

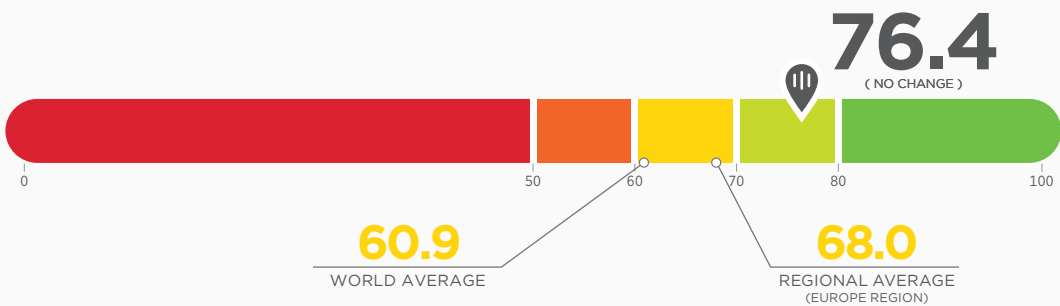
# UNITED KINGDOM

The United Kingdom has demonstrated good economic resilience with effective rule of law, an open trading environment, and a well-developed financial sector. A labor market that is relatively liberal by European standards has complemented one of the world's most efficient business and investment environments.

Fiscal consolidation has progressed through spending cuts that have reduced the fiscal deficit to a more manageable though still high level. The U.K. continues to benefit from strong institutional assets such as an independent judiciary and stable currency, and the services sector accounts for 75 percent of the nation's GDP.



## ECONOMIC FREEDOM SCORE

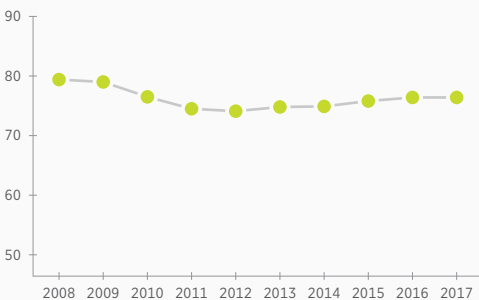


**NOTABLE SUCCESSSES:**  
Rule of Law, Regulatory Efficiency, and Open Markets

**CONCERNS:**  
Fiscal Health, Government Spending, and Tax Burden

**OVERALL SCORE CHANGE SINCE 2013:**  
+1.6

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
64.9 million

**GDP (PPP):**  
\$2.7 trillion  
2.2% growth in 2015  
5-year compound annual growth 2.1%  
\$41,159 per capita

**UNEMPLOYMENT:**  
5.5%

**INFLATION (CPI):**  
0.1%

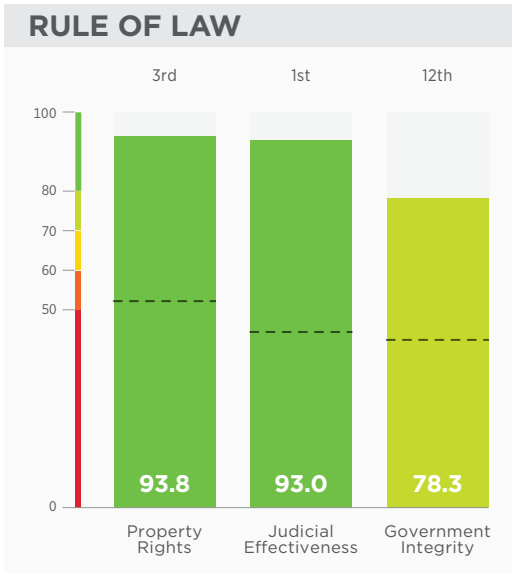
**FDI INFLOW:**  
\$39.5 billion

**PUBLIC DEBT:**  
89.3% of GDP

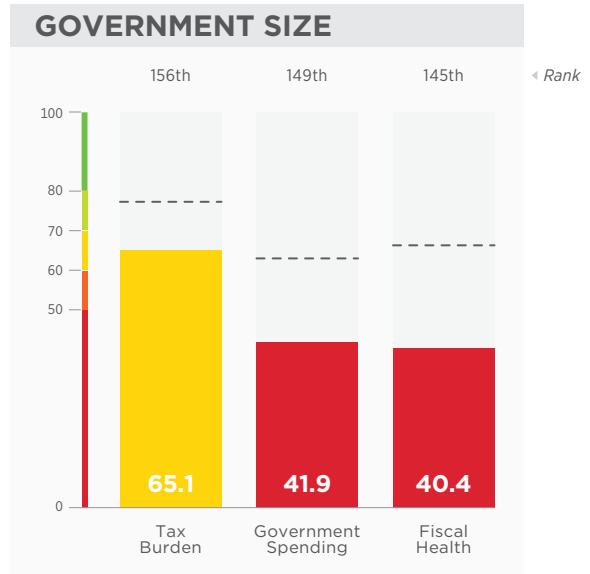
2015 data unless otherwise noted. Data compiled as of September 2016

**BACKGROUND:** Following the market reforms instituted by Prime Minister Margaret Thatcher in the 1980s, Britain experienced steady economic growth throughout the 1990s and is now the world's fifth-largest economy. Government spending grew significantly under successive Labour governments in the early 2000s but has moderated under Conservative governments since 2010. In June 2016, the U.K. voted in a popular referendum to leave the European Union. The exit vote resulted in the resignation of Prime Minister David Cameron, who was replaced by Theresa May. The overall policy direction of the May government, which has argued for an industrial policy, remains to be seen, but negotiating "Brexit" will undoubtedly be a top priority.

# 12 ECONOMIC FREEDOMS | UNITED KINGDOM



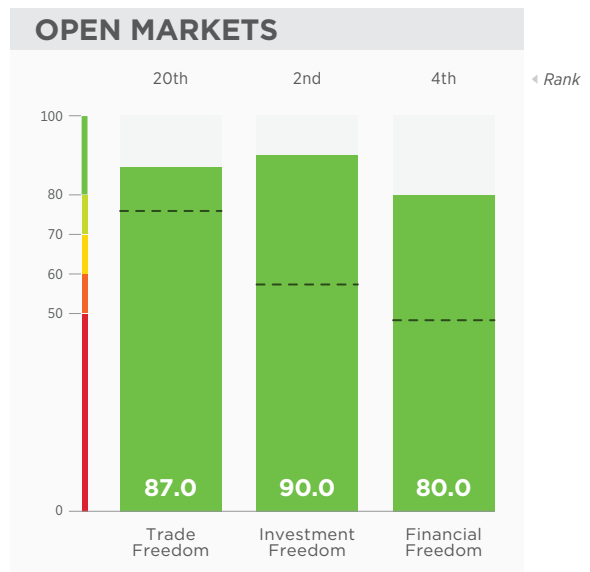
Private property rights and contracts are very secure, and the court system is efficient and independent. Protection of intellectual property rights is effective. The rule of law is well established, and the World Economic Forum's 2015-2016 *Global Competitiveness Report* ranked the U.K. sixth in the world for efficiency of dispute resolution through its legal framework. Isolated instances of bribery and corruption occur but are prosecuted vigorously.



The top personal income tax rate is 45 percent. The top corporate tax rate has been reduced to 20 percent. Other taxes include a value-added tax and an environment tax. The overall tax burden equals 32.6 percent of total domestic income. Government spending has amounted to 44 percent of total output (GDP) over the past three years, and budget deficits have averaged 5.2 percent of GDP. Public debt is equivalent to 89.3 percent of GDP.



The regulatory environment is efficient and transparent. Starting a business takes less than a week. Bankruptcy proceedings are straightforward, and the labor market is relatively efficient. The U.K. has few price controls, but it does regulate rates for most utilities and partly controls the price of prescription drugs. In late 2015, the government cut subsidies for renewable wind energy.



Trade is important to the United Kingdom's economy; the value of exports and imports taken together equals 57 percent of GDP. The average applied tariff rate is 1.5 percent, and the economy is very open to foreign investment. The financial sector continues to be one of most competitive in the world, but the state still holds ownership in some banks.