions. Devolution since 1999 means that most NHS funding and commissioning occurs under separate frameworks in the four UK nations, with clear variations in some policy areas.

Healthcare: key indicators

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

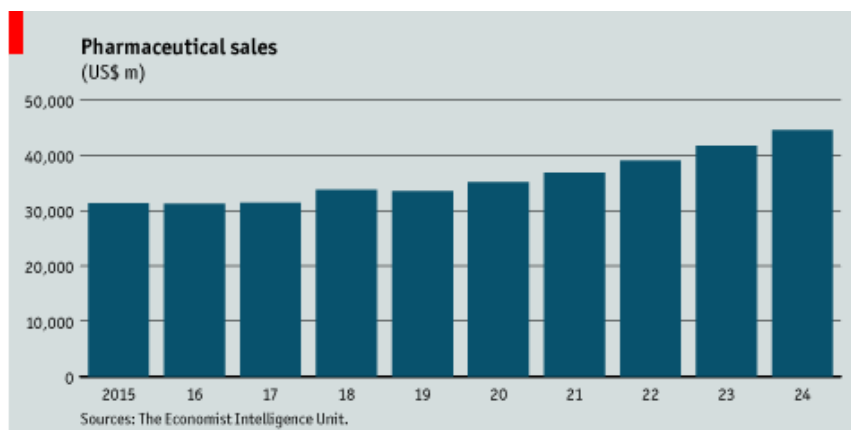
^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

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

- The Health and Social Care Act 2012 reorganised NHS England funding flows in order to give general practitioners (GPs) control over health commissioning. Management of about 70% of funding was passed to 191 clinical commissioning groups (CCGs). The reforms did not apply in Scotland, Wales or Northern Ireland. The

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

number of CCGs is expected to fall significantly from 2020 under the NHS long-term plan unveiled in January 2019.



- Total NHS spending increased from £124.7bn in the 2017/18 (April-March) financial year to £126.3bn in 2018/19. Of the 2018/19 total, £114bn went to NHS England, with Scotland, Wales and Northern Ireland sharing the rest under a formula related to population size. The Conservative government's spending plans imply that by 2022/23 the annual budget for NHS England will have risen by £20.5bn (US\$26bn) a year in real terms, with budgets for the other three UK regions (Scotland, Wales and Northern Ireland) rising at the same rate.
- In September 2019 the government unveiled additional spending of £1.5bn in 2020/21 for social care services, which are separate from the NHS budget and fall under the remit of local authorities. This will only partly reverse a sharp real-term drop in social care spending since 2010, which has exacerbated strains on the wider healthcare system.

Private health insurance

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

Telecommunications

[United Kingdom](#) | [Telecommunications](#) | [Overview](#)

February 18th 2020

- Mobile telephony accounts for a majority of telecommunications connections in the UK. The mobile penetration rate has fallen slightly in recent years, amid a largely saturated market. The Economist Intelligence Unit forecasts a return to growth, albeit weak, in the forecast period (2020-24), rising to 120.5% by 2024. We expect the number of mobile subscriptions to expand at a compound annual growth rate (CAGR) of 0.8%. Growth will be driven in part by an increase in machine-to-machine (M2M) connections.
- Fixed-line penetration is forecast to decline, falling gradually to 44% in 2024. There were an estimated 40 broadband subscriptions per 100 people in 2019, with total internet penetration at almost 96% of the population.

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

We forecast a gradual rise, to 43 broadband subscriptions per 100 people by 2024.

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

Telecoms penetration

	2015 ^a	2016 ^a	2017 ^a	2018 ^a	2019 ^b	2020 ^c	2021 ^c	2022 ^c	2023 ^c	2024 ^c
Telephone main lines (m)	33.2	33.6	32.2	32.0	31.8	31.5	31.4	31.1	30.7	30.4
Telephone main lines (per 100 people)	50.8	51.1	48.3	47.6	47.0	46.5	46.0	45.4	44.6	44.1
Mobile subscriptions (m)	79.3	78.9	79.2	78.9	79.4	79.8	80.7	81.9	82.6	83.2
Mobile subscriptions (per 100 people)	121.2	120.0	118.6	117.5	117.5	117.5	118.3	119.6	120.2	120.5

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Sources: International Telecommunication Union; The Economist Intelligence Unit.

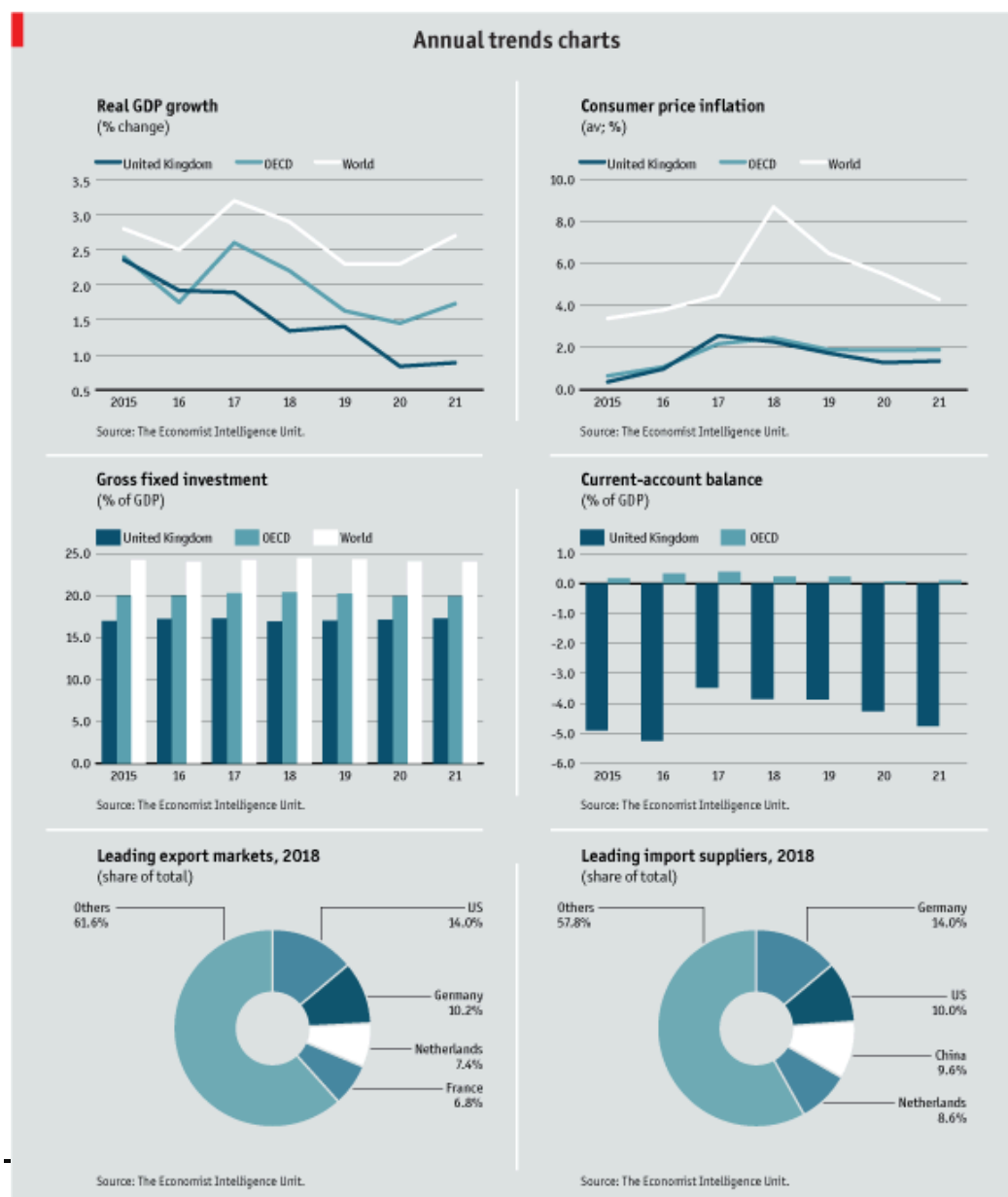
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Data and charts: Annual trends charts

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March 5th 2020

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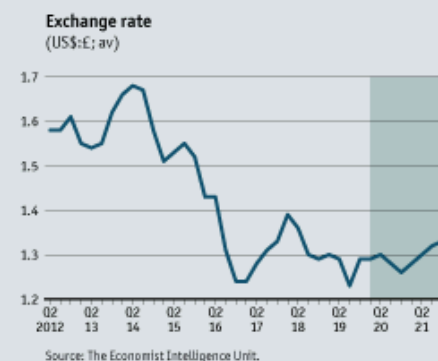
Data and charts: Quarterly trends charts

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March 5th 2020

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Quarterly trends charts


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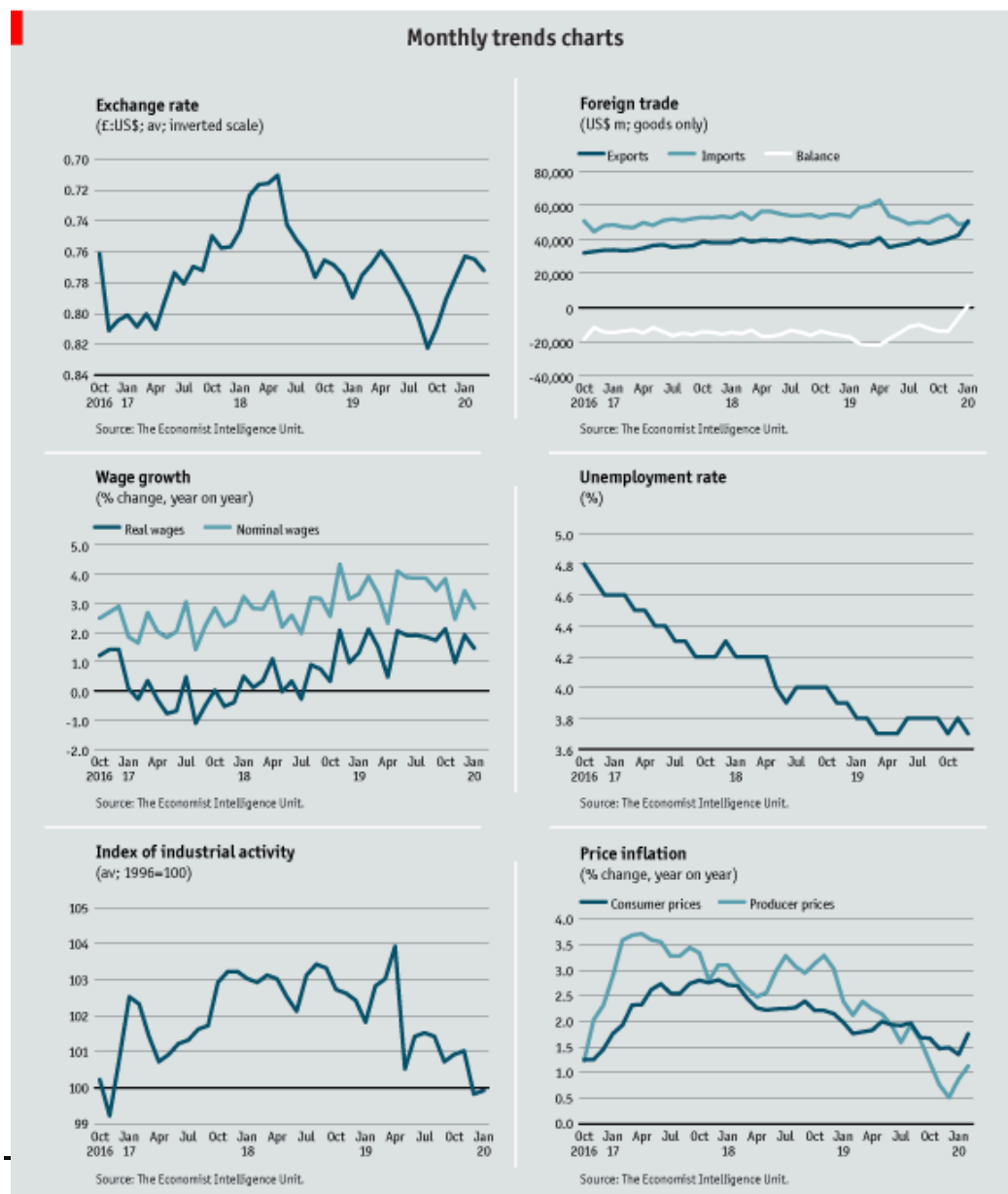
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Data and charts: Monthly trends charts

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

Data summary: Gross domestic product, current market prices

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March 5th 2020

Gross domestic product, at current market prices

	2015 ^a	2016 ^a	2017 ^a	2018 ^a	2019 ^a	2020 ^b	2021 ^b	2022 ^b	2023 ^b	2024 ^b
Expenditure on GDP (£ bn at current market prices)										
GDP	1,916.9	1,995.5	2,071.7	2,144.3	2,214.9	2,267.9	2,327.3	2,415.1	2,497.8	2,588.3
Private consumption	1,235.9	1,299.1	1,346.9	1,404.0	1,440.1	1,458.4	1,486.5	1,523.2	1,560.4	1,596.2
Government consumption	373.7	381.5	386.7	396.2	418.0	449.1	477.9	502.0	526.7	561.7
Gross fixed investment	324.6	343.7	357.1	362.6	377.0	387.3	401.4	420.8	444.9	470.3
Exports of goods & services	530.0	567.5	629.1	656.5	689.0	686.3	681.4	704.3	727.1	751.1
Imports of goods & services	556.5	599.8	654.2	686.3	718.3	718.3	719.9	737.7	763.8	793.4
Stockbuilding	9.2	3.5	6.0	6.1	7.7	5.0	0.0	2.5	2.4	2.4
Domestic demand	1,943.4	2,027.8	2,096.6	2,169.0	2,242.7	2,299.9	2,365.8	2,448.5	2,534.4	2,630.6
Expenditure on GDP (US\$ bn at current market prices)										
GDP	2,930.0	2,703.7	2,670.7	2,864.2	2,829.2	2,909.0	3,039.4	3,254.3	3,446.9	3,636.6
Private consumption	1,889.1	1,760.1	1,736.3	1,875.4	1,839.5	1,870.7	1,941.3	2,052.5	2,153.4	2,242.7
Government consumption	571.2	516.9	498.5	529.3	533.9	576.0	624.1	676.4	726.9	789.2

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

Gross fixed investment	496.2	465.7	460.3	484.4	481.5	496.8	524.3	567.1	613.9	660.7
Exports of goods & services	810.2	768.9	811.0	876.9	880.1	880.3	889.9	949.0	1,003.5	1,055.2
Imports of goods & services	850.6	812.7	843.4	916.7	917.5	921.3	940.2	994.1	1,054.1	1,114.7
Stockbuilding	14.0	4.8	7.7	8.2	9.8	6.4	0.0	3.4	3.3	3.4
Domestic demand	2,970.5	2,747.5	2,702.8	2,897.2	2,864.7	2,950.0	3,089.7	3,299.4	3,497.5	3,696.0
Economic structure (% of GDP at current market prices)										
Household consumption	64.5	65.1	65.0	65.5	65.0	64.3	63.9	63.1	62.5	61.7
Government consumption	19.5	19.1	18.7	18.5	18.9	19.8	20.5	20.8	21.1	21.7
Gross fixed investment	16.9	17.2	17.2	16.9	17.0	17.1	17.2	17.4	17.8	18.2
Stockbuilding	0.5	0.2	0.3	0.3	0.3	0.2	0.0	0.1	0.1	0.1
Exports of goods & services	27.7	28.4	30.4	30.6	31.1	30.3	29.3	29.2	29.1	29.0
Imports of goods & services	29.0	30.1	31.6	32.0	32.4	31.7	30.9	30.5	30.6	30.7
Memorandum item										
National savings ratio (%)	12.5	12.2	14.0	13.3	13.5 ^c	13.0	12.5	12.9	13.5	13.8

^a Actual. ^b Economist Intelligence Unit forecasts. ^c Economist Intelligence Unit estimates.

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

Data summary: Gross domestic product, at constant prices

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March 5th 2020

Gross domestic product, at constant prices

	2015 ^a	2016 ^a	2017 ^a	2018 ^a	2019 ^a	2020 ^b	2021 ^b	2022 ^b	2023 ^b	2024 ^b
Real expenditure on GDP (£ bn at chained 2013 prices)										
GDP	1,957.9	1,995.5	2,033.2	2,060.5	2,089.4	2,106.8	2,125.5	2,165.1	2,202.3	2,238.5
Household consumption	1,253.3	1,299.0	1,327.8	1,348.7	1,366.1	1,365.8	1,373.2	1,386.4	1,404.8	1,425.7
Government consumption	377.9	381.5	382.5	384.2	397.9	412.2	424.6	435.2	445.2	455.5
Gross fixed investment	331.6	343.7	349.3	348.5	349.9	347.4	354.7	364.5	377.8	391.5
Exports of goods & services	552.4	567.5	602.1	609.5	632.2	621.7	607.3	618.9	630.5	643.6
Imports of goods & services	574.6	599.8	620.8	633.2	655.9	648.6	637.6	645.6	661.8	683.4
Stockbuilding (% of GDP)	16.1	3.6	-9.0	-5.5	-4.1	5.0	0.0	2.5	2.4	2.4
Domestic demand	1,978.5	2,027.8	2,051.7	2,079.3	2,111.7	2,133.1	2,154.8	2,191.1	2,232.6	2,277.5
Real expenditure on GDP (% change)										
GDP	2.4	1.9	1.9	1.3	1.4	0.8	0.9	1.9	1.7	1.6
Household consumption	3.0	3.6	2.2	1.6	1.3	0.0	0.5	1.0	1.3	1.5
Government consumption	1.8	1.0	0.3	0.4	3.6	3.6	3.0	2.5	2.3	2.3
Gross fixed investment	3.7	3.6	1.6	-0.2	0.4	-0.7	2.1	2.8	3.6	3.6

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Exports of goods & services	3.8	2.7	6.1	1.2	3.7	-1.6	-2.3	1.9	1.9	2.1
Imports of goods & services	5.4	4.4	3.5	2.0	3.6	-1.1	-1.7	1.3	2.5	3.3
Stockbuilding (% contribution to GDP growth)	-0.3	-0.6	-0.6	0.2	0.1	0.4	-0.2	0.1	0.0	0.0
Domestic demand	2.6	2.5	1.2	1.3	1.6	1.0	1.0	1.7	1.9	2.0
Real contribution to GDP growth (% points)										
Private consumption	1.9	2.3	1.4	1.0	0.8	0.0	0.4	0.6	0.9	0.9
Government consumption	0.3	0.2	0.0	0.1	0.7	0.7	0.6	0.5	0.5	0.5
Gross fixed investment	0.6	0.6	0.3	0.0	0.1	-0.1	0.3	0.5	0.6	0.6
External balance	-0.5	-0.5	0.7	-0.2	0.0	-0.2	-0.2	0.2	-0.2	-0.4
Memorandum items										
Industrial production (% change)	1.0	1.2	1.7	0.8	-1.3	-1.6	-1.7	2.8	2.0	1.7
Real personal disposable income (% change)	5.3	0.4	1.3	2.4	1.8	-1.3	0.7	1.7	2.1	2.6

^a Actual. ^b Economist Intelligence Unit forecasts.

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Data summary: Gross domestic product by sector of origin

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Gross domestic product by sector of origin

	2015 ^a	2016 ^a	2017 ^a	2018 ^a	2019 ^a	2020 ^b	2021 ^b	2022 ^b	2023 ^b	2024 ^b
Origin of GDP (£ bn at chained 2010 prices)										
GDP at factor cost	1,744.2	1,778.1	1,813.5	1,843.5	1,869.0	1,884.6	1,901.3	1,936.7	1,969.9	2,002.4
Agriculture	12.8	12.1	12.8	12.4	12.2	12.0	11.9	12.9	12.9	13.0
Industry	344.0	350.8	362.0	364.0	363.6	360.7	356.4	362.8	366.4	370.8
Services	1,387.5	1,415.2	1,438.7	1,467.1	1,493.2	1,511.9	1,533.0	1,561.1	1,590.6	1,618.6
Origin of GDP (real % change)										
Agriculture	1.0	-5.6	5.8	-3.0	-1.7	-1.0	-1.0	8.0	0.5	0.5
Industry	1.9	2.0	3.2	0.5	-0.1	-0.8	-1.2	1.8	1.0	1.2
Services	2.2	2.0	1.7	2.0	1.8	1.2	1.4	1.8	1.9	1.8
Origin of GDP (% of factor cost GDP)										
Agriculture	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Industry	20.3	19.7	19.7	19.6	19.5	19.2	18.8	18.8	18.6	18.5

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Services	79.0	79.6	79.6	79.7	79.8	80.2	80.6	80.6	80.7	80.8
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Memorandum item

Industrial production (% change)	1.0	1.2	1.7	0.8	-1.3	-1.6	-1.7	2.8	2.0	1.7
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^a Actual. ^b Economist Intelligence Unit forecasts.

Data summary: Growth and productivity

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Growth and productivity

	2015 ^a	2016 ^a	2017 ^a	2018 ^a	2019 ^a	2020 ^b	2021 ^b	2022 ^b	2023 ^b	2024 ^b
Growth and productivity (%)										
Labour productivity growth	0.6	0.4	0.9	0.1	0.3	1.9	0.8	0.9	1.1	1.1
Total factor productivity growth	0.4	0.1	0.4	-0.1	0.0	0.5	0.5	0.6	0.6	0.6
Growth of capital stock	2.3	2.5	2.4	2.0	1.8	1.5	1.6	1.7	2.0	2.2
Growth of potential GDP	1.8	1.7	1.7	1.5	1.6	0.5	1.2	1.6	1.7	1.6
Growth of real GDP	2.4 ^c	1.9 ^c	1.9 ^c	1.3 ^c	1.4 ^c	0.8	0.9	1.9	1.7	1.6
Growth of real GDP per head	1.8 ^c	1.3 ^c	0.5 ^c	0.7	0.8	0.3	0.4	1.4	1.3	1.3

^a Economist Intelligence Unit estimates. ^b Economist Intelligence Unit forecasts. ^c Actual.

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Data summary: Economic structure, income and market size

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Economic structure, income and market size

	2015 ^a	2016 ^a	2017 ^a	2018 ^a	2019 ^b	2020 ^c	2021 ^c	2022 ^c	2023 ^c	2024 ^c
Population, income and market size										
Population (m)	65.4	65.8	66.7	67.1 ^b	67.5	67.9	68.2	68.5	68.8	69.0
GDP (US\$ bn at market exchange rates)	2,930	2,704	2,671	2,864	2,829 ^a	2,909	3,039	3,254	3,447	3,637
GDP per head (US\$ at market exchange rates)	44,804	41,097	40,024	42,659 ^b	41,895	42,851	44,562	47,510	50,125	52,687
Private consumption (US\$ bn)	1,889	1,760	1,736	1,875	1,840 ^a	1,871	1,941	2,053	2,153	2,243
Private consumption per head (US\$)	28,886	26,754	26,021	27,931 ^b	27,240	27,557	28,462	29,965	31,315	32,493
GDP (US\$ bn at PPP)	2,768	2,897	3,037	3,121	3,214 ^a	3,303	3,392	3,486	3,585	3,680
GDP per head (US\$ at PPP)	42,334	44,042	45,516	46,481 ^b	47,596	48,649	49,728	50,894	52,132	53,323
Personal disposable income (£ bn)	1,323	1,346	1,383	1,453	1,498 ^a	1,498	1,529	1,578	1,629	1,685
Personal disposable income (US\$ bn)	2,022	1,824	1,783	1,940	1,913 ^a	1,922	1,996	2,126	2,249	2,367
Growth of real disposable income (%)	5.3	0.4	1.3	2.4	1.8	-1.3	0.7	1.7	2.1	2.6
Memorandum items										
Share of world population (%)	0.89	0.89	0.89	0.89 ^b	0.89	0.88	0.88	0.88	0.88	0.88
Share of world GDP (% at market exchange rates)	3.94	3.59	3.34	3.39	3.28 ^a	3.22	3.19	3.21	3.20	3.20

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Share of world GDP (% at PPP)	2.41	2.41	2.39	2.33	2.28 ^a	2.23	2.18	2.14	2.12	2.12
Share of world exports of goods (%)	2.71	2.58	2.51	2.46	2.57	2.42	2.22	2.20	2.20	2.20

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Data summary: Fiscal indicators

[United Kingdom](#) | [Economy](#) | [Charts and tables](#) | [Fiscal indicators](#)

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Fiscal indicators

	2015 ^a	2016 ^a	2017 ^a	2018 ^a	2019 ^b	2020 ^c	2021 ^c	2022 ^c	2023 ^c	2024 ^c
Fiscal indicators (% of GDP)										
Government expenditure	42.3	41.5	41.1	40.9	41.0	42.1	42.6	42.2	42.1	42.3
Interest ^d	2.3	2.4	2.7	2.4	2.0	1.6	1.1	0.9	0.9	0.8
Non-interest ^d	40.0	39.1	38.5	38.5	39.0	40.6	41.4	41.3	41.3	41.5
Government revenue ^d	37.7	38.2	38.7	38.7	38.9	39.7	39.8	39.6	39.7	39.7
Budget balance ^d	-4.6	-3.3	-2.4	-2.2	-2.1	-2.4	-2.8	-2.5	-2.4	-2.6
Primary balance ^d	-2.3	-0.9	0.2	0.2	0.0	-0.9	-1.6	-1.6	-1.6	-1.8
Government debt ^e	86.9	86.8	86.2	85.7	85.1	85.5	86.1	85.5	85.1	84.7

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts. ^d General government. ^e General government, gross public debt (Maastricht definition). Includes impact of financial sector interventions in Northern Rock, Bradford & Bingley and compensation

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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

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Monetary indicators

	2015 ^a	2016 ^a	2017 ^a	2018 ^a	2019 ^a	2020 ^b	2021 ^b	2022 ^b	2023 ^b	2024 ^b
Monetary indicators										
Exchange rate US\$:£ (av)	1.53	1.35	1.29	1.34	1.28	1.28	1.31	1.35	1.38	1.41
Exchange rate €:£ (av)	1.38	1.22	1.14	1.13	1.14	1.14	1.13	1.12	1.12	1.13
Exchange rate US\$:€ (av)	1.11	1.11	1.13	1.18	1.12	1.13	1.16	1.21	1.24	1.24
Exchange rate €:£ (year-end)	1.35	1.17	1.13	1.12	1.15	1.11	1.12	1.11	1.12	1.14
Real effective exchange rate (av; 2005=100)	113.7	102.4	97.1	98.8	98.3	97.8	97.3	97.3	97.3	98.5
M4 money supply growth (%) ^c	0.6	6.2	4.8	2.3	3.8	4.4	2.6	2.3	3.1	4.1
Domestic credit growth (%)	0.3	4.2	5.4	3.2	4.9	4.6	2.7	1.9	2.8	3.8
Purchasing power parity US\$:£ (av)	1.44	1.45	1.47	1.46	1.45	1.46	1.46	1.44	1.44	1.42
3-month £-Libor rate (av; %)	0.6	0.5	0.4	0.7	0.8	0.6	0.5	0.7	0.8	1.0

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10-year government bond yield (av; %)	1.9	1.3	1.2	1.5	0.9	0.7	0.9	1.1	1.5	1.9
Bank of England base rate (%; end-period)	0.50	0.25	0.50	0.75	0.75	0.25	0.25	0.50	1.00	1.25
Lending rate (%; average mortgage SVR from UK MFIs)	4.5	4.4	4.4	4.3	4.3	4.0	4.0	4.2	4.4	4.5
Deposit rate (av; %)	1.6	1.3	0.9	0.9	0.9	0.8	0.8	1.0	1.3	1.5

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

Data summary: Employment, wages and prices

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Employment, wages and prices

	2015 ^a	2016 ^a	2017 ^a	2018 ^a	2019 ^a	2020 ^b	2021 ^b	2022 ^b	2023 ^b	2024 ^b
The labour market (av)										
Labour force (m)	33.1	33.4	33.5	33.8	34.1	33.9	34.0	34.1	34.3	34.5
Labour force (% change)	0.9	0.9	0.5	0.9	0.8	-0.7	0.3	0.6	0.5	0.4
Employment (m)	31.3	31.7	32.1	32.4	32.8	32.5	32.5	32.8	33.0	33.2
Employment (% change)	1.7	1.5	1.0	1.2	1.1	-1.0	0.1	1.0	0.6	0.5

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Unemployment (m)	1.8	1.6	1.5	1.4	1.3	1.4	1.4	1.3	1.3	1.3
Unemployment rate (%; EU/OECD standardised measure)	5.4	4.9	4.4	4.1	3.8	4.1	4.3	3.9	3.8	3.7
Wage and price inflation (% except labour costs per hour)										
GDP deflator	0.6	2.1	1.9	2.1	1.9	1.5	1.7	1.9	1.7	1.9
Consumer prices (av; CPIH measure)	0.4	1.0	2.6	2.3	1.7	1.3	1.4	1.5	1.6	1.8
Producer prices (av)	-1.7	0.5	3.4	2.9	1.6	1.7	2.6	2.3	2.1	2.1
GDP deflator (av)	0.6	2.1	1.9	2.1	1.9 ^c	1.5	1.7	1.9	1.7	1.9
Private consumption deflator (av)	0.0	1.4	1.4	2.6	1.3 ^c	1.3	1.4	1.5	1.1	0.8
Government consumption deflator (av)	-0.5	1.1	1.1	2.0	1.8 ^c	3.7	3.3	2.5	2.6	4.2
Fixed investment deflator (av)	2.8	2.2	2.2	1.8	3.5 ^c	3.5	1.5	2.0	2.0	2.0
Average nominal wages (av)	2.4	2.4	2.3	3.0	3.4	1.2	1.6	2.5	2.9	3.3
Average real wages (av)	2.0	1.4	-0.3	0.7	1.7	-0.1	0.2	1.0	1.3	1.5
Unit labour costs (£-based; av)	0.4	2.1	2.3	2.9	2.7	0.4	1.3	2.6	2.8	3.2
Unit labour costs (US\$-based)	-6.9	-9.5	-2.6	6.6	-1.8	0.8	3.1	5.9	5.3	5.0
Labour costs per hour (£)	20.8 ^c	21.3 ^c	22.0 ^c	22.7 ^c	23.5 ^c	23.8	24.1	24.8	25.5	26.3
Labour costs per hour (US\$)	31.7 ^c	28.9 ^c	28.4 ^c	30.3 ^c	30.0 ^c	30.5	31.5	33.4	35.2	37.0

^a Actual. ^b Economist Intelligence Unit forecasts. ^c Economist Intelligence Unit estimates.

Data summary: Current account and terms of trade

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Current account and terms of trade

	2015 ^a	2016 ^a	2017 ^a	2018 ^a	2019 ^b	2020 ^c	2021 ^c	2022 ^c	2023 ^c	2024 ^c
Current account (US\$ bn)										
Current-account balance	-143.6	-141.8	-93.0	-110.2	-109.5	-123.9	-144.3	-151.1	-151.8	-161.7
Current-account balance (% of GDP)	-4.9	-5.2	-3.5	-3.8	-3.9	-4.3	-4.7	-4.6	-4.4	-4.4
Goods: exports fob	436.9	402.6	434.8	466.6	474.8	457.1	443.6	471.7	500.4	526.0
Goods: imports fob	-616.6	-583.9	-609.8	-652.4	-640.1	-633.2	-646.5	-682.5	-720.1	-757.4
Trade balance	-179.7	-181.1	-175.1	-185.8	-165.2	-176.1	-203.0	-210.8	-219.6	-231.4
Services: credit	373.0	364.0	376.0	409.2	406.4	415.0	428.7	454.0	480.8	515.6
Services: debit	-233.7	-226.4	-233.3	-263.0	-273.6	-281.3	-294.1	-305.8	-318.3	-329.4
Services balance	139.3	137.6	142.7	146.2	132.8	133.8	134.6	148.2	162.4	186.2
Primary income: credit	207.2	186.4	241.1	291.7	266.0	193.9	161.0	256.7	208.4	226.1
Primary income: debit	-274.0	-252.8	-272.9	-328.1	-309.3	-240.9	-219.2	-326.1	-282.9	-321.4
Primary income balance	-66.8	-66.4	-31.8	-36.4	-43.4	-47.0	-58.2	-69.5	-74.5	-95.3
Secondary income: credit	24.9	22.8	22.7	24.9	24.6	25.3	26.4	28.3	30.0	31.6
Secondary income: debit	-61.1	-55.0	-51.6	-59.0	-58.3	-59.9	-44.2	-47.3	-50.1	-52.9

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Secondary income balance	-36.2	-32.2	-28.9	-34.1	-33.7	-34.6	-17.8	-19.0	-20.2	-21.3
Terms of trade										
Export price index (US\$-based; 2010=100)	95.1	89.0	89.9	96.3	92.3	93.7	97.0	101.5	105.0	107.5
Export prices (% change)	-14.2	-6.5	1.1	7.1	-4.1	1.5	3.6	4.6	3.5	2.4
Import price index (US\$-based; 2010=100)	96.7	88.5	89.6	95.3	90.0	91.3	95.0	99.1	102.2	104.0
Import prices (% change)	-12.9	-8.5	1.2	6.4	-5.6	1.4	4.1	4.3	3.2	1.8
Terms of trade (2010=100)	98.3	100.5	100.4	101.0	102.5	102.6	102.1	102.4	102.8	103.4
Memorandum item										
Export market growth (%)	5.1	4.2	4.8	4.7	3.3	1.9	3.2	3.6	3.4	3.6

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

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Data summary: Foreign direct investment

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Foreign direct investment

	2015 ^a	2016 ^a	2017 ^a	2018 ^a	2019 ^b	2020 ^c	2021 ^c	2022 ^c	2023 ^c	2024 ^c
Foreign direct investment (US\$ bn)										
Inward direct investment	45.3	324.8	121.3	81.2	49.9	9.4	36.7	63.0	79.5	96.1
Inward direct investment (% of GDP)	1.5	12.0	4.5	2.8	1.8	0.3	1.2	1.9	2.3	2.6
Inward direct investment (% of gross fixed investment)	9.1	69.7	26.4	16.8	10.4	1.9	7.0	11.1	12.9	14.5
Outward direct investment	60.2	-33.0	-138.1	-56.4	-43.2	-38.2	-59.7	-65.8	-56.6	-52.5
Net foreign direct investment	105.5	291.8	-16.8	24.8	6.7	-28.8	-22.9	-2.9	22.9	43.6
Stock of foreign direct investment	2,080.0	2,009.0	2,292.0	2,291.0	2,340.9	2,350.2	2,387.0	2,449.9	2,529.4	2,625.5
Stock of foreign direct investment per head (US\$)	31,806	30,537	34,349	34,122	34,664	34,620	34,996	35,766	36,783	38,039
Stock of foreign direct investment (% of GDP)	71.0	74.3	85.8	80.0	82.7	80.8	78.5	75.3	73.4	72.2
Memorandum items										
Share of world inward direct investment flows (%)	1.4	12.5	6.3	12.1	3.5	0.6	2.4	4.0	4.9	5.7
Share of world inward direct investment stock (%)	7.9	7.1	7.6	7.2	6.8	6.6	6.5	6.4	6.4	6.4

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

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

Political structure

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March 5th 2020

Official name

United Kingdom of Great Britain and Northern Ireland

Form of state

Parliamentary monarchy

Legal system

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

National legislature

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

Electoral system

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

Universal direct suffrage from the age of 18

National elections

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

Head of state

Queen Elizabeth II, who acceded to the throne in 1952

National government

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

Main political parties

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

Prime minister: Boris Johnson

Attorney general: Suella Braverman

Chancellor of the exchequer: Rishi Sunak

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Chief secretary to the Treasury: Stephen Barclay

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

Leader of the House of Commons: Jacob Rees-Mogg

Minister for the Cabinet Office: Michael Gove

Party chair and minister without portfolio: Amanda Milling

Parliamentary secretary to the Treasury & chief whip: Mark Spencer

Secretaries of state

Business, energy & industrial strategy: Alok Sharma

Defence: Ben Wallace

Digital, culture, media & sport: Oliver Dowden

Education: Gavin Williamson

Environment, food & rural affairs: George Eustice

Foreign & Commonwealth affairs: Dominic Raab

Health & social care: Matt Hancock

Home Office: Priti Patel

Housing, communities & local government: Robert Jenrick

International development: Anne-Marie Trevelyan

International trade: Liz Truss

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Justice & Lord Chancellor: Robert Buckland

Northern Ireland: Brandon Lewis

Scotland: Alister Jack

Transport: Grant Shapps

Wales: Simon Hart

Work & pensions: Therese Coffey

Central bank governor

Mark Carney

Basic data

[United Kingdom](#) | [Summary](#) | [Basic data](#)

March 5th 2020

Land area

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

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Population

66m (official mid-year estimate, 2017)

Main towns

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

Greater London (capital): 8,825

Birmingham: 1,137

Leeds: 785

Glasgow: 621

Sheffield: 578

Climate

Temperate

Weather in London (altitude 5 metres)

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

Language

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

Measures

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

Currency

Pound (or pound sterling) = 100 pence

Time

GMT (summer time, 1 hour ahead)

Fiscal year

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

Public holidays

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

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

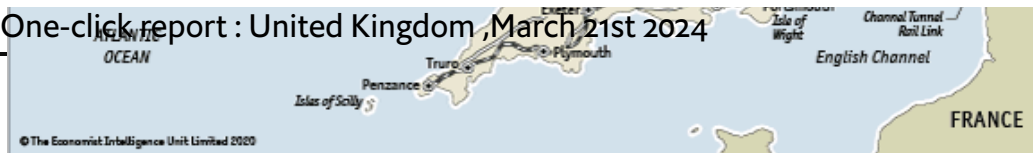
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