



Use this report to: Analyze the political, economic, social, technological, legal and environmental (PESTLE) structure of a country to identify its potential as an investment destination. Insights on PESTLE factors can be used as a strategic tool to understand market dynamics, business potential and direction of operations in the economy.

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United Kingdom

In-depth PESTLE Insights

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Overview

Catalyst

This profile analyzes the political, economic, social, technological, legal, and environmental (PESTLE) structure in the country. Each of the PESTLE factors is explored on four parameters: current strengths, current challenges, future prospects and future risks.

Summary

Key findings

Political ties strengthen; deteriorating intergovernmental relations a concern

In May 2025, the UK and the EU reached a landmark agreement that redefined their post-Brexit relationship, focusing on fishing rights, trade, and defense. The deal preserves EU fishing access to UK waters until 2038 and introduces a GBP360 million (\$460.2 million) fund to modernize the fishing industry. A new sanitary and phytosanitary framework reduces food export checks, benefiting UK farmers while adhering to certain EU regulations. The agreement also establishes a UK-EU defense pact, enhancing security collaboration and access to a GBP150 billion (\$191.7 billion) EU defense fund. Additionally, a youth mobility scheme aims to foster cultural ties, and British travelers will regain access to e-gates at EU airports. Concurrently, the UK's signing of a Free Trade Agreement with India in July 2025 is projected to boost bilateral trade by GBP25.5 billion (\$32.6 billion) annually, further diversifying the UK's post-Brexit economic landscape.

The political landscape in the UK is increasingly fraught, particularly between the UK government and devolved administrations, notably Scotland. The recent UK-EU deal allowing EU fishing boats access to UK waters until 2038 has ignited backlash from Scottish officials, including Deputy First Minister John Swinney, who criticized the UK government for insufficient consultation. This situation highlights deteriorating intergovernmental relations and growing concerns over the neglect of Scottish interests. Polls indicate a shift in public sentiment, with rising support for parties such as Reform UK, fueled by frustrations over living standards and public services. The Labour government, led by Keir Starmer, faces mounting pressure to improve intergovernmental relations; however, a disconnect persists, raising the risk of further fragmentation within the UK as political dynamics continue to evolve. Stakeholders must navigate these complexities to promote stability and mitigate risks.

Building economic strength through infrastructure investment; economic uncertainty amid rising costs and taxation remains a challenge

The UK government announced a transformative infrastructure strategy in June 2025, pledging GBP725 billion (\$926.8 billion) over the next decade. This initiative prioritizes essential services, allocating GBP9 billion (\$11.5 billion) annually, with GBP6 billion (\$7.7 billion) for hospital repairs, GBP3 billion (\$3.8 billion) for schools, and GBP600 million (\$767 million) for the justice system. The plan aims to stimulate economic growth by creating jobs and attracting private investment, while also improving community quality of life through road and bridge repairs and the construction of 500,000 new homes via a National Housing Bank. Business leaders have welcomed this long-term vision, marking a shift from previous short-term strategies. The Railway Industry Association and other groups appreciate the government's commitment to transparency, with a project pipeline expected in July 2025, which will help businesses plan and invest confidently in the UK market.

The Office for National Statistics' Business Insights and Conditions Survey in February 2025 revealed that 29% of UK businesses cited economic uncertainty as their main challenge, marking a significant rise in concern. Additionally, 18% faced issues related to rising costs of materials and labor, indicative of persistent inflation. The survey noted that 23%

of businesses reported a decline in performance over the past year, while only 15% saw improvements. Larger firms, particularly those with 50 or more employees, showed greater optimism about future growth compared to smaller businesses. Looking forward, 18% of respondents expressed worries about decreasing demand, and 15% identified taxation, especially with impending changes to National Insurance contributions, as a critical issue. These insights highlight the challenging landscape for many UK businesses, underscoring the necessity for strategic adjustments to cope with ongoing economic turbulence.

Empowering communities through integrated neighborhood health services; high level of child poverty remains a concern

The UK government launched a groundbreaking initiative to enhance community social strength by delivering neighborhood health services as part of its 10-Year Health Plan in July 2025. This initiative targets health equity, particularly in deprived areas where disparities are stark. Data shows that individuals in lower income brackets face significantly reduced healthy life expectancy, often enduring prolonged periods of ill health. By establishing neighborhood health teams that include GPs, nurses, social workers, and community health workers, the government aims to provide comprehensive support for patients with complex needs. These teams will operate extended hours and offer services beyond traditional healthcare, such as employment support and lifestyle management. This holistic approach addresses social determinants of health, strengthens community ties, and promotes collaboration, ultimately working toward a more equitable and resilient healthcare system in the UK.

As of April 2024, the UK is grappling with a severe social challenge, as child poverty has reached a record high, with approximately 4.45 million children, 31% of all children, living in relative poverty. This figure represents an increase of 100,000 from the previous year and highlights a growing crisis that has intensified since 2021. The Child Poverty Action Group (CPAG) warns that this number could rise to 4.8 million by 2029–30 without effective policy interventions. A significant contributor to this issue is the two-child benefit cap, which limits financial support for larger families, prompting advocates to call for its removal.

Initiative to boost regional tech innovation launched; increasing cyberattacks a concern

In July 2025, the UK government launched the GBP1 million (\$1.3 million) Regional Tech Booster initiative to enhance technological innovation outside London, focusing on areas such as Scotland, the North East, Humber and East, and South Yorkshire. This program aims to bridge the gap between London and other tech ecosystems by addressing challenges such as mentorship, funding access, and skills development for entrepreneurs. Aligned with the PM's Plan for Change, the initiative seeks to foster sustainable growth in regional tech sectors through tailored support and collaboration among local communities.

In June 2025, a report from the Royal Institution of Chartered Surveyors (RICS) revealed a troubling increase in cyber risks for UK businesses, with over 27% reporting cyberattacks in the past year, up from 16% the previous year. This trend highlights the vulnerabilities that arise as companies adopt advanced technologies such as IoT devices and automated systems. Many organizations still rely on outdated operating systems, increasing their susceptibility to attacks. With nearly 75% of business leaders expecting a cybersecurity incident in the next 12 to 24 months, RICS warns that without proactive measures, companies risk severe disruptions as cybercriminals evolve their tactics. Robust cybersecurity strategies are essential for protecting data and operational integrity.

Legal frameworks for design protection; legal struggles over civil liberties and protest rights

The UK signed the Riyadh Design Law Treaty (RDLT) at the WIPO General Assembly in Geneva in July 2025. This treaty, negotiated in November 2024 in Riyadh, aims to simplify the international application process for industrial design protection, benefiting UK designers and SMEs. By harmonizing procedures across member nations, the RDLT reduces administrative burdens, streamlines application requirements, and establishes standardized communication timelines for design registrations. These improvements are anticipated to enhance the global competitiveness of UK designers,

allowing them to better protect their innovations. The UK Intellectual Property Office will collaborate with stakeholders to ensure the treaty's ratification, demonstrating the UK's commitment to harmonizing international design law and supporting the creative sector.

According to Human Rights Watch, *World Report* (2025), the UK has faced significant legal challenges regarding civil liberties and protest rights. In April 2024, the government expanded police powers under the Public Order Act, raising concerns from human rights organizations about free speech. In January 2024, the UN special rapporteur highlighted the repression of climate activists. A landmark ruling in May 2024 by the High Court deemed anti-protest measures from 2023 unlawful, marking a victory for civil rights. Despite this, the Labour government announced plans to appeal the ruling in December 2024. Additionally, the UN Human Rights Committee urged the UK to stop using facial recognition technology at protests to safeguard individual freedoms.

Clean Energy Industries Sector Plan unveiled; increase in water pollution in England remains a concern

In June 2025, the UK government unveiled its Clean Energy Industries Sector Plan, a strategic initiative aimed at positioning the nation as a leader in the global clean energy economy. This ambitious plan is set to harness the UK's unique strengths as a coastal nation and a hub of scientific innovation, with a target to double investment in clean energy industries to over GBP30 billion (\$38.3 billion) annually by 2035. The plan is supported by a significant commitment of GBP700 million (\$894.8 million) to Great British Energy, aimed at bolstering domestic supply chains for clean energy technologies.

The Environment Agency reported a staggering 60% increase in serious water pollution incidents in England, with a record 2,801 cases documented in 2024, up from 2,174 in 2023. Among these, 75 incidents were classified as causing "serious or persistent" harm to fisheries, drinking water, and human health, a significant rise from 47 the previous year. This alarming trend has prompted criticism from the Public Accounts Committee, which labeled the situation as "woeful" and highlighted the failure of regulators to hold water companies accountable.

PESTLE highlights

Political landscape

- On July 5, 2024, the Labour Party, led by Keir Starmer, won the general election, securing 412 seats and ending 14 years of Conservative rule. This significant victory marks one of the largest defeats for the Conservatives in history.
- On July 23, 2025, the UK and India signed a historic free trade agreement. The agreement aims to enhance business confidence and capitalize on the complementary strengths of both economies.

Economic landscape

- According to the Confederation of British Industry, sentiment in the UK manufacturing sector fell to -33 in April 2025, marking the fourth consecutive quarter of pessimism. Manufacturing output declined to -2, with new orders at -13. Job losses increased to -16, while input costs rose to 48, and are expected to reach 53 by July, reflecting ongoing economic challenges.
- In May 2025, the UK's Office for National Statistics reported that the budget deficit widened to GBP20.2 billion (\$25.8 billion) in April 2025, up from GBP19.1 billion (\$24.4 billion) recorded during the corresponding period of the previous year, marking the highest April deficit on record (excluding pandemic years).

Social landscape

- According to the World Economic Forum, *Global Gender Gap Report* (2025), the UK ranked fourth out of 148 nations on the overall gender gap report. Additionally, the country ranked first on educational attainment and 38th on economic participation and opportunity parameters.

- According to GlobalData, life expectancy at birth was high at 82.2 years as of 2024. Additionally, the adult literacy rate was registered at 99.0% in 2024.

Technological landscape

- On June 30, 2025, the Lord Mayor of London, Alastair King, launched the 'Scale Up Showcase' at Mansion House to boost investment in the UK's tech startups.
- In June 2025, VodafoneThree announced a GBP11 billion (\$14.1 billion) investment to enhance connectivity across the UK, aiming for 99.95% 5G Standalone coverage by 2034.

Legal landscape

- On June 19, 2025, the Sentencing Guidelines (Pre-sentence Reports) Act received Royal Assent, preventing sentencing guidelines from considering personal characteristics such as race or religion in pre-sentence reports.
- On April 1, 2025, the UK government announced the Cyber Security and Resilience Bill, aimed at enhancing online defenses and protecting critical services such as hospitals and energy suppliers. The legislation will encompass 1,000 IT service providers, reinforcing cybersecurity measures to combat rising threats.

Environmental landscape

- In September 2024, the UK government announced a record-breaking renewables auction, resulting in 131 clean energy projects capable of powering 11 million homes. This successful round, bolstered by a 50% budget increase, marks a significant turnaround from 2023, when no offshore wind projects were awarded. Key contracts include Europe's largest wind farms, Hornsea 3 and Hornsea 4.
- In June 2025, the UK introduced stricter environmental regulations for North Sea oil and gas projects, affecting Shell's Jackdaw and Equinor's Rosebank fields. Developers must now consider downstream emissions in their applications, following a Scottish court ruling that deemed previous approvals unlawful.

Key macroeconomic updates

Key economic updates

GDP growth rate

According to the Office for National Statistics, the UK economy experienced year-on-year growth of 1.3% in the first quarter of 2025, down from 1.5% in the previous quarter. The service sector led this growth with a 1.4% increase, while construction rose by 1.2%, although the production sector showed no growth. On the expenditure side, household spending increased by 0.9%, and gross fixed capital formation grew by 3.5%, driven by a remarkable 6.1% rise in business investment. Government spending also grew by 1.5%. However, exports fell by 0.5%, while imports grew by 7.5%. Compared to the previous quarter, the UK's GDP grew by 0.7%, marking the highest quarterly growth in a year.

External Trade

According to GlobalData analysis using World Bank data, the UK's merchandise exports experienced significant fluctuations from April 2024 to April 2025. Initially, exports faced a sharp decline, with a 14.6% drop in May 2024, followed by a series of negative growth rates. However, a remarkable turnaround occurred in late 2024, with December witnessing robust growth of 25.6%. This positive trend continued into early 2025, with January and February showing growth rates of 19.5% and 17.9%, respectively. By April 2025, exports stabilized at a more modest growth of 5.7%, indicating a potential recovery in international demand.

On the imports front, the UK saw a mixed performance over the same period. After a strong increase of 6.2% in April 2024, imports faced a downturn in May, dropping by 8.5%. The following months showed resilience, with imports rebounding to 10.2% growth in September. However, October marked a peak, with a staggering 22.9% increase,

reflecting heightened demand for foreign goods. As 2025 progressed, imports began to stabilize, with January showing a slight decline of 1.9% but rebounding to 13.2% growth by April 2025.

Retail sales

According to GlobalData analysis using Office for National Statistics data, retail trade growth in the UK showed considerable volatility from May 2024 to May 2025. The data reveals a mixed performance, with growth fluctuating between positive and negative figures. After a modest increase of 0.9% in May 2024, the sector faced a decline in June (-1.2%) before rebounding in subsequent months and peaking at 5.0% in April 2025. This peak suggests a potential recovery or seasonal boost in consumer spending, possibly influenced by factors such as holiday shopping or economic stimulus measures. However, negative growth in May 2025 (-1.3%) indicates ongoing challenges, possibly due to inflationary pressures or changing consumer behaviors. Overall, while there are signs of recovery, the retail sector remains susceptible to economic fluctuations, highlighting the need for adaptive strategies to sustain growth in the coming months.

Industrial production

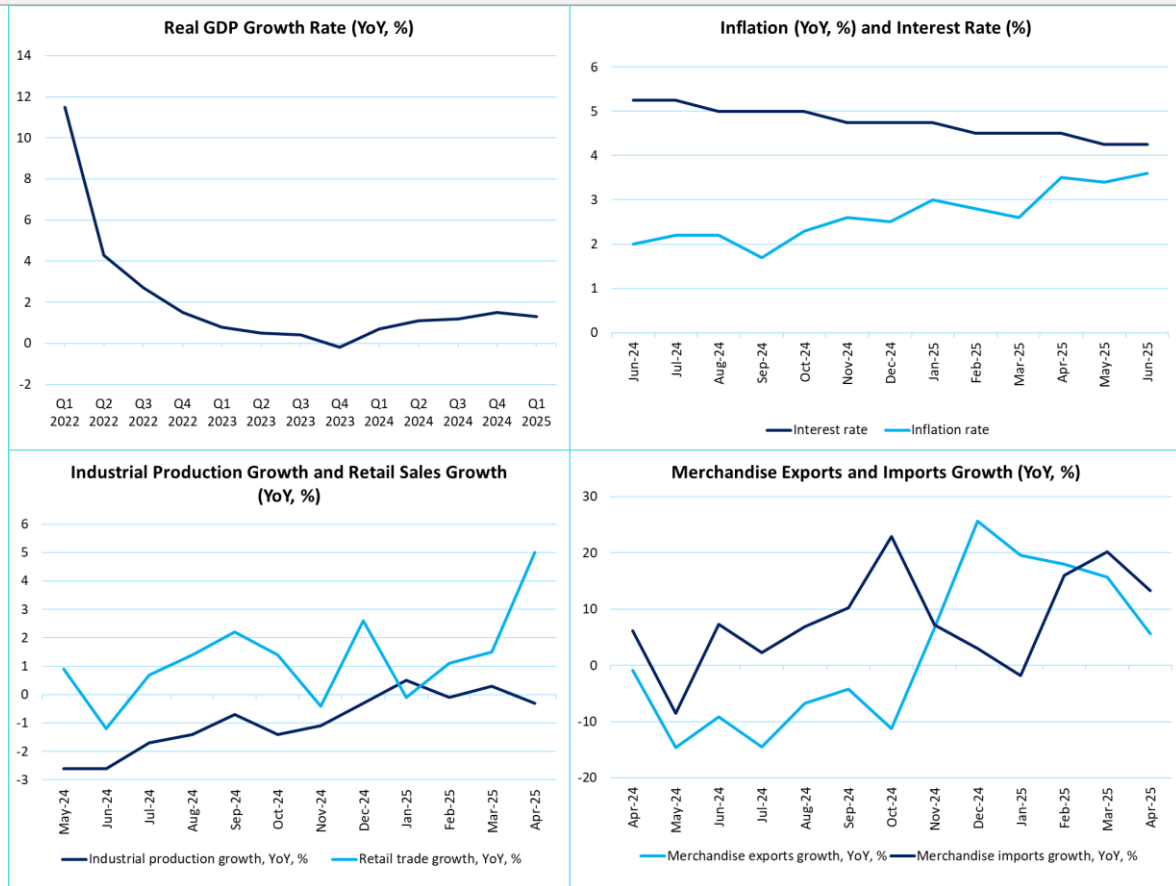
According to GlobalData analysis using Office for National Statistics data, the UK's industrial production experienced a significant decline from May 2024 to May 2025. Year-on-year growth rates reveal a consistent downward trend, with significant contractions in June and July 2024, both at -2.6%. This negative trajectory continued into the latter half of 2024, with rates hovering around -1% to -2%, indicating persistent challenges within the industrial sector. A slight recovery was observed in February 2025, when growth turned positive at 0.5%. But this was short-lived, as production dipped again in March and May 2025. The fluctuations suggest underlying economic pressures, potentially influenced by supply chain disruptions, inflationary pressures, and shifts in consumer demand. Overall, the data reflects a cautious outlook for the UK industrial sector as it navigates turbulent conditions.

Inflation and interest rate

According to the Office for National Statistics, the UK's annual inflation rate rose to 3.6% in June 2025, its highest level since January 2024. This is an increase from 3.4% in May 2025. The primary driver of this rise was a significant 1.7% increase in transport prices, primarily influenced by higher motor fuel costs. Additional contributors included rising airfare, particularly for long-haul and European flights, as well as an increase in rail fares and personal transport maintenance. Clothing and footwear prices rose by 0.5%, while food inflation climbed to 4.5%, driven by higher costs for cakes and cheddar cheese. Conversely, services inflation remained steady at 4.7%, and there was a slight easing in housing and utilities inflation to 7.5%. On a monthly basis, the Consumer Price Index (CPI) increased by 0.3%, outpacing the 0.2% rise in May. Core inflation also accelerated to 3.7%.

The Bank of England reduced the policy rate four times since July 2024, totaling a decrease of 100 basis points by June 2025, with the most recent cut occurring in May 2025. According to the Bank of England's June 2025 meeting, the central bank decided to maintain the bank rate at 4.25%, with a voting split of 6-3. This decision comes amid global uncertainties and persistent inflationary pressures. The bank projected that consumer price inflation would remain stable for the remainder of 2025 before gradually returning to target levels in 2026. However, it highlighted "two-sided risks to inflation," particularly due to rising energy costs linked to the escalating conflict in the Middle East and potential trade disruptions from proposed US tariffs. Additionally, the bank noted that underlying UK GDP growth has been weak and the labor market is showing signs of loosening. In light of these factors, the bank emphasized the importance of a cautious and gradual approach to further monetary policy adjustments.

Figure 1: Key Economic Indicators Trend



Source: GlobalData analysis using information from the Office for National Statistics, World Trade Organization, and the Bank of England

Key fundamentals

Table 1: Key Fundamentals, 2022–29f

	2022	2023	2024	2025f	2026f	2027f	2028f	2029f
GDP, constant 2015 prices (\$ trillion)	3.23	3.24	3.27	3.31	3.35	3.40	3.45	3.50
GDP growth rate (%)	4.84	0.40	1.10	1.00	1.29	1.59	1.50	1.49
GDP, constant 2015 prices, per capita (\$)	47,706.15	47,430.84	47,785.63	48,105.13	48,578.42	49,213.01	49,823.08	50,441.20
Inflation (%)	7.92	6.79	3.27	3.12	2.32	1.99	1.95	1.91
Volume of imports growth (%)	12.98	-1.23	2.69	1.83	1.17	1.06	1.15	1.10
Volume of exports growth (%)	12.57	-0.42	-1.16	-0.42	1.00	1.18	1.23	1.08
Mid-year population (million)	67.60	68.27	68.50	68.73	68.94	69.13	69.31	69.48
Unemployment rate (%)	3.90	4.00	4.28	4.36	4.25	4.08	4.07	4.06
Mobile penetration (per 100 people)	120.82	122.03	122.64	123.25	123.62	123.99	124.36	124.74

Source: GlobalData analysis based on information from the Office for National Statistics, the World Bank, the IMF and the Bank of England

US tariff impact on the UK economy

The Trump administration's tariff actions in 2025 reshaped UK-US trade, with a 25% duty on UK steel and aluminum and broader levies on key exports such as whisky, construction materials, and engineering goods. As of July 2025, the US maintained a 10% "global baseline" tariff on most UK goods, following a 90-day pause on higher tariffs first announced on April 9, 2025, now extended until August 1, 2025.

In June 2025, the UK and the US implemented a landmark trade deal that significantly reduced tariffs on key sectors, particularly automotive and aerospace. This agreement marks a pivotal moment for the UK economy, as it aims to bolster British manufacturing and protect jobs across the nation. Prior to this deal, UK automotive exports to the US faced a steep tariff of 27.5%. With the new agreement, this was slashed to 10%, resulting in substantial savings for manufacturers, estimated to be in the hundreds of millions annually. This reduction is expected to safeguard hundreds of thousands of jobs within the UK automotive sector, allowing manufacturers to remain competitive in a challenging global market.

The aerospace sector also stands to benefit significantly, with the removal of 10% tariffs on critical components such as engines and aircraft parts. This change is particularly advantageous for companies such as Rolls-Royce, enabling them to enhance competitiveness and continue driving innovation within the industry. The UK aerospace sector employs over 100,000 highly skilled workers, and this tariff reduction is anticipated to further strengthen its position in the global supply chain.

Prime Minister Keir Starmer emphasized the importance of this trade deal, stating that it not only supports British businesses but also protects vital industries that contribute significantly to the UK economy. Business and Trade Secretary Jonathan Reynolds echoed this sentiment, highlighting the deal as a demonstration of the government's commitment to fostering growth in essential sectors. Moreover, the UK secured an exemption from the global 50% tariff on steel and aluminum, further enhancing its trade position. This agreement is part of a broader strategy to enhance international trade relations, including recent deals with India and the EU, which are projected to add billions to the UK economy. Overall, the UK-US trade deal represents a significant step forward, providing immediate economic benefits and laying the groundwork for future growth in key industries.

Key Facts and Geographic Location

Key facts

Table 2: Key Facts, 2025	
Country and capital	
Full name	United Kingdom of Great Britain and Northern Ireland
Capital city	London
Government	
Government type	Parliamentary constitutional monarchy; a Commonwealth realm
Head of state	King Charles III (since September 2022)
Head of government	Prime Minister Keir Starmer (since July 5, 2024)
Population (2024)	68.5 million
Currency	British pounds (GBP)
GDP per capita adjusted by purchasing power parity (2024)	\$62,583.1
Internet domain	.uk
Demographic details	
Life expectancy (2024)	82.2 years (total population)
	84.4 years (women)
	80.1 years (men)
Ethnic composition (2011 est.)	White 87.2%, Black/African/Caribbean/black British 3%, Asian/Asian British: Indian 2.3%, Asian/Asian British: Pakistani 1.9%, mixed 2%, other 3.7%
Major religions (2011 est.)	Christian (includes Anglican, Roman Catholic, Presbyterian, Methodist) 59.5%, Muslim 4.4%, Hindu 1.3%, other 2%, unspecified 7.2%, none 25.7%
Country area	243,610km ²
Languages	English
Major export items	Cars, gold, gas turbines, crude petroleum, packaged medicines
Major import items	Gold, cars, natural gas, crude petroleum, packaged medicines
Source: GlobalData analysis based on information from The CIA World Factbook	

Geographic location

The UK is located in Western Europe, between the North Atlantic Ocean and the North Sea, northwest of France. Countries that share maritime borders with the UK include Belgium, Denmark, France, Germany, the Netherlands, Norway, and the Faroe Islands (Denmark).

Figure 2: Map of UK, 2025



PESTLE Analysis

Summary

The UK is a significant global player, having one of the world's largest economies. It holds membership in key international organizations such as the UN Security Council, NATO, and the G8. The country also maintains strong ties with its former colonies through the Commonwealth and has robust cultural and security links with the US. The Labour Party, led by Keir Starmer, achieved a historic victory in the general election in July 2024, winning 412 seats and ending 14 years of Conservative governance.

The UK is an open and competitive economy, and international businesses view its political and economic institutions favorably. The country has a robust background in science and strong high-tech manufacturing capabilities in aerospace, defense, and automobiles. The UK's strength lies in its knowledge economy sectors such as banking, software, and pharmaceuticals. However, the country's dependence on major economies for trade and increasing government debt continues to pose a challenge. The UK economy is projected to grow at a modest rate of 1.1% on average in 2025 and 2026, according to GlobalData, with initial strength from exporters giving way to subdued conditions because of household and corporate spending uncertainties.

The UK faces a critical social challenge as child poverty reaches a record high, with 4.45 million children living in relative poverty as of April 2024. The situation is exacerbated by the two-child benefit cap and proposed tightening of benefit eligibility, potentially pushing more families into poverty. In July 2025, the Labour government plans to unveil a comprehensive child poverty strategy, including the "Good Food Cycle" initiative to improve food security and health. Additionally, a GBP39 billion investment aims to deliver 300,000 new social and affordable homes to address the housing crisis, while an aging population poses long-term fiscal challenges.

The Lord Mayor of London, Alastair King, launched the 'Scale Up Showcase' in June 2025 to enhance investment in UK tech startups, addressing the funding gap that often drives firms to relocate to the US. Despite a 6% decline in R&D investment in 2023, the UK aims to become a global tech leader with its 10-year Digital and Technologies Sector Strategy. The strategy emphasizes public R&D investment, workforce development, and international partnerships to bolster innovation and competitiveness.

The UK is undergoing significant legal reforms, particularly in workplace rights and immigration policies. The Employment Rights Bill bans non-disclosure agreements (NDAs) to empower employees to report workplace harassment, fostering transparency and accountability. Concurrently, proposed changes to immigration rules aim to reduce net migration by imposing stricter requirements for Skilled Worker visas and extending the qualifying period for indefinite leave to remain. Additionally, the Data (Use and Access) Act 2025 introduces a more flexible data protection framework, promoting innovation while protecting individual rights.

The UK aims for net-zero greenhouse gas (GHG) emissions by 2050, with a 68% reduction target by 2030, while Scotland targets 2045. Key policies include the 2021 Net Zero Strategy and the 2023 Net Zero Growth Plan, which focus on decarbonization. The 2024 Climate Change Committee report stresses urgent action and increased adoption of low-carbon technologies. In biodiversity, the 2025 National Biodiversity Strategy aims to halt species loss and expand protected areas to 30%. The UK government is reforming its environmental regulatory framework to enhance economic growth and nature recovery, guided by the Corry Review's recommendations for streamlined regulations.

Political analysis

Overview

The UK holds a strong position in global governance, reflected in high rankings for voice and accountability and for civil liberties. Recent reforms (July 2025) have lowered the voting age to 16 to boost youth engagement in democracy while addressing electoral integrity through measures against foreign interference and harassment. However, the UK faces political turmoil, particularly over immigration policy, as a controversial citizenship ban on refugees has drawn widespread criticism from charities and community leaders. This move threatens to undermine the UK's historical commitment to providing sanctuary for vulnerable populations. Internationally, the UK has made strides in reshaping post-Brexit relationships, notably with a new deal with the EU and a significant free trade agreement with India. Yet, tensions with China over trade agreements and deteriorating relations with devolved administrations, particularly in Scotland, pose risks to political stability. As the government navigates these complexities, the future of the UK's social cohesion and international standing remains uncertain.

Table 3: Analysis of Political Landscape

Table 3: Analysis of Political Landscape	
Current strengths	Current challenges
• Strong democratic setup and high freedom scores • Strong position in global politics • Landmark reform for youth engagement in democracy	• Political turmoil as citizenship ban on refugees sparks outcry
Future prospects	Future risks
• UK-EU deal • Free trade agreement with India • Cooperation with other nations	• UK's dilemma with China and the US • Deteriorating intergovernmental relations
Source: GlobalData	

Current strengths

Strong democratic setup and high freedom scores

According to the World Bank, *Worldwide Governance Indicators* (2024), the country ranked in the 90.2 percentile in terms of voice and accountability in 2023. This parameter reflects perceptions of the extent to which a country's citizens can participate in selecting their government, as well as freedom of expression, freedom of association, and a free media. According to Freedom House, *Freedom in the World Index* (2025), the UK was classified as a "FREE" nation, with a score of 92 out of 100. The country scored 39 out of 40 in terms of political rights and 53 out of 60 in terms of civil liberties.

Strong position in global politics

The UK is a major power in global politics by virtue of its permanent membership of the UN Security Council, G8, and NATO, and the legacy of the British Empire. The UK also has considerable influence in multinational organizations such as the IMF and the World Bank. Decades of solid economic growth, initially built on the industrial sector and now largely driven by the services industry, have ensured its firm establishment as a global business hub and economic power. According to the UK government, as of March 2025, the country had a total of 39 trade agreements in place with 73 partners.

Landmark reform for youth engagement in democracy

In July 2025, the UK government announced a significant reform lowering the voting age to 16, enabling younger citizens to participate in all elections. This change aligns with existing practices in Scotland and Wales and aims to enhance democratic engagement among youth, many of whom already contribute to society through work and military service. The reform package also includes measures to simplify voter registration, moving toward a more automated system, and expanding acceptable forms of voter ID to include bank and veterans' cards. Additionally, the government is implementing stricter regulations to prevent foreign interference in elections, closing loopholes that previously allowed foreign donations and imposing severe penalties for violations. To protect candidates and campaigners, new laws will address harassment and intimidation, including provisions to keep candidates' home addresses confidential. These changes reflect a commitment to restoring public trust in democracy and ensuring fairer participation in the electoral process, fulfilling a key manifesto promise by the Labour Party.

Current challenges

Political turmoil as citizenship ban on refugees sparks outcry

The political landscape in the UK faces significant challenges as of February 2025, particularly regarding immigration and refugee policies. The decision to impose a citizenship ban on refugees has sparked widespread condemnation from nearly 150 charities and faith leaders, highlighting growing concern over the treatment of vulnerable populations. This move risks alienating people who have already endured immense hardships and undermines the UK's long-standing tradition of providing sanctuary. Data from the Refugee Council indicates that the number of asylum seekers in the UK increased, with over 80,000 applications recorded in 2024. The backlash against refugees has been exacerbated by incidents of violence and hostility, such as attacks on asylum seekers in August 2024. Critics argue that the citizenship ban not only fosters division but also contradicts the historical commitment to integration and community cohesion. As the UK grapples with these issues, policymakers should prioritize compassion and inclusivity to ensure that refugees are welcomed as contributing members of society rather than marginalized individuals. The future of the UK's social fabric depends on promoting diversity and upholding human rights.

Future prospects

UK-EU deal

In May 2025, the UK and the EU reached a significant agreement that reshapes their post-Brexit relationship, addressing key areas such as fishing rights, trade, and defense. This deal marks a pivotal moment in UK politics as it not only resolves long-standing disputes but also sets the stage for future cooperation and economic stability.

One notable aspect of the agreement is its impact on the fishing industry. The deal maintains the current status quo, allowing EU fishing vessels continued access to UK waters until 2038. This extension is crucial for both sides, as it provides certainty for fishermen while also ensuring that the UK retains control over its fishing quotas. The establishment of a GBP360 million (\$460.2 million) "fishing and coastal growth fund" aims to modernize the industry by investing in new technologies and equipment that could enhance productivity and sustainability. This move is likely to be welcomed by the fishing community, which has faced significant challenges since Brexit.

In terms of trade, the agreement introduces a new sanitary and phytosanitary (SPS) framework that significantly reduces checks on food exports to the EU. This is a major win for UK farmers because it allows the export of products such as raw burgers and sausages to the EU for the first time since Brexit. However, the deal also requires the UK to adhere to certain EU regulations, overseen by the European Court of Justice. This aspect has raised concerns among some political factions about a potential loss of sovereignty, but it may ultimately facilitate smoother trade relations.

The defense and security component of the deal is another critical area that could reshape the UK's geopolitical stance. The establishment of a formal UK-EU defense pact signifies a commitment to collaborative security efforts, with both parties agreeing to meet biannually to discuss foreign policy and sanctions. The UK's participation in the EU's Permanent Structured Cooperation (PESCO) project on military mobility is particularly noteworthy because it enhances

the UK's role in European security initiatives. This cooperation could bolster the UK's defense industry, providing access to a GBP150 billion (\$191.7 billion) EU fund for defense projects.

Youth mobility is also a focal point of the new agreement, with plans for a "youth experience scheme" that could allow young people to work and travel freely across Europe. This initiative, reminiscent of existing programs with countries such as Australia and New Zealand, could reinvigorate cultural and economic ties between the UK and the EU. Additionally, the potential rejoining of the Erasmus+ program would further enhance educational exchanges, benefiting students and institutions alike.

The deal's implications extend to travel as well, with British holidaymakers regaining access to e-gates at EU airports and streamlining the travel experience. This change, coupled with a new passport system for pets, reflects a broader effort to ease the burdens imposed by Brexit on everyday citizens.

Overall, the UK-EU deal represents a significant step forward in post-Brexit relations, offering a framework for cooperation that could stabilize the political landscape in the UK. As the government navigates the complexities of implementing this agreement, it will need to balance domestic expectations with the realities of international relations. The success of this deal could ultimately shape the UK's political future, influencing public sentiment and the trajectory of future negotiations with the EU and beyond.

Free trade agreement with India

The UK's free trade agreement (FTA) with India, finalized in May 2025 and signed in July 2025, marks a significant milestone in the UK's post-Brexit trade strategy. This deal is projected to boost bilateral trade by GBP25.5 billion (\$32.6 billion) annually, with UK exports to India expected to rise by GBP15.7 billion (\$20.1 billion). The agreement is anticipated to contribute GBP4.8 billion (\$6.1 billion) to UK GDP and increase wages by GBP2.2 billion (\$2.8 billion) each year in the long term, reflecting the potential for substantial economic growth.

India, with its dynamic economy and a projected growth rate exceeding 6% over the next five years, presents a lucrative market for UK businesses. The Indian middle class is expected to swell to 60 million by 2030, creating a burgeoning consumer base eager for high-quality UK goods and services. However, UK businesses have historically faced challenges due to India's high tariffs and restrictive market conditions. This FTA aims to dismantle those barriers, with India committing to more than double its tariff reductions over the next decade.

The agreement also emphasizes collaboration in key sectors such as technology, clean energy, and advanced manufacturing, aligning with the UK's net-zero ambitions. Enhanced protections for intellectual property and commitments to labor rights and anti-corruption further strengthen the partnership.

As the UK seeks to diversify trade relationships post-Brexit, this FTA with India opens new avenues for economic engagement and solidifies the UK's position as a global trading partner. The deal is poised to provide UK businesses with the confidence and security needed to navigate the Indian market, fostering long-term economic resilience and growth.

Cooperation with other nations

South Korea: In May 2025, the UK and South Korea signed a memorandum of understanding (MoU) to enhance cooperation in global infrastructure development and to support Ukraine's reconstruction efforts. The agreement, signed in London by UK Business and Trade Minister Gareth Thomas and KIND CEO Bok Hwan Kim, marks the first collaboration of its kind between the two nations. It focuses on fostering partnerships in sustainable transport, healthcare infrastructure, and clean energy, among other sectors. This initiative aligns with the 2023 Downing Street Accord, reinforcing strong ties between the UK and South Korea.

Japan: In May 2025, the UK launched the Musubi Initiative at the World Expo in Osaka to enhance UK-Japan relations through public-private partnerships. This initiative will support youth scholarships, sports programs, and cultural exchanges, backed by major partners such as UCL and Liverpool FC International Academy.

South America: In May 2025, UK Security Minister Dan Jarvis signed a cooperation agreement with Ecuador and Colombia to combat cocaine smuggling, reinforcing partnerships with both nations. Colombia, the largest producer of cocaine, and Ecuador, a key smuggling route, are targeted by organized crime groups. UK law enforcement presence has led to significant cocaine seizures, with 50.5 out of 64 tonnes seized in Colombia attributed to UK support. In Ecuador, nearly 95 out of 300 tonnes were seized with UK assistance.

Future risks

UK's dilemma with China and the US

In May 2025, the UK government faced significant political risk after China issued a stern warning regarding a newly negotiated trade deal with the US. The agreement, which included provisions allowing the US to raise concerns over Chinese investments in the UK, was criticized by Beijing as potentially harmful to its interests. China's Foreign Ministry emphasized that international agreements should not disadvantage third parties, highlighting the delicate balance the UK must maintain between its relationships with the two economic giants.

Prime Minister Keir Starmer, who met with Xi Jinping in December 2024, aimed to strengthen ties with China. However, the US-UK deal, which reduced tariffs on cars and steel, raised alarms in China and prompted threats of retaliatory measures. As the UK navigates this complex landscape, it must carefully consider national interests while fostering international cooperation and competition.

Deteriorating intergovernmental relations

As of May 2025, the political landscape in the UK is characterized by increasing tensions between the UK government and devolved administrations, particularly Scotland. The announcement of the new UK-EU deal, which includes provisions for EU fishing boats to access UK waters until 2038, sparked significant backlash from Scottish officials. John Swinney, Scotland's deputy first minister, criticized the UK government for a lack of consultation, describing the relationship as "deteriorating." This sentiment reflects broader concerns about intergovernmental relations and the perceived neglect of Scottish interests.

Recent polls indicate shifting public sentiment, with growing support for parties such as Reform UK driven by frustrations over living standards and public services. The Labour government, under Keir Starmer, is under pressure to deliver on promises of improved intergovernmental relations, but the reality on the ground suggests a disconnect that could lead to further fragmentation within the UK. As political dynamics evolve, stakeholders must navigate these complexities to mitigate risks and foster stability.

Economic analysis

Overview

As of mid-2025, the UK economy is navigating a complex landscape characterized by both promising initiatives and significant challenges. The government is actively working to enhance economic inclusivity, particularly within the venture capital sector, by launching initiatives that support underrepresented investors and founders. The automotive industry is also set for growth, driven by substantial investments aimed at transitioning to zero-emission vehicle manufacturing. However, the economy faces pressing issues, including high household debt levels and rising individual insolvencies, which signal financial strain among consumers. Businesses are grappling with economic uncertainty, inflationary pressures, and concerns over taxation, affecting their performance and growth prospects. In response, the government has introduced the "Leeds Reforms" to revitalize the financial sector, and a comprehensive infrastructure strategy intended to stimulate job creation and attract investment. Additionally, a new Industrial Strategy focuses on key sectors for future growth. In April 2025, a landmark partnership with Singapore's OCBC Bank was established, unlocking GBP10 billion (\$12.8 billion) in investments targeted at key sectors such as energy, infrastructure, and real estate. This initiative aligns with the UK government's Plan for Change, aimed at fostering economic growth and job creation. Despite these efforts, risks remain, including an unsustainable trajectory for public finances and heavy reliance on major economies for trade, which could expose the UK to external economic shocks. Overall, the UK is at a pivotal moment, striving for recovery and sustainable growth amid ongoing challenges.

Table 4: Analysis of Economic Landscape

Current strengths	Current challenges
- Highly developed economy - Strengthening economic landscape through inclusive investment - Automotive investment	- High level of household debt - UK businesses face economic uncertainty amid rising costs and taxation concerns
Future prospects	Future risks
- Leeds Reforms: a bold strategy to revitalize the UK's financial sector and boost economic growth - Infrastructure projects in the UK - London's economic growth plan - Amazon's investment boost - New Industrial Strategy	- Public finances face unsustainable trajectory amid rising debt and climate costs - Heavy dependence on major economies for trade

Source: GlobalData

Current strengths

Highly developed economy

The UK is one of the largest economies in the EU and one of the strongest in terms of social welfare. Among EU nations, the UK has one of the highest GDP per capita levels in terms of purchasing power parity. The UK has emerged as a lucrative location for investors over the years due to its diverse economy and stable financial system. According to GlobalData, the country's GDP per capita in nominal terms increased from \$39,624.9 in 2010 to \$53,200 in 2024.

Strengthening economic landscape through inclusive investment

The UK is taking significant strides to enhance its economic landscape by fostering inclusivity within its venture capital ecosystem. In July 2025, the British Business Bank (BBB) announced a substantial GBP500 million (\$639.2 million)

initiative aimed at supporting diverse and underrepresented investors and founders. This initiative is particularly crucial as it addresses stark disparities in venture capital funding, where women and minority groups have historically received minimal investment. The package allocates GBP50 million (\$63.9 million) specifically for female-led venture funds, bringing the total commitment to female-led ventures to GBP100 million (\$127.8 million). Additionally, GBP400 million (\$511.3 million) is designated for diverse fund managers and early-stage companies, with a focus on creating pathways for individuals from disadvantaged backgrounds to enter the investment space. This strategic move is set to launch in 2026 and aims to ensure that at least 50% of the investments target female fund managers.

The urgency of this initiative is underscored by current statistics: only 13% of venture teams in the UK feature women in senior roles, and less than 2% of venture funding reaches Black founders, according to BBB. By breaking down these barriers, the UK government aims to stimulate economic growth and innovation, aligning with its broader Plan for Change. This commitment not only seeks to empower underrepresented groups but also to strengthen the overall economic fabric of the nation, fostering a more equitable and dynamic venture capital environment.

Automotive investment

The UK automotive sector is poised for significant growth, bolstered by a GBP2.5 billion (\$3.2 billion) investment under the newly launched DRIVE35 program. This initiative, announced in July 2025, aims to support the transition to zero-emission vehicle manufacturing over the next decade, ensuring the UK remains a leader in automotive innovation. In 2024, the automotive industry contributed GBP21.4 billion (\$27.4 billion) to the UK economy and employed approximately 132,000 individuals, highlighting its critical role in job creation and economic stability.

The DRIVE35 program will allocate GBP2 billion (\$2.6 billion) in funding by 2030, alongside an additional GBP500 million (\$639.2 million) for research and development through 2035. This commitment is expected to attract further investment, enhance the electric vehicle supply chain, and create thousands of high-value jobs across the country. The UK was the largest electric vehicle market in Europe in 2024, with over 382,000 EVs sold, reflecting a growing consumer shift toward sustainable transportation.

Moreover, the government's strategic investments, including over GBP300 million (\$383.5 million) for specific automotive projects, will foster innovation and support local economies. For instance, Astemo Ltd.'s GBP100 million (\$127.8 million) investment in Bolton is set to create more than 220 high-value jobs, while Dana's GBP15 million (\$19.2 million) investment in the West Midlands will secure more than 100 skilled positions. Collectively, these efforts underscore the UK's ambition to harness automotive advancements for long-term economic growth and sustainability.

Current challenges

High level of household debt

The UK is currently facing significant economic challenges, particularly concerning household debt and individual insolvencies. As of Q1 2025, household debt stood at 117.2% of disposable income, a notable decline from the peak of 156.4% in Q3 2008, but still indicative of financial strain on households (UK Parliament). This high debt level, coupled with rising mortgage interest rates—averaging 6.98% for Standard Variable Rates and 4.32% for 2-year fixed rates as of June 2025—exacerbates the financial burden on consumers (UK Parliament).

Moreover, individual insolvencies in England and Wales reached 30,494 in Q2 2025, up 3.2% from the previous year and highlighting a growing trend of financial distress (UK Parliament). In contrast, Scotland saw a decrease in insolvencies, suggesting regional disparities in economic resilience. The rising insolvency rates, alongside high debt-to-income ratios, signal potential vulnerabilities in the UK economy, necessitating urgent policy interventions to support households and stabilize financial conditions. These trends underscore the importance of monitoring economic indicators to mitigate risks and foster sustainable growth.

UK businesses face economic uncertainty amid rising costs and taxation concerns

The UK economy is navigating a landscape marked by significant uncertainty and challenges for businesses. According to the Office for National Statistics' Business Insights and Conditions Survey conducted in February 2025, 29% of

businesses identified economic uncertainty as their primary challenge, a significant increase from previous months. Additionally, 18% of businesses reported difficulties related to the cost of materials and labor, reflecting ongoing inflationary pressures. The survey revealed that 23% of businesses experienced a decline in performance over the past year, while only 15% reported an improvement. Larger firms exhibited more optimism, with those employing 50 or more people being twice as likely to anticipate growth in the coming year compared to smaller enterprises.

Looking ahead, 18% of businesses expressed concern over falling demand, and 15% highlighted taxation as a significant issue, particularly in light of coming changes to National Insurance contributions. These findings underscore the precarious position of many businesses in the UK, emphasizing the need for strategic adaptations to navigate these turbulent economic conditions.

Future prospects

Leeds reforms: a bold strategy to revitalize the UK's financial sector and boost economic growth

In July 2025, the UK government unveiled the "Leeds Reforms," a comprehensive strategy aimed at revitalizing the financial services sector and enhancing the country's economic prospects. Spearheaded by Chancellor Rachel Reeves, these reforms are designed to streamline regulations, reduce red tape, and encourage investment in public markets. Key initiatives include a review of accountability rules for senior bankers, which are expected to lower compliance costs and foster a more dynamic banking environment. Additionally, the government plans to launch a campaign encouraging consumers to invest their savings in the stock market, thereby increasing participation in equity markets.

The reforms also propose a reassessment of the ringfencing rules established after the 2008 financial crisis, which could facilitate greater risk-taking by banks while still aiming to protect consumer interests. By reducing the burden on financial institutions, the government hopes to attract international firms and position the UK as a premier global financial hub by 2035. According to the Treasury, these measures are expected to drive significant inward investment, create skilled jobs, and enhance the overall economic landscape of the UK. As the economy seeks to recover from recent contractions, the Leeds Reforms represent a strategic pivot toward fostering growth and innovation within the financial sector, ultimately aiming to bolster the nation's economic resilience and competitiveness on the global stage.

Infrastructure projects in the UK

As of June 2025, the UK government has unveiled an ambitious infrastructure strategy, committing to invest GBP725 billion (\$926.8 billion) over the next decade. This initiative aims to rejuvenate the nation's infrastructure, with a focus on essential services such as schools, hospitals, courts, and prisons. The annual allocation of GBP9 billion (\$11.5 billion) will see GBP6 billion (\$7.7 billion) directed toward hospital repairs, GBP3 billion (\$3.8 billion) for educational institutions, and GBP600 million (\$767 million) for the justice system, addressing critical issues such as the removal of unsafe building materials.

The strategy is expected to stimulate economic growth by creating jobs and attracting private investment. The commitment to infrastructure development is anticipated to enhance the quality of life in communities, with additional funds earmarked for road and bridge repairs, as well as the construction of 500,000 new homes through a National Housing Bank. Business leaders have expressed optimism regarding the long-term vision, which is seen as a departure from previous short-term planning. The Railway Industry Association and other industry groups have welcomed the government's commitment to transparency, with a project pipeline set to be published in July 2025. This clarity is crucial for businesses to strategize and invest confidently in the UK market. Overall, the infrastructure investment plan positions the UK for a robust economic recovery, fostering resilience and growth in the face of ongoing challenges.

London's economic growth plan

According to the London Growth Plan, the capital's economy could expand by GBP107 billion (\$136.8 billion) by 2035, with productivity growth targeted at an average of 2% per year. This ambitious plan, developed by the Mayor of London and local councils, aims to put an additional GBP11,000 (\$14,061) annually in the pockets of nearly nine million

Londoners. The UK's productivity growth has stagnated since the 2008 financial crisis, averaging just 0.12% from 2008 to 2022. However, sectors such as artificial intelligence, life sciences, and clean technology are identified as key drivers for future growth. The plan also emphasizes the importance of improving public transport and housing affordability, which are critical for enhancing living standards and reducing poverty.

Moreover, the initiative includes a GBP21 million (\$26.8 million) investment to revitalize local high streets, supporting community economies and creating jobs. The UK government is urged to provide more investment and devolution to empower local authorities in driving growth. With these measures, the UK aims to not only recover from past economic challenges but also to create a more equitable and prosperous future for all citizens.

Amazon's investment boost

The UK economy is poised for significant growth, driven by Amazon's recent announcement of a GBP40 billion (\$51.1 billion) investment over the next three years (2025–27). This substantial financial commitment is expected to create thousands of full-time jobs, particularly in regions outside London and the Southeast, with major contributions from new fulfilment centers in Hull and Northampton, each generating 2,000 jobs. Amazon's investment is projected to add approximately GBP38 billion (\$48.6 billion) to the UK's GDP, reinforcing the country's position as an attractive destination for business. The expansion includes the establishment of new corporate offices in East London and enhancements to Amazon's existing operational infrastructure, which already encompasses more than 100 sites nationwide.

In addition to job creation, the investment will bolster the UK's digital economy through the development of data centers, contributing an estimated GBP14 billion (\$17.9 billion) to the economy from 2024 to 2028. This initiative aligns with the UK government's ambition to enhance AI capabilities, with a commitment to train 100,000 individuals in AI skills by 2030. Furthermore, Amazon's focus on sustainability, including the introduction of electric vehicles and renewable energy projects, underscores a commitment to a greener economy. Overall, this investment not only promises immediate economic benefits but also positions the UK for long-term growth and innovation in various sectors.

New Industrial Strategy

In June 2025, the UK government unveiled a new Industrial Strategy aimed at revitalizing the economy by focusing on eight key sectors: Advanced Manufacturing, Clean Energy, Creative Industries, Defence, Digital Technologies, Financial Services, Life Sciences, and Professional Services. These sectors collectively account for approximately one-third of the UK economy, highlighting their potential for growth and innovation.

The strategy outlines a 10-year framework designed to streamline regulations, enhance business support, and foster skills development. It emphasizes the importance of attracting skilled immigrants and reducing energy costs, which currently exceed those of many European counterparts. Additionally, the government aims to address barriers to technology adoption in the private sector, particularly concerning costs and regulatory challenges.

An independent advisory council will be established to oversee the implementation of the strategy, monitoring key indicators such as investment levels, productivity, and employment rates. While market reactions have been mostly positive, there are concerns about the strategy's effectiveness for small businesses. As the government approaches its one-year anniversary, this initiative represents a crucial step toward stimulating economic growth and enhancing the UK's competitive edge on the global stage.

Future risks

Public finances face unsustainable trajectory amid rising debt and climate costs

In July 2025, the Office for Budget Responsibility (OBR) issued a stark warning regarding the UK's economic trajectory, highlighting significant risks to public finances. The OBR projected that national debt could soar to 270% of GDP by 2070, a dramatic increase from under 100% as of mid-2025. This alarming forecast is based on rising costs related to

state pensions, which have increased from 2% of GDP in the mid-20th century to 5% in mid-2025, with forecasts indicating a rise to 7% by 2070 if current policies remain unchanged.

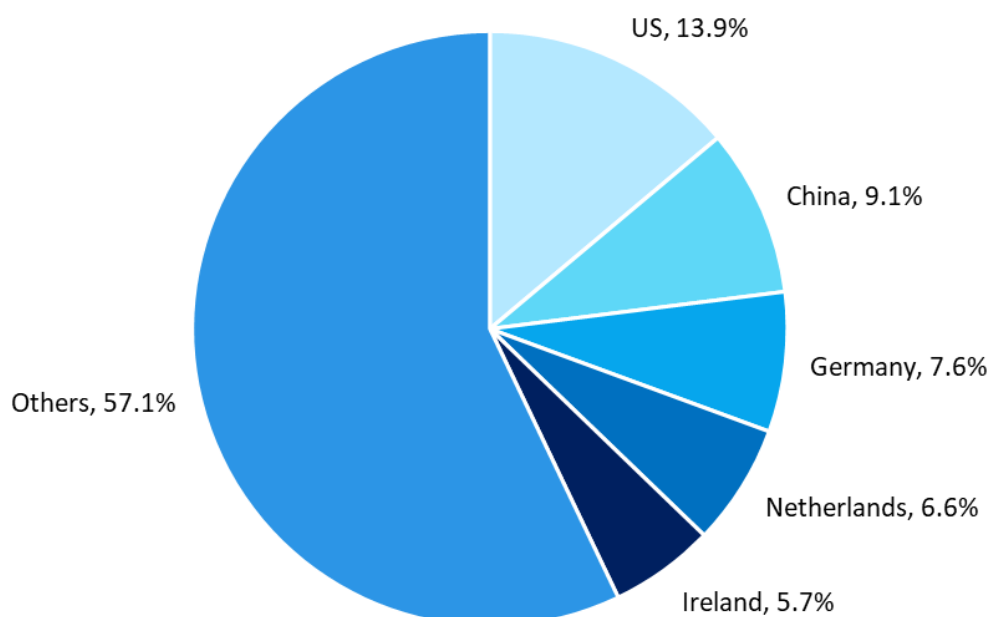
The OBR also pointed to the climate crisis as a critical factor, estimating that if global temperatures rise by 3°C, the financial burden could add an additional 74% of GDP to government debt by the early 2070s. Furthermore, the UK faces challenges from a volatile global economic landscape, including the implications of international trade tensions and rising defense spending commitments. The report emphasized that the government's fiscal rules, which allow for increased borrowing to fund investments, have not effectively curbed rising debt levels.

The UK's escalating debt and rising costs associated with state pensions and climate change pose significant risks to economic stability. Without urgent fiscal reforms, the nation may struggle to meet its financial commitments, jeopardizing future growth and public services.

Heavy dependence on major economies for trade

The UK economy relies heavily on international trade, particularly with key global participants. In 2024, major economies such as the US, China, Germany, the Netherlands, and Ireland represented more than 40% of the UK's total trade. According to the International Trade Centre (ITC) Trade Map, the US was the largest destination for UK exports, accounting for 13.9%, followed by China at 9.1%, Germany at 7.6%, the Netherlands at 6.6%, and Ireland at 5.7%. To mitigate potential shocks to the UK economy and enhance its export sector, the UK must diversify its export markets. The current high dependence on these major economies increases vulnerability to external economic disruptions, particularly if any of these key trading partners experience economic difficulties.

Figure 3: UK's Export Destinations Share (% of Total Exports), 2024



Source: GlobalData analysis based on information from the International Trade Centre Trade Map

Social analysis

Overview

The UK government has launched initiatives aimed at improving community health and addressing youth violence, reflecting a commitment to enhancing public well-being. Programs such as the Neighborhood Health Services Initiative and Young Futures Hubs are designed to provide comprehensive support to vulnerable populations, particularly in areas facing high levels of deprivation and crime. However, the country is also grappling with a record high in child poverty, affecting millions of children and prompting urgent calls for effective policy interventions. The economic outlook for many families remains bleak, exacerbated by restrictive benefit policies. In response, the government is developing a comprehensive strategy to tackle child poverty and improve living conditions. Additionally, the UK is facing an aging population, which poses challenges for the social security system as the ratio of retirees to the working-age population increases. This demographic shift raises concerns about the sustainability of support systems in the long term. Overall, the UK is navigating a complex social scenario, striving for equity and resilience amid evolving challenges.

Table 5: Analysis of Social Landscape

Table 5: Analysis of Social Landscape	
Current strengths	Current challenges
• High Human Development Index • Neighborhood Health Services Initiative • Young Futures Hubs to combat youth violence and knife crime	• Child poverty hits record high
Future prospects	Future risks
• Good Food Cycle initiative for healthier communities • Initiative to tackle housing crisis	• Aging population
Source: GlobalData	

Current strengths

High Human Development Index

The UK has performed well on various human development indicators. According to the United Nations Development Programme, *Human Development Index* (2025), the UK achieved a Human Development Index (HDI) value of 0.946 out of one, placing it in the "Very High" human development category and ranking it 13th among 193 countries and territories. Since 1990, the UK's HDI has increased by 16.5%, rising from 0.812. During this period, life expectancy at birth improved by 5.6 years, while expected years of schooling increased by 4.2 years and mean years of schooling rose by 3.9 years. Additionally, the country's Gross National Income (GNI) per capita experienced growth of approximately 48.5%.

Neighborhood Health Services Initiative

In July 2025, the UK government launched a transformative initiative aimed at enhancing the social strength of its communities through the delivery of neighborhood health services. This initiative is part of the broader 10-Year Health Plan, which prioritizes health equity, particularly in the most deprived areas where health disparities are most pronounced. Data from the Office for National Statistics indicates that individuals in the lowest income brackets experience a significantly reduced healthy life expectancy, often spending a larger portion of their lives in ill health. By focusing on these communities, the government aims to bridge the gap in healthcare access and outcomes. The introduction of neighborhood health teams, which integrate various healthcare professionals—such as GPs, nurses, social workers, and community health workers—will provide comprehensive support for patients with complex health

needs. The initiative is designed to reduce the burden on hospitals by offering care closer to home, thereby improving patient outcomes and overall community well-being. With plans for neighborhood health centers to operate extended hours and provide a range of services beyond traditional healthcare—such as employment support and lifestyle management—the government is fostering a holistic approach that addresses the social determinants of health. This strategic shift aims not only to enhance individual health outcomes but also to strengthen community ties, promoting a collaborative environment in which local residents can access essential services and support. As these neighborhood health services roll out, they represent a significant step toward a more equitable and resilient healthcare system in the UK.

Young Futures Hubs to combat youth violence and knife crime

As of July 2025, the UK government is addressing youth violence and knife crime through the launch of Young Futures Hubs, which aim to support vulnerable young people. With an initial investment of GBP2 million (\$2.6 million), eight hubs will open in areas most affected by knife crime and antisocial behavior, with plans to expand to 50 hubs over the next four years. These centers will provide essential services, including mental health support, career guidance, and community activities, to help steer young people away from gangs and violence. In addition to the hubs, the government is implementing multi-agency Prevention Partnership Panels to identify at-risk youth early and connect them with necessary resources. This initiative is part of a broader strategy to halve knife crime within a decade, which includes stringent regulations on dangerous weapons and online sales. The Coalition to Tackle Knife Crime, formed to unite various stakeholders, including community leaders and families affected by violence, is also a key component of this effort. By fostering collaboration and providing targeted support, the UK aims to create safer communities and brighter futures for its youth.

Current challenges

Child poverty hits record high

The UK faces a significant social challenge as child poverty reaches an alarming record high. According to data from the Department for Work and Pensions, approximately 4.45 million children were living in relative poverty as of April 2024, marking an increase of 100,000 over the previous year. This statistic translates to 31% of all children in the UK, highlighting a growing crisis that has escalated sharply since 2021.

The Child Poverty Action Group (CPAG) projects that this number could rise to 4.8 million by the end of the current parliamentary term in 2029–30, underscoring the urgent need for effective policy interventions. The two-child benefit cap, which restricts financial support for families with more than two children, has been identified as a critical factor exacerbating this issue. Advocates are calling for its removal as part of a broader child poverty strategy.

The Resolution Foundation has emphasized the severe implications of these figures, noting that many families face a bleak economic outlook, with expected income reductions for the poorest households. Recent government proposals to tighten benefit eligibility further threaten to push an additional 250,000 individuals, including 50,000 children, into poverty. As the Labour government, which came to power in mid-2024, prepares to unveil a comprehensive child poverty strategy, the urgency to address the root causes of this crisis has never been more pronounced. The forthcoming measures will be crucial in shaping the future for millions of vulnerable children across the UK.

Future prospects

Good Food Cycle initiative for healthier communities

As of July 2025, the UK is navigating a transformative phase in its social landscape, driven by initiatives aimed at enhancing public health, food security, and community well-being. The recent launch of the "Good Food Cycle" framework by the government marks a significant step toward addressing pressing issues such as rising obesity rates and food insecurity, which currently affect nearly 20% of children in the UK. With two-thirds of adults classified as overweight or living with obesity, the economic burden on the National Health Service (NHS) exceeds GBP11 billion (\$14.1 billion) annually. The Good Food Cycle aims to create a healthier food environment by promoting access to

affordable, nutritious food options for all citizens, particularly vulnerable families. This initiative aligns with the government's broader strategy to combat child poverty, which has seen an expansion of Free School Meals to an additional 500,000 children and the introduction of free breakfast clubs in primary schools.

Moreover, the framework emphasizes the importance of sustainable food production and transparent supply chains, fostering resilience in the food sector. By investing in local food systems and supporting community-driven initiatives, such as those in Bradford, the government seeks to build stronger, more cohesive communities. As the UK adopts these changes, the focus on health, sustainability, and economic growth presents an opportunity for a generational shift in how food is perceived and consumed. The collaborative efforts between government, businesses, and communities are poised to create a more equitable and sustainable food landscape, ultimately contributing to the overall well-being of the nation.

Initiative to tackle housing crisis

In July 2025, the UK government unveiled an ambitious plan to address the ongoing housing crisis, aiming to deliver approximately 300,000 new social and affordable homes over the next decade. This initiative is backed by a GBP39 billion (\$49.9 billion) investment through the Social and Affordable Homes Programme and is designed to provide long-term solutions for families struggling with housing insecurity. Notably, at least 60% of these homes will be allocated for social rent, targeting those with lower incomes and ensuring that housing costs remain manageable.

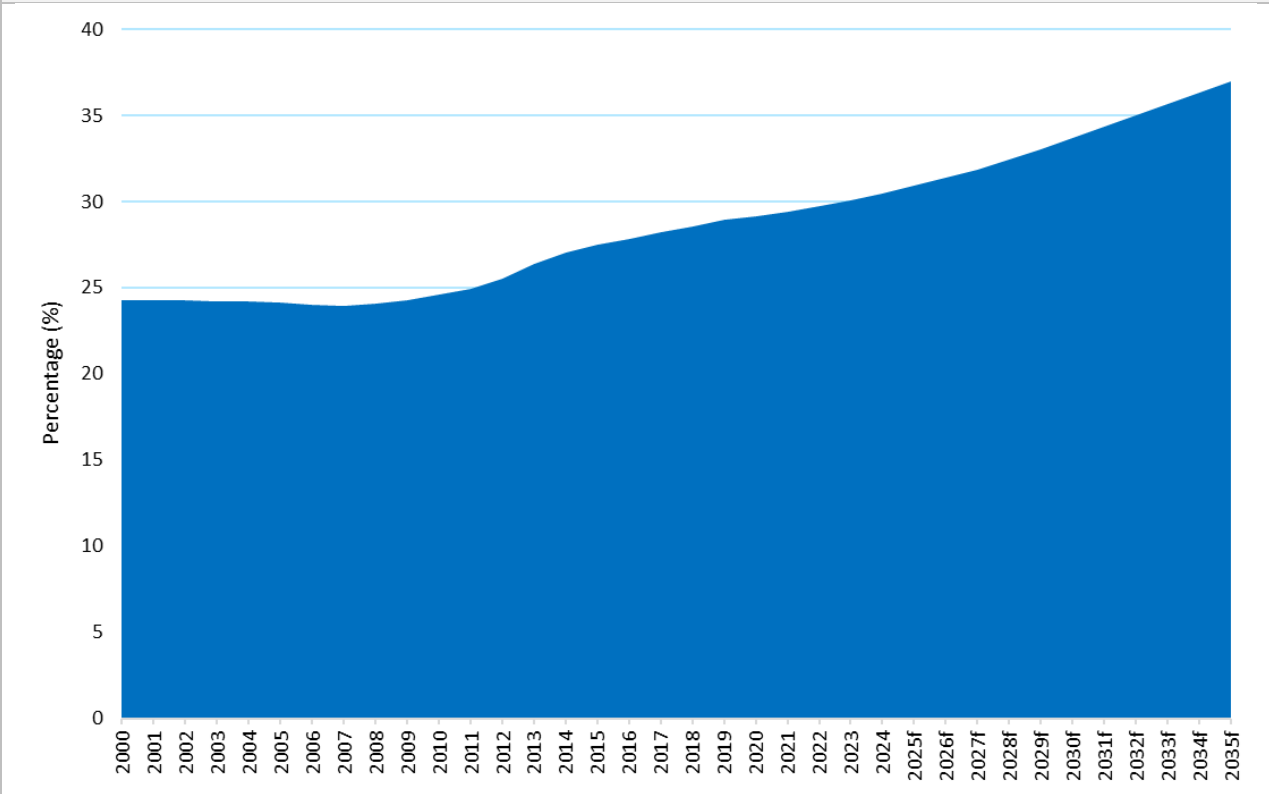
The urgency of this initiative is underscored by the fact that over 165,000 children are currently living in temporary accommodation, highlighting the pressing need for stable and secure housing. The government's Plan for Change aims not only to increase the quantity of available homes but also to enhance the quality and safety standards across the housing sector. This includes modernizing the Decent Homes Standard and implementing Minimum Energy Efficiency Standards for social housing. The proposed timeline for this transformation spans from 2025 to 2035, with a focus on rebuilding the capacity of local councils and housing associations to deliver new homes. By fostering partnerships within the housing sector and encouraging investment, the government seeks to create a sustainable housing market that can meet the needs of future generations. This comprehensive approach represents a significant step toward alleviating the housing crisis and improving living conditions for millions across the UK.

Future risks

Aging population

The UK is grappling with a pressing challenge stemming from the disproportionate growth of its elderly population relative to younger age groups. This imbalance is resulting in a rising old-age dependency ratio, which indicates the number of individuals aged 65 and older for every 100 working-age individuals (ages 15–64). Contributing factors include increased life expectancy and declining birth rates. This demographic shift poses significant implications for the country's fiscal stability, as the financial contributions from the working-age population to support retirees are anticipated to decrease. Consequently, the sustainability of the social security system is under increasing strain, raising concerns about its viability as the pool of contributors shrinks. GlobalData forecasts the old-age dependency ratio to escalate from 30.5% in 2024 to 37% by 2035. This aging population trend is expected to increase pressure on the social security system, potentially rendering it unsustainable as the number of contributors continues to dwindle.

Figure 4: Dependency Ratio of Over 64 to Working-Age Population (%), 2000–35f



Source: GlobalData analysis based on information from Eurostat

Technological analysis

Overview

The UK is positioned as a strong player in the global technology landscape, showcasing significant strengths in innovation and tech investment. The country has established itself as a hub for high-growth tech startups, with initiatives such as the Scale Up Showcase aimed at bridging funding gaps and enhancing collaboration between tech firms and investors. Despite facing challenges such as declining R&D investments, particularly among small and medium-sized enterprises, the UK government has launched ambitious strategies to bolster the tech sector. These include a comprehensive Digital and Technologies Sector Strategy, which aims to elevate the UK to a leading destination for tech investment by 2035, and an International Technology Strategy focused on global leadership and technological equity. Additionally, efforts to promote regional tech innovation are underway, targeting areas outside London to foster a more inclusive tech ecosystem. However, the rising threat of cyberattacks poses a significant risk, highlighting the need for robust cybersecurity measures as businesses increasingly rely on interconnected technologies. Overall, the UK's tech sector is poised for growth, driven by strategic investments and a commitment to innovation.

Table 6: Analysis of Technological Landscape

Current strengths	Current challenges
• Good performance across various technological indicators • Scale Up Showcase: empowering UK tech startups • Increasing technological exports	• R&D investment declines
Future prospects	Future risks
• Digital and Technologies Sector Strategy • International Technology Strategy • Initiative to boost regional tech innovation	• Cyberattacks

Source: GlobalData

Current strengths

Good performance across various technological indicators

According to the World Intellectual Property Organization, *Global Innovation Index* (2024), the UK demonstrates significant strength in its tech sector, ranking fifth among 133 economies. Within the high-income group, it holds the fifth position, while ranking third in Europe among 39 economies. The UK excels in innovation outputs, securing third place, although it has seen a decline in both innovation inputs (10th) and outputs compared to the previous year. This performance highlights the UK's robust capabilities in translating innovation into impactful results, despite a slight dip in its overall rankings.

According to the European Commission, *European Innovation Scoreboard* (2025), the UK was termed a Strong Innovator, with performance recorded at 125.5% of the overall EU average. According to the *European Innovation Scoreboard* (2025), the UK's relative strengths included venture capital expenditures, innovative SMEs collaborating with others, and public-private co-publications.

Moreover, according to UNCTAD, *Technology and Innovation Report* (2025), the UK ranked third out of 170 nations on the overall indicator of using frontier technologies. Frontier technologies refer to artificial intelligence (AI), the Internet of Things (IoT), big data, blockchain, 5G, 3D printing, robotics, drones, gene editing, and nanotechnology.

Scale Up Showcase: empowering UK tech startups

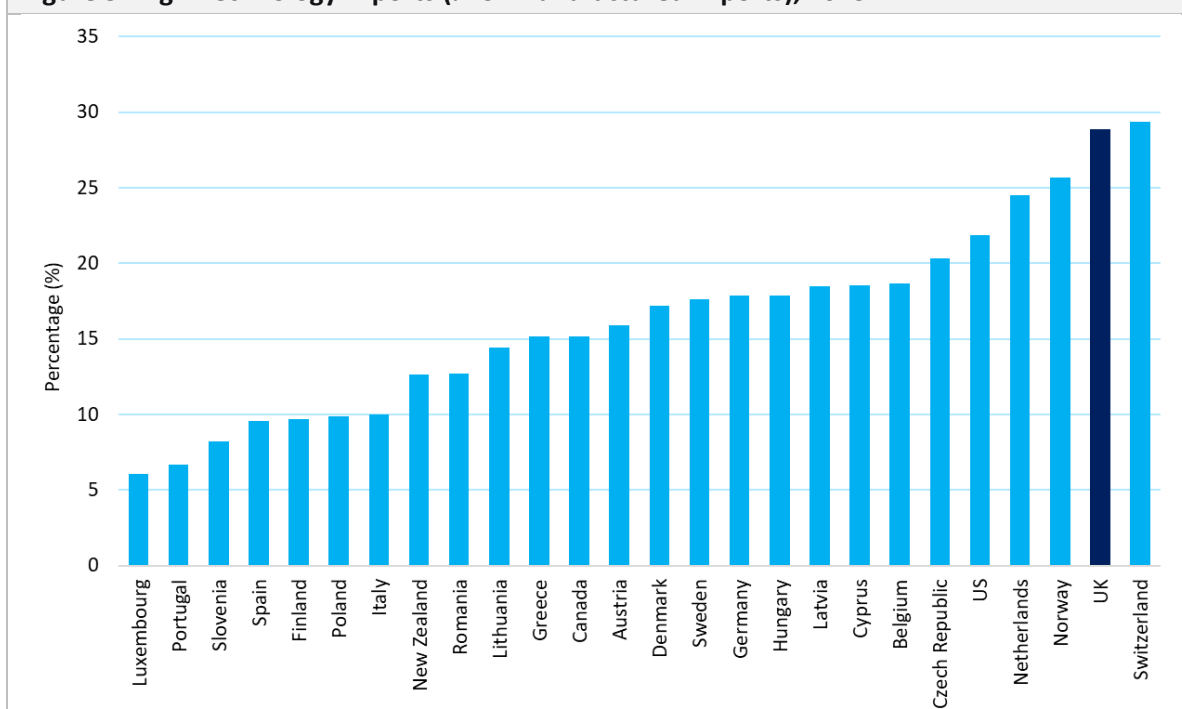
In June 2025, the Lord Mayor of London, Alastair King, unveiled the 'Scale Up Showcase' at Mansion House, a pivotal event designed to enhance investment in the UK's burgeoning tech startups. This initiative, in collaboration with the Worshipful Company of Information Technologists, aims to connect 21 high-growth tech firms with prominent UK investors, including representatives from Lloyds Banking Group and the London Stock Exchange Group.

Many firms face challenges in securing the necessary funding to scale, often leading them to relocate to the US. The showcase addresses this 'scale-up funding gap' by facilitating access to investments ranging from GBP2 million (\$2.6 million) to GBP20 million (\$25.6 million). This event aligns with the UK government's Industrial Strategy, which emphasizes support for SMEs to expand their global reach. By fostering collaboration between the tech sector and financial institutions, the showcase aims to bolster innovation and ensure the UK remains a competitive participant in the global tech landscape.

Increasing technological exports

Technology exports as a percentage of manufactured exports in the UK were above the world average in 2023, according to the World Bank. This indicates that increasing R&D expenditure has been successfully channeled into high-technology exports as a percentage of manufactured exports. This shows the strength in the nation's technological landscape in terms of the level of innovation and technological advancements. In 2023, the UK's high-technology exports as a percentage of manufactured exports stood at 28.9%, while the world average for the same was 23%, indicating the country's growing high-technology exports as a percentage of manufactured exports.

Figure 5: High-Technology Exports (% of Manufactured Exports), 2023



Source: GlobalData analysis based on information from the World Bank

Current challenges

R&D investment declines

In 2023, UK businesses faced significant challenges in research and development (R&D), with expenditures declining by 6% compared to 2021, according to the Office for National Statistics. Total Business Expenditure on R&D (BERD) reached GBP49.9 billion (\$63.9 billion), reflecting a 3% real-term decrease over the previous year. This downturn is

particularly concerning as it follows a decade of growth, indicating a troubling reversal in investment trends. SMEs were disproportionately affected, experiencing a 6.4% contraction in R&D spending, which aligns with a 7% decline in R&D tax credit claims. This decline can be attributed to challenges such as limited access to funding, rising operational costs, and economic uncertainty. In contrast, foreign-owned companies increased their R&D investments, highlighting a shift in the landscape where domestic firms struggle while international companies thrive. Sector disparities also emerged, with industries such as life sciences and information technology maintaining R&D investments, while manufacturing and construction saw a significant decline. This uneven performance underscores the need for targeted interventions to bolster R&D, as sustained investment is crucial for innovation, productivity growth, and overall economic resilience in the UK.

Future prospects

Digital and Technologies Sector Strategy

In June 2025, the UK government unveiled its ambitious 10-year Digital and Technologies Sector Strategy, aiming to position the nation as a global leader in tech investment and innovation. The strategy sets a target for the UK to become the third-largest destination for tech investment worldwide by 2035, following the US and China. The strategy outlines a projected increase in sector contributions by GBP90 billion (\$115 billion), which is expected to create an additional 500,000 jobs by 2035. This growth is supported by six key policy pillars: enhanced public R&D investment, improved access to finance, workforce development, infrastructure expansion, regulatory innovation, and global partnerships.

Significantly, public R&D investment is projected to rise to GBP22.6 billion (\$28.9 billion) annually by 2029–30, with the government aiming to leverage private investment at a ratio of GBP3 (\$3.8) for every GBP1 (\$1.3) of public funding. The British Business Bank will also expand its support for tech companies, with a new GBP4 billion (\$5.1 billion) fund designed to stimulate further private investment. The strategy emphasizes the importance of developing a skilled workforce through initiatives such as the TechFirst program, which will focus on training in AI and data science. Additionally, the plan identifies six priority technologies, including artificial intelligence, advanced connectivity, and quantum technologies, which will receive targeted investment.

While the strategy presents a clear vision for the future of the UK tech sector, its success will depend on effective implementation and collaboration with various stakeholders to ensure sustainable growth and innovation.

International Technology Strategy

In March 2023, the UK government unveiled a new International Technology Strategy with an aim for the country to be a global superpower in the technology sector by 2030. The strategic priorities within the International Technology Strategy include: i) Building strategic advantage in priority technologies and data to ensure that the UK is world-leading, ii) International partnerships for global leadership to address global challenges, iii) Values-based governance and regulation to promote principles for a future technology that would benefit all individuals, iv) Technology investment and expertise for the developing world to bridge the overall technological divide, and v) Continuing to drive the country's technological exports and encouraging the UK as the finest destination for technology companies to raise capital and attract foreign direct investment.

Initiative to boost regional tech innovation

In July 2025, the UK government announced a GBP1 million (\$1.3 million) initiative aimed at enhancing tech innovation outside London, targeting regions such as Scotland, the North East, Humber and East, and South Yorkshire. This program, known as the Regional Tech Booster, seeks to bridge the gap between the capital and other tech ecosystems by addressing critical challenges such as mentorship, funding access, and skills development for entrepreneurs. The initiative aligns with the government's broader economic strategy, the PM's Plan for Change, which emphasizes fostering growth across all UK regions. By providing tailored support, including mentoring and investment promotion events, the program aims to cultivate a thriving tech landscape beyond London. Katie Gallagher, chair of the UK Tech Cluster Group, highlighted the importance of collaboration among regional tech communities to maximize the impact

of the program. The focus will be on creating sustainable benefits that extend beyond the initial funding, ensuring that local economies can leverage the growing tech sector for long-term prosperity. Further details on application processes for regional tech clusters will be released later this year.

Future risks

Cyberattacks

In June 2025, a report from the Royal Institution of Chartered Surveyors (RICS) highlighted a significant rise in cyber risks faced by UK businesses, revealing that over 27% had experienced a cyberattack in the past year, up from 16% the previous year. This alarming trend underscores the growing vulnerability of companies as they increasingly rely on interconnected technologies and smart systems. As businesses adopt advanced operational technologies—such as building management systems, IoT devices, and automated security protocols—they inadvertently expose themselves to greater cyberthreats. The report emphasizes that many organizations are still using outdated operating systems, which can leave them susceptible to attacks. With nearly three-quarters of business leaders anticipating a cybersecurity incident within the next 12 to 24 months, the urgency for proactive measures is clear. RICS warns that without addressing these digital vulnerabilities, companies risk "sleepwalking" into severe disruptions. As cybercriminals refine their tactics, the need for robust cybersecurity strategies has never been more critical to safeguard both data and operational integrity.

Legal analysis

Overview

The legal landscape in the UK is characterized by a commitment to individual rights and freedoms, particularly in the realms of free speech and academic expression. The government is reintroducing the Higher Education Freedom of Speech Act to protect diverse viewpoints on university campuses while addressing concerns about hate speech. However, recent expansions of police powers under the Public Order Act have sparked significant legal challenges concerning civil liberties and the right to protest, drawing criticism from human rights organizations. A High Court ruling in May 2024 deemed certain anti-protest measures unlawful, marking a victory for democratic rights, although the government plans to appeal the decision. The Sentencing Guidelines (Pre-sentence Reports) Act, enacted in June 2025, seeks to ensure equality in the judicial system by prohibiting biased treatment based on personal characteristics. Amid these developments, the passage of the Data (Use and Access) Bill has raised concerns in the creative industries, particularly regarding potential infringement of copyright in the context of AI training.

Table 7: Analysis of Legal Landscape

Table 7: Analysis of Legal Landscape	
Current strengths	Current challenges
• Strong performance across several rule of law indicators • Low tax wedge • UK government revives free speech law for universities	• Legal challenges over civil liberties and protest rights amid increased police powers
Future prospects	Future risks
• Sentencing Guidelines (Pre-sentence Reports) Act 2025 • UK signs Riyadh Design Law Treaty to streamline global design protection for creators • Low FDI Regulatory Restrictiveness Index • Empowering UK businesses: simplifying international legal disputes	• Data Bill sparks legal concerns for creative industries amid AI training controversy
Source: GlobalData	

Current strengths

Strong performance across several rule of law indicators

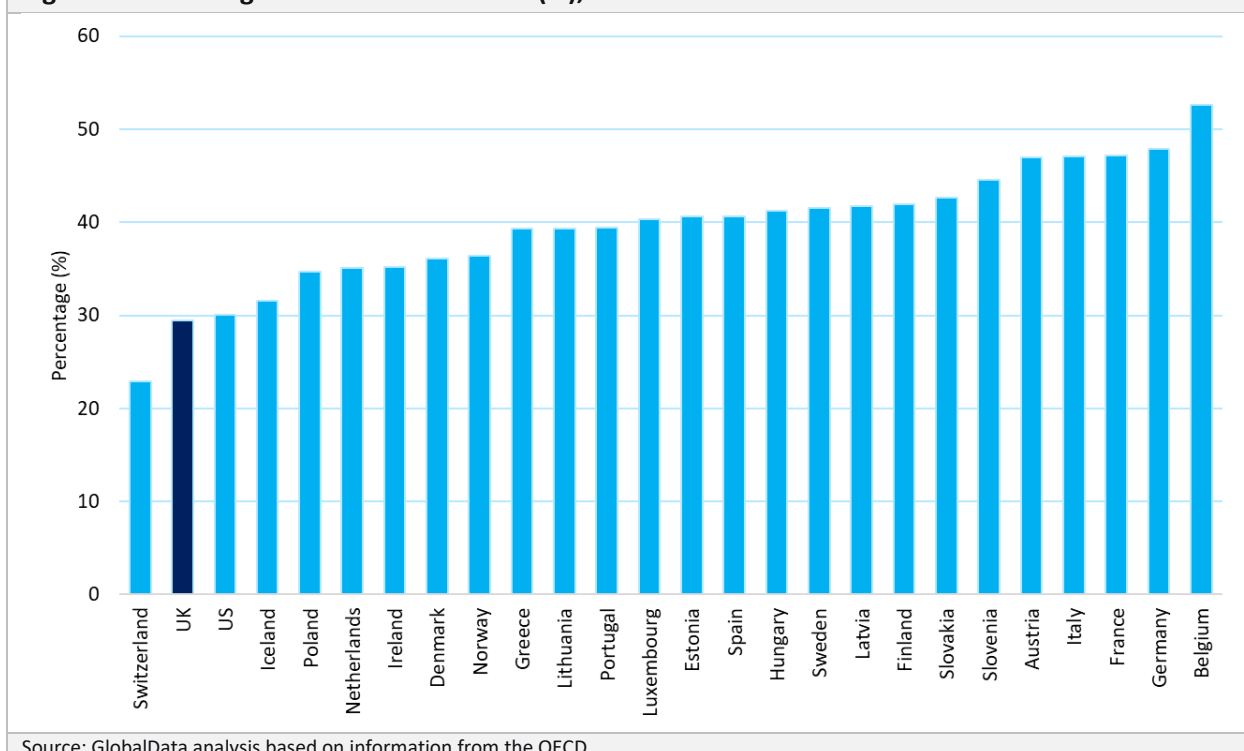
According to the World Justice Project, *Rule of Law Index* (2024), the UK ranked 15th out of 142 nations on the overall Rule of Law Index. The UK ranked 13th out of 142 nations on the absence of corruption indicator and 12th on constraints on government powers. The UK ranked 18th and 14th out of 142 countries on regulatory enforcement and fundamental rights, respectively. The nation ranked 21st out of 142 countries on the civil justice indicator, which measures whether the civil justice system is accessible, affordable, and free of discrimination, corruption, and improper influence by public officials. The UK ranked 18th out of 142 nations on the criminal justice indicator and 30th out of 140 countries on the order and security parameter, which measures how well a society ensures the security of its individuals and property.

Low tax wedge

According to the OECD, the UK had a low total tax wedge (income tax, employer and employee social security contributions, and payroll tax as a percentage of labor cost) among OECD countries as of 2024.

In 2024, the UK experienced a significant decrease in the tax wedge for the average single worker, dropping from 31.2% in 2023 to 29.4%. This reduction of 1.8 percentage points positioned the UK as having the 31st lowest tax wedge among the 38 OECD member countries, down from 28th place in 2023. In comparison, the OECD average tax wedge remained unchanged at 34.9% from the previous year. Income tax and employer social security contributions accounted for a significant 82% of the total tax wedge in the UK, surpassing the OECD average of 77%. For married workers with two children, the UK's tax wedge stood at 25.6%, slightly below the OECD average of 25.7%, representing a decline from 20th place in 2023. Over the long term, from 2000 to 2024, the UK's tax wedge for single workers decreased by 3.2 percentage points, while the OECD average saw a smaller decline of 1.3 percentage points. Notably, between 2009 and 2024, the UK's tax wedge decreased by 3.0 percentage points, in contrast with a gradual increase in the OECD average during the same period.

Figure 6: Tax Wedge Across OECD Nations (%), 2024



Source: GlobalData analysis based on information from the OECD

UK government revives free speech law for universities

The UK legal framework is characterized by robust protections for individual rights and freedoms, particularly in the context of free speech and academic expression. As of January 2025, the government is reintroducing the Higher Education Freedom of Speech Act to safeguard these principles on university campuses. The legislation reflects a commitment to uphold academic freedom while addressing concerns about hate speech and student welfare. The Office for Students (OfS) retains the authority to investigate and impose fines on institutions that fail to comply with free speech obligations. This regulatory oversight is crucial in maintaining a balance between protecting free expression and ensuring that minority groups are not subjected to harmful rhetoric. Despite criticism that the revised act may lack teeth, it represents a significant step toward fostering an environment where diverse viewpoints can be expressed without fear of censorship. The ongoing dialogue surrounding the legislation underscores the UK's dedication to

navigating the complexities of free speech in higher education and to creating a more inclusive and open academic landscape.

Current challenges

Legal challenges over civil liberties and protest rights amid increased police powers

According to Human Rights Watch, *World Report* (2025), the UK faced significant legal challenges regarding civil liberties and the right to protest in recent years. In April 2024, the government expanded police powers under the Public Order Act, intensifying restrictions on peaceful demonstrations. This move drew criticism from various human rights organizations, which highlighted the detrimental impact on free speech and assembly. In January 2024, the UN special rapporteur on environmental defenders raised alarms about the increasing repression of climate activists in the UK, emphasizing the need for protective measures for those advocating for environmental justice. A pivotal moment occurred in May 2024 when the High Court ruled against anti-protest measures enacted in 2023, deeming them unlawful for excessively limiting protests that caused “more than minor” disruptions. Civil society hailed the ruling as a significant victory for democratic rights. Despite this, the Labour government opted to pursue an appeal against the ruling, scheduled for December 2024. Additionally, the UN Human Rights Committee urged the UK to halt the use of facial recognition technology at protests to protect individual rights and freedoms.

Future prospects

Sentencing Guidelines (Pre-sentence Reports) Act 2025

On June 19, 2025, the Sentencing Guidelines (Pre-sentence Reports) Act received Royal Assent, marking a significant advancement in ensuring equality within the judicial system of England and Wales. The legislation prohibits sentencing guidelines that differentiate treatment based on personal characteristics such as race or religion in the context of pre-sentence reports (PSRs).

The Act aims to prevent a two-tier justice system and reinforces the principle that all individuals should be treated equally under the law. While the Act maintains the courts' ability to request PSRs on a case-by-case basis—particularly for vulnerable groups such as pregnant women or young offenders—it blocks any guidelines that could lead to biased assessments based on ethnicity or faith.

The Lord Chancellor, Shabana Mahmood, emphasized that the law is crucial for public confidence in the justice system, ensuring that no individual faces differential treatment due to background. The legislative change reflects the government's commitment to fairness and equality in judicial proceedings and aligns with broader efforts to enhance community safety and justice reform.

UK signs Riyadh Design Law Treaty to streamline global design protection for creators

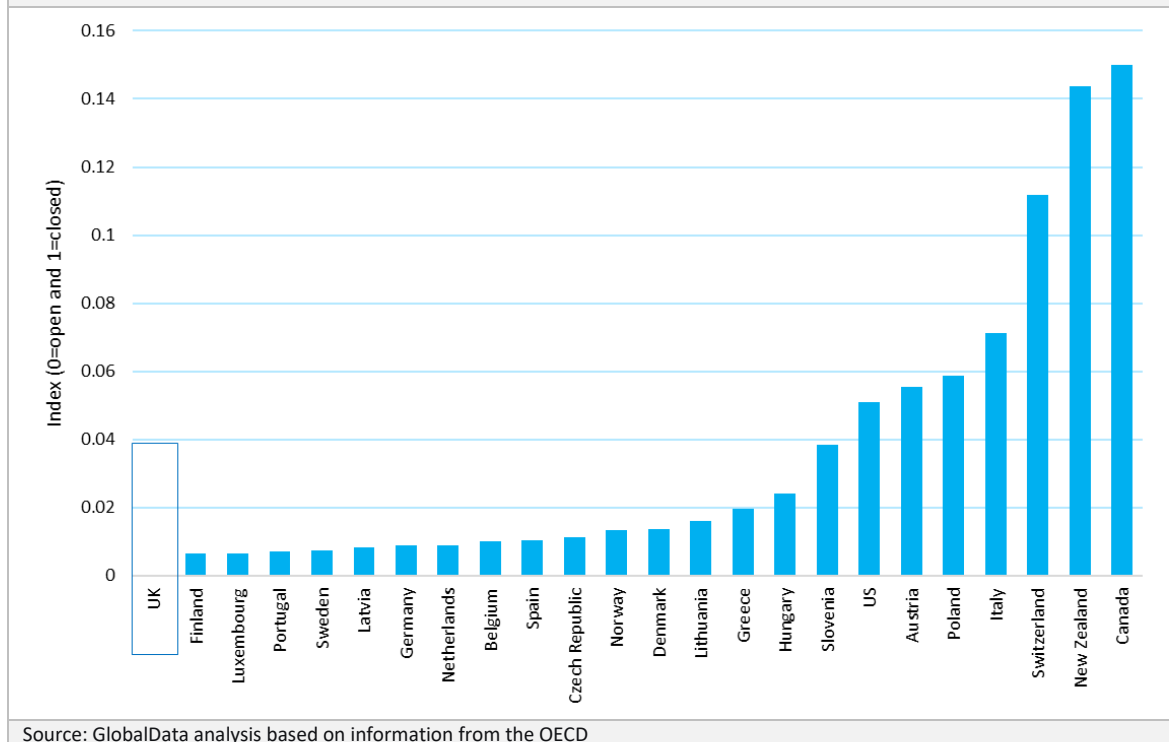
On July 11, 2025, the UK officially signed the Riyadh Design Law Treaty (RDLT) during the World Intellectual Property Organization (WIPO) General Assembly in Geneva. The multilateral treaty aims to streamline the international application process for industrial design protection, offering significant advantages to UK designers and businesses, including SMEs. The RDLT, negotiated at a WIPO conference in Riyadh, Saudi Arabia, on November 22, 2024, seeks to harmonize design protection procedures across member countries. By reducing administrative burdens, the treaty will limit the information required in applications, simplify the process for obtaining filing dates, and establish standardized timelines for communication regarding design registrations. These enhancements are expected to bolster the global competitiveness of UK designers, enabling them to safeguard their innovations more effectively. The UK Intellectual Property Office (IPO) will engage with stakeholders to facilitate the treaty's formal ratification, reinforcing the UK's commitment to international design law harmonization and support for the creative sector.

Low FDI Regulatory Restrictiveness Index

The UK provides a reasonably hospitable climate for foreign investment. According to the OECD, *FDI Restrictiveness Index* (2023), the UK recorded an index score of 0.0001 in 2023, lower than other OECD nations such as the US (0.0509),

Italy (0.0711), Sweden (0.0075), and Switzerland (0.1118). A score of zero means complete openness, while a score of one means a completely closed economy. With a high level of openness and a favorable business environment, the country attracts a high level of foreign investment, which helps sustain its economic growth momentum.

Figure 7: FDI Regulatory Restrictiveness Index, 2023



Source: GlobalData analysis based on information from the OECD

Empowering UK businesses: simplifying international legal disputes

On July 1, 2025, the UK implemented the Hague 2019 Convention, revolutionizing the way British businesses handle international disputes. The agreement facilitates the recognition and enforcement of UK court judgments in participating countries, significantly reducing the time and costs associated with repetitive legal actions. Prior to this change, UK firms often faced lengthy enforcement processes when dealing with foreign suppliers, leading to confusion and increased expenses. The new rules established a unified framework, simplifying the enforcement of civil and commercial judgments and enhancing the UK's reputation as a global hub for legal services.

Justice Minister Lord Ponsonby emphasized the convention's role in boosting confidence among UK businesses, allowing them to trade more freely while minimizing legal costs. With 29 countries already participating, including several EU nations and Uruguay, the convention has broadened the reach of UK judgments, reinforcing international legal collaboration. As a result, the UK strengthened its position as a leader in dispute resolution, paving the way for economic growth and attracting foreign companies to utilize its legal system.

Future risks

Data Bill sparks legal concerns for creative industries amid AI training controversy

The passage of the UK's Data (Use and Access) Bill in June 2025 has raised significant legal risks, particularly for the creative industries. By allowing technology companies to potentially train artificial intelligence on copyrighted materials without the consent of rights holders, the bill could lead to widespread copyright infringement. A letter signed by over 400 prominent UK artists, including musicians and writers, called for stronger protections. The government's refusal to incorporate amendments aimed at safeguarding creative rights has left many in the industry apprehensive about the future of intellectual property. As the bill moves toward becoming law, the lack of clear guidelines on data usage and AI

training poses a risk of legal disputes that could burden both creators and technology firms. Moreover, the government's commitment to a separate AI bill and consultations with the creative sector may not adequately address the immediate concerns raised by industry stakeholders. The potential for litigation and the erosion of creative rights could have lasting implications for the UK's cultural landscape.

Environmental analysis

Overview

The UK is at a pivotal moment in its environmental journey, seeking to balance economic growth with sustainability. The government's Action Plan emphasizes the need for regulations that not only protect the environment but also foster innovation and investment in green technologies. The UK has committed to achieving net-zero carbon emissions by 2050, a target that aligns with its ambitious climate goals. Moreover, the government is focusing on enhancing environmental regulations to streamline processes and reduce bureaucratic hurdles for businesses. This approach aims to encourage investments in sustainable practices, such as decarbonization and the adoption of clean technologies. The Action Plan outlines a commitment to reform environmental regulations, ensuring that they are both effective and adaptable to the evolving landscape of innovation. In addition, the UK is investing in natural capital, recognizing the importance of biodiversity and ecosystem services. Initiatives such as the 25-Year Environment Plan aim to restore habitats and promote sustainable land use, which are crucial for enhancing resilience against climate change. Overall, the UK's environmental prospects are promising, with a clear strategy to integrate economic growth with ecological sustainability, positioning the nation as a leader in the global green economy.

Table 8: Analysis of Environmental Landscape

Current strengths	Current challenges
• UK's renewable energy growth • Strong global influence • Global environmental agreements	• Climate change concerns • Record increase in water pollution incidents in England
Future prospects	Future risks
• Ambitious environmental targets • Significant investments in biodiversity, air quality improvements, and water management • Clean Energy Industries Sector Plan	• Tree cover loss
Source: GlobalData	

Current strengths

UK's renewable energy growth

The UK's commitment to renewable energy has significantly strengthened its environmental landscape in recent years. According to the Energy Institute, *Statistical Review of World Energy* (2025), the total energy supply from renewable sources and biofuels, including hydro, nearly doubled from 0.45 exajoules in 2014 to 0.91 exajoules in 2024. This growth underscores the nation's transition toward sustainable energy solutions. Furthermore, electricity generation from renewable sources rose from 130.3TWh in 2023 to 138.9TWh in 2024, reflecting an increase in clean energy production.

These advancements not only contribute to reducing GHG emissions but also enhance energy security and resilience. By investing in renewable technologies, the UK is positioning itself as a leader in the global energy transition, fostering economic growth while addressing climate change. This shift toward greener energy sources has significant implications for public health, biodiversity, and the overall sustainability of the environment.

Strong global influence

With its position as an industrialized global power and as a member of the G8, the UK has a leadership role to play in the global effort toward sustainable development and environmental protection. The country has close ties with a number of nations and an influential position in the Commonwealth. Consequently, it can extract commitments from developing countries unwilling to sacrifice economic growth to protect the environment.

Global environmental agreements

The UK has been actively involved in various global environmental agreements aimed at addressing issues such as climate change, biodiversity conservation, and sustainable development. The following are some key global environmental agreements that the UK has been a part of:

- **Paris Agreement:** The UK is a signatory to the Paris Agreement, which aims to limit global warming to well below 2 degrees Celsius above pre-industrial levels, with efforts to limit the temperature increase to 1.5 degrees Celsius.
- **United Nations Framework Convention on Climate Change (UNFCCC):** The UK is a party to the UNFCCC, which sets out a framework for action aimed at stabilizing greenhouse gas concentration in the atmosphere.
- **Convention on Biological Diversity (CBD):** The UK is a party to the CBD, which aims to conserve biological diversity, ensure sustainable use of its components, and promote fair and equitable sharing of benefits arising from the use of genetic resources.
- **Montreal Protocol on Substances that Deplete Ozone Layer:** The UK is a party to the Montreal Protocol, which aims to protect the ozone layer by phasing out production and consumption of ozone-depleting substances.
- **Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES):** The UK is a party to CITES, which aims to ensure that international trade in wild animals and plants does not threaten their survival.
- **Kyoto Protocol:** The UK was a party to the Kyoto Protocol, an international treaty that extended the 1992 UNFCCC and committed industrialized countries to reduce greenhouse gas emissions.
- **Aarhus Convention:** The UK is a party to the Aarhus Convention, which grants public rights regarding access to information, public participation, and access to justice in environmental matters.
- **Ramsar Convention:** The UK is a party to the Ramsar Convention, which aims to protect wetlands of international importance.

These agreements reflect the UK's commitment to international collaboration and its dedication to addressing global environmental challenges, including climate change, biodiversity loss, ozone layer protection, and marine conservation.

Current challenges

Climate change concerns

The UK is grappling with significant environmental challenges as climate change accelerates, according to the Met Office's State of the UK Climate report published in July 2025. The country is experiencing an increase in extreme weather events, including heatwaves and heavy rainfall. For instance, 2024 recorded the second-warmest February and the warmest May since records began in 1884. By mid-July 2025, the UK was enduring its third heatwave of the summer, following the warmest June on record.

Rainfall patterns are also shifting, with winter precipitation rising by 16% from 2015 to 2024 compared to 1961–90. This increase in rainfall has led to severe flooding, particularly in regions such as eastern Scotland and the West Midlands, where some areas received three to four times their usual September rainfall. The Met Office warns that the UK's climate is now significantly different from just a few decades ago, with average temperatures rising by approximately 0.25°C per decade. These changes pose serious risks to biodiversity and natural ecosystems, highlighting the urgent need for adaptive strategies to mitigate future impact.

Record increase in water pollution incidents in England

In July 2025, the Environment Agency reported a 60% increase in serious water pollution incidents in England, with a record 2,801 cases documented in 2024, up from 2,174 in 2023. Among these, 75 incidents were classified as causing "serious or persistent" harm to fisheries, drinking water, and human health, up from 47 the previous year. This alarming trend prompted criticism from the Public Accounts Committee, which labeled the situation "woeful" and highlighted the failure of regulators to hold water companies accountable. The report indicates that three companies, Thames Water, Southern Water, and Yorkshire Water, were responsible for the majority of serious pollution events. Thames Water, in particular, saw its serious pollution incidents double, raising concerns about its operational practices. The combined sewage system in England, which processes both rainwater and sewage, has been overwhelmed by increased rainfall, yet many discharges still breach legal obligations. The lack of investment in infrastructure has been a critical factor in this crisis, with estimates suggesting it could take 700 years to replace the entire water mains network at current rates. The industry, facing scrutiny for prioritizing short-term profits over long-term sustainability, is now expected to raise consumer bills to fund a record GBP104 billion investment over the next five years. As the government prepares to review the water sector, the need for stronger regulatory oversight has never been more urgent.

Future prospects

Ambitious environmental targets

In December 2022, the UK government unveiled a series of legally binding environmental targets aimed at enhancing the nation's ecological health and combating climate change. These targets are part of a broader commitment to ensure that future generations inherit a cleaner, more sustainable environment. The targets are designed to halt biodiversity loss, improve air and water quality, and promote nature recovery across the country.

Key targets include:

- **Biodiversity Restoration:** Halt the decline in species populations by 2030 and increase them by at least 10% by 2042.
- **Water Quality Improvement:** Restore water bodies to their natural state by reducing harmful pollution, including an 80% cut in phosphorus pollution from wastewater by 2038.
- **Tree Coverage Expansion:** Increase tree and woodland cover to 16.5% of total land area in England by 2050 to support carbon capture and biodiversity.
- **Waste Reduction:** Halve the waste per person sent to residual treatment by 2042, promoting recycling and sustainable waste management practices.
- **Air Quality Enhancement:** Reduce exposure to PM2.5, the most harmful air pollutant, to protect public health.
- **Marine Conservation:** Restore 70% of designated features in Marine Protected Areas to a favorable condition by 2042.

These targets reflect the UK's commitment to international environmental leadership, aligning with global initiatives to protect 30% of the world's land and oceans by 2030.

Significant investments in biodiversity, air quality improvements, and water management

The environmental prospects of the UK are increasingly promising, driven by robust policy initiatives and significant investments aimed at restoring and enhancing the natural environment. As of March 2025, the UK government has made substantial strides in various areas, particularly in biodiversity and air quality.

In the realm of biodiversity, the declaration of four new National Nature Reserves (NNRs) and the expansion of existing ones have increased protected areas by nearly 5.5%, totaling over 115,000 hectares (ha). The introduction of the Management of Hedgerows (England) Regulations in May 2024 further underscores the commitment to safeguarding vital habitats. Additionally, the mandatory implementation of biodiversity net gain for small development sites, effective from April 2024, aims to ensure that new projects contribute positively to local ecosystems.

Air quality improvements are also noteworthy. Data from early 2025 indicates a downward trend in nitrogen dioxide (NO₂) levels, particularly in areas with established Clean Air Zones. The government's investment of GBP1.45 million (\$1.85 million) in local authority initiatives to tackle NO₂ exceedances reflects a proactive approach to public health and environmental quality.

Water management has seen a significant boost with the Water (Special Measures) Act 2025, enhancing regulatory powers to address pollution and improve infrastructure. The GBP104 billion (\$132.9 billion) investment plan for the water sector, announced in December 2024, aims to upgrade wastewater treatment and secure sustainable water supplies for the future.

Overall, the UK's environmental trajectory appears optimistic, with a clear focus on integrating economic growth with ecological sustainability. The upcoming Environmental Improvement Plan (EIP25), set for release later in 2025, promises to further refine strategies for achieving ambitious environmental targets, ensuring that nature remains at the heart of the nation's growth agenda.

Clean Energy Industries Sector Plan

In June 2025, the UK government unveiled the Clean Energy Industries Sector Plan, a strategic initiative aimed at positioning the nation as a leader in the global clean energy economy. The plan seeks to harness the UK's unique strengths as a coastal nation and as a hub of scientific innovation, with a target to double investment in clean energy industries to over GBP30 billion (\$38.3 billion) annually by 2035.

The plan is supported by a commitment of GBP700 million (\$894.8 million) to Great British Energy, aimed at bolstering domestic supply chains for clean energy technologies. This funding is expected to catalyze the development of essential infrastructure, such as floating offshore platforms and hydrogen production facilities, which are critical for the transition to a low-carbon economy. The government anticipates that these investments will generate thousands of jobs, particularly in coastal and industrial communities that have historically relied on traditional energy sectors.

Since July 2024, the UK has attracted over GBP40 billion (\$51.1 billion) in private investment for clean energy projects, signaling strong market confidence in the country's clean energy potential. The plan also includes the expansion of the Clean Industry Bonus, a financial incentive designed to encourage offshore wind developers to invest in local supply chains, ensuring that the benefits of the clean energy transition are felt across all regions, especially those transitioning from fossil fuel dependency.

With the appointment of Lucy Yu as the Clean Energy AI Champion, the government is also prioritizing the integration of artificial intelligence in clean energy initiatives, further enhancing the UK's competitive edge in this rapidly evolving sector. Overall, the Clean Energy Industries Sector Plan represents a pivotal step toward a sustainable and economically vibrant future for the UK, aligning environmental goals with economic growth.

Future risks

Tree cover loss

The UK faces significant environmental risks due to ongoing tree cover loss. Since 2001, the UK has lost approximately 585,000ha of tree cover, representing a 16% decrease from 2000 levels, according to data from Global Forest Watch. In 2020, the country had 471,000ha of natural forest, covering just 1.9% of its total land area. However, by 2024, the UK experienced a further loss of 2,430ha of natural forest, which contributed to an estimated 1.07 million tonnes (Mt) of CO₂ emissions. Notably, 2.7% of the tree cover loss occurred in regions where deforestation was the primary driver. Alarmingly, a single region accounted for 65% of the total tree cover loss during this period, with a loss of 382,000ha, far exceeding the average loss of 146,000ha across other areas. These statistics underscore the urgent need for conservation efforts and sustainable land management practices to mitigate the environmental impact of deforestation in the UK.

Political Landscape

Summary

The political landscape of the UK has undergone significant transformation in recent years. In October 2022, Rishi Sunak became prime minister following Liz Truss's brief tenure. Sunak, the first British Asian prime minister, faced a challenging environment marked by economic instability. He made five key pledges to the public, achieving two—halving inflation and stimulating economic growth—while failing to address rising NHS waiting lists, government debt, and illegal immigration, leading to public dissatisfaction. In July 2024, the Labour Party, led by Keir Starmer, won a historic general election, securing 412 seats and ending 14 years of Conservative rule. Starmer's victory was celebrated, but by October 2024, just 100 days into his premiership, his government faced criticism over allegations of corruption and internal strife. The administration struggled to present a clear vision, leading to declining popularity and discontent among party members. As Labour's early momentum waned, the coming months would be critical for Starmer to regain public confidence and redefine his government's agenda amid growing challenges.

Evolution

The UK has strong democratic traditions. There is great respect for human rights and civil liberties, and the public sector is transparent and accountable. The system of governance has developed from a monarchy into a democratic parliamentary structure known as the Westminster system. The legislative, executive, and judicial functions are entrusted to separate bodies. Executive authority is vested in the cabinet, led by the prime minister. Legislative authority is vested in a bicameral parliament, and judicial authority is vested in a system of courts. None of these institutions has absolute authority over the others, and there is an adequate system of checks and balances in place. The monarch, Queen Elizabeth II, was the head of state, but this position was largely ceremonial.

In July 2019, Boris Johnson succeeded Theresa May and became prime minister of the UK. He promised a 'do or die' approach to leaving the EU by October 31, 2019. In December 2019, a snap election was held in which the Conservative Party won a majority, and the UK exited the EU in January 2020. The transition phase was scheduled to end on December 31, 2020, following which the UK left the free trade area of the EU. In September 2022, Prime Minister Boris Johnson resigned as leader of the Conservative Party. He was succeeded by Liz Truss, his foreign secretary. Liz Truss served as prime minister from September to October 2022. On her 50th day in office, she stepped down amid a government crisis, making her the shortest-serving prime minister in UK history.

In October 2022, Rishi Sunak was elected prime minister. Sunak's tenure began on October 25, 2022, following the resignation of Liz Truss. Sunak quickly garnered support from Conservative MPs, stepping into a challenging political landscape marked by economic turmoil. During his 20-month term, Sunak made five key pledges to the British public: to halve inflation, stimulate economic growth, reduce government debt, cut NHS waiting lists, and curb illegal immigration via small boats. By the time of the 2024 general election, he had achieved the first two goals, but the remaining three worsened, leading to significant public dissatisfaction.

In July 2024, the UK witnessed a seismic shift when Labour, led by Keir Starmer, secured a resounding victory in the general election. Labour won 412 seats, marking a historic defeat for the Conservative Party, which secured 121 seats, its worst performance in history. This election ended 14 years of Conservative governance, with Starmer poised to take office as prime minister.

Starmer's victory speech resonated with a nation eager for change. He emphasized his commitment to serving working people of Britain, declaring, "The country has spoken, and they're ready for change." His party's success was underscored by a record turnout, with 9.5 million votes cast for Labour. The election also saw a significant increase in the representation of women, ethnic minorities, and LGBTQ+ individuals in parliament.

However, the initial euphoria of victory quickly gave way to challenges. By October 2024, just 100 days into his premiership, Starmer's government faced criticism for a series of missteps and internal strife. Allegations of corruption emerged, centering around gifts received from a party donor, which included high-end items and luxury experiences. This scandal, dubbed "passes for glasses," tarnished Starmer's image as a leader committed to integrity.

The political atmosphere was further complicated by reports of dysfunction within Starmer's inner circle. His chief of staff, Sue Gray, faced scrutiny for her management style, leading to tensions with other advisers. The government struggled to articulate a clear vision or direction, leaving many observers questioning its effectiveness. Rather than introducing bold policies to address pressing issues such as the cost-of-living crisis and the aftermath of Brexit, the administration appeared mired in complaints about difficulties inherited from its predecessors.

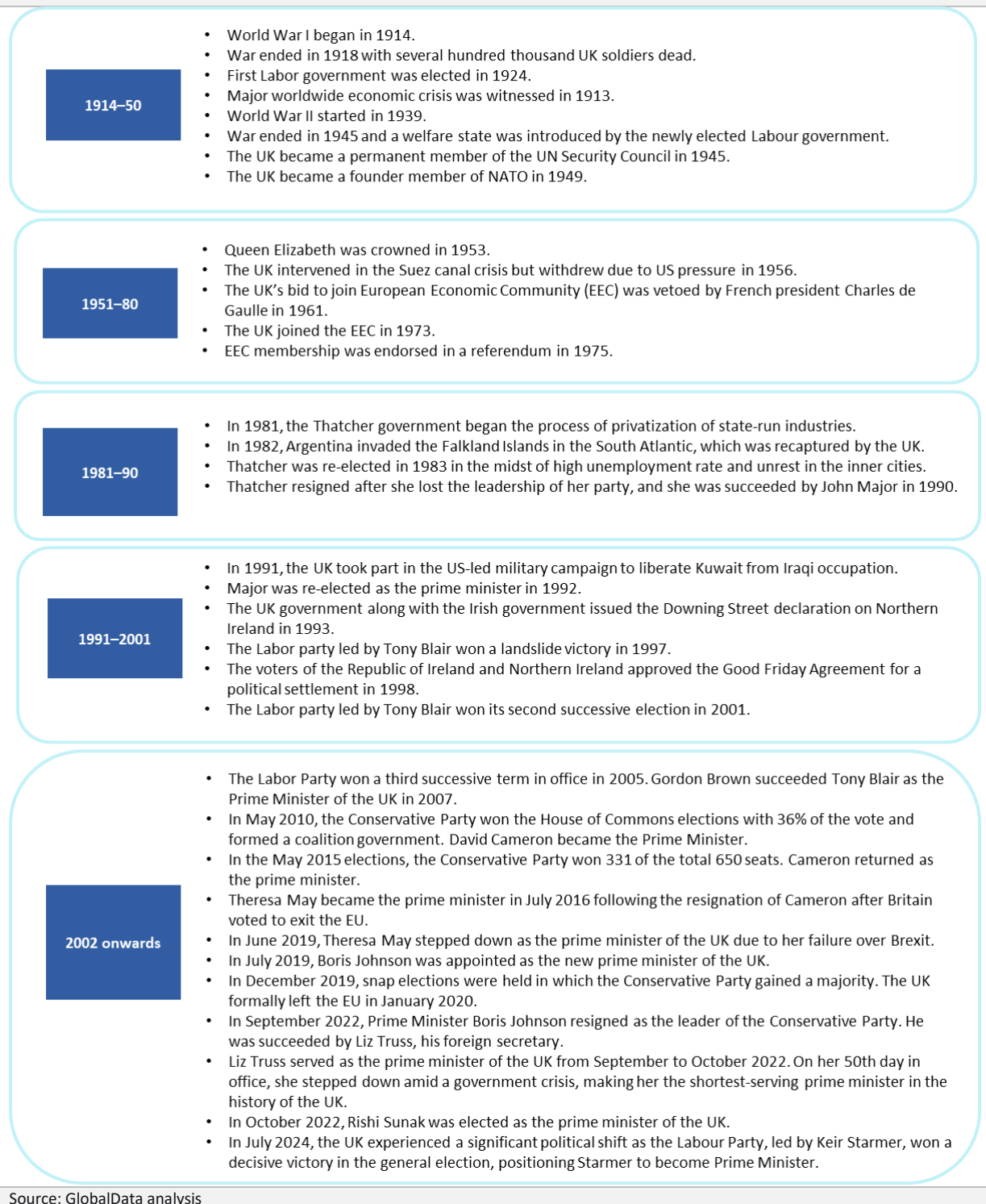
As Labour's popularity began to wane, Starmer's leadership came under fire. Notably, Labour MP Rosie Duffield resigned in protest, expressing shame over the party's direction. The early months of Starmer's government were characterized by a lack of coherent messaging and a failure to connect with the electorate, reminiscent of the early struggles faced by previous administrations.

Despite these challenges, some within the party remained hopeful. Starmer's supporters pointed to his potential for recovery, emphasizing that a government with a substantial majority still had time to redefine its agenda. As the political landscape continued to evolve, the coming months would be crucial for Starmer to regain momentum and restore public confidence in his leadership.

Evolution

Significant political events in the country's history are shown below.

Figure 8: Timeline of Key Political Events



Source: GlobalData analysis

Structure and policies

Key political figures

The leading political figures are:

- Prime Minister Keir Starmer
- Head of state King Charles III

Figure 9: Key Political Figures



King Charles III is the King of the UK and 14 other Commonwealth realms. He succeeded his mother, Queen Elizabeth II, after serving as Prince of Wales (heir apparent) for a period of over 64 years, the longest tenure in British history. He became the oldest person to accede to the British throne.



Keir Starmer became Prime Minister of the UK on July 5, 2024. Educated at Reigate Grammar School and the University of Leeds, he later earned a Bachelor of Civil Law from Oxford. Elected as the MP for Holborn and St Pancras in 2015, he became the leader of the Labour Party in 2020. Prior to his political career, Starmer was a barrister, served as a legal advisor to the Northern Ireland Policing Board, and was the Director of Public Prosecutions from 2008 to 2013.

Source: GlobalData analysis

Structure of government

The UK subscribes to a democratic, parliamentary system of governance known as the Westminster system, characterized by a titular head of state who is, in practice, largely ceremonial, and a bicameral legislature in which at least one of the houses is elected. Other key features include a de facto executive branch led by the head of the executive, usually the leader of the party with the largest representation in parliament, and a judicial branch that is independent of the legislature and the executive.

Structure of the legislature

Lower chamber

The House of Commons, the lower chamber of the legislative branch in the UK, consists of 650 seats, all of which are filled through direct elections using a plurality/majority electoral system. Members serve a term of five years, with the most recent election held on April 7, 2024. In this election, Labour emerged as the dominant force, securing 411 seats, followed by the Conservative Party with 121 seats, the Liberal Democrats with 72, and other parties collectively holding 46 seats. Notably, women represent 40.5% of the chamber, reflecting ongoing efforts toward gender representation. The next general election is anticipated to take place in July 2029.

Upper chamber

The House of Lords, the upper chamber of the legislative branch in the UK, comprises 800 appointed members. The political landscape within this chamber includes the Conservative Party with 286 seats, Labour holding 212 seats, and the Liberal Democrats with 76 seats. Additionally, there are 180 independent members categorized as Crossover and a small group of six members from other parties. Notably, women represent 31% of the total membership, reflecting

ongoing efforts toward gender representation in this legislative body. The total seat count excludes ineligible members and those on leave of absence.

Key policies

Economic and social policies

In March 2025, Chancellor Rachel Reeves presented the Spring Statement, outlining significant changes to the UK's economic landscape. The statement coincided with the Office for Budget Responsibility (OBR) releasing updated economic forecasts, reflecting both challenges and opportunities for the nation.

Key points:

Welfare adjustments:

- Health-related universal credit for new claimants will be reduced from GBP97 (\$124) to GBP50 (\$63.9) per week starting April 2026, with no inflation adjustments until after 2030.
- Individuals under 22 will be ineligible for the health-related element of universal credit.
- Existing claimants will see their health-related payments frozen at GBP97 (\$124) per week until 2030, with a new top-up for those with severe conditions.
- The standard universal credit allowance will increase by GBP14 (\$17.9) weekly by 2030, down from a previously announced GBP15 (\$19.2).
- Stricter eligibility criteria for Personal Independence Payments (PIPs) will be implemented from November 2026.

Economic forecasts:

- The OBR has revised the growth forecast for 2025 down to 1%, while projecting growth of 1.9% in 2026, followed by 1.8% in 2027, 1.7% in 2028, and 1.8% in 2029.
- Inflation is expected to average 3.2% in 2025, an increase from the earlier estimate of 2.6%, before decreasing to 2.1% in 2026 and reaching the government's target of 2% in 2027.

Housing initiatives:

- Changes to England's planning system are anticipated to facilitate the construction of an additional 170,000 homes over five years, contributing to 0.2% economic growth by 2030.
- A GBP625 million (\$798.9 million) investment over four years will support training programs for construction workers.

Spending and fiscal rules:

- The government faces a GBP4.1 billion (\$5.2 billion) shortfall in meeting its spending rule for 2030, but recent cuts and tax adjustments have created a GBP9.9 billion (\$12.6 billion) buffer.
- The likelihood of meeting the spending rule has improved slightly to 54%, while the chance of reducing public debt as a share of the economy remains at 51%.

Defence and public services:

- Defence spending is set to increase by GBP2.2 billion (\$2.8 billion) by 2026, reaching 2.36% of national income, with plans to rise to 2.5% by 2027.
- A reduction in overseas aid from 0.5% to 0.3% of gross national income is planned to fund this increase.
- Day-to-day government spending will decrease by GBP6.1 billion (\$7.8 billion) annually by 2030, with a target to cut administrative costs by 15% and a reduction of approximately 10,000 civil service jobs.

Tax compliance measures:

- The government will hire 400 additional HMRC staff to combat tax evasion, projected to generate an extra GBP500 million (\$639.2 million) over five years.
- A new informant scheme will reward individuals who report tax avoidance.

This budget reflects the government's commitment to addressing economic challenges while aiming for sustainable growth and fiscal responsibility.

Foreign

The UK is one of the most prosperous and influential nations in the world and plays a large role on the international stage. The country is one of the five permanent members of the UN Security Council, one of the founding members of NATO, and a member of the G8. In the EU elections held in May 2019, the Brexit party won the highest number of seats with 31.6% share of the total votes. Since the referendum, the UK has been successful in rolling over several trade agreements with other nations, which are effective post-Brexit.

In December 2022, the UK and Jordan signed a memorandum of understanding (MoU) to strengthen cybersecurity collaboration between the two nations. In December 2022, Chile and the UK signed an MoU for financial services collaboration. In December 2022, Saudi Arabia and the UK signed an agreement to develop localized production and strengthen defense partnership between the two countries.

In November 2022, the UK and Switzerland signed an MoU focusing on increasing cooperation in 'deep science' and 'deep tech', as well as commercialization through innovation, and policy and diplomacy in science and innovation. In November 2022, the UK and Thailand signed an MoU to support Thailand's efforts to improve financial inclusion and promote sustainable growth. In July 2022, North Carolina, the US, and the UK signed an MoU to strengthen economic ties and transition to a clean energy economy.

In April 2023, the UK and India formalized an agreement focused on research and innovation. In July 2023, the UK and Taiwan (Province of China) signed an agreement aimed at enhancing cooperation on various health-related issues. In September 2023, the Danish Maritime Authority, alongside the UK and Belgium, established an agreement to boost collaboration in the use of digital technologies and autonomous systems on ships. In November 2023, the UK and South Korea signed an agreement to strengthen government digital services, and the UK entered into an agreement with Florida to promote trade between the two regions. In December 2023, the UK and Japan signed an agreement to enhance global trade and sustainable development, and UK Export Finance partnered with Export Finance Australia to increase cooperation in areas such as energy transition, infrastructure, and secure supply chains. In February 2024, the UK and Canada signed an agreement to collaborate on fusion energy, and in March 2024, the UK Gambling Commission renewed cooperation with the Swedish gambling authority Spelinspektionen to enhance gambling-related activities.

In 2025, the UK demonstrated its commitment to international cooperation through several significant MoUs aimed at promoting gender equality, infrastructure development, and sustainable urban planning. On May 2, 2025, the UK and Chile signed a groundbreaking MoU focused on gender equality, marking the first such agreement for the UK. This partnership, signed by Baroness Chapman and Chile's Deputy Minister of Foreign Affairs, Gloria de la Fuente, underscores both nations' dedication to advancing women's rights and fostering inclusive societies. On May 22, 2025, the UK entered into an agreement with South Korea to collaborate on global infrastructure projects and support the reconstruction of Ukraine. This MoU, signed by the UK Business and Trade Minister Gareth Thomas and KIND CEO Bok Hwan Kim, aims to enhance trade and sustainable development while addressing urgent infrastructure needs in Ukraine. Adding to this momentum, on July 17, 2025, the UK and Germany signed their first bilateral treaty since World War II, known as the Kensington Treaty. This landmark agreement, signed by Prime Minister Keir Starmer and German Chancellor Friedrich Merz, emphasizes deepening defense cooperation amid growing threats to Europe. The treaty includes clauses for mutual assistance in the event of an attack and joint export campaigns for military hardware, reflecting a significant step in UK-German relations post-Brexit. On July 18, 2025, the UK partnered with the Philippines to implement the Philippines' first government-led Transit Oriented Development. This initiative, involving British and Filipino experts, aims to create a climate-resilient "Education City" that integrates sustainable education facilities with efficient public transport, demonstrating the UK's commitment to sustainable urban development.

Together, these agreements highlight the UK's proactive approach to fostering international partnerships across various sectors, reinforcing its role on the global stage while addressing pressing challenges such as gender equality, infrastructure needs, and defense cooperation.

Performance

Governance indicators

The World Bank report on levels of governance uses factors such as voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption as indicators for 214 countries and territories. For any country, a percentile rank of zero corresponds to the lowest possible score, and a percentile rank of 100 corresponds to the highest possible score.

According to the World Bank, *Worldwide Governance Indicators* (2024), the UK scored in the 90.2 percentile on the voice and accountability parameter. This measures the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and freedom of the media. In comparison, France scored in the 86.8 percentile.

The UK scored in the 62.1 percentile on the political stability and absence of violence indicator. This parameter measures the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including domestic violence and terrorism. In comparison, France scored in the 55.9 percentile.

In terms of government effectiveness, the UK scored in the 84.4 percentile. This parameter measures the quality of public and civil services, the degree of governmental independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. In comparison, France scored in the 83.0 percentile.

The UK score for regulatory quality was in the 92.9 percentile. This measures the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. In comparison, France scored in the 85.4 percentile.

The UK scored in the 89.2 percentile on the rule of law indicator. This measures the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence. In comparison, France scored in the 84.9 percentile.

The UK score on the control of corruption indicator was in the 90.6 percentile. Corruption remains a problem in the country and includes bribe-taking by municipal officials, financial irregularities in state-owned companies, and procurement irregularities in ministries. In comparison, France scored in the 84.0 percentile.

Outlook

The outlook for the UK's political landscape remains dynamic and uncertain as Labour Party, under Keir Starmer, navigates the challenges of governance following its historic electoral victory. While initial enthusiasm has been tempered by internal strife and allegations of corruption, the government's commitment to progressive policies, particularly in gender equality and infrastructure development, signals a potential shift in priorities. As Labour grapples with maintaining public support and addressing pressing issues such as the cost of living and Brexit repercussions, the coming months will be crucial for Starmer to solidify his leadership and restore confidence among voters.

Economic Landscape

Summary

The UK's economic development has historically been based on its strong industrial centers. However, the service sector has eclipsed the industrial sector to become the key driver of economic growth. This shift has produced uneven growth, as London and the Southeast have consistently expanded, while northern cities such as Manchester, Liverpool, Newcastle, Sheffield, Leeds, and Birmingham—areas traditionally dependent on industrial activity—have not benefited to the same degree.

Owing to uncertainty over Brexit, consumer and investment sentiment has slowed since 2016, reducing the UK's economic growth rate. Economic growth, which averaged 2.4% during 2013–15, slowed to an average of 1.9% during 2016–19. Elevated public debt in the UK remains a cause for concern. In 2020, the UK economy contracted by 10.3% due to the COVID-19 pandemic. The economy grew by 8.6% in 2021 as domestic restrictions eased and mobility rose. In 2022, the economy grew by 4.8% while the country struggled with soaring inflation. However, in 2023, growth slowed to 0.4% because of high inflation, a slowing global economy, and political and financial market volatility. The UK economy grew by 1.1% in 2024, driven by the service sector and increased government spending, but geopolitical tensions and concerns about tax hikes created cautious consumer sentiment.

Evolution

The UK has traditionally been at the forefront of economic progress. After the two World Wars, a government led by Clement Attlee, then leader of the Labour Party, was established. This government went about the nationalization of various industries and institutions, including the inland transport system, electricity, gas, telephones, coal mining, and the Bank of England (BoE). The Labour Party regards the establishment of the National Health Service (NHS) in 1948 as one of its most important achievements.

Under Harold Wilson, the Labour government focused on economic planning and industrial modernization. The government created large public sector companies that were technology-intensive, financed infrastructure to support industry, and encouraged innovation and adoption of new technologies.

The victory of Margaret Thatcher and the Conservative Party in 1979 brought a change of direction. Thatcher implemented free market policies and privatized numerous state enterprises, selling several large public sector companies created by earlier governments. Thatcher was re-elected twice, in 1983 and 1987, but resigned in 1990 after her leadership was challenged. John Major succeeded her as prime minister.

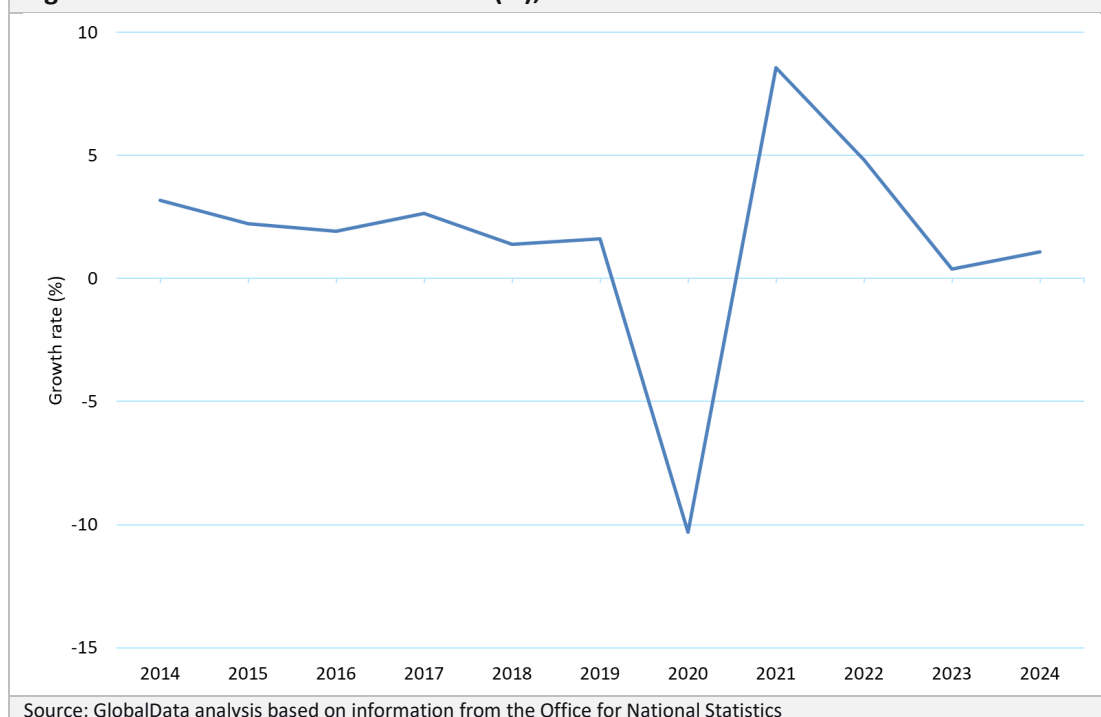
Since the 1990s, the UK economy has made a pronounced shift from its traditional dependence on the industrial sector. The services sphere came to the forefront, and successive governments have promoted this trend. During 2000–07, economic growth averaged 2.8%. The global financial crisis caused GDP to contract by 0.3% in 2008 and by 4.6% in 2009. The economy recovered in 2010 with growth of 2.2% and grew by 1.1% in 2011. The economic growth decelerated in 2012 when the economy grew by 1.5%. However, over the next three years (2013–15), the economy made a strong recovery, led by robust domestic demand, and grew at an average annual rate of 2.4%. In 2016, growth slowed amid Brexit-related uncertainty, falling from 2.2% in 2015 to an average of 2.0% during 2016–18 and to 1.6% in 2019.

In 2020, the COVID-19 pandemic, domestic lockdowns, and an international travel ban caused GDP to contract by 10.3%. The economy grew by 8.6% in 2021 as the government eased domestic restrictions. The economy registered a growth rate of 4.8% in 2022, as the Russia-Ukraine crisis weighed on the global economy.

In 2023, UK growth slowed to 0.3%. The UK's economic slowdown in 2023 stemmed from various factors. High inflation rates, above the BoE's 2% target, strained consumer spending and business investment, reducing GDP per capita. Structural issues in the labor market, including low productivity growth and post-Brexit uncertainties, contributed to subdued business confidence and investment levels, especially in sectors such as production and construction. Furthermore, adverse weather conditions during certain times disrupted economic activities further.

In 2024, the UK economy experienced moderate growth of 1.1%, driven primarily by advancements in the service sector, particularly in human health and social work. Additionally, government expenditure saw a significant rise, bolstering overall economic activity. Despite these gains, challenges such as geopolitical tensions and concerns over tax hikes created a cautious environment for consumers and investors alike, highlighting the delicate balance of growth amid uncertainty.

Figure 10: Historical GDP Growth Rate (%), 2014–24



Structure and policies

Financial authorities and regulators

Overview

From April 2013, the Financial Services Authority ceased to exist and was replaced by two separate regulatory authorities. The Financial Conduct Authority was established to supervise the Financial Services Authority, and the Prudential Regulation Authority was formed to supervise banks, building societies, credit unions, insurers, and major investment firms.

Performance

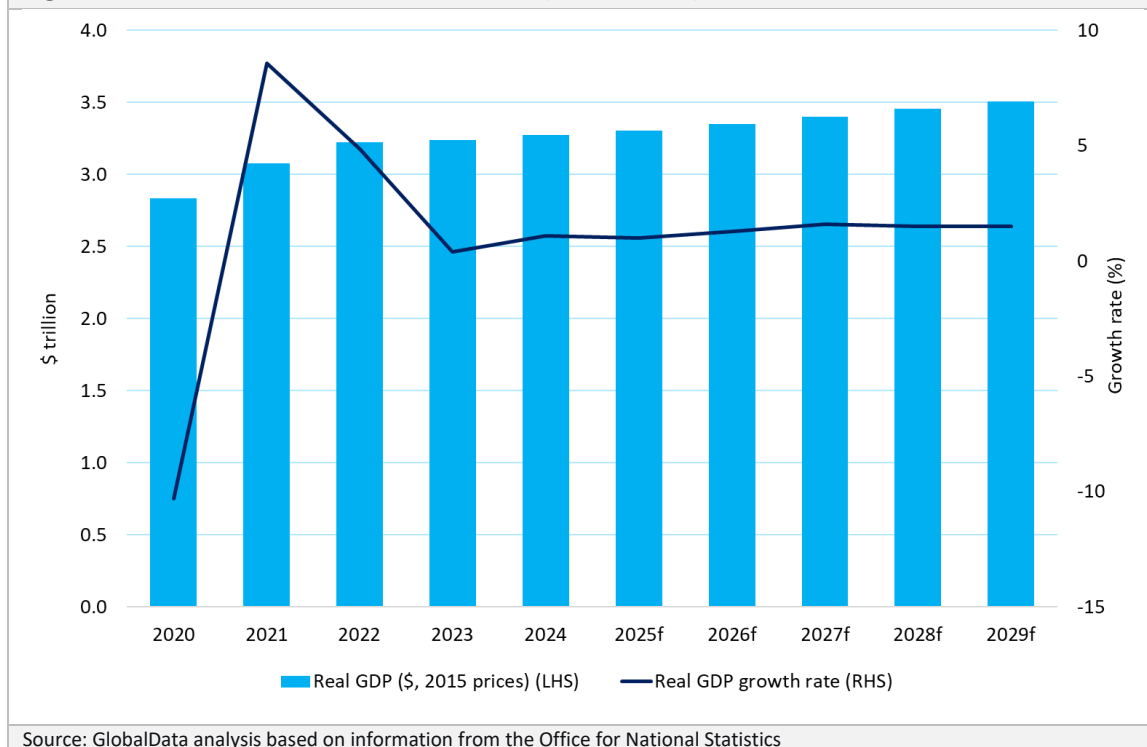
GDP and GDP growth rate

According to GlobalData, the economy grew by 8.6% in 2021 and 4.8% in 2022. According to GlobalData, the economy grew at a slower pace of 0.4% in 2023. Inflation exceeded the BoE's 2% target, constraining consumer spending and reducing business investment. The labor market faced challenges with low productivity growth and uncertainties after Brexit, which dampened business confidence, particularly in sectors such as production and construction. Additionally, adverse weather conditions at times aggravated the slowdown by disrupting activities across various industries. In 2024, the UK economy grew modestly by 1.1%, primarily fueled by advancements in the service sector, especially in

human health and social work, alongside increased government expenditure, although geopolitical tensions and concerns about tax increases weighed on sentiment.

The economic outlook for the UK in 2025 suggests a period of modest growth, with GDP expected to rise by 1%, according to GlobalData. Initial strength in early 2025, likely driven by exporters anticipating demand, is expected to reduce as uncertainty dampens household and corporate spending. A notable softening in the labor market is anticipated, partly because of recent tax hikes on employers, which could further constrain job growth.

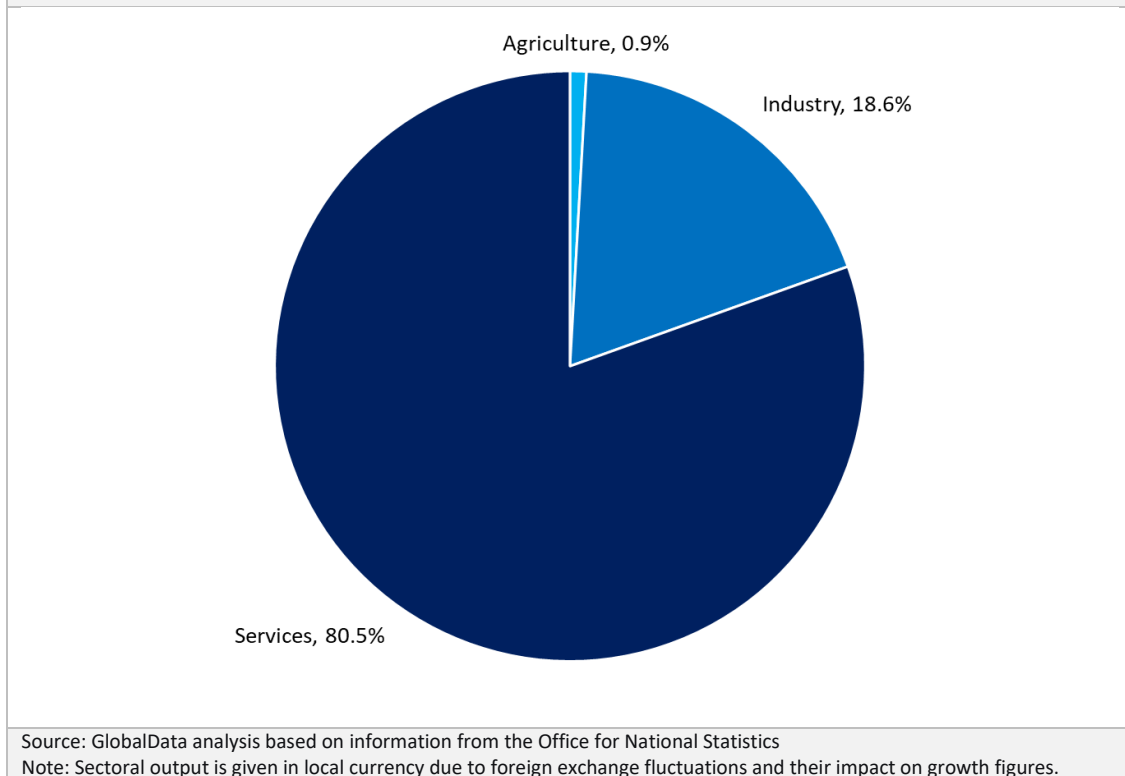
Figure 11: Real GDP and GDP Growth Rate (\$ Trillion/%), 2020–29f



GDP composition by sector

The service sector was the major contributor to the economy, with a share of 80.5% of GDP in 2024, according to GlobalData. It is followed by industry and agriculture, which contributed 18.6% and 0.9% of GDP, respectively, during the same period.

Figure 12: GDP Composition by Sector (%), 2024

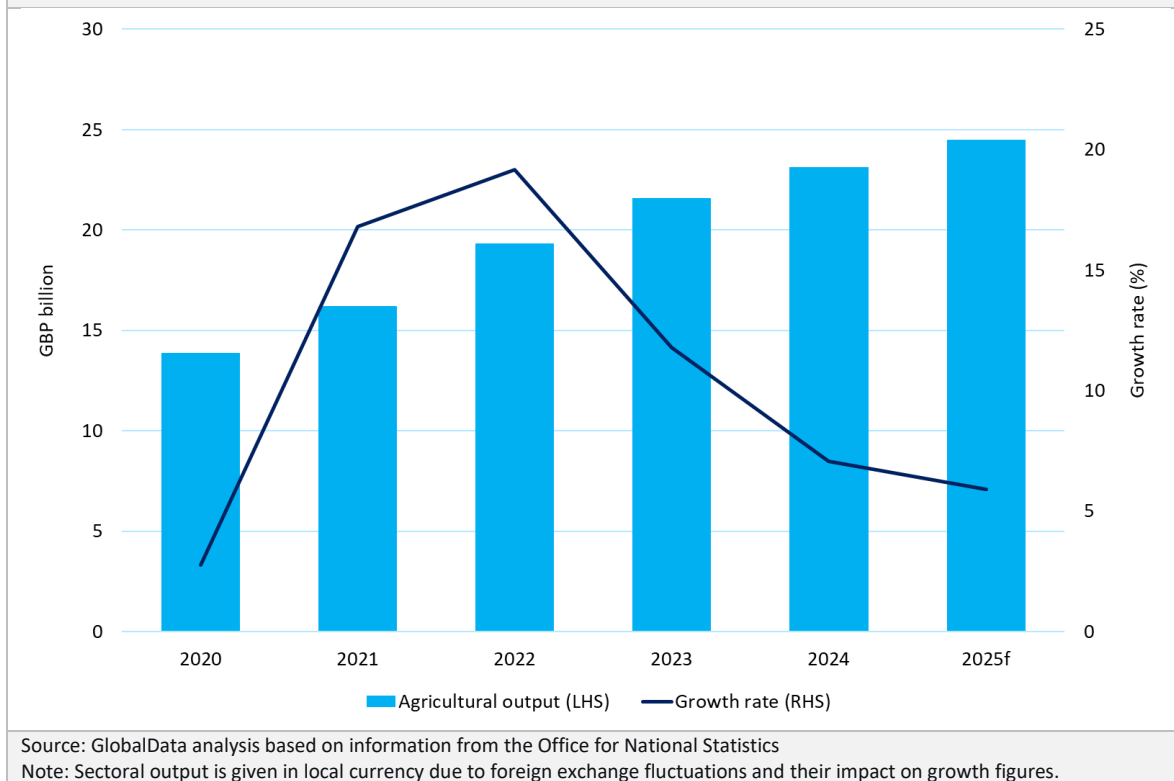


Agriculture

According to GlobalData, the agricultural sector recorded a growth rate of 7.1% in 2024 and is forecast to grow 5.9% in 2025 and 5.0% in 2026.

The UK's agricultural sector is diverse, contributing significantly to the economy through arable, livestock, and horticultural activities. Despite being a net food importer, the UK produces high-quality goods and maintains a strong export market. Post-Brexit, the sector faces challenges such as climate change and shifting consumer preferences but is adapting through sustainable practices and technology. The outlook is focused on innovation, environmental sustainability, and meeting evolving market demands.

Figure 13: Agricultural Output (GBP Billion/%), 2020–25f

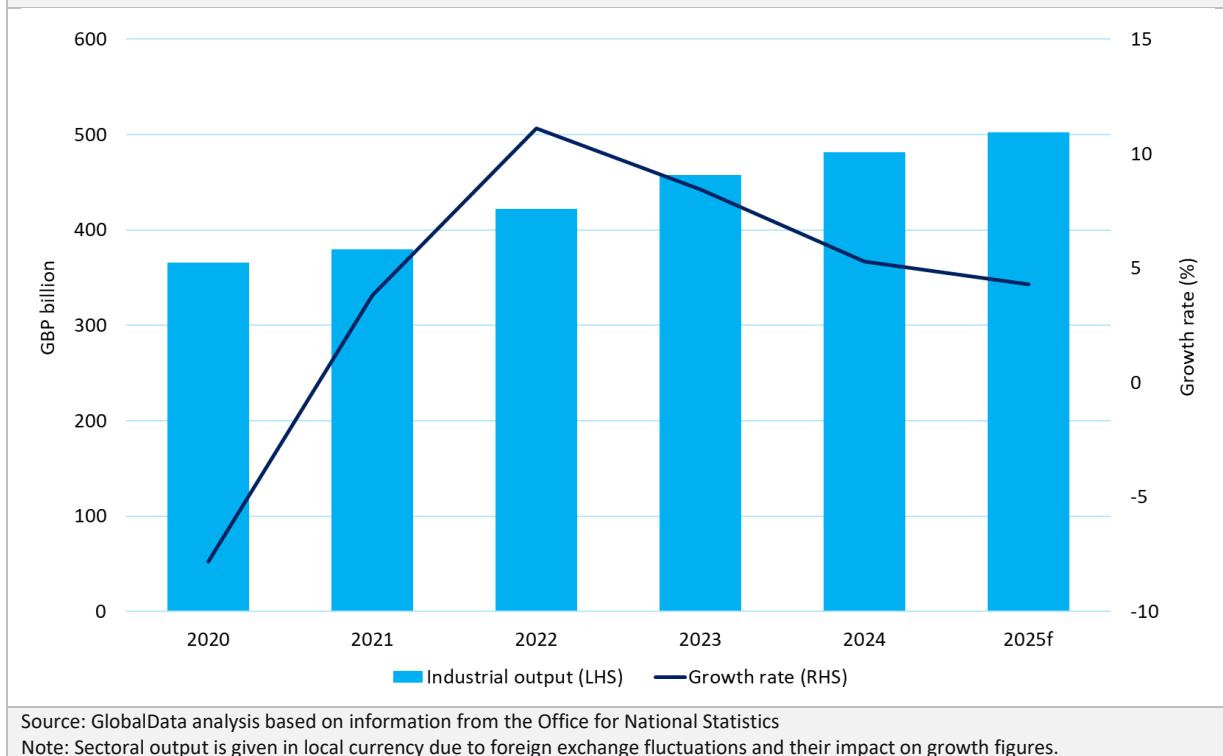


Industry

According to GlobalData, industrial output recorded a growth rate of 5.3% in 2024 and is forecast to grow by 4.3% in 2025 and 3.5% in 2026.

According to GlobalData, the construction and manufacturing sectors accounted for 6.3% and 9.4% of overall GVA in 2024. These sectors grew by 6.1% and 5.3% in 2024, respectively, and are forecast to grow by 5.0% and 4.3% in 2025 and 4.2% and 3.6% in 2026.

The UK's industrial sector is diverse, including manufacturing, energy, construction, technology, automotive, and pharmaceutical industries. It is characterized by innovation and quality craftsmanship, with increasing emphasis on sustainable practices. While facing challenges such as global competition and technological disruption, the sector also provides growth opportunities, especially in areas such as renewable energy and digital services.

Figure 14: Industrial Output (GBP Billion/%), 2020–25f

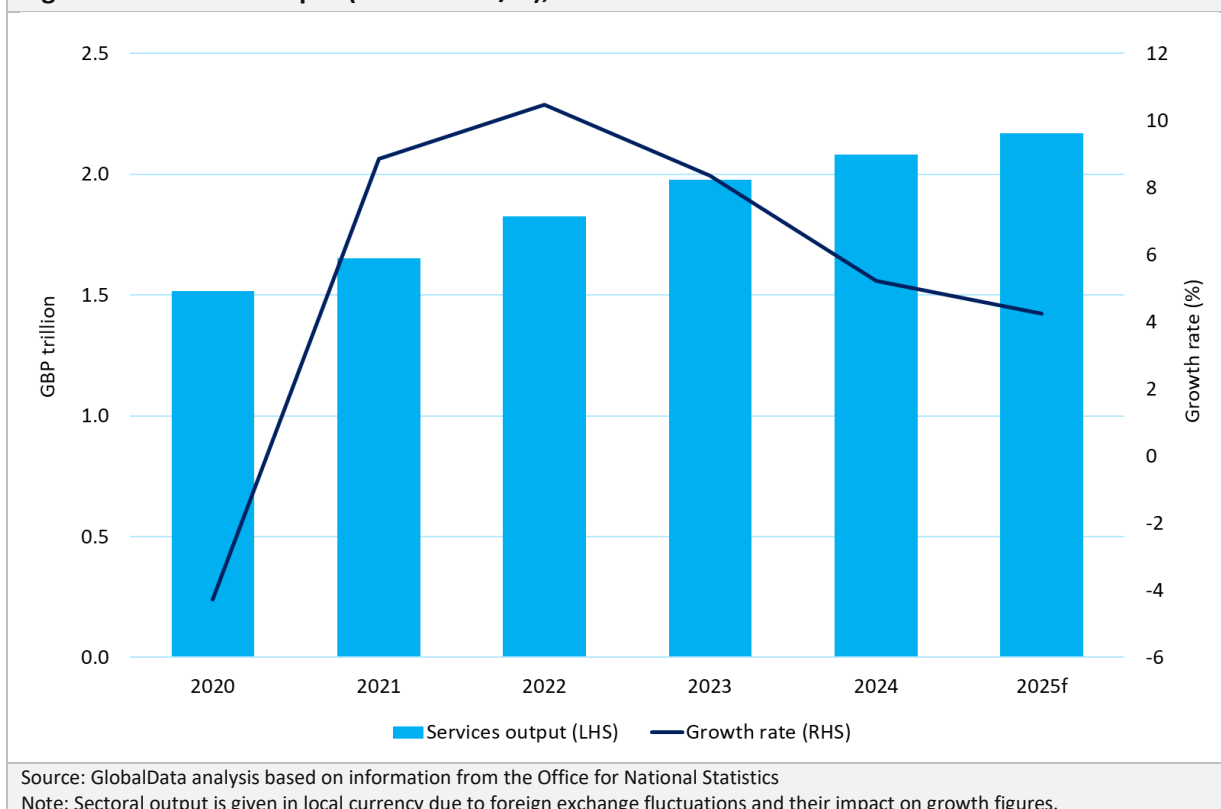
Services

According to GlobalData, the service sector recorded a growth rate of 5.2% in 2024 and is forecast to grow by 4.3% in 2025 and 3.5% in 2026.

According to GlobalData, financial intermediation, real estate, and business activities; wholesale, retail trade, and hotels; and transport, storage, and communication accounted for 34.5%, 13.8%, and 10.2% of overall GVA in 2024. These sectors grew by 4.9%, 5.9%, and 6.0%, respectively, in 2024 and are forecast to grow by 4.0%, 4.9%, and 5.0% in 2025 and by 3.3%, 4.1%, and 4.2% in 2026.

The service sector is a major driver of the UK economy, encompassing financial services, professional services, healthcare, education, hospitality, tourism, retail, and transportation. It plays a crucial role in economic growth, employment, and quality of life. The sector faces challenges such as technological disruption but offers growth opportunities, particularly in digital services, healthcare, and education.

Figure 15: Services Output (GBP Trillion/%), 2020–25f



Fiscal situation

Fiscal deficit/surplus situation

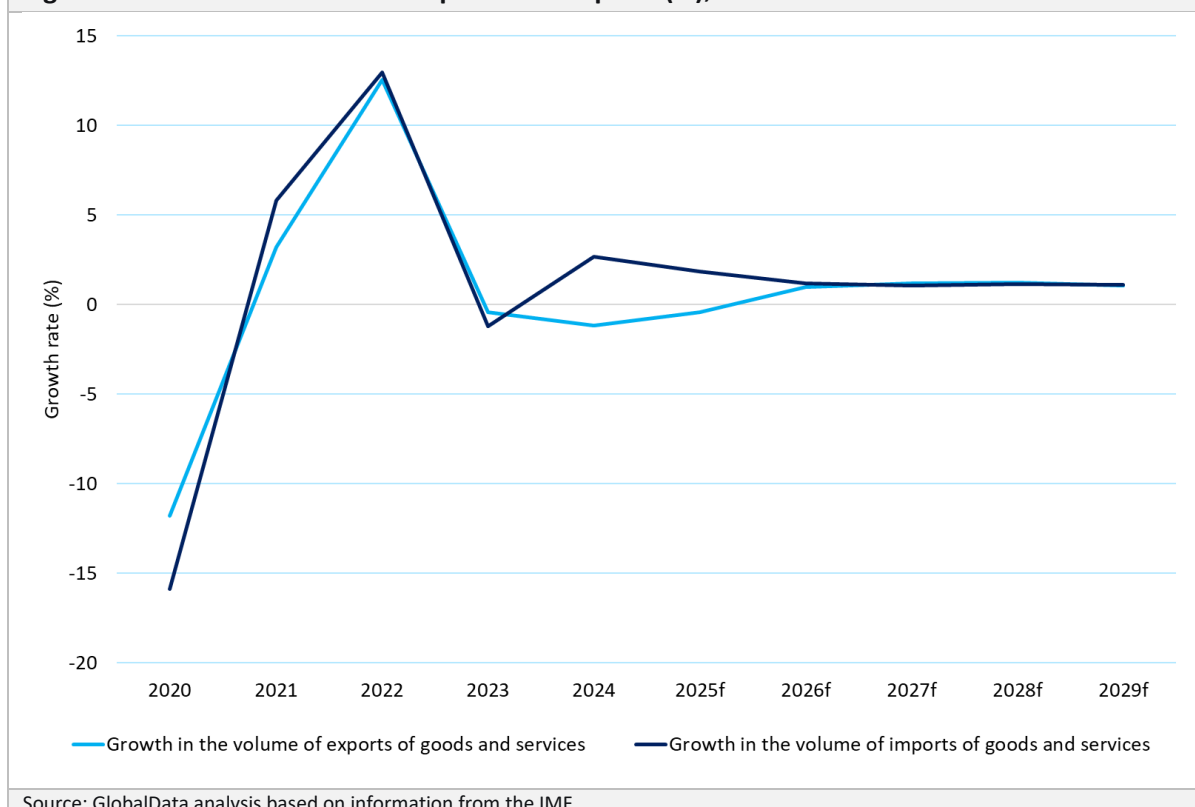
According to the IMF estimates, the country's general government net borrowing was recorded at 5.7% of GDP in 2024. General government net borrowing is forecast to decrease to 4.4% of GDP in 2025 and 3.7% of GDP in 2026.

International trade

Exports and imports

In 2024, total import volume increased by 2.7%, while exports experienced a decline of 1.2%. According to the IMF's April 2025 update, imports are projected to grow by 1.8% in 2025 and 1.2% in 2026. Conversely, exports are expected to contract by 0.4% in 2025 before rebounding with a growth of 1.0% in 2026.

According to the International Trade Centre (ITC) Trade Map, the country's main export partners in 2024 were the US (13.9%), China (9.1%), Germany (7.6%), the Netherlands (6.6%), and Ireland (5.7%). Its main import partners were China (12.1%), the US (11.3%), Germany (9.4%), France (4.8%), and Italy (3.9%) during the same period.

Figure 16: Growth in Volume of Exports and Imports (%), 2020–29f

Government debt

According to the IMF, general government gross debt of the country was recorded at 101.2% of GDP in 2024 and is forecast to increase to 103.9% in 2025 and to 105.4% in 2026.

Current account

According to the IMF, the current account deficit of the country was recorded at 3.4% of GDP in 2024 and is forecast to reach 3.7% of GDP in 2025 and 2026.

International investment position

Total foreign investments

According to the United Nations Conference on Trade and Development, *World Investment Report (2025)*, FDI inward inflows were recorded at (-)\$40.0 billion in 2024, compared to \$52.2 billion in the previous year. FDI outflows from the UK were recorded at \$25.3 billion in 2024, down from \$67.2 billion in 2023.

The number of greenfield investments in the UK was 1,193 in 2024, compared to 1,212 in 2023.

Monetary situation

Inflation

The inflation rate in the UK was recorded at 3.3% in 2024, down from 6.8% in 2023. According to the IMF, inflation is expected to decrease to 3.1% in 2025 and to 2.3% in 2026.

The UK's inflation rate rose to 3.6% for the year ending June 2025, up from 3.4% in May 2025, according to the Office for National Statistics. This increase was unexpected and primarily driven by higher motor fuel costs and continued rise in food prices, marking the third consecutive month of food inflation growth. The inflation rate has fluctuated significantly in recent years, peaking at 11.1% in October 2022 before falling to a low of 1.7% in September 2024. The recent increase in inflation has raised concerns among economists and policymakers, although the BoE is still expected to cut interest rates later in the summer despite inflationary pressures. Food prices, particularly for staples such as bread, cereals, and dairy products, have seen a significant increase, contributing to the financial strain on households. The situation has prompted reactions from various political figures, highlighting the ongoing challenges faced by families in managing their budgets amid rising living costs.

Figure 17: Consumer Price Index and Inflation Rate (Index/%), 2020–29f

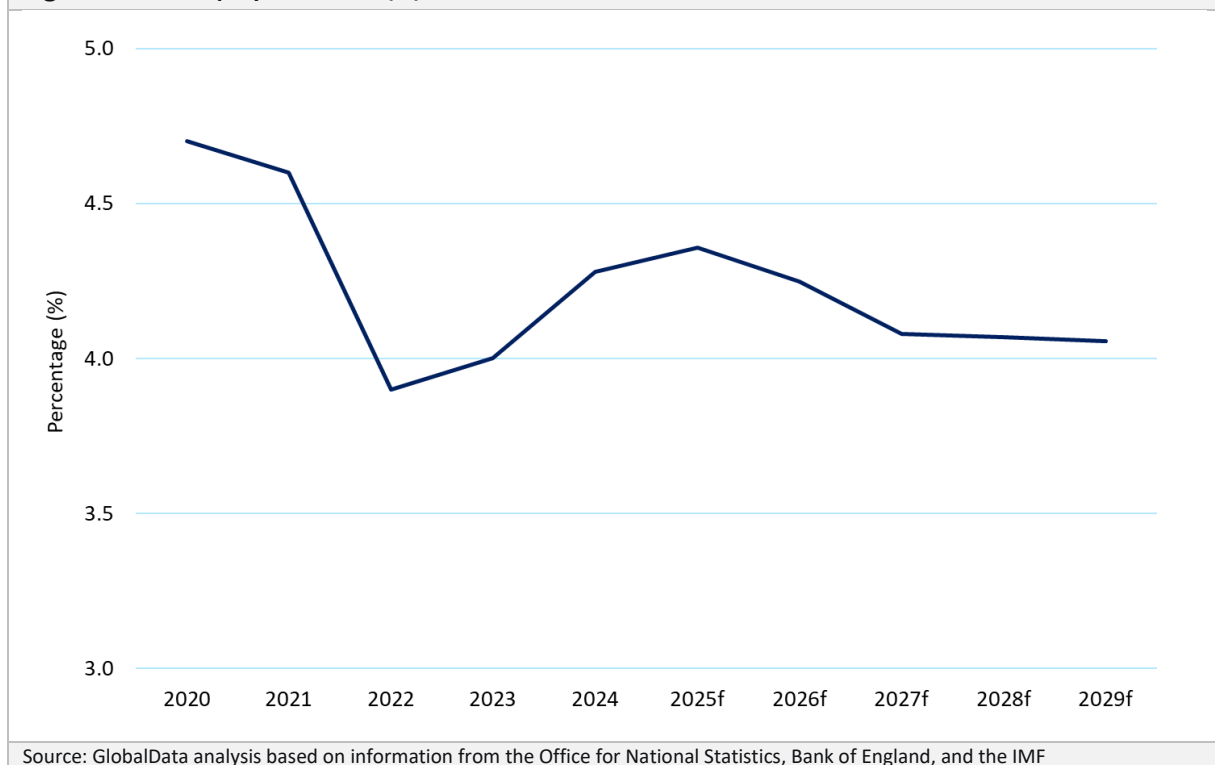


Source: GlobalData analysis based on information from the Office for National Statistics and the World Bank

Employment

According to GlobalData, the unemployment rate in the UK was recorded at 4.3% in 2024, up from 4.0% in 2023. However, it is forecast to rise to 4.4% in 2025 before declining to 4.2% in 2026.

According to the Office for National Statistics, the UK's unemployment rate rose to 4.7% in the three months leading up to May 2025, a significant increase from 2.6% in April 2025. This is the highest unemployment level since July 2021. The rise in unemployment affected all durations, with increase noted for those unemployed for up to six months, between six and 12 months, and over 12 months. On a positive note, the number of employed individuals grew by 134,000, reaching a total of 34.13 million, the highest figure since February 2025. This growth was supported by gains in both part-time and full-time employment. Additionally, the proportion of people with second jobs rose to 3.9% of all employed individuals. In contrast, the economic inactivity rate fell by 0.3 percentage points to 21%. These mixed signals reflect ongoing changes in the UK labor market, highlighting both challenges and areas of growth as the economy continues to evolve.

Figure 18: Unemployment Rate (%), 2020–29f

Outlook

The UK economy is projected to experience modest growth in 2025 and 2026, with GDP expected to grow at an average rate of 1.1%. The initial strength observed in early 2025, largely driven by exporters frontloading orders, is likely to give way to a more subdued economic environment. This shift is anticipated as household and corporate spending is tempered by ongoing uncertainty. The labor market is showing signs of softening, with employment growth slowing significantly, partly because of tax increase for employers implemented in April 2025. Forward-looking indicators suggest further weakening in economic activity and employment, which could lead to a cooling of wage inflation. In this context, the BoE is expected to adopt a more accommodative monetary policy stance. With inflationary pressures anticipated to ease, particularly in the service sector, the BoE is likely to implement a series of interest rate cuts by the end of 2025 as inflationary pressures, particularly in services, ease.

On the trade front, the UK finds itself in a favorable position, having established trade agreements with the US and the EU. The potential imposition of significant US tariffs on EU goods could encourage some European companies to shift operations to the UK to take advantage of lower tariff exposure. Such moves could help revitalize the UK's manufacturing sector, which has considerable spare capacity following Brexit. Overall, while challenges remain, the combination of easing inflation, supportive monetary policy, and favorable trade dynamics may provide a foundation for gradual economic recovery in the UK over the next two years.

Social Landscape

Summary

The UK is one of the most densely populated developed countries in the world. Aside from civil liberties and rights afforded to individuals by the government, residents have access to a leading social welfare system. Much of the population relies on public healthcare services, and there are special projects to care for children, the unemployed, the disabled, and the elderly. The education system is world-renowned and attracts many international students. The UK is home to people from several countries. According to the Wellbeing Research Centre at the University of Oxford, in partnership with Gallup, the UN Sustainable Development Solutions Network, *World Happiness Report* (2025), the UK ranked 23rd out of 100 countries evaluated in 2024. The report explores global happiness trends by analyzing survey data. It examines factors influencing well-being, such as economic stability, social support, and personal freedoms, offering insights into how different nations rank in happiness. However, a cause for concern is a rapidly aging population, which poses several social, economic, and political challenges.

Evolution

Since World War II, the UK has developed into a multicultural, multi-ethnic, and secular country with a large white majority and minority communities from all over the world. In contrast with some European countries, immigration is contributing to a population increase. The Labour Party came to power in the UK shortly after World War II and focused on an approach that leaned left, in line with public opinion at the time. The years between the World Wars saw the Conservative Party associated with widespread poverty and mass unemployment, so the Labour government focused on industrial development and the creation of a solid social infrastructure. The concept of the welfare state was introduced, and several industries were nationalized. The establishment of the National Health Service (NHS) in 1948 is one of the party's biggest achievements.

The victory of Thatcher's Conservative Party in the 1979 elections brought about a change of direction for the UK's economy. The government was more focused on involving the private sector and developing the economy rather than on the creation of a welfare state. More recently, the Labour government of the late 1990s and 2000s adopted the "third way," a combination of previous approaches to governance. Since 2016, nationalistic sentiments have risen in the country, as evident from the support of Brexit.

In April 2024, Prime Minister Rishi Sunak addressed the growing issue of economic inactivity in the UK, particularly following the pandemic, which saw an increase of 850,000 individuals citing long-term sickness. His government implemented several measures aimed at welfare reform to encourage work and reduce dependency on benefits. Key initiatives include the introduction of Universal Credit, which ensures that work pays, and the National Living Wage, which has been consistently raised to combat low pay.

Sunak's government also rolled out 30 hours of free childcare for families with children over nine months old and cut National Insurance for workers, saving the average earner GBP900 (\$1,150.5) annually. To address rising welfare costs, projected to exceed GBP69 billion (\$88.2 billion) for working-age benefits, the government plans to tighten Work Capability Assessments, ensuring that individuals with less severe conditions are encouraged to seek employment. Additionally, reforms will focus on preventing transitions from work to welfare, enhancing support for those with mental health issues, and cracking down on welfare fraud through new legislation and technology. These measures aim to restore dignity and purpose through work while ensuring fairness for taxpayers.

In June 2025, the UK government introduced new welfare legislation aimed at supporting vulnerable individuals and households. Key measures include a significant increase in the Universal Credit standard rate, marking the largest real-terms boost since 1980, benefiting nearly four million households. The legislation also protects over 200,000 individuals with severe, lifelong disabilities from future reassessments for Universal Credit. Additionally, a 13-week financial support period will be provided for those affected by changes to the Personal Independence Payment (PIP). The

reforms are part of a broader GBP1 billion (\$1.3 billion) employment support package designed to help individuals with health conditions return to work. With the aim of creating a more sustainable social security system, the government anticipates that spending on working-age disability benefits could reach GBP70 billion (\$89.5 billion) annually by the end of this parliament, reflecting the urgent need for reform in the welfare system.

In July 2025, a report from the Institute for Government revealed that nearly 100,000 older adults in England are being denied state-funded long-term social care, highlighting significant disparities in access. The percentage of older adults (65+) receiving publicly funded care plummeted from 8.2% in 2003–04 to just 3.6% in 2023–24, a decline of over 56%. In contrast, access for working-age adults remained stable at 0.8%. Regional disparities are stark; for instance, 4.9% of older adults in London receive care, compared to only 2.8% in the South West. The report also noted that areas with higher deprivation levels often see increased reliance on unpaid care from family and friends. As the older population is projected to grow rapidly, the findings underscore the urgent need for reform in care provision to ensure equitable access across England.

Structure and policies

Demographic composition

Age and gender composition

In 2024, the demographic distribution of the UK population revealed that 19.3% were aged 65 and older, while 63.3% fell within the working-age group of 15 to 64 years. Additionally, 17.4% of the population was in the 0–14 age group. The gender ratio at birth during this year was reported at 96.7 males for every 100 females, according to GlobalData. Looking ahead, GlobalData forecasts that by 2030, the population will shift, with an estimated 16.7% in the young age group, 62.3% in the working-age group, and 21% classified as elderly.

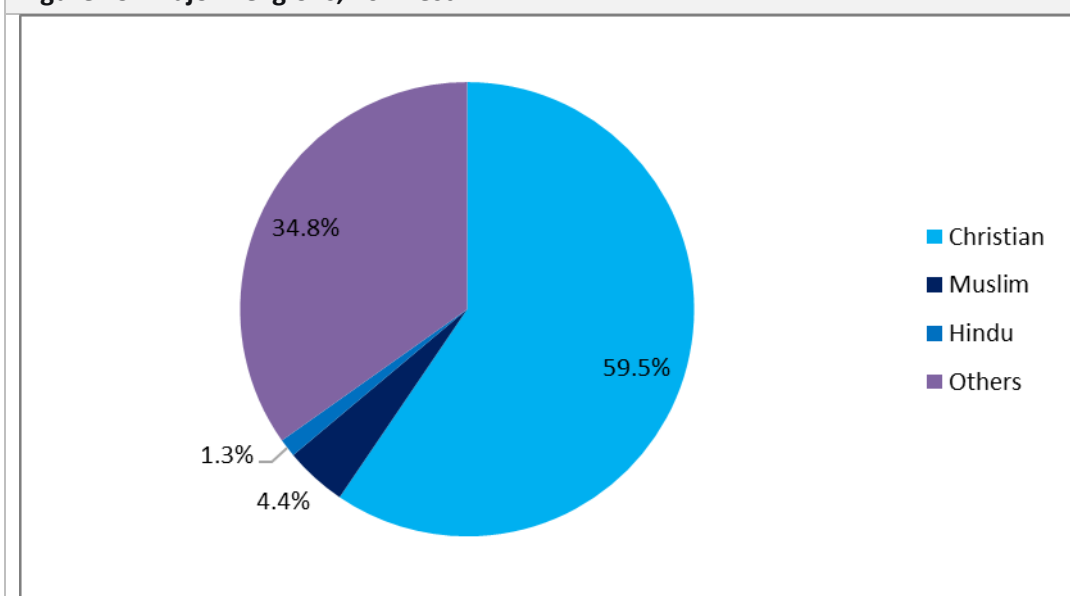
Table 9: Population by Gender (% of Total Population), 2024		
Age group	Female	Male
0–4	5.46	5.91
5–9	5.44	5.87
10–14	5.80	6.24
15–19	5.60	5.96
20–24	5.83	6.08
25–29	6.33	6.81
30–34	6.69	7.07
35–39	6.61	6.74
40–44	6.43	6.45
45–49	5.82	5.83
50–54	6.45	6.39
55–59	6.73	6.61
60–64	6.21	6.09
65–69	5.25	5.07
70–74	4.74	4.42
75–79	4.47	4.00
80+	6.16	4.45

Source: GlobalData analysis based on information from Eurostat

Religious composition

Christianity is the dominant religion in the UK, with 59.5% of the population following it as of 2011, according to The CIA World Factbook.

Figure 19: Major Religions, 2011 est.



Source: GlobalData analysis based on information from The CIA World Factbook

Healthcare

Healthcare services

The NHS was established in 1948 as the single authority for public health in the UK. Since the devolution of power, the constituent countries of England, Scotland, Wales, and Northern Ireland each have their own services that are mainly funded through public taxation. While independent healthcare organizations exist, the health services of the constituent countries provide the majority of healthcare services.

The Health and Social Care Act of 2012 was passed to curtail increasing costs against the backdrop of the UK's aging population. While the government argues that the reforms will reduce costs by 45% and expand treatment options, it remains to be seen if they can bring significant change.

In January 2025, the UK government announced a revitalized New Hospital Programme, confirming that all planned hospital projects will be constructed. This initiative follows a review revealing that the previous government's goal of delivering 40 new hospitals by 2030 was unfunded and unachievable. The Infrastructure Projects Authority (IPA) had rated the previous scheme as "red" due to significant budget and scheduling issues, but recent actions improved its status to "amber." The new plan includes GBP15 billion (\$19.2 billion) funding over five years, averaging GBP3 billion (\$3.8 billion) annually, aimed at addressing the NHS's deteriorating infrastructure. Construction for wave 1 projects is expected to commence between 2025 and 2030, with subsequent waves planned for 2030–35 and 2035–39. Additionally, over GBP1 billion (\$1.3 billion) is allocated for urgent maintenance and upgrades across existing facilities, marking a significant commitment to enhancing the NHS estate.

In July 2025, the UK unveiled a transformative 10-Year Health Plan for England, addressing critical issues within the NHS. The plan aims to shift care from hospitals to community settings, enhance digital access, and prioritize preventive health measures. Key initiatives include establishing Neighbourhood Health Services to provide integrated care,

increasing the number of GPs, and expanding access to mental health services. The NHS App will evolve into a comprehensive tool for patient engagement, allowing for appointment bookings and health management. Additionally, the plan targets health inequalities, aiming to halve the gap in healthy life expectancy between the richest and poorest regions. With a focus on innovative partnerships and preventive strategies, the NHS seeks to improve outcomes for all citizens while ensuring financial sustainability and economic growth. This ambitious reform is crucial for adapting to demographic changes and rising healthcare demands.

According to the OECD database, the UK had 3.3 doctors per 1,000 population in 2023, compared to 4.2 doctors in Spain, 4.5 doctors in Germany, and 3.8 doctors in Ireland.

Education

Schooling is compulsory for all children aged between five and 16, and most children attend government-funded schools. The UK is famous for its educational institutions, especially its higher education institutions, which attract students from all over the world.

While the systems in place in England, Wales, and Northern Ireland are broadly similar, Scotland has a different educational system. The Education Reform Act of 1988 introduced the National Curriculum for state primary and secondary schools in England, Wales, and Northern Ireland. Independent schools, which do not depend on the government for funding, can decide on their own curriculum.

In general, the National Curriculum attempts to focus on a greater depth of knowledge across a narrower range of disciplines, while the Scottish Curriculum attempts to focus on a broader range of disciplines. The National Curriculum covers core subjects, foundation subjects, and basic curriculum subjects. Core subjects include science, mathematics, and English; foundation subjects include history, geography, art and design, music, technology, ICT, and modern foreign languages; and the basic curriculum includes citizenship, religion, and physical education.

Parents may choose to enroll their children in pre-school activities such as playgroups or nursery school before sending them to primary school. Children usually begin attending primary school between the ages of four and six. Parents can send their children to a local school, which must accommodate them without imposing any special condition. The first year of secondary education usually starts between the ages of 11 and 13. Students who go on to pursue higher education are usually between the ages of 17 and 19.

The majority of students who wish to pursue higher education use the Universities and Colleges Admissions Service, although for certain courses, different admission services may be required. While the UK's universities are not owned by the state, the government finances most.

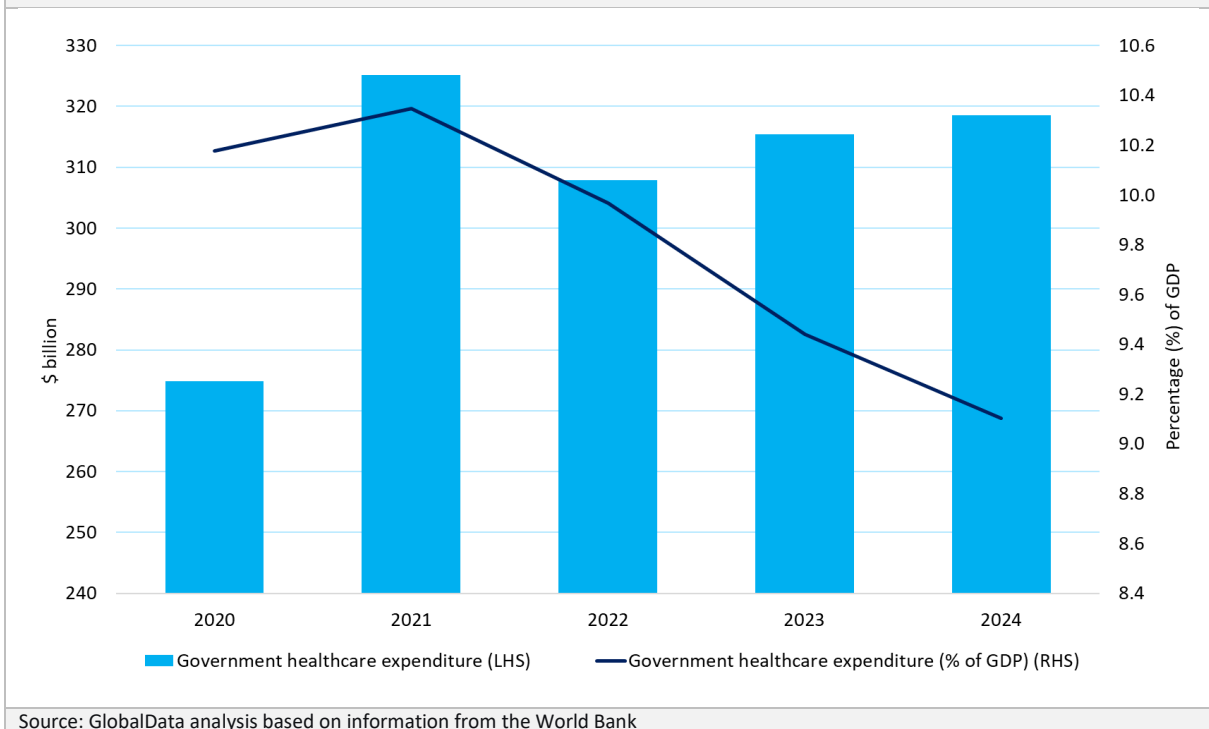
In February 2025, Education Secretary Bridget Phillipson announced a comprehensive plan aimed at improving over 600 'stuck' schools in England, which have received consecutive poor Ofsted ratings and serve more than 300,000 students. These schools typically see primary school results that are 14 percentage points lower and secondary results that are a grade worse per subject compared to their peers. The government will invest GBP20 million (\$25.6 million) to establish regional improvement teams (RISE teams) dedicated to creating tailored improvement strategies, with each school eligible for up to GBP100,000 (\$127,830) in support, significantly more than the previous GBP6,000 (\$7,669) grant. The initiative focuses on stronger accountability and intervention, with expectations that mandatory interventions will double, ensuring that every child has access to quality education and the opportunity to succeed, regardless of their background.

Performance

Healthcare

In 2024, general government health expenditure reached \$318.5 billion, accounting for 9.1% of GDP. This marks a slight increase from 2023, when spending was \$315.4 billion, representing 9.4% of GDP, according to GlobalData.

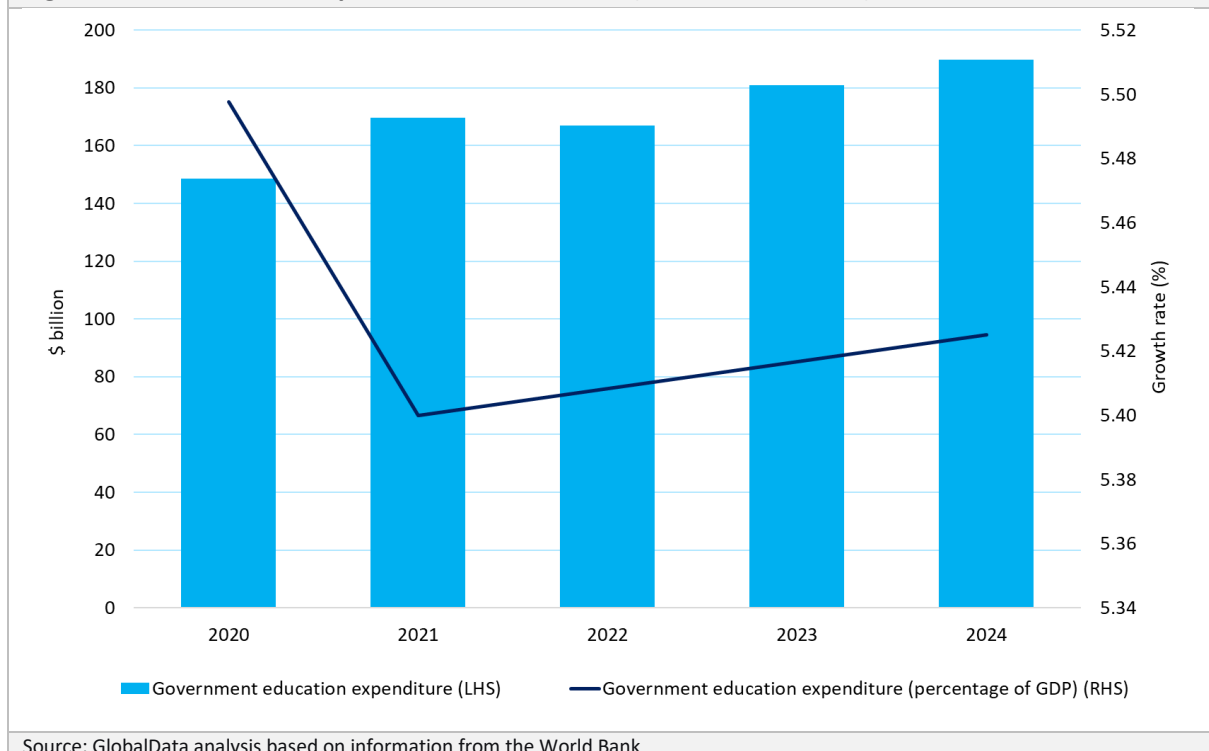
Figure 20: Government Expenditure on Healthcare (\$ Billion/% of GDP), 2020–24



Education

In 2024, government education expenditure as a percentage of GDP was 5.4%. During 2020–24, the general government education expenditure averaged 5.4% of GDP, according to GlobalData.

Figure 21: Government Expenditure on Education (\$ Billion/% of GDP), 2020–24



Outlook

The social landscape in the UK is undergoing significant transformation as the government implements a series of reforms aimed at enhancing welfare, healthcare, and education. By mid-2025, initiatives such as increased Universal Credit rates and protections for individuals with disabilities reflect a commitment to supporting vulnerable populations. The introduction of a comprehensive 10-Year Health Plan signifies a shift toward community-based care, prioritizing preventive health measures and addressing health inequalities. Meanwhile, efforts to improve underperforming schools aim to ensure that all children, regardless of their background, receive quality education. These reforms are driven by the recognition of pressing social issues, including disparities in access to care and educational opportunities. As the government invests in these critical areas, the focus is on creating a more equitable society that meets the needs of its diverse population. The anticipated outcomes of these initiatives will not only enhance individual well-being but also contribute to the overall resilience and sustainability of the social fabric in the UK, setting the stage for a more inclusive future.

Technological Landscape

Summary

The UK is at the forefront of research and development (R&D) and innovation. The government has helped to establish an environment conducive to the development of new technology across all sectors of industry. Expenditure on R&D and other measures to encourage R&D within the private sector has borne fruit, and the UK has emerged as a key exporter of technology. The Department for Innovation, Universities and Skills (DIUS) is the government department that oversees the progress of the UK in this regard. The DIUS envisions its role as creating and maintaining a “world-class research base” and utilizing this research base to “support innovation across all sectors of the economy.”

A few industries stand out in terms of innovation. Pharmaceutical, defense, e-commerce, and telecommunications firms are competitive with their international counterparts. In the face of increasing global competition, innovation will help developed countries to compete with emerging economic powers. The UK has the world's largest aerospace industry outside of the US. Aside from being a key supplier of aerospace requirements, the country also excels in all fundamental areas of research; it develops advanced technology for nanomaterials and the use of wave and tidal energy.

According to WIPO, *Global Innovation Index* (2024), the UK holds the fifth position among 133 economies evaluated for their innovation capabilities. This index, which assesses around 80 indicators categorized into innovation inputs and outputs, highlights the diverse aspects of innovation. Within the high-income group, the UK ranks fifth out of 51 economies and stands third among 39 European nations. Notably, the UK demonstrates stronger performance in innovation outputs compared to inputs this year. Specifically, the country ranks 10th in innovation inputs, reflecting a decline from the previous year, while its position in innovation outputs has also dropped to third. This trend indicates challenges in maintaining innovation input performance, despite continued strength in output metrics. Overall, the UK remains a key participant in the global innovation landscape, although it faces pressures to enhance its input capabilities.

Evolution

The Royal Society, the national academy of science in the UK and the Commonwealth, is the most prestigious source of innovation in the UK. It was established in 1660, and since 1850 it has benefited from government support. In subsequent years, many research centers were established in various scientific streams. These include the Biotechnology and Biological Sciences Research Council, the Council for the Central Laboratory of the Research

Councils, the Medical Research Council, the National Environmental Council, and the Particle Physics and Astronomy Research Council. There are also many private R&D centers in the UK.

In November 2022, British Prime Minister Rishi Sunak unveiled a new scheme aimed at attracting the world's 100 most talented young professionals in the field of artificial intelligence (AI), with the purpose of making the UK a "beacon" to attract the "brightest and best" from around the world. In addition, in January 2023, Prime Minister Rishi Sunak stated that he aims to build an innovative economy by providing more employment opportunities and higher pay. The government also aims to provide finance so that entrepreneurial and fast-growing companies can expand and develop R&D, with the aim of the UK leading in AI, life sciences, quantum computing, financial services, and green technology.

In February 2024, the UK government announced a GBP45 million (\$56.0 million) investment in the country's quantum sector, part of its commitment to transform into a quantum-enabled economy by 2033. This investment aims to leverage quantum technology to revolutionize sectors such as healthcare, energy, and transportation. Among the projects receiving funding are the development of a high-tech brain scanner using quantum technology, which could improve the diagnosis of disorders such as epilepsy and dementia. Another project involves a smart navigation system for trains, utilizing quantum sensors to enhance safety and reduce costs in tunnels. These initiatives showcase cutting-edge advancements being developed in the UK with the potential to transform healthcare and transportation.

In March 2024, Germany and the UK signed an agreement to collaborate in several areas, including Artificial Intelligence (AI), quantum, and clean technology.

The UK biotech sector reported a remarkable GBP3.5 billion (\$4.5 billion) in investments for 2024, marking a 94% increase from the previous year and the highest annual total since 2021, according to the UK BioIndustry Association (BIA). This increase underscores the sector's resilience and innovation, particularly amid challenging economic conditions. The BIA stated that venture capital funding reached GBP2.1 billion (\$2.7 billion) across 111 deals, a 64.8% rise from 2023, with North American investors contributing 26% of the total. Additionally, public markets saw GBP1.5 billion (\$1.9 billion) raised through follow-on financings, a 170% increase over the previous year. Despite this growth, the report emphasized the need for UK institutional investors to engage more actively, as foreign investment is currently dominating the landscape. The UK government recognizes life sciences as a priority sector, aiming to enhance economic growth through increased investment in this dynamic industry.

In June 2025, the UK government unveiled a GBP86 billion (\$109.9 billion) investment in science and technology, committing GBP22.5 billion (\$28.8 billion) annually over the next four years. This initiative aims to bolster R&D across various sectors, including life sciences, artificial intelligence, and renewable energy. Regional authorities will receive up to GBP500 million (\$639.2 million) to direct investments locally, enhancing economic growth in areas such as Liverpool and Northern Ireland. The funding aligns with previous commitments to elevate R&D spending, reflecting a strategic focus on innovation to create jobs and strengthen national security. Additionally, an overhaul of the Treasury's investment evaluation guidelines is anticipated, addressing concerns of regional bias in funding distribution. This comprehensive approach is set to position the UK as a leader in technological advancement and sustainable development.

In July 2025, a transformative technology upgrade was announced for 300 railway stations across the North of England, marking a significant investment in the region's transport infrastructure. This multi-million-pound initiative, part of a five-year plan set to conclude in March 2027, has seen the installation of over 700 new customer information screens and 530 public announcement speakers. The upgraded digital displays utilize high-contrast white LED technology, enhancing visibility for all passengers, particularly those with visual impairments. These larger screens provide real-time updates on departure times, service changes, and safety messages, ensuring that travelers receive clear and timely information. This initiative not only improves passenger experience but also underscores the commitment to modernizing the rail network in the North, fostering greater accessibility and efficiency in public transport.

5G and 6G technology

In December 2022, the UK aimed to accelerate research on 5G and 6G technology as part of GBP110 (\$133 million) telecoms R&D. EE Limited, the UK's largest network operator, launched its 5G network in mid-2019 and is now live across approximately 50% of the UK, with the aim of covering the whole country by 2028.

In June 2025, VodafoneThree announced a transformative GBP11 billion (\$14.1 billion) investment aimed at establishing the UK's best mobile network. This initiative is one of the largest privately funded infrastructure projects in the country, targeting 99.95% 5G Standalone population coverage by 2034 and creating approximately 13,000 jobs at its peak. By the end of 2025, the project aims to eliminate 16,500km² of coverage gaps, equivalent to 10 times the size of London. Additionally, VodafoneThree plans to launch beta trials for a space-based satellite mobile network within a year, enhancing connectivity in hard-to-reach areas. The company also commits to improving customer service with new care centers in Belfast and Sheffield, creating 400 jobs, and introducing a 'Just Ask Once' Promise to streamline customer support. This ambitious plan positions VodafoneThree as a leader in both mobile and broadband markets across the UK.

In July 2025, the UK Space Agency allocated GBP4.5 million (\$6 million) to four innovative projects aimed at advancing satellite-based 5G and 6G technologies. These initiatives include MDA Space UK's SkyPhi mission for direct connectivity via low Earth orbit satellites, Orbit Fab's development of in-orbit refueling systems for telecom satellites, SSTL's lunar communications system for deep-space connectivity, and Viasat's hybrid GEO-LEO network for global 5G coverage. Additionally, GBP1.6 million (\$2.1 million) will support the UK's space cluster network to foster further innovation in the sector.

AI implementation

In January 2025, the UK prime minister unveiled a comprehensive plan to harness artificial intelligence for national renewal, aiming to boost economic growth and improve public services over the next decade. This initiative follows the recommendations of Matt Clifford's AI Opportunities Action Plan, with the government committing to all 50 proposed measures. The plan is designed to enhance productivity, potentially adding GBP47 billion (\$60.1 billion) annually to the UK economy by fully adopting AI technologies.

Key components include the establishment of dedicated AI Growth Zones to expedite planning for AI infrastructure, significantly increasing public computing capacity, and creating a new National Data Library to optimize public data usage. Major tech firms, including Vantage Data Centres, Nscale, and Kyndryl, have pledged GBP14 billion (\$17.9 billion) in investments, promising to create over 13,250 jobs across the country.

The government aims to position the UK as a global leader in AI by fostering innovation and attracting investment. The plan emphasizes collaboration across public and private sectors, with a focus on improving efficiency in services such as healthcare and education. Additionally, a new digital center of government will facilitate the adoption of AI technologies. Overall, the initiative seeks to ensure that the benefits of AI are widely distributed, enhancing living standards for all citizens while driving economic growth.

Structure and policies

Intellectual property

The UK Intellectual Property Office (UKIPO), an executive agency of the DIUS, is the official body responsible for granting intellectual property rights in the UK, including trademarks, designs, patents, and copyright. Direct administrative responsibility for the examination and issuance of patents lies with the UKIPO. The number of patents received by the UK was 7,593 in 2024, higher than that of France (6,596) but below that of Germany (16,447), according to the USPTO.

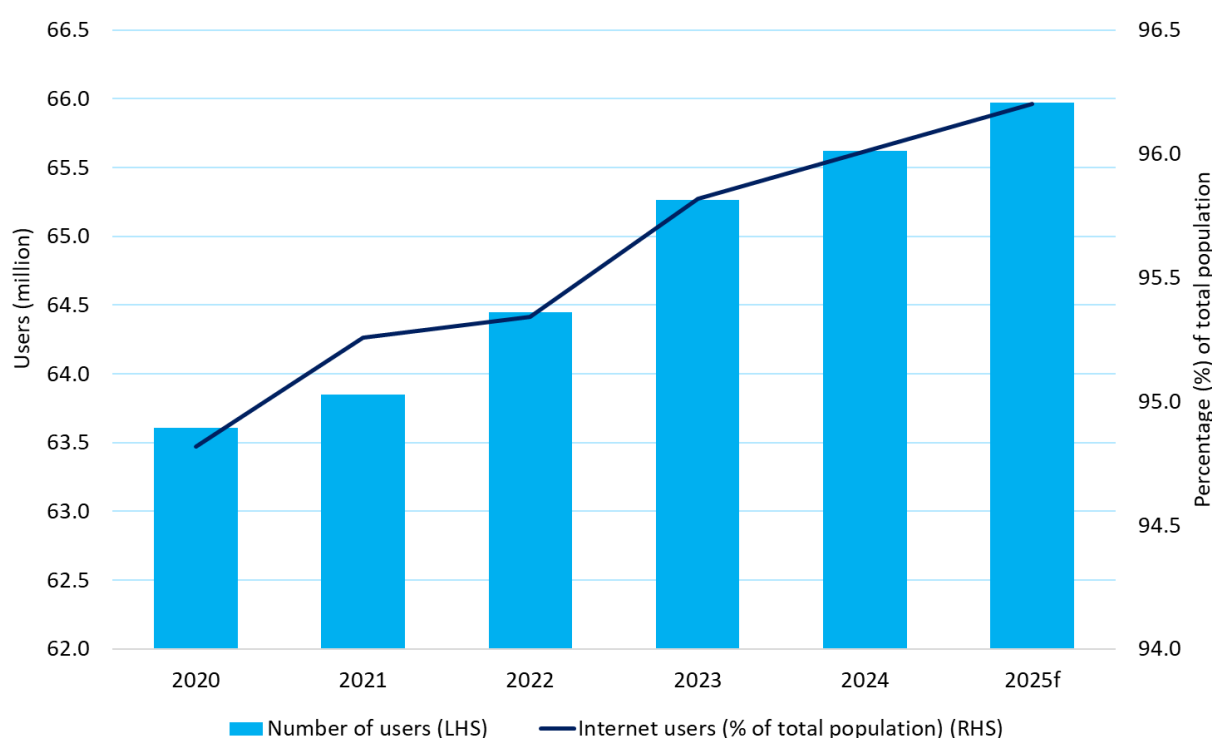
Performance

Mobile and internet users

According to GlobalData, the penetration rate for mobile subscriptions stood at 122.6 subscriptions per 100 people in 2024. The country had 83.8 million mobile subscriptions at the end of 2024, which is expected to increase to 86.9 million by 2030.

The number of internet users in the country also grew rapidly. In 2015, 92.0% of the population had access to the internet, and this figure increased to 96.0% in 2024. The number of internet users at the end of 2024 totaled 65.6 million, which is expected to reach 67.4 million by 2030.

Figure 22: Internet Users (Million/% of Total Population), 2020–25f



Source: GlobalData analysis based on information from the World Bank

Outlook

The UK is poised for a transformative decade in technology, driven by significant investments and strategic initiatives aimed at harnessing artificial intelligence and enhancing infrastructure. The government's comprehensive plan to integrate AI across various sectors promises to boost economic growth, improve public services, and create thousands of jobs. By establishing AI Growth Zones and optimizing public data usage, the UK aims to position itself as a global leader in AI innovation. In parallel, VodafoneThree's ambitious investment in mobile network infrastructure seeks to achieve near-total 5G coverage, enhancing connectivity nationwide and supporting the rollout of satellite-based networks. The UK Space Agency's funding for advanced satellite technologies further underscores the commitment to pioneering telecommunications. Additionally, substantial investments in science and technology will bolster research and development, particularly in life sciences and renewable energy, fostering regional economic growth. Upgrades to transport infrastructure, particularly in the North, will enhance accessibility and efficiency, reflecting a broader

commitment to modernizing public services. Overall, the UK's tech landscape is set for significant advancements, promising improved living standards and economic resilience.

Legal Landscape

Summary

The UK's judicial system is one of the fairest and most transparent systems in the world. Scotland and Northern Ireland each use different legal systems, but both are based on the same fundamentals. Several laws govern businesses in the UK. These laws are largely conducive to the business environment. The most important laws relate to the incorporation of business, taxation, monopolies, restrictive trade practices, intellectual property rights (IPR), and labor laws. As of mid-2025, the UK legal landscape is undergoing significant transformation due to the rapid integration of artificial intelligence (AI). While AI enhances efficiency in tasks such as document analysis and legal research, it also raises concerns about ethical issues, algorithmic bias, and the risk of generating fictitious case citations. Adoption rates among law firms are increasing, with significant investments in AI tools. Regulatory bodies, including the Information Commissioner's Office and the Solicitors Regulation Authority, emphasize the need for fairness, transparency, and robust governance frameworks to mitigate risks and ensure responsible AI use in legal practice.

Evolution

There are three different legal jurisdictions in the UK, each with its own legal system; these are based on English law, Northern Irish law, and Scots law. English law uses a common law system, while Northern Irish law is based on the common law system and is partly influenced by English law. Scots law is influenced by both ancient Roman law and civil law and, as a result, is called a mixed legal system. Laws about the commercial and business sectors are common for the whole region. Although labor law originated in 1823, many laws were amended after the formation of the EU. Similarly, laws relating to company law, commercial law, competition law, and IPR have been amended. The laws related to the workplace include: i) flexible working requests, wherein employees would be allowed to make two requests within one year, and the time employers have to respond would be reduced from three to two months; ii) family-friendly measures, wherein the Pregnancy and Family Leave Bill would extend redundancy protection to include pregnant women and new parents returning from family leave; iii) voluntary ethnicity pay gap reporting, wherein organizations would voluntarily choose to publish ethnicity pay figures and publish an action plan to justify why disparities exist and how they can be addressed; iv) hybrid and remote working; and v) employment law cases.

In October 2023, the UK government announced a landmark initiative to establish a 'smokefree generation' by prohibiting cigarette sales to anyone born on or after January 1, 2009. This legislation aims to combat smoking, the leading preventable cause of death in the UK, responsible for approximately 64,000 deaths annually. The phased approach will gradually raise the legal smoking age, potentially phasing out smoking among young people by 2040. The government also plans to address youth vaping by consulting on restrictions for disposable vapes and flavor regulations.

In the first quarter of 2025, renewable electricity generation in the UK decreased to 46.3% of total generation, a drop of 4.9 percentage points from the previous year, according to the Department of Energy Security and Net Zero. This decline was primarily due to near-record low wind speeds, which resulted in a 13% reduction in wind generation, contributing 28.5% to the total, compared to 38.1% from gas. Gas generation rose as a response to low wind output and decreased net electricity imports. Despite a 6% increase in renewable generation capacity compared to the corresponding period of the previous year, overall low-carbon generation fell to 58.2%, down 3.5 percentage points, with nuclear output rising by 15%. UK energy production overall decreased by 2%, influenced by reduced gas output and low wind generation. However, oil production saw a 4% increase, although it remains significantly below pre-pandemic levels. Final energy consumption rose by 3%, driven by a 6% increase in household usage due to colder weather, while industrial consumption fell by 3%. Overall, consumption remains 7% lower than pre-pandemic averages.

In May 2025, the UK government released a white paper titled "Restoring Control Over the Immigration System," proposing significant changes to immigration and settlement rules aimed at reducing net migration. Key proposals include shortening the list of jobs eligible for Skilled Worker visas, ending the exemption for overseas recruitment of social care workers, and introducing stricter English language requirements for visa applicants and their dependents. Notably, the standard qualifying period for indefinite leave to remain will increase from five to 10 years, although some individuals may qualify sooner based on contributions to the UK economy. The government plans to consult on the specifics of this "earned settlement" scheme later in 2025. Other changes include a reduction in the Graduate visa duration from two years to 18 months and tougher compliance rules for universities sponsoring international students. Initial implementations of these proposals began in July 2025.

The Data (Use and Access) Act 2025 (DUAA), which received Royal Assent in June 2025, introduces significant updates to the UK's data protection and privacy framework. The Act aims to simplify regulations for organizations while promoting innovation and enhancing law enforcement capabilities. Key changes include a more flexible approach to automated decision-making, requiring organizations to inform individuals about significant automated decisions and allowing for human intervention. The Act also clarifies response times for subject access requests, introduces new protections for children's data, and expands the definition of scientific research to include commercial activities. Additionally, it establishes a new lawful ground for processing data related to recognized legitimate interests, streamlines international data transfer rules, and mandates organizations to handle complaints more effectively. Furthermore, the DUAA allows certain low-risk storage technologies, such as cookies, to be used without explicit consent. Amendments to the Data Protection Act 2018 ensure consistency across data protection regimes. The implementation of these changes will occur in stages over the next two to 12 months.

In July 2025, the UK government announced a ban on non-disclosure agreements (NDAs) that silence victims of workplace harassment and abuse, as part of the Employment Rights Bill. This amendment aims to empower employees by nullifying NDAs that prevent them from speaking out about harassment or discrimination, allowing both victims and witnesses to share their experiences without fear of legal repercussions. Deputy Prime Minister Angela Rayner emphasized the government's commitment to ending the misuse of NDAs, while campaigners such as Zelda Perkins celebrated this significant step toward protecting workers' rights. The Employment Rights Bill also includes broader reforms to enhance job security and address poor working conditions, marking a substantial upgrade to workers' rights in the UK.

Structure and policies

Judicial system

Structure of the system

The UK does not have a single criminal or penal code, and there is an emphasis on separation of the judiciary and prosecuting authorities. England and Wales, Scotland, and Northern Ireland have separate legal systems. Common law principles apply for English and Northern Irish law, while civil law principles alongside some elements of common law form the bedrock of Scots' law. For England, Wales, and civil cases in Scotland, and Northern Ireland, the Supreme Court is the highest court. In terms of criminal cases in Scotland, the highest court is the High Court of Justiciary. In the past, the structure of the judicial system has been criticized for its lack of transparency and for being archaic. In response to this criticism, the Constitutional Reform Act 2005 was passed, laying the foundation for establishment of the Supreme Court, which started functioning in 2009 and took over the House of Lords' jurisdiction as the highest court in the land. The Supreme Court hears all appeals from England, Northern Ireland, and Wales, and civil appeals from Scotland.

Between 2016 and March 2025, HM Courts & Tribunals Service (HMCTS) implemented a comprehensive reform program that digitized numerous court and tribunal services, enhancing user experience and operational efficiency. Key achievements included the launch of 14 digital services, processing over 4.1 million digitally submitted cases, and installing video technology in 70% of courtrooms. The Common Platform managed over 2.3 million criminal cases, while five modern service centers handled over 2.8 million calls in 2024. User satisfaction rates were significantly high, with 93% of online probate applicants expressing satisfaction. The initiative aimed to provide faster access to justice for

various groups, including victims of crime, families in distress, and individuals facing employment disputes, ultimately reinforcing the principles of justice, accessibility, and proportionality.

Tax reforms

In April 2025, the UK government unveiled a comprehensive package of tax and customs reforms aimed at simplifying administrative processes, reducing burdens on businesses, and modernizing the tax system. These reforms are designed to foster economic growth by enabling businesses to focus on value creation rather than navigating complex tax regulations.

Key Highlights:

Simplification of Tax Schemes:

Capital Goods Scheme: The government will exclude computers from the scheme and raise the capital expenditure threshold for land and buildings to GBP600,000 (\$766,980), easing the administrative load on small businesses.

Spirit Drinks Verification Scheme: A new flat fee of GBP250 (\$319.6) every two years will replace the current fee structure for operators, effective from July 2025.

Corporate Interest Restriction: Stakeholder engagement will be initiated to streamline the administration of Corporate Interest Restriction, with a working group established to explore improvements.

International Tax Reforms: A consultation has been launched to reform UK laws on transfer pricing, permanent establishments, and Diverted Profits Tax, following a prior consultation in summer 2023.

Digital Innovations:

- **Electronic Invoicing:** A consultation aims to establish standards for e-invoicing, promoting its adoption across UK businesses and the public sector.
- **Check Employment Status for Tax (CEST):** The CEST tool will be revised to enhance user experience, with updated guidance published to support users.

Employment Tax Simplifications:

- The process for transferring National Insurance contributions liability for employment-related securities will be simplified, effective May 2025.
- The government will not proceed with requiring detailed reporting of employee hours, easing compliance burdens for employers.

Modernization Initiatives:

- The Cultural Gift Scheme will be reformed to enhance accessibility and participation.
- A new interactive compliance guidance tool will be launched to assist taxpayers during compliance checks.

Customs Process Improvements:

- The government will enhance customs digitalization and simplify processes, including increasing the frequency of Authorisation by Declaration from three to 10 times annually.
- **Future Consultations:** Ongoing consultations will address various tax issues, including the VAT treatment of charitable donations, Landfill Tax reform, and the modernization of stamp taxes on shares.

These measures collectively aim to create a more efficient, transparent, and user-friendly tax environment, ultimately supporting the UK's economic growth and competitiveness.

Tax regulations

Income tax

The UK employs a progressive taxation system with rates ranging from 0% to 45%. The current tax year spans from April 6, 2025, to April 5, 2026, reflecting the structure of income tax applied to individuals.

Corporate tax

As of April 1, 2025, the main corporation tax rate in the UK is set at 25% for companies with profits exceeding GBP250,000. For UK resident companies with augmented profits below GBP50,000, a reduced rate of 19% applies. Companies with profits between GBP50,000 and GBP250,000 will face a sliding scale of tax rates. Notably, for corporate entities with associated companies, these profit thresholds are adjusted based on the number of active companies globally.

Additionally, for profits derived from the exploitation of patents, a significantly lower effective tax rate of 10% is available. This applies not only to income from patent royalties but can also encompass a substantial portion of trading profits from products that incorporate a patent.

These tax rates will remain unchanged for the financial year beginning April 1, 2026, with the main rate at 25% and the small profits rate at 19%.

VAT

In the UK, the Value Added Tax (VAT) system comprises three main rates as of July 2025. The standard rate is set at 20%, which applies to the majority of goods and services. A reduced rate of 5% is applicable to specific items, such as children's car seats and home energy supplies. Additionally, certain goods and services are classified as zero-rated, meaning they are taxed at 0%; this category includes most food products and children's clothing. This tiered structure allows for varying tax implications based on the nature of the goods and services provided.

Performance

Effectiveness of legal system

According to the Heritage Foundation, *Index of Economic Freedom* (2025), the UK has an economic freedom score of 69.3, positioning it as the 33rd freest economy out of 184 countries. This score reflects a significant decline from 79.3 in 2020, although it shows a slight improvement from 68.6 in 2023. The UK's ranking places it 18th among 44 countries in the European region, indicating that while it remains above the global and regional averages, its economic freedom has been under pressure in recent years. The classification of the UK's economy as "moderately free" suggests that there are both strengths and challenges within its economic framework. Factors contributing to this score include regulatory efficiency, property rights, and market openness, which have seen fluctuations due to various economic policies and external influences. The data underscores the evolving nature of the UK's economic landscape as it navigates post-Brexit realities and global economic changes. Overall, while the UK maintains a relatively strong position in terms of economic freedom, the downward trend from previous years highlights the need for ongoing reforms to enhance its economic environment.

Outlook

As of mid-2025, the UK is witnessing a transformative shift in its legal landscape, particularly concerning workplace rights and immigration policies. The government has enacted significant reforms through the Employment Rights Bill, which includes a ban on NDAs that previously silenced victims of workplace harassment. This move empowers employees to speak out about their experiences, promoting a culture of transparency and accountability. In parallel, the government is proposing changes to immigration rules aimed at reducing net migration, including stricter

requirements for Skilled Worker visas and a longer qualifying period for indefinite leave to remain. These measures reflect a tightening of immigration controls while balancing economic contributions.

Moreover, the introduction of the Data (Use and Access) Act 2025 signifies a shift toward a more flexible data protection framework, enhancing innovation while safeguarding individual rights. Collectively, these developments indicate a commitment to reinforcing justice, accessibility, and worker protections, shaping a more equitable society as the UK navigates the complexities of contemporary legal challenges.

Environmental Landscape

Summary

In the UK, the Department for Environment, Food and Rural Affairs (DEFRA) is responsible for drafting and implementing environmental protection and sustainable development policies. DEFRA identifies its priority as “the need to tackle climate change internationally and through domestic action to reduce greenhouse gas emissions, and secure a healthy, resilient, productive, and diverse natural environment.” Environmental policy in the UK now aims to address air, water, noise, and land and soil pollution as separate problems.

The UK aims to achieve net-zero greenhouse gas emissions by 2050, with a 68% reduction target by 2030 as part of its commitments under the Paris Agreement. Scotland is targeting net zero by 2045. Key policies include the 2021 Net Zero Strategy and the 2023 Net Zero Growth Plan, which focus on decarbonizing various sectors. The Climate Change Committee's 2024 report emphasizes the urgency for the new government to accelerate action, noting that while low-carbon technologies are becoming more affordable, their adoption remains limited. The government is also addressing climate adaptation measures in response to existing changes.

Evolution

The first initiative geared toward the environment in the UK was the Control of Pollution Act 1974, followed by the Environmental Protection Act 1990 (EPA), the Water Resources Act 1991, and the Land Drainage Act 1991. Environmental conservation activities in the UK were strengthened with the establishment of the Environmental Act 1995. This act brought the National Rivers Authority, Her Majesty's Inspectorate of Pollution, the waste regulation authorities in England and Wales, and the London Waste Regulation Authority under its remit.

In March 2023, the Governments of Belize and the UK entered into an agreement for the Ocean Country Partnership Programme, which aims to support partner countries, including Belize, through a collaborative framework. This framework will enhance marine science expertise, develop science-based policy and management tools, and create educational resources for coastal communities. In September 2023, the UK and Ireland signed an agreement to help ensure natural gas supply. In October 2023, Marubeni Corp, a Japanese company, committed to investing GBP10 billion (\$12.4 billion) with its partners over the next decade in clean energy projects in the UK. In November 2023, the UK and South Korea signed an agreement to increase cooperation in offshore wind energy.

In March 2024, the UK established a substantial partnership with Texas, the second-largest state in the US, with the goal of promoting cooperation in green energy, aerospace, and advanced technologies. In March 2024, the UK and Saudi Arabia signed an agreement to increase cooperation in energy research and innovation.

In June 2025, the UK government hosted the "Nature Action: Mobilising Frameworks and Finance" event at Lancaster House, attended by His Majesty the King. The gathering aimed to boost private investment in nature, aligning with commitments made at the UN Nature summit in Montreal, which set a target of mobilizing \$200 billion annually by 2030, including \$20 billion for developing countries by 2025. Environment Secretary Steve Reed emphasized the critical role of nature in sustaining economies and societies. Key announcements included collaborations to enhance nature-

based solutions and the launch of the Nature Investment Standards to foster investor confidence. The event was part of London Climate Action Week, reinforcing the UK's ambition to become a global leader in sustainable finance and nature recovery initiatives.

In July 2025, the UK government announced significant reforms to its Contracts for Difference (CfD) scheme to accelerate the development of renewable energy projects. Key changes include extending contract durations for offshore wind, onshore wind, and solar projects from 15 to 20 years, which is expected to enhance investor confidence and distribute costs more evenly for consumers. The government also introduced a mechanism allowing the energy minister to review developer bids prior to finalizing auction budgets, ensuring better value for consumers. With a target to increase offshore wind capacity from 15GW to 4350GW by 2030, these reforms are part of a broader strategy to attract over GBP30 billion (\$38.3 billion) in private investments annually by 2035. Energy Secretary Ed Miliband emphasized that these changes will support job creation and facilitate the growth of clean power projects across the UK.

Structure and policies

DEFRA is the government department responsible for environmental concerns in the UK. DEFRA aims to “enable everyone to live within environmental means.” Traditionally, environmental policy in the UK has been based on the command-and-control principle, whereby possible polluters are given certain quotas or standards and are monitored by authorities. The concept of integrated pollution control prescribed by the EPA seeks to deal with pollutants in ways that reduce their harmful effects on the environment. Environment laws and policies were previously governed by EU laws. However, post-Brexit, new policies under the draft environmental bill will come into effect.

The UK National Biodiversity Strategy and Action Plan (NBSAP), launched on February 26, 2025, outlines the country's commitment to the Kunming-Montreal Global Biodiversity Framework (GBF), which aims to halt biodiversity loss by 2030. The strategy addresses the urgent decline of species and habitats, driven by pollution and human disconnection from nature. It includes ambitious targets such as expanding protected areas to 30% of land and seas and promoting sustainable practices in agriculture and fisheries. Coordinated by the Joint Nature Conservation Committee (JNCC), the NBSAP reflects a collaborative effort among England, Scotland, Wales, and Northern Ireland, alongside contributions from UK Overseas Territories. This plan is crucial for monitoring progress and ensuring the UK meets its international biodiversity commitments, emphasizing the need for cross-border cooperation to tackle global environmental challenges.

As of May 2025, the UK government is reforming its environmental regulatory framework to enhance economic growth and nature recovery. Key initiatives include appointing a lead regulator for major infrastructure projects, streamlining environmental permits, and revamping guidance to reduce complexity. The Corry Review, published in April 2025, outlines 29 recommendations, with nine prioritized for immediate action. Additionally, a consultation on the Environmental Permitting Regulations is underway, focusing on flood risk, waste operations, and groundwater activities. These reforms aim to balance environmental protection with economic development, reflecting a shift toward more efficient regulatory practices.

Performance

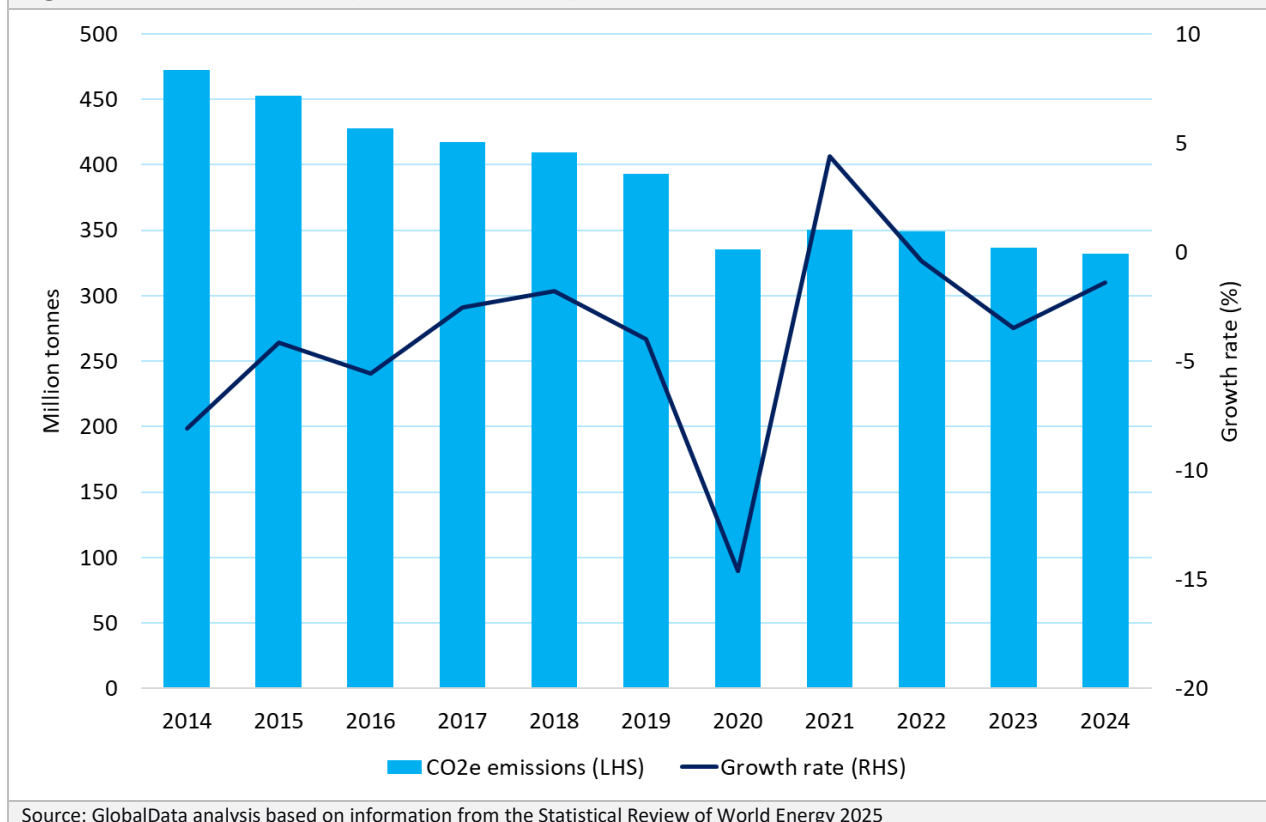
Environmental impact

According to the Energy Institute, *Statistical Review of World Energy* (2025), the UK's CO₂e emissions showed a substantial decline from 2014 to 2024, reflecting a significant shift toward sustainability. In 2014, emissions were recorded at 472.6 million tonnes, with a sharp decrease of 8.1% that year. This downward trend continued, with emissions dropping to 427.9 million tonnes in 2016, a 5.6% reduction. By 2020, emissions fell to 335.7 million tonnes, a 14.6% decline, mostly attributed to the impact of the COVID-19 pandemic.

In 2021, emissions increased to 350.5 million tonnes, a 4.4% rise as economic activities resumed. However, this was short-lived, as emissions decreased to 349.1 million tonnes in 2022, a minimal change of -0.4%. In 2023, emissions

further declined to 337.0 million tonnes, a 3.5% reduction. By 2024, emissions had decreased to 332.3 million tonnes, representing a 1.4% drop from the previous year. This consistent reduction highlights the UK's ongoing commitment to reducing its carbon footprint and addressing climate change.

Figure 23: CO2e Emissions (Million Tonnes/%), 2014–24



Outlook

As of mid-2025, the government is actively enhancing its regulatory framework to streamline environmental processes while ensuring robust protection for nature. This dual focus reflects a growing recognition of the interconnectedness between economic development and environmental stewardship. Recent efforts to mobilize private investment in nature underscore the urgency of addressing biodiversity loss and climate change. By aligning financial incentives with ecological goals, the UK aims to attract significant capital to support nature-based solutions. The commitment to expanding renewable energy capacity, particularly in offshore wind, highlights the nation's dedication to transitioning toward a cleaner energy future. Overall, the outlook is one of cautious optimism, as the UK seeks to balance economic ambitions with the pressing need for environmental recovery. Collaborative efforts across regions and sectors will be essential in achieving these goals, ensuring that the UK emerges as a leader in sustainable practices on the global stage.

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