



One-click report : United Kingdom

December 15th 2023

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Briefing sheet

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Political and economic outlook

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

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exports. We expect firmer growth in 2025 and a return to trend growth in 2026-28 as domestic and external demand picks up.

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

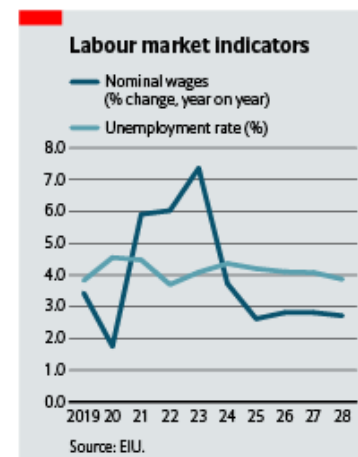
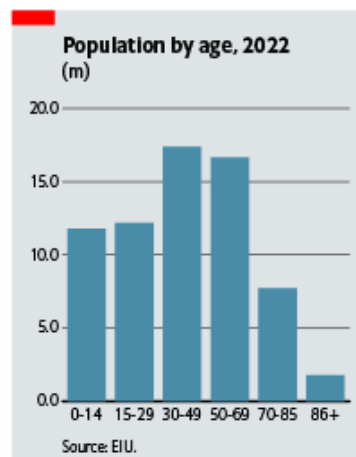
Key indicators

	2023 ^a	2024 ^b	2025 ^b	2026 ^b	2027 ^b	2028 ^b
Real GDP growth (%)	0.4	0.6	1.3	1.5	1.6	1.5
Consumer price inflation (av; %)	6.8	2.9	2.1	2.0	2.0	1.9
Government balance (% of GDP)	-3.5	-3.7	-3.6	-3.0	-2.4	-2.2
Current-account balance (% of GDP)	-2.9	-2.8	-2.8	-3.2	-3.3	-3.3
Short-term interest rate (av; %)	5.0	5.5	4.6	3.7	3.1	3.0
Unemployment rate (%)	4.1	4.4	4.2	4.1	4.1	3.9
Exchange rate £:US\$ (av)	0.81	0.81	0.77	0.76	0.75	0.72

^a EIU estimates. ^b EIU forecasts.

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Market opportunities



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Key changes since November 6th

- The King's Speech on November 6th aimed to draw dividing lines on policy with Labour, and included a number of measures intended to be broadly popular, or important to key Conservative demographics. Most policy proposals included in the speech were minor.
- On November 13th Rishi Sunak, the prime minister, reshuffled his cabinet. He fired the home secretary, Suella Braverman, a leading figure from the right wing of his party, and brought in a former prime minister, David Cameron, as foreign secretary.
- The reshuffle signals that the Conservatives will be attempting to appeal to moderate, more traditional Conservative voters in the south of England in the next election, rather than consolidate their gains in more socially conservative "red wall" seats in the north.
- The autumn statement presented modest tax cuts and minor supply-side reforms, while delaying public-sector spending cuts. The poor growth outlook means that fiscal space is limited and consolidation will be required after the election, in line with our forecast.
- Quarterly real GDP growth came in at zero in the third quarter as domestic demand weakened on the back of higher interest rates and ongoing cost-of-living pressures. We have revised down our forecast for annual growth in 2024 from 0.8% to 0.6%.

The month ahead

- December-January—Divisions over government proposals to deport asylum seekers to Rwanda: The immigration minister resigned on December 5th, arguing that the plans were not strong enough, but the bill will also face

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continued opposition from ministers and in both houses of parliament for being too strong and contravening international law.

- December 14th—Bank of England (BoE, the central bank) monetary policy meeting: We expect the BoE to keep the policy interest rate on hold at 5.25%, in the third consecutive decision to hold rates steady. Our view remains that the BoE will hold the policy rate at 5.25% until early 2025, before embarking on monetary easing.

Major risks to our forecast

Scenarios, Q4 2023	Probability	Impact	Intensity
UK falls from sluggish growth into recession	Very high	High	20
Strains on corporate balance sheets from rising interest rates lead to a wave of business failures	High	High	16
Another major cyber-attack strikes the UK	Very high	Moderate	15
Limited fiscal space and rising borrowing costs force significant tax rises	Very high	Moderate	15
Electricity grid infrastructure proves inadequate for energy transition	High	Moderate	12

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

Source: EIU.

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Forecast summary

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Forecast summary

(% unless otherwise indicated)

	2023 ^a	2024 ^b	2025 ^b	2026 ^b	2027 ^b	2028 ^b
Real GDP (% change)	0.4	0.6	1.3	1.5	1.6	1.5
Industrial production (% change)	-0.4	1.6	2.0	1.9	1.9	1.9
Unemployment rate (av; EU/OECD harmonised measure)	4.1	4.4	4.2	4.1	4.1	3.9
Consumer price inflation (av; CPIH measure)	6.8	2.9	2.1	2.0	2.0	1.9
3-month £-LIBOR rate (av)	5.0	5.5	4.6	3.7	3.1	3.0
Bank of England base rate (end-period)	5.25	5.25	4.25	3.25	3.00	3.00
Government budget balance (% of GDP) ^c	-3.5	-3.7	-3.6	-3.0	-2.4	-2.2
Exports of goods fob (US\$ bn)	493	484	505	518	536	559
Imports of goods fob (US\$ bn)	-757	-754	-805	-842	-883	-925
Current-account balance (US\$ bn)	-93.8	-94.5	-104.9	-123.4	-135.3	-146.9
Current-account balance (% of GDP)	-2.9	-2.8	-2.8	-3.2	-3.3	-3.3
Exchange rate US\$:£ (av)	1.23	1.23	1.30	1.31	1.34	1.38
Exchange rate ¥:£ (av)	175.9	176.7	146.5	138.9	140.8	145.0

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

Political stability

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Despite major fractures within the ruling Conservative Party, Rishi Sunak is likely to remain prime minister until the next general election, which EIU expects to be held in late 2024. The Conservatives trail the centre-left opposition Labour Party in the polls by a significant margin, owing to the economy’s poor performance in recent years, magnified by a series of adverse market reactions to the policies of Mr Sunak’s predecessor, Liz Truss. Even if the economy improves and Mr Sunak manages to boost the Conservatives’ polling slightly before the election, there is deep public discontent about the poor state of public services, and desire for a change of leadership after almost 14 years of Conservative government. This will limit the extent to which the Conservatives can rally public support. We expect Labour to win the next general election, with a small working majority.

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

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There are medium-term risks to the union of England, Northern Ireland, Scotland and Wales, but the dissolution of the UK is unlikely in our five-year forecast period. The pro-independence Scottish National Party (SNP), which holds the largest number of Scottish seats in the UK parliament and the most seats in the devolved Scottish parliament, has been agitating for a new referendum on Scottish independence since the 2016 vote to leave the EU. Both Labour and the Conservatives oppose a referendum, so the most likely avenue for the SNP to force a referendum would be to demand one as a condition of supporting a government if it holds the balance of power in a hung parliament at Westminster. However, the SNP's support in opinion polls has fallen sharply in the last year, and so a referendum is unlikely in our forecast period.

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

Election watch

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December 12th 2023

The next election is likely to be in the autumn of 2024. The prime minister can decide the date of the election unilaterally, provided parliament is dissolved within five years of the previous election (December 12th 2019), with an election following within 25 days. This makes the latest possible date January 24th 2025. Elections are usually held in May to coincide with fixed-term local elections. However, given the weak economic outlook and the Conservatives' poor polling, we expect Mr Sunak to try to avoid calling an election for as long as possible (albeit before the December-January period to avoid campaigning over Christmas). The recent government reshuffle signals that the Conservatives will attempt to appeal to moderate, traditional Conservative voters in southern England in the election, rather than consolidate their gains in more socially conservative Labour-leaning seats in the north.

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

International relations

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UK policy towards Ukraine and Russia is unlikely to change under the next government. In line with the rest of Europe, the UK will keep sanctions against Russia in place; it will also keep about half of the reserves of the Central Bank of Russia frozen, cutting off some Russian banks from the SWIFT international financial messaging system and maintaining a ban on the import of Russian oil. The UK has been the second-largest contributor of military aid to Ukraine in absolute terms (after the US), and is heavily involved in the training of Ukrainian military personnel and supplying Ukraine with long-range missiles.

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

Uncertainty will persist between the EU and the UK over the UK's departure from the bloc. The EU-UK Trade and Co-operation Agreement (TCA) came into force in 2021, allowing zero-tariff, zero-quota trade between the UK and the EU. However, leaving the single market and customs union has created many non-tariff trade barriers in short-term business travel, recognition of professional qualifications and other areas. The government's resolution of the Northern Ireland issue through the agreement of the Windsor Framework in 2023 has allowed for greater collaboration in other areas—for example, the UK will rejoin the EU's Horizon Europe scientific research funding programme in January 2024, and EU tariffs on UK electric vehicles are set to be delayed from 2024 to 2027.

However, there is limited potential for further breakthroughs in this parliament, given significant continued anti-EU sentiment within the Conservative Party, and the length and complexity of any further revisions to the TCA. Labour

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has said that it will seek a closer relationship with the EU when the TCA comes under review in 2025, but it does not advocate rejoining the EU single market or customs union, limiting the degree of trade liberalisation possible.

Policy trends

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The annual King's Speech in November outlined the policy programme for the government's final year before the election. There were no major new policy initiatives, with the legislative plans aiming to draw dividing lines with Labour, and broadly falling into three categories. First, existing policies will continue, such as reforming the leasehold system and updating digital markets regulation. Second are proposals designed to be popular with large swathes of the electorate, such as permanently banning smoking for everyone born after 2008. Finally, there are electorally strategic moves, such as licensing for energy exploration in the North Sea and tougher sentencing for serious criminals—issues important to key Conservative voter demographics and areas where Labour is divided.

Public concerns about the quality of service provision—particularly the National Health Service (NHS, which has seen a fall in care quality and increased waiting times since the pandemic), education and policing—will remain a key factor ahead of the election. The government will hope to convince the public that it is addressing these issues. However, given their deep-seated nature, major improvements under the current government are unlikely.

Longer-term structural reform to boost the UK's poor productivity growth would be a priority for a Labour government. The party is still putting together its campaign manifesto, but it has identified five key areas that it would prioritise: accelerating construction (particularly of homes and infrastructure); lowering energy bills by lifting renewable-energy capacity; improving public healthcare; reducing crime; and improving educational outcomes.

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Many of the policies the party has proposed are politically divisive (such as changes to planning laws), while tackling others (education and crime) require long-term efforts and will not consequently yield significant improvements until late in (or after) our forecast period. Moreover, the next government will be severely constrained by elevated borrowing costs, which will necessitate a focus on reducing the large budget deficit and cutting public debt levels.

Fiscal policy

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We expect the fiscal deficit to widen slightly in 2024 as the government keeps spending elevated ahead of the general election. The government's autumn fiscal statement included cuts to the UK's national insurance scheme contributions, targeted tax cuts for self-employed workers, business investment incentives and minor supply-side reforms, while delaying public-sector spending cuts until after the election. Conservatives are hoping to introduce new tax cuts before the election, in order to draw Labour into campaigning on tax increases. However, the poor economic growth outlook—and rising tax burden as a share of GDP, owing to slow productivity growth, rising debt-servicing costs and an ageing population—mean that consolidating the public finances looks like an increasingly urgent priority.

Labour is likely to come into office on a platform of higher public spending and investment programmes, but the need for fiscal consolidation will be a key constraint on policymaking, even as interest rates start to come down in 2025. Given revenue constraints, goals such as boosting business investment will have to be achieved through targeted measures rather than lowering corporation tax.

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We forecast that the budget deficit will shrink to about 2.2% of GDP in 2028 as GDP growth returns to trend. We forecast that public debt will peak at 100.9% of GDP in 2025, before moderating slowly to 97.4% of GDP in 2028.

Monetary policy

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

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Global forecast data

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	2023	2024	2025	2026	2027	2028
Economic growth (%)						
US GDP	2.4	0.9	1.8	2.0	2.0	2.2
Developed economies GDP	1.5	1.1	1.7	1.8	1.8	1.9
EU27 GDP	0.6	1.1	1.9	1.8	1.8	1.7
World GDP	2.5	2.2	2.7	2.7	2.7	2.7
World trade	0.7	2.7	3.4	3.6	3.7	3.7
Inflation indicators (% unless otherwise indicated)						
US CPI	4.1	2.6	2.3	2.3	2.4	2.4
Developed economies CPI	4.5	2.5	2.1	2.0	2.0	2.0
EU27 CPI	6.3	2.9	2.3	2.1	2.0	2.0
Manufactures (measured in US\$)	5.1	3.7	3.7	2.8	2.1	3.2
Oil (Brent; US\$/b)	83.0	84.1	79.2	71.8	66.3	63.1
Non-oil commodities (measured in US\$)	-14.9	-1.6	0.8	-0.2	0.5	0.5
Financial variables						
US\$ 3-month commercial paper rate (av; %)	5.1	5.2	4.4	3.4	2.6	2.5

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€ 3-month interbank rate (av; %)	3.4	3.8	2.9	1.9	1.8	1.7
US\$:£ (av)	1.23	1.23	1.30	1.31	1.34	1.38
US\$:€ (av)	1.08	1.10	1.16	1.18	1.20	1.20

Economic growth

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In 2024 inflation will be declining, real wage growth strengthening and interest rates no longer rising. However, this will not translate into a significant pick-up in economic activity. Disposable incomes will remain constrained by still-high costs for staples such as energy and food, and by rising mortgage-servicing costs, as more homeowners shift from fixed-rate mortgages (which typically last between two and five years) to sharply higher variable rates, or re-fix at higher rates. Investment spending will also be constrained by uncertainty as the election approaches. As a consequence, we expect the UK to record the second-slowest growth rate in the G7 group of economies in 2024, at 0.6%—on par with Italy and not much faster than Germany.

The external sector will also not be supportive for economic growth, with lacklustre global growth continuing to limit export demand. The agreement of the Windsor Framework in 2023 has removed one source of uncertainty around UK-EU trade in the wake of Brexit. However, the UK’s financial services sector, which accounts for 8.4% of gross value added (GVA) will be constrained by post-Brexit restrictions on trade, while the loss of frictionless access to the EU market will limit the competitiveness of UK manufacturing (9.7% of GVA).

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We expect real GDP growth to strengthen to 1.3% in 2025 and an annual average of 1.5% in 2026-28. We expect services to continue to dominate the economy (accounting for about 80% of GDP—a comparatively high share among advanced economies), and we forecast that these sectors will grow slightly more rapidly than industry (which accounts for about 20% of GDP) and agriculture (less than 1%). Hospitality, business services, retail trade and finance will remain the largest services sectors, and will post firmer growth rates from 2025 as cost-of-living pressures start to ease. However, structural limitations—such as a low investment rate and poor productivity, significant skills gaps, high regional inequalities and trade barriers created by Brexit—weaken the UK’s medium-term growth potential.

In 2024 risks are oriented to the downside, especially should inflation remain higher for longer. Thereafter there are some upside risks, especially if stringent planning regulations are reformed under a Labour government, which could boost construction, or if greater liberalisation of trade with the EU boosts the external sector.

Economic growth

%	2023 ^a	2024 ^b	2025 ^b	2026 ^b	2027 ^b	2028 ^b
GDP	0.4	0.6	1.3	1.5	1.6	1.5
Private consumption	0.3	0.5	1.2	1.5	1.6	1.5
Government consumption	0.1	2.1	1.3	1.8	1.7	1.9
Gross fixed investment	3.0	0.2	1.5	2.5	2.6	2.5
Exports of goods & services	0.0	0.9	2.4	2.7	2.8	2.6
Imports of goods & services	-1.9	0.7	3.1	3.6	3.7	3.6
Domestic demand	0.4	0.3	1.7	1.7	1.9	1.9
Agriculture	1.3	0.7	0.4	0.6	0.7	0.6
Industry	0.5	0.4	0.9	1.5	1.5	1.5

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Services	0.4	0.6	1.5	1.5	1.6	1.5
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^a EIU estimates. ^b EIU forecasts.

Inflation

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Although annual inflation continues to edge down, we do not expect it to fall to the BoE’s 2% target until the third quarter of 2025, averaging 2.9% in 2024. After peaking at 9.6% in October 2022, inflation (CPIH measure) has eased, but not as rapidly as in many European countries, with food and energy price inflation remaining comparatively elevated. In 2024 lower energy prices will ease pressure on utility rates and a softer labour market will constrain consumer spending, bringing inflation down more substantially. Services prices and second-round effects will be the main drivers of price growth; there are upside risks to energy prices from an escalation of the Israel-Hamas war, although this is not our core forecast. We expect inflation to ease to an annual average of 2% in 2025-28.

Exchange rates

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We expect sterling to remain weak against the US dollar on average in 2024, before appreciating gradually in 2025-28; against the euro, we expect sterling to weaken modestly in 2024-26, before appreciating in 2027-28. Sterling's forecast weakness against the dollar in the short term partly reflects our expectation that the dollar will remain strong; we expect sterling to hold up slightly better late in 2024 on the assumption that the Federal Reserve (the US central bank) will start easing monetary policy earlier than the BoE. In full-year average terms we forecast a rate of US\$1.23:£1 in 2024, appreciating to US\$1.38:£1 in 2028. Sterling will weaken against the euro in the first half of the forecast period as UK growth lags the euro area average, but will recover thereafter as UK growth returns to trend, reaching €1.15:£1 in 2028.

External sector

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The UK will continue to run a persistent current-account deficit in 2024-28, as it has done since 1985, as a large merchandise trade deficit offsets a smaller surplus on the services account. Government efforts to foster trading relations with other non-EU markets will fail to offset the loss of the preferential trading terms that the UK enjoyed when it was part of the EU. Exports will record around zero growth in nominal terms in 2024 as a result. Lower

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import prices will prevent a sharp widening of the trade deficit in 2024-25, but over the medium term, higher trade barriers will worsen the UK’s competitiveness. We expect the current-account deficit to remain substantial throughout our forecast period, averaging just over 3% of GDP.

Country forecast overview: Business environment rankings

United Kingdom | Business | Business environment | Rankings overview

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Value of index ^a		Global rank ^b		Regional rank ^c	
2019-23	2024-28	2019-23	2024-28	2019-23	2024-28
7.78	7.80	15	19	9	11

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

- The UK’s global ranking drops by seven places and its regional ranking by two places in the forecast period (2024-28). Brexit has worsened the UK’s terms of trade, but the country’s strengths—a pro-business policy stance, a welcoming attitude to foreign investment, and flexible labour and product markets—will continue.

Business environment at a glance

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Policy towards private enterprise and competition

2024-25: Greater state intervention in utilities and rail under Labour Party, which is likely to win the election in late 2024. New state aid rules are implemented.

2026-28: Policy environment for private enterprise remains broadly favourable, with relatively low levels of regulation.

Policy towards foreign investment

2024-25: Continued openness to investment, but increased scrutiny in sectors considered sensitive to national security. Further crackdown on Russian and Chinese investment and money-laundering through the property sector.

2026-28: Infrastructure plans offer investment opportunities. Possible changes in tax policies to bolster inward investment.

Foreign trade and exchange controls

2024-25: Trade barriers with EU persist. UK-EU relations are less fractious under Labour, but trade liberalisation is limited.

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2026-28: Sanctions imposed on Russian exports remain in place. New trade agreements with other countries, potentially including India.

Taxes

2024-25: Freezing of most income- and inheritance-tax rate bands in nominal terms, leading to real terms tax rises. Likely short-term cuts in 2024 in advance of election. Fiscal consolidation becomes more of a priority under next government.

2026-28: Tax rises likely to fund public spending, investment and social care. Pressure to find new sources of revenue.

Financing

2024-25: Commercial lending rates for businesses remain broadly stable in 2024, before declining in 2025.

2026-28: Modest decline in City of London's status. Steady growth in alternative forms of debt-financing.

The labour market

2024-25: Despite a modest rise in unemployment, the labour market remains tight. Shortages in low-skilled occupations continue. Increased immigration to fill shortage sectors. Addition of more low-wage sectors to shortage lists.

2026-28: Skills shortages remain a problem in some sectors.

Infrastructure

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

2024-25: Spending on housing, transport and energy. Offshore oil and gas exploration expansion.

2026-28: Increased investment with emphasis on boosting competitiveness; potential planning reforms under Labour government; new nuclear reactor to come on stream in 2026.

Technological readiness

2024-25: High e-commerce penetration and strong research base, but spending on research and development (R&D) remains below EU average.

2026-28: Modest rise in public R&D spending. Continued high threat from cybercrime and cyber-espionage.

Market opportunities: Social indicators and living standards

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

March 14th 2023

Social indicators and living standards

	2022		2027	
	Western Europe (av)		Western Europe (av)	
Health				
Healthcare spending (% of GDP)	12.0	11.2	12.0	11.2
Healthcare spending (US\$ per head)	5,356	5,057	7,430	6,825
Infant mortality rate (per 1,000 live births)	3.8	3.2	3.6	3.0

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Physicians (per 1,000 population)	3.2	4.2	3.4	4.4
Food and beverages				
Food, beverages & tobacco (% of household spending)	16.4	17.1	16.2	16.7
Meat consumption (kg per person)	76.7	79.9	74.3	80.5
Milk consumption (litres per person)	242.0	260.0	246.0	265.0
Coffee & tea consumption (kg per person)	4.4	6.1	4.7	6.4
Consumer goods in use (per 1,000 population)				
Passenger cars	558	566	545	562
Telephone main lines	472	418	458	407
Mobile phone subscribers	1,190	1,230	1,250	1,260
Television sets	1,219	856	1,380	956
Personal computers	838	841	818	877
Households				
No. of households (m)	27.6	193.0	28.0	200.4
No. of people per household (av)	2.4	2.2	2.5	2.1
Income and income distribution				
Median household income (US\$)	60,320	51,280	81,160	65,080
Average monthly wage (US\$)	4,300	3,810	5,910	5,080
Gini index	35.1 ^a	–	–	–

^a Latest available year.

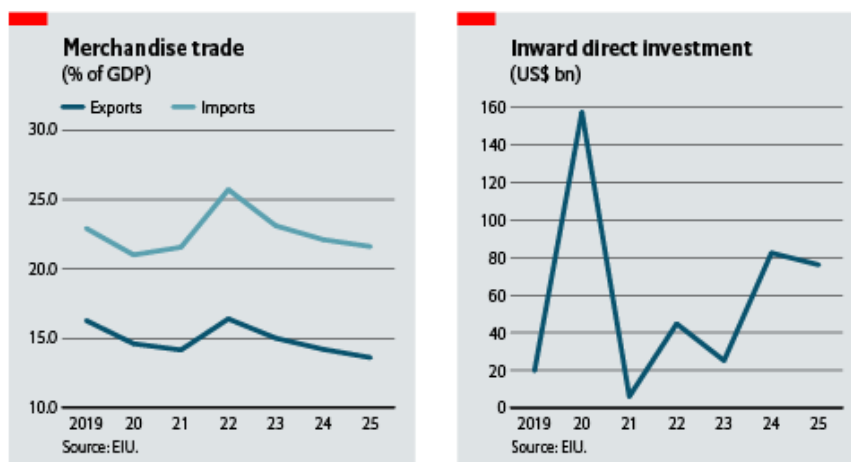
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Sources: UN Statistics Division; World Bank; Food and Agriculture Organisation; Euromonitor; World Health Organisation; national statistical offices; International Telecommunication Union; EIU estimates and forecasts.

Global position

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

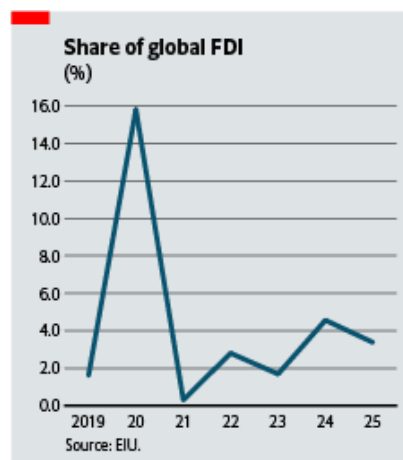
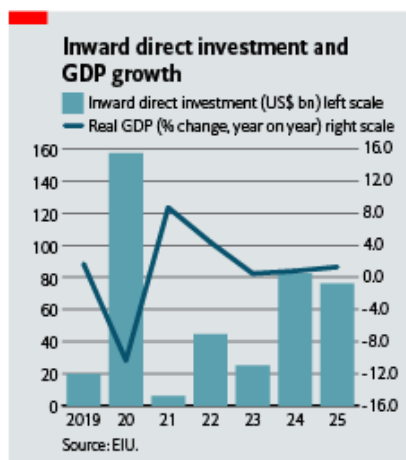
December 1st 2023



The outlook for the UK has become much more uncertain following the 2016 referendum vote to leave the EU. The UK departed the bloc in early 2020, entering a transition period that lasted until the end of that year, during which the UK retained most aspects of EU membership. An EU-UK Trade and Co-operation Agreement came into force in 2021, providing for zero-tariff, zero-quota trade between the UK and the EU. However, leaving the EU single market

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and customs union has created a variety of nontariff trade barriers. The coronavirus (covid-19) pandemic compounded an already uncertain outlook during 2020–21, as did Russia's invasion of Ukraine in February 2022. Frequent changes at the top of the British government during the second half of 2022, taking place against a backdrop of challenging economic conditions, disrupted policymaking. The UK will hold a general election in 2024 or, at the latest, by January 2025, which will weigh heavily on government decision-making during the lead up to the poll. Nevertheless, the UK still has much to offer as an investment destination. Existing clusters and economies of scale in sectors such as pharmaceuticals, biotechnology, software development and financial services will remain powerful magnets for foreign entrants, while 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 2023

- In September 2023 the prime minister, Rishi Sunak, announced a watering down of some the UK's environmental targets. This includes delaying a ban on sales of new petrol and diesel vehicles to 2035, exemptions for the requirement that UK households replace gas boilers with electric heat pumps and scrapping energy-efficiency targets for the residential sector. However, the changes will have only a minor impact on the UK's net-zero aims.
- With effect from April 1st 2023, the hourly minimum wage stands at £10.42 for workers aged 23 and over, £10.18 for those aged 21–22, £7.49 for those aged 18–20 and £5.28 for those aged 16–17. For apprentices, the hourly rate is £5.28.
- Effective from April 2023, the government increased the corporate income tax rate from 19% to 25% for companies with annual profits over £250,000. The 19% rate was retained for companies with annual profits of £50,000 or less. Marginal relief is available on profits between £50,000 and £250,000.
- In February 2023 the UK reached an agreement with the EU to address the long-running dispute over Northern Ireland. In effect since October 2023, the Windsor Framework reduces the number of checks on goods travelling from the rest of the UK to Northern Ireland and creates a “Stormont brake” allowing members of the Northern Ireland Assembly to block EU legislation from taking effect in Northern Ireland, among other measures.
- In July 2023 the UK signed the 11-member Comprehensive and Progressive Agreement for Trans-Pacific Partnership, a mega-regional trade deal. The UK's accession remained subject to ratification as of end-November 2023; the government expects the agreement to enter into force in the second half of 2024.

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- In October 2023 the Online Safety Act received final approval. The new law places duties of care on providers of online content-sharing platforms such as Facebook and YouTube (both US), requiring them to remove illegal and harmful content. The law also grants powers to Ofcom, the telecoms regulator, to fine companies and block access to sites.

Regulatory/market watch

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

December 1st 2023

- Despite major fractures within the ruling Conservative Party, Rishi Sunak is likely to remain prime minister until the next general election, which EIU expects to be held in late 2024. We expect the centre-left opposition Labour party to win the election with a small working majority, amid deep public discontent about the country's poor economic performance and state of public services.
- Since the outbreak of the Russia-Ukraine war, the government has announced a series of measures to cushion workers and businesses against surging energy prices. These include cash transfers, discounts on energy bills, and an Energy Price Guarantee that reduces the unit cost of electricity and gas if prices rise above an agreed threshold, among others.
- The UK has introduced a number of import restrictions on Russian goods following Russia's invasion of Ukraine. These include bans on the import of Russian oil, liquefied natural gas and iron and steel products. The UK has also banned the export of various goods to Russia, including aviation and space-related goods and technology, and high-end luxury goods.

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- In March 2023 a new version of the Data Protection and Digital Information Bill, aimed at amending the UK's data-protection framework, was introduced to Parliament after the original version was paused in September 2022. The current version looks to make the EU's General Data Protection Regulation regime easier to navigate.
- In 2021 the UK was among the nearly 140 countries that endorsed the OECD global tax deal. The agreement aims to introduce sweeping changes to international tax rules, including a 15% minimum corporate tax and provisions to tax large companies based on where their goods and services are sold. Implementation is scheduled for 2025 but will likely take longer.

Long-term outlook: The long-term outlook

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

March 14th 2023

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

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

Labour productivity growth	1.0	1.2	1.1
Growth of capital stock	2.1	2.6	2.5
Total factor productivity growth	0.6	0.4	0.5

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

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

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

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

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

The EU is set to remain a key export destination

External conditions: The UK is a highly trade-dependent economy, and thus its departure from the world's largest trading bloc will have implications for its long-term prospects. Despite the UK leaving the single market, the EU is likely to remain the UK's most important export destination, particularly for goods trade, given its proximity and the volume of existing trade. Although the UK's departure from the EU will allow the UK to negotiate trade deals with third countries, the total estimated value of trade deals under negotiation will not make up for the loss of access to the EU market. The importance of the EU market means that some degree of re-liberalisation of trade is likely,

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

particularly under a Labour government from late 2024, but rejoining the single market or customs union remains politically unlikely owing to the unwillingness of politicians to revisit the divisive Brexit issue, particularly around immigration.

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

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

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

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

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

Income and market size

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

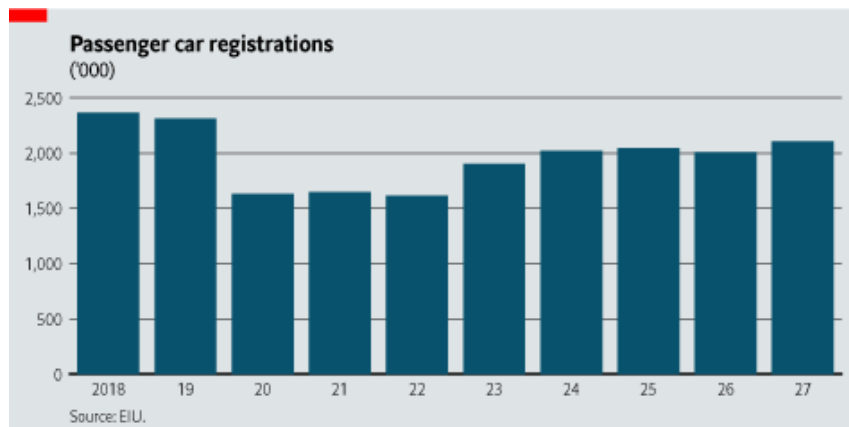
Automotive

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

October 18th 2023

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

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



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

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

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

Consumer goods

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

November 16th 2023

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

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

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

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

Retail sales

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

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

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

Sources: Edge by Ascential; EIU.

Energy

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

December 15th 2023

- In a continuation of what is now a long-running trend as the economy becomes less energy intensive, UK energy consumption is set to decline in 2024. Weak economic growth and elevated energy prices will also pull down energy demand. Over EIU's forecast period (2024-33) energy demand will continue to fall as energy efficiency gains completely offset rising demand driven by economic growth. We forecast that real GDP will grow at an annual rate of 1.5% in that period.

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

- We expect oil demand to remain flat in 2024 as increased consumption in the aviation sector offsets reduced demand from motorists. We forecast that oil consumption will decline sharply during the second half of the decade, as a ban on the sale of new petrol and diesel cars set for 2035 looms closer.
- We expect natural gas consumption to grow slowly in 2024 as slow economic growth does not provide much support. We forecast that demand will fall almost every year over our forecast period as consumption in the industrial, residential and power generation sectors declines.
- Coal demand is set to decline sharply in 2024 owing to the planned phase-out of coal use in power generation by year-end. Coal consumption will continue to decline from 2025 onwards as the industrial sector, which by then will be the main coal consumer in the UK, reduces its use.
- We expect the share of fossil fuels in total energy demand to decline from 78% in 2023 to 70% in 2033. Natural gas will continue to be the main energy source in the UK over our forecast period.
- Owing to a sharp increase in wind and solar power, we forecast that the share of non-hydro renewables (without considering biomass) in power generation will rise from 33% in 2023 to 54% in 2033. By the end of the forecast period, wind power will be the largest source of electricity, followed by natural gas and nuclear energy.

Energy: key indicators

	2022 ^a	2023 ^b	2024 ^c	2025 ^c	2026 ^c	2027 ^c	2028 ^c	2033 ^c
GDP (US\$ bn at market exchange rates)	3,101	3,285	3,417	3,724	3,877	4,116	4,422	5,140
Real GDP (% change, year on year)	4.3	0.4	0.6	1.3	1.5	1.6	1.5	1.6
Population (m)	67.5	67.7	68.0	68.2	68.4	68.6	68.8	69.7
Population (% change, year on year)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2
Gross domestic energy consumption (ktoe)	153,718 ^b	150,912	149,336	146,799	145,961	147,083	146,606	139,956

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

Gross domestic energy consumption (% change, year on year) -3.2^b -1.8 -1.0 -1.7 -0.6 0.8 -0.3 -1.1

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

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

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

Financial services

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

October 13th 2023

- The UK has one of the world's best-developed financial industries. The coronavirus pandemic delivered a short, sharp to the sector. Managing the country's departure from the EU may prove to be a greater challenge; it is likely to require a long-term shift in trading relationships and may contribute to an ongoing shrinking of the sector. The country's financial firms are likely to continue to face difficult conditions in late 2023 and 2024 as the economy barely grows and inflation remains high. Rising interest rates are set to boost banks' profits but cause difficulties for some borrowers, particularly in the housing market, and smother demand for credit.
- London is currently one of the two leading global financial centres (along with New York) and has the largest share of many international markets. The UK financial sector—banking, insurance, fund management, securities and alternative investment—plays a significant role in the economy. In 2022 it accounted for 9% of gross value added, down from 9.7% at its peak in 2009, according to the Office for National Statistics (ONS). In 2022 it employed 1.17m people, or 3.2% of the total workforce, down from 3.7% in 2009. The industry makes a substantial contribution to the balance of payments and tax revenue.

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

- EIU forecasts that UK real GDP will grow by just 0.4% in 2023 (down sharply from 4.4% in 2022 and 8.7% in 2021), reflecting the country's overreliance on private consumption (which has been heavily affected by falling real wages) to drive growth, as well as the negative effect of Brexit on export competitiveness. We forecast average annual growth of 1.3% in 2024-27.
- Rishi Sunak became prime minister in October 2022, following the resignations of Boris Johnson and Liz Truss earlier in the year. Mr Sunak has sought to rebuild confidence through a return to more conventional economic policies. The next general election must be held by late January 2025.
- The UK left the EU on January 31st 2020, and a transition period ended on December 31st 2020. An EU-UK free-trade agreement in December 2020 did not include financial services, but the parties agreed to and implemented some temporary arrangements to reduce disruption to financial markets. The UK granted a designation of regulatory equivalence for many EU financial firms, allowing them to continue to operate in the country. However, the EU did not reciprocate for UK financial firms, except for derivatives clearing houses.
- The government is emphasising the benefits of being able to determine its own priorities for the financial sector. It has begun to reform regulations governing UK markets, starting with changes to stockmarket listing rules. The Financial Services and Markets Act 2023, which opens the way to replacing elements of retained EU law applying to the sector, received royal assent in June.
- The Bank of England (BoE, the central bank) raised interest rates by 25 basis points to 5.25% in August 2023, a cumulative 5.15-percentage-point rise since December 2021. However, it left rates unchanged in September following a slowing of the annual inflation rate to 6.7% in August. Our baseline forecast is that the bank will increase rates once more, by 25 basis points, either in November or December. Rates are then likely to remain on hold throughout 2024, before easing in 2025.

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

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

Healthcare

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Overview

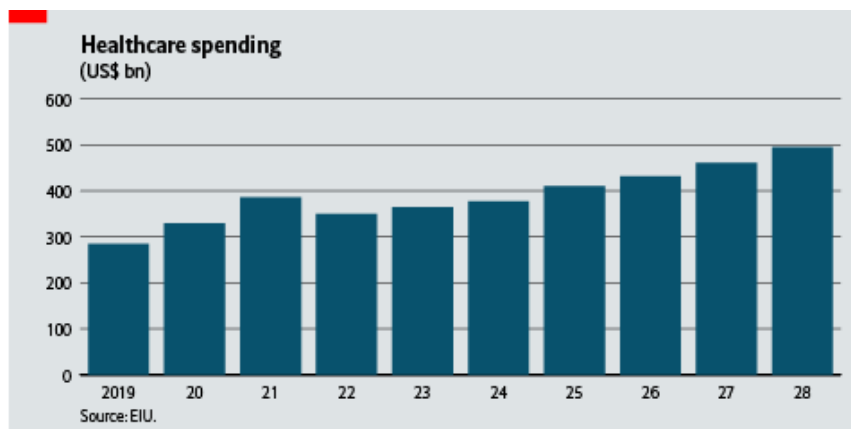
- UK's public spending on healthcare has been constrained over the past decade, amid government-imposed fiscal austerity, soft economic growth and rising demand for health services from an ageing population. This has contributed to lengthening waiting times, deteriorating health sector finances and rising staff shortages. The effects have been exacerbated by cuts to social care budgets, the impact of Brexit, the enormous disruption of the covid-19 pandemic, and a spike in inflation and living costs since 2021. Amid a backlog of elective care, hospital

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

waiting lists rose to a record level in late 2023, with the UK's National Health Service (NHS) facing another winter of acute strain.

- Workforce discontent over pay and working conditions has risen, leading to a series of strikes in 2023 by ambulance staff, nurses and, most recently, junior doctors and consultants. The government has agreed settlements with some unions representing NHS staff, but several others remain on strike. Industrial unrest will continue in 2024, compounding pressures on the NHS.
- Annual healthcare spending as a share of GDP was stable in the decade to 2020, at about 10%, close to the OECD average but below that of Germany, France, Japan and the US. As in many countries, the ratio jumped in 2020-21 (to a peak of 12.3%), owing to pandemic-related spending and a fall in GDP. The ratio has since trended downwards, to an estimated 11.1% in 2023, with high inflation leading to a second consecutive annual decline in real-term spending.
- The UK's public finances are weak, and fiscal pressures will persist throughout EIU's five-year forecast period to 2028. Lower inflation will support a return to modest real-term growth in healthcare spending in 2024, with a likely change of government (by early 2025) expected to lead to a slightly firmer trend in expenditure on public services. We forecast that health spending as a share of GDP will rise to 11.2% by 2028, with compound annual expenditure growth of 3.9% over our forecast period (2024-28) in nominal local-currency terms (6.3% in US dollar terms). This implies average real-term growth of 1.7% per year.

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



- Private healthcare spending (as a share of all health expenditure) is forecast to rise gradually, reflecting pressures on the NHS and an ongoing shift towards more outsourcing of routine operations and treatments to the private sector. We forecast that pharmaceutical sales will rise at a compound annual growth rate (CAGR) of 4.8% in nominal local-currency terms in 2024-28, amid cost-saving efforts.

Funding sources

- Healthcare provision in the UK is dominated by the NHS, which is financed primarily via general taxation. NHS care is free at the point of delivery, but fixed charges are levied (in England) for most prescription medicines and dental care, with certain exemptions. These fixed charges or co-payments are generally lower in Wales, Scotland and Northern Ireland.
- Public expenditure (including compulsory contributions) accounted for 81.5% of total healthcare spending in 2022, above the OECD average (76%). We expect this share to fall slightly over the forecast period, to about 80.1% by

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

2028, similar to its pre-pandemic level.

Healthcare expenditure

	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^c	2025 ^c	2026 ^c	2027 ^c	2028 ^c
Healthcare spending (US\$ bn)	284.8	329.3	386.4	349.9	364.3	377.2	410.7	431.8	461.2	494.8
Healthcare spending (£ bn)	222.9	256.5	280.8	282.8	295.1	305.9	315.4	330.3	344.8	357.9
Healthcare spending (% of GDP)	10.0	12.2	12.3	11.3	11.1	11.0	11.0	11.1	11.2	11.2

Spending by source

Public/compulsory spending (US\$ bn)	225.8	273.6	320.9	285.3	294.6	304.2	331.0	346.5	370.2	396.2
Public/compulsory spending (% of total)	79.3	83.1	83.0	81.5	80.9	80.6	80.6	80.2	80.3	80.1
Government schemes (% of public spending)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Social security funds (% of public spending)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private healthcare spending (US\$ bn)	59.0	55.8	65.6	64.6	69.7	73.1	79.7	85.3	91.0	98.5
Private healthcare spending (% of total)	20.7	16.9	17.0	18.5	19.1	19.4	19.4	19.8	19.7	19.9
Out of pocket (% of private spending)	75.7	75.3	74.7	75.4	75.5	75.6	75.7	75.8	75.9	76.0
Voluntary insurance (% of private spending)	24.4	24.7	25.3	24.6	24.5	24.4	24.3	24.2	24.1	24.0
External healthcare spending (US\$ bn)	0.0	0.0	0.0	0.0 ^b	0.0	0.0	0.0	0.0	0.0	0.0

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

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

- Most NHS funding and commissioning occurs under separate frameworks in the four UK nations, with variations in policies. About 86% of funding goes to NHS England, with Scotland, Wales and Northern Ireland sharing the rest under a formula (the Barnett formula) related to population size.

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

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

Private health insurance

- Voluntary (or private) spending on healthcare accounted for 18.5% of the UK's total health expenditure in 2022. This was up from a three-decade low of 17% in 2020-21, amid a gradual normalisation of spending patterns following the pandemic. The share of private healthcare spending is forecast to rise to just about 20% by 2028, similar to its 2018-19 level. We expect private health expenditure to grow at a CAGR of 4.8% in local-currency terms over 2024-28, outpacing public health spending growth.
- Out-of-pocket (OOP) spending accounted for 13.9% of total health spending in 2022, up from 12.7% in 2020-21 but below a 2019 peak of 15.7%. We expect the share of OOP expenditure to rise back towards this level towards the end of the forecast period.
- The private health insurance market was broadly stable in the years preceding the pandemic, reflecting the dominance of the NHS. In 2020 private spending on medical care in hospitals and clinics shrank as the private sector provided resources to the NHS (at cost). Expenditure growth has rebounded strongly since 2021, driven in part by increased NHS outsourcing of medical treatment and surgical procedures to private contractors due to staff shortages and in an effort to reduce elevated backlogs and waiting lists.
- The leading independent healthcare group is Bupa, with 3.1m UK customers at 2022-end. It was boosted by an agreement between Bupa UK and a friendly society, CS Healthcare, to transfer the latter's 17,500 members in January 2021.

Telecommunications

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November 14th 2023

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

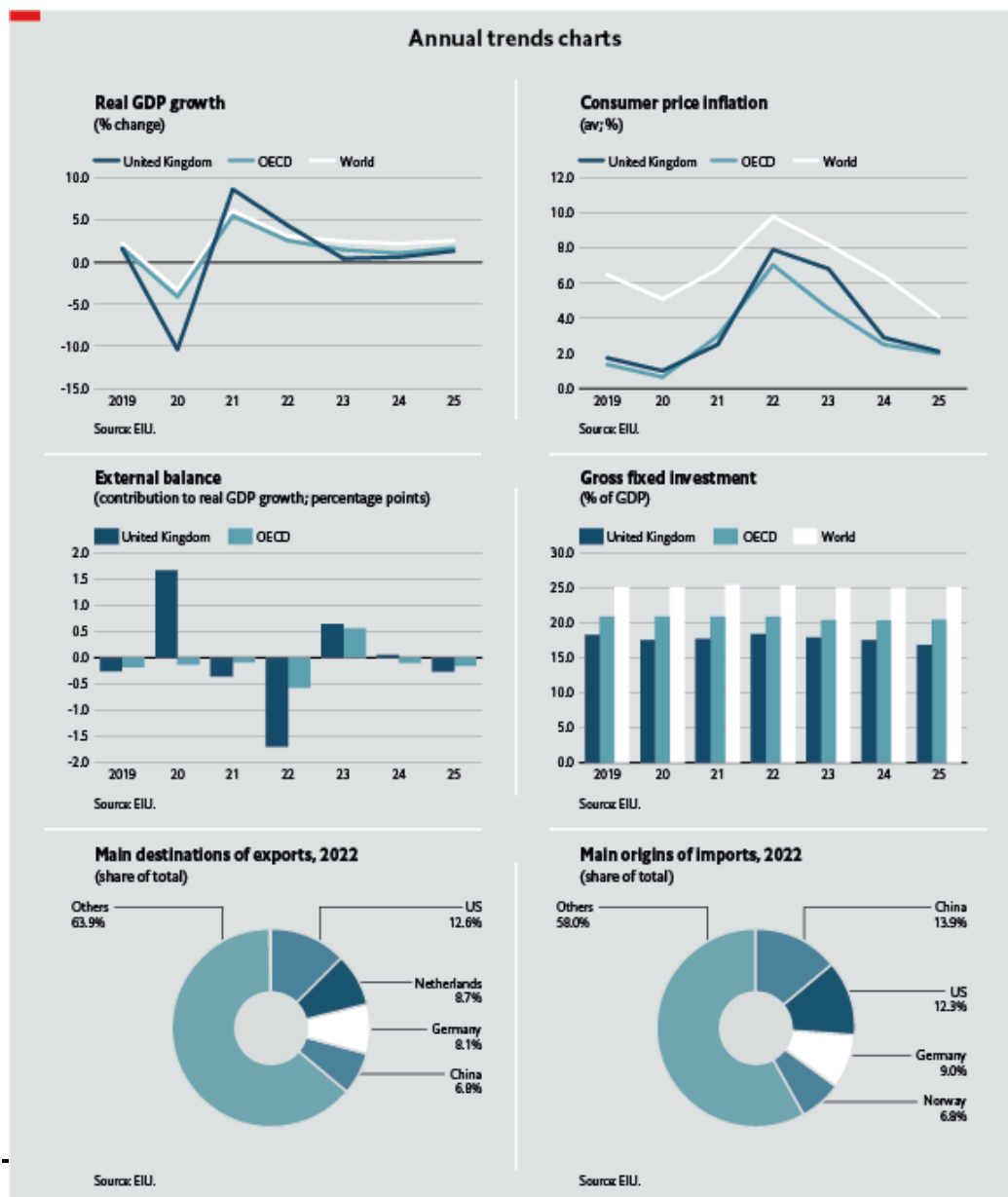
One-click report : United Kingdom ,March 21st 2024

Data and charts: Annual trends charts

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December 12th 2023

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


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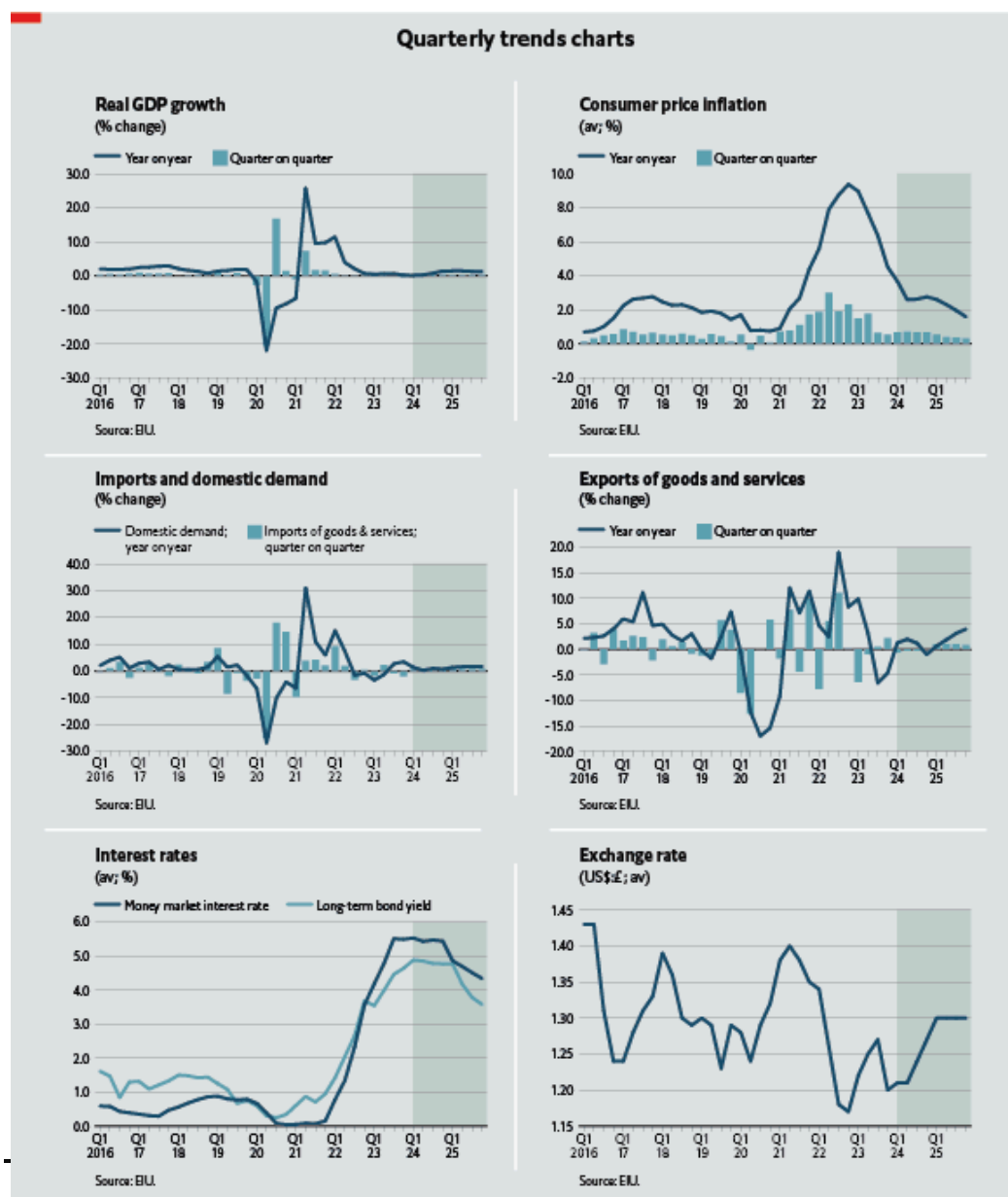
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Data and charts: Quarterly trends charts

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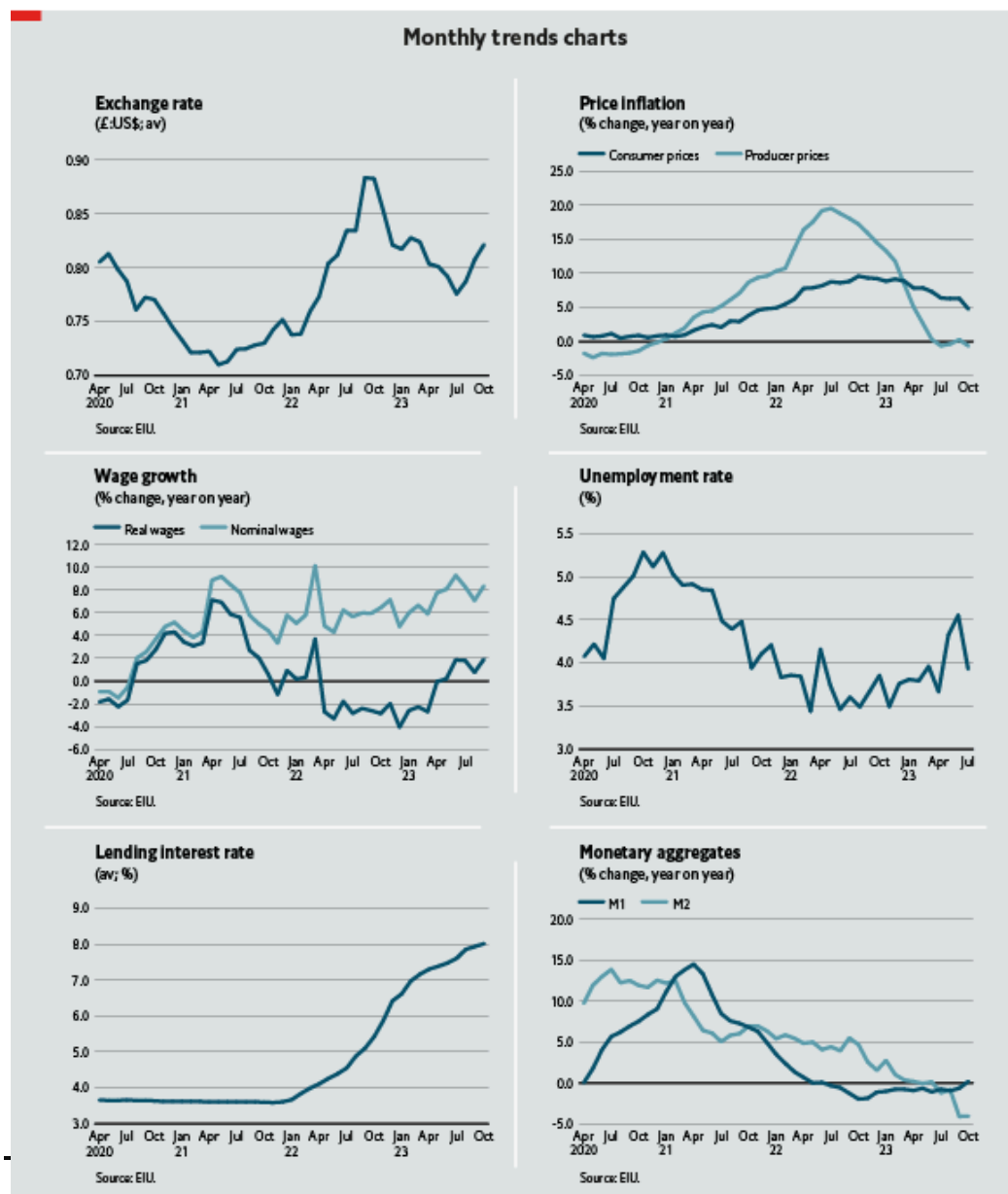
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Data and charts: Monthly trends charts

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Data summary: Gross domestic product, current market prices

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Gross domestic product, at current market prices

	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^c	2025 ^c	2026 ^c	2027 ^c	2028 ^c
Expenditure on GDP (£ bn at current market prices)										
GDP	2,233.9	2,104.3	2,284.1	2,506.2	2,661.2	2,771.1	2,859.9	2,964.9	3,077.4	3,198.3
Private consumption	1,427.9	1,246.1	1,369.3	1,552.4	1,666.3	1,730.2	1,781.0	1,843.0	1,910.2	1,976.6
Government consumption	426.6	475.6	508.7	525.0	566.7	601.1	627.8	658.1	689.3	722.6
Gross fixed investment	406.4	367.5	403.8	459.7	475.7	484.0	480.4	492.6	505.2	517.8
Exports of goods & services	706.7	624.8	676.0	833.9	853.4	875.8	904.3	942.2	982.5	1,020.2
Imports of goods & services	737.9	612.0	679.5	901.8	897.0	912.0	934.2	975.0	1,012.3	1,042.9
Stockbuilding	4.1	2.3	5.7	5.9	-4.0	-8.0	0.6	4.0	2.5	4.0
Domestic demand	2,265.1	2,091.5	2,287.6	2,543.1	2,704.7	2,807.3	2,889.8	2,997.7	3,107.2	3,221.1
Expenditure on GDP (US\$ bn at current market prices)										
GDP	2,853.5	2,701.3	3,143.1	3,101.0	3,285.0	3,416.6	3,724.2	3,876.6	4,116.0	4,421.7
Private consumption	1,824.0	1,599.6	1,884.3	1,920.9	2,056.9	2,133.2	2,319.3	2,409.7	2,554.9	2,732.7
Government consumption	544.9	610.6	700.0	649.7	699.6	741.1	817.5	860.5	921.9	999.0

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Gross fixed investment	519.1	471.8	555.7	568.9	587.2	596.7	625.6	644.1	675.8	715.9
Exports of goods & services	902.7	802.1	930.3	1,031.8	1,053.5	1,079.8	1,177.6	1,231.9	1,314.1	1,410.5
Imports of goods & services	942.5	785.6	935.1	1,115.9	1,107.2	1,124.4	1,216.5	1,274.8	1,354.0	1,441.9
Stockbuilding	5.3	2.9	7.8	7.3	-4.9	-9.9	0.8	5.2	3.3	5.5
Domestic demand	2,893.3	2,684.8	3,147.9	3,146.7	3,338.7	3,461.2	3,763.1	3,919.5	4,155.9	4,453.1
Economic structure (% of GDP at current market prices)										
Household consumption	63.9	59.2	60.0	61.9	62.6	62.4	62.3	62.2	62.1	61.8
Government consumption	19.1	22.6	22.3	21.0	21.3	21.7	22.0	22.2	22.4	22.6
Gross fixed investment	18.2	17.5	17.7	18.3	17.9	17.5	16.8	16.6	16.4	16.2
Stockbuilding	0.2	0.1	0.2	0.2	-0.2	-0.3	0.0	0.1	0.1	0.1
Exports of goods & services	31.6	29.7	29.6	33.3	32.1	31.6	31.6	31.8	31.9	31.9
Imports of goods & services	33.0	29.1	29.8	36.0	33.7	32.9	32.7	32.9	32.9	32.6
Memorandum item										
National savings ratio (%)	15.7	14.7	17.5	15.3	14.9	14.4	14.0	13.6	13.2	13.0

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

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

Data summary: Gross domestic product, at constant prices

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Gross domestic product, at constant prices

	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^c	2025 ^c	2026 ^c	2027 ^c	2028 ^c
Real expenditure on GDP (£ bn at 2019 prices)										
GDP	2,233.9	2,002.5	2,176.2	2,270.8	2,280.7	2,294.6	2,325.2	2,359.4	2,396.3	2,432.9
Household consumption	1,427.9	1,238.7	1,330.8	1,400.7	1,405.2	1,412.2	1,429.4	1,450.1	1,473.5	1,496.3
Government consumption	426.6	393.0	451.5	462.8	463.3	473.0	479.2	487.8	496.1	505.5
Gross fixed investment	406.4	362.7	389.7	420.6	433.0	434.1	440.6	451.7	463.3	474.9
Exports of goods & services	706.7	625.6	656.6	712.7	712.8	719.0	736.2	756.1	777.6	798.2
Imports of goods & services	737.9	619.8	657.9	750.9	736.6	741.7	765.1	792.3	821.7	851.0
Stockbuilding (% of GDP)	1.3	2.5	-1.7	17.2	-5.0	-10.0	-3.0	-2.0	-0.5	1.0
Domestic demand	2,265.0	1,996.4	2,177.2	2,281.8	2,290.3	2,296.5	2,336.5	2,376.4	2,422.0	2,466.9
Real expenditure on GDP (% change)										
GDP	1.6	-10.4	8.7	4.3	0.4	0.6	1.3	1.5	1.6	1.5
Household consumption	1.1	-13.3	7.4	5.3	0.3	0.5	1.2	1.5	1.6	1.5
Government consumption	4.0	-7.9	14.9	2.5	0.1	2.1	1.3	1.8	1.7	1.9
Gross fixed investment	2.2	-10.8	7.4	7.9	3.0	0.2	1.5	2.5	2.6	2.5

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Exports of goods & services	2.0	-11.5	4.9	8.6	0.0	0.9	2.4	2.7	2.8	2.6
Imports of goods & services	2.7	-16.0	6.1	14.1	-1.9	0.7	3.1	3.6	3.7	3.6
Stockbuilding (% contribution to GDP growth)	0.0	0.1	-0.2	0.9	-1.0	-0.2	0.3	0.0	0.1	0.1
Domestic demand	1.8	-11.9	9.1	4.8	0.4	0.3	1.7	1.7	1.9	1.9
Real contribution to GDP growth (% points)										
Private consumption	0.7	-8.5	4.6	3.2	0.2	0.3	0.7	0.9	1.0	1.0
Government consumption	0.7	-1.5	2.9	0.5	0.0	0.4	0.3	0.4	0.4	0.4
Gross fixed investment	0.4	-2.0	1.3	1.4	0.5	0.0	0.3	0.5	0.5	0.5
External balance	-0.3	1.7	-0.4	-1.7	0.6	0.0	-0.3	-0.3	-0.3	-0.4
Memorandum items										
Industrial production (% change)	1.7	2.3	-3.9	-3.5	-0.4	1.6	2.0	1.9	1.9	1.9
Real personal disposable income (% change)	2.1	-0.5	1.4	-1.3	-1.4	0.0	0.7	1.3	1.5	1.5

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

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

Data summary: Gross domestic product by sector of origin

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December 12th 2023

Gross domestic product by sector of origin

	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^c	2025 ^c	2026 ^c	2027 ^c	2028 ^c
Origin of GDP (£ bn at constant 2018 prices)										
GDP at factor cost	1,995.7	1,796.9	1,948.3	2,034.5	2,043.4	2,055.8	2,083.2	2,113.8	2,146.9	2,179.7
Agriculture	13.5	12.3	11.4	11.6	11.7	11.8	11.9	11.9	12.0	12.1
Industry	396.7	387.3	387.2	385.6	387.7	389.4	392.7	398.5	404.5	410.8
Services	1,585.5	1,397.3	1,549.7	1,637.2	1,643.9	1,654.6	1,678.6	1,703.4	1,730.4	1,756.8
Origin of GDP (real % change)										
Agriculture	16.8	-9.3	-6.8	1.5	1.3	0.7	0.4	0.6	0.7	0.6
Industry	1.4	-2.4	-0.1	-0.4	0.5	0.4	0.9	1.5	1.5	1.5
Services	1.8	-11.9	10.9	5.6	0.4	0.6	1.5	1.5	1.6	1.5
Origin of GDP (% of factor cost GDP)										
Agriculture	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Industry	19.9	21.6	19.9	19.0	19.0	18.9	18.9	18.9	18.8	18.8

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

Services	79.4	77.8	79.5	80.5	80.5	80.5	80.6	80.6	80.6	80.6
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Memorandum item

Industrial production (% change)	1.7	2.3	-3.9	-3.5	-0.4	1.6	2.0	1.9	1.9	1.9
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^a Actual. ^b EIU estimates. ^c EIU forecasts.

Data summary: Growth and productivity

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

December 12th 2023

Growth and productivity

	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^a	2024 ^b	2025 ^b	2026 ^b	2027 ^b	2028 ^b
Growth and productivity (%)										
Labour productivity growth	0.5	-9.6	9.0	3.3	0.2	0.5	0.9	1.2	1.3	1.2
Total factor productivity growth	0.0	-10.0	8.3	-0.8	-0.1	0.3	0.8	1.0	1.1	1.0
Growth of capital stock	2.6	0.7	1.6	2.4	2.5	2.2	2.1	2.1	2.2	2.2
Growth of potential GDP	1.4	-1.5	0.9	1.2	1.2	1.3	1.7	1.9	2.0	1.9
Growth of real GDP	1.6 ^c	-10.4 ^c	8.7 ^c	4.3 ^c	0.4	0.6	1.3	1.5	1.6	1.5
Growth of real GDP per head	1.1 ^c	-10.7 ^c	8.3 ^c	4.0 ^c	0.1	0.3	1.0	1.2	1.3	1.2

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

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

Data summary: Economic structure, income and market size

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

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Economic structure, income and market size

	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^c	2025 ^c	2026 ^c	2027 ^c	2028 ^c
Population, income and market size										
Population (m)	66.8	67.1	67.3	67.5	67.7	68.0	68.2	68.4	68.6	68.8
GDP (US\$ bn at market exchange rates)	2,854	2,701	3,143	3,101	3,285	3,417	3,724	3,877	4,116	4,422
GDP per head (US\$ at market exchange rates)	42,731	40,282	46,715	45,935	48,496	50,273	54,623	56,680	59,999	64,269
Private consumption (US\$ bn)	1,824	1,600	1,884	1,921	2,057	2,133	2,319	2,410	2,555	2,733
Private consumption per head (US\$)	27,314	23,854	28,007	28,454	30,366	31,389	34,017	35,233	37,242	39,719
GDP (US\$ bn at PPP)	3,283	2,982	3,389	3,786	3,962	4,078	4,227	4,388	4,563	4,744
GDP per head (US\$ at PPP)	49,166	44,468	50,375	56,075	58,489	59,998	61,999	64,156	66,521	68,958
Personal disposable income (£ bn)	1,453	1,454	1,508	1,603	1,691	1,747	1,789	1,849	1,914	1,981
Personal disposable income (US\$ bn)	1,856	1,866	2,075	1,983	2,088	2,154	2,329	2,417	2,560	2,739
Growth of real disposable income (%)	2.1	-0.5	1.4	-1.3 ^b	-1.4	0.0	0.7	1.3	1.5	1.5
Memorandum items										
Share of world population (%)	0.88	0.87	0.87	0.86	0.87	0.87	0.87	0.85	0.84	0.84
Share of world GDP (% at market exchange rates)	3.29	3.19	3.27	3.11	3.17	3.15	3.19	3.14	3.17	3.28

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Share of world GDP (% at PPP)	2.44	2.24	2.31	2.33	2.28	2.23	2.20	2.16	2.13	2.12
Share of world exports of goods (%)	2.55	2.36	2.10	2.15	2.15	2.02	1.97	1.92	1.89	1.88

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

Data summary: Fiscal indicators

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December 12th 2023

Fiscal indicators

	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^c	2025 ^c	2026 ^c	2027 ^c	2028 ^c
Fiscal indicators (% of GDP)										
Government expenditure	37.2	48.9	45.0	43.1	42.6	42.7	42.8	42.2	41.6	41.2
Interest ^d	2.2	2.0	2.8	4.3	5.1	6.5	6.7	5.8	4.6	3.6
Non-interest ^d	35.0	47.0	42.2	38.8	37.4	36.3	36.1	36.4	37.0	37.6
Government revenue ^d	35.2	35.8	37.1	38.7	39.0	39.0	39.3	39.2	39.2	39.0
Budget balance ^d	-2.0	-13.2	-7.9	-4.4	-3.5	-3.7	-3.6	-3.0	-2.4	-2.2
Primary balance ^d	0.2	-11.2	-5.1	-0.1	1.6	2.8	3.1	2.8	2.2	1.5
Government debt ^e	85.7	105.8	105.3	100.4	100.7	100.9	100.8	100.2	98.9	97.4

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

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

Data summary: Monetary indicators

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Monetary indicators

	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^c	2025 ^c	2026 ^c	2027 ^c	2028 ^c
Monetary indicators										
Exchange rate US\$:£ (av)	1.28	1.28	1.38	1.24	1.23	1.23	1.30	1.31	1.34	1.38
Exchange rate €:£ (av)	1.14	1.12	1.16	1.17	1.14	1.12	1.13	1.11	1.12	1.15
Exchange rate US\$:€ (av)	1.12	1.14	1.18	1.05	1.08	1.10	1.16	1.18	1.20	1.20
Exchange rate €:£ (year-end)	1.18	1.11	1.19	1.13	1.12	1.12	1.11	1.12	1.13	1.17
Real effective exchange rate (av; 2010=100)	98.6	98.8	102.6	101.2	102.6	101.4	103.3	101.9	103.4	106.5
M4 money supply growth (%) ^d	3.8	12.6	6.4	1.6	-3.4	0.4	2.6	4.9	4.9	5.0
Domestic credit growth (%)	4.9	3.1	1.7	1.0	-3.1	-3.4	3.1	4.5	4.5	4.7
Purchasing power parity US\$:£ (av)	1.47	1.42	1.48	1.51	1.49	1.47	1.48	1.48	1.48	1.48
3-month £-Libor rate (av; %)	0.8	0.3	0.1	2.0	5.0	5.5	4.6	3.7	3.1	3.0

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10-year government bond yield (av; %)	0.9	0.4	0.8	2.4	4.2	4.8	4.1	3.0	2.9	2.9
Bank of England base rate (%; end-period)	0.75	0.10	0.25	3.50	5.25	5.25	4.25	3.25	3.00	3.00
Lending rate (%; average mortgage SVR from UK MFIs)	4.3	3.8	3.6	4.7	7.5	8.0	7.4	6.2	5.2	5.2
Deposit rate (av; %)	0.9	0.4	0.2	2.1	5.1	5.5	5.0	4.2	3.3	3.3

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

Data summary: Employment, wages and prices

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Employment, wages and prices

	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^c	2025 ^c	2026 ^c	2027 ^c	2028 ^c
The labour market (av)										
Labour force (m)	34.1	34.1	33.9	34.0	34.2	34.3	34.4	34.5	34.6	34.6
Labour force (% change)	0.8	-0.1	-0.4	0.2	0.6	0.4	0.2	0.2	0.3	0.1
Employment (m)	32.8	32.5	32.4	32.7	32.8	32.8	33.0	33.1	33.2	33.3
Employment (% change)	1.1	-0.9	-0.3	1.0	0.2	0.1	0.4	0.3	0.3	0.3

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Unemployment (m)	1.3	1.6	1.5	1.3	1.4	1.5	1.4	1.4	1.4	1.3
Unemployment rate (%; EU/OECD standardised measure)	3.8	4.6	4.5	3.7	4.1	4.4	4.2	4.1	4.1	3.9
Wage and price inflation (% except labour costs per hour)										
GDP deflator	2.1	5.1	-0.1	5.2	5.7	3.5	1.8	2.2	2.2	2.4
Consumer prices (av; CPIH measure)	1.7	1.0	2.5	7.9	6.8	2.9	2.1	2.0	2.0	1.9
Producer prices (av)	1.4	-1.0	5.2	16.0	2.7	-0.5	1.7	1.9	2.0	2.0
GDP deflator (av)	2.1	5.1	-0.1	5.2	5.7	3.5	1.8	2.2	2.2	2.4
Private consumption deflator (av)	1.5	0.6	2.3	7.7	7.0	3.3	1.7	2.0	2.0	1.9
Government consumption deflator (av)	2.8	21.0	-6.9	0.7	7.8	3.9	3.1	3.0	3.0	2.9
Fixed investment deflator (av)	2.7	1.3	2.3	5.5	0.5	1.5	-2.2	0.0	0.0	0.0
Average nominal wages (av)	3.4	1.8	5.9	6.0	7.4	3.7	2.6	2.8	2.8	2.7
Average real wages (av)	1.7	0.7	3.3	-1.8	0.5	0.8	0.5	0.8	0.8	0.8
Unit labour costs (£-based; av)	2.7	12.3	-2.8	2.9	8.1	3.2	1.7	2.1	2.0	2.0
Unit labour costs (US\$-based)	-1.8	12.9	4.1	-7.5	7.9	3.1	7.4	2.5	4.4	5.4
Labour costs per hour (£)	23.5 ^b	23.9 ^b	25.3 ^b	26.8 ^b	28.8	29.9	30.7	31.5	32.4	33.3
Labour costs per hour (US\$)	30.0 ^b	30.7 ^b	34.8 ^b	33.2 ^b	35.6	36.8	39.9	41.2	43.3	46.0

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

Data summary: Current account and terms of trade

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Current account and terms of trade

	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^c	2025 ^c	2026 ^c	2027 ^c	2028 ^c
Current account (US\$ bn)										
Current-account balance	-76.6	-78.3	-14.9	-101.8	-93.8	-94.5	-104.9	-123.4	-135.3	-146.9
Current-account balance (% of GDP)	-2.7	-2.9	-0.5	-3.3	-2.9	-2.8	-2.8	-3.2	-3.3	-3.3
Goods: exports fob	470.2	403.5	455.3	518.8	493.0	484.4	504.7	518.3	535.8	559.4
Goods: imports fob	-655.7	-568.4	-679.9	-793.1	-757.3	-754.0	-804.8	-842.3	-882.5	-925.0
Trade balance	-185.4	-164.9	-224.6	-274.3	-264.3	-269.6	-300.1	-324.0	-346.7	-365.6
Services: credit	431.9	398.6	473.8	505.4	550.2	585.1	662.6	703.8	769.5	843.5
Services: debit	-286.4	-218.5	-254.0	-318.9	-343.2	-369.7	-413.7	-447.5	-499.2	-557.8
Services balance	145.5	180.1	219.8	186.5	207.0	215.4	248.8	256.3	270.3	285.7
Primary income: credit	291.7	176.6	293.7	349.9	337.5	423.3	542.8	454.5	474.4	491.1
Primary income: debit	-294.3	-233.4	-276.6	-335.4	-343.2	-430.6	-557.4	-469.6	-490.1	-511.8
Primary income balance	-2.6	-56.8	17.1	14.5	-5.7	-7.4	-14.6	-15.1	-15.8	-20.7
Secondary income: credit	34.9	34.0	35.9	36.3	37.9	36.5	36.7	38.2	40.5	43.5
Secondary income: debit	-69.0	-70.4	-63.1	-64.8	-68.6	-69.4	-75.7	-78.8	-83.6	-89.9

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Secondary income balance	-34.1	-36.4	-27.2	-28.5	-30.7	-32.9	-39.0	-40.6	-43.1	-46.3
Terms of trade										
Export price index (US\$-based; 2010=100)	92.3	89.9	109.7	118.3 ^b	114.9	115.0	120.4	121.8	125.2	129.6
Export prices (% change)	-4.3	-2.7	22.1	7.8 ^b	-2.9	0.1	4.7	1.2	2.8	3.5
Import price index (US\$-based; 2010=100)	89.6	86.4	93.6	108.9 ^b	107.3	107.1	110.8	111.5	113.2	115.0
Import prices (% change)	-6.0	-3.6	8.3	16.4 ^b	-1.5	-0.1	3.5	0.6	1.5	1.6
Terms of trade (2010=100)	103.0	104.0	117.3	108.6 ^b	107.1	107.4	108.6	109.2	110.7	112.8
Memorandum item										
Export market growth (%)	1.2	-4.7	10.2	6.4	0.2	2.7	3.1	3.1	3.0	3.1

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

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Data summary: Foreign direct investment

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Foreign direct investment

	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^b	2024 ^c	2025 ^c	2026 ^c	2027 ^c	2028 ^c
Foreign direct investment (US\$ bn)										
Inward FDI flows	19.7	157.2	6.0	44.7	25.1	82.3	76.0	82.5	90.4	94.4
Inward FDI flows (% of GDP)	0.7	5.8	0.2	1.4	0.8	2.4	2.0	2.1	2.2	2.1
Inward FDI flows (% of gross fixed investment)	3.8	33.3	1.1	7.9	4.3	13.8	12.2	12.8	13.4	13.2
Outward FDI flows	21.5	-16.4	-160.9	-125.4	-64.5	-136.5	-152.4	-157.7	-164.3	-171.3
Net FDI flows	41.2	140.8	-154.9	-80.7	-39.4	-54.2	-76.4	-75.2	-73.9	-76.9
Stock of inward FDI flows	2,317.0	2,548.0	2,562.0	2,606.7	2,631.8	2,714.1	2,790.2	2,872.7	2,963.1	3,057.5
Stock of inward FDI flows per head (US\$)	34,697	37,996	38,079	38,613	38,854	39,937	40,923	42,002	43,193	44,441
Stock of inward FDI flows (% of GDP)	81.2	94.3	81.5	84.1	80.1	79.4	74.9	74.1	72.0	69.1
Memorandum items										
Share of world inward FDI flows (%)	1.6	13.0	0.5	3.1	1.6	5.1	4.5	4.7	4.9	4.9
Share of world inward FDI stock (%)	6.8	7.5	6.8	6.3	6.0	6.0	5.9	5.8	5.8	5.7

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

Political structure

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

December 12th 2023

Official name

United Kingdom of Great Britain and Northern Ireland

Form of state

Parliamentary monarchy

Legal system

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

National legislature

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

Electoral system

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

Universal direct suffrage from the age of 18

National elections

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

Head of state

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

National government

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

Main political parties

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

The government

Prime minister: Rishi Sunak

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

Chancellor of the exchequer: Jeremy Hunt

Leader of the House of Commons: Penny Mordaunt

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

Parliamentary secretary to the Treasury & chief whip: Simon Hart

Secretaries of state

Business & trade, women & equalities: Kemi Badenoch

Culture, media and sport: Lucy Frazer

Defence: Grant Shapps

Education: Gillian Keegan

Energy security & net zero: Claire Coutinho

Environment, food & rural affairs: Steve Barclay

Foreign, commonwealth & development: David Cameron

Health & social care: Victoria Atkins

Home Office: James Cleverly

Justice & Lord Chancellor: Alex Chalk

Levelling up, housing & communities: Michael Gove

Northern Ireland: Chris Heaton-Harris

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Science, innovation & technology: Michelle Donelan

Scotland: Alister Jack

Transport: Mark Harper

Wales: David Davies

Without portfolio: Richard Holden

Work & pensions: Mel Stride

Central bank governor

Andrew Bailey

Basic data

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December 12th 2023

Land area

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

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Population

67m (official mid-year estimate, 2021)

Main urban areas

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

Greater London (capital): 8,797

West Midlands (Birmingham): 2,916

Greater Manchester: 2,868

West Yorkshire (Leeds): 2,350

Merseyside (Liverpool): 1,423

Climate

Temperate

Weather in London (altitude 5 metres)

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

Language

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

Measures

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

Currency

Pound (or pound sterling) = 100 pence

Time

GMT (one hour ahead in summer)

Fiscal year

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

Public holidays

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

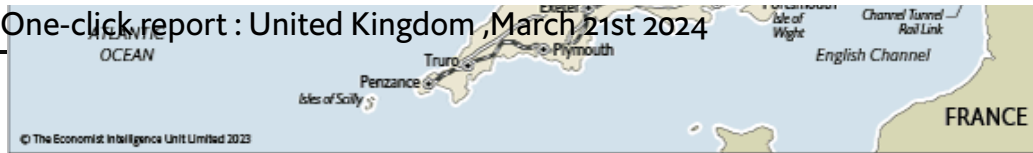
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London

Economist Intelligence
The Adelphi
1-11 John Adam Street
London, WC2N 6HT
United Kingdom
Tel: +44 (0) 20 7576 8181
E-mail: london@eiu.com

New York

Economist Intelligence
900 Third Avenue
16th Floor
New York, NY 10022
United States
Tel: +1 212 541 0500
E-mail: americas@eiu.com

Hong Kong

Economist Intelligence

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1301 Cityplaza Four
12 Taikoo Wan Road
Taikoo Shing
Hong Kong
Tel: +852 2585 3888
E-mail: asia@eiu.com

Skootr Spaces, Unit No. 1,
12th Floor, Tower B, Building No. 9
DLF Cyber City, Phase - III
Gurugram - 122002
Haryana
India
Tel: +91 124 6409486
E-mail: asia@eiu.com

Dubai

Economist Intelligence
PO Box No - 450056
Office No - 1301A
Aurora Tower
Dubai Media City
Dubai
United Arab Emirates
Tel: +971 4 463 147
E-mail: mea@eiu.com

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