

Country Insight Snapshot United Kingdom

November 2020





OVERVIEW

OVERALL COUNTRY RISK RATING: DB3b

Slight risk: Enough uncertainty over expected returns to warrant close monitoring of country risk. Customers should actively manage their risk exposures.

A

Rating Outlook: Deteriorating 

CORE OUTLOOK

- + The UK's long-term economic potential exceeds that of most other European economies.
- + The UK is a stable democracy, and a well-entrenched rule of law guarantees the security of contracts, liberalised markets and a relatively-strict competition policy regime.
- Uncertainty stemming from Brexit is clouding the country's outlook in the medium to long term.
- Infrastructure for land transport is congested and unreliable by European standards.

KEY DEVELOPMENT

Our latest proprietary data shows that payments performance improved in September, but this uptick is likely to be only temporary in nature.

CREDIT ENVIRONMENT OUTLOOK

A

Trend: Deteriorating 

Key Development has had a negative impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

A

Trend: Deteriorating 

Key Development has had a negative impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

A

Trend: Deteriorating 

Key Development has had a negative impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

G

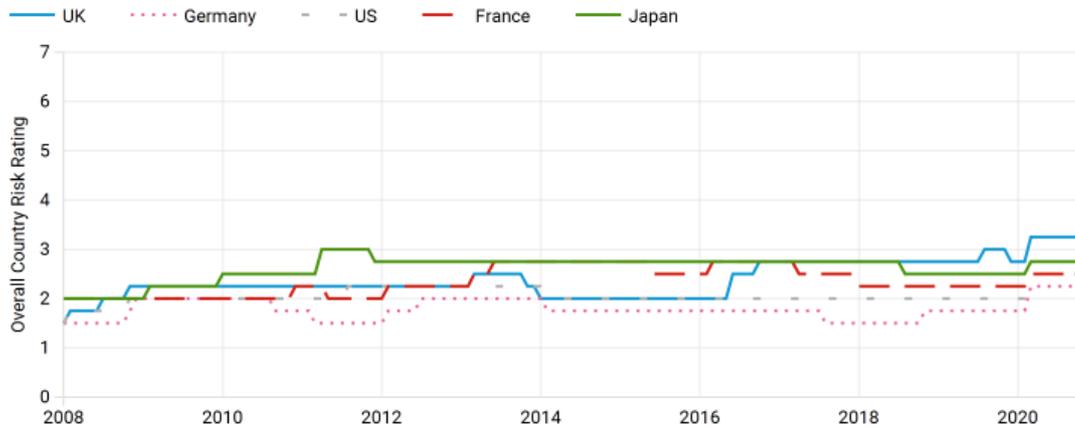
Trend: Deteriorating 

Key Development has had a negative impact on the outlook.



KEY INDICATORS

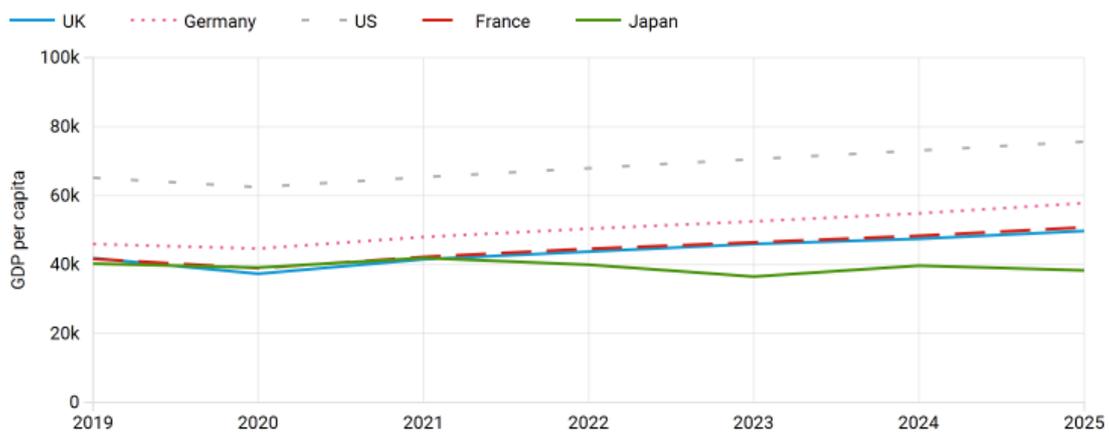
Rating History and Comparison



Source: Dun & Bradstreet

Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source: Haver Analytics/Dun & Bradstreet

Economic Sentiment Indicator



Source: National Statistical Offices / Haver Analytics



Economic Indicators

Indicator	2018	2019	2020f	2021f	2022f	2023f	2024f	2025f
C/A balance % GDP	-3.7	-4.3	-4.1	-3.9	-3.1	-3.4	-3.8	-4.0
Govt balance, % GDP	-2.2	-2.3	-10.0	-8.1	-6.2	-3.4	-3.0	-3.4
Inflation, annual avge %	2.5	1.8	0.8	1.3	2.1	2.1	2.1	2.1
Real GDP Growth, %	1.3	1.3	-10.5	6.7	3.1	2.5	2.1	2.5
Unemployment (annual avge, %)	4.0	3.7	4.5	6.4	6.0	5.3	5.0	5.3

Source: Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

According to the World Economic Forum's *Global Competitiveness Report 2019*, the UK is the world's 9th most competitive economy (out of 141 countries surveyed). Compared with the report's previous edition, the ranking is down by one position. The UK scores particularly well in the macroeconomic stability sub-index (1st), as well as in the financial market sub-index (7th), market size (8th) and labour market (9th). Weaknesses are to be found in the fields of health (33rd), ICT adaptation (31st), product market (21st) and skills (11th). Physical infrastructure is somewhat dated, with the quality of roads being ranked 36th (down from 26th the year before), and the efficiency of rail services ranked 31st. Air transport connectivity is judged to be more competitive (6th), while efficiency of seaport services is in 21st position.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: OA

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: OA

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30-60 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-1 month

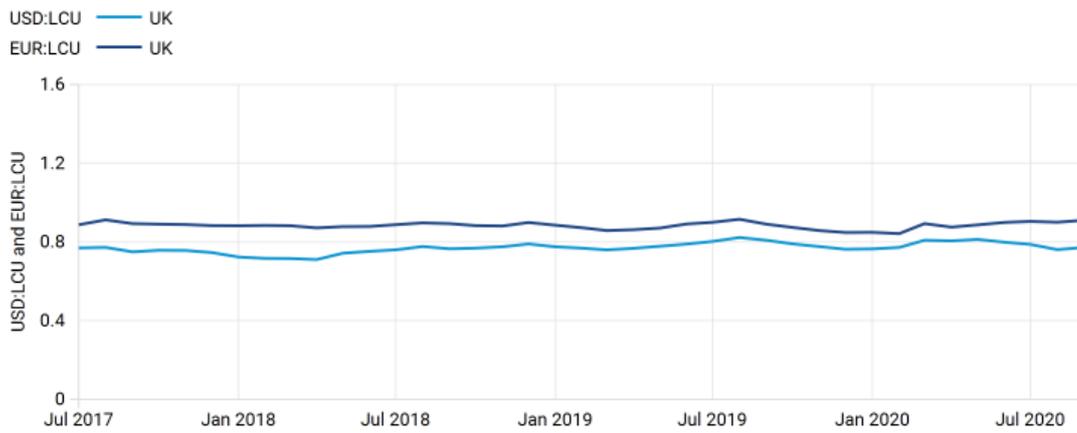
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: No delays reported

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



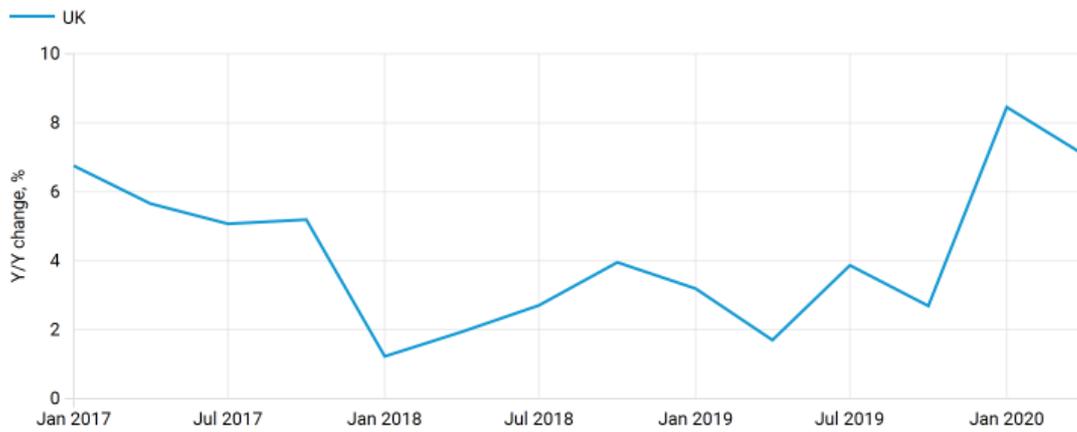
Exchange Rate



Source: International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = British pound

Bank Lending to the Private Sector



Source: IMF, Central Banks, Haver Analytics



RISKS AND OPPORTUNITIES

Business Continuity

Payments performance improves modestly

Our latest proprietary data, published in Dun & Bradstreet's *UK Industry Report*, shows that B2B payments performance improved in September. Overall, 41.5% of all payments were made promptly, up from 40.8% in August. That said, the September value is still significantly below the March (and hence pre-pandemic) reading of 47.2%. Also worryingly, with England (the UK's biggest component) having entered a second lockdown in early November, it is likely that payments performance will deteriorate again in the final quarter of the year as non-essential businesses are forced to close.

Business liquidation data from the same report showed another decline in July-September, in both year-on-year and quarter-on-quarter terms. That said, this development is entirely driven by temporary changes to the insolvency framework and ongoing government support measures. Dun & Bradstreet forecasts a rise in business failures in 2021, as demand in certain sectors will not recover fully. In this light, we recommend paying particular attention to the hospitality sector. Against the national trend, eating and drinking places recorded a 54.2% q/q increase in the number of business liquidations in Q3. Also negatively, in Dun & Bradstreet's latest UK Covid 19 Impact Index, from 20 November, the accommodation and food sector scored a poor 33 points on a 1-100 scale (with 100 meaning that there is no covid impact), far below sectors like construction (51) or wholesale and retail trade (67).

Also problematically from a business continuity perspective, free-trade talks between the UK and the EU are yet to achieve a result. Time for a deal is quickly running out, as the standstill Brexit transition phase will end on 31 December. Although an agreement has become marginally more likely over recent weeks due to a change in personnel on the UK side, a no-deal Brexit is still possible. Even if both sides can reach a last-minute compromise, traders between the UK and the EU need to factor in more red tape from 1 January onwards. In any case, the important service sector (which accounts for around 80% of the UK economy) will not be covered by this free-trade agreement.

Short-Term Economic Outlook

Pessimism and unemployment are growing

The Covid-19 pandemic continues to weigh on the country's economic outlook (which remains on a deteriorating trend). Negatively, consumer confidence dipped further in November as England went into another lockdown. The GfK consumer confidence index dropped to -33 points, the lowest reading since April, indicating that households will increase precautionary savings and cut back on consumer spending. At the same time, unemployment remains on an upward trend. In the three months to September, 314,000 people were made redundant and unemployment rose to 4.8%. However, this figure is artificially suppressed by the government's furlough scheme (which was recently extended to March 2021). We forecast unemployment to peak at around 7.5% in mid-2021 before gradually dropping back towards 6% by the end of the year. Real GDP will contract by double digits this year (-10.5%) before a recovery in 2021 (+6.7%) offsets some of the pandemic's damage.



COUNTRY PROFILE AND STATISTICS

Overview

The UK lies off the northwest of the European mainland and consists of four countries (England, Wales, Scotland, and Northern Ireland, the last of which shares a separate island with the Republic of Ireland). As an EU member between 1973-2020, the UK played an important role in shaping the institution, but remained reluctant to cede sovereignty in areas that it saw as strategic, even before the 2016 Brexit vote.

Given its imperial past, the UK is a key actor in international politics, while cultural, historical and ideological links make it a natural ally of the US. The UK is a modern, well-established democracy. Two main parties (Conservative and Labour) dominate the political scene, with national parties from Northern Ireland, Scotland and Wales, as well as the Liberal Democrats, acting as secondary forces.

The economy, dominated by the services sector, is highly developed, liberalised and globally integrated. Financial services companies concentrated in London - one of the foremost global financial centres - have long been a strong driver of economic growth, helping the UK to outperform most other G7 economies in the ten years to 2007. However, the 2008 international financial crisis turned the reliance on banking and related services into a vulnerability, now emphasised by the British departure from the EU.

Key Facts

Key Fact	Detail
Head of government	Prime Minister Boris JOHNSON
Capital	London
Timezone	GMT
Official language	English
Population (millions)	67.5
GDP (USD billions)	2,826.4
GDP per capita (USD)	41,855
Life expectancy (years)	81.1
Literacy (% of adult pop.)	99.9
Surface area (sq km)	243,610

Source: Various sources/Dun & Bradstreet

Historical Data

Metric	2016	2017	2018	2019	2020f
Real GDP growth (%)	1.7	1.7	1.3	1.3	-10.5
Nominal GDP in USDbn	2,693	2,663	2,858	2,826	2,533
Nominal GDP in local currency (bn)	1,995	2,069	2,142	2,214	2,000
GDP per Capita in USD	40,623	39,902	42,559	41,855	37,309
Population (year-end, m)	66.3	66.7	67.1	67.5	67.9
Exchange rate (yr avge, USD-LCU)	0.7	0.8	0.7	0.8	0.8
Current Account in USDbn	-147.7	-100.4	-104.8	-121.7	-105.1
Current Account (% of GDP)	-5.5	-3.8	-3.7	-4.3	-4.1
FX reserves (year-end, USDbn)	123.5	137.9	159.9	158.4	161.5
Import Cover (months)	1.8	2.0	2.1	2.1	2.2
Inflation (annual avge, %)	0.7	2.7	2.5	1.8	0.8
Govt Balance (% GDP)	-3.3	-2.4	-2.2	-2.3	-10.0

Source: Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2021f	2022f	2023f	2024f	2025f
Real GDP growth (%)	6.7	3.1	2.5	2.1	2.5
Nominal GDP in USDbn	2,831	2,996	3,160	3,275	3,444
Nominal GDP in local currency (bn)	2,160	2,272	2,376	2,476	2,590
GDP per Capita in USD	41,512	43,736	45,949	47,447	49,719
Population (year-end, m)	68.2	68.5	68.8	69.0	69.3
Exchange rate (yr avge, USD-LCU)	0.8	0.8	0.8	0.8	0.8
Current Account in USDbn	-110.6	-93.8	-108.4	-123.4	-138.8
Current Account (% of GDP)	-3.9	-3.1	-3.4	-3.8	-4.0
FX reserves (year-end, USDbn)	164.8	168.1	171.4	174.9	178.4
Import Cover (months)	2.2	2.1	2.1	2.1	2.1
Inflation (annual avge, %)	1.3	2.1	2.1	2.1	2.1
Govt Balance (% GDP)	-8.1	-6.2	-3.4	-3.0	-3.4

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	UK	Germany	US	France	Japan
Income per Capita (USD)	37,309	44,613	62,436	38,922	39,105
Country Population (m)	67.9	83.8	331.0	65.3	125.5
Internet users (% of population)	94.9	89.7	87.3	82.0	84.6
Real GDP Growth (% p.a., 2021 - 2030)	1.5 - 2.8	0.5 - 2.5	1.5 - 3.3	0.5 - 2.5	-0.8 - 1.3

Source: Various sources/Dun & Bradstreet



LINKS

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Please click [here](#) to visit our online user guide.

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Sales

Email: countryinsight@dnb.com
Telephone
UK: +44 20 7149 5000
US: +1 800 234 3867
Rest of World
contact your local office
or call +44 20 7149 5000

Publisher

Dun & Bradstreet
The Point
37 North Wharf Road
London W2 1AF
United Kingdom
Tel: +44 20 7149 5000
Email: countryinsight@dnb.com

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