



Economy of the United Kingdom

The United Kingdom is a major developed capitalist economy. It is the world's sixth largest by nominal GDP and the seventh largest by purchasing power parity. It is the third largest economy in Europe after Germany's and France's in nominal terms, and the third largest after Germany's and Russia's in terms of purchasing power parity. Its GDP PPP per capita is the 18th highest in the world. The United Kingdom is also a member of the G8, the Commonwealth of Nations, the Organisation for Economic Co-operation and Development, the World Trade Organisation, and the European Union.

The UK was the first country in the world to industrialise in the 18th and 19th centuries, and for much of the 19th century possessed a predominant role in the global economy. However, by the late 19th century, the Second Industrial Revolution in the United States meant the US had begun to challenge Britain's role as the leader of the global economy. The extensive war efforts of both World Wars in the 20th century and the dismantlement of the British Empire also weakened the UK economy in global terms, and by that time Britain had been superseded by the United States as the chief player in the global economy. At the start of the 21st century however, the UK still possesses a significant role in the global economy, due to its large Gross Domestic Product and the financial importance that its capital, London, possesses in the world.

The United Kingdom is one of the world's most globalised countries. The capital, London, is a major financial centre for international business and commerce and is one of three "command centres" for the global economy (along with New York City and Tokyo). The British economy is made up (in descending order of size) of the economies of England, Scotland, Wales and Northern Ireland. In 1973, the UK acceded to the European Economic Community which is now known as the European Union after the ratification of the Treaty of Maastricht in 1993.

The UK entered a recession in Q3 of 2008. As of June 2009, the economy had shrunk by 5.6% compared to the year before. In July 2009, the UK appeared to have seen the worst of the global recession of 2009, with latest Office of National Statistics figures for Q2 of 2009 showing that the economy shrank by 0.8%, an improvement compared to the previous quarter. Some

forecasts expect the UK to enter growth in Q3 as the first economy to do so in the EU's big three (Germany, UK, France) and also the first out of the G8.

Recent economic performance

Gross Domestic Product (GDP) decreased by 0.8 per cent in the second quarter of 2009, compared with a decrease of 2.4 per cent in the first quarter, according to the first provisional estimate of the Office for National Statistics (ONS). The first quarter figure (2009) has been revised down from a decrease of 1.9%. There was a decrease of 1.8 per cent in the fourth quarter of 2008. With a 0.6% decline in the third quarter, the latest figures take the annual rate of decline to 5.6%, the biggest fall since records began in 1955, the BBC reported.

In October 2007, the IMF had forecast British GDP to grow by 3.1% in 2007 and 2.3% in 2008. However, GDP growth slowed to -0.1% by the April-June quarter of 2008 (revised from zero). However, in September 2008, the OECD forecast contraction for at least two quarters for the UK economy, possibly severe, placing its predicted performance last in the G7 of leading economies.

It has been argued that heavy government borrowing over the past cycle has led to a severe structural deficit, reminiscent of previous crises, which will inevitably exacerbate the situation and place the UK economy in an unfavourable position compared to its OECD partners as attempts are made to stimulate recovery, other OECD nations having allowed greater room for manoeuvre thanks to contrasting policies of relatively tighter fiscal control prior to the global downturn.

In May 2009 the European Commission (EC) stated: "The UK economy is now clearly experiencing one of its worst recessions in recent history." The EC expected GDP to decline 3.8% in 2009 and projected that growth will remain negative for the first three quarters of 2009. It predicted two quarters of "virtual stagnation" in late 2009-early 2010, followed by a gradual return to "slight positive growth by late 2010".

Agriculture, hunting, forestry, and fishing

Agriculture is intensive, highly mechanized, and efficient by European standards, producing about 60% of food needs with less than 2% of the labour force (477,000 out of a total workforce of 31,598,000, 3rd quarter of 2007). It contributes around 2% of GDP. Around two-thirds of the production is devoted to livestock, one-third to arable crops. The main crops that are grown are wheat, barley, oats, oilseed rape, maize for animal feeds,

potatoes and sugar beet. New crops are also emerging, such as linseed for oil and hemp for fibre production. The main livestock which are raised are cattle, chickens (the UK is the second largest poultry producer in Europe after France) and sheep. Agriculture is subsidised by the European Union's Common Agricultural Policy.

The UK retains a significant, although vastly reduced, fishing industry. Its fleets, based in towns such as Kingston upon Hull, Grimsby, Fleetwood, Great Yarmouth, Peterhead, Fraserburgh, and Lowestoft, bring home fish ranging from sole to herring.

The Blue Book 2006 reports that the "Agriculture hunting, forestry and fishing" added gross value of £10,323 million (at 2006 prices) to the UK economy in 2004.

Mining and quarrying

The Blue Book 2006 reports that this sector added gross value of £21,876 million to the UK economy in 2004.

Manufacturing

In 2003, manufacturing industry accounted for 16% of national output in the UK and for 13% of employment, according to the Office for National Statistics. This is a continuation of the steady decline in the importance of this sector to the British economy since the 1960s, although the sector is still important for overseas trade, accounting for 83% of exports in 2003. The regions with the highest proportion of employees in manufacturing were the East Midlands and West Midlands (at 19 and 18% respectively). London had the lowest at 6%.

Although the manufacturing sector's share of both employment and the UK's GDP has steadily fallen since the 1960s, data from the OECD shows that manufacturing output in terms of both production and value has steadily increased since 1945. This is a trend common in many mature Western economies. Heavy industry, employing many thousands of people and producing large volumes of low-value goods (such as steelmaking) has either become highly efficient (producing the same amount of output from fewer manufacturing sites employing fewer people- for example, productivity in the UK's steel industry increased by a factor of 8 between 1978 and 2006) or has been replaced by smaller industrial units producing high-value goods (such as the aerospace and electronics industries).

Engineering and allied industries comprise the single largest sector, contributing 30.8% of total Gross Value Added in manufacturing in 2003. Within this sector, transport equipment was the largest contributor, with 8 global car manufacturers being present in the UK – BMW (MINI, Rolls-Royce), Tata (Jaguar-Land Rover), General Motors (Vauxhall Motors), Honda, Nissan, Toyota and Volkswagen (Bentley) with a number of smaller, specialist manufacturers (including Lotus and Morgan) and commercial vehicle manufacturers (including Leyland Trucks, LDV, Alexander Dennis, JCB, the main global manufacturing plant for the Ford Transit, Manganese Bronze and Case-New Holland) also being present. The British motor industry also comprises numerous components for the sector, such as Ford's diesel engine plant in Dagenham, which produces half of Ford's diesel engines globally.

A range of companies like Brush Traction and Hunslet manufacture railway locomotives and other related components. Associated with this sector are the aerospace and defence equipment industries. The UK manufactures a broad range of equipment, with the sector being dominated by BAE Systems, which manufactures civil and defence aerospace, land and marine equipment; VT Group, one of the world's largest builders of warships; and GKN and Rolls Royce, who manufacture aerospace engines and power generation systems. Commercial shipbuilders include Harland and Wolff, Cammell Laird, Abels, Barclay Curle and Appledore. Companies such as Fairline Boats and Sunseeker are major builders of private motor yachts.

Another important component of Engineering and allied industries is electronics, audio and optical equipment, with the UK having a broad base of domestic firms, alongside a number of foreign firms manufacturing a wide range of TV, radio and communications products, scientific and optical instruments, electrical machinery and office machinery and computers.

Chemicals and chemical-based products are another important contributor to the UK's manufacturing base. Within this sector, the pharmaceutical industry is particularly successful, with the world's second and third largest pharmaceutical firms (GlaxoSmithKline and AstraZeneca respectively) being based in the UK and having major research and development and manufacturing facilities there.

Other important sectors of the manufacturing industry include food, drink, tobacco, paper, printing, publishing and textiles. The UK is also home to three of the world's biggest brewing companies: Diageo, SABMiller and Scottish and Newcastle, other major manufacturing companies such as Unilever, Cadbury, Tate & Lyle, British American Tobacco, Imperial Tobacco, EMAP, HarperCollins, Reed Elsevier, Ben Sherman, Burberry, French

Connection, Reebok, Pentland Group and Umbro being amongst the largest present.

The Blue Book 2006 reports that this sector added gross value of £147,469 million to the UK economy in 2004.

Manufacturing is an important sector of the modern British economy and there is a considerable amount of published research on the subject of the factors affecting its growth and performance. Of late, such things as increases in taxation and regulation have tended to diminish the favorableness of the political-legal environment for UK industry. Within manufacturing, British firms and industries have often lagged behind their overseas competitors in terms of productivity and various other key performance measures. However, Britain – the birthplace of the Industrial Revolution – continues to be one of the most attractive countries in the world for direct foreign industrial investment

