ECONOMIST INTELLIGENCE EIU Viewpoint

One-click report : United Kingdom

January 15th 2021

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One-click report : United Kingdom

Briefing sheet

United Kingdom | Summary | Briefing sheet

January 13th 2021

Political and economic outlook

- The December 2019 election gave the government of Boris Johnson, the prime minister, a secure majority and a strong mandate to pursue an interventionist economic policy. The Economist Intelligence Unit expects the coronavirus crisis to reinforce this orientation.
- The UK left the EU single market and customs union on January 1st 2021, following the agreement of the EU-UK Trade and Co-operation Agreement (TCA) on December 24th.
- The TCA leaves many aspects of the UK-EU relationship unsettled. It creates significant non-tariff barriers, and defers decisions on issues including data and financial services. We expect the relationship to continue to evolve.
- Measures to contain the coronavirus outbreak disrupted economic activity in 2020, leading to an estimated real GDP decline of 11.4%.
- A second wave of the virus, combined with lingering Brexit disruption, will lead to a double-dip recession in the fourth quarter of 2020 and the first quarter of 2021.
- From the spring of 2021 we expect the economy to rebound as a vaccine rollout allows economic activity to resume. We expect real GDP to return to pre-crisis levels in 2023.

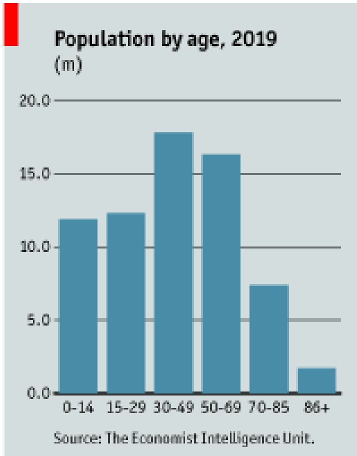
- The Treasury has put in place wide-ranging support measures for workers and businesses and has extended the furlough scheme until April 2021. Falling revenue and increased spending will cause total UK debt to peak at about 115% of GDP in 2021.
- The Bank of England (BoE, the central bank) has cut rates to historic lows of 0.1% and has committed to £450bn (US$612bn) in bond-buying since March. We expect it to continue its bond-buying programme and so ensure favourable government borrowing rates.

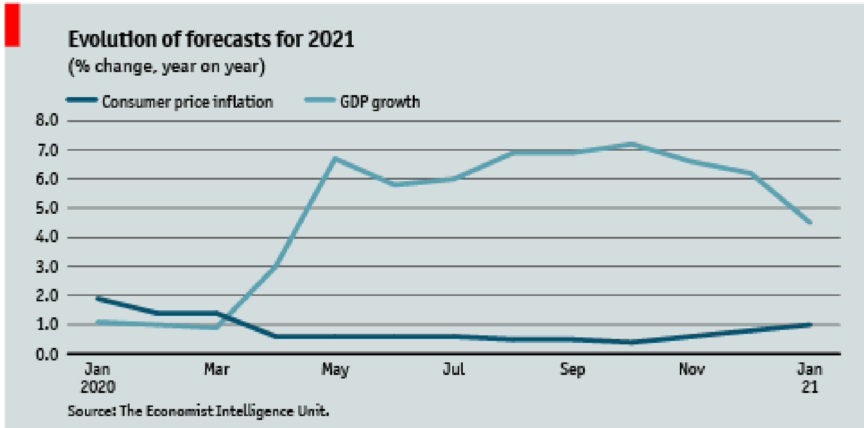
Key indicators

	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]
Real GDP growth (%)	-11.4	4.5	6.9	1.8	1.9	1.7
Consumer price inflation (av; %)	0.9	1.0	1.1	1.2	1.5	1.8
Government balance (% of GDP)	-19.7	-11.5	-4.1	-2.6	-2.9	-2.9
Current-account balance (% of GDP)	-1.3	-2.9	-3.2	-3.2	-3.1	-3.4
Money-market rate (av; %)	0.3	-0.4	-0.2	0.8	1.0	1.0
Unemployment rate (%)	4.9	6.9	5.7	5.1	4.6	4.4
Exchange rate £:US$ (av)	0.78	0.72	0.71	0.71	0.70	0.69

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

Market opportunities





Key changes since December 9th

- The spread of a more contagious coronavirus variant prompted France to close the Dover-Calais crossing on December 19th. Although it has since reopened, with enhanced testing procedures, we have revised down export and import estimates.
- On December 24th the UK and EU reached agreement on a TCA, preventing a no-deal exit from the Brexit transition period on December 31st, and limiting the scope of the economic shock.
- The deal provides for tariff- and quota-free access to the EU, but creates significant non-tariff barriers for goods and services, and defers decisions on data adequacy and financial services. We expect the evolving landscape to continue to dominate UK-EU relations.
- In response to the rising coronavirus infections, England went into its third lockdown, closing non-essential retail and schools through to at least mid-February. As a result, we have revised down our first-quarter UK private and government consumption forecasts.

The month ahead

- January 22nd—Retail sales (December): The Christmas shopping season is the most significant part of the year in driving consumer spending. It is likely to have been significantly depressed in 2020, given coronavirus uncertainty and the presence of lockdown restrictions in many major cities.
- February 4th—BoE interest-rate decision: This will be the Monetary Policy Committee's first interest-rate decision since the UK left the EU single market and customs union. Although we believe that further expansions of asset purchases are likely in 2021, this is more likely to be agreed at a subsequent meeting.

- February 10th—Real GDP flash estimate (Q4): GDP declined sharply in November, owing to the impact of the second coronavirus lockdown. The unexpected heightening of Christmas restrictions and border closures will have further intensified the contraction in the final quarter of 2020.
- Mid-February—England lockdown review: Whether the lockdown will end at this point will be largely dependent on the progress of the vaccination campaign. The prime minister has promised to move England into a tiered system of restrictions once lockdown ends, although most regions will probably be placed in the highest tier at first.

Major risks to our forecast

Scenarios, Q4 2020	Probability	Impact	Intensity
Lockdowns continue during spring 2021	Very high	Very high	25
An SNP majority in the Scottish Parliament heightens tensions between England and Scotland	Very high	High	20
The coronavirus recession leads to a wave of corporate failures	High	High	16
The labour market cannot bounce back from lockdowns	High	High	16

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

Source: The Economist Intelligence Unit.

Forecast summary

United Kingdom | Economy | Forecast | Forecast summary

January 13th 2021

Forecast summary

(% unless otherwise indicated)

	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]
Real GDP (% change)	-11.4	4.5	6.9	1.8	1.9	1.7
Industrial production (% change)	-9.0	-0.4	4.5	2.0	1.2	1.2
Unemployment rate (av; EU/OECD harmonised measure)	4.9	6.9	5.7	5.1	4.6	4.4
Consumer price inflation (av; CPIH measure)	0.9	1.0	1.1	1.2	1.5	1.8
3-month £-LIBOR rate (av)	0.3	-0.4	-0.2	0.8	1.0	1.0
Bank of England base rate (end-period)	0.10	0.10	0.25	0.75	1.25	1.50
Government budget balance (% of GDP)[c]	-19.7	-11.5	-4.1	-2.6	-2.9	-2.9
Exports of goods fob (US$ bn)	356.7	381.6	460.5	531.0	612.6	707.5
Imports of goods fob (US$ bn)	-471.8	-543.8	-638.2	-730.1	-838.3	-961.5
Current-account balance (US$ bn)	-33.7	-89.9	-107.4	-109.6	-112.8	-127.6
Current-account balance (% of GDP)	-1.3	-2.9	-3.2	-3.2	-3.1	-3.4
Exchange rate US$:£ (av)	1.28	1.39	1.42	1.41	1.43	1.45
Exchange rate ¥:£ (av)	137.0	144.3	146.3	145.3	149.2	152.6

Exchange rate €:£ (av)	1.13	1.18	1.24	1.21	1.19	1.19

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

Political stability

United Kingdom | Politics | Forecast | Political stability

January 13th 2021

At the general election on December 12th 2019, the Conservative Party, under the prime minister, Boris Johnson, won an 81-seat majority. On January 31st 2020 Mr Johnson fulfilled his campaign promise to take the UK out of the EU, ending 47 years of EU membership. On January 1st 2021 the UK left the EU's single market and customs union after negotiating a free-trade agreement. The government is currently managing the implementation of a new trading relationship with the EU while addressing the fallout from the coronavirus (Covid-19) pandemic. Despite the challenges posed by these two issues, The Economist Intelligence Unit expects the government to last a full term.

The spread of the coronavirus has put the government on a crisis-management footing. In March 2020 it instructed all residents to stay at home and to go out only for a limited number of essential reasons. After a relaxation of restrictions in the summer, the government implemented two more lockdowns in England—in November, and again in January. Devolved administrations in Scotland, Wales and Northern Ireland have enacted similar restrictions during these periods. The spread of a new, significantly more contagious variant of the virus since September has led the government to impose the most severe restrictions since the initial lockdown in March 2020, with schools and non-essential businesses closed. The government is undertaking a mass vaccination programme; more than 4% of the population had received a vaccine by January 11th. The lockdown in England will be reviewed in the week of February 15th; if lifted, it will be replaced by tiered restrictions, which will gradually be relaxed once these, coupled with the vaccination drive, have sufficiently curtailed the spread of the virus. We expect restrictions to be mostly lifted by the final quarter of 2021.

Brexit and the pandemic have increased the medium-term risk to the integrity of the UK. Nicola Sturgeon, the leader of the Scottish National Party (SNP), has argued that Brexit represents a material change in the relationship between Scotland and the rest of the UK since the referendum on Scottish independence in 2014, in which a majority favoured the continuation of the union. Support for Scottish independence has been consistently above 50% in polls conducted since the outbreak of the pandemic, as Scottish voters view their devolved government's response as more effective than that of the UK government. Ms Sturgeon may seek to dramatise the issue through legal battles or other disruptive means, particularly if her party wins a majority in the 2021 Scottish parliament election. Even if the UK government grants a second referendum, it would take several years to organise. Brexit has also inflamed tensions in Northern Ireland; the Northern Ireland protocol in the withdrawal agreement is unpopular among Unionists as well as nationalists, and opinion polling has shown a small but significant swing in favour of Irish reunification in the north.

Election watch

United Kingdom | Politics | Forecast | Election watch

January 13th 2021

We expect the government to last a full term. Under the Fixed-term Parliaments Act (FTPA), the next general election is scheduled for May 2nd 2024. The government has introduced a bill to repeal the FTPA. However, even if this is passed, a general election must be called within five years of the preceding one; they are usually held in May, to coincide with local elections.

After its defeat in the 2019 election, when it won its lowest seat total since 1935, the opposition Labour Party replaced its leader, Jeremy Corbyn, with Keir Starmer, the former shadow Brexit secretary. Mr Starmer is more moderate than Mr Corbyn, but has maintained the latter's anti-austerity position, which will make it challenging for the government to cut day-to-day spending in the second half of our forecast period. For Labour to win a majority, it would need to gain more than 120 seats—a feat that has occurred only once since the second world war. However, for the Conservatives to lose their majority and enter a hung parliament, they would have to lose only 41 seats—a swing that has occurred in ten of the 20 post-war elections.

International relations

United Kingdom | Politics | Forecast | International relations

January 13th 2021

The EU-UK Trade and Co-operation Agreement (TCA) was reached on December 24th 2020. The TCA is a free-trade agreement that succeeds the UK's membership of the EU single market and customs union, following its exit from EU institutions on January 1st 2021. The TCA provides for zero-tariff, zero-quota trade between the UK and EU, at least in the first instance. However, by leaving the single market and customs union, it creates a variety of non-tariff trade barriers in the forms of border checks and product certifications. It also provides a mechanism whereby if the divergence in regulations on labour, the environment or state aid becomes sufficiently great, the other side can implement retaliatory tariffs to compensate, subject to a period of arbitration. As a result, the regulatory and tariff regimes may drift apart over time.

Additionally, the TCA leaves several issues unresolved. The agreement provides very basic guarantees on services, including financial services trade. It also defers the decision of whether the UK meets EU data-protection criteria for another six months. Mutual recognition of professional qualifications and product certifications has not been included, which will increase the cost of trade between the two jurisdictions. The UK also declined to pursue a formal defence and security co-operation agreement with the EU, preferring to move forward on an ad hoc basis.

The UK and the EU agreed to a separate protocol for Northern Ireland to avoid the presence of border checks with the Republic of Ireland. Under this agreement, Northern Ireland is remaining within a regulatory union with the EU for most goods. Although it will stay in the UK customs and value-added tax (VAT) areas, customs and VAT checks will be conducted by the UK on the EU's behalf at ports in the Irish Sea for goods bound for the EU. This will require the construction and implementation of checkpoints and border infrastructure between Northern Ireland and the rest of the UK for all goods deemed by a UK-EU joint committee to be ”at risk” of passing into the EU.

The UK government has stated its intention to be outward looking, pursuing a ”Global Britain” strategy—although what this means in practice is highly unclear. The UK holds the presidency of the G20 in 2021 and will host the COP26 climate summit in Glasgow in November. It intends to use these platforms to take an enhanced role in global climate change policy. It has also mooted expanding the G7 under its presidency to include India, South Korea and Australia to form a ”D10” group of democracies. On trade, the UK has achieved continuity agreements with most countries that had agreements with the EU, and is seeking an agreement with the US. It is also exploring the possibility of membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a trade bloc of 11 Pacific nations.

Policy trends

United Kingdom | Economy | Forecast | Policy trends

January 13th 2021

Even before the pandemic, the UK faced significant economic policy challenges, including low public investment, wide regional disparities, high housing costs and chronically low productivity growth. However, the scale of the disruption caused by the virus is likely to dominate the government's policy agenda well into 2021. We do not expect UK GDP to return to its pre-crisis level before 2023.

Since becoming the Conservative Party leader and prime minister, Mr Johnson has moved his party away from the austerity policies advocated by his predecessors and plans to pursue significant increases in public-sector investment, including in infrastructure, and additional current spending on the National Health Service, education and the police. The government has also reformed the UK's immigration system to emphasise skilled labour. Long-term social care is an area of health spending that Mr Johnson's manifesto pledged to address, alongside significant investment in green and renewable energy as part of a green recovery plan, although details for both remain vague. Although we do not expect a return to austerity, the government will face increased fiscal constraints from 2021.

Fiscal policy

United Kingdom | Economy | Forecast | Fiscal policy outlook

January 13th 2021

At the outbreak of the pandemic, the government enforced nationwide shutdowns and developed a series of financial support packages to aid workers and businesses affected by the coronavirus until the situation normalised. These included more than £330bn (US$450bn) in government-backstopped loans; several business tax deferments and holidays; targeted aid to the worst-affected sectors, such as travel and retail; and wage support schemes for salaried and self-employed workers. The government's job retention scheme, which commits to pay 80% of workers' wages, has been extended several times, and will now run to the end of April 2021. The total number of claimants has declined from its peak of 9.6m workers, but we still expect the scheme to cost an additional £5bn-10bn per month to operate, depending on take-up.

The job-retention programme, along with VAT holidays and depressed revenue from the loss of economic activity, has caused a significant deterioration of the UK's fiscal position. We estimate that government spending exceeded 49% of GDP in 2020, resulting in a fiscal deficit of 19.7% of GDP. In 2021 we forecast a smaller, but still large deficit, causing debt to peak at about 115% of GDP. From 2022 we expect tax revenue to rebound and move towards fiscal consolidation. Given the political unpopularity of the previous period of austerity, we believe that this will take the form of tax increases rather than spending cuts.

Monetary policy

United Kingdom | Economy | Forecast | Monetary policy outlook

January 13th 2021

On March 19th 2020 the Bank of England (BoE, the central bank) cut its main rate to 0.1%—its lowest ever level. It has also resumed its quantitative easing programme, committing to £450bn in new bond-buying since the pandemic began, reaching a total of £895bn. The initial intervention in March took place in co-ordination with the Treasury to facilitate smooth functioning of government and private debt markets. The programme has been expanded twice, most recently by £150bn on November 5th. The BoE has allowed the government access to its overdraft account, the so-called Ways and Means facility, to directly finance day-to-day costs, although this facility has not yet been tapped.

The BoE said that both its bond-buying programmes and use of the Ways and Means facility are temporary. However, these decisions have allowed the government to borrow at favourable rates and pursue massive fiscal expansion, and we expect that the BoE will continue to promote this objective throughout the coronavirus crisis. We expect a further expansion of bond-buying by early 2021. The BoE is reviewing the feasibility of negative interest rates, but we view further bond-buying programmes as a more likely option, at least in the first half of 2021. Given the length of the pandemic and the associated downturn, we do not expect the BoE to raise rates before mid-2022.

Global forecast data

United Kingdom | Economy | Forecast | International assumptions

January 13th 2021

	2020	2021	2022	2023	2024	2025
Economic growth (%)						
US GDP	-3.7	3.3	2.4	2.0	1.8	1.9
OECD GDP	-5.5	3.8	2.9	2.1	1.9	1.9
EU27 GDP	-7.1	4.6	3.8	2.2	1.9	1.9
World GDP	-4.4	4.5	3.5	3.0	2.8	2.7
World trade	-10.3	6.8	5.5	4.4	4.1	3.8
Inflation indicators (% unless otherwise indicated)						
US CPI	1.2	1.5	1.8	2.2	1.9	2.0
OECD CPI	1.2	1.5	1.9	2.1	2.0	2.1
EU27 CPI	0.6	0.9	1.5	1.7	1.7	1.7
Manufactures (measured in US$)	-1.3	3.7	2.1	3.1	2.2	2.0
Oil (Brent; US$/b)	42.2	47.0	53.0	57.5	55.0	50.0
Non-oil commodities (measured in US$)	2.2	9.9	2.7	-4.4	2.0	1.5
Financial variables						
US$ 3-month commercial paper rate (av; %)	0.6	0.2	0.2	0.2	0.6	1.0

€ 3-month interbank rate (av; %)	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
US$:£ (av)	1.28	1.39	1.42	1.41	1.43	1.45
US$:€ (av)	1.14	1.18	1.15	1.17	1.20	1.21

Economic growth

United Kingdom | Economy | Forecast | Economic growth

January 13th 2021

The impact of the coronavirus: global and regional assumptions

The Economist Intelligence Unit estimates that global output contracted by 4.4% in 2020 (an upgrade from a contraction of 4.7% in our previous forecasting round). This is the third consecutive upward revision to our 2020 global growth estimate since the onset of the coronavirus (Covid-19) pandemic in early 2020. The improvement is partly due to an upgrade to our China estimate; we now believe that China's GDP grew by 1.9% in 2020 (up from 1.8% previously). We have also revised up our US growth estimate and now assume that US GDP contracted by 3.7% in 2020 (compared with an estimated contraction of 3.8% previously). In 2021 we expect global GDP to rebound by 4.5%, with growth in OECD countries reaching record levels. However, this will mainly be the result of a statistical distortion, arising from base effects. We continue to expect that global real GDP will not recover to its pre-coronavirus (2019) level before 2022. This global forecast masks wide disparities; some economies, including Argentina, Italy, Japan, Mexico and South Africa, will take at least four years to recover.

Our global economic forecasts are based on our long-standing view that a coronavirus vaccine will not be widely available until the second half of 2021, when we expect growth to rebound strongly. The news that three coronavirus vaccines, developed by Pfizer (US)/BioNTech (Germany), Moderna (US) and AstraZeneca (UK), are effective has not altered this assumption. This positive development represents only the first step in the rollout of vaccination programmes over many months and, for many countries, years. The vaccines will not be available in sufficient quantities in the coming months to allow the immunisation of entire populations even in developed economies. Logistics, shipping and storage pose difficulties, especially for the Pfizer vaccine, which must be stored at extremely cold temperatures. We therefore maintain our view that a vaccine will not start to be rolled out widely in developed economies before mid-2021. Access to the vaccine will be limited initially as developed countries compete to acquire sufficient quantities and poorer countries struggle to secure funding. As a result, the rollout in middle-income and emerging countries will take much longer; we do not expect it to take place at scale before 2022. The picture is bleaker for low-income countries; we do not expect most of these to have wide access to a vaccine before 2022-24.

Even assuming emergency authorisation of the three vaccines by March 2021, production, distribution, storage and other challenges mean that a mass vaccination programme in Europe will proceed throughout the year. Each country will have its own specific timetable, but vaccination programmes in the EU and the UK will start by targeting priority groups such as the elderly, including care home residents, and health workers (in the first months of 2021), then other vulnerable groups and frontline workers (from spring 2021 onwards), and finally the wider population (from late 2021 onwards). There will be no immediate return to normal in 2021, but the vaccine rollout will mean that a path to normality becomes clearer. In the meantime, continued local outbreaks, lockdowns and social-distancing measures are to be expected.

The euro zone economy recorded an unprecedented collapse in the first half of 2020. Countries that imposed a severe lockdown in March-May and have a services or tourism-oriented economy fared worst, notably Spain, France and Italy. However, a strong rebound in the third quarter as restrictions were eased brought the euro zone economy back to about 96% of its end-2019 size and smoothed out many of these inter-country differences, with Spain now the laggard. A second wave of cases has changed the outlook for the euro zone recovery, with renewed national lockdowns across the bloc in November likely to stall growth in the fourth quarter, and to cause a double-dip recession in some countries, including France, Germany and Italy. We expect the economic hit from the autumn lockdowns to be less severe than in the spring, as there is greater political emphasis on enabling business activity to continue. Export-oriented firms will also benefit from a return to growth in many Asian countries. We expect new lockdowns and restrictions to be imposed in early 2021 as coronavirus cases spike again and hospitals come under pressure. Momentum will remain subdued in the first few months of 2021, but will pick up thereafter—particularly in the second half of the year—with the arrival of spring and summer, when transmission of the virus will recede. The gradual distribution of vaccines will also boost business and investor confidence from mid-2021, supporting the economic bounce-back. However, we forecast that real GDP in western Europe will not return to its 2019 level until late 2022.

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

Economic growth

The coronavirus pandemic and ensuing public-health measures caused a severe economic contraction in the first half of 2020. We expect the second wave of the virus this winter to cause a double-dip recession lasting throughout the first quarter of 2021. We estimate that real GDP contracted by 11.4% in 2020. The imposition of the current lockdown will see growth contract in the first quarter of 2021, as many businesses are forced to close. Significant bounce-back is likely from the second quarter, as restrictions are lifted, with year-on-year growth of 4.5% in 2021 as a whole. We forecast further catch-up growth of 6.9% in 2022, which will probably be the first full year without social-distancing restrictions. However, most of this high headline growth will stem from favourable year-on-year comparisons to the 2020-21 lockdowns, rather than robust economic activity. We expect the level of real GDP to exceed its 2019 peak only in 2023.

After reaching a low of 3.8% in 2019, unemployment rose in 2020 as the pandemic led to business failures and lay-offs. The spike in unemployment was modest, however, with an estimated average rate of 4.9% in 2020, owing to the government's furlough scheme. We expect the rate to hit 6.9% in 2021 after the scheme is withdrawn. Employment will rise gradually and unemployment will begin to fall from 2022, reaching 4.4% by the end of our forecast period in 2025.

Gross capital formation declined sharply in 2020 as the highly uncertain global business environment depressed investment. We expect some bounce-back in investment growth in 2021, although it will remain suppressed in the first quarter, owing to lockdown measures and adjustment to new Brexit trading rules. In 2022 we expect it to rise markedly as the coronavirus and Brexit situations stabilise, releasing pent-up demand and allowing the government to pursue a more focused strategy to encourage investment. Investment growth should stabilise from 2023 until the end of the forecast period.

Export and import growth turned sharply negative in 2020, as global demand collapsed and coronavirus-related travel restrictions persisted. The collapse in overall demand is improving the UK's current-account balance as imports decline, with the deficit shrinking to an estimated 1.3% of GDP in 2020.

Economic growth

%	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]
GDP	-11.4	4.5	6.9	1.8	1.9	1.7
Private consumption	-13.8	7.3	7.1	1.0	2.2	1.9
Government consumption	-8.0	5.0	4.1	2.0	2.0	2.0
Gross fixed investment	-15.3	5.0	18.0	5.0	3.0	3.0
Exports of goods & services	-13.2	3.2	9.8	9.6	9.4	9.2
Imports of goods & services	-20.9	9.3	13.8	10.7	10.3	10.0
Domestic demand	-12.7	6.2	8.0	2.2	2.3	2.1
Agriculture	-6.0	1.0	2.0	0.5	0.5	0.5
Industry	-6.0	-0.5	4.0	2.0	1.2	1.2
Services	-12.8	5.9	7.7	1.8	2.1	1.8

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

Inflation

United Kingdom | Economy | Forecast | Inflation

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Inflation declined sharply in 2020 as a result of depressed demand owing to the coronavirus pandemic, and we estimate average inflation of 0.9% in full-year 2020. We expect price pressures to remain subdued in 2021, when we forecast average annual inflation of 1%. Depression in demand is expected to gradually improve from late 2021 and into 2022, and we expect demand to increase steadily as uncertainty declines, lifting inflation to 1.1% in 2022 and to 1.8% by the end of the forecast period.

Exchange rates

United Kingdom | Economy | Forecast | Exchange rates

January 13th 2021

The value of sterling has been volatile in recent years owing to the UK's large current-account deficit, which requires massive international capital investment to support the currency. Since 2016 this has manifested itself in increased volatility around political events, as investors saw the UK's relationship with the EU as a proxy for its investment prospects. Sterling depreciated sharply against the US dollar in March, to a 35-year low of US$1.15:£1, when investors engaged in a flight to safety as firms faced a dollar liquidity shortage. The establishment of swap lines between the Federal Reserve (the US central bank) and other central banks, including the BoE, reversed this trend, and sterling recovered to US$1.34:£1 by the end of 2020, in part owing to the weakness of the dollar. We expect modest strengthening against the dollar in 2021 as Brexit uncertainty dissipates and investment flows stabilise, reaching an average of US$1.45:£1 by 2025.

External sector

United Kingdom | Economy | Forecast | External sector

January 13th 2021

The coronavirus outbreak caused a sharp fall in global trade as demand declined, travel was disrupted and global supply chains were compromised by national lockdowns. The UK was not exempt from this, with both imports and exports declining sharply in 2020. This caused the UK's current-account deficit to shrink from 4.3% of GDP in 2019 to an estimated 1.3% of GDP in 2020. From 2021 we expect trade to rebound, although this will primarily be the result of a recovery from the 2020 base year, and we expect Brexit to weigh on exports (as well as imports, but to a lesser extent). Trade will continue to grow thereafter, and we expect the current-account deficit to widen gradually again during the forecast period, reaching 3.4% of GDP in 2025.

Country forecast overview: Business environment rankings

United Kingdom | Business | Business environment | Rankings overview

January 13th 2021

Value of index[a]		Global rank[b]		Regional rank[c]	
2016-20	**2021-25**	**2016-20**	**2021-25**	**2016-20**	**2021-25**
7.66	7.83	17	17	11	10

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

- The UK's business environment score rises slightly in the forecast period (2021-25) compared with the historical period (2016-20). The UK remains stable in the global ranking, but rises by one place in the regional rankings owing to declines elsewhere. Brexit has introduced policy uncertainty, but the country's strengths—including a pro-business policy stance, a welcoming attitude to foreign investment, and flexible labour and product markets—will continue.

Business environment at a glance

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

January 13th 2021

Policy towards private enterprise and competition

2021-22: Extraordinary public support for businesses affected by coronavirus, ”Project Birch” intervention in critical sectors.

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

Policy towards foreign investment

2021-22: Coronavirus and Brexit uncertainty limits investment opportunities. Continued openness to investment, although potential security restrictions may come into place for China.

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

Foreign trade and exchange controls

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

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

Taxes

2021-22: Tax holidays and deferments throughout the coronavirus crisis. Depressed revenue owing to decreased activity.

2023-25: Tax increases likely to compensate for coronavirus losses. Likely equalisation of self-employed and regular income taxes.

Financing

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

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

The labour market

2021-22: Increased unemployment from coronavirus as furlough scheme expires. End to free movement of labour from EU.

2023-25: Greater emphasis on skills-based migration from outside EU. Emphasis on skills training and ”levelling up”.

Infrastructure

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

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

Technological readiness

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

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

Market opportunities: Social indicators and living standards

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

July 15th 2020

Social indicators and living standards

	2019		2024	
		Western Europe (av)		Western Europe (av)
Health				
Healthcare spending (% of GDP)	10.0	10.3	10.3	10.6
Healthcare spending (US$ per head)	4,169	4,309	5,000	5,654
Infant mortality rate (per 1,000 live births)	4.2	3.5	4.0	3.3

Physicians (per 1,000 population)	2.9	3.9	3.2	4.1
Food and beverages				
Food, beverages & tobacco (% of household spending)	11.7	17.2	13.6	16.9
Meat consumption (kg per person)	85.1	89.5	85.2	93.4
Milk consumption (litres per person)	241.7	259.7	243.6	273.1
Coffee & tea consumption (kg per person)	4.4	6.1	4.5	6.4
Consumer goods in use (per 1,000 population)				
Passenger cars	523	537	515	550
Telephone main lines	467	441	442	432
Mobile phone subscribers	1,190	1,264	1,219	1,349
Television sets	1,135	814	1,253	897
Personal computers	948	825	956	860
Households				
No. of households (m)	27.7	189.8	28.2	197.8
No. of people per household (av)	2.4	2.2	2.4	2.1
Income and income distribution				
Median household income (US$)	58,390	48,988	64,463	59,950
Average monthly wage (US$)	3,767	3,784	4,799	4,589
Gini index	34.8[a]	31.7[a]	–	–

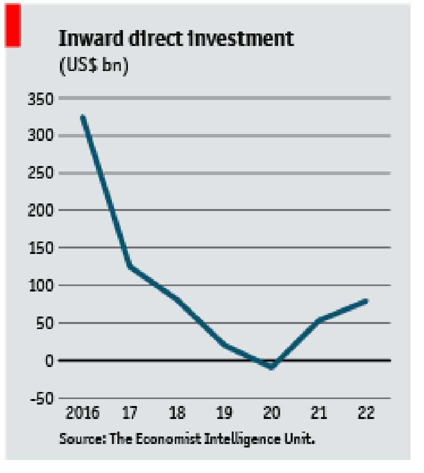
[a] Latest available year.

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

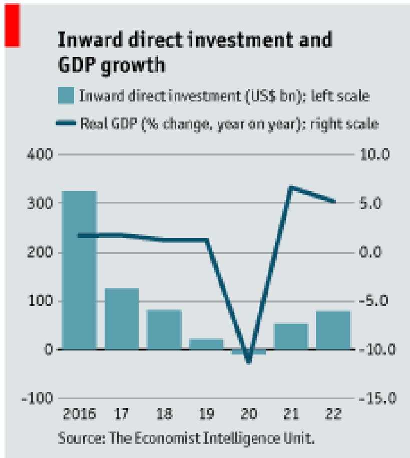
Global position

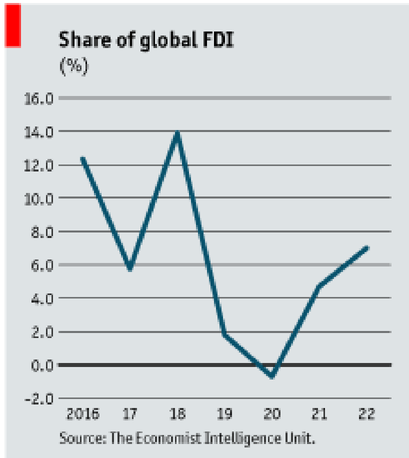
United Kingdom | Regulation | Global position

December 1st 2020



The outlook for the UK has become much more uncertain following the 2016 referendum vote to leave the EU. The UK began the formal process of exiting the EU in 2017 when it triggered Article 50 of the Lisbon Treaty, and departed the bloc on January 31st 2020. The UK and EU have negotiated a withdrawal agreement that allows for a transition period lasting until end-2020, during which the UK retains most aspects of EU membership. Looking beyond the transition period, the UK and EU are negotiating a free-trade agreement, with the degree of regulatory alignment between the two parties still to be finalised as of November 2020. A "no deal" scenario, whereby the transition period expires without a free-trade agreement in place, remains a risk. The coronavirus (Covid-19) pandemic has compounded an already uncertain outlook during 2020. Lockdowns and travel restrictions have delivered a severe blow to industries such as hospitality, tourism and aviation, as well as parts of the retail sector. The UK still has much to offer as an investment destination. Existing clusters and economies of scale in sectors such as pharmaceuticals, biotechnology, software development and financial services will remain powerful magnets for foreign entrants, while significant potential exists for large-scale, long-term investments in the energy, communications and transport sectors.





Regulatory/market assessment

United Kingdom | Regulation | Regulatory/market assessment

December 1st 2020

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

Regulatory/market watch

United Kingdom | Regulation | Regulatory/market watch

December 1st 2020

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

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

Long-term outlook: The long-term outlook

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

July 15th 2020

	2020-30	**2031-50**	**2020-50**
Population and labour force (% change; annual av)			
Total population	0.39	0.25	0.30
Working-age population	0.12	0.01	0.05
Working-age minus total population	-0.27	-0.24	-0.25
Labour force	0.10	0.14	0.12
Growth and productivity (% change; annual av)			
Growth of real GDP per head	0.7	1.6	1.3
Growth of real GDP	1.1	1.9	1.6

Labour productivity growth	1.0	1.7	1.5
Growth of capital stock	2.2	3.1	2.8
Total factor productivity growth	0.3	0.7	0.6

From May 2019 The Economist Intelligence Unit's long-term growth forecasts have been revised to take into account the economic impact of climate change.

Initial conditions: From the early 1990s up to 2008 the economic performance of the UK improved relative to that of many of its regional peers, owing in part to a sharp rise in labour utilisation. A similar pattern emerged in the wake of the global financial crisis, with strong employment growth fuelling a comparatively strong recovery in the UK. The pace of economic growth began to soften from 2018, and is expected to contract severely in 2020 owing to the coronavirus pandemic. The Economist Intelligence Unit expects a significant but still partial bounce-back in 2021 as the retail sector reopens. The recovery will be constrained as corporates face rising debt burdens from the coronavirus fallout and trade frictions from Brexit will depress export-oriented industries.

The UK's prospects for growth in the medium term will be highly dependent on government policy formulation in response to these challenges. The government has signalled a willingness to pursue a more interventionist strategy in the economy, and provide more public investment, in an effort to stimulate the economy and address the UK's regional inequality and weak productivity growth. However, particulars remain vague. The relationship with the EU is likely to remain unsettled for several years, whether or not a deal is agreed, as traders adjust to new terms of trade, and issues that cannot be addressed by December 31st are deferred to future negotiations.

The UK faces entrenched regional and sectoral imbalances

We expect economic performance to bounce back from the current recession, and reach pre-crisis real GDP levels by 2023. Owing to the dependence on the hospitality sector and disruption caused by Brexit this will be is slightly slower than the median for G20 countries. There is likely to be significant sectoral disruption, and the UK economy may need to become less reliant on consumer spending relative to investment to support growth.

Looking past the immediate crisis to the long term, 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. These areas of economic management will be affected by Brexit, but we expect them to remain advantages for the UK. On the negative side, factors that tend to constrain the UK's long-term outlook include over-reliance on wealth effects generated by the volatile financial and real estate sectors, high levels of private-sector debt and a deficit in "intermediate" labour market skills, which are skewed by significant geographical inequalities. These have contributed to the development of an unbalanced economy. Levels of productivity in the UK, in terms of output per hour worked, lag well behind those in the US, Germany and France. This weak trend is worrying and will weigh on medium- and long-term growth if not reversed, and will play an increasing role in policy debates over the forecast period.

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

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

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

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

Overall goods trade globally is likely to grow more slowly in the wake of the coronavirus pandemic, and multilateral trade liberalisation may not make progress in the face of populist sentiment, further limiting opportunities for goods trade growth. The UK is likely to maintain its surplus in services, which is expected to grow as a percentage of total trade value over the course of our long-term forecast period, as e-commerce and trade in intangible goods become more prominent globally.

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

Long-term 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. It had a labour force participation rate of over 79% and unemployment was 3.8% prior to entering lockdown. Multiple governments have attempted to address this productivity issue, and the UK's ability to increase its productivity will be the key driver of its performance in the long-term. The pandemic will accelerate this trend as gains to labour force participation have been reversed. A number of factors could prevent the UK from closing the productivity gap with some of its peers. Examples include the relative scarcity of land and the UK's relatively low share of spending on R&D. The current government has recognised this as an issue and plans to increase investment in innovation and infrastructure. Whether this plan will materialise and be effective in the wake of the coronavirus recession remains highly uncertain. Real GDP is forecast to grow by an annual average of 1.1% in 2020-30, held back by the fallout from the coronavirus pandemic and Brexit, but growth will accelerate to 1.9% in 2031-50.

Income and market size

	2019	2030	2050
Income and market size			
Population (m)	67.5	70.5	74.1
GDP (US$ bn at market exchange rates)	2,829.2	3,936.1	8,166.5
GDP per head (US$ at market exchange rates)	41,900	55,840	110,240
Private consumption (US$ bn)	1,836.4	2,549.6	5,385.4
Private consumption per head (US$)	27,190	36,170	72,690
GDP (US$ bn at PPP)	3,214.2	4,203.2	8,808.1
GDP per head (US$ at PPP)	47,600	59,630	118,900
Exports of goods & services (US$ bn)	895.7	1,246.8	3,941.3

Imports of goods & services (US$ bn)	925.4	1,465.0	4,649.1
Memorandum items			
GDP per head (at PPP; index, US=100)	73.1	70.8	74.2
Share of world population (%)	0.9	0.8	0.8
Share of world GDP (% at market exchange rates)	3.3	2.8	2.3
Share of world GDP (% at PPP)	2.3	1.9	1.7
Share of world exports of goods & services (%)	3.7	3.2	3.5

From May 2019 The Economist Intelligence Unit's long-term growth forecasts have been revised to take into account the economic impact of climate change.

Automotive

United Kingdom | Automotive | Overview

January 15th 2021

- The coronavirus (Covid-19) pandemic has undoubtedly added to economic uncertainty in the UK, which was already reeling from Brexit. The UK has fared worse than most other advanced economies in its handling of the Covid-19 crisis, with one of the highest levels of virus-related deaths and one of the deepest contractions in 2020 real GDP (an estimated -11.3%). Last year the passenger-car market slumped by 29.4% to 1.63m units, marking the fourth consecutive annual decline, and commercial-vehicle (CV) sales are estimated to have nosedived by 22.4% to 334,600 units, a seven-year low.

- In 2019 the UK was the world's 16th-largest automotive producer and seventh-largest vehicle market, according to the International Organisation of Motor Vehicle Manufacturers (OICA). Vehicle production rose steadily between 2010 and 2016, but has since fallen sharply in response to Brexit-related weakness, softer domestic and export demand, regulatory changes and the severe fallout from the coronavirus. In 2019 vehicle output dropped by 14% to a decade's low of 1.38m units. Production fell by a further 31% year on year over the first eleven months of 2020.
- Positive base effects will support a return to full-year sales growth in 2021, but The Economist Intelligence Unit expects only a partial rebound. A nationwide lockdown in the first quarter will constrain near-term sales, but demand will strengthen as the vaccine rollout is expanded. We forecast a 20% rise in new-car registrations in 2021, with annual sales of about 1.96m units. Amid subdued underlying demand, we expect an uneven recovery over our five-year forecast period (2021-25), with annual sales rising to about 2.4m units—but still below 2015-17 levels.

Income and demographics

	2016[a]	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]
Nominal GDP (US$ bn)	2,702.7[c]	2,666.9[c]	2,860.8[c]	2,828.5[c]	2,585.9	2,900.8	3,192.2	3,286.7	3,460.7	3,640.5
Population (m)	65.8[c]	66.7[c]	67.1	67.5	67.9	68.2	68.5	68.8	69.0	69.3
GDP per head (US$ at PPP)	44,025[c]	45,452[c]	46,426	48,193	42,718	45,879	49,075	50,432	52,143	53,316
Private consumption per head (US$)	26,628[c]	25,780[c]	27,567	26,801	24,025	26,379	27,987	28,350	29,482	30,652
No. of households ('000)	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195	28,282
No. of households with annual earnings above US$5,000 ('000)	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195	28,282
No. of households with annual earnings above US$10,000 ('000)	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195	28,282

No. of households with annual earnings above US$50,000 ('000)	16,260	15,629	17,237	16,913	16,220	17,385	18,393	18,627	19,331	20,054
No. of households with net wealth over US$1m ('000)	820	986	855	1,020	1,252	1,362	1,621	1,682	1,778	1,877

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

Source: The Economist Intelligence Unit.

- In December 2020 the UK agreed on a limited trade deal with the EU, prioritising 'sovereignty' over the economy. The agreement averted a 'no-deal' disaster, but implies a very 'hard Brexit' outside of the customs union and single market, with the UK implementing substantial new trade barriers and customs checks, increasing regulatory uncertainty and ending free movement. In theory, the deal entails tariff-free trade in goods, but various provisions, including "rules of origin" restrictions, could still lead to export tariffs. We expect Brexit to contribute directly to a permanent (and potentially large) downsizing of the UK automotive sector over the next five years, with plant closures, job losses and reduced investment.
- The fallout from the pandemic and structural trends in the automotive sector—global overcapacity, tighter environmental regulations, the high-cost shift to electric vehicle (EV) technology and increased competition from technology firms and emerging-market producers—will also contribute to this downsizing process. All six mass-vehicle producers in the UK are foreign-owned.

Consumer goods

United Kingdom | Consumer goods | Overview

November 15th 2020

- Retail sales volume growth in the UK was fairly resilient in 2016-19, supported by employment gains, low inflation, consumer borrowing and extensive retail discounting. However, momentum weakened in 2019 amid a slowing labour market and the economically damaging Brexit process. Annual volume growth averaged 1.7% in 2016-18, but slowed to 0.9% in 2019, according to Ascential, a provider of global retail intelligence.
- The coronavirus (Covid-19) pandemic and lockdown restrictions resulted in a dramatic slump in economic activity and retail spending in March-April 2020. The UK was slower than many peer economies to adopt national lockdown measures, such as the temporary closure of most non-essential retail outlets, which took effect from late March to end-May. Retail sales rebounded strongly over the summer in response to an easing of economy-wide restrictions, lower infection rates, sizeable fiscal support and pent-up demand. As at September, sales volumes were 5% higher than in January, although cumulative year-to-date sales were still below 2019 levels. Momentum has recently weakened amid a second virus wave. Another nationwide lockdown (in England) took effect in November, with non-essential retailers again forced to close.
- There have been major shifts in the composition of spending since the start of the pandemic, amid reduced footfall, changing consumer habits and working patterns, social distancing measures and lingering public health concerns (the UK has the highest level of virus-related deaths in Europe). Online purchases have surged and food sales have also been robust. Non-food store sales took longer to recover, with strong demand for electrical, household and DIY items contrasting with a sluggish rebound in clothing and department store sales.

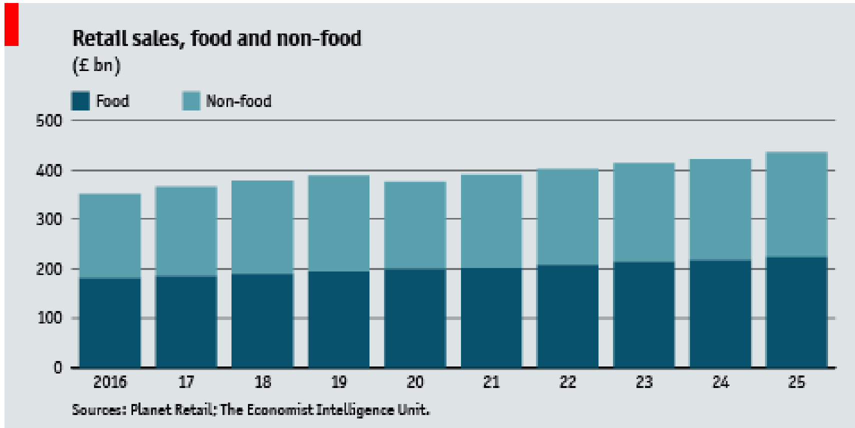
- Other consumer-oriented services sectors—such as foodservice, entertainment, hospitality and tourism—have fared much worse than retail, with only a muted recovery due to ongoing social distancing restrictions and consumer caution. A temporary ”Eat Out to Help Out” subsidy scheme boosted foodservice sales (but also infection rates) in August. A temporary cut in value-added tax (VAT) in the hospitality sector, from 20% to 5%, applies from July 2020 to March 2021.
- The Economist Intelligence Unit expects a substantial contraction in real GDP of about 11% in 2020 (the largest decline of all major advanced economies) and a partial rebound of 7% in 2021. Given additional disruption from Brexit-related instability, we do not expect real GDP to return to its pre-crisis level until 2023. There will be a ”hard Brexit” at end-2020—irrespective of whether a limited trade deal is agreed—with a significant rise in non-tariff barriers and regulatory uncertainty, disrupting supply chains in the retail and food and drink sectors.
- We expect retail sales volumes to contract by 4% in 2020. The outlook remains strongly dependent on the development of the virus and availability of a vaccine (which we expect in the second half of 2021). In the near term a rolling cycle of virus outbreaks and related restrictions is likely, which will inhibit retail demand. A surge in non-retail spending (especially on travel and entertainment) is likely once a vaccine is available. Assuming a return to something akin to ”normality” from 2022, we forecast annual average retail sales growth of 1.8% over our five-year forecast period (2021-25).
- The UK is Europe’s biggest online retail market, but robust internet sales have gone hand in hand with a steady fall in the number of high-street stores and retail employment. These trends will intensify as a response to the pandemic and amid rising digitisation, mobile e-commerce (m-commerce) and demands for convenience. Retailers will introduce more cashier-free and 24-hour stores and expand click-and-collect services, but we expect a higher level of retail store closures in 2021 as more business moves online. The UK adopted a digital services tax in April 2020 targeting multinational technology firms such as US giants Amazon, Google and Apple.

Income and demographics

	2016[a]	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]
Nominal GDP (US$ bn)	2,702.7[c]	2,666.9[c]	2,860.8[c]	2,828.5[c]	2,542.3	2,736.4	2,942.1	3,161.6	3,346.5	3,506.5
Population (m)	65.8[c]	66.7[c]	67.1	67.5	67.9	68.2	68.5	68.8	69.0	69.3
GDP per head (US$ at PPP)	44,025[c]	45,452[c]	46,426	48,193	43,045	46,644	48,914	50,440	51,909	53,450
Private consumption per head (US$)	26,628[c]	25,780[c]	27,567	26,801	24,043	24,895	26,136	27,833	28,901	29,935
No. of households ('000)	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195	28,282
No. of households with annual earnings above US$5,000 ('000)	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195	28,282
No. of households with annual earnings above US$10,000 ('000)	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195	28,282
No. of households with annual earnings above US$50,000 ('000)	16,237	15,725	17,387	17,109	15,991	16,445	17,363	18,530	19,175	19,843
No. of households with net wealth over US$1m ('000)	853	1,039	906	1,014	1,144	1,345	1,529	1,747	1,856	1,952

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

Source: The Economist Intelligence Unit.



Energy

United Kingdom | Energy | Overview

December 4th 2020

- Total energy consumption in the UK has trended gradually lower since the mid-1990s. However, with consumption of oil, gas and coal falling year on year owing to the impact of the coronavirus (Covid-19) pandemic, a more pronounced drop was experienced in 2020. At an estimated 154m tonnes of oil equivalent (toe), consumption was down by around 10% compared with 2019 and 25% compared with a decade earlier. Together, natural gas and oil account for nearly more than 75% of the energy mix. The Economist Intelligence Unit expects total consumption to rebound to some degree in 2021, but it will remain relatively flat for the rest of the 2021-30 outlook period.

- Oil consumption will fall by an annual average of 0.8% between 2021 and 2030, while natural gas consumption will remain almost flat. Coal consumption will fall more dramatically, owing mainly to the planned phasing-out of coal use in power generation by the end of 2024. We expect average annual coal consumption to fall by an average of 18.5% over the forecast period.
- Until a post-Brexit UK-EU trade deal is finalised, uncertainty will persist over many elements of energy policy. This includes the UK's future level of participation in the EU's internal energy market (IEM), the emissions trading system (ETS), the Euratom Treaty for nuclear regulation, interconnector projects to the continent, and various EU research and development funding schemes. Changes could have implications for energy prices, security of supply and new capacity expansion. Brexit will impose new non-tariff restrictions on trade and is likely to reduce the availability of skilled foreign labour. Concomitant with this will be efforts to cut emissions over the forecast period as the UK attempts to reach net zero emissions by 2050.

Energy: key indicators

	2019[b]	2020[b]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]	2030[b]
GDP (US$ bn at market exchange rates)	2,829	2,558	2,776	2,929	3,251	3,467	3,660	4,310
Real GDP (% change, year on year)	1.3	-11.3	6.6	5.2	1.7	1.5	1.3	1.8
Population (m)	67.5	67.9	68.2	68.5	68.8	69.0	69.3	70.5
Population (% change, year on year)	0.6	0.5	0.5	0.4	0.4	0.4	0.4	0.3
Gross domestic energy consumption (ktoe)	171,364	154,138	158,675	157,978	157,597	156,159	155,535	151,022
Gross domestic energy consumption (% change, year on year)	-2.2	-10.1	2.9	-0.4	-0.2	-0.9	-0.4	-1.1

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

Note. Forecasts for 2026-29 are available via The Economist Intelligence Unit's data tool.

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

Financial services

United Kingdom | Finance | Overview

January 8th 2021

Overview

- The UK has one of the world's best developed financial industries, but it faces two major challenges in the coming years: coping with the novel coronavirus (Covid-19) and managing the country's departure from the EU. The first has delivered a sharp, but hopefully short, shock to the sector. By contrast, the second is likely to require a long-term shift in trading relationships and may contribute to an ongoing shrinkage of the industry.
- London is currently one of the two leading global financial centres (along with New York) and has the largest share of many international markets. The UK financial sector—banking, insurance, fund management, securities and alternative investment—plays a significant role in the economy. In 2019 it accounted for 5.7% of GDP, down from 7.7% ten years earlier, according to Eurostat. It employed slightly over 1m residents or 3.2% of the workforce, down from 3.8% ten years before. The industry makes a substantial contribution to the balance of payments and tax revenue.
- At the outbreak of the pandemic, the government enforced nationwide shutdowns and developed a series of economic financial support packages to aid workers and businesses affected by the coronavirus until the situation normalised. These included more than £330bn (US$420bn) in government-backstopped loans; several business tax deferments and holidays; targeted aid to the worst-affected sectors, such as travel and retail; and wage support

schemes for salaried and self-employed workers. In December 2020 the government extended a commitment to pay 80% of workers' wages until end-April 2021. A third national lockdown imposed in early January 2021 is expected to remain in place until at least mid-February.

- The pandemic and ensuing public-health measures caused a severe economic contraction in 2020. The UK has been one of the worst-affected countries in Europe in economic terms, as well as having the region's highest cumulative total of Covid-19 cases and the second-highest number of deaths (after Italy). The Economist Intelligence Unit estimates that real GDP shrank by 11.3% in 2020. In 2021 we forecast a rebound in real GDP of 6.6%, but much of this will be due to base effects. We expect Brexit-related disruption to hinder the recovery in 2021, and do not expect the level of real GDP to exceed its 2019 peak until 2023.
- Following a general election in December 2019 the Conservative Party, under the prime minister, Boris Johnson, won a large majority. This allowed Mr Johnson to achieve his primary campaign promise to leave the EU, which took place on January 31st 2020, ending 47 years of EU membership and three and a half years of political deadlock on the issue.
- The UK exited the transition period with the EU on December 31st 2020. An EU-UK free-trade agreement (FTA) was concluded in December that applies provisionally from the start of 2021. Although the most extreme form of ”no deal" disorder was averted, the last-minute nature of the deal left businesses with little time to prepare. The trade pact does not include financial services, and UK and EU regulators have agreed and implemented a limited number of 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 Britain. However, the EU did not reciprocate for UK financial firms in the EU, except for derivatives clearinghouses. Britain would like to negotiate additional such designations, but any planned UK regulatory easing would make this less likely.

- In March 2020 the Bank of England (BoE, the central bank) cut its main rate to 0.1%, the lowest level in its history. The BoE has extended the use of the ”Ways and Means” facility, allowing the Treasury to borrow directly from the BoE. The BoE’s governor, Andrew Bailey, has said that these provisions are temporary, but we do not believe that the BoE can credibly commit to withdrawing them in 2021 if doing so would risk sharply worsening the UK’s borrowing position.
- We expect London to retain its status as one of the world’s main financial centres, especially in the trading of foreign exchange and derivatives, but a loss of influence and post-Brexit restrictions on financial services trade with the EU are inevitable, even in the best-case scenario. Reaching agreement on the many elements of a complex new trading arrangement will be difficult and time-consuming (taking years rather than months), and financial firms in the UK must come to terms with the loss of ”passporting” (the right for 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, so as to retain passporting to the single market. Although outflows of financial sector employees (and related tax revenue) from the UK have so far been modest, it is likely that the trend will continue as competing financial services hubs, primarily Frankfurt and Paris, gradually grow in size and influence. European policymakers will enhance post-Brexit policy efforts to attract major financial functions away from London.

Income and demographics

	2016[a]	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]
Nominal GDP (US$ bn)	2,702.7[c]	2,666.9[c]	2,860.8[c]	2,828.5[c]	2,585.9	2,900.8	3,192.2	3,286.7	3,460.7	3,640.5
Population (m)	65.8[c]	66.7[c]	67.1	67.5	67.9	68.2	68.5	68.8	69.0	69.3
GDP per head (US$ at PPP)	44,025[c]	45,452[c]	46,426	48,193	42,718	45,879	49,075	50,432	52,143	53,316

Private consumption per head (US$)	26,628[c]	25,780[c]	27,567	26,801	24,025	26,379	27,987	28,350	29,482	30,652
No. of households ('000)	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195	28,282
No. of households with annual earnings above US$5,000 ('000)	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195	28,282
No. of households with annual earnings above US$10,000 ('000)	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195	28,282
No. of households with annual earnings above US$50,000 ('000)	16,260	15,629	17,237	16,913	16,220	17,385	18,393	18,627	19,331	20,054
No. of households with net wealth over US$1m ('000)	820	986	855	1,020	1,252	1,362	1,621	1,682	1,778	1,877

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

Source: The Economist Intelligence Unit.

Healthcare

United Kingdom | Healthcare | Spending

December 24th 2020

Overview

- The UK has been hit hard by the global coronavirus (Covid-19) pandemic. Confirmed Covid deaths had exceeded 70,000 as at December 24th, the fifth-highest tally globally, despite a series of lockdowns. The economy has also suffered, with real GDP falling by an estimated 11.3% in 2020. In December 2020 the UK became the first country in the world to approve a vaccine against Covid, developed by Pfizer (US) and BioNTech (Germany). An £18bn (US$24bn) vaccination programme began immediately, with the aim of defeating the virus by mid-2021.

- However, the UK now faces another economic challenge, as its final departure from the EU (Brexit) takes effect on January 1st 2021. Although we expect real GDP to recover in 2021, with 6.6% growth, the economy will take until 2023 to regain its 2019 levels in nominal terms. Moreover, in order to fight the pandemic and support businesses and households, the centre-right Conservative government has let public debt rise to over 100% of GDP, its highest level since the 1960s.
- This situation will take a toll on healthcare spending. We estimate that total spending (public and private) has declined by 5.6% in 2020, despite heavy spending to contain the pandemic. This fall reflects difficulties in providing non-Covid care. As a share of GDP, however, spending has risen to a record 10.7%, up from 10.3% in 2019 and above the OECD average of 8.8% in 2019.
- Over the 2021-25 forecast period, we expect health spending to recover, with a robust compound annual growth rate (CAGR) of 4.9%, higher than the 4.1% growth rate seen in the five years before the pandemic. The government forecasts that total costs of the pandemic to the healthcare system will reach £27bn. Nevertheless, spending will be constrained later in the forecast period, when public spending cuts will be needed. We expect pharmaceutical sales to rise at a CAGR of 4.6% in 2021-25.

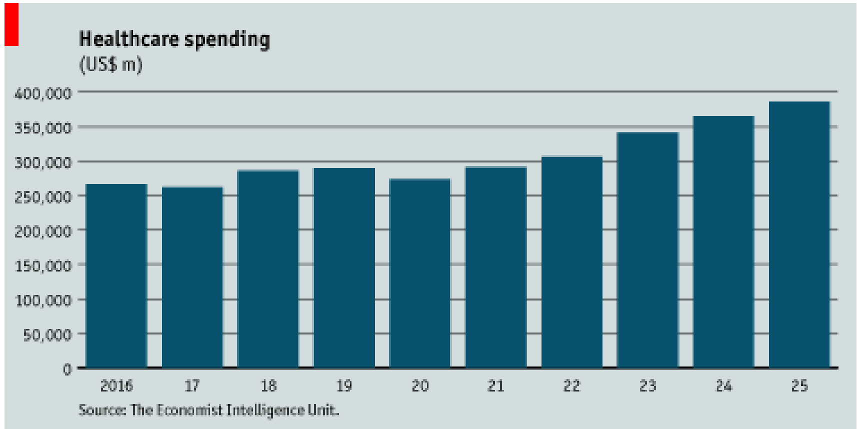
Income and demographics

	2016[a]	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]
Nominal GDP (US$ bn)	2,702.7[c]	2,666.9[c]	2,860.8[c]	2,828.5[c]	2,557.9	2,775.7	2,928.7	3,251.2	3,467.3	3,660.4
Population (m)	65.8[c]	66.7[c]	67.1	67.5	67.9	68.2	68.5	68.8	69.0	69.3
GDP per head (US$ at PPP)	44,025[c]	45,452[c]	46,426	48,193	42,700	46,095	49,117	50,639	52,169	53,625
Private consumption per head (US$)	26,628[c]	25,780[c]	27,567	26,801	24,223	25,320	25,617	28,016	29,463	30,696

No. of households ('000)	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195	28,282
No. of households with annual earnings above US$5,000 ('000)	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195	28,282
No. of households with annual earnings above US$10,000 ('000)	27,119	27,472	27,607	27,729	27,844	27,947	28,038	28,114	28,195	28,282
No. of households with annual earnings above US$50,000 ('000)	16,237	15,725	17,387	17,109	16,144	16,789	16,965	18,669	19,562	20,251
No. of households with net wealth over US$1m ('000)	853	1,039	906	1,014	1,187	1,289	1,453	1,806	1,933	2,049

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

Source: The Economist Intelligence Unit.



Funding sources

- Healthcare provision in the UK is dominated by the National Health Service (NHS), which is financed primarily via general taxation. NHS care is free at point of delivery, but fixed charges are levied (in England) for most prescription medicines and dental care, with some exemptions.
- Public expenditure (including compulsory contributions) accounted for 78% of current health spending in 2018, according to the OECD. This share has fallen slightly over the past decade. It is lower than in Germany (85%) and France (84%), but above the OECD average (74%).

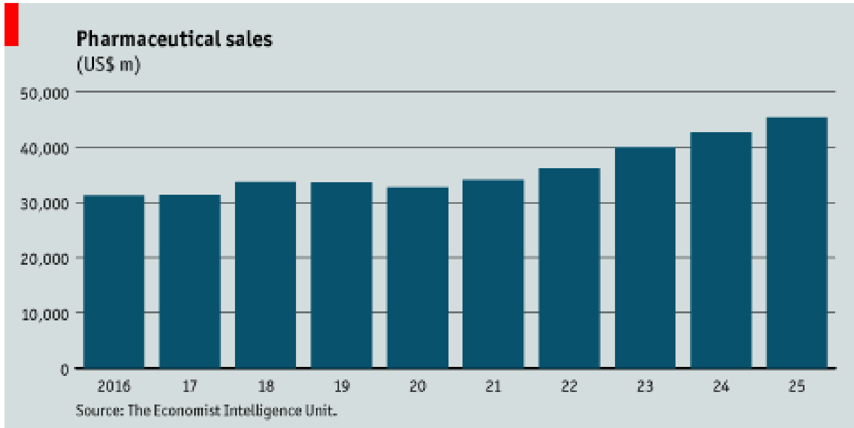
Healthcare: key indicators

	2016[a]	2017[a]	2018[b]	2019[b]	2020[b]	2021[c]	2022[c]	2023[c]	2024[c]	2025[c]
Life expectancy, average (years)	80.9	81.0	81.0[a]	81.1[a]	81.2[a]	81.3	81.4	81.5	81.6	81.8
Life expectancy, male (years)	79.0	79.1	79.2[a]	79.3[a]	79.4[a]	79.5	79.7	79.9	80.0	80.2
Life expectancy, female (years)	82.8	82.8	82.8[a]	82.9[a]	82.9[a]	83.0	83.1	83.1	83.2	83.3
Infant mortality rate (per 1,000 live births)	4.3	4.3[b]	4.2	4.2	4.1	4.1	4.0	4.0	4.0	3.9
Healthcare spending (£ bn)	196.9	203.4	214.2	227.0	214.2	228.3	242.0	251.9	262.0	272.4
Healthcare spending (% of GDP)	9.9	9.8	10.0	10.3	10.7	10.5	10.5	10.5	10.5	10.6
Healthcare spending (US$ bn)	266.8	262.2	286.1	289.9	273.7	291.4	306.0	341.4	365.4	386.2
Healthcare spending (US$ per head)	4,055	3,929	4,261	4,293	4,032	4,273	4,468	4,964	5,295	5,575
Healthcare (consumer expenditure; US$ bn)	31.1	32.4	36.6[a]	37.1[a]	35.4	36.2	36.2	39.5	41.7	43.7
Doctors (per 1,000 people)	2.8	2.8	2.8[a]	3.0[a]	3.0	3.0	3.1	3.1	3.2	3.2
Hospital beds (per 1,000 people)	2.6[b]	2.6[b]	2.6	2.6	2.6	2.6	2.5	2.5	2.5	2.5

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

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

- Devolution since 1999 means that most NHS funding and commissioning occurs under separate frameworks in the four UK nations, with variations in some policy areas. This has been particularly apparent during the coronavirus crisis, with the four nations following separate lockdown policies. Around 86% of funding goes to NHS England, with Scotland, Wales and Northern Ireland sharing the rest under a formula related to population size.



- Current (operational) NHS spending increased from £126.7bn in fiscal year 2018/19 (April-March) to £133.3bn in 2019/20, and was planned to rise again to £137.1bn in 2020/21. Capital spending, on hospitals and equipment, totalled £7.1bn in 2019/20. However, in March 2020 the government announced additional emergency funding of £5bn to help the NHS cope with the pandemic, as well as £1.5bn in capital spending.
- In its government spending review in November 2020, the government not only pledged £18bn towards vaccination and other pandemic measures, but also a further £3bn for the NHS. However, amid record public borrowing, it also announced plans for another public-sector pay freeze, although NHS workers are exempt and should receive a pay rise.

- The UK's relatively weak public finances will become weaker still as a result of the coronavirus crisis. Brexit will also pose a challenge to the healthcare system. The UK formally left the EU at end-January 2020, entering a transition period. The "real" Brexit deadline is end-2020, when the UK is scheduled to leave the single market and customs union. Despite a last-minute trade deal, announced on December 24th, we expect some disruption to pharmaceutical supply chains, medical research and NHS recruitment.
- The Conservative government's pre-pandemic spending plans imply that by 2022/23 the annual budget for NHS England will have risen by £20.5bn a year in real terms, with budgets for the other three UK regions (Scotland, Wales and Northern Ireland) rising at the same rate. However, we no longer believe that the government will be able to keep its legally binding pledge, made in December 2019, to increase NHS spending by £34bn by the 2023/24 fiscal year, unless pandemic spending is included in the tally.

Private health insurance

- Voluntary (or private) spending on healthcare accounted for 22.2% of the UK's total health expenditure in 2018, according to the OECD. Of this, out-of-pocket (OOP) spending accounted for 16% of total health spending, with 3% coming from private health insurance and the remainder from charitable or company schemes, according to government data.
- The share of OOP spending has risen gradually in recent years, but the private health insurance market has remained broadly flat, reflecting the dominance of the NHS. In 2018 spending on private acute medical care in hospitals and clinics fell by 1.1% to £5.8bn, according to LaingBuisson, a consultancy, reflecting a decline in care done under contract to the NHS. This decline came despite a 4.8% increase in the self-pay market.
- The leading independent healthcare group is Bupa, with 2.3m policyholders at end-June 2020. Other major insurers include AXA PPP, Aviva and VitalityHealth.

Telecommunications

United Kingdom | Telecommunications | Overview

November 12th 2020

- Mobile telephony accounts for a majority of telecommunications connections in the UK. The mobile penetration rate has fallen slightly in recent years, amid a largely saturated market. The Economist Intelligence Unit expects the rate to grow moderately in the early part of the forecast period (2021-25) before levelling off, rising from 119% in 2019 to 122% in 2025. The number of mobile subscriptions is forecast to increase at a compound annual growth rate (CAGR) of 0.9% in 2021-25.
- Fixed-line penetration is forecast to decline gradually to 42% in 2025. There were an estimated 40 broadband subscriptions per 100 people in 2019—the eighth-highest rate in the OECD—with total internet user penetration at 92.5% of the population. We forecast a rise in internet subscriber penetration from 43 per 100 in 2021 to 45 per 100 by 2025, with the impact of the coronavirus likely to accelerate the upward trend. However, a pandemic-related economic slump (UK GDP fell by 19.8% in April-June 2020, the largest quarterly fall on record) could jeopardise public- and private-sector investment plans.
- A UK digital strategy was published in March 2017, covering areas such as connectivity, digital skills and cybersecurity. Alongside an aim (which will go unmet) to complete the roll-out of fourth-generation (4G) mobile services in 2020, it detailed higher public investment to support the development of fifth-generation (5G) technology, full-fibre broadband and artificial intelligence (AI). Plans for a new digital strategy focusing on digital skills were announced in late June 2020, although they have yet to be published. A National Data Strategy was published in September 2020, which aims to unlock the value of data across the economy and use data to improve public services.

- In March 2020 the government and Ofcom, the telecoms regulator, agreed a scheme with the UK's four main mobile network operators (MNOs) for a shared rural 4G network to remove most connectivity "not spots"—a term used to describe the absence of 4G coverage—by 2025. The digital strategy aims for a majority of the population to have 5G mobile coverage by 2027.
- In July 2018 the then government set targets to achieve "full-fibre broadband coverage" for 15m premises by 2025 and national coverage by 2033. A pledge in July 2019 to achieve national coverage by 2025 has been diluted since the December 2019 general election, with the re-elected Conservative administration committing only to "accelerate the delivery of gigabit-capable broadband". A budget speech in March 2020 reaffirmed the UK's commitment to invest £5bn (US$6.4bn) towards full-fibre roll-out.

Telecoms penetration

	2016[a]	2017[a]	2018[a]	2019[b]	2020[b]	2021[c]	2022[c]	2023[c]	2024[c]	2025[c]
Telephone main lines (m)	32.6	32.1	31.9	31.4	30.7	30.2	29.8	29.5	29.4	29.3
Telephone main lines (per 100 people)	49.6	48.2	47.5	46.5	45.2	44.3	43.4	43.0	42.7	42.3
Mobile subscriptions (m)	78.9	79.1	79.5	80.3	80.9	82.5	83.5	84.0	84.5	84.7
Mobile subscriptions (per 100 people)	120.0	118.5	118.4	118.9	119.2	121.0	122.0	122.1	122.4	122.3

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

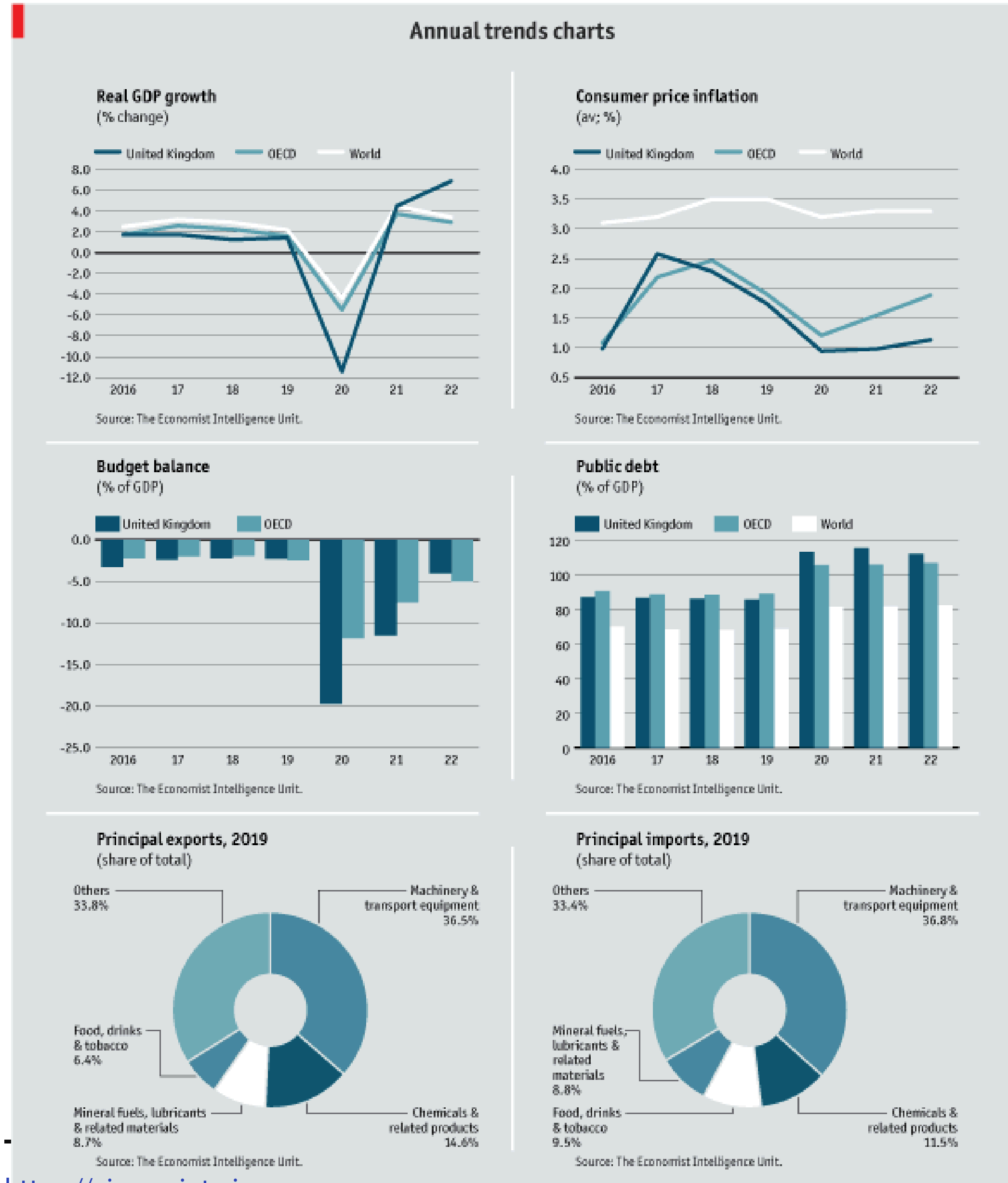
Sources: International Telecommunication Union; The Economist Intelligence Unit.

Data and charts: Annual trends charts

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

January 13th 2021

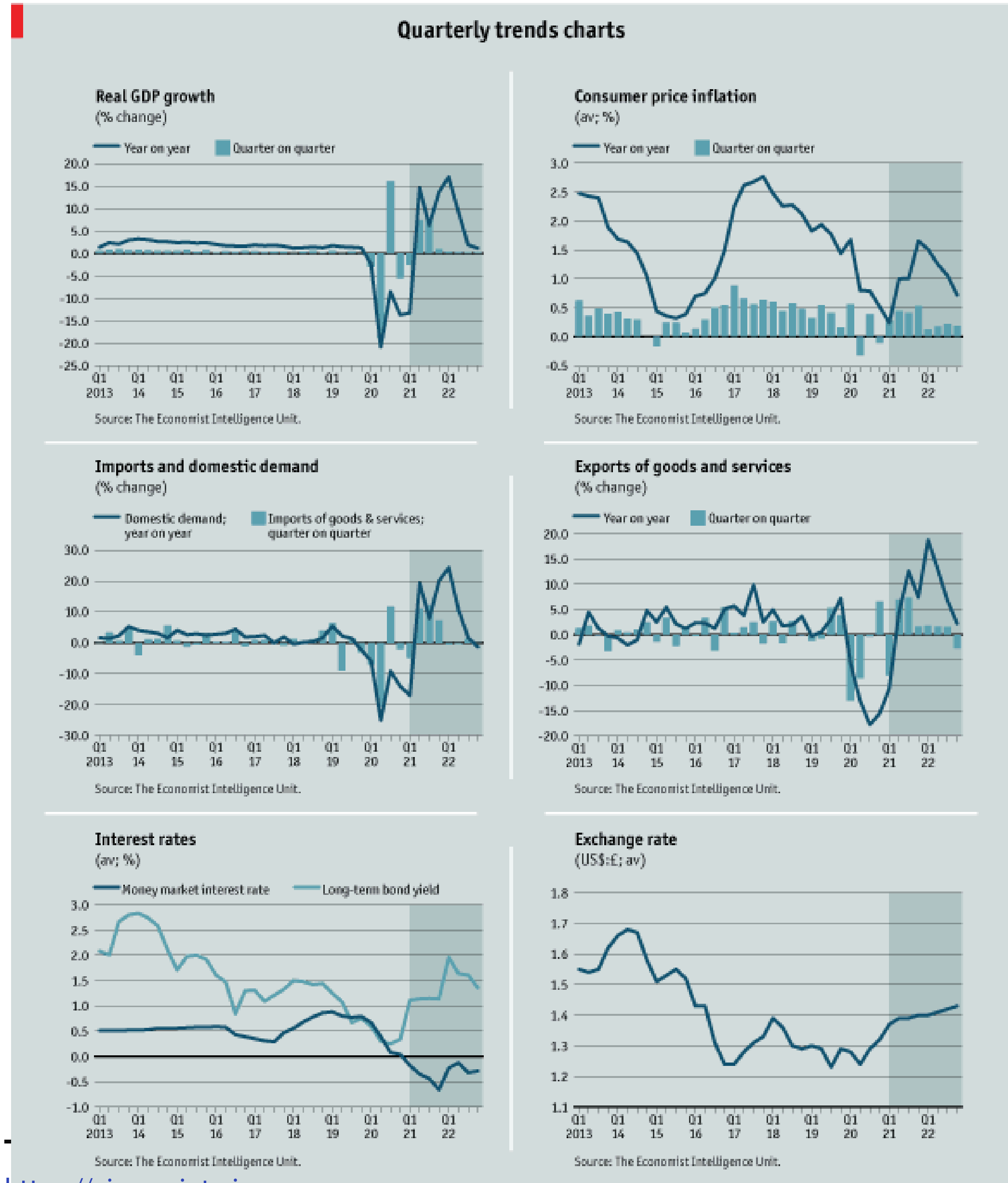
One-click report : United Kingdom ,March 21st 2024



Data and charts: Quarterly trends charts

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

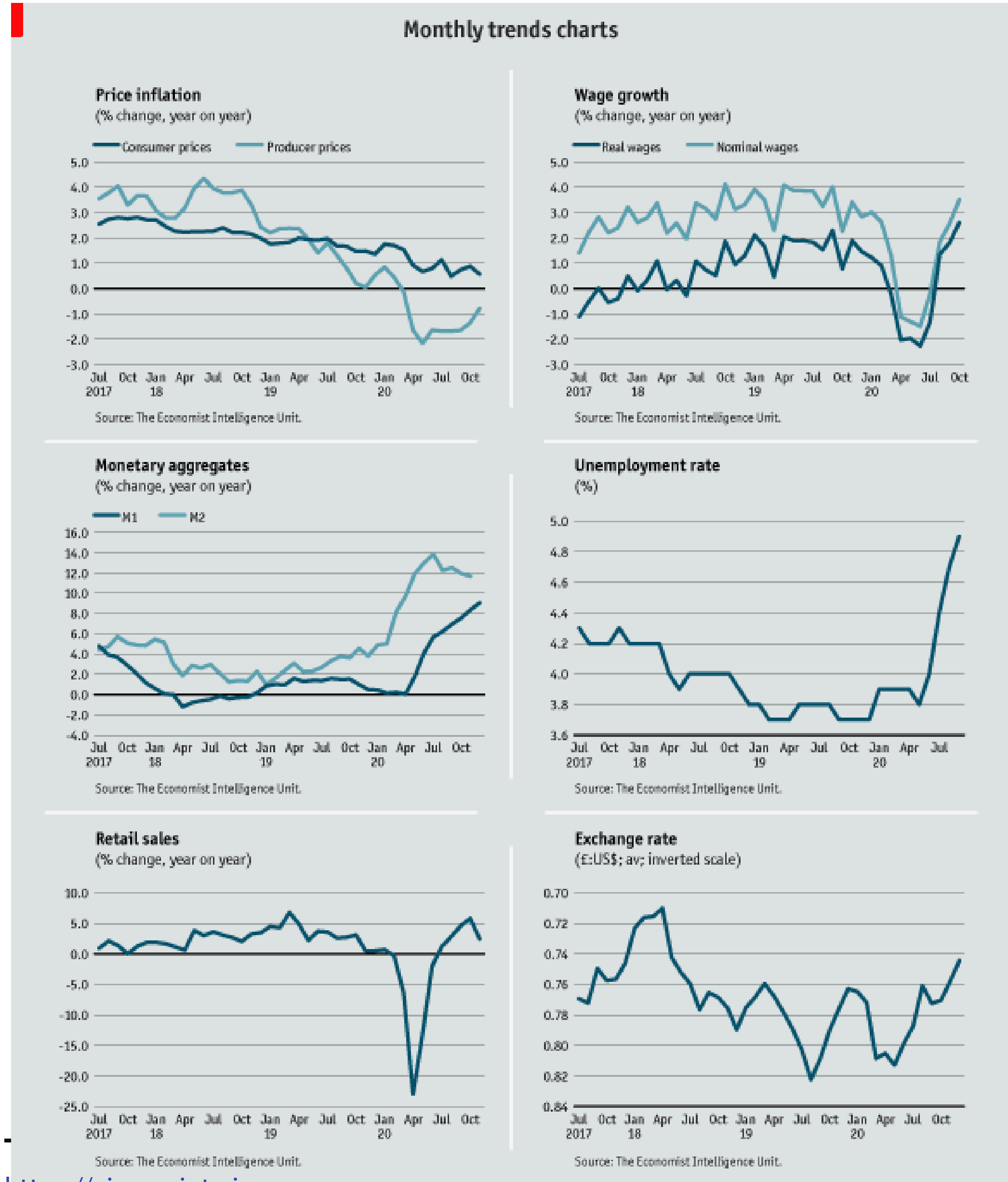
January 13th 2021


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

Data and charts: Monthly trends charts

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

January 13th 2021


Monthly trends charts
Price inflation
(% change, year on year)
Consumer prices
Producer prices
5.0
4.0
3.0
2.0
1.0
0.0
-1.0
-2.0
-3.0
Jul 2017
Oct
Jan 18
Apr
Jul
Oct
Jan 19
Apr
Jul
Oct
Jan 20
Apr
Jul
Oct
Source: The Economist Intelligence Unit.
Wage growth
(% change, year on year)
Real wages
Nominal wages
Source: The Economist Intelligence Unit.
Monetary aggregates
(% change, year on year)
M1
M2
16.0
14.0
12.0
10.0
8.0
6.0
4.0
2.0
0.0
-2.0
-4.0
Source: The Economist Intelligence Unit.
Unemployment rate
(%)
5.0
4.8
4.6
4.4
4.2
4.0
3.8
3.6
Source: The Economist Intelligence Unit.
Retail sales
(% change, year on year)
10.0
5.0
0.0
-5.0
-10.0
-15.0
-20.0
-25.0
Source: The Economist Intelligence Unit.
Exchange rate
(£:US$; av; inverted scale)
0.70
0.72
0.74
0.76
0.78
0.80
0.82
0.84
Source: The Economist Intelligence Unit.

Data summary: Gross domestic product, current market prices

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

January 13th 2021

Gross domestic product, at current market prices

	2016[a]	2017[a]	2018[a]	2019[a]	2020[b]	2021[c]	2022[c]	2023[c]	2024[c]	2025[c]
Expenditure on GDP (£ bn at current market prices)										
GDP	1,994.7	2,068.8	2,141.8	2,218.4	2,028.5	2,208.6	2,365.2	2,437.2	2,528.2	2,626.9
Private consumption	1,293.0	1,334.4	1,385.7	1,420.3	1,270.1	1,356.7	1,400.4	1,416.8	1,455.0	1,494.2
Government consumption	382.0	387.3	398.4	423.1	384.5	453.8	500.4	521.6	553.0	588.1
Gross fixed investment	353.2	372.3	381.2	399.5	331.7	376.1	466.0	506.5	537.3	570.0
Exports of goods & services	563.2	622.9	661.6	689.3	590.6	608.1	677.2	754.3	835.3	923.0
Imports of goods & services	599.4	652.8	687.1	716.7	552.4	590.2	673.9	764.1	854.4	950.5
Stockbuilding	2.7	4.6	1.9	6.9	6.0	2.0	-5.0	2.0	2.0	2.0
Domestic demand	2,030.8	2,098.6	2,167.3	2,249.8	1,992.3	2,188.6	2,361.9	2,446.9	2,547.4	2,654.3
Expenditure on GDP (US$ bn at current market prices)										
GDP	2,702.7	2,666.9	2,860.8	2,833.7	2,604.0	3,061.0	3,348.2	3,424.2	3,602.7	3,795.8
Private consumption	1,751.9	1,720.2	1,850.9	1,814.2	1,630.5	1,880.3	1,982.5	1,990.6	2,073.4	2,159.2
Government consumption	517.6	499.3	532.2	540.5	493.6	628.9	708.4	732.8	788.1	849.8

Gross fixed investment	478.6	480.0	509.2	510.3	425.8	521.3	659.7	711.6	765.7	823.7
Exports of goods & services	763.2	803.0	883.7	880.4	758.2	842.9	958.6	1,059.8	1,190.3	1,333.8
Imports of goods & services	812.1	841.5	917.8	915.5	709.1	817.9	954.0	1,073.5	1,217.6	1,373.5
Stockbuilding	3.6	6.0	2.6	8.8	7.7	2.8	-7.1	2.8	2.9	2.9
Domestic demand	2,751.6	2,705.5	2,894.9	2,873.8	2,557.5	3,033.3	3,343.6	3,437.8	3,630.0	3,835.5
Economic structure (% of GDP at current market prices)										
Household consumption	64.8	64.5	64.7	64.0	62.6	61.4	59.2	58.1	57.6	56.9
Government consumption	19.1	18.7	18.6	19.1	19.0	20.5	21.2	21.4	21.9	22.4
Gross fixed investment	17.7	18.0	17.8	18.0	16.4	17.0	19.7	20.8	21.3	21.7
Stockbuilding	0.1	0.2	0.1	0.3	0.3	0.1	-0.2	0.1	0.1	0.1
Exports of goods & services	28.2	30.1	30.9	31.1	29.1	27.5	28.6	31.0	33.0	35.1
Imports of goods & services	30.0	31.6	32.1	32.3	27.2	26.7	28.5	31.4	33.8	36.2
Memorandum item										
National savings ratio (%)	12.4	14.5	14.2	14.0	15.4	14.2	16.3	17.7	18.2	18.4

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

Data summary: Gross domestic product, at constant prices

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

January 13th 2021

Gross domestic product, at constant prices

	2016[a]	2017[a]	2018[a]	2019[a]	2020[b]	2021[c]	2022[c]	2023[c]	2024[c]	2025[c]
Real expenditure on GDP(£ bn at chained 2013 prices)										
GDP	2,079.1	2,115.3	2,141.8	2,172.5	1,924.3	2,010.4	2,148.9	2,187.9	2,229.4	2,266.7
Household consumption	1,350.8	1,366.1	1,385.6	1,400.9	1,207.4	1,295.3	1,386.9	1,400.4	1,430.9	1,457.8
Government consumption	393.0	395.9	398.4	414.4	381.2	400.3	416.7	425.0	433.5	442.2
Gross fixed investment	369.6	379.8	381.2	387.1	327.9	344.3	406.3	426.6	439.4	452.6
Exports of goods & services	609.2	642.1	661.6	679.2	589.8	608.5	667.9	731.9	800.4	874.1
Imports of goods & services	651.6	668.9	687.1	705.9	558.2	610.1	694.1	768.1	847.0	932.1
Stockbuilding (% of GDP)	8.8	13.5	-0.8	1.7	6.0	2.0	-5.0	2.0	2.0	2.0
Domestic demand	2,123.5	2,157.2	2,167.2	2,202.9	1,923.4	2,041.8	2,205.3	2,254.1	2,306.1	2,354.7
Real expenditure on GDP (% change)										
GDP	1.7	1.7	1.3	1.4	-11.4	4.5	6.9	1.8	1.9	1.7
Household consumption	3.4	1.1	1.4	1.1	-13.8	7.3	7.1	1.0	2.2	1.9
Government consumption	1.0	0.7	0.6	4.0	-8.0	5.0	4.1	2.0	2.0	2.0
Gross fixed investment	4.4	2.8	0.4	1.5	-15.3	5.0	18.0	5.0	3.0	3.0

Exports of goods & services	2.7	5.4	3.0	2.7	-13.2	3.2	9.8	9.6	9.4	9.2
Imports of goods & services	3.9	2.6	2.7	2.7	-20.9	9.3	13.8	10.7	10.3	10.0
Stockbuilding (% contribution to GDP growth)	-0.1	0.2	-0.7	0.1	0.2	-0.2	-0.3	0.3	0.0	0.0
Domestic demand	3.0	1.6	0.5	1.6	-12.7	6.2	8.0	2.2	2.3	2.1
Real contribution to GDP growth (% points)										
Private consumption	2.2	0.7	0.9	0.7	-8.9	4.6	4.6	0.6	1.4	1.2
Government consumption	0.2	0.1	0.1	0.7	-1.5	1.0	0.8	0.4	0.4	0.4
Gross fixed investment	0.8	0.5	0.1	0.3	-2.7	0.9	3.1	0.9	0.6	0.6
External balance	-0.4	0.8	0.1	-0.1	2.7	-1.7	-1.2	-0.5	-0.5	-0.5
Memorandum items										
Industrial production (% change)	1.1	1.8	0.9	-1.2	-9.0	-0.4	4.5	2.0	1.2	1.2
Real personal disposable income (% change)	0.5	0.1	2.3	1.8	-7.8	3.1	6.0	0.6	1.8	1.9

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

Data summary: Gross domestic product by sector of origin

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

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Gross domestic product by sector of origin

	2016[a]	2017[a]	2018[a]	2019[a]	2020[b]	2021[c]	2022[c]	2023[c]	2024[c]	2025[c]
Origin of GDP (£ bn at chained 2010 prices)										
GDP at factor cost	1,852.6	1,884.9	1,910.2	1,937.4	1,716.1	1,792.9	1,916.3	1,951.1	1,988.1	2,021.4
Agriculture	11.8	12.6	12.2	13.0	12.2	12.3	12.5	12.6	12.7	12.7
Industry	373.9	385.7	388.2	387.2	364.0	362.2	376.7	384.2	388.8	393.5
Services	1,466.8	1,486.6	1,509.9	1,537.2	1,339.9	1,418.4	1,527.1	1,554.3	1,586.6	1,615.2
Origin of GDP (real % change)										
Agriculture	-6.0	6.3	-3.3	6.3	-6.0	1.0	2.0	0.5	0.5	0.5
Industry	2.0	3.1	0.6	-0.2	-6.0	-0.5	4.0	2.0	1.2	1.2
Services	1.6	1.4	1.6	1.8	-12.8	5.9	7.7	1.8	2.1	1.8
Origin of GDP (% of factor cost GDP)										
Agriculture	0.6	0.6	0.6	0.7	0.7	0.7	0.6	0.6	0.6	0.6
Industry	20.0	20.4	20.3	20.0	21.2	20.2	19.6	19.7	19.5	19.4

Services	79.3	79.0	79.0	79.4	78.1	79.1	79.7	79.7	79.8	79.9
Memorandum item										
Industrial production (% change)	1.1	1.8	0.9	-1.2	-9.0	-0.4	4.5	2.0	1.2	1.2

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

Data summary: Growth and productivity

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

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Growth and productivity

	2016[a]	2017[a]	2018[a]	2019[a]	2020[a]	2021[b]	2022[b]	2023[b]	2024[b]	2025[b]
Growth and productivity (%)										
Labour productivity growth	0.3	0.7	0.1	0.3	-9.6	6.5	5.3	0.8	0.9	0.7
Total factor productivity growth	-0.2	0.1	-0.4	-0.1	-11.1	5.5	4.0	1.1	1.2	1.0
Growth of capital stock	2.9	2.9	2.5	2.4	0.0	0.5	2.7	3.0	3.0	3.0
Growth of potential GDP	1.7	1.6	1.5	1.5	-11.3	5.5	5.0	2.4	2.6	2.5
Growth of real GDP	1.7[c]	1.7[c]	1.3[c]	1.4[c]	-11.4	4.5	6.9	1.8	1.9	1.7
Growth of real GDP per head	1.1[c]	0.3[c]	0.6	0.9	-11.9	4.0	6.4	1.4	1.5	1.3

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

Data summary: Economic structure, income and market size

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

January 13th 2021

Economic structure, income and market size

	2016[a]	2017[a]	2018[a]	2019[a]	2020[b]	2021[c]	2022[c]	2023[c]	2024[c]	2025[c]
Population, income and market size										
Population (m)	65.8	66.7	67.1[b]	67.5[b]	67.9	68.2	68.5	68.8	69.0	69.3
GDP (US$ bn at market exchange rates)	2,703	2,667	2,861	2,834	2,604	3,061	3,348	3,424	3,603	3,796
GDP per head (US$ at market exchange rates)	41,081	39,968	42,609[b]	41,963[b]	38,359	44,878	48,880	49,795	52,197	54,795
Private consumption (US$ bn)	1,752	1,720	1,851	1,814	1,630	1,880	1,982	1,991	2,073	2,159
Private consumption per head (US$)	26,628	25,780	27,567[b]	26,865[b]	24,018	27,567	28,942	28,948	30,040	31,169
GDP (US$ bn at PPP)	2,896	3,033	3,117	3,260	2,897	3,069	3,336	3,471	3,608	3,716
GDP per head (US$ at PPP)	44,025	45,452	46,426[b]	48,282[b]	42,670	44,990	48,698	50,476	52,267	53,637
Personal disposable income (£ bn)	1,348	1,376	1,441	1,483	1,423	1,461	1,493	1,505	1,540	1,582
Personal disposable income (US$ bn)	1,826	1,774	1,925	1,894	1,827	2,025	2,114	2,114	2,195	2,286
Growth of real disposable income (%)	0.5	0.1	2.3	1.5[b]	-7.5	3.1	6.0	0.6	1.8	1.9
Memorandum items										
Share of world population (%)	0.89	0.89	0.89[b]	0.89[b]	0.88	0.88	0.88	0.88	0.88	0.89
Share of world GDP (% at market exchange rates)	3.58	3.32	3.36	3.27	3.13	3.44	3.57	3.44	3.43	3.44

Share of world GDP (% at PPP)	2.53	2.52	2.45	2.43	2.25	2.24	2.31	2.28	2.25	2.23
Share of world exports of goods (%)	2.57	2.50	2.47	2.58	2.21	2.14	2.39	2.58	2.82	3.09

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

Data summary: Fiscal indicators

United Kingdom | Economy | Charts and tables | Fiscal indicators

January 13th 2021

Fiscal indicators

	2016[a]	2017[a]	2018[a]	2019[a]	2020[b]	2021[c]	2022[c]	2023[c]	2024[c]	2025[c]
Fiscal indicators (% of GDP)										
Government expenditure	41.5	41.3	41.1	41.0	49.5	44.2	42.0	41.9	42.2	42.5
Interest[d]	2.4	2.7	2.4	2.1	1.8	1.4	0.8	0.9	1.3	1.5
Non-interest[d]	39.1	38.6	38.6	38.9	47.7	42.8	41.2	41.0	41.0	40.9
Government revenue[d]	38.3	38.8	38.8	38.7	29.8	32.7	37.9	39.4	39.4	39.6
Budget balance[d]	-3.3	-2.4	-2.2	-2.3	-19.7	-11.5	-4.1	-2.6	-2.9	-2.9
Primary balance[d]	-0.9	0.3	0.2	-0.2	-17.9	-10.1	-3.2	-1.7	-1.6	-1.3
Government debt[e]	86.8	86.3	85.8	85.2	112.9	115.2	111.7	110.8	109.5	108.1

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

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

Data summary: Monetary indicators

United Kingdom | Economy | Charts and tables | Monetary indicators

January 13th 2021

Monetary indicators

	2016[a]	2017[a]	2018[a]	2019[a]	2020[b]	2021[c]	2022[c]	2023[c]	2024[c]	2025[c]
Monetary indicators										
Exchange rate US$:£ (av)	1.35	1.29	1.34	1.28	1.28	1.39	1.42	1.41	1.43	1.45
Exchange rate €:£ (av)	1.22	1.14	1.13	1.14	1.13	1.18	1.24	1.21	1.19	1.19
Exchange rate US$:€ (av)	1.11	1.13	1.18	1.12	1.14	1.18	1.15	1.17	1.20	1.21
Exchange rate €:£ (year-end)	1.17	1.13	1.12	1.15	1.11	1.21	1.23	1.20	1.18	1.20
Real effective exchange rate (av; 2005=100)	102.4	97.1	98.8	98.3	98.3	103.4	107.0	104.7	104.6	105.3
M4 money-supply growth (%)[d]	6.2	4.8	2.3	3.8	12.4	7.9	6.7	1.5	2.3	4.0
Domestic credit growth (%)	4.2	5.4	3.2	4.9	4.7	8.1	6.9	1.7	2.4	4.2
Purchasing power parity US$:£ (av)	1.45	1.47	1.46	1.47	1.43	1.39	1.41	1.42	1.43	1.41
3-month £-Libor rate (av; %)	0.5	0.4	0.7	0.8	0.3	-0.4	-0.2	0.8	1.0	1.0

10-year government bond yield (av; %)	1.3	1.2	1.5	0.9	0.4	1.1	1.6	1.5	1.9	1.9
Bank of England base rate (%; end-period)	0.25	0.50	0.75	0.75	0.10	0.10	0.25	0.75	1.25	1.50
Lending rate (%; average mortgage SVR from UK MFIs)	4.4	4.4	4.3	4.3	3.8	4.0	4.2	4.4	4.5	4.5
Deposit rate (av; %)	1.3	0.9	0.9	0.9	0.4	0.3	0.9	1.3	1.5	1.5

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

Data summary: Employment, wages and prices

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

January 13th 2021

Employment, wages and prices

	2016[a]	2017[a]	2018[a]	2019[a]	2020[b]	2021[c]	2022[c]	2023[c]	2024[c]	2025[c]
The labour market (av)										
Labour force (m)	33.4	33.5	33.8	34.1	34.0	33.9	33.9	34.1	34.2	34.5
Labour force (% change)	0.9	0.5	0.9	0.8	-0.3	-0.4	0.2	0.4	0.5	0.7
Employment (m)	31.7	32.1	32.4	32.8	32.1	31.5	32.0	32.3	32.6	33.0

Employment (% change)	1.5	1.0	1.2	1.1	-2.0	-1.9	1.5	1.0	1.0	1.0
Unemployment (m)	1.6	1.5	1.4	1.3	1.9	2.3	1.9	1.7	1.6	1.5
Unemployment rate (%; EU/OECD standardised measure)	4.9	4.4	4.1	3.8	4.9	6.9	5.7	5.1	4.6	4.4
Wage and price inflation (% except labour costs per hour)										
GDP deflator	2.2	1.9	2.2	2.1	3.2	4.2	0.2	1.2	1.8	2.2
Consumer prices (av; CPIH measure)	1.0	2.6	2.3	1.7	0.9	1.0	1.1	1.2	1.5	1.8
Producer prices (av)	0.2	3.9	3.4	1.4	-1.0	2.0	0.5	1.2	1.5	1.8
GDP deflator (av)	2.2	1.9	2.2	2.1	3.2	4.2	0.2	1.2	1.8	2.2
Private consumption deflator (av)	1.4	2.0	2.4	1.4	3.8	-0.4	-3.6	0.2	0.5	0.8
Government consumption deflator (av)	0.9	0.7	2.2	2.1	-1.2	12.4	5.9	2.2	4.0	4.3
Fixed investment deflator (av)	2.2	2.6	2.0	3.2	-2.0	8.0	5.0	3.5	3.0	3.0
Average nominal wages (av)	2.4	2.3	3.0	3.4	-3.1	4.0	5.2	2.6	2.9	3.2
Average real wages (av)	1.4	-0.3	0.7	1.7	-4.0	3.0	4.0	1.4	1.4	1.4
Unit labour costs (£-based; av)	2.2	2.4	2.8	3.3	8.2	-1.8	0.9	2.8	3.0	3.5
Unit labour costs (US$-based)	-9.4	-2.6	6.5	-1.2	8.8	6.0	3.0	2.0	4.5	5.0
Labour costs per hour (£)	21.3[b]	22.0[b]	22.7[b]	23.5[b]	22.8	23.7	24.9	25.6	26.3	27.1
Labour costs per hour (US$)	28.9[b]	28.4[b]	30.3[b]	30.0[b]	29.2	32.8	35.3	35.9	37.5	39.2

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

Data summary: Current account and terms of trade

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

January 13th 2021

Current account and terms of trade

	2016[a]	2017[a]	2018[a]	2019[a]	2020[b]	2021[c]	2022[c]	2023[c]	2024[c]	2025[c]
Current account (US$ bn)										
Current-account balance	-147.7	-100.5	-104.8	-121.6	-33.7	-89.9	-107.4	-109.6	-112.8	-127.6
Current-account balance (% of GDP)	-5.5	-3.8	-3.7	-4.3	-1.3	-2.9	-3.2	-3.2	-3.1	-3.4
Goods: exports fob	402.0	433.1	468.6	476.5	356.7	381.6	460.5	531.0	612.6	707.5
Goods: imports fob	-581.4	-607.5	-651.1	-643.8	-471.8	-543.8	-638.2	-730.1	-838.3	-961.5
Trade balance	-179.4	-174.5	-182.4	-167.4	-115.0	-162.2	-177.7	-199.1	-225.7	-254.0
Services: credit	358.7	369.5	414.1	405.4	391.6	450.6	481.7	506.1	551.8	598.5
Services: debit	-228.1	-233.6	-265.5	-276.9	-247.8	-271.4	-294.3	-315.7	-336.1	-356.7
Services balance	130.6	135.9	148.6	128.5	143.8	179.2	187.4	190.4	215.7	241.8
Primary income: credit	186.5	241.8	291.5	265.0	172.2	159.4	192.9	233.2	261.6	279.3
Primary income: debit	-253.3	-274.9	-328.5	-312.3	-202.2	-228.2	-268.4	-291.5	-319.7	-347.5
Primary income balance	-66.8	-33.1	-37.0	-47.3	-30.1	-68.8	-75.5	-58.3	-58.1	-68.2
Secondary income: credit	23.0	22.7	24.9	23.0	21.1	24.8	27.2	27.8	29.2	30.8
Secondary income: debit	-55.2	-51.7	-58.9	-58.2	-53.5	-62.9	-68.8	-70.3	-74.0	-78.0

Secondary income balance	-32.2	-29.0	-34.0	-35.2	-32.3	-38.0	-41.6	-42.5	-44.8	-47.2
Terms of trade										
Export price index (US$-based; 2010=100)	89.0	89.9	96.5	92.4	87.2	92.6	95.5	96.3	98.5	100.4
Export prices (% change)	-6.5	1.1	7.3	-4.3	-5.6	6.2	3.1	0.9	2.3	1.9
Import price index (US$-based; 2010=100)	88.5	89.6	95.4	89.7	85.6	89.0	90.8	92.6	95.1	97.1
Import prices (% change)	-8.5	1.2	6.5	-5.9	-4.6	4.0	2.1	2.0	2.6	2.1
Terms of trade (2010=100)	100.5	100.4	101.2	102.9	101.9	104.1	105.1	104.0	103.7	103.4
Memorandum item										
Export market growth (%)	4.1	4.9	4.5	1.0[b]	-7.2	7.0	5.9	5.0	4.2	3.6

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

Data summary: Foreign direct investment

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

January 13th 2021

Foreign direct investment

	2016[a]	2017[a]	2018[a]	2019[a]	2020[b]	2021[c]	2022[c]	2023[c]	2024[c]	2025[c]
Foreign direct investment (US$ bn)										
Inward direct investment	324.8	125.4	81.2	20.7	-8.1	59.7	94.0	118.4	112.2	130.1
Inward direct investment (% of GDP)	12.0	4.7	2.8	0.7	-0.3	2.0	2.8	3.5	3.1	3.4
Inward direct investment (% of gross fixed investment)	67.9	26.1	15.9	4.1	-1.9	11.5	14.3	16.6	14.7	15.8
Outward direct investment	-33.0	-172.0	-56.4	67.1	10.2	-29.4	-37.7	-42.1	-47.1	-52.0
Net foreign direct investment	291.8	-46.6	24.8	87.8	2.1	30.3	56.3	76.3	65.1	78.1
Stock of foreign direct investment	2,009.0	2,292.0	2,291.0	2,372.0	2,363.9	2,423.6	2,517.6	2,636.0	2,748.2	2,878.3
Stock of foreign direct investment per head (US$)	30,537	34,349	34,122	35,125	34,821	35,533	36,755	38,333	39,816	41,550
Stock of foreign direct investment (% of GDP)	74.3	85.9	80.1	83.7	90.8	79.2	75.2	77.0	76.3	75.8
Memorandum items										
Share of world inward direct investment flows (%)	12.3	5.8	13.9	1.8	-0.7	5.1	7.6	9.2	8.4	9.4
Share of world inward direct investment stock (%)	7.1	7.6	7.2	6.9	7.1	6.9	6.9	6.9	7.0	7.0

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

Political structure

United Kingdom | Summary | Political structure

January 13th 2021

Official name

United Kingdom of Great Britain and Northern Ireland

Form of state

Parliamentary monarchy

Legal system

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

National legislature

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

Electoral system

Universal direct suffrage from the age of 18

National elections

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

Head of state

Queen Elizabeth II, who acceded to the throne in 1952

National government

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

Main political parties

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

Prime minister: Boris Johnson

Attorney general: Suella Braverman

Chancellor of the exchequer: Rishi Sunak

Chief secretary to the Treasury: Stephen Barclay

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

Leader of the House of Commons: Jacob Rees-Mogg

Minister for the Cabinet Office: Michael Gove

Party chair & minister without portfolio: Amanda Milling

Parliamentary secretary to the Treasury & chief whip: Mark Spencer

Secretaries of state

Business, energy & industrial strategy: Kwasi Kwarteng

Defence: Ben Wallace

Digital, culture, media & sport: Oliver Dowden

Education: Gavin Williamson

Environment, food & rural affairs: George Eustice

Foreign & Commonwealth affairs: Dominic Raab

Health & social care: Matt Hancock

Home Office: Priti Patel

Housing, communities & local government: Robert Jenrick

International trade: Liz Truss

Justice & Lord Chancellor: Robert Buckland

Northern Ireland: Brandon Lewis

Scotland: Alister Jack

Transport: Grant Shapps

Wales: Simon Hart

Work & pensions: Therese Coffey

Central bank governor

Andrew Bailey

Basic data

United Kingdom | Summary | Basic data

January 13th 2021

Land area

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

Population

66.8m (official mid-year estimate, 2019)

Main urban areas

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

Greater London (capital): 8,962

West Midlands: 2,929

Greater Manchester: 2,836

West Yorkshire: 2,332

Merseyside: 1,430

Climate

Temperate

Weather in London (altitude 5 metres)

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

Language

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

Measures

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

Currency

Pound (or pound sterling) = 100 pence

Time

GMT (summer time, 1 hour ahead)

Fiscal year

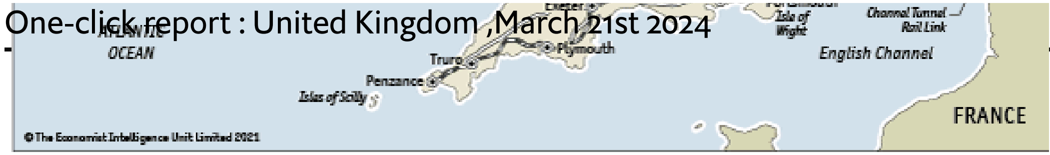
April 1st to March 31st; tax year April 6th to April 5th

Public holidays

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

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

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