

# UNITED KINGDOM

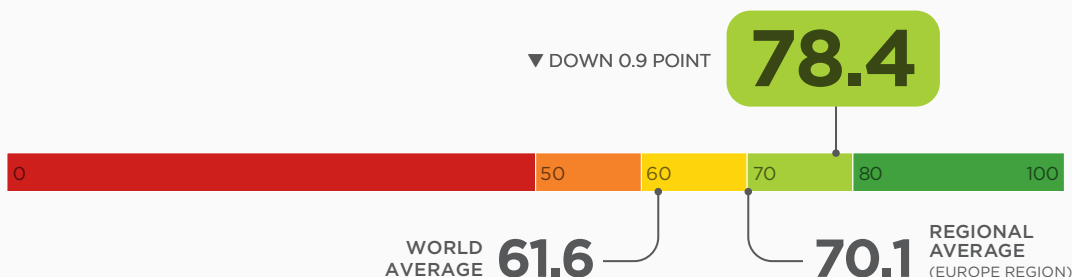


The United Kingdom's economic freedom score is 78.4, making its economy the 7th freest in the 2021 *Index*. Its overall score has decreased by 0.9 point, primarily because of a decline in **judicial effectiveness**. The United Kingdom is ranked 3rd among 45 countries in the Europe region, and its overall score is above the regional and world averages.

Although it retained its standing in the ranks of the mostly free, the economy of the United Kingdom lost a little ground this year. Nevertheless, there will be ample opportunities for greater economic freedom in the post-Brexit U.K. economy. Unshackled from the strictures of the European Union bureaucracy, the economy could register substantial improvements in *Index* indicator scores for tax burden, government spending, labor freedom, and trade freedom.

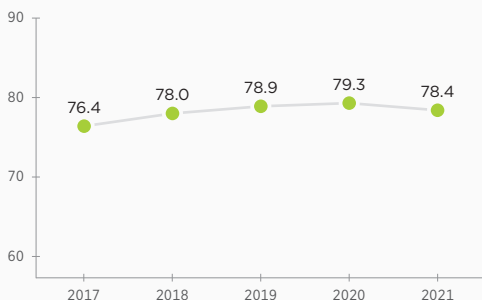
**IMPACT OF COVID-19:** As of December 1, 2020, 59,148 deaths had been attributed to the pandemic in the United Kingdom, and the economy was forecast to contract by 9.8 percent for the year.

## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +0.5

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
66.8 million

**GDP (PPP):**  
\$3.2 trillion  
1.4% growth in 2019  
5-year compound annual growth 1.8%  
\$48,710 per capita

**UNEMPLOYMENT:**  
3.9%

**INFLATION (CPI):**  
1.8%

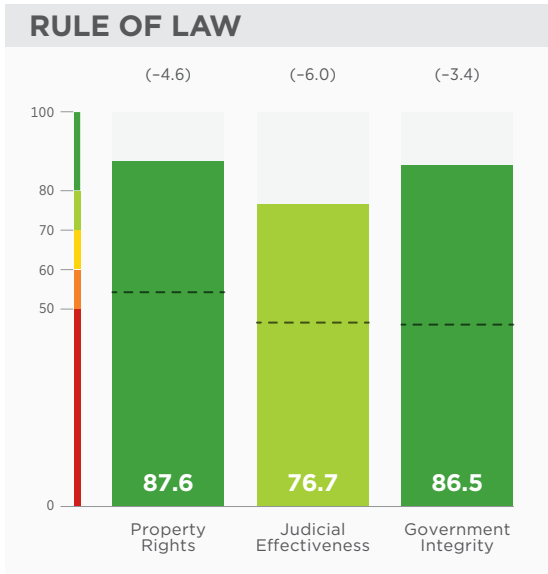
**FDI INFLOW:**  
\$59.1 billion

**PUBLIC DEBT:**  
85.4% of GDP

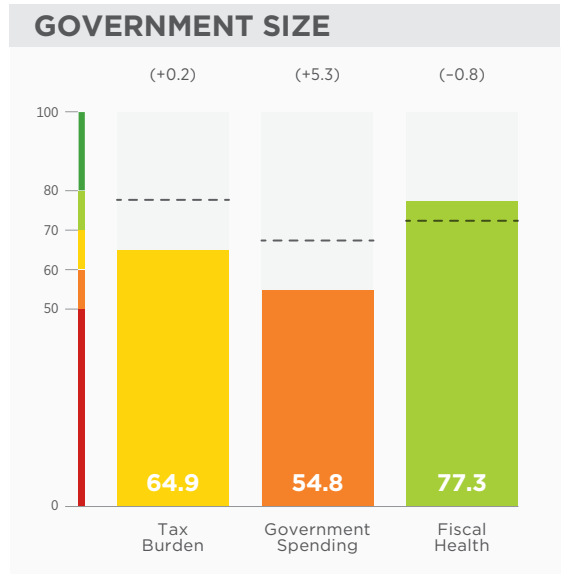
2019 data unless otherwise noted. Data compiled as of September 2020

**BACKGROUND:** Steady growth has made Britain's economy, which has been thriving ever since former Prime Minister Margaret Thatcher's market reforms in the 1980s, the world's fifth largest. In 2016, by popular referendum, British voters approved departure from the European Union, and the U.K. formally left the EU on January 31, 2020. A UK/EU Trade and Cooperation Agreement was concluded in December 2020, but many aspects of the future relationship remained uncertain. In December 2019, Prime Minister Boris Johnson led the Conservative Party to its largest electoral victory since 1987. Formal negotiations on a U.S.-U.K. free-trade agreement began in May 2020. Services, particularly banking, insurance, and business services, are key drivers of GDP growth. Large oil and natural gas reserves are declining.

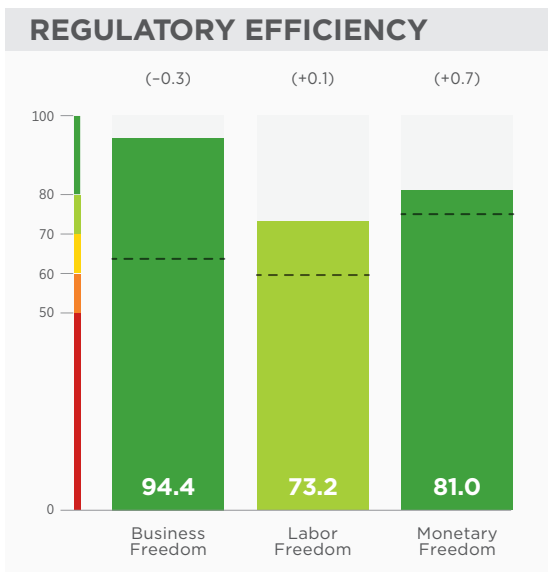
# 12 ECONOMIC FREEDOMS | UNITED KINGDOM



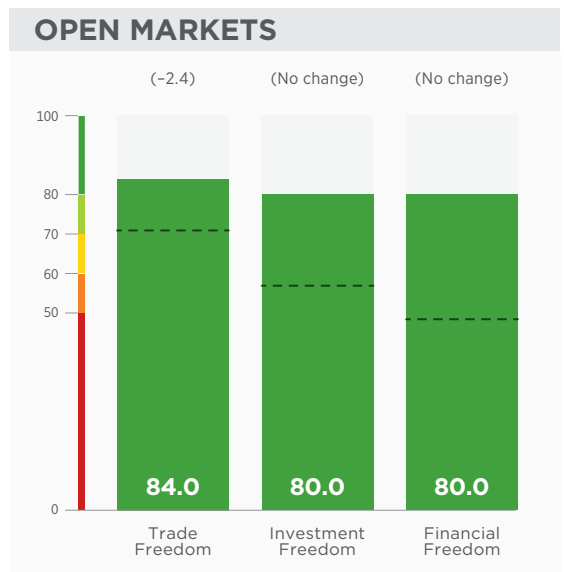
Interests in property are well enforced, and mortgages and liens have been recorded reliably ever since enactment of the Land Registry Act of 1862. The rule of law is well established; the judiciary is independent and efficient; and judicial proceedings are competent, fair, and reliable. British law provides criminal penalties for corruption by officials, and the government routinely implements these laws effectively.



The top individual income tax rate is 45 percent, and the top corporate tax rate has been reduced to 19 percent. Other taxes include value-added and environment taxes. The overall tax burden equals 33.5 percent of total domestic income. Government spending has amounted to 38.8 percent of total output (GDP) over the past three years, and budget deficits have averaged 2.3 percent of GDP. Public debt is equivalent to 85.4 percent of GDP.



Despite the introduction of a new employer-paid pension scheme, the level of business freedom remains very high. The minimum wage has been raised to £8.72 (\$10.86) an hour. Militant unionism has been less common recently. The government maintains few price controls (for example, for utilities and some prescription drugs), but subsidies and other transfers consume more than half of the annual budget according to World Bank data.



The United Kingdom's formal trade relationships with other countries are currently in flux. The trade-weighted average tariff rate is 3.0 percent, and eight nontariff measures are in effect. EU-directed nontariff trade barriers, including technical and product-specific regulations and quotas, will be adjusted or removed in due course. A well-developed financial sector continues to support the efficient and transparent investment framework.