



UNITED KINGDOM

What's happening in this economy

In the context of long-term average annual growth since 1954 of 2.4 per cent—and during a global upswing—GDP growth in the UK is currently 1.2 per cent (year to June 2019 quarter).

The country's economy is being impacted by uncertainty which is weighing on investment and productivity growth. Data from the latest quarter shows services sector growth slowed to its weakest rate in three years. There has been a noticeable impact on business investment since the Brexit vote, with the National Institute of Economic and Social Research estimating investment is around 15 per cent lower than it would have been. As in Europe, manufacturing growth in the UK continues to weaken.

The current interest rate is 0.75 per cent—its highest level since March 2009—with markets pricing in a rate cut some time next year. The labour market remains tight, with close to record low levels of unemployment at 3.9 per cent and wage growth at its highest in 11 years (May to July 2019).

The UK's population is getting older and growing steadily, presenting a challenge for local governments with reduced funding and significant statutory responsibilities for social care services as a result of devolution. This—combined with relatively high rates of government debt (around 80 per cent) and the policy challenges posed by possible Brexit scenarios—raises issues about the medium term budget position.

In addition to negotiating the UK's exit from the EU, the government's priorities include:

- supporting the National Health Service
- tackling violent crime and strengthening the criminal justice system
- boosting social care
- enhancing infrastructure, education and science
- protecting the environment
- improving animal welfare, and
- establishing freeports.

Trade, investment, and commercial opportunities and activities

- In 2018 two-way trade was worth around \$26.9 billion, with Australian exports worth \$10.5 billion and imports from the UK \$16.4 billion:
 - the UK was Australia's fourth largest services export market in 2018

Key facts and figures

- Population: 66.4 million (2018)
- Inflation: 1.7 per cent (August 2019)
- GDP growth: 1.2 per cent (2018)
- Political system: Westminster
- Two-way trade: \$26.9 billion (2018)
- Two-way investment: \$982 billion (2018)



connecting Australian business to the world

- Australia’s services exports to the UK were valued at \$5.4 billion, and
- services imports from the UK were valued at \$9.1 billion.
- The UK remains a key market for inbound tourism to Australia:
 - it has the fourth largest market by visitation and third largest by visitor spend worldwide, and
 - in the year ending June 2019, the UK facilitated 718,000 visitors to Australia with a total spend of AUD \$3.4 billion.
- The UK is the second largest source of total foreign investment in Australia. At the end of 2018:
 - total UK foreign investment in Australia was valued at \$574.7 billion
 - direct UK foreign investment in Australia was valued at \$98.7 billion, and
 - total Australian investment in the UK was \$408 billion, making the UK Australia’s second largest foreign investment destination.
- Australian investment into the UK is focused on business services, financial services including superannuation funds investing in infrastructure; construction and engineering, retail, and the information and communications technology sectors.
- UK investment in Australia ranges from small and medium sized technology firms opening new operations through to large superannuation funds investing in major Australian infrastructure and energy assets.
- Major current and emerging commercial foreign direct investment opportunities include:
 - renewable energy
 - major infrastructure
 - agri-food
 - fintech
 - edtech
 - transport tech
 - digital health, and
 - defence.
- The signing of the UK–Australia FinTech Bridge is an opportunity for deeper collaboration between governments, regulators and industry bodies:
 - Australian firms can access the UK regulatory sandbox (if they meet eligibility requirements) to expand the testing of their offerings in a new market.
- In 2019 the Australian and UK governments signed a letter of intent to complete a Space Bridge Framework Agreement, which will facilitate access for firms to the global space sector.
- Major initiatives in the UK market over the next year include the:
 - International Armed Vehicle Conference – January
 - Energy Storage Summit – February
 - Innovate Finance Global Summit – March
 - Digital Health World Congress – May
 - EdtechXEurope – June
 - London Tech Week – June



connecting Australian business to the world

- Defence Vehicle Dynamics (DVD) – September
- World Agritech Summit – October, and
- Future Food Tech Summit – October

Trade policy and negotiations

Australia and the UK established a Trade Working Group in 2016 to scope a future trade agreement and exchange views on global trade policy issues and developments. The group has met six times since then, most recently in June.

To build on the working group's outcomes, Australia and the UK intend to commence negotiations on a comprehensive, ambitious free trade agreement as soon as possible after the UK leaves the European Union.

Disclaimer

The Department of Foreign Affairs and Trade (DFAT) has taken great care to ensure the information contained in this publication is correct and accurate.

DFAT does not guarantee, and accepts no legal liability arising from or connected to the accuracy, reliability, currency or completeness of any material contained in this publication.

Readers should exercise their own skill and care in using the material contained in this publication and carefully evaluate the accuracy, currency, completeness and relevance of the material for their purposes.