



Viewpoint

One-click report : United Kingdom

February 9th 2024

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Briefing sheet

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Political and economic outlook

- The UK economy is the sixth largest in the world. Services make up more than 40% of total exports and 80% of GDP. Although the UK is now outside the EU single market and customs union, Europe remains its largest trading partner, and a key investment source.
- EIU expects the ruling Conservative Party to lose the next general election, which we expect to take place in late 2024, ceding power after 14 years to the main opposition Labour Party. We expect Labour's lead in the opinion polls (15-20 percentage points) to shrink in the run-up to the election, but we still believe that it will win a majority.
- In office, we expect Labour to prioritise an overhaul of planning legislation (to accelerate construction permits) and employment law (to address labour shortages), and pursue an industrial policy of spending focused on green infrastructure that provides incentives to local firms (similar in style, if not scale, to the US Inflation Reduction Act).
- GDP growth will remain weak in 2024, reflecting the UK economy's overreliance on private consumption—which will remain affected by the knock-on impact of falling asset prices—as well as the ongoing impact of Brexit on exports. We expect firmer growth in 2025 and a return to trend growth in 2026-28 as domestic and external demand picks up.
- The 2020 UK-EU trade agreement caused dissatisfaction in Northern Ireland. Following a new deal that strengthens Northern Ireland's place in the UK internal market, tensions have eased, leading to the restoration of the executive and reducing 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

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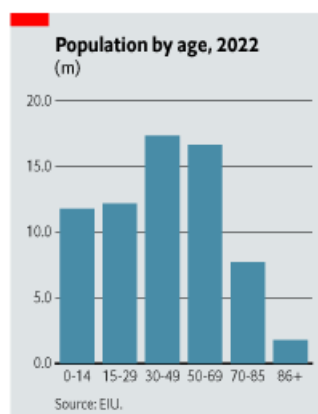
rejoining the single market or customs union, limiting the degree of trade liberalisation possible.

Key indicators

	2023 ^a	2024 ^b	2025 ^b	2026 ^b	2027 ^b	2028 ^b
Real GDP growth (%)	0.2	0.4	1.3	1.7	1.6	1.5
Consumer price inflation (av; %)	6.8 ^c	2.4	2.0	2.0	2.0	1.9
Government balance (% of GDP)	-3.9	-4.1	-3.7	-3.0	-2.5	-2.2
Current-account balance (% of GDP)	-2.9	-3.0	-3.2	-3.0	-3.1	-2.9
Short-term interest rate (av; %)	5.0 ^c	5.0	4.6	3.7	3.2	3.0
Unemployment rate (%)	4.1	4.4	4.2	4.1	4.1	3.9
Exchange rate £:US\$ (av)	0.80 ^c	0.82	0.81	0.75	0.74	0.72

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

Market opportunities



Key changes since January 5th

- A former energy minister, Chris Skidmore, resigned from parliament ahead of the first parliamentary session of the year on January 8th. Mr Skidmore's resignation

suggests internal opposition towards the legislative agenda of Rishi Sunak, the prime minister.

- On January 31st the five-times-delayed imposition of border checks on goods coming from the EU entered its first stage. Imports of plants, animals and foods will now require documentation to prove that products are disease-free, adding to bureaucracy for importers.
- On January 12th UK and US forces launched a series of co-ordinated strikes against Yemen's Houthi rebels, in retaliation for their attacks on international ships in the Red Sea. We expect a minor dissuasive effect from this, but disruption will remain substantial.
- As a result of the hawkish stance of the Bank of England (BoE, the central bank) compared with the Federal Reserve (Fed, the US central bank), sterling appreciated in December by 2.4% month on month. We expect sterling to stabilise against the US dollar in 2024.
- Producer price inflation figures for December show an increase from -0.1% year on year in November to 0.1%. As this was greater than we had expected, we have revised up our forecast for 2024 to 1.2% from zero previously.
- On February 8th Labour finalised its manifesto for review. It revealed ditching its £28bn a year green investment pledge. We expect other policy details to remain hidden until absolutely necessary.

The month ahead

- February 15th—Preliminary GDP growth (Q4): GDP increased by 0.3% month on month in November, following a contraction in October. We estimate weak growth in December, with overall GDP contracting by 0.3% quarter on quarter in the final quarter of the year. We estimate annual growth at only 0.2% in 2023.
- March 21st—BoE monetary policy meeting: We expect the BoE to keep the policy interest rate on hold at 5.25%, in the fifth consecutive decision to hold rates steady. Our view remains that the BoE will hold the policy rate at 5.25% until late 2024, before embarking on monetary easing.

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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.

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)	0.2	0.4	1.3	1.7	1.6	1.5
Industrial production (% change)	-0.2	1.2	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 ^c	2.4	2.0	2.0	2.0	1.9
3-month £-LIBOR rate (av)	5.0 ^c	5.0	4.6	3.7	3.2	3.0
Bank of England base rate (end-period)	5.25	5.00	4.25	3.50	3.00	3.00
Government budget balance (% of GDP) ^d	-3.9	-4.1	-3.7	-3.0	-2.5	-2.2
Exports of goods fob (US\$ bn)	492	486	504	535	550	576
Imports of goods fob (US\$ bn)	-762	-773	-801	-828	-870	-925
Current-account balance (US\$ bn)	-96.0	-102.5	-112.0	-119.9	-128.2	-127.4
Current-account balance (% of GDP)	-2.9	-3.0	-3.2	-3.0	-3.1	-2.9
Exchange rate US\$:£ (av)	1.24 ^c	1.23	1.24	1.33	1.36	1.39
Exchange rate ¥:£ (av)	175.0 ^c	164.7	144.3	142.8	142.6	145.9
Exchange rate €:£ (av)	1.15 ^c	1.11	1.09	1.15	1.16	1.19

^a EIU estimates. ^b EIU forecasts. ^c Actual. ^d 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 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 election with a 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.

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. Constitutionally, this prevented an executive from being formed. However, relations have improved

following the government's new proposal to cement Northern Ireland's place in the UK internal market. With the DUP having accepted the proposal, there will be a restoration of the Stormont executive, with Sinn Fein, a left-wing nationalist party, providing the first minister. Political instability could therefore be reduced.

Election watch

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The next election is likely to be in the autumn of 2024. The prime minister can decide the date of the election unilaterally, 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). A recent government reshuffle signals that the Conservatives will attempt to appeal to moderate, traditional Conservative voters in southern England, 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 concentrated in metropolitan seats, and so the party would need about a 10-point lead to win an overall majority, which it is 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, while 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 third-largest contributor of military aid to Ukraine in absolute terms (after the US and Germany), and is heavily involved in training Ukrainian military personnel and supplying long-range missiles.

UK policy towards the Israel-Hamas war is likely to remain broadly supportive of Israel. In January UK and US forces launched a series of co-ordinated strikes against Yemen's Houthi rebels, in retaliation for their attacks on international ships in the Red Sea. We expect the Western response to continue, but with limited effect, with the Houthis continuing to disrupt the shipping route via the Suez Canal. Labour will increasingly 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. However, there is limited potential for further breakthroughs in this parliament, given significant continued anti-EU sentiment within the Conservative Party, and the complexity of any further revisions to the TCA. Labour has said that it will seek a closer relationship with the EU when the TCA comes under review in 2025, but it does not advocate rejoining the EU single market or customs union, limiting the degree of trade liberalisation possible.

Policy trends

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Legislative progress in the run-up to the 2024 election will be limited. The government will focus on proposals designed to be popular, such as permanently banning smoking for everyone born after 2008, and tax cuts; and electorally strategic moves, such as licensing for energy exploration in the North Sea—an issue important to key Conservative voter demographics and on which Labour is divided. Public concerns about the quality of service provision—particularly in the National Health Service (NHS, which has seen a fall in care quality and increased waiting times since the pandemic), education and policing—will loom large ahead of the election. The government will hope to convince the public that it is addressing these issues, but given their deep-seated nature, major improvements are unlikely.

Labour has highlighted five key areas that it will 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. On internally divisive areas—such as foreign and trade policy—it will maintain the current Conservative positions. Many proposed Labour policies 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. Investment plans will also be constrained by elevated borrowing costs, which will necessitate a focus on reducing the large budget deficit and cutting public debt levels. The Labour manifesto was finalised on February 8th, but the details will not be published until necessary, so to avoid any internal rebellion or politically strategic response from the Conservatives. We expect the party to hew to the centre ground and mainstream voter preferences.

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. The 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 fall in 2025. Given revenue constraints, goals such as boosting business investment will have to be achieved through targeted measures rather than by lowering corporation tax.

We forecast that the budget deficit will shrink to about 2.2% of GDP in 2028 as GDP growth returns to trend. We forecast that public debt will peak at 101.7% of GDP in 2025, before moderating slowly to 97.3% of GDP in 2028.

Monetary policy

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The Bank of England (BoE, the central bank) has ended a tightening cycle that began in late 2021, bringing interest rates to 5.25%, and is likely to begin an easing cycle later this year. The BoE has kept rates steady since September 2023 after 14 consecutive rate rises. The BoE has signalled that it will undertake a "higher for longer" strategy, keeping rates elevated until inflation declines to near its 2% threshold. We expect this to occur in the second half of 2024, when we expect the BoE to begin to cut rates as growth remains sluggish. As a result, we expect the BoE to bring down the policy rate to 3% by early 2027 and to keep it at that level for the remainder of the forecast period.

Global forecast data

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	2023	2024	2025	2026	2027	2028
Economic growth (%)						
US GDP	2.4	1.3	1.6	2.0	2.0	2.1
Developed economies GDP	1.5	1.2	1.7	1.8	1.8	1.9
EU27 GDP	0.5	1.0	1.8	1.8	1.8	1.7
World GDP	2.5	2.3	2.6	2.7	2.7	2.7
World trade	-0.4	2.4	3.4	3.5	3.6	3.5
Inflation indicators (% unless otherwise indicated)						
US CPI	4.1	2.4	2.1	2.3	2.4	2.4

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Developed economies CPI	4.5	2.4	1.9	2.0	2.0	2.0
EU27 CPI	6.2	2.8	2.2	2.1	2.0	2.0
Manufactures (measured in US\$)	4.5	3.6	4.7	3.1	2.3	2.2
Oil (Brent; US\$/b)	82.6	79.5	74.8	69.9	65.6	62.3
Non-oil commodities (measured in US\$)	-15.1	-2.5	1.8	0.2	0.8	1.2
Financial variables						
US\$ 3-month commercial paper rate (av; %)	5.1	5.2	4.2	3.2	2.5	2.5
€ 3-month interbank rate (av; %)	3.4	3.6	2.5	1.8	1.8	1.7
US\$:£ (av)	1.24	1.23	1.24	1.33	1.36	1.39
US\$:€ (av)	1.08	1.10	1.14	1.16	1.17	1.17

Economic growth

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In 2024 inflation will be easing, 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 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 higher rates. Investment spending will also be constrained by uncertainty as the election approaches. As a result, we expect the UK to record the second-slowest growth rate in the G7 group of economies in 2024, at 0.4%—slower than 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 loss of frictionless access to the EU market will limit the competitiveness of UK manufacturing (which accounts for 9.7% of gross value added). After having been delayed five times, border checks on plants, animals and food products coming from the EU finally commenced on January 31st. The extra bureaucracy for importers is likely to result in supply-side disruptions, and will push up prices. Second and third stages are expected on April 30th and October 31st respectively. Increasing requirements of documentation are likely to have a negative impact on cross-border activity.

We expect real GDP growth to strengthen to 1.3% in 2025 as monetary policy loosens and political uncertainty declines. We forecast an annual average growth rate of 1.6% in 2026-28. We expect services to continue to dominate the economy (accounting for about 80% of GDP—a comparatively high share among advanced economies), and we

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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. There are some upside risks for growth in the medium term, 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	0.2	0.4	1.3	1.7	1.6	1.5
Private consumption	0.7	0.8	1.5	1.8	1.6	1.6
Government consumption	0.6	2.4	1.6	1.5	1.5	1.8
Gross fixed investment	2.2	-0.7	2.2	2.5	2.5	2.5
Exports of goods & services	0.0	0.2	2.0	2.8	2.5	2.7
Imports of goods & services	-1.6	1.4	3.4	3.2	2.8	3.5
Domestic demand	0.7	0.5	1.9	1.7	1.8	1.8
Agriculture	1.0	0.4	0.4	0.8	0.7	0.6
Industry	0.3	0.2	0.7	1.5	1.6	1.6
Services	0.2	0.4	1.5	1.7	1.6	1.5

^a EIU estimates. ^b EIU forecasts.

Inflation

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We forecast that annual inflation will reach the BoE’s 2% target in the second half of 2024, averaging 2.4% across the year. This slowdown is primarily being driven by sharp declines in food and energy costs and a modest slackening in the labour market. We expect these trends to persist over 2024, easing pressure on utility rates and constraining wage growth, which in turn will keep a cap on consumer spending and demand-side inflationary pressures. Services prices and second-round effects will be the main drivers of price growth; there are upside risks to inflation from shipping disruption in the Red Sea, but our core forecast is that the impact for the UK will be minimal. We expect inflation to ease to an annual average of 2% in 2025-28.

Exchange rates

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After closing 2023 at US\$1.27:£1, we expect sterling to remain steady 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 appreciate against the dollar in late 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\$1.39:£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 €1.19:£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 about zero growth in nominal terms in 2024 as a result. Lower import prices will prevent a sharp widening of the trade deficit in 2024-25, but over the medium term higher trade barriers will 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

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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
7.74	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 four 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, with imposition of border checks on goods leading to further red tape for importers. UK-EU relations are less fractious under Labour, but trade liberalisation is limited.

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

Taxes

2024-25: The government introduces tax cuts, business investment incentives and minor supply-side reforms. Further short-term tax cuts likely 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

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

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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
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.

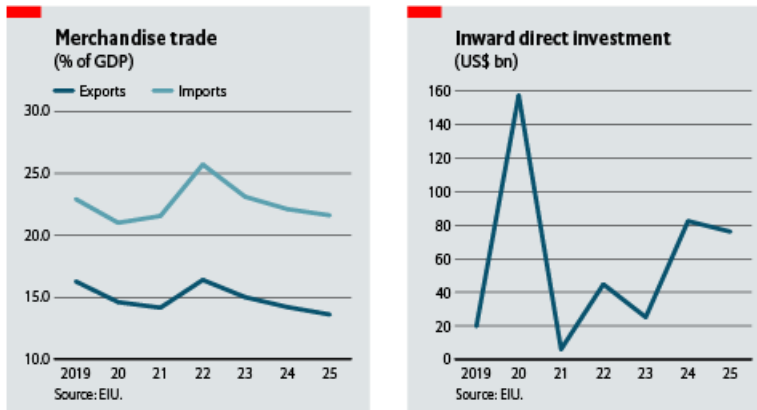
Sources: UN Statistics Division; World Bank; Food and Agriculture Organisation; Euromonitor; World Health Organisation; national statistical offices; International Telecommunication Union; EIU estimates

and forecasts.

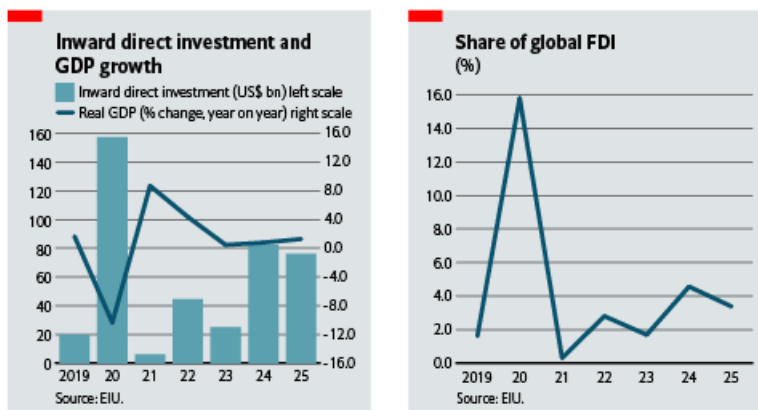
Global position

[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 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 of 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.

- 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.
- 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

One-click report : United Kingdom ,March 6th 2024

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

March 14th 2023

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

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

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

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

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

The EU is set to remain a key export destination

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

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

One-click report : United Kingdom ,March 6th 2024

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 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

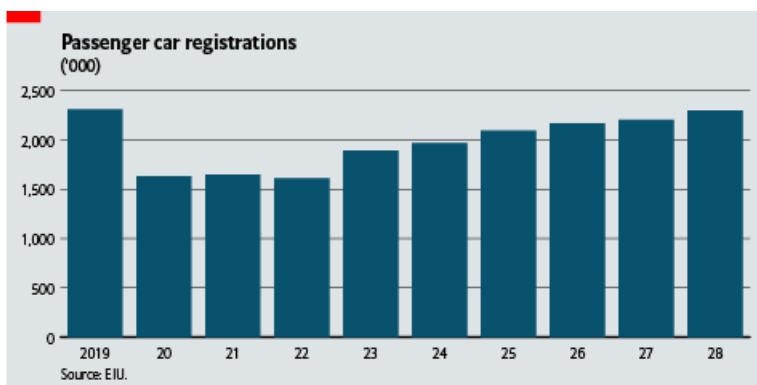
	2022	2030	2050
Income and market size			
Population (m)	67.5	69.2	71.7
GDP (US\$ bn at market exchange rates)	3,071.3	4,798.2	9,515.4
GDP per head (US\$ at market exchange rates)	45,490	69,360	132,740
Private consumption (US\$ bn)	1,933.0	3,031.9	5,679.4
Private consumption per head (US\$)	28,630	43,830	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](#)

January 23rd 2024

- The UK's automotive industry is in gradual structural decline. It is an integral part of the manufacturing sector, accounting for 10% of goods exports, but vehicle production has fallen sharply since 2016 and prospects are relatively unfavourable, notwithstanding recently expanded investment plans among the UK's five mass vehicle producers (all foreign-owned). This reflects various factors: global automotive overcapacity; 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; and the sluggish development of domestic electric vehicle (EV) battery manufacturing capacity, amid a general apathy by government over the past decade towards UK industrial policy.
- 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). Vehicle output fell for six consecutive years between 2017 and 2022, to a 40-year low of 876,614 units (from 1.8m in 2016). Easing global supply frictions drove a moderate expansion in 2023, but at best there will be only limited further gains over EIU's five-year forecast period to 2028. The major domestic vehicle-production facilities are of a good quality and are transitioning towards higher EV output, but the UK's relative attractiveness as a production base will remain in question, amid a fiercely competitive global automotive sector and ramped-up state-funded subsidies.



- The new-car market has also weakened significantly from a peak in 2016, with annual sales falling in five of the past seven years and slumping to a 30-year low of 1.61m units in 2022, according to the Society of Motor Manufacturers and Traders (SMMT). This was down from 2.7m in 2016 and an average of 2.3m in 2010-19. Recovering supply chains and vehicle stocks drove a countercyclical upturn in new registrations in 2023—up 17% to 1.9m—as manufacturers fulfilled outstanding

orders built up over the pandemic. Growth was driven entirely by fleet demand, amid flat private sales.

- Underlying conditions in the UK economy are forecast to improve slightly over 2024, as lower inflation and interest rates deliver modest relief to households' purchasing power, but this will be from a low base. Economic activity, income growth and sentiment will remain subdued amid materially higher living costs, a rising tax burden and deteriorating public services, with little expectation of a strong revival in new-car sales. We forecast a compound annual growth rate (CAGR) of 4% in 2024-28, with annual sales remaining below 2010-19 levels.
- The share of chargeable EVs rose only slightly in 2023, to 23.6% of new-car sales (from 22.8% in 2022). A new zero-emission vehicle (ZEV) mandate applies in the UK from 2024, stipulating annual EV sales targets for manufacturers. EVs' share of new-car sales will continue to rise, but meeting ZEV targets will be a challenge, as affordability issues and limitations of charging infrastructure will continue to restrain uptake among private buyers (among whom the EV share was just 9% of sales in 2023). 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 the country's 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 investment appeal. "Rules of origin" requirements under the TCA had implied a 10% tariff being imposed on UK-EU trade in EVs from 2024, but in December 2023 both parties agreed a three-year deferral to 2027.
- Since 2022 approved new investments appear to have safeguarded the near-term future of the UK's main vehicle production plants operated by Nissan (Japan), Jaguar Land Rover (JLR, owned by Tata of India), Toyota (Japan), Mini (BMW; Germany) and Vauxhall (owned by the Dutch-based Stellantis). Medium-term prospects are less secure, given global competitive pressures and with the UK lagging most peer countries in developing large-scale battery-production facilities (gigafactories). Nissan will expand the UK's only current gigafactory later in 2024, with a JLR plant scheduled from 2026 and another Nissan facility under consideration. A substantial scaling-up of capacity is needed.

Consumer goods

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

February 9th 2024

- Household spending accounts for about two-thirds of the UK's annual GDP, similar to the US and the biggest share of all major European economies. 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 on average than in most west European countries. Average UK real wages have stagnated since the mid-2000s. This has contributed to a gradual deterioration in living standards, which is likely to continue for a majority of households over 2024-28.
- Retail sales volumes declined by about 3% in 2022 and 2023, to a five-year low. This partly reflects a post-pandemic shift in household consumption patterns from retail goods to services, but is mainly attributable to a pull-back in real discretionary spending amid a period of high inflation, rising taxes, and sharply increased food prices, energy costs and interest rates.
- Inflation will ease in 2024 along with real wage growth gains and interest rates no longer rising. However, this will not translate into a significant pick-up in economic activity or boost in disposable incomes. The sustained high cost of living, lagged effects of earlier monetary tightening (notably on housing costs), a softer labour market, a rising overall tax burden and deteriorating public services will constrain consumers' purchasing power, which will continue to weigh on real retail sales growth in the forecast period.
- The UK will remain Europe's largest online retail market, despite online volume sales declining for a second consecutive year in 2023. However, EIU expects growth to moderate over the forecast period, with online as a share of total retail sales rising gradually to 29% by 2028 (up from 18% in 2019). Online grocery retail penetration is higher than in most peer countries, limiting scope for expansion in a low-margin sector.
- Strained post-Brexit EU-UK relations are slowly improving as economic realities force a more conciliatory UK stance. This will probably gather momentum if, as expected, the main opposition Labour Party enters office after the next general election (due by early 2025). However, Brexit will remain a drag on economic activity, trade and living standards over 2024-28. Reduced external competitiveness could spur a rise in low-productivity areas of domestic food production, but the

One-click report : United Kingdom ,March 6th 2024

fisheries sector and the export-focused food and drink industry will lose market share.

- After repeated UK delays, post-Brexit border controls on animal and plant products imported from the EU are being phased in from February 2024. The checks will introduce additional bureaucracy and lengthen supply timelines, pushing up costs for the food industry that are likely to be passed on to retail prices. Another source of potential near-term inflationary pressure is the recent escalation in terrorist attacks on commercial shipping in the Red Sea, which has disrupted global supply chains for many products and raised shipping costs.

Retail sales

	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	489.8	503.7	518.8	533.2	547.4	563.4
Retail sales (US\$ bn)	543.0	556.7	620.2	583.0	609.2	617.6	642.9	706.5	741.7	784.5
Retail sales, volume growth (%)	2.4	1.0	1.4	-3.1	-2.7	0.4	1.0	0.8	0.7	1.0
Retail sales, US\$ value growth (%)	-0.4	2.5	11.4	-6.0	4.5	1.4	4.1	9.9	5.0	5.8
Non-food retail sales (US\$ bn)	295.2	295.4 ^a	338.7	309.3	321.2	323.6	337.5	371.5	389.4	411.8
Food retail sales (US\$ bn)	247.7	261.3	281.5	273.7	288.0	294.0	305.4	335.0	352.3	372.7
Consumer price inflation (av; %)	1.7	1.0 ^a	2.5 ^a	7.9 ^a	6.8	2.4	2.0	2.0	2.0	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.
- 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

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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
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](#)

January 29th 2024

- The UK has one of the world's best-developed financial industries. The coronavirus pandemic delivered a short, sharp shock 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 2024 as the economy barely grows and inflation, though slowing, remains relatively high. Higher interest rates are boosting banks' profits but are causing difficulties for some borrowers, particularly in the housing market.
- 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. In 2022 it employed 1.17m people, or 3.2% of the total workforce, down from 3.7% in 2009. The industry makes a substantial contribution to the balance of payments and tax revenue.
- EIU estimates that UK real GDP grew by just 0.2% in 2023 (down sharply from 4.3% in 2022 and 8.7% in 2021), reflecting the country's over-reliance 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 expect growth to remain weak in 2024, at 0.4%, picking up to an average of 1.5% a year in 2025-28.
- 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; we expect it to take place in late 2024.
- 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 has since left rates unchanged following a slowing of the annual inflation rate, which stood at 4.2% year on year in November. Our view is that further tightening is unlikely and that rates will start to fall in the second half of 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

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

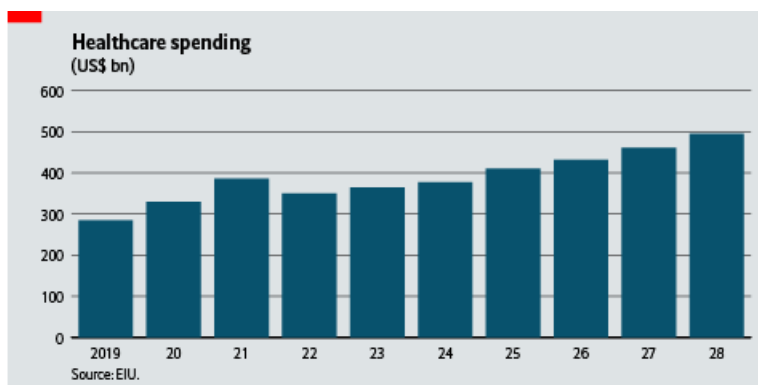
December 14th 2023

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 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.

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- 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.



- 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

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share to fall slightly over the forecast period, to about 80.1% by 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.
- 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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- Mobile telephony makes up the majority of telecommunications connections in the UK. The mobile penetration rate has levelled off in recent years amid a saturated market. EIU expects a moderate rise over the forecast period to 127.9% in 2028.
- In 2023 there were an estimated 41.9 broadband subscriptions per 100 people, with internet user penetration at an estimated 98.4% of the population. We forecast that this will 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

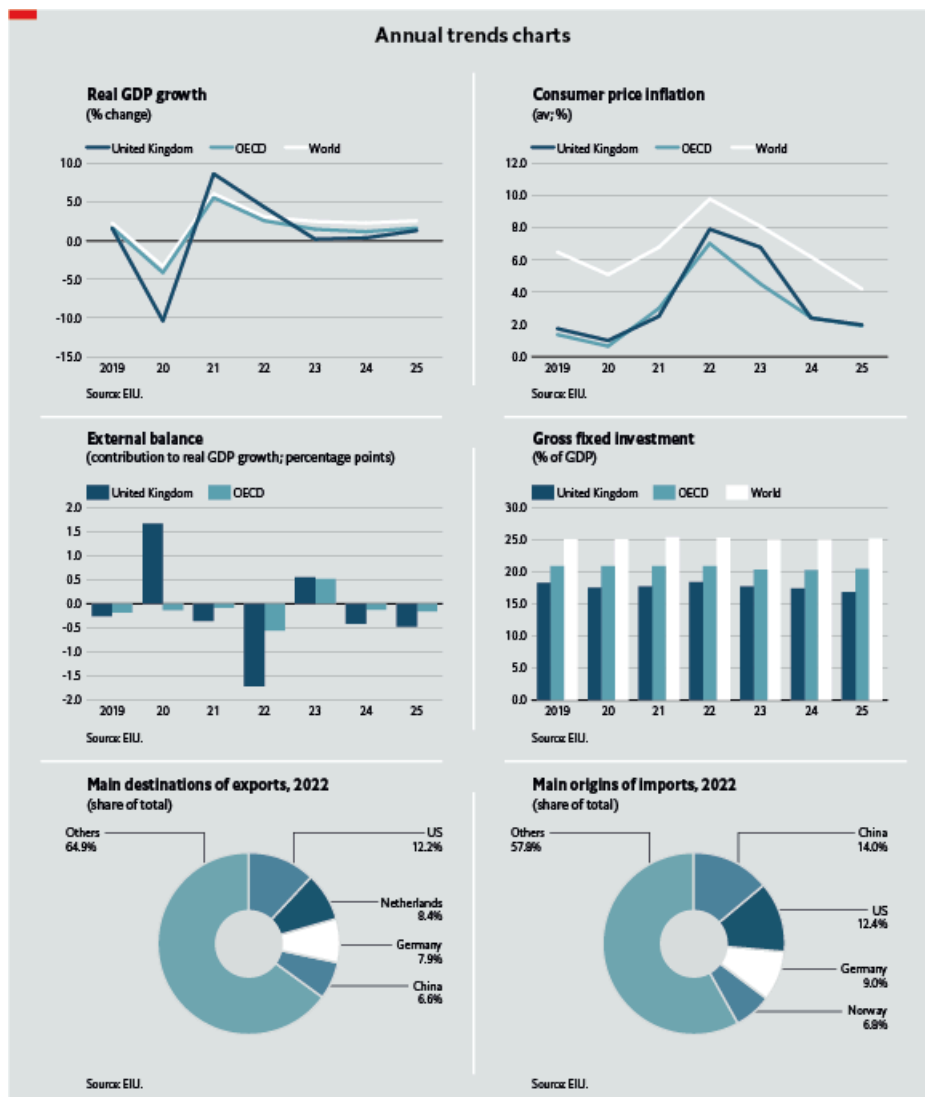
competition. The UK is light touch when it comes to regulation, to favour innovation, but is strict on competition.

- 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 compares poorly to that in other leading economies. Operators are focusing on boosting revenue from industrial usage of 5G.

Data and charts: Annual trends charts

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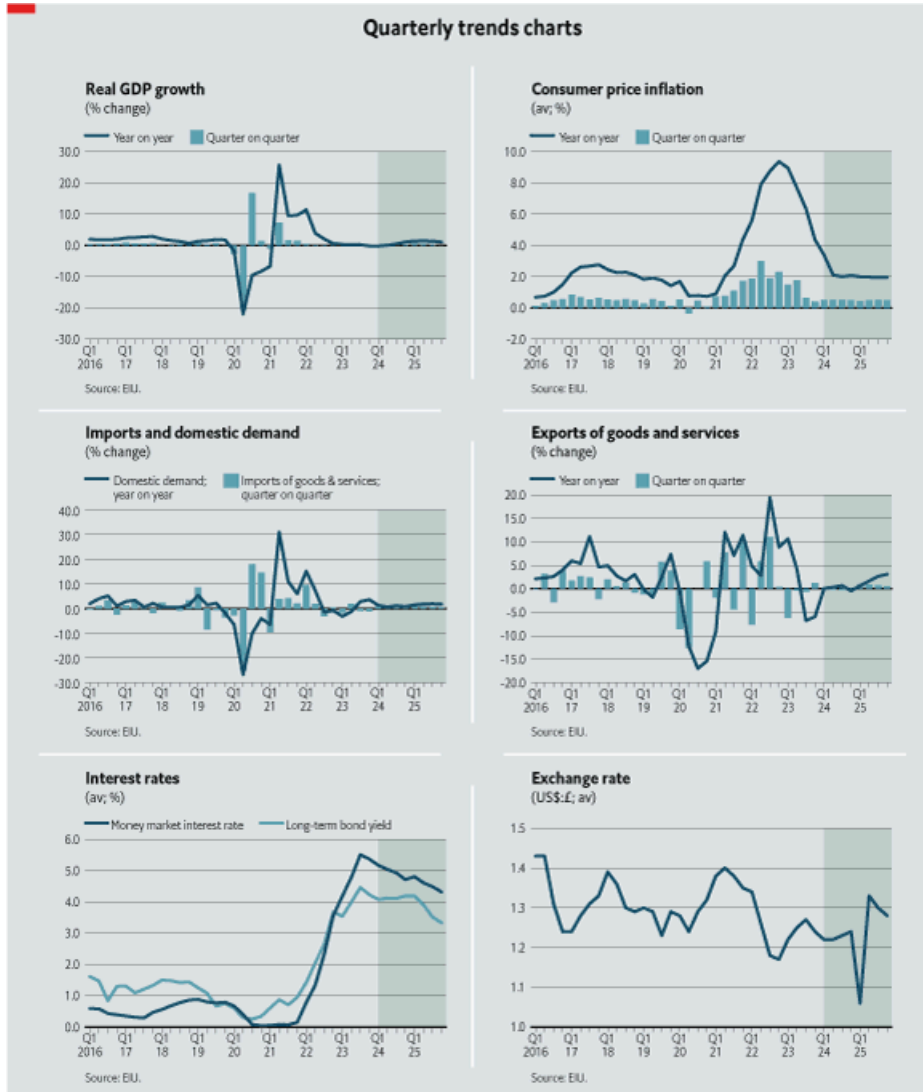
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Data and charts: Quarterly trends charts

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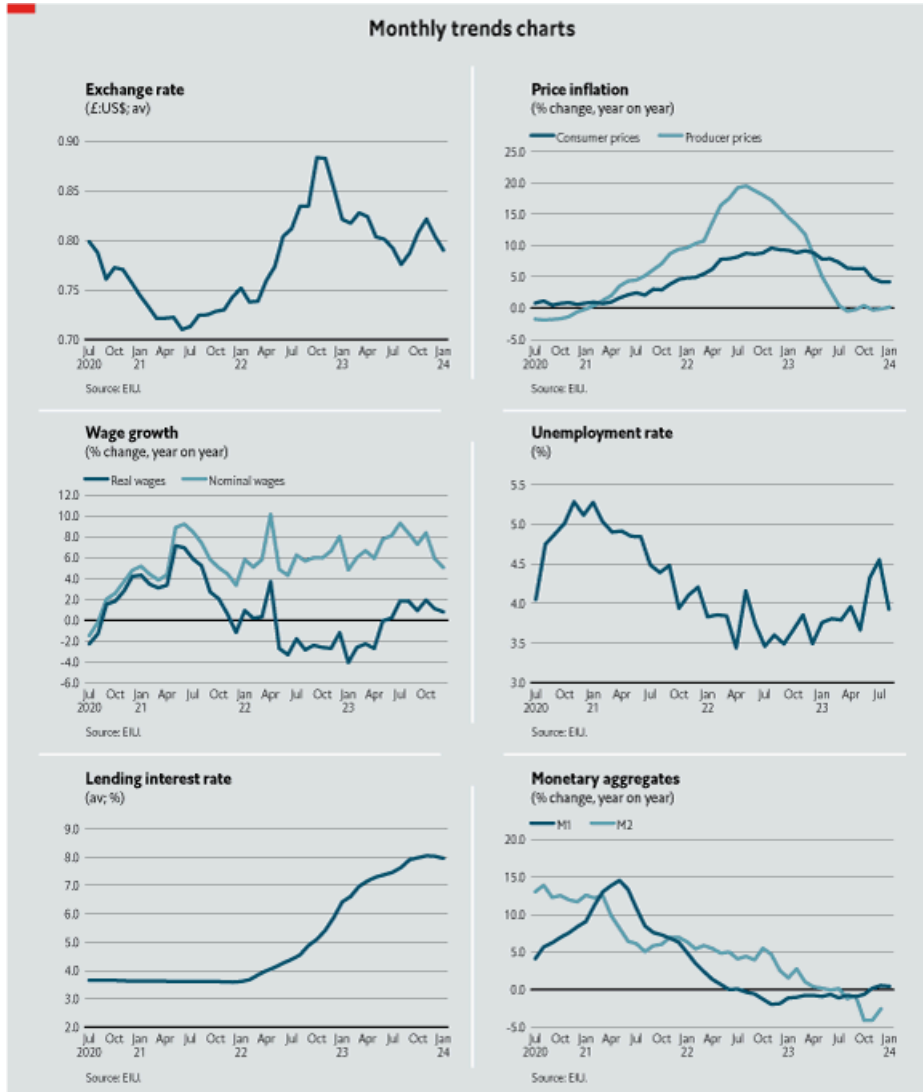
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Data and charts: Monthly trends charts

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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	2,506.0	2,673.9	2,746.1	2,832.3	2,971.0	3,086.7	3,206.8
Private consumption	1,427.9	1,246.1	1,369.3	1,550.3	1,670.5	1,726.7	1,783.8	1,851.7	1,918.3	1,986.3
Government consumption	426.6	475.6	508.7	526.2	570.6	604.0	631.8	660.4	690.3	723.0
Gross fixed investment	406.4	367.5	403.8	459.4	471.9	475.8	475.4	487.5	499.7	512.2
Exports of goods & services	706.7	624.8	676.0	837.8	856.4	873.6	908.8	933.7	971.6	1,011.8
Imports of goods & services	737.9	612.0	679.5	904.6	896.7	934.5	971.0	966.3	995.7	1,030.5
Stockbuilding	4.1	2.3	5.7	6.8	1.2	0.5	3.5	4.0	2.5	4.0
Domestic demand	2,265.1	2,091.5	2,287.6	2,542.7	2,714.2	2,807.0	2,894.5	3,003.6	3,110.8	3,225.4
Expenditure on GDP (US\$ bn at current market prices)										
GDP	2,853.5	2,701.3	3,143.1	3,100.8	3,325.9	3,367.0	3,509.4	3,936.6	4,182.5	4,465.4
Private consumption	1,824.0	1,599.6	1,884.3	1,918.2	2,077.9	2,117.1	2,210.3	2,453.5	2,599.3	2,765.9
Government consumption	544.9	610.6	700.0	651.1	709.7	740.5	782.8	875.0	935.4	1,006.8
Gross fixed investment	519.1	471.8	555.7	568.5	587.0	583.4	589.1	645.9	677.1	713.2
Exports of goods & services	902.7	802.1	930.3	1,036.6	1,065.2	1,071.2	1,126.1	1,237.2	1,316.5	1,409.0
Imports of goods & services	942.5	785.6	935.1	1,119.3	1,115.4	1,145.7	1,203.2	1,280.4	1,349.2	1,435.0
Stockbuilding	5.3	2.9	7.8	8.4	1.5	0.6	4.3	5.3	3.4	5.6

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Domestic demand	2,893.3	2,684.8	3,147.9	3,146.2	3,376.1	3,441.6	3,586.5	3,979.8	4,215.2	4,491.4
Economic structure (% of GDP at current market prices)										
Household consumption	63.9	59.2	60.0	61.9	62.5	62.9	63.0	62.3	62.1	61.9
Government consumption	19.1	22.6	22.3	21.0	21.3	22.0	22.3	22.2	22.4	22.5
Gross fixed investment	18.2	17.5	17.7	18.3	17.7	17.3	16.8	16.4	16.2	16.0
Stockbuilding	0.2	0.1	0.2	0.3	0.0	0.0	0.1	0.1	0.1	0.1
Exports of goods & services	31.6	29.7	29.6	33.4	32.0	31.8	32.1	31.4	31.5	31.6
Imports of goods & services	33.0	29.1	29.8	36.1	33.5	34.0	34.3	32.5	32.3	32.1
Memorandum item										
National savings ratio (%)	15.7	14.7	17.5	15.4	14.8	14.3	13.7	13.5	13.2	13.2

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

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	2,275.4	2,284.0	2,314.4	2,352.8	2,391.0	2,427.1
Household consumption	1,427.9	1,238.7	1,330.8	1,396.0	1,405.8	1,416.3	1,437.7	1,463.1	1,486.0	1,510.0
Government consumption	426.6	393.0	451.5	461.7	464.5	475.6	483.2	490.5	497.8	506.8
Gross fixed investment	406.4	362.7	389.7	420.9	430.2	427.3	436.6	447.7	458.9	470.3
Exports of goods & services	706.7	625.6	656.6	715.4	715.5	716.6	731.1	751.8	770.8	791.5

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Imports of goods & services	737.9	619.8	657.9	754.0	741.5	752.2	777.5	802.0	824.2	853.3
Stockbuilding (% of GDP)	1.3	2.5	-1.7	19.5	1.2	0.5	3.5	2.0	2.0	2.0
Domestic demand	2,265.0	1,996.4	2,177.2	2,280.6	2,296.4	2,308.3	2,352.6	2,393.4	2,435.6	2,479.6
Real expenditure on GDP (% change)										
GDP	1.6	-10.4	8.7	4.3	0.2	0.4	1.3	1.7	1.6	1.5
Household consumption	1.1	-13.3	7.4	4.9	0.7	0.8	1.5	1.8	1.6	1.6
Government consumption	4.0	-7.9	14.9	2.3	0.6	2.4	1.6	1.5	1.5	1.8
Gross fixed investment	2.2	-10.8	7.4	8.0	2.2	-0.7	2.2	2.5	2.5	2.5
Exports of goods & services	2.0	-11.5	4.9	9.0	0.0	0.2	2.0	2.8	2.5	2.7
Imports of goods & services	2.7	-16.0	6.1	14.6	-1.6	1.4	3.4	3.2	2.8	3.5
Stockbuilding (% contribution to GDP growth)	0.0	0.1	-0.2	1.0	-0.8	0.0	0.1	-0.1	0.0	0.0
Domestic demand	1.8	-11.9	9.1	4.7	0.7	0.5	1.9	1.7	1.8	1.8
Real contribution to GDP growth (% points)										
Private consumption	0.7	-8.5	4.6	3.0	0.4	0.5	0.9	1.1	1.0	1.0
Government consumption	0.7	-1.5	2.9	0.5	0.1	0.5	0.3	0.3	0.3	0.4
Gross fixed investment	0.4	-2.0	1.3	1.4	0.4	-0.1	0.4	0.5	0.5	0.5
External balance	-0.3	1.7	-0.4	-1.7	0.5	-0.4	-0.5	-0.2	-0.1	-0.3
Memorandum items										
Industrial production (% change)	1.7	2.3	-3.9	-3.4	-0.2	1.2	2.0	1.9	1.9	1.9
Real personal disposable	2.1	-0.5	1.4	-1.5	-1.6	0.4	1.1	1.6	1.6	1.6

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income (%
change)^a Actual. ^b EIU estimates. ^c EIU forecasts.

Data summary: Gross domestic product by sector of origin

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February 8th 2024

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	2,034.1	2,038.2	2,045.9	2,073.1	2,107.6	2,141.8	2,174.1
Agriculture	13.5	12.3	11.4	11.6	11.7	11.8	11.8	11.9	12.0	12.1
Industry	396.7	387.3	387.2	386.1	387.2	388.0	390.9	396.9	403.4	409.7
Services	1,585.5	1,397.3	1,549.7	1,636.4	1,639.3	1,646.2	1,670.5	1,698.8	1,726.4	1,752.3
Origin of GDP (real % change)										
Agriculture	16.8	-9.3	-6.8	1.5	1.0	0.4	0.4	0.8	0.7	0.6
Industry	1.4	-2.4	-0.1	-0.3	0.3	0.2	0.7	1.5	1.6	1.6
Services	1.8	-11.9	10.9	5.6	0.2	0.4	1.5	1.7	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	19.0	18.9	18.8	18.8	18.8
Services	79.4	77.8	79.5	80.4	80.4	80.5	80.6	80.6	80.6	80.6
Memorandum item										
Industrial production (% change)										
	1.7	2.3	-3.9	-3.4	-0.2	1.2	2.0	1.9	1.9	1.9

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

Data summary: Growth and productivity

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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	0.0	0.3	0.9	1.4	1.3	1.2
Total factor productivity growth	0.0	-10.0	8.3	-0.8	-0.3	0.1	0.9	1.2	1.2	1.0
Growth of capital stock	2.6	0.7	1.6	2.4	2.4	2.0	2.0	2.1	2.1	2.2
Growth of potential GDP	1.4	-1.5	0.9	1.2	1.0	1.1	1.7	2.1	2.1	1.9
Growth of real GDP	1.6 ^c	-10.4 ^c	8.7 ^c	4.3 ^c	0.2	0.4	1.3	1.7	1.6	1.5
Growth of real GDP per head	1.1 ^c	-10.7 ^c	8.3 ^c	4.0 ^c	-0.1	0.0	1.0	1.3	1.3	1.2

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

Data summary: Economic structure, income and market size

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[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	3,326	3,367	3,509	3,937	4,182	4,465
GDP per head (US\$ at market exchange rates)	42,731	40,282	46,715	45,932	49,101	49,543	51,472	57,558	60,969	64,904
Private consumption (US\$ bn)	1,824	1,600	1,884	1,918	2,078	2,117	2,210	2,454	2,599	2,766

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Private consumption per head (US\$)	27,314	23,854	28,007	28,415	30,676	31,151	32,418	35,874	37,891	40,201
GDP (US\$ bn at PPP)	3,283	2,982	3,389	3,786	3,956	4,063	4,199	4,367	4,544	4,724
GDP per head (US\$ at PPP)	49,166	44,468	50,375	56,075	58,407	59,778	61,587	63,851	66,244	68,658
Personal disposable income (£ bn)	1,453	1,454	1,508	1,603	1,689	1,740	1,790	1,854	1,921	1,989
Personal disposable income (US\$ bn)	1,856	1,866	2,075	1,983	2,101	2,134	2,218	2,457	2,603	2,770
Growth of real disposable income (%)	2.1	-0.5	1.4	-1.5 ^b	-1.5	0.4	1.1	1.6	1.6	1.6
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	3.18	3.06	2.98	3.16	3.19	3.24
Share of world GDP (% at PPP)	2.44	2.24	2.31	2.33	2.27	2.21	2.17	2.14	2.11	2.08
Share of world exports of goods (%)	2.55	2.36	2.10	2.17	2.15	2.05	1.98	2.00	1.96	1.96

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

Data summary: Fiscal indicators

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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	42.7	43.1	43.3	42.6	42.1	41.9
Interest ^d	2.2	2.0	2.8	4.3	4.9	5.9	6.0	5.5	4.4	3.6
Non-interest ^d	35.0	47.0	42.2	38.8	37.8	37.2	37.3	37.1	37.7	38.3
Government	35.2	35.8	37.1	38.7	38.8	39.0	39.6	39.6	39.6	39.7

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revenue ^d										
Budget balance ^d	-2.0	-13.2	-7.9	-4.4	-3.9	-4.1	-3.7	-3.0	-2.5	-2.2
Primary balance ^d	0.2	-11.2	-5.1	-0.1	1.0	1.8	2.3	2.5	2.0	1.4
Government debt ^e	85.7	105.8	105.3	100.4	100.2	101.7	101.7	100.0	98.8	97.3

^a Actual. ^b EIU estimates. ^c EIU forecasts. ^d General government. ^e General government, gross public debt (Maastricht definition). Includes impact of financial sector interventions in Northern Rock, Bradford & Bingley and compensation payments to Icelandic bank depositors. Does not include impact of reclassification of Royal Bank of Scotland and Lloyds Banking Group as public corporations by the Office for National Statistics. Does not include impact of gilt transactions with the Bank of England. End-period.

Data summary: Monetary indicators

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Monetary indicators

	2019 ^a	2020 ^a	2021 ^a	2022 ^a	2023 ^a	2024 ^b	2025 ^b	2026 ^b	2027 ^b	2028 ^b
Monetary indicators										
Exchange rate										
US\$:£ (av)	1.28	1.28	1.38	1.24	1.24	1.23	1.24	1.33	1.36	1.39
Exchange rate €:										
£ (av)	1.14	1.12	1.16	1.17	1.15	1.11	1.09	1.15	1.16	1.19
Exchange rate										
US\$:€ (av)	1.12	1.14	1.18	1.05	1.08	1.10	1.14	1.16	1.17	1.17
Exchange rate €:										
£ (year-end)	1.18	1.11	1.19	1.13	1.14	1.11	1.11	1.15	1.17	1.20
Real effective exchange rate (av; 2010=100)	98.6	98.8	102.6	101.2	103.4 ^c	100.4	98.0	102.9	104.2	106.6
M4 money supply growth (%) ^d	3.8	12.6	6.4	1.6	-1.3 ^c	-2.7	2.4	6.4	5.0	4.9
Domestic credit growth (%)	4.9	3.1	1.7	1.0	-1.2 ^c	-6.4	3.0	6.0	4.6	4.6
Purchasing power parity										
US\$:£ (av)	1.47	1.42	1.48	1.51	1.48	1.48	1.48	1.47	1.47	1.47
3-month £-Libor rate (av; %)	0.8	0.3	0.1	2.0	5.0	5.0	4.6	3.7	3.2	3.0

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10-year government bond yield (av; %)	0.9	0.4	0.8	2.4	4.1	4.1	3.7	3.3	3.2	3.2
Bank of England base rate (%; end-period)	0.75	0.10	0.25	3.50	5.25	5.00	4.25	3.50	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	5.0	5.5	5.0	4.2	3.3	3.3

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

Data summary: Employment, wages and prices

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

February 8th 2024

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
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	5.1	6.5	2.3	1.8	3.2	2.2	2.3
Consumer prices (av; CPIH measure)	1.7	1.0	2.5	7.9	6.8 ^a	2.4	2.0	2.0	2.0	1.9
Producer prices (av)	1.4	-1.0	5.2	16.0	3.2 ^a	1.2	1.8	1.9	2.0	2.0
GDP deflator (av)	2.1	5.1	-0.1	5.1	6.5	2.3	1.8	3.2	2.2	2.3

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Private consumption deflator (av)	1.5	0.6	2.3	7.9	7.0	2.6	1.8	2.0	2.0	1.9
Government consumption deflator (av)	2.8	21.0	-6.9	1.2	7.8	3.4	3.0	3.0	3.0	2.9
Fixed investment deflator (av)	2.7	1.3	2.3	5.3	0.5	1.5	-2.2	0.0	0.0	0.0
Average nominal wages (av)	3.4	1.8	5.9	6.1	6.3	3.2	2.6	2.8	2.8	2.7
Average real wages (av)	1.7	0.8	3.3	-1.7	-0.5	0.8	0.6	0.8	0.8	0.8
Unit labour costs (£-based; av)	2.7	12.3	-2.8	2.9	7.3	2.9	1.7	1.9	2.0	2.0
Unit labour costs (US\$-based)	-1.8	12.9	4.1	-7.5	7.8	1.4	2.8	9.0	4.3	4.8
Labour costs per hour (£)	23.5 ^b	23.9 ^b	25.3 ^b	26.8 ^b	28.5	29.4	30.2	31.1	31.9	32.8
Labour costs per hour (US\$)	30.0 ^b	30.7 ^b	34.8 ^b	33.2 ^b	35.5	36.1	37.4	41.2	43.3	45.7

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

Data summary: Current account and terms of trade

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

February 8th 2024

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	-100.5	-96.0	-102.5	-112.0	-119.9	-128.2	-127.4
Current-account balance (% of GDP)	-2.7	-2.9	-0.5	-3.2	-2.9	-3.0	-3.2	-3.0	-3.1	-2.9
Goods: exports fob	470.2	403.5	455.3	522.2	492.5	486.3	504.0	534.5	549.6	575.9
Goods: imports fob	-655.7	-568.4	-679.9	-794.0	-762.4	-773.5	-801.3	-828.4	-869.9	-924.6
Trade balance	-185.4	-164.9	-224.6	-271.6	-270.0	-287.2	-297.3	-293.9	-320.3	-348.7
Services: credit	431.9	398.6	473.8	506.5	555.3	567.8	609.6	695.6	760.8	833.8
Services: debit	-286.4	-218.5	-254.0	-321.6	-336.6	-363.2	-399.4	-419.0	-447.2	-473.7
Services balance	145.5	180.1	219.8	184.9	218.7	204.7	210.2	276.5	313.6	360.1
Primary income: credit	291.7	176.6	293.7	349.6	363.0	433.1	450.2	419.4	468.0	518.3
Primary income: debit	-294.3	-233.4	-276.6	-335.3	-376.9	-421.0	-438.6	-481.0	-546.0	-610.7

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Primary income balance	-2.6	-56.8	17.1	14.3	-13.9	12.2	11.6	-61.6	-78.0	-92.4
Secondary income: credit	34.9	34.0	35.9	36.6	38.7	36.3	34.8	39.1	41.5	44.3
Secondary income: debit	-69.0	-70.4	-63.1	-64.8	-69.5	-68.4	-71.3	-80.0	-85.0	-90.8
Secondary income balance	-34.1	-36.4	-27.2	-28.2	-30.8	-32.1	-36.5	-40.9	-43.5	-46.4
Terms of trade										
Export price index (US\$-based; 2010=100)	92.3	89.9	109.7	118.3 ^b	115.6	115.3	118.7	123.5	127.2	131.6
Export prices (% change)	-4.3	-2.7	22.1	7.8 ^b	-2.3	-0.2	2.9	4.1	3.0	3.4
Import price index (US\$-based; 2010=100)	89.6	86.4	93.6	108.9 ^b	107.2	108.7	109.6	110.0	111.8	113.8
Import prices (% change)	-6.0	-3.6	8.3	16.4 ^b	-1.6	1.4	0.9	0.4	1.7	1.8
Terms of trade (2010=100)	103.0	104.0	117.3	108.6 ^b	107.8	106.1	108.3	112.3	113.8	115.7
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.

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	44.9	26.0	82.3	71.1	78.3	90.5	96.4
Inward FDI flows (% of GDP)	0.7	5.8	0.2	1.4	0.8	2.4	2.0	2.0	2.2	2.2
Inward FDI flows (% of	3.8	33.3	1.1	7.9	4.4	14.1	12.1	12.1	13.4	13.5

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gross fixed
investment)

Outward FDI flows	21.5	-16.4	-160.9	-124.9	-64.5	-135.9	-151.3	-158.8	-164.4	-171.0
Net FDI flows	41.2	140.8	-154.9	-80.0	-38.5	-53.6	-80.3	-80.4	-73.8	-74.6
Stock of inward FDI flows	2,317.0	2,548.0	2,562.0	2,606.9	2,632.9	2,715.2	2,786.3	2,864.6	2,955.2	3,051.5
Stock of inward FDI flows per head (US\$)	34,697	37,996	38,079	38,616	38,870	39,953	40,866	41,884	43,078	44,354
Stock of inward FDI flows (% of GDP)	81.2	94.3	81.5	84.1	79.2	80.6	79.4	72.8	70.7	68.3

Memorandum items

Share of world inward FDI flows (%)	1.6	12.9	0.4	3.0	1.6	5.0	4.2	4.4	4.9	5.0
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](#)

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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

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

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

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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Land area

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

Population

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

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

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January 1st (New Year's Day), March 29th (Good Friday), April 1st (Easter Monday), May 6th (Early May Bank Holiday), May 27th (Late May Bank Holiday), August 26th (Summer Bank Holiday), December 25th and 26th (Christmas Day and Boxing Day)



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