



# 2022 OECD ECONOMIC SURVEY OF UNITED KINGDOM

Towards a greener and more prosperous future  
August 2022

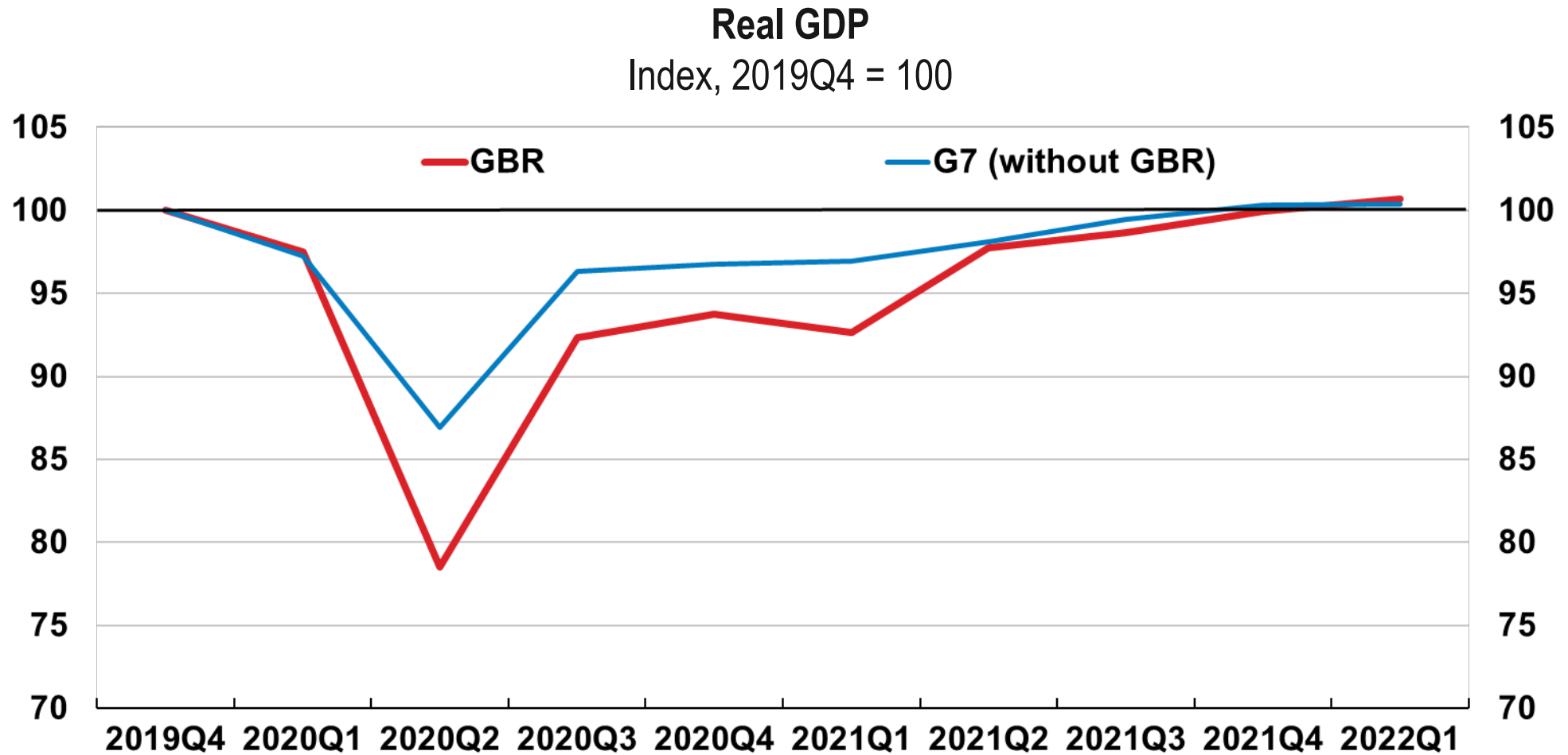
<http://www.oecd.org/eco/surveys/economic-survey-united-kingdom.htm>



@OECDeconomy  
@OECD



# The economy has recovered from the pandemic



Note: Index for the G7 (without GBR) is calculated as a simple average over the countries.

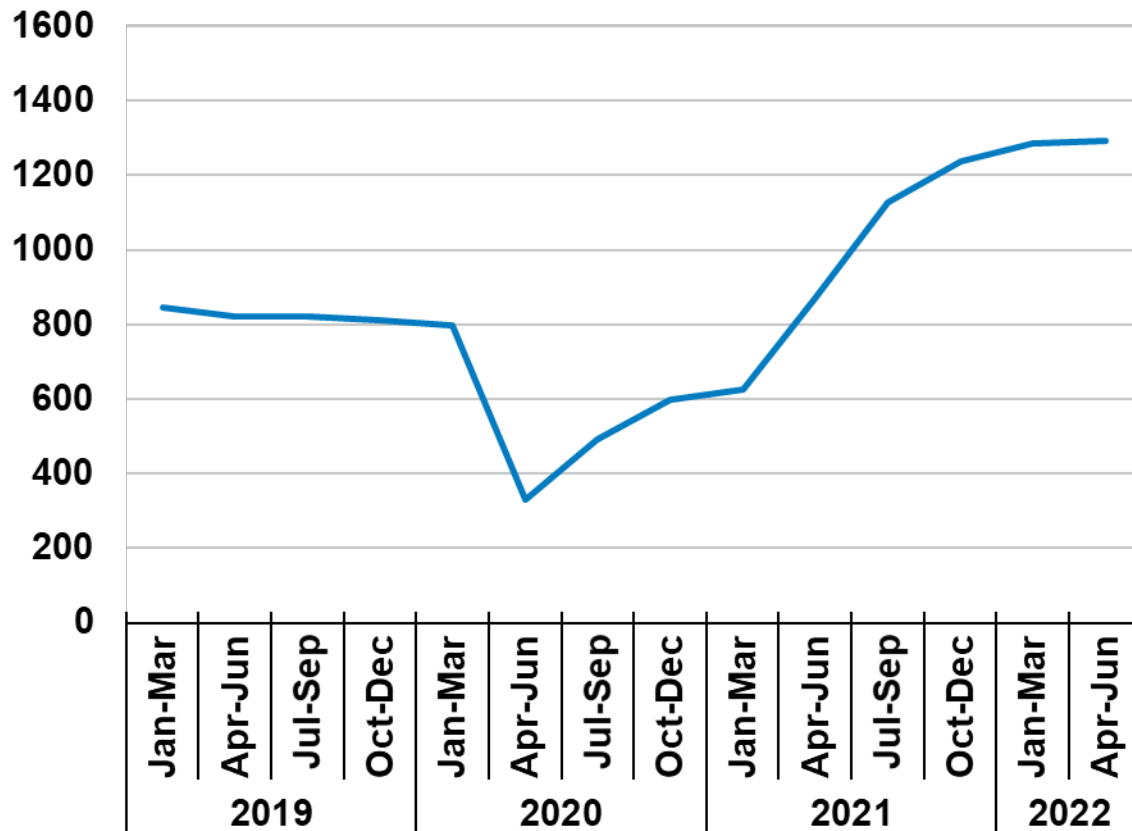
Source: OECD (2022), OECD Economic Outlook: Statistics and Projections (database),



# The labour market has tightened and participation has fallen among people aged 50 and above

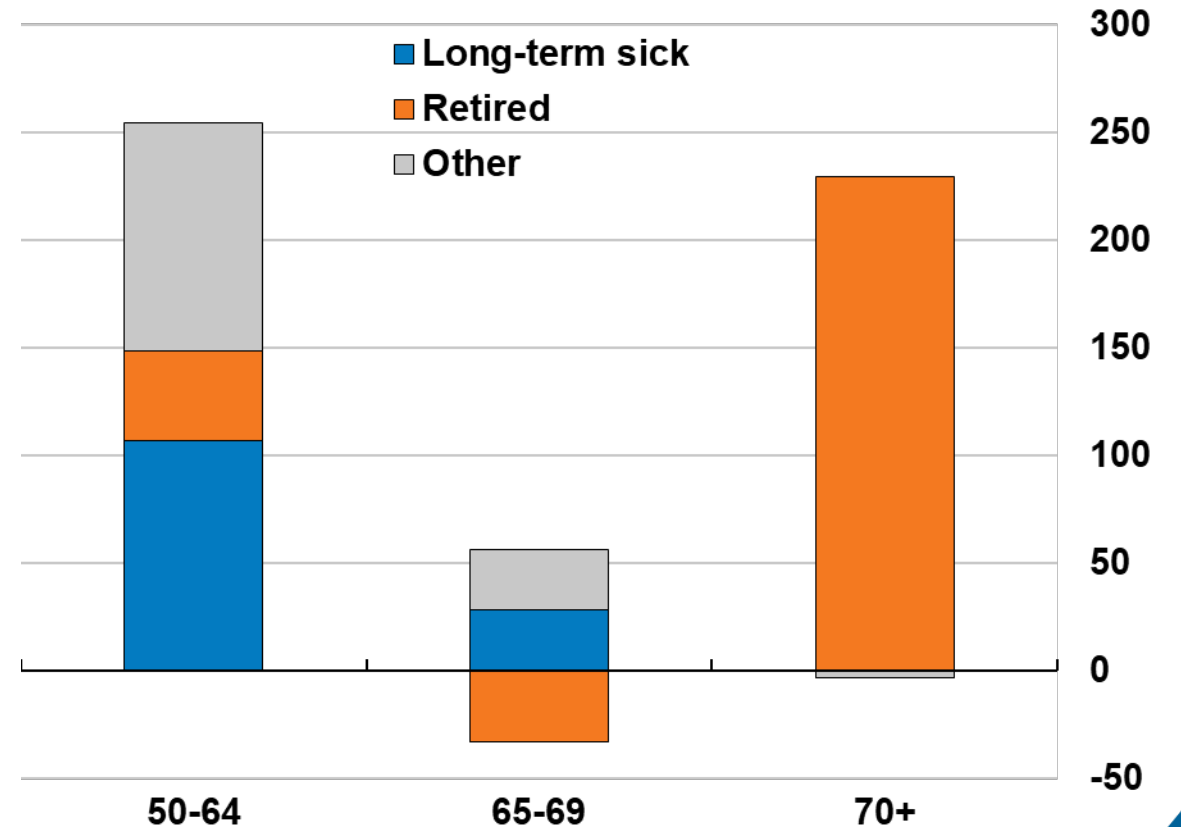
### Vacancies

In thousands



### Change in inactivity over the pandemic by age group

In thousands, between 2019Q4 and 2021Q4



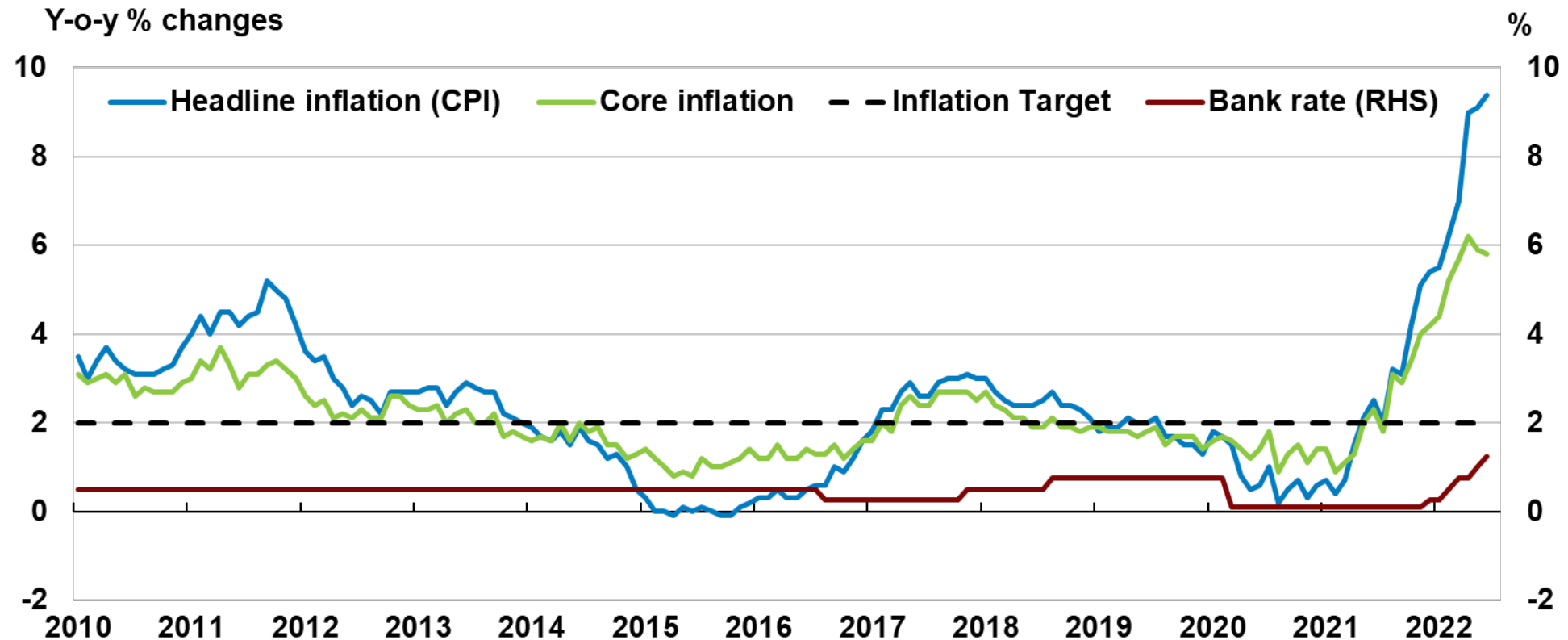
Note: Vacancies exclude agriculture, forestry and fishing.

Source: ONS, labour market statistics.



# Inflation has increased sharply

## Monetary policy and inflation developments





# The economy is slowing

## Annual growth rates, % unless specified

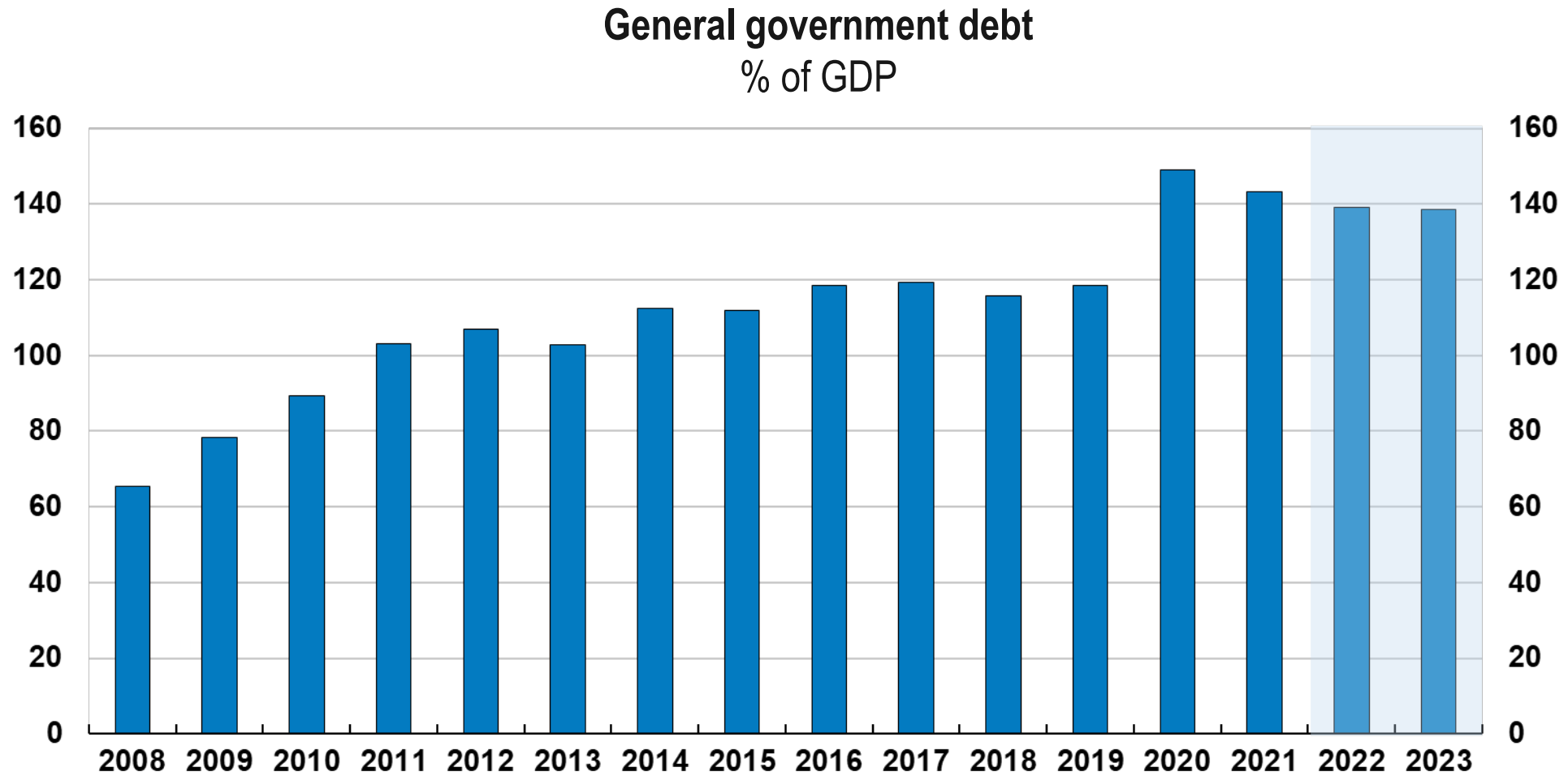
	2021	2022	2023
<b>Gross domestic product</b>	7.4	3.6	0.0
<b>Inflation</b>	2.6	8.8	7.4
<b>Unemployment rate (%)</b>	4.5	3.8	4.3
<b>General government fiscal balance (% of GDP)</b>	-8.3	-5.3	-4.1
<b>General government gross debt (% of GDP)</b>	143.1	139.2	138.6



# FISCAL POLICY HAS TO BALANCE ADJUSTMENT WITH GROWTH SUPPORT



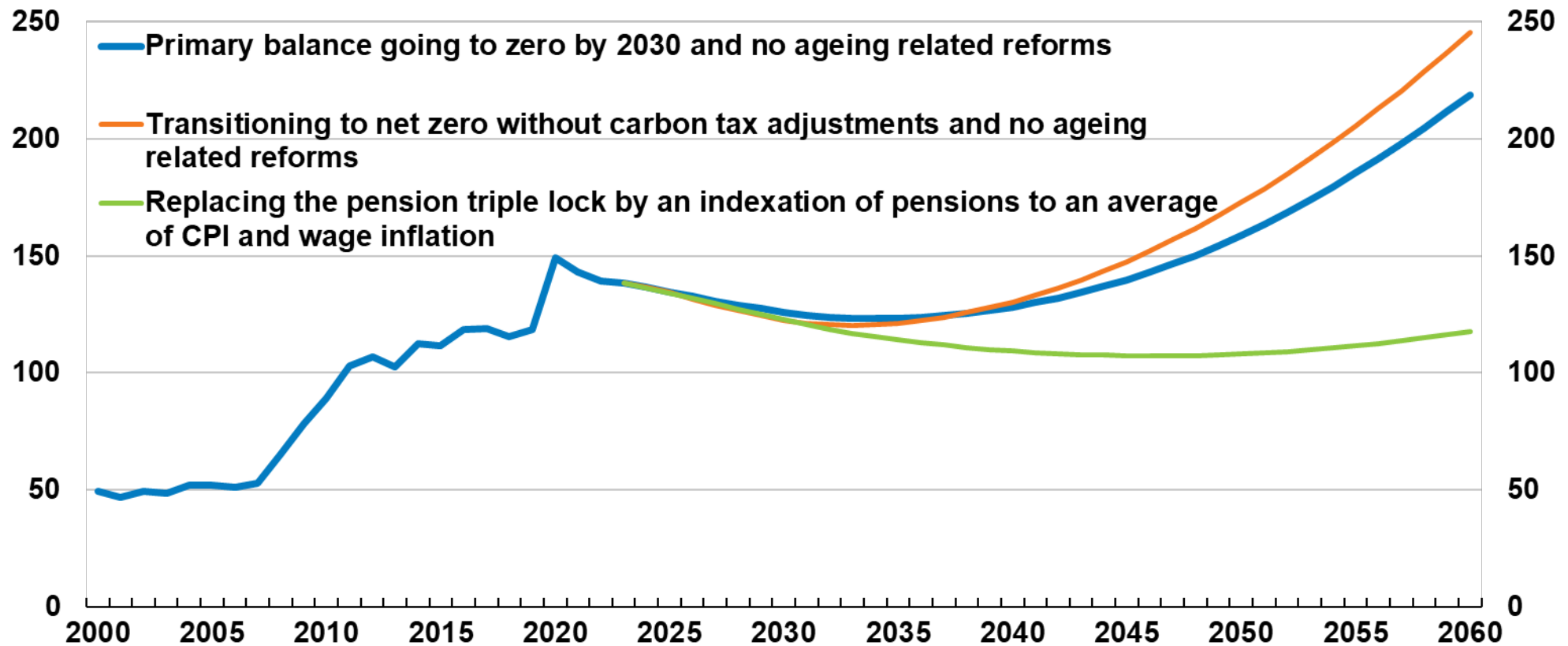
# The pandemic has increased public debt





# Reforms are needed to stabilise public debt in the medium to long term

Gross government debt  
% of GDP



Note: Under triple lock rules, UK state pensions are increased by the highest of inflation, average earnings growth or a flat 2.5% rise. Model assumptions are outlined in OECD Economic Surveys: United Kingdom 2022.

Source: OBR Fiscal risks report July 2021; and simulations based on the OECD Economics Department Long-term Model.

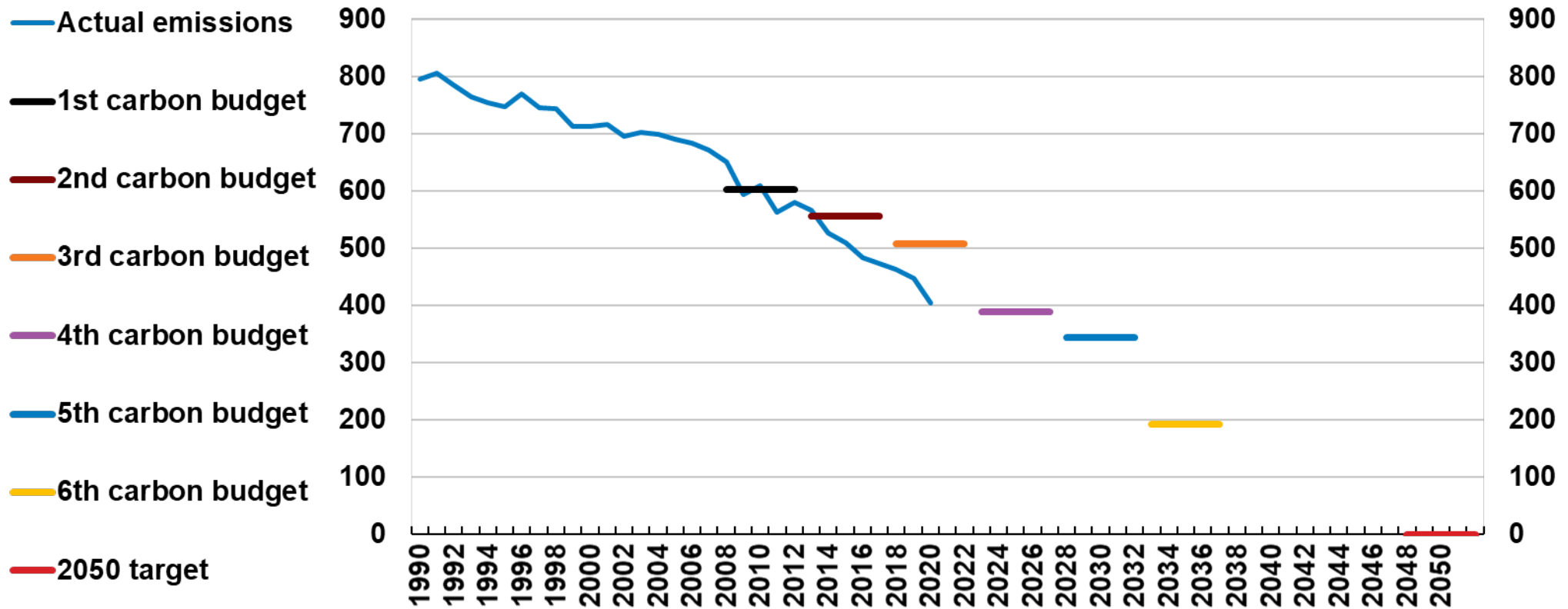


# REACHING NET ZERO EMISSIONS



# The UK's stringent emission reduction targets have so far been met or outperformed

**Greenhouse gas emissions**  
Millions tonnes of CO<sub>2</sub>

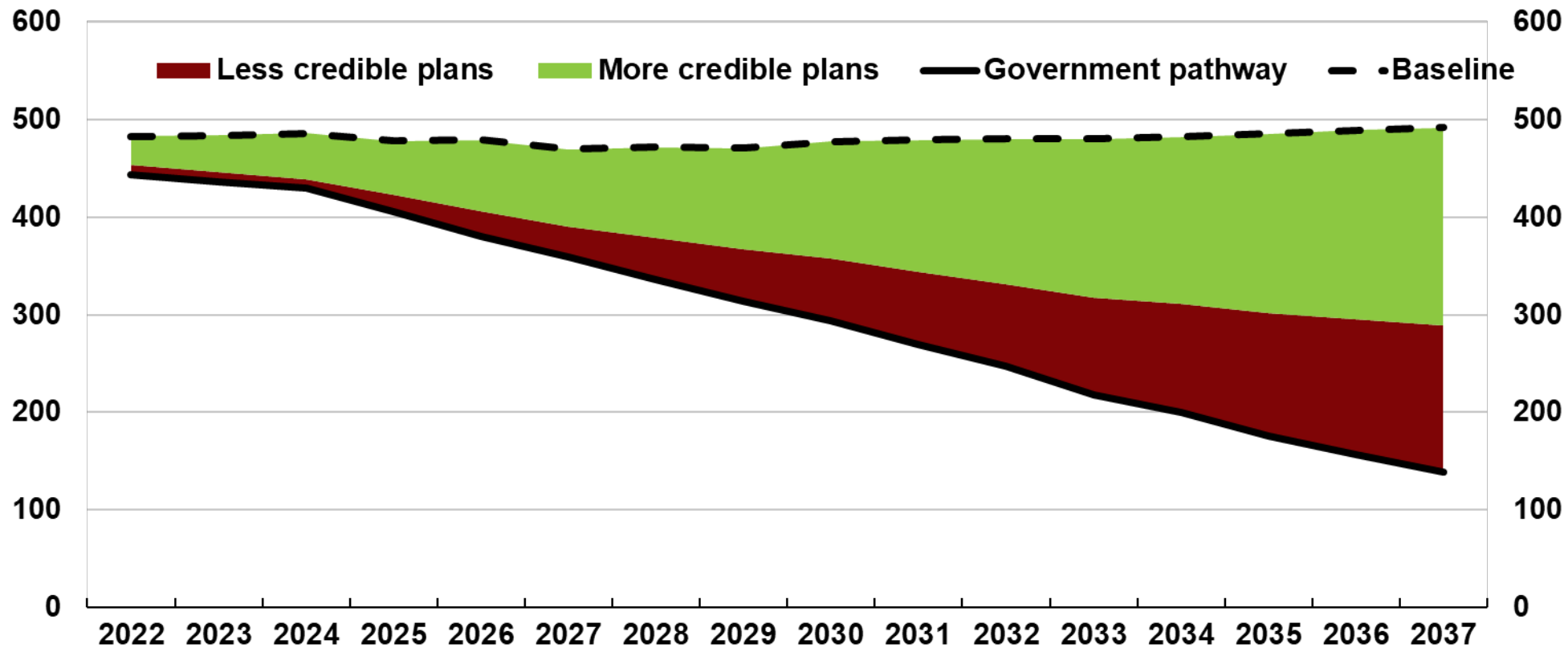


Source: OECD (2022), Environment database; and Climate Change Committee.



# Achieving carbon neutrality by 2050 will require further policy efforts to match ambition

**UK emissions categorized by the extent to which policy coverage is consistent with the 6th carbon budget**  
Million tonnes CO2 equivalent



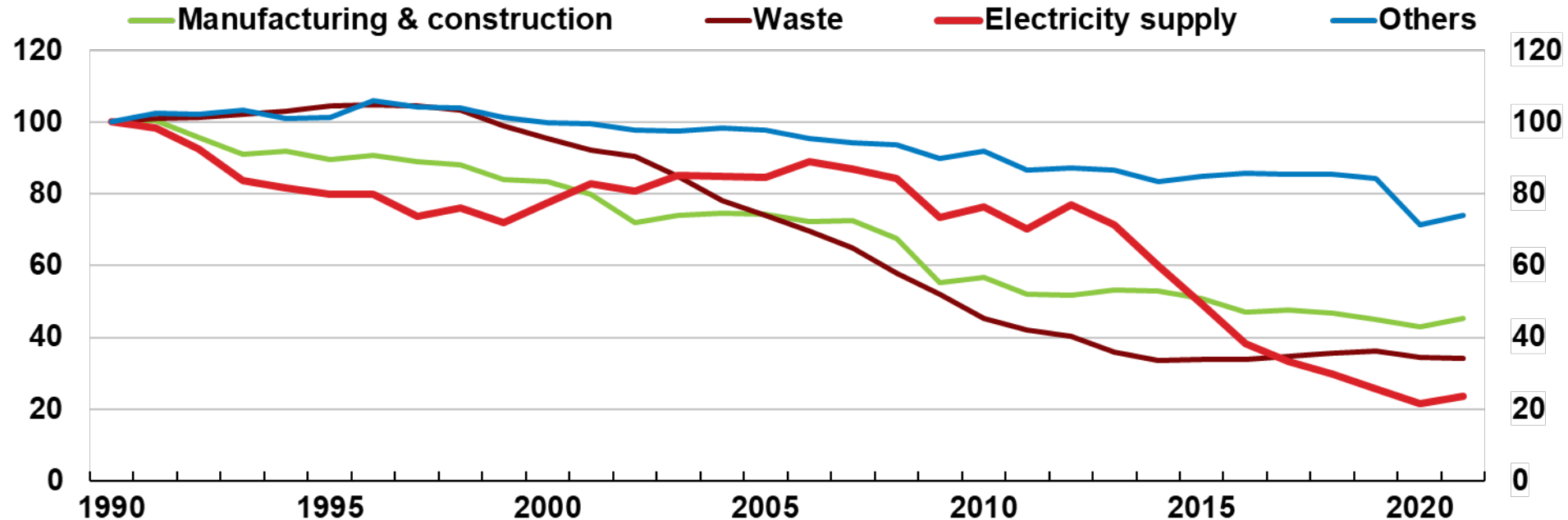
Note: Less credible plans includes those that lack a clear timeline for next steps or need further work to mitigate a significant delivery risk or where plans are either completely missing or currently clearly inadequate for the required emissions reduction. More credible plans and policies have funding, enablers and timelines in place or only need some changes to mitigate delivery risks. The baseline is an adjustment to the Government's Net Zero Strategy baseline, with the impact of some policies removed so that they can be assessed.

Source: Climate Change Committee, 2022 Progress Report to Parliament.



# Emissions reductions so far have been driven by sectors with explicit carbon pricing

Greenhouse gas emissions by sector in the UK  
Index 1990 = 100



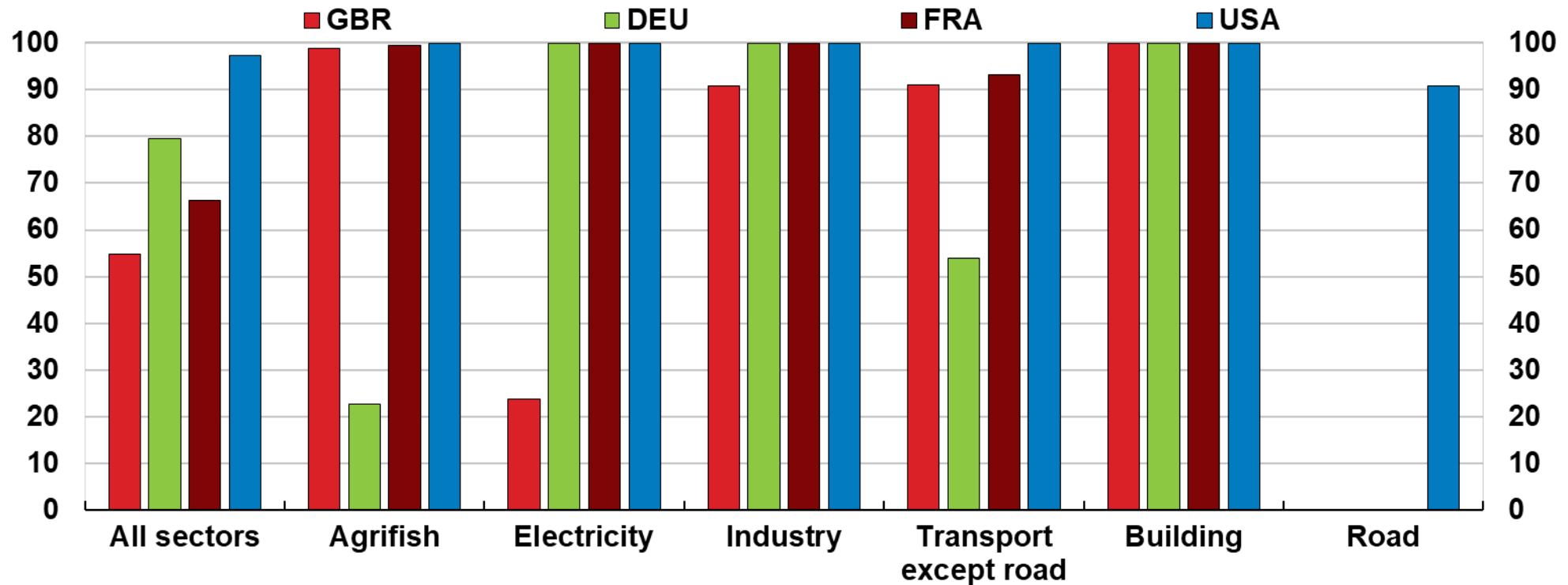
Note: "Others" include buildings, surface transport, agriculture, land use and forestry, f-gases and aviation and shipping (including international aviation and shipping as defined in UK climate targets).  
Source: Climate Change Committee, 2022 Progress Report to Parliament.



# Carbon prices differ considerably across sectors

Share of emissions with effective carbon rate below 60 EUR per tonne of CO<sub>2</sub>, 2021

%



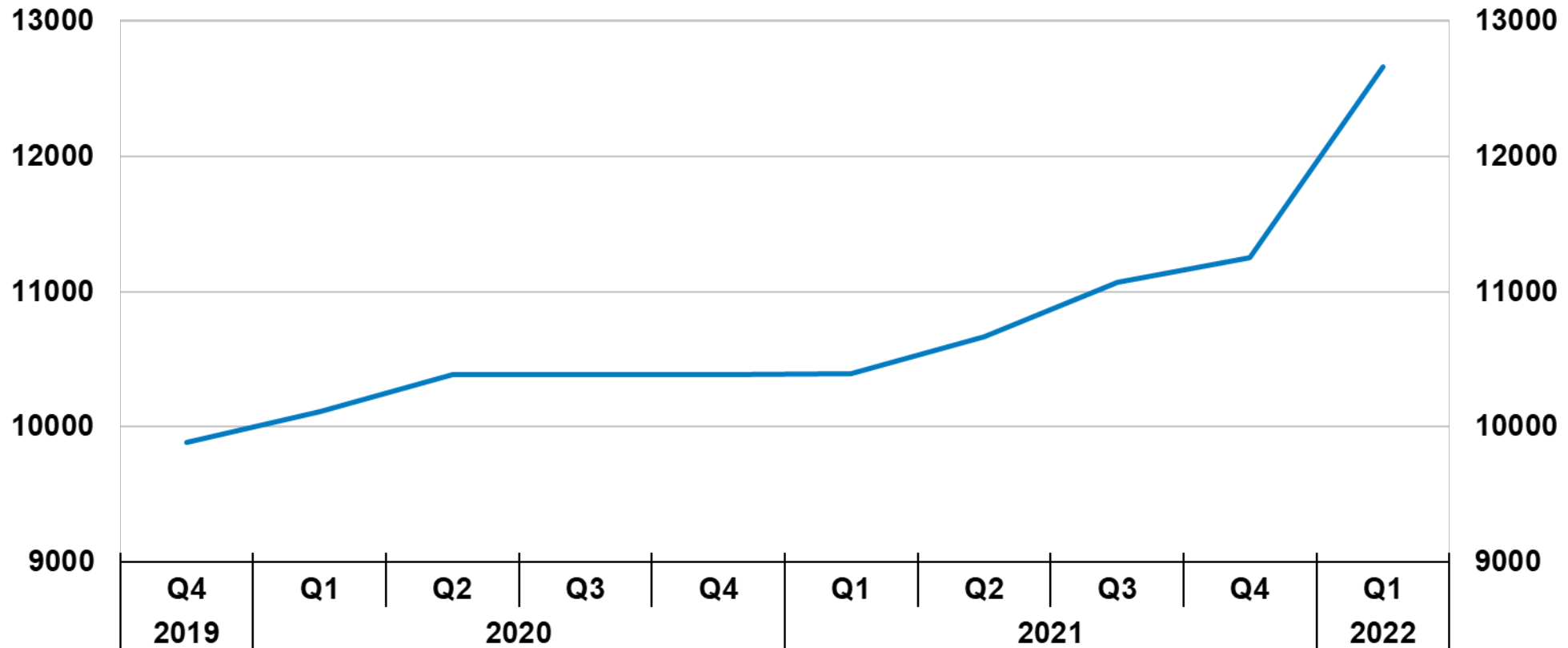
Note: A share of emissions with effective carbon rate below 60 EUR per tonne of CO<sub>2</sub> lower than 100 means that the remaining emissions have an effective carbon rate per tonne of CO<sub>2</sub> equal or above 60 EUR. For GBR, DEU and FRA, the share of emissions with effective carbon rate below 60 EUR per tonne of CO<sub>2</sub> in the road sector is zero.

Source: OECD (2021), Carbon Pricing in Times of COVID-19: What Has Changed in G20 Economies?, OECD, Paris, <https://www.oecd.org/tax/tax-policy/carbon-pricing-in-times-of-covid-19-what-has-changed-in-g20-economies.htm>



# Contract for Difference auctions have made the United Kingdom a leader in offshore wind

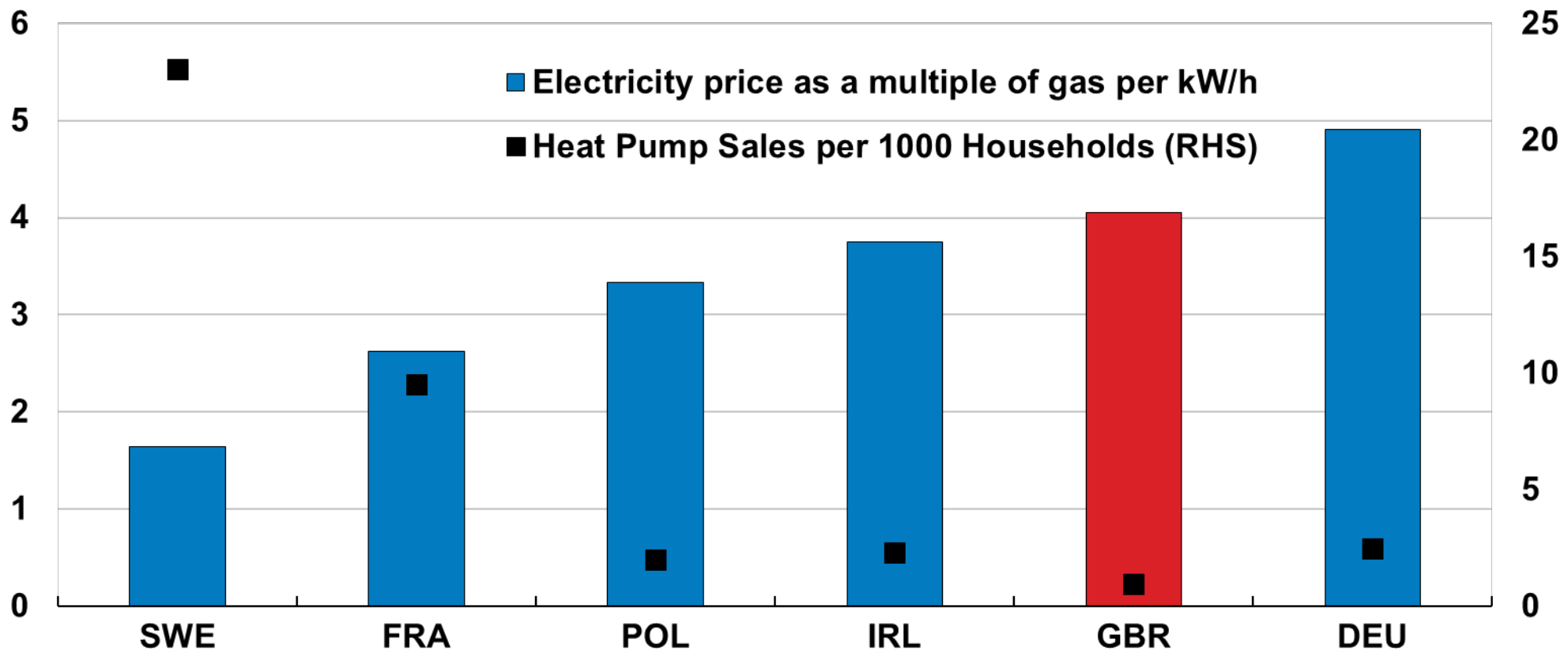
**Cumulative installed capacity of offshore wind**  
Megawatt (MW)





# Lower prices on gas for heating held back heat pump investments

Ratio of electricity to gas price and heat pump sales, 2018

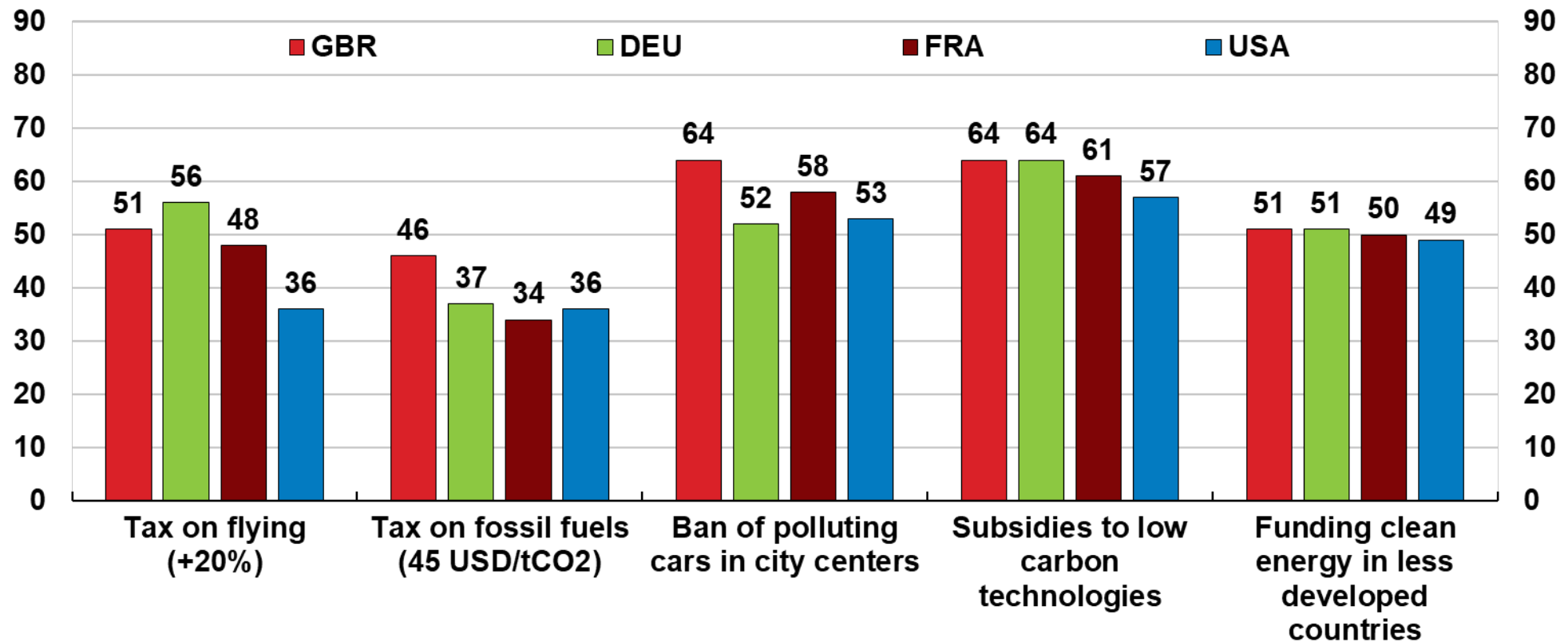




# A majority of Britons support climate policies, except a fossil fuel tax

Proportion of people supporting the following measures, 2021

%



Note: The figure shows the share of people either supporting or strongly supporting the policy measures.

Source: Boone, L., Dechezleprêtre, A., Fabre, A., Kruse, T., Planterose, B., Sanchez-Chico, A., and Stantcheva, S. (forthcoming), Understanding public acceptability of climate change mitigation policies across OECD and non-OECD countries, OECD publishing, Paris



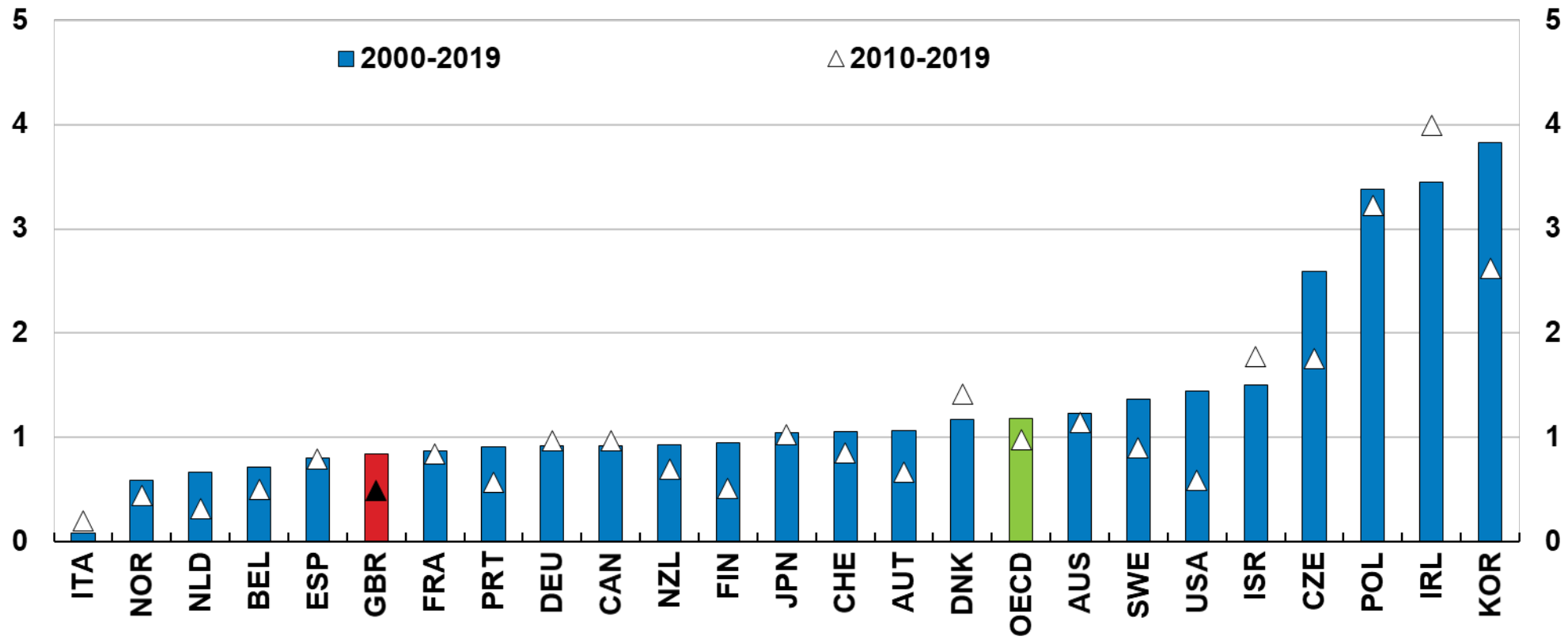
# INCREASING PRODUCTIVITY TO SUPPORT GROWTH AND LIVING STANDARDS



# Productivity growth has been weak

## Average annual productivity growth rates

%



Note: Labour productivity is measured as GDP per hour worked at constant prices, USD purchasing power parities.

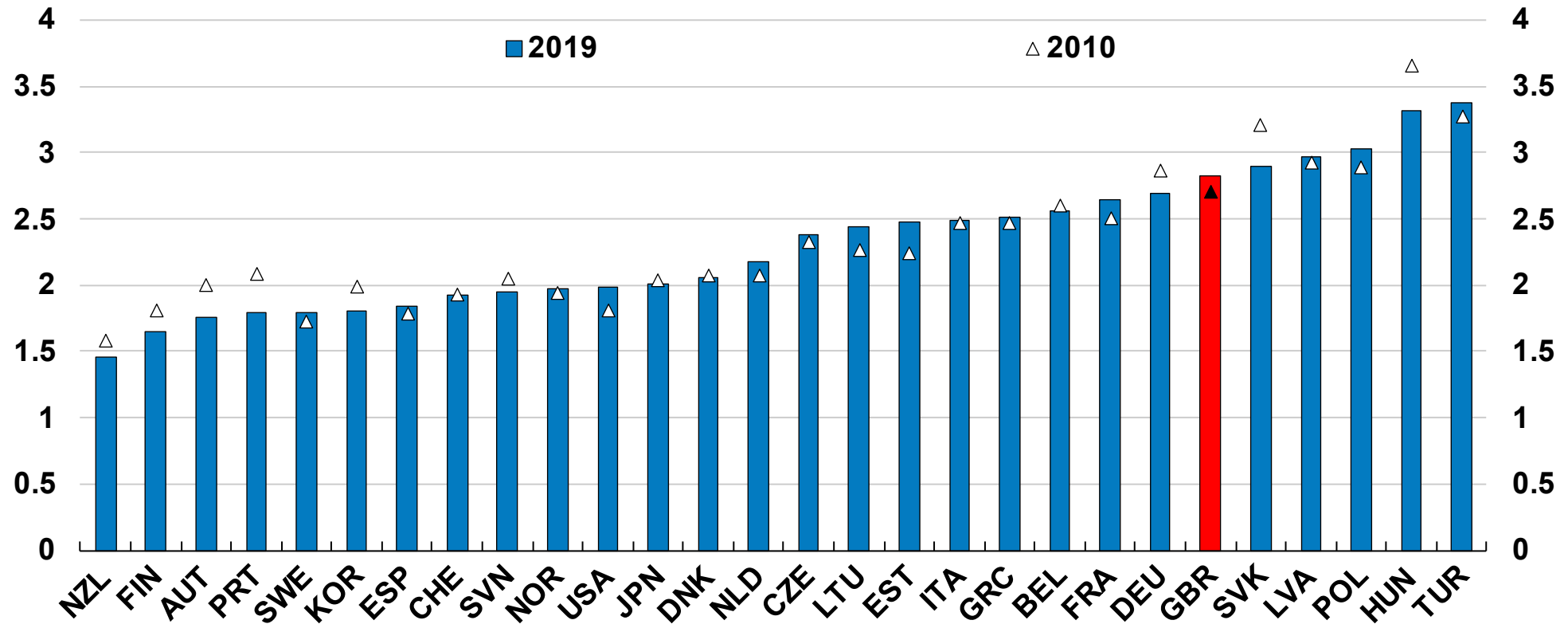
Source: OECD (2022), productivity database.



# Productivity disparities across regions are high

## Index of regional disparity in GDP per capita

Ratio of the top 20% richest regions over the bottom 20% poorest regions

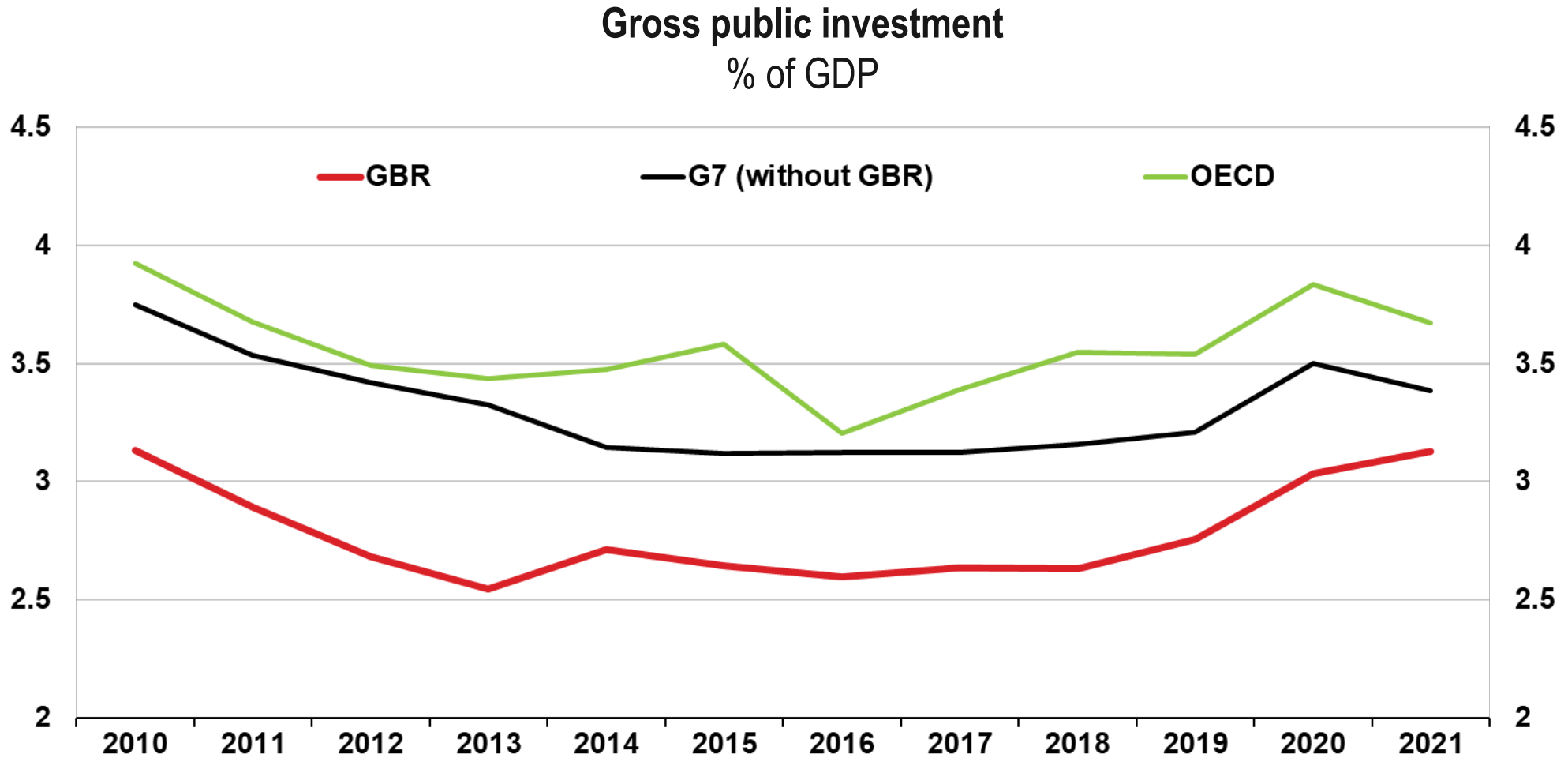


Note: The GDP per capita of the top and bottom 20% regions (TL3) are defined as those with the highest/lowest GDP per capita until the equivalent of 20% of national population is reached. GRC, JPN, NOR refer to 2018.

Source: OECD (2022), OECD Regional Statistics (database).



# Public investment has picked up recently, which will support productivity

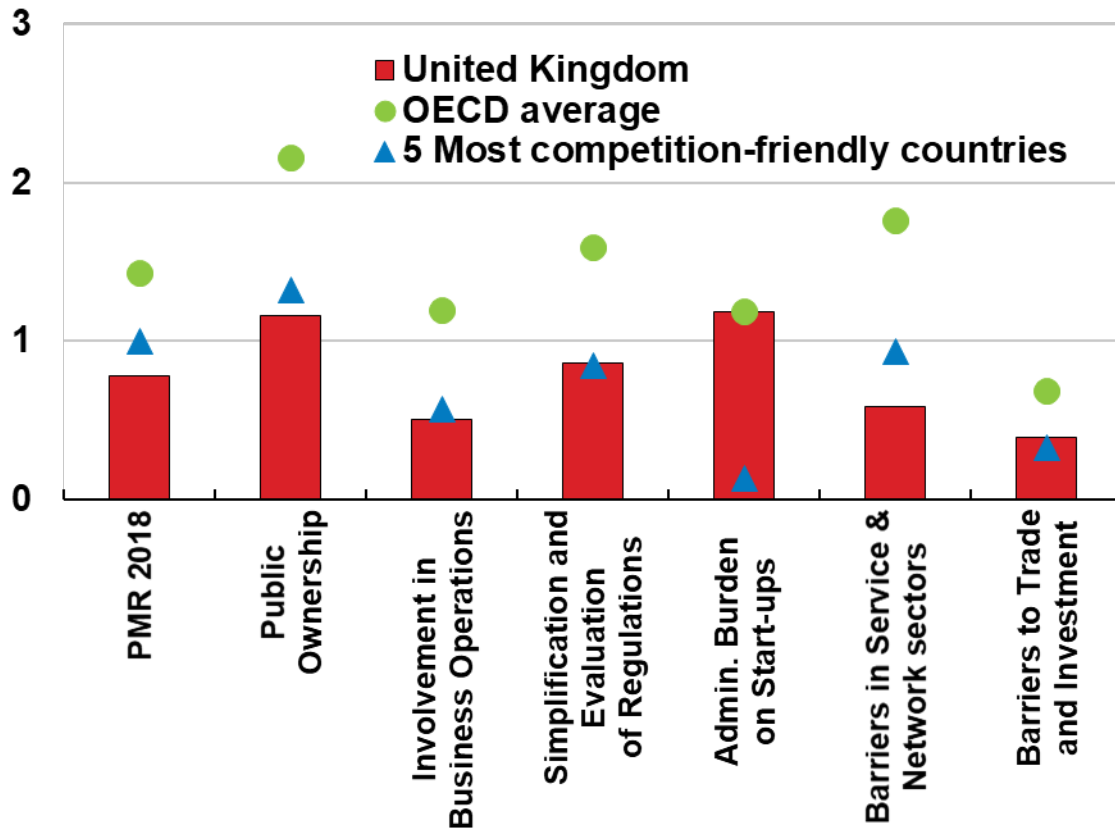




# Private investment has deteriorated despite competition friendly product market regulations

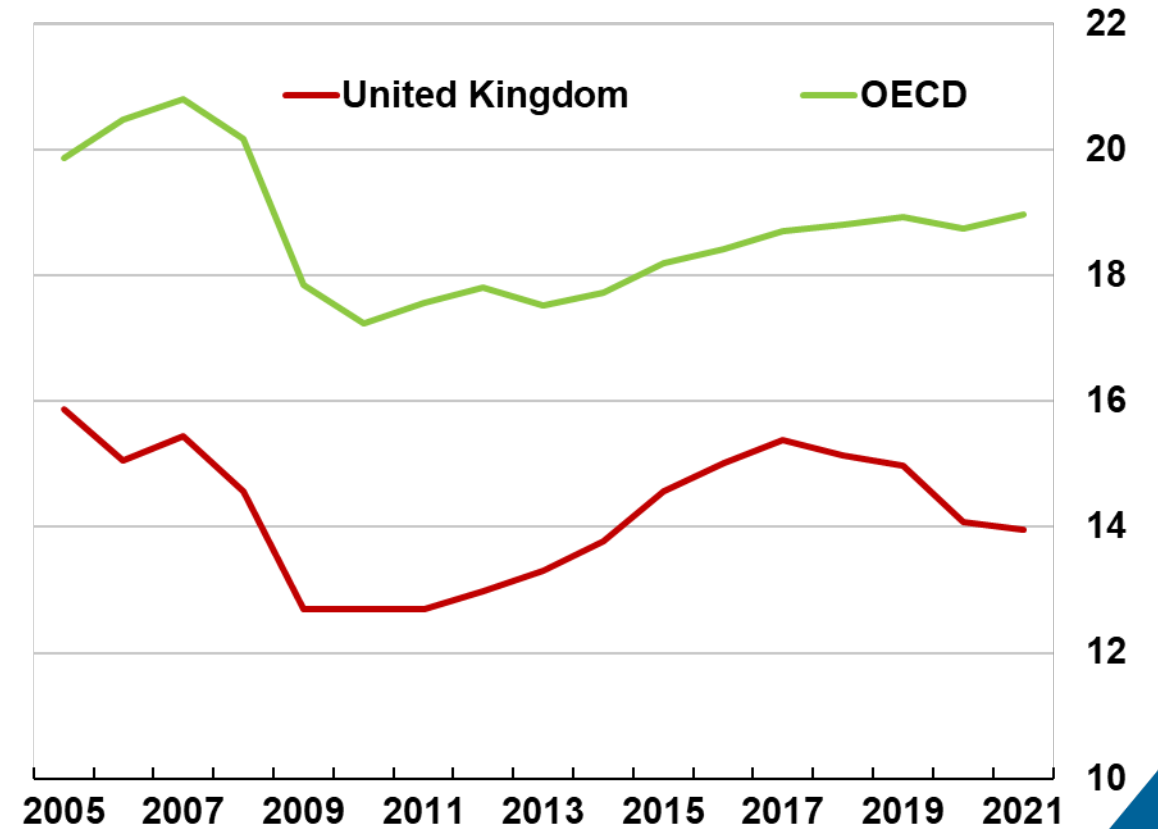
## PMR Indicators

Index scale 0 to 6 from most to least competition-friendly regulation



## Private investment

% of GDP



Note: RHS: OECD unweighted average of 23 countries for which comparable data on private investment were available.

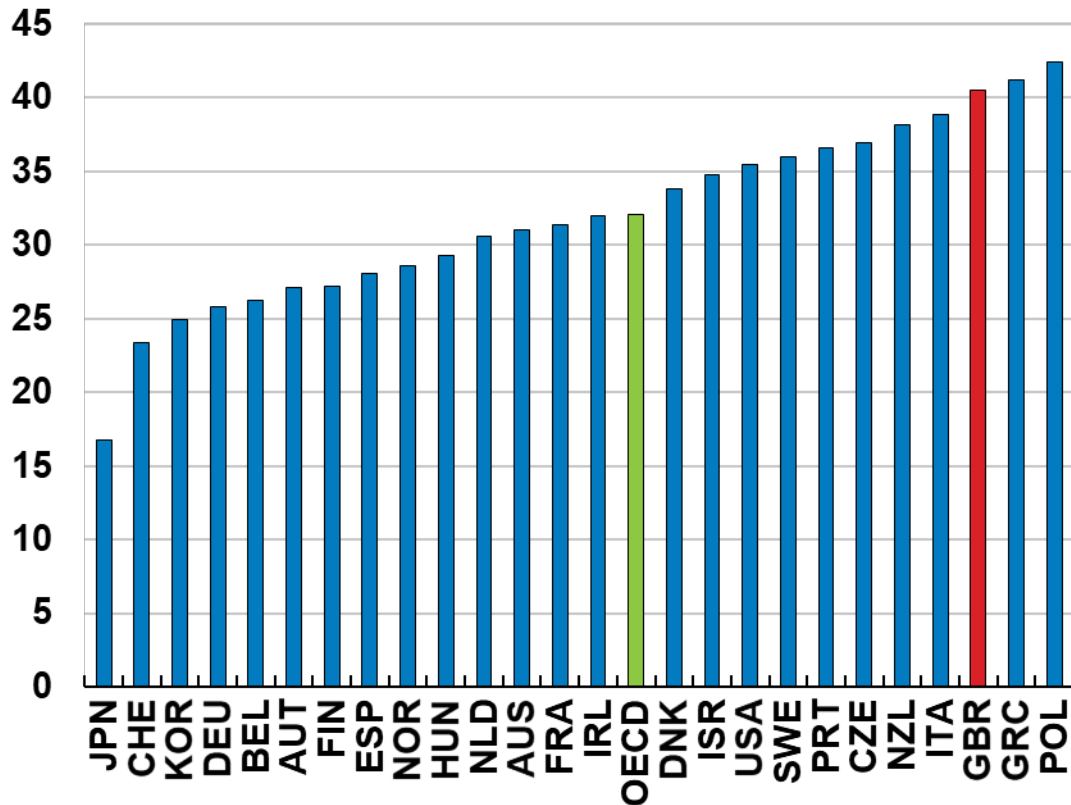
Source: OECD 2018 PMR database – information refers to laws and regulation in force on 1 January 2018; and OECD (2022), Economic Outlook: Projections and Statistics Database.



# Women are highly educated, but gender gaps in working hours persist

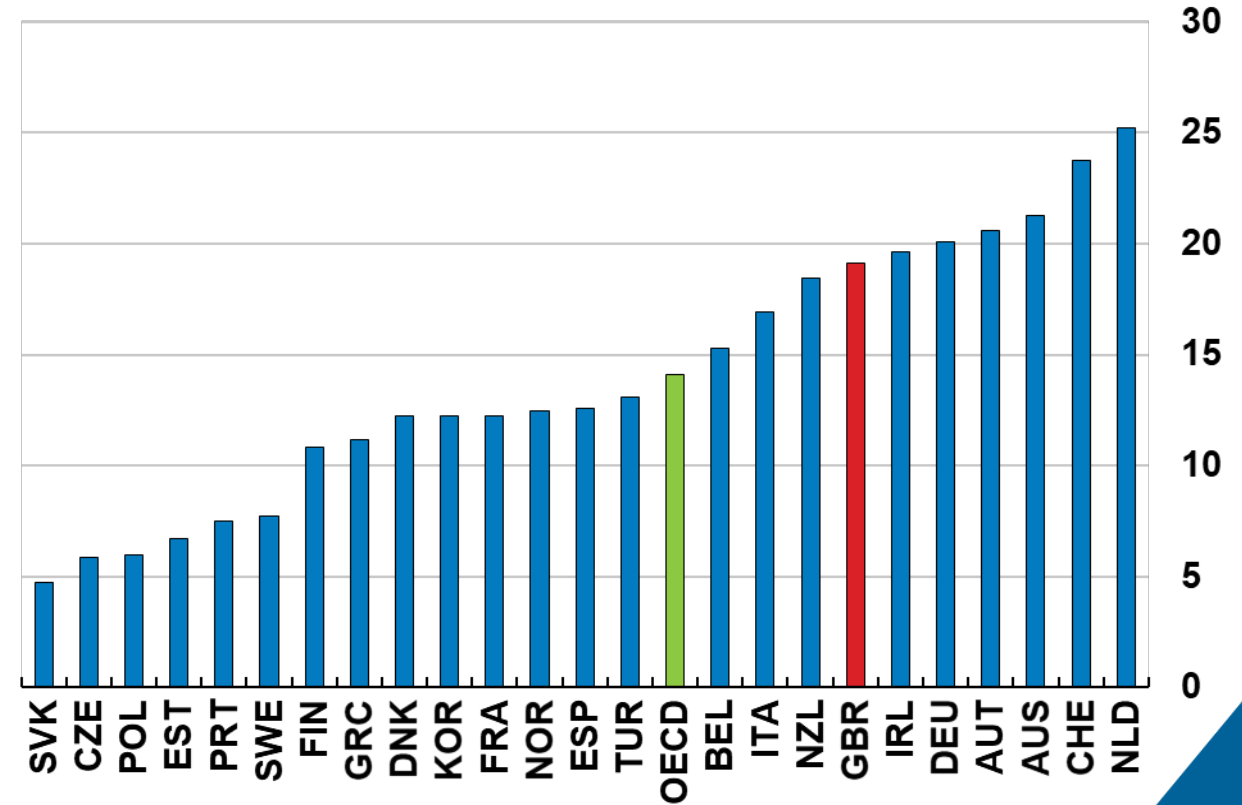
## Share of women graduated in STEM

%



## Gender gap in working hours, 2021 or latest

%



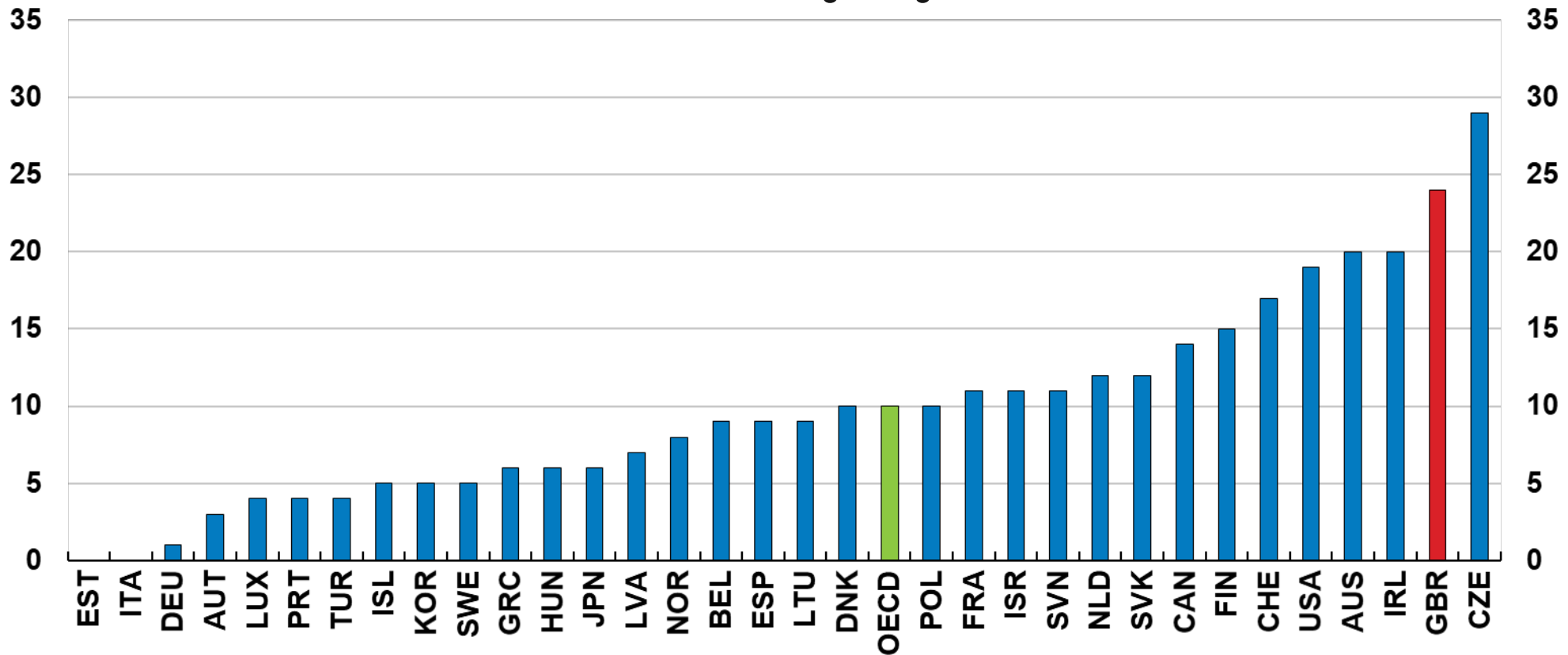
Note: LHS: STEM refers to Natural sciences, mathematics and Statistics; Engineering, manufacturing and construction; and Information and Communication Technologies (ICT's). RHS: refers to the gap between women's and men's average usual weekly working hours on the main job as a share of men's working hours, total declared employment. 15-64 year-olds.

Source: OECD (2022), Labour Force Statistics.



# Childcare costs are high

Net childcare costs for parents using childcare facilities, 2021 or latest available  
% of average wage



Note: The simulation refers to net costs paid by parents with two children in full-time centre-based childcare, after any benefits designed to reduce the gross childcare fees. Both adults work full-time at 67% of the average wage.

Source: OECD (2022), Social protection and Well-being database.

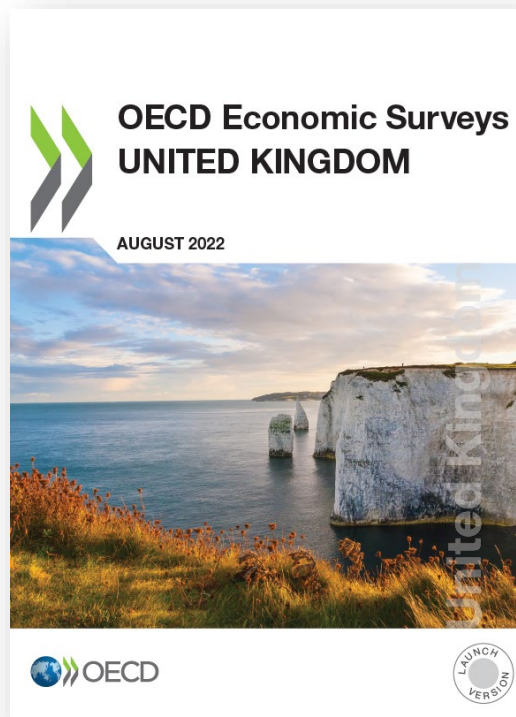


# For more information

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<http://www.oecd.org/eco/surveys/economic-survey-united-kingdom.htm>

