



THE UK ECONOMY AT A GLANCE

This information sheet summarises key aspects of the UK economy.

The factors covered are:

1. **Overview of the UK economy**
2. **Economic growth**
3. **Exchange rates**
4. **Interest rates**
5. **Inflation**
6. **Foreign direct investment**
7. **Trade**
8. **Taxation**
9. **Major UK-owned companies**
10. **Labour environment**
11. **Further information**

The government department in the UK with responsibility for the economy is HM Treasury. For further information, please see: www.hm-treasury.gov.uk

1. OVERVIEW OF THE UK ECONOMY

The UK is the sixth largest economy in the world, with a gross domestic product (GDP) of US\$2,646 billion (Source: World Bank, 2009).

In summary, the UK:

- a) has a population of 61.4 million (Source: ONS, 2009),
- b) received the highest number of foreign direct investment (FDI) projects in Europe in 2008 (Source: Ernst & Young, 2009),
- c) is a leading global trading nation, being the second largest exporter and third largest importer of commercial services, and the tenth largest exporter and sixth largest importer of merchandise (Source: World Trade Organization, 2009),
- d) is a member of the European Union, the world's largest trading entity, with nearly 500 million consumers and a GDP of over US\$18,000 billion (Source: IMF, 2009),

- e) is one of the most competitive locations in Europe for business and personal taxation,
- f) has low unemployment (with an unemployment rate well below the European Union average), and
- g) has the best European city – London – in which to do business (Source: Healey & Baker, European Cities Monitor, October 2009).

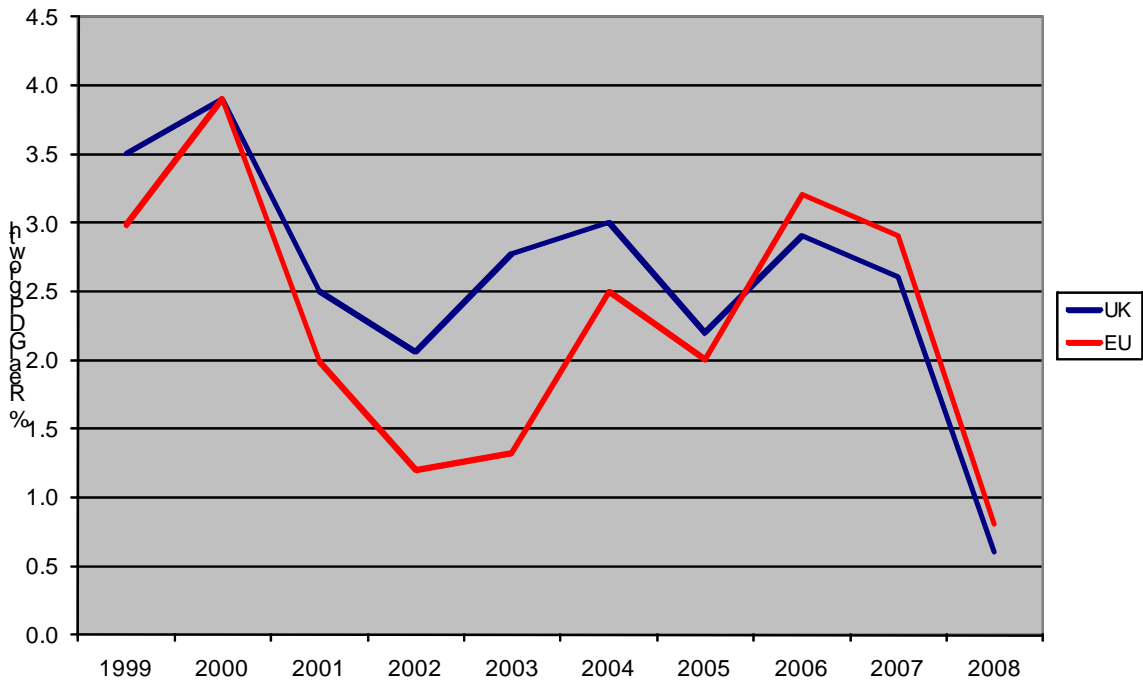
For more information please see:

- the Office for National Statistics (www.statistics.gov.uk),
- Eurostat/European Commission (<http://epp.eurostat.ec.europa.eu>),
- the Organisation for Economic Development and Co-operation (www.oecd.org),
- the World Trade Organization (www.wto.org), and
- the United Nations Conference on Trade and Development (www.unctad.org).

2. ECONOMIC GROWTH

Economic growth in the UK was 0.6 per cent in 2008 (Source: HM Treasury, 2009). Over the last ten years, GDP growth in the UK has regularly outpaced or matched growth in the European Union (see Figure 1).

Figure 1: UK and EU GDP growth



Source: Eurostat, 2009

3. EXCHANGE RATES

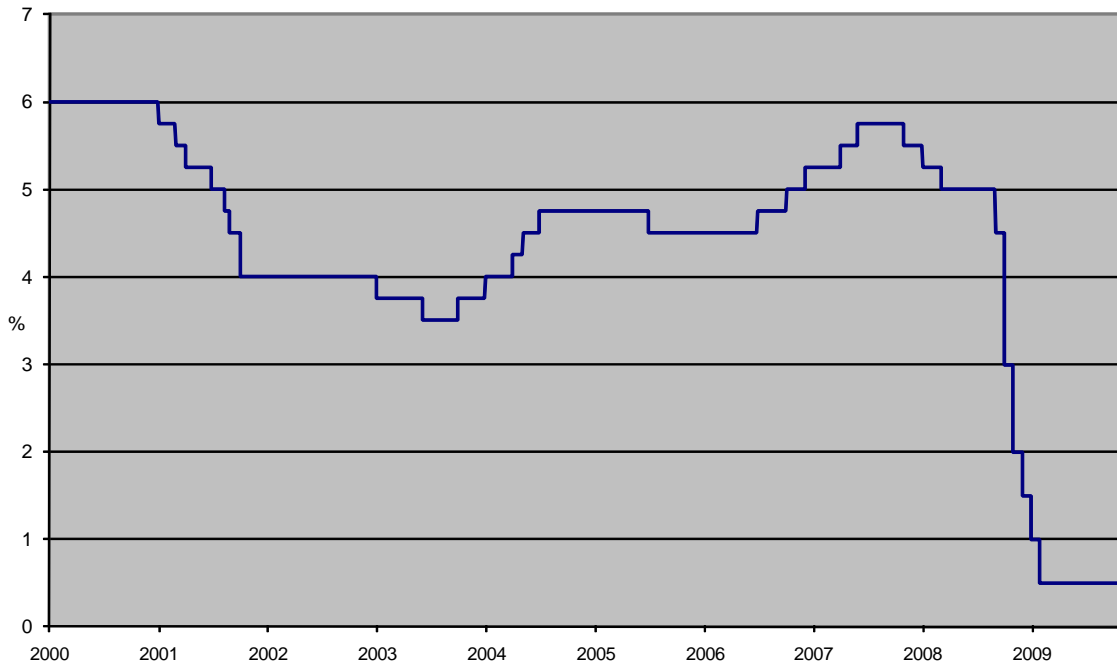
The UK Government has policies that encourage a stable and competitive pound, consistent with the objective of price stability (for example, the Government is committed to holding a referendum on the euro once it decides economic conditions are right for the UK to join).

For detailed information on the latest exchange rates please see: www.uktradeinfo.com/index.cfm?task=exchange

4. INTEREST RATES

The official Bank Rate in the UK, set independently by the Bank of England, is 0.5% as of December 2009 (although the rate is subject to review on a monthly basis. For the latest rate, please see: www.bankofengland.co.uk/).

Figure 2: Official Bank Rate



Source: Bank of England, 2009

5. INFLATION

The Bank of England has full operational independence in setting interest rates to meet the Government's inflation target of 2 per cent for the annual increase in the Consumer Price Index (CPI). The CPI is based on the internationally comparable "Harmonised Index of Consumer Prices". In October 2009, the CPI stood at 1.5 per cent.

For more information, please see the Bank of England:
www.bankofengland.co.uk

6. FOREIGN DIRECT INVESTMENT

The UK has a very strong track record in attracting foreign investment. In 2008, the cumulative "stock" of foreign investment in the UK was more than

US\$983 billion, the third highest level of FDI stock globally (Source: UNCTAD, 2009).

Similarly in 2008, the UK attracted the fourth highest amount of foreign investment globally, receiving US\$97 billion of FDI inflows, representing 19 per cent of all FDI inflows into the European Union (Source: UNCTAD, 2009).

The UK attracted a record number of foreign direct investment projects in 2008/09, with 1,744 investments being made by international companies, up by 11 per cent on the previous year (Source: UK Trade & Investment, 2009).

In addition, the UK is the second largest single destination globally for US investment and in 2008 accounted for 26 per cent of all US investment stock in the European Union. Indeed, the UK has attracted more US FDI than the combined totals of Germany, France, Spain and Ireland (Source: US Department of Commerce, 2009).

7. TRADE

The UK is one of the leading trading nations in the world. It is the second largest exporter and third largest importer of commercial services, and the tenth largest exporter and sixth largest importer of merchandise (Source: World Trade Organization, 2009).

Leading destinations for UK products and services include the US (17 per cent of all exports), Germany (9.4 per cent) and France (6.6 per cent). Exports of goods and services to the European Union as a whole accounted for 49.7 per cent of all UK exports (Source: ONS, The Pink Book, 2009).

8. TAXATION

The UK has a relatively lightly taxed economy, with the overall tax burden well below the average for the European Union and, in particular, countries such as Germany, France, Spain, the Netherlands, Belgium, Sweden, Denmark and Italy (Source: Eurostat, 2009).

The main corporation tax rate in the UK, at 28 per cent, is lower than in other major European economies. The UK also has one of the lowest standard rates of VAT in the European Union (at 17.5 per cent from January 2010) and, unlike many other European countries, does not impose VAT on a wide range of essential goods, including food and children's clothing.

9. MAJOR UK-OWNED COMPANIES

A substantial proportion of the world's leading companies are UK-owned. The "Financial Times Global 500" survey (www.ft.com/ft500), which identifies the largest 500 global companies by market value, calculates that UK companies comprise the third highest number of the world's largest companies, behind only the US and Japan. Major UK companies in the list include BP, Vodafone, GlaxoSmithKline, HSBC, the Royal Bank of Scotland, Barclays, Standard Chartered, AstraZeneca, Tesco and Diageo. The major UK companies account for the third highest market capitalisation in the world, only bettered by the US and China.

10. LABOUR ENVIRONMENT

The UK has a highly skilled, flexible and dynamic labour market, with less labour regulation than most other European countries. Skills are particularly strong in the UK, with many world-class universities and centres of research and development located across the country. London is consistently ranked as the leading European location for the availability of qualified staff (Source: Healey & Baker, European Cities Monitor, 2009).

Employment is currently at high levels with 28.92 million people in work, comprising 21.26 million in full-time work and 7.66 million in part-time work (Source: ONS, 2009). The employment level (the proportion of working age people in work) is also high in the UK at 72.5 per cent, compared with the European Union average of 64.8 per cent (Source: ONS, 2009).

The UK's unemployment rate (using the internationally comparable "standardised" rate) of 7.8 per cent is significantly lower than the European Union average of 9.3 per cent (Source: ONS, 2009).

The annual rate of growth of average earnings across the UK economy stood at 1.2 per cent in September 2009 (Source: ONS, November 2009).

For further information about the labour environment in the UK, please see the UK Trade and Investment information sheet entitled "Labour Environment".

11. FURTHER INFORMATION

This information sheet was updated in December 2009.

INFORMATION SHEET

As information changes from time to time, please contact the organisations listed or UK Trade & Investment to confirm any item that you intend to rely on.

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