

Country Insight Snapshot

United Kingdom

December 2022



OVERALL COUNTRY/REGION RISK INDICATOR

Current Risk Indicator:



- Last change: November 2022 (DB3b → DB3c)
- Amber indicates that there is a **Balanced** mixture of negative/positive factors/influences
- Rating outlook is **DETERIORATING**

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

WorldWatch Headline

A winter of discontent is likely to be the prelude to a period of slowing activities, amid persistent inflation, and fiscal and monetary tightening.

Recent Changes

- A winter of discontent is likely to be the prelude to a period of slowing activities.
- Due to disruptive strikes to essential services, business continuity and supply environment risks were downgraded by one quartile.
- Persistently high prices have prompted us to implement another two-quartile downgrade for market potential and a one-quartile downgrade for the market environment.
- In November, the higher tax burden on businesses (including SMEs) and households prompted us to downgrade the business regulatory environment score to DB2c from DB2b.
- Albeit slightly lower in November, inflation remains high, with the overall Harmonised Consumer Prices Index at 10.7% y/y; producer and retail prices also remain high.
- The GfK consumer confidence index shows record low levels for the UK; the Purchasing Managers' Index (PMI) remains firmly in negative territory.

Events to Watch

- Jeremy Hunt and Rishi Sunak have placed the country on a different, more austere, fiscal policy trajectory, which will increase taxes on businesses and households.
- As inflation rises, monetary policy is likely to remain restrictive in the coming months, but monetary tightening could become less aggressive or even temporarily stop if strong signs of inflation deceleration were to emerge.

Call to Action

- As the economy loses momentum, plan for a reduction in sales and expect consumer prices to remain elevated.
- Monitor exchange-rate volatility as it is set to remain high in 2023.
- Reassess your tax-optimisation strategy; the new fiscal policy is likely to have changed the amount you will need to pay.
- Watch energy-intensive companies' cash flows; expect consumer spending to be affected as the cost of living increases.

COUNTRY INSIGHT HEADLINES

CREDIT ENVIRONMENT

Current Risk Indicator:



- Last change: March 2022 (DB3a → DB3b)
- Amber indicates that there is a **Balanced** mixture of negative/positive factors/influences
- Rating outlook is **DETERIORATING**

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

Risks and Opportunities

- In March, we downgraded the credit environment score by one quartile and downgraded the outlook to 'deteriorating' on the back of worsening short-term economic and business continuity outlooks.
- Dun & Bradstreet proprietary data show that in Q3, the number of company liquidations was more than 20% higher than pre-pandemic levels.
- Dun & Bradstreet data show that the average payment delay in the UK (14.59 days) is already above the European average of 13.6 days.
- The current economic crisis may lead to an increase in payment delays in 2023.
- UK input and output producer price indices (PPIs) have seen a sharp rise: 15% y/y on average in the three months to November 2022.

Trade Terms

Description	Terms
Minimum Terms	OA
Recommended Terms	OA
Usual Terms	30-60 days

Note: OA: Open Account; SD: Sight Draft (Documentary Collection); LC: Letter of Credit; CLC: Confirmed Letter of Credit; CIA: Cash in Advance. **Source:** Dun & Bradstreet

Export Credit Cover

Agency	Cover
Eksport Kredit Fonden (EKF)	Full cover available, conditions apply
US Eximbank	Full cover available
ECGD	Full cover available
Euler Hermes AG	Medium- or long- term cover available, limited short-term cover

Source: Export Credit Agencies

Call to Action

- Monitor payments performance closely: readings, although on an improving trend since early 2021, are still worse than in pre-pandemic times.
- Factor the risk of delayed deliveries into short-term business planning.

SUPPLY ENVIRONMENT

Current Risk Indicator:



- Last change: December 2022 (DB3a → DB3b)
- Amber indicates that there is a **Balanced** mixture of negative/positive factors/influences
- Rating outlook is **STABLE**

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

Risks and Opportunities

- A winter of discontent has triggered a series of disruptive strikes that are affecting the normal operation of essential public services, including rail and postal services.
- As a result, we have downgraded the score for business continuity by one quartile.
- Despite the signing of a free trade deal, EU-UK trade has become more cumbersome (and expensive) since the end of the Brexit transition period.
- Trade talks with Australia and New Zealand are expected to be complete in the next few months; tariffs for UK-NZ/AUS trade will fall and quotas will increase, facilitating market access, but GDP impacts from these deals are expected to be small.

Call to Action

- Given the current high (and likely increasing) oil and gas prices, assess the creditworthiness of energy-intensive companies.
- Monitor the risk of non-payment (with the help of [Business Credit Reports](#)): insolvencies may rise in 2022.
- Use advanced analytics for curated [supply chain intelligence](#).
- **Stay informed:** take note of how UK firms adjusted supply chains in 2021 after the Brexit transition period.

MARKET ENVIRONMENT

Current Risk Indicator:



- Last change: December 2022 (DB3a → DB3b)
- Amber indicates that there is a **Balanced** mixture of negative/positive factors/influences
- Rating outlook is **DETERIORATING**

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

Risks and Opportunities

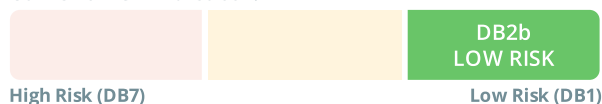
- Elevated inflation, a higher tax burden (including on small and medium enterprises) and lower growth in the coming quarters will reduce market potential.
- On the back of these developments, we have further downgraded the market environment score from DB3a to DB3b.
- In the medium term, the market environment is likely to be negatively affected by a higher tax burden and a deteriorating business environment.
- A mix of talent shortages, supply chain disruption and high inflation has created additional headwinds for the economy.

Call to Action

- Be mindful that, given the conflict in Ukraine, assessing supply chain resilience is more important than ever.
- Note that the number of job vacancies was around 1.3m between April and May, but decreased slightly in July, to 1.26m, before increasing again in August, to 1.3m.
- Note that unemployment stood at 3.6%, down from 3.8%; this indicates a tight labour market, which continues to put upward pressure on wages.

POLITICAL ENVIRONMENT

Current Risk Indicator:



- Last change: October 2021 (DB2a → DB2b)
- Green indicates that **Positive** factors/influences dominate
- Rating outlook is **STABLE**

LOW RISK Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns at a future date.

Risks and Opportunities

- In just weeks, the majority of the fiscal measures announced by Kwasi Kwarteng were retracted, increasing business environment uncertainty in the UK.
- On 24 October, former Chancellor of the Exchequer Rishi Sunak became the prime minister.
- These developments reduced political instability and led us to upgrade the political environment outlook from 'deteriorating' to 'stable' in November; we do not anticipate a deterioration of political and expropriation risk in the near term.
- The current government seems committed to remain a very vocal opponent of Russia in the current crisis; it will have to balance geopolitical and economic interests.
- Tension with the EU over access to territorial fishing waters and the Northern Ireland protocol (a vital part of the Brexit agreement) remain unresolved.
- Scotland is likely to push for another independence referendum.
- The country is a stable parliamentary democracy, but the political environment has deteriorated somewhat since the Brexit vote in 2016 and during the Covid outbreak, with the situation worsening over recent months.

Call to Action

- Monitor political developments; despite a strong Conservative parliamentary majority, ungovernability reigns in the short term, making it difficult to predict the outcomes of policy-making.
- Be alert to the increasing number of anti-Russia voices in the British political discourse, this could add to uncertainty in political risk for firms exposed to trade with Russia.
- Note that a divided Conservative party could find it more difficult to resolve tension with the EU over access to territorial fishing waters and the Northern Ireland protocol (a vital part of the Brexit agreement).
- Be aware that since April 2022, climate-related financial disclosures have been mandatory for the UK's largest companies (those with more than 500 employees and a turnover of more than £500m) and financial institutions.

STATISTICAL REFERENCE

KEY INDICATORS AND FORECASTS

Historical Data/Forecasts

Metric	2018	2019	2020	2021	2022f	2023f	2024f	2025f	2026f	2027f
Real GDP growth (%)	1.7	1.6	-11	7.5	3.4	-0.3	1.8	1.4	1.5	1.6
Nominal GDP in USDbn	2,878	2,857	2,705	3,131	3,164	3,338	3,525	3,657	3,781	3,859
Nominal GDP in local currency	2.2tn	2.2tn	2.1tn	2.3tn	2.6tn	2.7tn	2.9tn	3.0tn	3.1tn	3.2tn
GDP per Capita in USD	43,327	42,784	40,331	46,542	46,865	49,283	51,871	53,634	55,279	56,259
Population (year-end, m)	66.4	66.8	67.1	67.3	67.5	67.7	68	68.2	68.4	68.6
Exchange rate (yr avge, USD-LCU)	0.7	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.8	0.8
Current Account in USDbn	-117.1	-80.8	-87.8	-62.9	-155	-155.3	-149.4	-141.9	-146.3	-176.5
Current Account (% of GDP)	-4.1	-2.8	-3.2	-2	-4.9	-4.7	-4.2	-3.9	-3.9	-4.6
FX reserves (year-end, USDbn)	159.9	158.4	161.2	176	174.3	177.7	181.3	184.9	188.6	192.4
Import Cover (months)	2	2	2.5	2.4	2.3	2.3	2.3	2.3	2.3	2.3
Inflation (annual avge, %)	2.5	1.8	0.9	2.6	9	6.5	4	2.5	2	2
Govt Balance (% GDP)	-2.2	-2.3	-13.2	-8.1	-4.5	-2.7	-1.9	-1.6	-1.5	-1.2

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	UK	Germany	US	France	Ireland
Income per Capita (USD)	46,865	49,562	75,552	42,852	65,033
Country Population (m)	67.5	83.4	338.3	64.6	5
Internet users (% of population)	94.8	89.8	90.9	84.8	92

Source: Various sources/Dun & Bradstreet

Transfer Situation

Type	Delay
FX/Bank Delays	No delays reported
Local Delays	0-1 month

Note: Length of delay for completion of local and foreign transfers Source: Dun & Bradstreet

Trade Payment Restrictions

Trade Payment Restriction	UK	Western & Central Europe	OECD Average
Restrictions on non-Residents' Accounts	0	0	0.06
Restrictions on Payments for Imports	0	0.12	0.06
Restrictions on Payments for Invisible and other Current Transfers	0	0.36	0.35

Note: for a definition of the Trade Payment Restrictions please see the online [user guide](#) Source: International Monetary Fund



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User Guide

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