



One-click report : United Kingdom

November 16th 2023

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Briefing sheet

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Political and economic outlook

- The UK economy is the sixth largest in the world. Services make up more than 40% of total exports and 80% of GDP. Although the UK is now outside the EU single market and customs union, Europe remains its largest trading partner, and a key investment source.
- EIU expects the ruling Conservative Party to lose the next general election, which we expect to take place in late 2024, ceding power after 14 years to the main opposition Labour Party. We expect Labour's lead in the opinion polls (15-20 percentage points) to shrink in the run-up to the election, but we still believe that it will win a majority.
- In office, we expect Labour to prioritise an overhaul of planning legislation (to accelerate construction permits) and employment law (to address labour shortages), and pursue an industrial policy of spending focused on green infrastructure that provides incentives to local firms (similar in style, if not scale, to the US Inflation Reduction Act).
- GDP growth will remain weak in 2024, reflecting the UK economy's overreliance on private consumption—which will remain affected by the knock-on impact of falling asset prices—as well as the ongoing impact of Brexit on exports. We expect firmer growth in 2025, and a return to trend growth in 2026-28.

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- The 2020 UK-EU trade agreement has caused dissatisfaction in Northern Ireland, despite a new UK-EU framework agreed in 2023 to streamline the border check process. Northern Irish Unionists continue to boycott the local executive, raising political instability.
- The UK is one of seven European countries with a public debt/GDP ratio over 100%. Borrowing costs will remain high amid weak economic growth and elevated interest rates, but the UK benefits from the ability to borrow in sterling and a long debt maturity.
- Relations with the EU would be less fractious under a Labour government. Labour has said that it would seek closer relations with the EU, but it does not advocate rejoining the EU single market or customs union, limiting the degree of trade liberalisation possible.

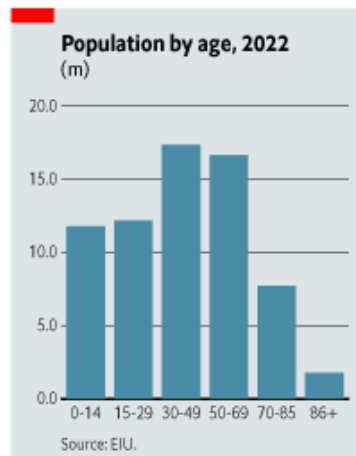
Key indicators

	2023 ^a	2024 ^b	2025 ^b	2026 ^b	2027 ^b	2028 ^b
Real GDP growth (%)	0.4	0.8	1.3	1.5	1.6	1.5
Consumer price inflation (av; %)	6.8	2.4	2.0	2.0	2.0	1.9
Government balance (% of GDP)	-3.7	-3.9	-3.5	-2.9	-2.4	-2.2
Current-account balance (% of GDP)	-3.2	-2.8	-2.9	-3.1	-3.1	-3.4
Short-term interest rate (av; %)	5.0	5.5	4.6	3.7	3.1	3.0
Unemployment rate (%)	3.8	4.4	4.2	4.1	4.1	3.9
Exchange rate £:US\$ (av)	0.81	0.80	0.77	0.76	0.75	0.72

^a EIU estimates. ^b EIU forecasts.

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Market opportunities



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Key changes since October 11th

- On October 19th the Labour Party won two by-elections in seats considered safe for the Conservatives, swinging over 20 percentage points to Labour from the last election. The results are consistent with our view that Labour will win a majority in the next election.
- On November 2nd the Bank of England (BoE, the central bank) kept the policy interest rate on hold at 5.25%, the second consecutive decision to hold rates steady. We continue to expect that the BoE will hold rates at 5.25% until early 2025.

The month ahead

- November 14th—Unemployment (Q3): Unemployment has begun to rise from an all-time low of 3.7% in the third quarter of 2022, reaching 4.3% in May-July 2023. We expect that unemployment will continue to rise modestly in 2024 amid a sluggish economy, averaging 4.4% for the year.
- November 22nd—Autumn fiscal statement: This statement will be the penultimate fiscal statement before the election, meaning the government will attempt to provide tangible relief to households, but will also try to keep borrowing constrained. As a result, we expect the fiscal deficit to expand modestly in 2024, from 3.7% to 3.9% of GDP.

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Major risks to our forecast

Scenarios, Q3 2023	Probability	Impact	Intensity
Prolonged monetary tightening pushes the UK into a recession	High	High	16
Strains on corporate balance sheets from rising interest rates lead to a wave of business failures	High	High	16
Another major cyber-attack strikes the UK	Very high	Moderate	15
Electricity grid infrastructure proves inadequate for energy transition	High	Moderate	12
Labour shortages persist in the medium term	High	Moderate	12

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

Source: EIU.

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Forecast summary

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Forecast summary

(% unless otherwise indicated)

	2023 ^a	2024 ^b	2025 ^b	2026 ^b	2027 ^b	2028 ^b
Real GDP (% change)	0.4	0.8	1.3	1.5	1.6	1.5
Industrial production (% change)	-0.6	1.6	2.0	1.9	1.9	1.9
Unemployment rate (av; EU/OECD harmonised measure)	3.8	4.4	4.2	4.1	4.1	3.9
Consumer price inflation (av; CPIH measure)	6.8	2.4	2.0	2.0	2.0	1.9
3-month £-LIBOR rate (av)	5.0	5.5	4.6	3.7	3.1	3.0
Bank of England base rate (end-period)	5.25	5.25	4.25	3.25	3.00	3.00
Government budget balance (% of GDP) ^c	-3.7	-3.9	-3.5	-2.9	-2.4	-2.2
Exports of goods fob (US\$ bn)	479	478	499	518	558	605
Imports of goods fob (US\$ bn)	-749	-783	-841	-917	-1,018	-1,148
Current-account balance (US\$ bn)	-107.1	-96.1	-107.1	-118.8	-125.4	-145.5
Current-account balance (% of GDP)	-3.2	-2.8	-2.9	-3.1	-3.1	-3.4
Exchange rate US\$:£ (av)	1.24	1.24	1.29	1.31	1.34	1.38
Exchange rate ¥:£ (av)	172.7	155.0	142.9	138.9	140.8	145.0

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Exchange rate €:£ (av)	1.14	1.13	1.12	1.11	1.12	1.15
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^a EIU estimates. ^b EIU forecasts. ^c General government.

Political stability

United Kingdom | Politics | Forecast | Political stability

November 6th 2023

Despite major fractures within the ruling Conservative Party, Rishi Sunak is likely to remain prime minister until the next general election, which EIU expects to be held in late 2024. The Conservative Party trails the centre-left opposition Labour Party in the polls by a significant margin, owing to poor economic performance in recent years, magnified by a series of adverse market reactions to the policies of Mr Sunak’s predecessor, Liz Truss. Even if the economy improves and Mr Sunak manages to boost the Conservatives’ polling slightly before the election, there is deep public discontent about the poor state of public services, which will limit the extent to which the Conservatives will be able to rally public support. We expect Labour to win the next general election, with a small working majority.

Labour is likely to benefit from an initial honeymoon period in office, but may subsequently struggle to govern effectively later in the forecast period if economic conditions do not improve. Another challenge is a lack of consensus about how to address some of the social-values issues prioritised by the Conservatives, such as tackling illegal immigration. There is therefore a significant risk that public frustration with the next government will rise if Labour fails to make headway on economic and social issues.

There are medium-term risks to the union of England, Northern Ireland, Scotland and Wales, but the dissolution of the UK is not our core forecast for 2024-28. The pro-independence Scottish National Party (SNP), which holds the

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largest number of Scottish seats in the UK parliament and the most seats in the devolved Scottish parliament, has been agitating for a new referendum on Scottish independence since the 2016 vote to leave the EU. Both Labour and the Conservatives oppose a referendum, and so the most likely avenue for the SNP to force a referendum would be to demand one as a condition of supporting a government if it holds the balance of power in a hung parliament at Westminster. However, the SNP's support in opinion polls has fallen sharply in the last year, and so we consider a referendum unlikely in the next five years.

Tensions are also high in Northern Ireland, where most goods passing from the rest of the UK are subject to customs checks as part of the Brexit agreement, to avoid creating a hard border between Northern Ireland and the Republic of Ireland. The checks led the largest Unionist party, the Democratic Unionist Party (DUP), to pull out of the power-sharing local executive in September 2021. It refuses to rejoin unless the Northern Ireland protocol governing UK-EU trade in Northern Ireland is changed radically. Constitutionally, this has prevented an executive from being formed. The lack of an executive would normally require a new election after six months, but the government has overridden this provision to prevent further divisions. Northern Ireland is likely to go for an extended period without a government, raising the risk of unrest, and government effectiveness in Northern Ireland will deteriorate.

Election watch

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The next election is likely to be in the autumn of 2024. The prime minister can decide the date of the election unilaterally, with the constraint that parliament must be dissolved within five years of the previous election (December 12th 2019), with an election to follow within 25 days. This makes the latest possible date January 24th

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2025. Elections are usually held in May to coincide with fixed-term local elections. However, given the weak economic outlook and the Conservatives' poor polling, we expect Mr Sunak to try to avoid calling an election for as long as possible (although an election in December or January around the Christmas period would be highly unpopular and will probably be avoided).

Our baseline forecast is that the next election will produce a Labour government. Labour's support is disproportionately concentrated in metropolitan seats, and so the party would need about a 10-point lead to win an overall majority, which it is currently on track to achieve. A spate of recent by-elections have also resulted in Labour overturning double-digit Conservative margins, with significant tactical voting between supporters of Labour and the centrist Liberal Democrats to dislodge the Conservatives from power. Although our baseline forecast is for a Labour majority, a hung parliament is possible if Labour's support ebbs substantially during the campaign period (such large swings have historically taken place, most recently in 2017), or if the Conservatives lose a disproportionate number of seats to the Liberal Democrats. However, a Labour government is still the most likely outcome of a hung parliament, as most smaller parties (including the Liberal Democrats, the Green Party, and Scottish and Welsh nationalist parties) are ideologically more sympathetic to a minority Labour government than a Conservative one.

International relations

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UK policy towards Ukraine and Russia is unlikely to change under the next government. In line with the rest of Europe, the UK will keep sanctions against Russia in place; it will also keep about half of the reserves of the Central Bank of Russia frozen, cutting off some Russian banks from the SWIFT international financial messaging system and

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maintaining a ban on the import of Russian oil. The UK has been the second-largest contributor of military aid to Ukraine in absolute terms (after the US), while also being heavily involved in the training of Ukrainian military personnel and supplying Ukraine with long-range missiles.

UK policy towards the Israel-Hamas war is likely to remain broadly supportive of Israel. However, a Labour government will come under pressure from the UK's large, disproportionately Labour-voting Muslim constituency to be more critical of Israel's tactics in waging war as regards civilian casualties in Gaza.

Uncertainty will persist between the EU and the UK over the UK's departure from the bloc. The EU-UK Trade and Co-operation Agreement (TCA) came into force in 2021, allowing zero-tariff, zero-quota trade between the UK and the EU. However, leaving the single market and customs union has created many non-tariff trade barriers in short-term business travel, recognition of professional qualifications and other areas. The government's resolution of the Northern Ireland issue through the agreement of the Windsor Framework in 2023 has allowed for greater collaboration in other areas—for example, the UK will rejoin the EU's Horizon Europe scientific research funding programme in January 2024. However, there is limited potential for further breakthroughs in this parliament, given significant continued anti-EU sentiment within the Conservative Party, and the length and complexity of any further revisions to the TCA. Labour has said that it will seek a closer relationship with the EU when the TCA comes under review in 2025, but it does not advocate rejoining the EU single market or customs union, limiting the degree of trade liberalisation possible.

Policy trends

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Between now and the election, the government will need to balance providing relief to households facing higher costs and a slowing economy with keeping borrowing costs manageable. Support for households during the period of high inflation, once the worst of the energy price shock abated, has been relatively modest, and the government is likely to use any increased fiscal space to ease some of the recent spending restraint ahead of the next election. Public concerns about the quality of service provision—particularly the National Health Service (NHS, which has seen a deterioration in quality of care and increased waiting times since the pandemic), education and policing—will remain a key factor ahead of the next election. The government will hope to convince the public that it is addressing these concerns. However, given the proximity of the next election and the deep-seated nature of these issues, we do not expect any major improvements under the current government.

Longer-term structural reform to boost the UK's poor productivity growth would be a priority for a Labour government. The party is still putting together its campaign manifesto, but it has identified five key areas that it would prioritise in office: accelerating construction (particularly of homes and infrastructure); a commitment to lower energy bills by lifting renewable-energy capacity; improving public healthcare; reducing crime; and improving educational outcomes. Many of the policies the party has proposed are politically divisive (such as changes to planning laws), while tackling others (education and crime) require long-term efforts and will not consequently yield significant improvements until late in (or after) our forecast period. Moreover, the next government will be severely constrained by elevated borrowing costs, which will necessitate a focus on reducing the large budget deficit and cutting public debt levels. This will militate against large-scale increases in government spending.

Fiscal policy

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We expect the fiscal deficit to widen slightly in 2024 as the government keeps spending elevated ahead of the general election. The government's autumn fiscal statement on November 22nd 2023 and spring budget are likely to be the last major fiscal events before the election, and we expect the government to prioritise providing fiscal support to households facing elevated living costs. Revenue will remain constrained in 2024 by depressed tax revenue due to anaemic growth. Slow productivity growth, rising debt-servicing costs and an ageing population have caused the tax burden to rise as a share of GDP. Labour is likely to come into office on a platform of higher public spending in 2025, and will probably have some limited fiscal space as interest rates begin to come down, but the already high tax burden and still-high borrowing costs will limit the scope of any spending or investment programmes. Labour will also seek to increase business investment, but given revenue constraints it will be difficult to lower corporation tax, and so the government is likely to have to pursue more targeted options. Sustained high interest rates will make consolidating the public finances a priority. We forecast that the budget deficit will shrink to about 2.2% of GDP in 2028 as GDP growth returns to trend. We forecast that public debt will peak at 101.3% of GDP in 2025, before moderating slowly to 99.7% of GDP in 2028.

Monetary policy

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The Bank of England (BoE, the central bank) is likely to keep interest rates stable at 5.25% until early 2025. The BoE paused its tightening cycle in September after raising interest rates 14 consecutive times from 0.1% in December 2021 to 5.25% in July 2023. Given the weak growth outlook and declining inflation, the BoE has signalled that it will undertake a "higher for longer" strategy, keeping rates elevated until inflation declines. The BoE is therefore unlikely to tighten rates further, but will keep them elevated until inflation falls to closer to its 2% threshold. We do not expect a change in monetary policy until early 2025, when we expect still-sluggish growth and subdued inflation to prompt a gradual loosening. We expect the policy rate to fall to 3% by early 2027 and to remain at that level for the remainder of the forecast period.

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Global forecast data

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	2023	2024	2025	2026	2027	2028
Economic growth (%)						
US GDP	2.0	0.8	1.8	2.0	2.0	2.2
Developed economies GDP	1.4	1.1	1.7	1.8	1.8	1.8
EU27 GDP	0.7	1.1	1.9	1.8	1.8	1.7
World GDP	2.3	2.2	2.7	2.7	2.7	2.7
World trade	0.7	2.7	3.4	3.6	3.7	3.7
Inflation indicators (% unless otherwise indicated)						
US CPI	4.1	2.5	2.3	2.3	2.4	2.4
Developed economies CPI	4.5	2.4	2.0	2.0	2.0	2.0
EU27 CPI	6.3	2.9	2.3	2.1	2.0	2.0
Manufactures (measured in US\$)	5.0	3.6	3.7	2.8	2.1	3.2
Oil (Brent; US\$/b)	83.8	84.8	79.8	73.0	67.7	63.9
Non-oil commodities (measured in US\$)	-14.7	-0.6	-0.3	-0.6	0.1	0.2
Financial variables						
US\$ 3-month commercial paper rate (av; %)	5.1	5.2	4.4	3.4	2.6	2.5

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€ 3-month interbank rate (av; %)	3.4	3.8	2.9	1.9	1.8	1.7
US\$:£ (av)	1.24	1.24	1.29	1.31	1.34	1.38
US\$:€ (av)	1.08	1.10	1.16	1.18	1.20	1.20

Economic growth

United Kingdom | Economy | Forecast | Economic growth

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We expect real GDP to grow anaemically in 2024, continuing a weak performance from 2023, with firmer growth likely in 2025-28. The main reason behind the sluggish performance in 2023-24 is weak private consumption and declining exports. The former is being affected by higher costs of staples such as food and energy, and the lagged effect of monetary policy tightening (hampering disposable income through rising mortgage-servicing costs), while the latter is driven by falling demand from key trading partners and depressed competitiveness due to the imposition of new trade barriers with the EU since Brexit. After estimated real GDP growth of 0.4% in 2023, growth will remain weak at only 0.8% in 2024. Although we expect the pace of economic growth to pick up in 2025-28, structural limitations—such as a low investment rate and poor productivity, significant skills gaps, high regional inequalities and trade barriers created by Brexit—weaken the UK’s medium-term growth potential. We expect GDP growth to slowly rebound in the second half of the forecast period as businesses and households readjust, averaging 1.6% in 2026-28.

We expect services to continue to dominate the economy (accounting for about 80% of GDP—a comparatively high share among advanced economies) and for these sectors to grow slightly more rapidly than industry (which accounts

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for about 20% of GDP) and agriculture (less than 1%). Hospitality, business services, retail trade and finance will remain the largest services sectors. Hospitality and trade will remain affected by ongoing (albeit easing) cost-of-living pressures in 2024, but are likely to post firmer growth from 2025. Financial services will remain affected by post-Brexit restrictions on financial services trade with the EU, as well as the impact of higher interest rates. The loss of frictionless access to the EU market is also likely to affect growth in industrial sectors, making UK manufacturing less competitive. There is potential for firmer growth in construction, if stringent planning regulations are reformed under a Labour government, which would facilitate firmer housebuilding activity.

Economic growth

%	2023 ^a	2024 ^b	2025 ^b	2026 ^b	2027 ^b	2028 ^b
GDP	0.4	0.8	1.3	1.5	1.6	1.5
Private consumption	0.7	0.6	1.0	1.5	1.6	1.6
Government consumption	1.0	2.3	1.3	1.8	2.0	2.2
Gross fixed investment	3.9	0.9	1.5	2.6	2.6	2.6
Exports of goods & services	-0.6	1.1	2.2	2.9	4.6	4.5
Imports of goods & services	-2.2	1.3	3.1	3.6	5.2	5.5
Domestic demand	1.0	0.5	1.7	1.7	1.9	1.9
Agriculture	1.3	0.8	0.4	0.7	0.7	0.6
Industry	0.5	0.5	0.9	1.5	1.6	1.6
Services	0.4	0.8	1.4	1.6	1.6	1.5

^a EIU estimates. ^b EIU forecasts.

Inflation

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Although annual inflation continues to edge down, we do not expect it to fall to the BoE's 2% target until the third quarter of 2025. After peaking at 9.6% in October 2022, inflation (CPIH measure) has eased to 6.3% in September, but it is not slowing as rapidly as in many European countries, as food and energy price inflation has been slower to come down than elsewhere. Inflation will moderate slowly and unevenly in the coming months as elevated input costs and a tight, but gradually softening, labour market maintain pressure on prices across other products and services. However, we expect inflation to ease more noticeably in 2024 as weaker underlying conditions depress wage growth and constrain consumer spending, while lower energy prices will also ease pressure on utility rates. We therefore expect that average inflation will slow from an estimated 6.8% in 2023 to 2.7% in 2024. Our baseline forecast is that inflation will average 2% per year in 2025-28.

Exchange rates

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We expect sterling to remain weak against the US dollar on average in 2024, before appreciating gradually in 2025-28; against the euro, we expect sterling to weaken modestly in 2024-26, before appreciating in 2027-28. Sterling's forecast weakness against the dollar in the short term partly reflects our expectation that the dollar will

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remain strong; we expect sterling to hold up slightly better late in 2024 on the assumption that the Federal Reserve (the US central bank) will start easing monetary policy earlier than the BoE. However, in full-year average terms, we still forecast a rate of US\$1.24:£1 in 2024, unchanged from 2023. We expect sterling to appreciate to an annual average of US\$1.38:£1 in 2028. Sterling will weaken against the euro in the first half of the forecast period as UK growth lags the euro area average, but will recover thereafter as UK growth returns to trend, reaching €1.15:£1 in 2028.

External sector

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The UK will continue to run a persistent current-account deficit in 2024-28, as it has done since 1985, as a large merchandise trade deficit offsets a smaller surplus on the services account. Government efforts to foster trading relations with other non-EU markets will fail to offset the loss of the preferential trading terms that the UK enjoyed when it was part of the EU. Exports will contract in 2024 partly as a result. Lower import prices will prevent a sharp widening of the trade deficit in 2024-25, but over the medium term, higher trade barriers will reverse this trend. We expect the current-account deficit to widen slightly from 2.8% of GDP in 2024 to 2.9% of GDP in 2025, and about 3.4% of GDP in 2028.

Country forecast overview: Business environment rankings

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Value of index ^a		Global rank ^b		Regional rank ^c	
2018-22	2023-27	2018-22	2023-27	2018-22	2023-27
7.78	7.69	15	22	9	11

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

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

Business environment at a glance

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Policy towards private enterprise and competition

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2023-24: Policy environment for private enterprise remains broadly favourable, with relatively low levels of regulation.

2025-27: Greater state intervention in utilities and rail under Labour Party government, which is likely to win the 2024 election. New state aid rules are implemented.

Policy towards foreign investment

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

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

Foreign trade and exchange controls

2023-24: Increased trade barriers with EU persist. Resolution of Northern Ireland issue could help to ease supply-chain disruptions. Sanctions imposed on Russian exports remain in place.

2025-27: Continued UK-EU negotiations accelerate under Labour government. New trade agreements with other countries, potentially including India.

Taxes

2023-24: Freezing of most income and inheritance tax rate bands in nominal terms, leading to real terms tax rises. Likely short-term cuts in 2024 in advance of election.

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2025-27: Continued focus on fiscal consolidation; tax rises are likely to fund public spending, investment and social care. Pressure on Labour government to find new sources of revenue.

Financing

2023-24: Commercial lending rates for businesses stabilise in late 2023.

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

The labour market

2023-24: Despite a modest rise in unemployment, the labour market remains tight. Shortages in low-skilled occupations continue. Increased immigration to fill shortage sectors.

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

Infrastructure

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

2025-27: Increased investment with emphasis on boosting competitiveness; potential planning reforms under Labour government; new nuclear reactor to come on stream in 2026.

Technological readiness

2023-24: High e-commerce penetration and strong research base, but spending on research and development (R&D) remains below EU average.

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2025-27: Modest rise in public R&D spending. Continued high threat from cybercrime and cyber-espionage.

Market opportunities: Social indicators and living standards

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Social indicators and living standards

	2022		2027	
	Western Europe (av)		Western Europe (av)	
Health				
Healthcare spending (% of GDP)	12.0	11.2	12.0	11.2
Healthcare spending (US\$ per head)	5,356	5,057	7,430	6,825
Infant mortality rate (per 1,000 live births)	3.8	3.2	3.6	3.0
Physicians (per 1,000 population)	3.2	4.2	3.4	4.4
Food and beverages				
Food, beverages & tobacco (% of household spending)	16.4	17.1	16.2	16.7
Meat consumption (kg per person)	76.7	79.9	74.3	80.5
Milk consumption (litres per person)	242.0	260.0	246.0	265.0

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

Coffee & tea consumption (kg per person)	4.4	6.1	4.7	6.4
Consumer goods in use (per 1,000 population)				
Passenger cars	558	566	545	562
Telephone main lines	472	418	458	407
Mobile phone subscribers	1,190	1,230	1,250	1,260
Television sets	1,219	856	1,380	956
Personal computers	838	841	818	877
Households				
No. of households (m)	27.6	193.0	28.0	200.4
No. of people per household (av)	2.4	2.2	2.5	2.1
Income and income distribution				
Median household income (US\$)	60,320	51,280	81,160	65,080
Average monthly wage (US\$)	4,300	3,810	5,910	5,080
Gini index	35.1 ^a	–	–	–

^a Latest available year.

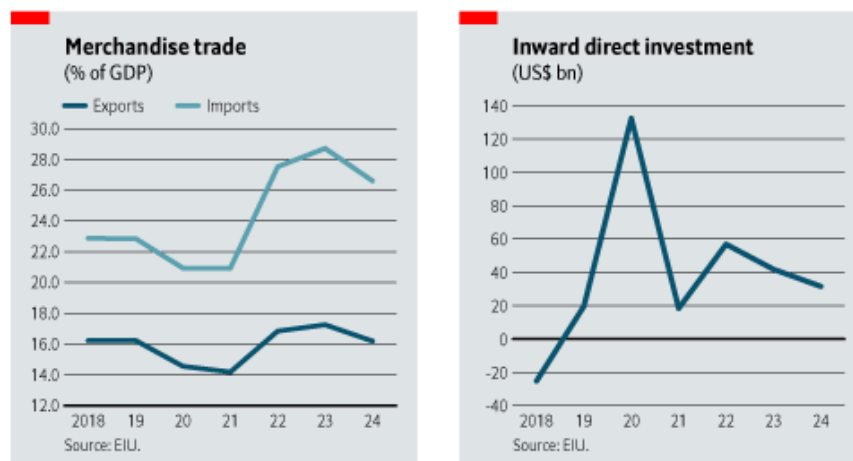
Sources: UN Statistics Division; World Bank; Food and Agriculture Organisation; Euromonitor; World Health Organisation; national statistical offices; International Telecommunication Union; EIU estimates and forecasts.

Global position

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

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

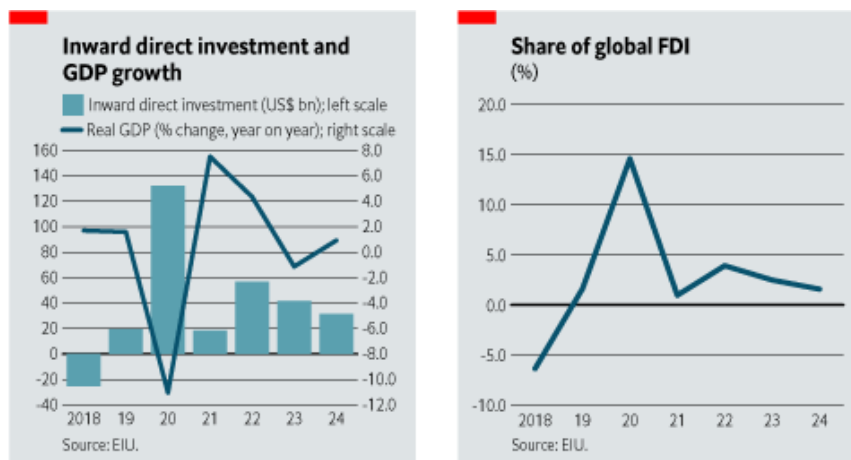
December 1st 2022



The outlook for the UK has become much more uncertain following the 2016 referendum vote to leave the EU. The UK departed the bloc in early 2020, entering a transition period that lasted until the end of that year, during which the UK retained most aspects of EU membership. An EU-UK Trade and Co-operation Agreement (TCA) came into force on January 1st 2021. It provides for zero-tariff, zero-quota trade between the UK and the EU. However, leaving the EU single market and customs union has created a variety of nontariff trade barriers. The TCA also leaves many aspects of the relationship between the UK and the 27-member bloc unsettled. The coronavirus (covid-19) pandemic compounded an already uncertain outlook during 2020 and 2021, as did Russia's invasion of Ukraine in February 2022. Frequent changes at the top of the British government during the second half of 2022, taking place against a backdrop of challenging economic conditions, have disrupted policymaking. Nevertheless, 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

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

significant potential exists for large-scale, long-term investments in the energy, communications and transport sectors.



Regulatory/market assessment

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

December 1st 2022

- In April 2022 the government announced its plans to privatise Channel 4, a state-owned broadcaster. However, the administration of the prime minister, Rishi Sunak, which took office in October 2022, is unlikely to go ahead with the sale. Privatisation would have raised around £1bn.

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- The National Security and Investment Act came fully into force from January 2022. Domestic and foreign investors in 17 sectors now must notify the government in advance of any transaction, regardless of size, that might give rise to UK national security risks. The implicated sectors include defence, energy, transport and communications.
- In April 2022 the government announced a new energy security strategy aimed at producing 95% of the country's electricity from domestic low-carbon sources over the medium term. The strategy looks to increase nuclear capacity from 7 GW to 24 GW by 2050. It also sets a 50-GW target for offshore wind power capacity by 2030, up from 10 GW currently. However, most of the initiatives outlined in the strategy are unfunded or reallocate existing funds.
- With effect from April 1st 2022, the hourly minimum wage stands at £9.50 for those aged 23 and over, £9.18 for those aged 21–22, £6.83 for those aged 18–20 and £4.81 for those aged 16–17. For apprentices, the rate is also £4.81 per hour.
- In April 2022 the government launched a UK Shared Prosperity Fund, with annual spending of £400m in fiscal year 2022/23 (ending March 31st), £700 in 2023/24 and £1.5bn in 2024/25. It replaced the previous EU development funding schemes and focuses on local business and community and skill support.
- Effective from May 2022, the government introduced a levy of 25% on top of existing taxes on the profits of oil-and-gas companies, taking the combined rate to 65%. In November 2022 the government announced a further increase in the levy to 35%, effective from 2023. The levy is in response to rising energy prices amid the war in Ukraine.
- The UK signed free-trade agreements (FTAs) with Australia and New Zealand in December 2021 and February 2022, respectively. The UK is also negotiating an FTA with India, which is likely to be finalised in 2023.

Regulatory/market watch

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

December 1st 2022

- Rishi Sunak, a former chancellor of the exchequer, won the leadership contest to replace Liz Truss as prime minister after her resignation in October 2022. Mr Sunak is focusing his premiership on fiscal consolidation and shoring up the public finances. However, discontent and division within the Conservative Party will limit his ability to push significant policy beyond addressing the immediate energy and fiscal crises.
- Since early 2020, the government has introduced measures to control the spread of the coronavirus (covid-19) pandemic, including three national lockdowns. By February 2022, all restrictions had been largely lifted. About 75% of the UK's population has received a full course of vaccination against the coronavirus.
- The government has announced a series of measures to cushion workers and businesses against surging energy prices amid the Russia-Ukraine war. These include cash transfers, as well as an Energy Price Guarantee that reduces the unit cost of electricity and gas temporarily.
- In June 2022 the government introduced legislation to allow the UK to override parts of the Northern Ireland protocol unilaterally. The EU has offered limited concessions on the implementation of the protocol but has said that it will launch infringement proceedings against the UK if the country reneges on it. EIU does not expect a UK-EU trade war, but this remains a risk.
- The UK has introduced a number of import restrictions on Russian goods following Russia's invasion of Ukraine. These include bans on the import of Russian oil, liquefied natural gas and iron and steel products. The UK has also banned the export of various goods to Russia, including aviation and space-related goods and technology.

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

- In July 2022 a Data Protection and Digital Information Bill, aimed at amending the UK's data-protection framework, was introduced to parliament. However, progress of the bill has been delayed by changes at the top of government, and it was unclear as of end-November 2022 whether the legislation will proceed in its current form.

Long-term outlook: The long-term outlook

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

March 14th 2023

	2023-30	2031-50	2023-50
Population and labour force (% change; annual av)			
Total population	0.31	0.18	0.21
Working-age population	0.15	-0.10	-0.03
Working-age minus total population	-0.16	-0.28	-0.24
Labour force	0.37	0.37	0.37
Growth and productivity (% change; annual av)			
Growth of real GDP per head	1.0	1.3	1.2
Growth of real GDP	1.3	1.5	1.5
Labour productivity growth	1.0	1.2	1.1
Growth of capital stock	2.1	2.6	2.5
Total factor productivity growth	0.6	0.4	0.5

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

Initial conditions: From the early 1990s to 2019, with the exception of the 2008 crisis period, the economic performance of the UK improved relative to that of many regional peers, owing in part to a sharp rise in labour utilisation, with strong employment growth fuelling strong overall expansion. The pace of economic growth began to soften in 2019, and the economy contracted sharply in 2020 amid the coronavirus pandemic. A protracted rebound left the UK 0.4% below its 2019 level at end-2022, the only country among the G7 economies to have failed to recover to pre-pandemic levels. Prospects for 2023 are weak as private consumption is hit by soaring inflation, corporates, having accrued significant debt during the coronavirus pandemic, face rising debt-servicing costs from rising interest rates, and trade frictions from Brexit and supply-chain disruption depress export-oriented industries. Despite securing the Trade and Co-operation Agreement with the EU, the UK's relationship with the bloc remains unsettled. The UK may diverge in some areas of regulation, particularly in technology and life sciences, while non-tariff barriers put UK firms at a competitive disadvantage within the single market.

The UK's prospects for growth in the medium term will be highly dependent on government policy formulation in response to these challenges. Both major parties have signalled a willingness to pursue a more interventionist strategy in the economy and provide more public investment, in an effort to address the UK's regional inequality and weak productivity growth. The current government has increased its threshold for borrowing for investment from 2% of GDP to 3%, established a national infrastructure bank in addition to the pre-existing British Business Bank, and invested £800m (US\$1bn) into the Advanced Research and Invention Agency (ARIA), a "blue skies," fund to support innovative research.

The UK's structural advantages have traditionally included a comparatively low regulatory burden, a flexible labour market and a business environment that is conducive to foreign investment, which EIU expects to persist. On the negative side, factors that tend to constrain the UK's long-term outlook include an over-reliance on wealth effects generated by the volatile financial and real estate sectors, high levels of private-sector debt and a deficit in "intermediate" labour market skills, which are skewed by significant geographical inequalities. These have

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

contributed to the development of an unbalanced economy. Levels of productivity in the UK, in terms of output per hour worked, lag well behind those in the US, Germany and France. This weak trend is worrying and will weigh on medium- and long-term growth if not reversed, as well as playing an increasing role in policy debates.

Demographic trends: The working-age population is forecast to rise gradually over the long-term horizon, and the share of the population aged 65 or over will continue to increase. We forecast that by 2050 those aged 65 or older will account for 26% of the population (up from 18.8% in 2021). The share of the working-age population peaked at 66% in 2008-09, and we forecast a steady decline to 59% by 2050. The labour force participation rate stands at nearly 80%—higher than the OECD average. We expect migration to continue to provide a key source of population and human capital growth. Most countries that operate skills-based immigration systems adjust their requirements periodically, a trend that we expect the UK to follow.

The EU is set to remain a key export destination

External conditions: The UK is a highly trade-dependent economy, and thus its departure from the world's largest trading bloc will have implications for its long-term prospects. Despite the UK leaving the single market, the EU is likely to remain the UK's most important export destination, particularly for goods trade, given its proximity and the volume of existing trade. Although the UK's departure from the EU will allow the UK to negotiate trade deals with third countries, the total estimated value of trade deals under negotiation will not make up for the loss of access to the EU market. The importance of the EU market means that some degree of re-liberalisation of trade is likely, particularly under a Labour government from late 2024, but rejoining the single market or customs union remains politically unlikely owing to the unwillingness of politicians to revisit the divisive Brexit issue, particularly around immigration.

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

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

globally.

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

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

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

forecast that real GDP will grow by an annual average of 1.3% in 2023-30, largely owing to the recession and slow recovery in 2023-24 and stabilise at 1.5% in 2031-50.

Income and market size

	2022	2030	2050
Income and market size			
Population (m)	67.5	69.2	71.7
GDP (US\$ bn at market exchange rates)	3,071.3	4,798.2	9,515.4
GDP per head (US\$ at market exchange rates)	45,490	69,360	132,740
Private consumption (US\$ bn)	1,933.0	3,031.9	5,679.4
Private consumption per head (US\$)	28,630	43,830	79,230
GDP (US\$ bn at PPP)	3,697.4	4,878.7	9,802.6
GDP per head (US\$ at PPP)	54,770	70,530	136,740
Exports of goods & services (US\$ bn)	1,006.4	1,601.4	5,362.4
Imports of goods & services (US\$ bn)	1,111.1	1,693.3	5,570.6
Memorandum items			
GDP per head (at PPP; index, US=100)	73.0	72.5	76.6
Share of world population (%)	0.9	0.8	0.8
Share of world GDP (% at market exchange rates)	3.1	3.2	2.3
Share of world GDP (% at PPP)	2.3	2.1	1.7
Share of world exports of goods & services (%)	3.2	3.6	3.9

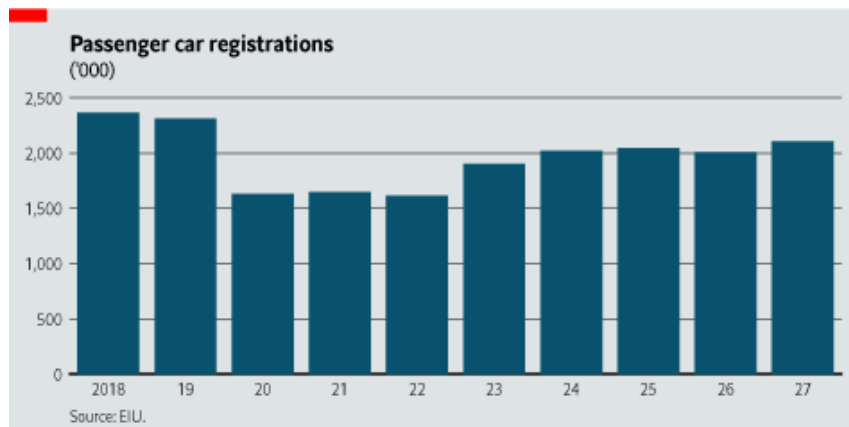
Automotive

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

October 18th 2023

- The UK's automotive industry is facing structural decline. It is an integral part of the manufacturing sector, accounting for 10% of goods exports, but vehicle production has fallen significantly since 2016 and prospects are unfavourable, despite recently expanded investment plans. This reflects various factors: the UK's gradual relative economic decline and deteriorating competitiveness over the past decade; the damaging effects of Brexit on trade openness and investor sentiment; global overcapacity and production implications of the transition to electric vehicles (EVs); supply-chain disruption from the pandemic and the Russia-Ukraine war; and the lacklustre and short-term approach by the government to industrial policy, against fierce competition and increasing state-funded intervention across the global automotive industry.
- In 2022 the UK was the world's 17th-largest vehicle producer and the sixth largest in Europe, according to the International Organisation of Motor Vehicle Manufacturers (OICA). Since 2017 annual vehicle output has declined for six consecutive years—production in 2022 of about 876,600 units was the lowest in more than 40 years and down from 1.8m units in 2016. Easing global supply frictions will drive a modest expansion in 2023, but no significant recovery is expected over EIU's five-year forecast period to 2027. There is a risk that one or more of the UK's five mass vehicle producers (all foreign-owned) will relocate operations abroad.

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



- The new-car market has also weakened significantly, with annual sales falling in five of the past six years. New registrations in 2022, at 1.61m units, were the lowest since 1992, according to the Society of Motor Manufacturers and Traders (SMMT), down from a peak of 2.7m in 2016 and an annual average of 2.3m in 2010-19. Improved supply chains and recovering vehicle stocks are driving a countercyclical upturn in sales in 2023 as manufacturers fulfil outstanding orders (mostly fleet) that built up over the pandemic. We expect annual new-car registrations to rise by 18% to 1.9m units in full-year 2023.
- Looking beyond this partial correction, the outlook for the economy is weak, amid materially higher living costs and interest rates, a rising tax burden, weak income gains and ongoing damage from Brexit. Unemployment is low, and moderating price pressures from 2024 will stabilise conditions to some extent, but economic activity, income growth and sentiment will remain subdued, with little expectation of a strong revival in new-car demand. From a weak 2022 base, we forecast a compound annual growth rate (CAGR) of 5.5% in 2023-27, with annual new-car sales remaining below their 2010-19 levels.

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

- The share of chargeable EVs will rise gradually (from 22.8% of new-car sales in 2022), spurred by a new Zero Emission Vehicle Mandate from 2024 stipulating annual EV sales targets for manufacturers. However, growth of new EVs has been slowing, and affordability issues and limitations of charging infrastructure will continue to restrain uptake among private buyers. The UK is the only major European market not to offer subsidies for private EV buyers, after scrapping its grant scheme in 2022.
- The UK left the EU single market and customs union in 2021, having agreed a limited Trade and Co-operation Agreement (TCA) with the bloc. This allowed for quota-free trade but still represented a "hard Brexit", imposing significant trade frictions with its main trading partner and disrupting integrated supply chains. EU-UK relations are improving gradually as economic realities force a more conciliatory UK stance, but Brexit has structurally weakened the UK's trade links and reduced its appeal as an investment location. "Rules of origin" requirements under the TCA could result in a 10% tariff being imposed on UK-EU trade in EVs from 2024, but both parties have reason to seek a deferral.
- The UK has five mass vehicle producers (all foreign-owned), which have used the country primarily as an export base to the EU. Challenges posed by Brexit are amplified by a more unstable geopolitical environment and fierce global competition to attract EV-related investment, amid a ramping-up of state-led subsidies around the world. Since 2022 approved new investments appear to have safeguarded the near-term future of the main UK plants operated by Vauxhall (owned by Dutch-based Stellantis), Jaguar Land Rover (JLR, owned by Tata of India), Nissan (Japan) and Mini (BMW, Germany), but concerns will persist over medium-term prospects amid sector-wide structural changes and with the UK lagging most peer countries in developing large-scale battery-production facilities (gigafactories). Nissan will open the UK's first gigafactory in 2024, followed by a JLR plant from 2026, but no other projects are planned.

Consumer goods

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

November 16th 2023

- The UK has a large consumer and retail sector. Household spending accounts for about two-thirds of annual GDP, similar to the US and the biggest share of all major European economies. The grocery retail sector is saturated, highly consolidated and competitive. Retail is an important economic contributor, comprising about 5% of GDP and employing 2.9m people. The food and drink industry is the single largest manufacturing sector, accounting for 1.4% of GDP.
- Household income per head is comparatively high, although this masks large income inequality across the population. Low-income households, which tend to have a high marginal propensity to consume, are poorer than in most west European countries. Economy-wide average real wages have stagnated since the mid-2000s. This has contributed to a gradual deterioration in living standards, which is likely to continue throughout the five-year forecast period (2024-28).
- Retail sales volumes have weakened considerably from a mid-2021 peak (down by 3% in 2022). This partly reflects a shift in consumer spending patterns from retail goods to services since the lifting of pandemic restrictions, but is mainly attributable to a severe squeeze on real purchasing power from high inflation, rising taxes and sharply increased food prices, energy costs and interest rates.
- Inflationary pressures are gradually moderating gradually, but the negative pass-through effects of higher interest rates on strained household finances are becoming more evident. Indicators of economic activity, labour demand and consumer sentiment have all deteriorated in recent months. Prospects for recovery in retail spending and the wider economy in 2024 appear weak. Disinflationary trends and modest real-wage gains will boost purchasing

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

power, but cost-of-living pressures will persist and unemployment will rise. Interest rates and relative prices of essentials will be materially higher than levels over the past decade, constraining scope for discretionary spending. We forecast average retail volume growth of 0.8s% in 2024-28.

- The UK will remain Europe's largest online retail market. After strong growth in 2020-21, online sales have slowed, with their share of total retail expected to decline in 2023 as well. We forecast a return to growth in 2024, with the online share of nominal retail sales rising gradually to more than 27% by 2028. Online grocery retail penetration is more extensive than in most peer countries, limiting scope for expansion. Demand for lower-priced products in the near term will encourage offline shopping, but evolving partnerships between major grocers and "quick commerce" delivery start-ups will sustain modest growth.
- The UK left the EU single market and customs union on January 1st 2021, after finalising a limited Trade and Co-operation Agreement (TCA) with the EU. The "hard Brexit" has led to significant new non-tariff barriers, trade frictions and regulatory compliance issues. Strained EU-UK relations will improve gradually as economic realities force a more conciliatory UK stance (partly evident since late 2022), but Brexit will remain a drag on economic activity, trade and living standards in 2024-28. Lower external competitiveness could spur a modest rise in low-productivity domestic food production, but the fisheries sector and the export-focused food and drink industry will lose market share.
- To avoid border checks on the island of Ireland, the UK and the EU agreed (under the TCA) for Northern Ireland to remain in the EU's single market for most goods, creating an implied customs border between Northern Ireland and the rest of the UK. This led to inevitable political and business tensions. In early 2023 the UK and the EU agreed the Windsor Framework, reducing the checks and regulatory requirements for goods moving between Northern Ireland and Great Britain.

Retail sales

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

	2019 ^a	2020 ^b	2021 ^b	2022 ^b	2023 ^b	2024 ^c	2025 ^c	2026 ^c	2027 ^c	2028 ^c
Retail sales (£ bn)	425.1	433.7	450.7	471.1	486.1	502.9	522.3	534.6	549.2	562.2
Retail sales (US\$ bn)	543.0	556.7	620.2	583.0	602.5	611.1	649.9	688.3	734.6	784.3
Retail sales, volume growth (%)	2.4	1.0	1.4	-3.1	-3.4	0.6	1.6	0.4	0.8	0.5
Retail sales, US\$ value growth (%)	-0.4	2.5	11.4	-6.0	3.4	1.4	6.4	5.9	6.7	6.8
Non-food retail sales (US\$ bn)	295.2	295.4 ^a	334.7	315.8	324.4	327.8	348.6	367.9	391.5	416.1
Food retail sales (US\$ bn)	247.7	261.3	285.4	267.1	278.1	283.3	301.3	320.5	343.1	368.2
Consumer price inflation (av; %)	1.7	1.0 ^a	2.5 ^a	7.9 ^a	6.8	2.9	2.3	1.9	1.9	1.9

^a Actual. ^b EIU estimates. ^c EIU forecasts.

Sources: Edge by Ascential; EIU.

Energy

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September 20th 2023

- Since becoming leader of the Conservative Party and prime minister in October 2022, Rishi Sunak has reinstated the UK's de facto ban on fracking (which had been lifted by his predecessor, Liz Truss) and ended a moratorium on new onshore wind projects. Mr Sunak aims to be a champion of the energy transition, but his government has approved a new coal mine in Cumbria, the first to be approved in three decades, and aims to grant hundreds of new oil and gas licences in the coming years.

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

- EIU expects total energy consumption in the UK to decline in 2023, pulled down by elevated energy prices and slowing economic growth. Over our forecast period (2023-32) energy demand will continue to fall as energy efficiency gains completely offset rising demand driven by economic growth. We forecast that real GDP will grow at an annual rate of 1.4% in that period.
- We expect oil consumption to contract in 2023, pulled down by high crude and refined-product prices. We forecast that the decline will continue in 2023-32, mainly owing to the electrification of transport and efficiency gains in new internal-combustion vehicles. It is our view that oil demand in the UK will never return to pre-pandemic levels.
- We expect natural gas consumption to continue to decline in 2023 as demand is pulled down by slowing economic growth and lower supply. We forecast that demand will fall every year over our forecast period as consumption in the industrial, residential and power generation sectors declines.
- Although the decline in coal consumption may be softened in the short term by less use of natural gas in the power generation sector, we expect coal demand to contract in 2023 and in every year of our forecast period. The decline will be particularly sharp in 2025, owing to the planned phase-out of coal use in power generation by end-2024.
- We expect the share of fossil fuels in total energy demand to decline from 78% in 2022 to 69% in 2032. Natural gas will continue to be the main energy source in the UK over our forecast period.
- Owing to a sharp increase in wind and solar power, we forecast that the share of non-hydro renewables (without considering biomass) in power generation will rise from 28% in 2022 to 51% in 2032.

Energy: key indicators

	2021 ^a	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b	2032 ^b
GDP (US\$ bn at market exchange rates)	3,124	3,083	3,330	3,724	3,970	4,182	4,361	5,227
Real GDP (% change, year on year)	7.6	4.1	0.3	0.7	1.4	1.5	1.6	1.7

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

Population (m)	67.3	67.5	67.7	68.0	68.2	68.4	68.6	69.5
Population (% change, year on year)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2
Gross domestic energy consumption (ktoe)	164,591 ^c	157,738 ^c	154,046	149,780	145,862	143,484	143,514	136,805
Gross domestic energy consumption (% change, year on year)	6.9 ^c	-4.2 ^c	-2.3	-2.8	-2.6	-1.6	0.0	-1.1

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

^a Actual. ^b EIU forecasts. ^c EIU estimates.

Sources: EIU; © OECD/IEA 2023 IEA statistics, www.iea.org/data-and-statistics, licence: www.iea.org/t&c.

Financial services

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

October 13th 2023

- The UK has one of the world's best-developed financial industries. The coronavirus pandemic delivered a short, sharp to the sector. Managing the country's departure from the EU may prove to be a greater challenge; it is likely to require a long-term shift in trading relationships and may contribute to an ongoing shrinking of the sector. The country's financial firms are likely to continue to face difficult conditions in late 2023 and 2024 as the economy barely grows and inflation remains high. Rising interest rates are set to boost banks' profits but cause difficulties for some borrowers, particularly in the housing market, and smother demand for credit.
- 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

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

alternative investment—plays a significant role in the economy. In 2022 it accounted for 9% of gross value added, down from 9.7% at its peak in 2009, according to the Office for National Statistics (ONS). In 2022 it employed 1.17m people, or 3.2% of the total workforce, down from 3.7% in 2009. The industry makes a substantial contribution to the balance of payments and tax revenue.

- EIU forecasts that UK real GDP will grow by just 0.4% in 2023 (down sharply from 4.4% in 2022 and 8.7% in 2021), reflecting the country's overreliance on private consumption (which has been heavily affected by falling real wages) to drive growth, as well as the negative effect of Brexit on export competitiveness. We forecast average annual growth of 1.3% in 2024-27.
- Rishi Sunak became prime minister in October 2022, following the resignations of Boris Johnson and Liz Truss earlier in the year. Mr Sunak has sought to rebuild confidence through a return to more conventional economic policies. The next general election must be held by late January 2025.
- The UK left the EU on January 31st 2020, and a transition period ended on December 31st 2020. An EU-UK free-trade agreement in December 2020 did not include financial services, but the parties agreed to and implemented some temporary arrangements to reduce disruption to financial markets. The UK granted a designation of regulatory equivalence for many EU financial firms, allowing them to continue to operate in the country. However, the EU did not reciprocate for UK financial firms, except for derivatives clearing houses.
- The government is emphasising the benefits of being able to determine its own priorities for the financial sector. It has begun to reform regulations governing UK markets, starting with changes to stockmarket listing rules. The Financial Services and Markets Act 2023, which opens the way to replacing elements of retained EU law applying to the sector, received royal assent in June.
- The Bank of England (BoE, the central bank) raised interest rates by 25 basis points to 5.25% in August 2023, a cumulative 5.15-percentage-point rise since December 2021. However, it left rates unchanged in September

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following a slowing of the annual inflation rate to 6.7% in August. Our baseline forecast is that the bank will increase rates once more, by 25 basis points, either in November or December. Rates are then likely to remain on hold throughout 2024, before easing in 2025.

- We expect London to retain its status as one of the world's main financial centres, especially in the trading of foreign exchange and derivatives, but a loss of influence and post-Brexit restrictions on financial services trade with the EU are inevitable. Financial firms in the UK must come to terms with the loss of "passporting" (the right of UK-regulated companies to do business in the EU and vice versa).
- Financial services companies previously serving the EU from the UK will continue to relocate some of their operations and staff to within the bloc. Although outflows of employees (and related tax revenue) from the UK have so far been modest, this trend is likely to continue as competing hubs, including Amsterdam (Netherlands), Frankfurt (Germany) and Paris (France) gradually grow in size and influence. European policymakers will strive to attract major financial functions away from London.

Healthcare

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

September 25th 2023

Overview

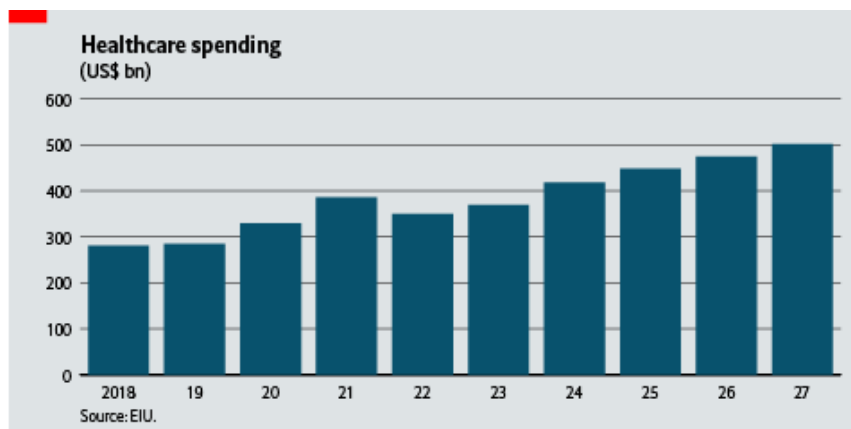
- Even with the covid-19 pandemic subsiding, a backlog of non-covid care, coupled with the impact of Brexit and high inflation, has put immense pressure on the UK's National Health Service (NHS). Tensions have resulted in a

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series of strikes over pay by ambulance staff, nurses and, most recently, junior doctors and consultants. Although the government has reached a settlement with some unions representing NHS staff, several others are still on strike, citing unsatisfactory pay rises. EIU does not expect this unrest to die down quickly.

- In 2021 the UK spent 12.4% of its GDP on healthcare expenditure, according to the latest OECD data. We estimate that this share dropped to 11.4% in 2022. We forecast an 11.1% share in 2023 as real GDP growth slows to just 0.3%. Despite steady nominal growth in healthcare spending in local-currency terms in 2023, we expect health expenditure in real terms to fall by 2.3%, following a larger drop in 2022.
- We expect spending to return to real-terms growth in 2024. Over our five-year forecast period (2023-27), we expect health spending to rise at a compound annual growth rate (CAGR) of almost 4.6% in local-currency terms (7.5% in US dollar terms). However, with inflation high, real growth in healthcare spending will average just 1.5% a year. We also expect growth in government expenditure on healthcare to outpace private spending growth in the forecast period. Pharmaceutical sales will expand at a CAGR of 4.9% in local-currency terms in 2023-27, reflecting efforts to hold down prices.
- Rishi Sunak, the Conservative Party leader, took office as prime minister in October 2022, replacing Liz Truss. He appointed Steve Barclay as his new health minister. Mr Sunak's predecessor had reaffirmed a pre-pandemic funding deal that promised to increase spending (excluding emergency covid-19 funds) by £33.9bn (US\$41bn) per year until financial year 2023/24 (April 6th-April 5th). In addition, the government has promised £14.1bn over two years to help the NHS to reduce its record waiting lists for treatment.

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- However, high inflation is eroding the value of this funding package. The government also reversed a new levy that was intended to raise health and social care funding by £12bn a year, in part to pay for elderly care. The levy would have increased national insurance payments for all working adults by 1.25 percentage points and another 1.25 points for employers. This was cancelled with effect from November 2022.

Funding sources

- Healthcare provision in the UK is dominated by the NHS, which is financed primarily via general taxation. NHS care is free at the point of delivery, but fixed charges are levied (in England) for most prescription medicines and dental care, with certain exemptions. These fixed charges or co-payments are generally lower in Wales, Scotland and Northern Ireland.
- Public expenditure (including compulsory contributions) accounted for 83% of health spending in 2021, according to the OECD, well above the OECD average. The government's share in UK health spending dipped to 81.5% in

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2022, according to provisional OECD data, primarily owing to the scaling-back of covid-19 funding for tests and vaccines. We expect this share to rise slightly over the forecast period, reaching 82% by 2027.

Healthcare expenditure

	2018 ^a	2019 ^a	2020 ^a	2021 ^b	2022 ^b	2023 ^c	2024 ^c	2025 ^c	2026 ^c	2027 ^c
Healthcare spending (US\$ bn)	280.4	284.8	329.3	386.4	349.9	369.2	417.8	448.6	474.5	501.9
Healthcare spending (£ bn)	209.9	222.9	256.5	280.8	282.8	295.0	313.7	328.0	338.9	354.1
Healthcare spending (% of GDP)	9.7	10.0	12.2	12.4	11.4	11.1	11.2	11.3	11.3	11.5

Spending by source

Public/compulsory spending (US\$ bn)	222.4	225.8	273.6	320.9	285.3	300.1	341.6	367.8	388.8	411.4
Public/compulsory spending (% of total)	79.3	79.3	83.1	83.0	81.5	81.3	81.7	82.0	81.9	82.0
Government schemes (% of public spending)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Social security funds (% of public spending)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private healthcare spending (US\$ bn)	58.0	59.0	55.8	65.6	64.6	69.1	76.3	80.7	85.7	90.5
Private healthcare spending (% of total)	20.7	20.7	16.9	17.0	18.5	18.7	18.3	18.0	18.1	18.0
Out of pocket (% of private spending)	75.0	75.7	75.3	74.7	75.4	73.1	73.2	73.2	73.1	73.1
Voluntary insurance (% of private spending)	25.0	24.4	24.7	25.3	24.6	26.9	26.8	26.8	26.9	26.9
External healthcare spending (US\$ bn)	0.0	0.0	0.0	0.0	0.0 ^c	0.0	0.0	0.0	0.0	0.0

^a Actual. ^b EIU estimates. ^c EIU forecasts.

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

- Most NHS funding and commissioning occurs under separate frameworks in the four UK nations, with variations in policies. About 86% of funding goes to NHS England, with Scotland, Wales and Northern Ireland sharing the

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rest under a formula (the Barnett formula) related to population size.

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

Private health insurance

- Voluntary (or private) spending on healthcare accounted for 17% of the UK's total health expenditure in 2021, marginally up on 2020, when such spending represented the smallest share since 1996, according to the OECD. In contrast, up until 2019 the share of voluntary spending on healthcare had been gradually rising as a share of overall health expenditure. The share rose to 18.5% in 2022, according to provisional data, but will fall back again in the forecast period, remaining below pre-pandemic levels.
- Out-of-pocket (OOP) spending accounted for 12.7% of total health spending in 2021, down from 15.7% in 2019. We expect OOP expenditure to drop gradually and stay at 13.2% in 2025-27.
- The private health insurance market remained broadly flat in the years preceding the pandemic, reflecting the dominance of the NHS. In 2020 private spending on private acute medical care in hospitals and clinics shrank as the private sector provided resources to the NHS (at cost). This was followed by a strong rebound in 2021 and 2022 as private contractors helped the NHS to reduce the backlog of non-covid care.
- The leading independent healthcare group is Bupa, with 3.1m UK customers as at end-2022. It was boosted by an agreement between Bupa UK and a friendly society, CS Healthcare, to transfer the latter's 17,500 members in January 2021.

Telecommunications

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November 14th 2023

- Mobile telephony makes up the majority of telecoms connections in the UK. The mobile penetration rate has levelled off in recent years amid a saturated market. EIU expects a moderate rise over the forecast period (2024-28), to a rate of 126.8%.
- In 2022 there were 41.5 broadband subscriptions per 100 people, with internet user penetration at an estimated 97.7% of the population. We forecast a rise to 99.9% by 2028.
- In March and April 2023 the government launched three proposals. The first was to make the UK a global science and technology superpower by 2030 by encouraging investment in three transformational technologies: artificial intelligence (AI), quantum computing and engineering biology. The second focused on offering a different version of data protection from that of the EU. The third was the Digital Markets, Competition and Consumers Bill, a piece of legislation looking at tech competition. The UK is light touch when it comes to regulation, to favour innovation, but is strict on competition.
- The UK is ahead of many European countries in 5G deployment, owing largely to a clear policy. The country's largest mobile operators have all launched 5G services, although speed remains below expectations. Operators are focusing on boosting revenue from industrial usage of 5G.

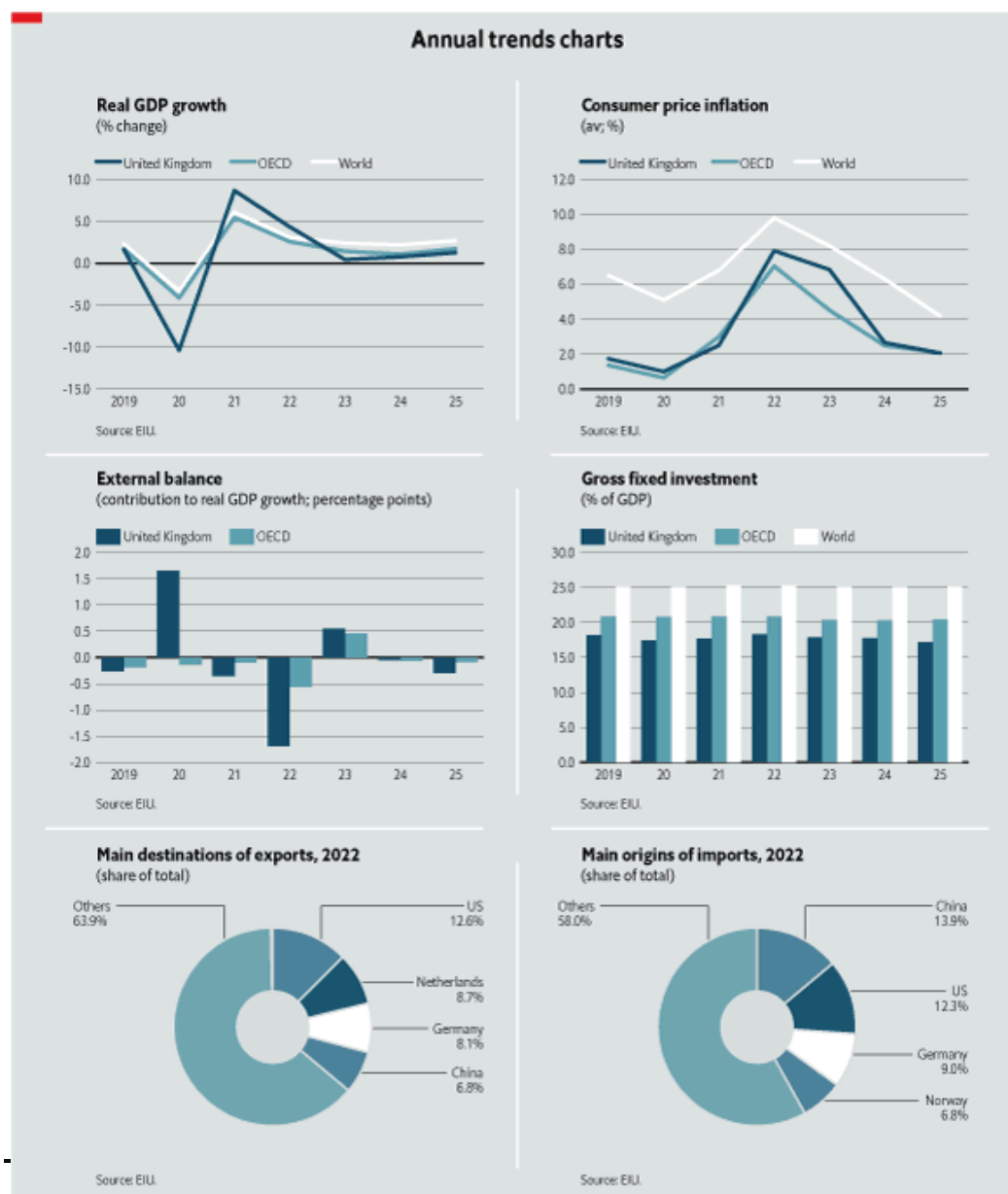
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Data and charts: Annual trends charts

[United Kingdom](#) | [Economy](#) | [Charts and tables](#) | [Annual trends charts](#)

November 6th 2023

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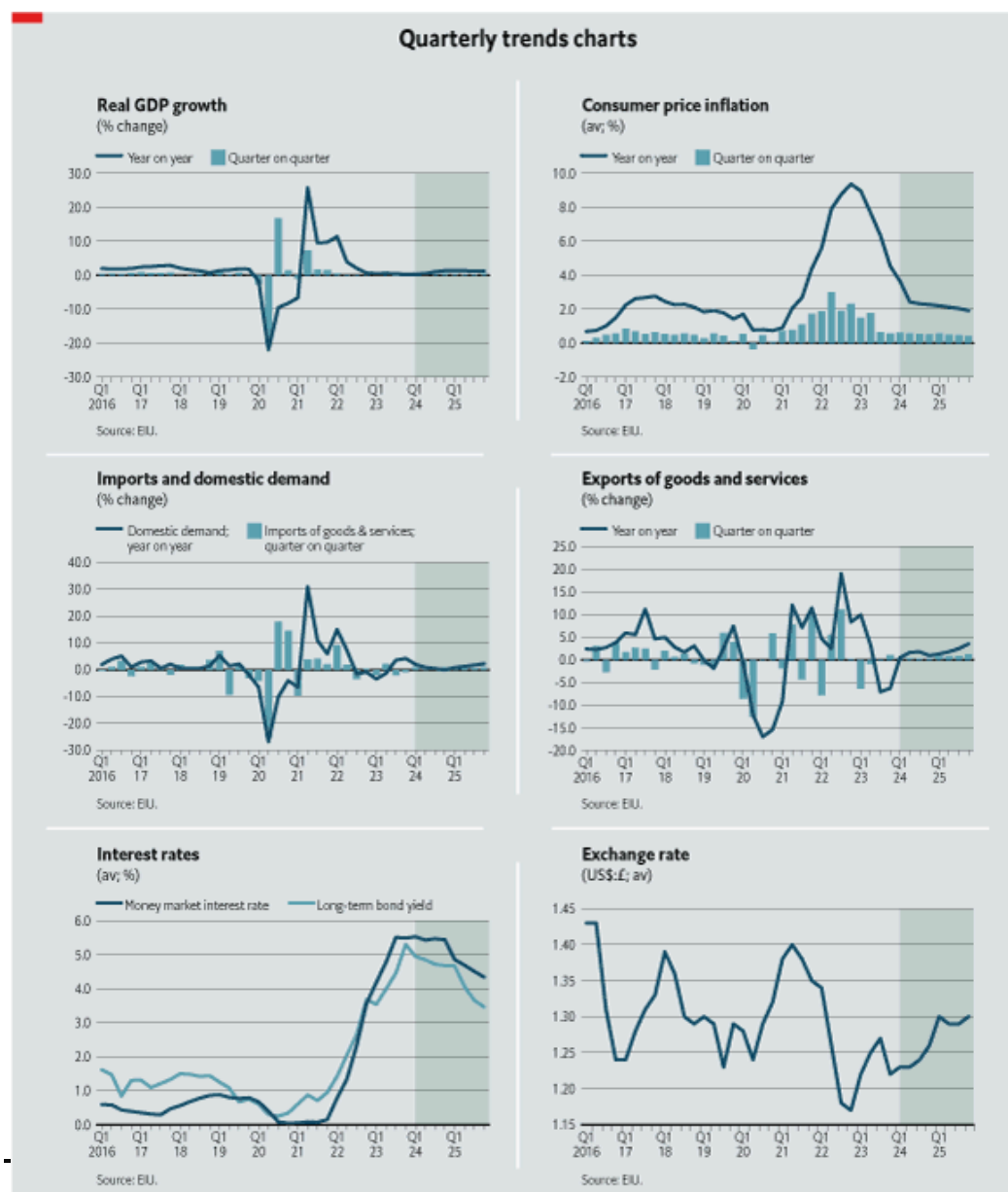
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Data and charts: Quarterly trends charts

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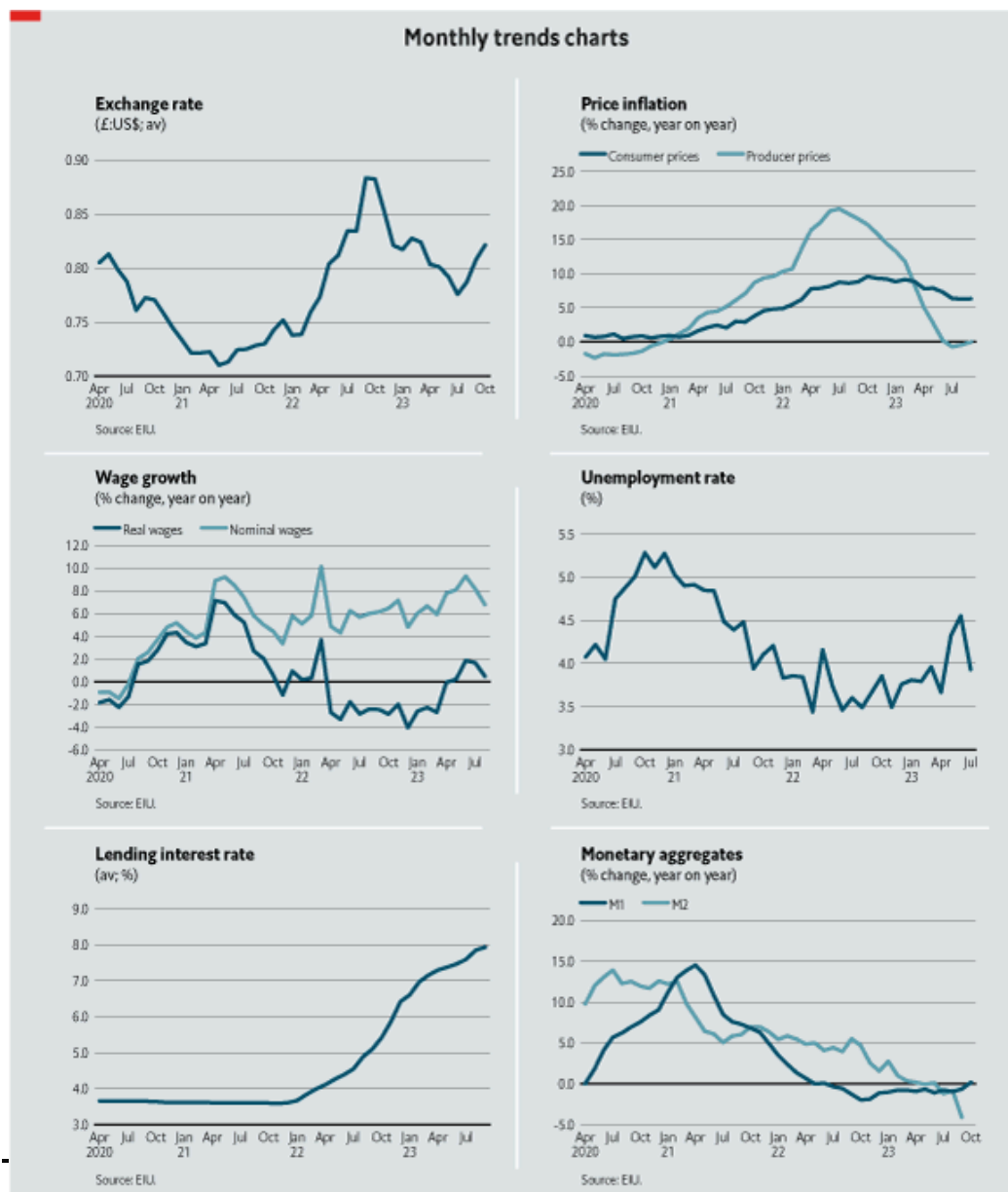
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Data and charts: Monthly trends charts

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Data summary: Gross domestic product, current market prices

[United Kingdom](#) | [Economy](#) | [Charts and tables](#) | [GDP at current market prices](#)

September 18th 2023

Gross domestic product, at current market prices

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b
Expenditure on GDP (£ bn at current market prices)										
GDP	2,157.4	2,238.3	2,109.6	2,270.2	2,491.2	2,660.2	2,796.1	2,903.3	2,987.3	3,076.4
Private consumption	1,401.5	1,440.0	1,262.9	1,375.6	1,566.8	1,678.6	1,742.1	1,800.7	1,861.3	1,929.3
Government consumption	398.4	425.6	475.1	508.2	524.5	574.3	608.2	637.0	667.1	698.7
Gross fixed investment	386.1	403.4	365.9	393.5	452.0	467.8	480.0	481.2	493.8	506.5
Exports of goods & services	673.9	699.7	616.8	654.3	815.2	809.6	815.6	849.4	880.2	916.1
Imports of goods & services	706.9	735.8	609.2	682.3	901.8	867.1	847.3	868.1	919.1	976.2
Stockbuilding	4.4	5.5	-1.8	21.7	15.5	-3.0	-2.5	3.0	4.0	2.0
Domestic demand	2,190.4	2,274.5	2,102.0	2,298.9	2,558.9	2,717.6	2,827.8	2,921.9	3,026.2	3,136.5
Expenditure on GDP (US\$ bn at current market prices)										
GDP	2,881.7	2,859.2	2,708.1	3,124.0	3,082.6	3,329.5	3,724.3	3,970.2	4,182.2	4,360.8
Private consumption	1,872.0	1,839.4	1,621.2	1,892.9	1,938.7	2,100.9	2,320.4	2,462.5	2,605.8	2,734.7
Government consumption	532.1	543.6	609.9	699.3	649.0	718.8	810.1	871.1	934.0	990.4

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Gross fixed investment	515.8	515.2	469.7	541.5	559.3	585.5	639.4	658.1	691.3	718.0
Exports of goods & services	900.1	893.7	791.8	900.3	1,008.7	1,013.3	1,086.3	1,161.6	1,232.3	1,298.6
Imports of goods & services	944.2	939.9	782.1	938.9	1,115.9	1,085.2	1,128.6	1,187.1	1,286.8	1,383.7
Stockbuilding	5.9	7.0	-2.4	29.8	19.2	-3.8	-3.3	4.1	5.6	2.8
Domestic demand	2,925.8	2,905.3	2,698.4	3,163.5	3,166.3	3,401.4	3,766.5	3,995.7	4,236.7	4,446.0
Economic structure (% of GDP at current market prices)										
Household consumption	65.0	64.3	59.9	60.6	62.9	63.1	62.3	62.0	62.3	62.7
Government consumption	18.5	19.0	22.5	22.4	21.1	21.6	21.8	21.9	22.3	22.7
Gross fixed investment	17.9	18.0	17.3	17.3	18.1	17.6	17.2	16.6	16.5	16.5
Stockbuilding	0.2	0.2	-0.1	1.0	0.6	-0.1	-0.1	0.1	0.1	0.1
Exports of goods & services	31.2	31.3	29.2	28.8	32.7	30.4	29.2	29.3	29.5	29.8
Imports of goods & services	32.8	32.9	28.9	30.1	36.2	32.6	30.3	29.9	30.8	31.7
Memorandum item										
National savings ratio (%)	14.0	15.4	14.0	16.8	14.8	14.7	14.7	14.2	13.8	13.6

^a Actual. ^b EIU forecasts.

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

Data summary: Gross domestic product, at constant prices

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September 18th 2023

Gross domestic product, at constant prices

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b
Real expenditure on GDP (£ bn at 2019 prices)										
GDP	2,203.0	2,238.3	1,991.4	2,142.7	2,230.6	2,238.1	2,254.6	2,287.1	2,320.7	2,357.1
Household consumption	1,424.9	1,440.0	1,250.1	1,328.1	1,404.5	1,413.2	1,427.5	1,449.4	1,473.1	1,502.9
Government consumption	408.6	425.6	394.5	443.9	452.0	459.2	469.3	477.3	485.9	494.7
Gross fixed investment	396.0	403.4	361.0	383.0	415.8	428.2	432.9	443.7	455.3	467.1
Exports of goods & services	687.9	699.7	615.1	628.9	691.1	670.9	676.9	695.7	713.6	731.5
Imports of goods & services	717.1	735.8	617.7	656.0	743.2	715.0	734.2	766.7	793.9	825.1
Stockbuilding (% of GDP)	1.3	2.6	-11.4	8.9	14.4	-3.0	-2.5	3.0	2.0	1.5
Domestic demand	2,233.9	2,274.4	1,993.8	2,170.1	2,267.6	2,291.1	2,314.4	2,363.8	2,405.2	2,455.7
Real expenditure on GDP (% change)										
GDP	1.7	1.6	-11.0	7.6	4.1	0.3	0.7	1.4	1.5	1.6
Household consumption	2.5	1.1	-13.2	6.2	5.7	0.6	1.0	1.5	1.6	2.0
Government consumption	0.3	4.1	-7.3	12.5	1.8	1.6	2.2	1.7	1.8	1.8
Gross fixed investment	-0.2	1.9	-10.5	6.1	8.6	3.0	1.1	2.5	2.6	2.6

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Exports of goods & services	3.1	1.7	-12.1	2.2	9.9	-2.9	0.9	2.8	2.6	2.5
Imports of goods & services	3.3	2.6	-16.0	6.2	13.3	-3.8	2.7	4.4	3.5	3.9
Stockbuilding (% contribution to GDP growth)	-0.5	0.1	-0.6	1.0	0.3	-0.8	0.0	0.2	0.0	0.0
Domestic demand	1.2	1.8	-12.3	8.8	4.5	1.0	1.0	2.1	1.7	2.1
Real contribution to GDP growth (% points)										
Private consumption	1.6	0.7	-8.5	3.9	3.6	0.4	0.6	1.0	1.0	1.3
Government consumption	0.1	0.8	-1.4	2.5	0.4	0.3	0.5	0.4	0.4	0.4
Gross fixed investment	0.0	0.3	-1.9	1.1	1.5	0.6	0.2	0.5	0.5	0.5
External balance	-0.1	-0.3	1.5	-1.2	-1.2	0.4	-0.6	-0.6	-0.4	-0.6
Memorandum items										
Industrial production (% change)	3.3	2.3	1.3	7.3	-2.8	-0.2	1.6	2.0	1.9	1.9
Real personal disposable income (% change)	2.4	2.1	-1.3	1.2	-1.2	-1.6	0.5	1.4	1.5	1.8

^a Actual. ^b EIU forecasts.

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

Data summary: Gross domestic product by sector of origin

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September 18th 2023

Gross domestic product by sector of origin

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b
Origin of GDP (£ bn at constant 2018 prices)										
GDP at factor cost	1,966.3	2,000.2	1,788.7	1,921.4	2,003.6	2,010.3	2,025.1	2,054.4	2,084.5	2,117.2
Agriculture	11.6	13.5	13.1	13.8	14.3	13.3	13.4	13.6	13.8	14.0
Industry	387.3	395.4	381.8	416.0	415.4	402.3	404.8	409.1	412.3	421.7
Services	1,567.5	1,591.2	1,393.8	1,491.6	1,573.9	1,594.7	1,606.8	1,631.7	1,658.4	1,681.5
Origin of GDP (real % change)										
Agriculture	-12.5	16.9	-3.5	5.8	3.5	-6.9	0.8	1.4	1.5	1.6
Industry	1.8	2.1	-3.4	8.9	-0.1	-3.2	0.6	1.0	0.8	2.3
Services	1.7	1.5	-12.4	7.0	5.5	1.3	0.8	1.5	1.6	1.4
Origin of GDP (% of factor cost GDP)										
Agriculture	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Industry	19.7	19.8	21.3	21.7	20.7	20.0	20.0	19.9	19.8	19.9

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

Services	79.7	79.6	77.9	77.6	78.6	79.3	79.3	79.4	79.6	79.4
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Memorandum item

Industrial production (% change)	3.3	2.3	1.3	7.3	-2.8	-0.2	1.6	2.0	1.9	1.9
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^a Actual. ^b EIU forecasts.

Data summary: Growth and productivity

[United Kingdom](#) | [Economy](#) | [Charts and tables](#) | [Growth and productivity](#)

September 18th 2023

Growth and productivity

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b
Growth and productivity (%)										
Labour productivity growth	0.5	0.5	-10.2	7.9	3.0	0.2	0.4	0.8	1.1	1.2
Total factor productivity growth	0.0	0.0	-10.7	7.3	-1.0	-0.1	0.3	0.8	0.9	1.0
Growth of capital stock	2.6	2.5	0.7	1.4	2.3	2.4	2.2	2.3	2.3	2.3
Growth of potential GDP	1.8	1.6	-1.3	1.1	1.2	1.1	1.2	1.8	1.9	2.0
Growth of real GDP	1.7 ^c	1.6 ^c	-11.0 ^c	7.6 ^c	4.1 ^c	0.3	0.7	1.4	1.5	1.6
Growth of real GDP per head	1.1 ^c	1.1 ^c	-11.4 ^c	7.2 ^c	3.8 ^c	0.0	0.4	1.1	1.1	1.3

^a EIU estimates. ^b EIU forecasts. ^c Actual.

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

Data summary: Economic structure, income and market size

[United Kingdom](#) | [Economy](#) | [Charts and tables](#) | [Economic structure, income and market size](#)

September 18th 2023

Economic structure, income and market size

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b
Population, income and market size										
Population (m)	66.4	66.8	67.1	67.3	67.5	67.7	68.0	68.2	68.4	68.6
GDP (US\$ bn at market exchange rates)	2,882	2,859	2,708	3,124	3,083	3,330	3,724	3,970	4,182	4,361
GDP per head (US\$ at market exchange rates)	43,377	42,816	40,384	46,433	45,661	49,154	54,800	58,231	61,149	63,568
Private consumption (US\$ bn)	1,872	1,839	1,621	1,893	1,939	2,101	2,320	2,462	2,606	2,735
Private consumption per head (US\$)	28,179	27,545	24,175	28,134	28,718	31,016	34,142	36,117	38,099	39,865
GDP (US\$ bn at PPP)	3,140	3,290	2,965	3,334	3,713	3,882	3,985	4,128	4,272	4,434
GDP per head (US\$ at PPP)	47,264	49,264	44,215	49,548	55,005	57,312	58,637	60,539	62,460	64,640
Personal disposable income (£ bn)	1,409	1,462	1,458	1,513	1,610	1,688	1,742	1,799	1,857	1,921
Personal disposable income (US\$ bn)	1,882	1,868	1,872	2,081	1,992	2,112	2,321	2,460	2,600	2,723
Growth of real disposable income (%)	2.4	2.1	-1.3	1.2	-1.2 ^c	-1.6	0.5	1.4	1.5	1.8
Memorandum items										
Share of world population (%)	0.88	0.88	0.87	0.87	0.86	0.87	0.87	0.87	0.85	0.84
Share of world GDP (% at market exchange rates)	3.37	3.30	3.21	3.27	3.11	3.18	3.35	3.36	3.35	3.32

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

Share of world GDP (% at PPP)	2.45	2.44	2.23	2.28	2.30	2.24	2.20	2.16	2.13	2.09
Share of world exports of goods (%)	2.46	2.52	2.31	2.06	2.11	1.95	1.90	1.93	1.96	2.00

^a Actual. ^b EIU forecasts. ^c EIU estimates.

Data summary: Fiscal indicators

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

September 18th 2023

Fiscal indicators

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b
Fiscal indicators (% of GDP)										
Government expenditure	37.3	37.1	48.8	45.4	43.4	43.3	43.4	42.7	42.8	42.9
Interest ^c	2.5	2.2	2.0	2.8	4.3	5.2	6.8	7.2	6.7	6.0
Non-interest ^c	34.8	35.0	46.9	42.6	39.1	38.1	36.6	35.5	36.1	36.9
Government revenue ^c	35.4	35.1	35.7	37.3	38.9	39.2	39.1	39.1	39.5	39.8
Budget balance ^c	-1.9	-2.0	-13.2	-8.1	-4.5	-4.2	-4.3	-3.6	-3.3	-3.1
Primary balance ^c	0.5	0.2	-11.2	-5.3	-0.2	1.0	2.5	3.6	3.4	2.9
Government debt ^d	86.1	85.5	105.6	105.9	101.0	101.4	101.4	100.9	100.4	99.6

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

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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

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b
Monetary indicators										
Exchange rate US\$:£ (av)	1.34	1.28	1.28	1.38	1.24	1.25	1.33	1.37	1.40	1.42
Exchange rate €:£ (av)	1.13	1.14	1.12	1.16	1.17	1.14	1.17	1.17	1.19	1.19
Exchange rate US\$:€ (av)	1.18	1.12	1.14	1.18	1.05	1.10	1.14	1.17	1.18	1.20
Exchange rate €:£ (year-end)	1.11	1.18	1.11	1.19	1.13	1.13	1.17	1.18	1.19	1.18
Real effective exchange rate (av; 2010=100)	99.0	98.6	98.8	102.6	101.2	103.0	106.9	107.6	108.6	108.8
M4 money supply growth (%) ^c	2.3	3.8	12.6	6.4	1.6	0.4	6.5	4.6	3.7	3.6
Domestic credit growth (%)	3.2	4.9	3.1	1.7	1.0	-1.5	4.6	2.8	3.0	4.3
Purchasing power parity US\$:£ (av)	1.46	1.47	1.41	1.47	1.49	1.46	1.43	1.42	1.43	1.44
3-month £-Libor rate (av; %)	0.7	0.8	0.3	0.1	2.0	5.0	5.7	4.9	4.1	3.5

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10-year government bond yield (av; %)	1.5	0.9	0.4	0.8	2.4	4.9	4.9	3.5	3.0	2.9
Bank of England base rate (%; end-period)	0.75	0.75	0.10	0.25	3.50	5.75	5.75	5.00	4.00	3.50
Lending rate (%; average mortgage SVR from UK MFIs)	4.3	4.3	3.8	3.6	4.7	7.6	8.0	7.4	6.2	5.2
Deposit rate (av; %)	0.9	0.9	0.4	0.2	2.1	5.1	5.9	5.3	4.2	3.3

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

Data summary: Employment, wages and prices

[United Kingdom](#) | [Economy](#) | [Charts and tables](#) | [Employment, wages and prices](#)

September 18th 2023

Employment, wages and prices

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b
The labour market (av)										
Labour force (m)	33.8	34.1	34.1	33.9	34.0	34.2	34.3	34.4	34.5	34.6
Labour force (% change)	0.9	0.8	-0.1	-0.4	0.2	0.5	0.3	0.4	0.3	0.3
Employment (m)	32.4	32.8	32.5	32.4	32.7	32.8	32.9	33.1	33.2	33.3
Employment (% change)	1.2	1.1	-0.9	-0.3	1.0	0.1	0.3	0.6	0.4	0.4

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Unemployment (m)	1.4	1.3	1.6	1.5	1.3	1.4	1.4	1.3	1.3	1.2
Unemployment rate (%; EU/OECD standardised measure)	4.1	3.8	4.6	4.5	3.7	4.1	4.0	3.8	3.7	3.6
Wage and price inflation (% except labour costs per hour)										
GDP deflator	1.7	2.1	5.9	0.0	5.4	6.4	4.3	2.4	1.4	1.4
Consumer prices (av; CPIH measure)	2.3	1.7	1.0	2.5	7.9	6.8	2.6	2.0	1.9	1.9
Producer prices (av)	3.4	1.4	-1.0	5.2	16.0	2.4	-0.2	2.0	2.0	2.0
GDP deflator (av)	1.7	2.1	5.9	0.0	5.4	6.4	4.3	2.4	1.4	1.4
Private consumption deflator (av)	1.7	1.7	1.0	2.5	7.7	6.5	2.7	1.8	1.7	1.6
Government consumption deflator (av)	2.3	2.6	20.4	-5.0	1.4	7.8	3.6	3.0	2.9	2.9
Fixed investment deflator (av)	2.3	2.5	1.4	1.4	5.8	0.5	1.5	-2.2	0.0	0.0
Average nominal wages (av)	2.9	3.4	1.8	5.9	6.1	5.6	3.5	3.0	3.1	3.1
Average real wages (av)	0.6	1.7	0.8	3.3	-1.7	-1.1	0.8	1.0	1.2	1.2
Unit labour costs (£-based; av)	2.7	3.0	12.9	-1.5	3.3	6.4	3.0	2.2	2.5	2.4
Unit labour costs (US\$-based)	6.4	-1.5	13.4	5.6	-7.1	7.6	9.6	4.9	5.0	3.7
Labour costs per hour (£)	22.7 ^c	23.5 ^c	23.9 ^c	25.3 ^c	26.8 ^c	28.3	29.3	30.2	31.2	32.1
Labour costs per hour (US\$)	30.3 ^c	30.0 ^c	30.7 ^c	34.8 ^c	33.2 ^c	35.5	39.1	41.3	43.6	45.5

^a Actual. ^b EIU forecasts. ^c EIU estimates.

Data summary: Current account and terms of trade

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

[United Kingdom](#) | [Economy](#) | [Charts and tables](#) | [Current account and terms of trade](#)

September 18th 2023

Current account and terms of trade

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b
Current account (US\$ bn)										
Current-account balance	-116.9	-80.7	-87.7	-47.0	-121.4	-91.9	-89.6	-97.5	-120.4	-129.7
Current-account balance (% of GDP)	-4.1	-2.8	-3.2	-1.5	-3.9	-2.8	-2.4	-2.5	-2.9	-3.0
Goods: exports fob	467.7	464.2	394.4	444.8	508.3	466.8	480.9	515.4	552.1	591.9
Goods: imports fob	-658.9	-653.7	-567.2	-677.4	-796.9	-712.0	-713.9	-746.5	-821.4	-885.2
Trade balance	-191.3	-189.4	-172.9	-232.5	-288.5	-245.2	-233.0	-231.1	-269.3	-293.4
Services: credit	431.3	428.9	397.2	454.4	493.1	525.5	572.5	610.8	641.8	671.1
Services: debit	-284.0	-285.6	-216.3	-260.3	-316.0	-336.2	-368.1	-401.5	-432.2	-465.2
Services balance	147.3	143.3	180.9	194.1	177.1	189.2	204.4	209.3	209.7	205.9
Primary income: credit	292.3	291.5	176.1	293.6	350.3	498.0	505.1	549.9	586.3	610.1
Primary income: debit	-331.5	-292.4	-236.8	-277.5	-333.7	-504.4	-532.0	-588.1	-612.3	-620.9
Primary income balance	-39.2	-0.9	-60.7	16.1	16.6	-6.4	-26.8	-38.2	-26.0	-10.9
Secondary income: credit	45.9	35.4	34.7	38.5	37.2	39.6	41.1	40.4	42.5	44.3
Secondary income: debit	-79.8	-69.0	-70.3	-63.1	-64.0	-69.1	-75.2	-77.9	-77.3	-75.7

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Secondary income balance	-33.9	-33.6	-35.6	-24.6	-26.8	-29.5	-34.1	-37.6	-34.8	-31.4
Terms of trade										
Export price index (US\$-based; 2010=100)	96.5	92.3	89.9	109.7	118.4 ^c	116.1	119.5	123.5	126.6	129.6
Export prices (% change)	7.3	-4.3	-2.7	22.1	7.9 ^c	-2.0	3.0	3.3	2.5	2.4
Import price index (US\$-based; 2010=100)	95.4	89.6	86.4	93.6	109.1 ^c	106.6	104.1	102.9	107.9	111.8
Import prices (% change)	6.5	-6.0	-3.6	8.3	16.6 ^c	-2.3	-2.3	-1.1	4.8	3.6
Terms of trade (2010=100)	101.2	103.0	104.0	117.3	108.5 ^c	108.9	114.8	120.0	117.3	115.9
Memorandum item										
Export market growth (%)	4.4	1.2	-4.7	10.2	6.4	0.5	2.9	2.7	2.9	3.0

^a Actual. ^b EIU forecasts. ^c EIU estimates.

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Data summary: Foreign direct investment

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Foreign direct investment

	2018 ^a	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^b	2025 ^b	2026 ^b	2027 ^b
Foreign direct investment (US\$ bn)										
Inward FDI flows	-25.2	19.7	132.4	6.0	44.1	45.4	99.0	98.3	128.1	112.4
Inward FDI flows (% of GDP)	-0.9	0.7	4.9	0.2	1.4	1.4	2.7	2.5	3.1	2.6
Inward FDI flows (% of gross fixed investment)	-4.9	3.8	28.2	1.1	7.9	7.7	15.5	14.9	18.5	15.7
Outward FDI flows	28.7	21.5	4.4	-160.9	-158.9	-164.6	-163.0	-176.7	-202.3	-208.5
Net FDI flows	3.5	41.2	136.8	-154.9	-114.8	-119.2	-64.0	-78.4	-74.2	-96.1
Stock of inward FDI flows	2,226.0	2,317.0	2,548.0	2,562.0	2,606.1	2,651.5	2,750.4	2,848.7	2,976.8	3,089.2
Stock of inward FDI flows per head (US\$)	33,507	34,697	37,996	38,079	38,604	39,144	40,471	41,782	43,524	45,031
Stock of inward FDI flows (% of GDP)	77.2	81.0	94.1	82.0	84.5	79.6	73.9	71.8	71.2	70.8
Memorandum items										
Share of world inward FDI flows (%)	-6.3	1.6	11.0	0.4	3.0	2.9	6.2	5.9	7.4	6.2
Share of world inward FDI stock (%)	6.9	6.8	7.6	6.9	6.4	6.1	6.2	6.1	6.1	6.1

^a Actual. ^b EIU forecasts.

Political structure

[United Kingdom](#) | [Summary](#) | [Political structure](#)

November 6th 2023

Official name

United Kingdom of Great Britain and Northern Ireland

Form of state

Parliamentary monarchy

Legal system

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

National legislature

Bicameral; the House of Commons (the lower house of parliament) has 650 members directly elected on a first-past-the-post basis; the House of Lords (the upper house, with about 775 members) was reformed in 1999, when most hereditary peers lost their seats

Electoral system

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

Universal direct suffrage from the age of 18

National elections

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

Head of state

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

National government

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

Main political parties

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

The government

Prime minister: Rishi Sunak

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Chancellor of the Duchy of Lancaster (and deputy prime minister): Oliver Dowden

Chancellor of the exchequer: Jeremy Hunt

Leader of the House of Commons: Penny Mordaunt

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

Parliamentary secretary to the Treasury & chief whip: Simon Hart

Party chair & minister without portfolio: Greg Hands

Secretaries of state

Business & trade, women & equalities: Kemi Badenoch

Culture, Media and Sport: Lucy Frazer

Defence: Grant Shapps

Education: Gillian Keegan

Energy security & net zero: Claire Coutinho

Environment, food & rural affairs: Thérèse Coffey

Foreign, commonwealth & development: James Cleverly

Health & social care: Steve Barclay

Home Office: Suella Braverman

Justice & Lord Chancellor: Alex Chalk

Levelling up, housing & communities: Michael Gove

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Northern Ireland: Chris Heaton-Harris

Science, innovation & technology: Michelle Donelan

Scotland: Alister Jack

Transport: Mark Harper

Wales: David Davies

Work & pensions: Mel Stride

Central bank governor

Andrew Bailey

Basic data

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

November 6th 2023

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

67m (official mid-year estimate, 2021)

Main urban areas

Population in '000 (official mid-year estimates, 2021)

Greater London (capital): 8,797

West Midlands (Birmingham): 2,916

Greater Manchester: 2,868

West Yorkshire (Leeds): 2,350

Merseyside (Liverpool): 1,423

Climate

Temperate

Weather in London (altitude 5 metres)

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

Language

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

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 (one hour ahead in summer)

Fiscal year

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

Public holidays

January 2nd (New Year's Day observed), April 7th (Good Friday), April 10th (Easter Monday), May 1st (Early May Bank Holiday), May 8th (Coronation of King Charles III), May 29th (Late May Bank Holiday), August 28th (Summer Bank Holiday), December 25th and 26th (Christmas Day and Boxing Day)

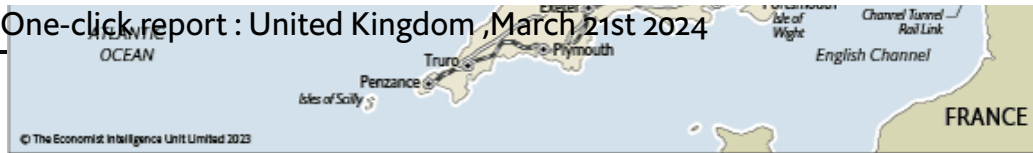
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