

The United Kingdom: A challenging year for most, but even trickier for the UK

For the UK, 2021 was marked by two overarching developments: the ongoing COVID-19 pandemic and a plunge into the new reality of Brexit as the transition period ended on December 31, 2020. In the EQx2022, the UK has lost considerable ground, falling from an excellent third place to now rank # 8. A closer look reveals that this deterioration in performance originates from the economic sphere, with the Index Areas of Economic Power (ii, rank # 8) and Economic Value (iv, rank # 17) experiencing sizable declines.

Hoping to minimize economic damage, UK COVID-related measures were rather moderate relative to many Western European peers, and were plagued by dwindling public trust in the governmental elite after several breaches of lockdown restrictions, ultimately culminating in revelations of parties inside No. 10 Downing Street. Overall, the governmental elite's management of the pandemic was not able to prevent a sorrowful *COVID-19 mortality rate, age-adjusted* (COM, iii.7, rank # 113).

More positively, the UK maintained its great entrepreneurial strength (ENT, ii.6, rank # 1; UNC, iv.11, rank # 1), and its leading positions in *Venture capital finance* (VCK, ii.6, rank # 1) and strength in the financial markets (FMI, iv.11, rank # 1) during these challenging times. A speedy and well organized rollout of the vaccination programme (albeit not delivering an above average *COVID-19 vaccination rate* (VAX, iii.7, rank # 30)) together with the government's 'Build Back Better' strategy set the stage nicely for a strong economic recovery had it not been for supply chain shortages that were substantially amplified by the new realities of Brexit. This put extra pressure on *Inflation* where the UK's leading position dropped dramatically (DOI, iv.11, rank # 40). The post-Brexit aspiration of a 'Global Britain' took a further heavy blow when the UK found itself at the back of the queue for a free trade agreement with the US, with hardly any other substantial free trade agreements struck. Accordingly, the UK's *Economic globalization* Indicator (EGL, iv.10, rank # 18) fell markedly.

Further, the UK's excellent *Environmental Performance Index ranking* (EPI, iii.9, rank # 1) was put into perspective by disappointing rankings in the new Indicators for CO2 emissions (CDO, iii.9, rank # 89) and *Natural resources rents as % of GDP* (NRR, iii.9, rank # 43), reminding us that the UK has a very long way still to go to achieve ambitious Net Zero targets.

More pleasingly, the ranking in the Giving Income Pillar (iii.7, rank # 9) has elevated noticeably, triggered by the new Indicators for *Top universities* (UNV, iii.7, rank # 1), an area of long-standing excellence and pride for the UK, and *PISA mean scores* (PIS, iii.7, rank # 11), reflecting good, albeit not brilliant, overall performance by the education sector. However, amidst all the well deserved praise, substantial quality differences across the UK's education and university sector persist, with the elite's offspring able to afford the best private schools and being strongly overrepresented at the top universities. This likely contributes to the UK's very modest upward social mobility (MOB, i.1, rank # 17).

The sharp drop in Economic Value evident in the EQx2022 also feels like a harsh reality check for the UK's efforts to bring excellence in key areas to deliver value for broader swathes of the population. The 'Levelling Up' strategy announced in December 2021 aims to redress the large and long-standing differences in living standards between the regions of the UK (ADE, i.1, rank # 46 and REG, iii.7, rank # 120). Undoubtedly, previous governments also tried to address these inequalities, with rather modest success. However, the political incentives might be different this time as the current Conservative government was elected into office with substantial support from less affluent regions, formerly seen as 'Red Wall' constituencies, strongly supportive of the Labour opposition, and will likely need to retain these for re-election. If successful, and if the current difficulties with Brexit can be ameliorated, we may yet see a step change in more widely leveraging the UK's manifold excellence for broad Value Creation and economic growth in the next few years.

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United Kingdom

EQx2022 Country Scorecard

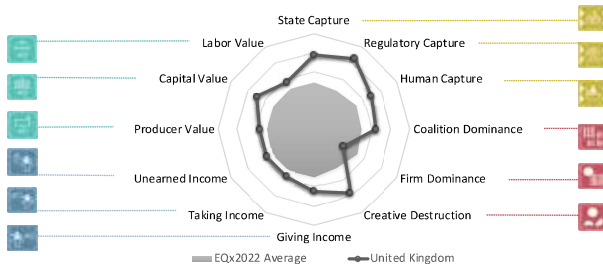
Population **67 million**
 GDP (nominal) **2'764 billion USD**
 GDP per capita **41'358 USD**



Level 1 - Index	EQx Rank / 151 8	EQx Score 63.4	Very High Quality Elites
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Level 2 - Sub-Indices & Index Areas	EQx Sub-Indices				EQx Index Areas							
	Power		Value		Political Power (I)		Economic Power (II)		Political Value (III)		Economic Value (IV)	
	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score
	4	69.3	15	60.4	4	78.4	8	64.8	17	59.5	17	60.8

Level 3 - Pillars		Rank / 151	Score
Political Power (I)	State Capture	10	77.9
	Regulatory Capture	3	85.5
	Human Capture	9	69.3
Economic Power (II)	Coalition Dominance	8	65.1
	Firm Dominance	144	35.6
	Creative Destruction	4	76.7
Political Value (III)	Giving Income	9	64.6
	Taking Income	36	56.5
	Unearned Income	37	56.8
Economic Value (IV)	Producer Value	45	56.4
	Capital Value	3	69.0
	Labor Value	65	56.8



Level 4 - EQx Indicators

		Rank / 151	Score			Rank / 151	Score
State Capture (i.1)	COR Political corruption	16	87.9	SNT Subsidies and transfers as % of expenses	91	33.0	
	MOB Social mobility (upward)*	17	76.3	REG Regional redistribution as % of government budget	120	21.9	
	MOD Social mobility (downward)* (n)	14	82.3	EDU School life expectancy	16	75.6	
	PDE Political decentralization	33	68.3	GPS Expenditure on general public services as % of GDP*	12	64.8	
	ADE Administrative decentralization	46	61.8	INT Internet access	11	81.2	
	PGL Political globalization	4	90.1	NRI Network Readiness Index	10	90.1	
	WPI Women's Power Index	52	60.0	LEW Life expectancy women	21	74.8	
	RTC Government's responsiveness to change	21	74.0	LEM Life expectancy men	16	80.8	
	EPR E-Participation Index	6	85.1	FSQ Global Food Security Index - availability, quality & safety	11	82.2	
	PFDF Press freedom	25	72.5	COV COVID-19 excess deaths, age-adjusted	11	67.7	
Regulatory Capture (i.2)	COC Control of corruption	10	96.5	COF COVID-19 fatality rate, age-adjusted	42	61.9	
	OPG Open government (n)	11	92.4	COM COVID-19 mortality rate, age-adjusted	113	39.2	
	NJK Nr. of journalists killed per 1 million people (2yrs avg.) (n)	1	58.2	CLS COVID-19 lost schooldays	24	77.8	
	REQ Regulatory quality (n)	12	87.6	VAX COVID-19 vaccination rate (n)	30	76.1	
	CRO Crony capitalism	32	60.7	OSI Online Service Index			
	ECR Ease of challenging regulations	13	83.9	UNV Top universities (n)	1	100.0	
	EDB Digital institutional quality	2	92.7	PIS PISA mean scores (n)	11	72.6	
	PRI Property rights	3	97.3	GEX General government expenditure as % of GDP* (n)	110	36.5	
	INO Informal output as a % of GDP (n)	8	90.2	DCT Corporate tax rate*	64	53.2	
	CGP Constraints on government power (n)	13	91.1	HOM Homicide rate	36	66.9	
Human Capture (i.3)	REN Regulatory enforcement (n)	14	92.4	INE Top 10% share of pre-tax national income	31	77.0	
	GSI Global Slavery Index	33	66.0	FDE Fiscal decentralization	45	34.4	
	WBL Women, business and the law	9	79.4	DTR Tax revenue as % of GDP*	113	11.2	
	LIN LGBT+ inclusiveness	5	90.6	BRD Battle-related deaths per 100,000 people	1	54.2	
	GRI Religion - Government Restriction Index	73	56.4	GCI Global Cybersecurity Index	2	79.4	
	SHI Religion - Social Hostilities Index	134	20.1	SUI Suicide rate per 100,000 people	80	54.9	
	WSB Women self made billionaires	1	100.0	SUB Death rates from substance use per 100,000 people	126	25.4	
	HRI Human Rights Index	22	82.6	DPS Delta public vs private sector salaries (n)	8	72.7	
	FDP Forcibly displaced population as % of population	9	56.2	GEG Gender education gap (n)	15	62.8	
	AFI Academic Freedom Index	30	73.4	EPI Environmental Performance Index	1	100.0	
Coalition Dominance (ii.4)	FLS Financial Literacy Score (n)	1	100.0	DBT Government debt as % of GDP	126	26.7	
	WMA Prop. of women in senior and middle mgmt. positions* (n)	39	60.5	NRR Natural resources rents as % of GDP (n)	43	60.4	
	IEE Top 3 industries exports as % of exports	6	84.9	CDO CO2 emissions (metric tons per capita) (n)	89	31.6	
	ECI Economic Complexity Index	12	88.1	CRM Criminal markets (n)	44	65.5	
	IVA Top 3 industries as % of VA	20	67.8	TRF Trade freedom	10	76.9	
	CON Construction as % of GDP*	26	53.3	FDS FDI inflows as % of GDP, stock	29	50.8	
	MIL Military expenses as % of GDP*	78	55.9	BTB Barriers to FDI	22	64.8	
	UNI Unionization rate*	58	50.0	EGL Economic globalization	18	84.4	
	CBC Collective bargaining coverage	41	57.4	HEI Health Efficiency Index	38	34.2	
	BSN Barriers in service & network sectors	1	100.0	OFB Open for business	23	59.2	
Firm Dominance (iii.5)	PUE Public employees as a % of total employment (n)	95	39.1	ESG ESG company scores	8	68.8	
	CRA Criminal actors (n)	75	51.2	RDR R&D as % of revenue Top 10 firms	17	53.1	
	SME SMEs per 1,000 people	35	47.4	FSA Global Food Security Index - affordability	4	78.3	
	BIW Billionaires' wealth as % of GDP	112	46.0	PAT Nr. of patent applications per 100,000 people	11	57.7	
	FKG Top 10 firms market cap as % of GDP	64	52.7	IPM % of imports targeted by protectionist measures (flow)	124	49.2	
	FRG Top 3 firms revenues as % of GDP	81	40.3	IPS % of imports targeted by protectionist measures (stock) (n)	61	18.0	
	FRR Top 30 firms revenues as % of GDP	69	0.0	DGI % of discr. govt. interventions as % of total interv. (flow)	121	33.8	
	TUL Listed firms turnover, long run 15 yrs	10	68.4	DGS % of discr. govt. interventions as % of total interv. (stock) (n)	134	14.9	
	TUS Listed firms turnover, short run 3 yrs	12	63.4	DNI Neutral interest rate*	31	50.6	
	ENT Entrepreneurship	1	100.0	DOI Inflation*	40	54.9	
Creative Destruction (iii.6)	VCK Venture capital finance	1	100.0	GOL Gold demand as % of GDP	9	57.8	
	RND R&D as % of GDP	20	77.1	DMA M&A as % of investment - 3 yrs rolling avg.*	40	51.0	
	EXR Firm exit ratio	5	68.8	DKI Delta capital gains tax vs income tax	73	41.9	
	BCD Billionaire's creative destruction	47	39.4	UNC Unicorns per 1 million people	1	100.0	
	IWE Index of Women Entrepreneurs	6	74.4	BSG Billionaires self-made nr. per 1 million people	15	66.7	
	VCA Venture capital availability	9	90.8	B5M Billionaires self-made as % of total billionaires	15	74.2	
	GSE Governmental support to entrepreneurship	38	56.4	FMI Financial Markets Index	1	100.0	
				UEM Unemployment rate	44	65.4	
				LFP Labor force participation rate	71	51.5	
				WLP Delta real wage vs labor productivity increases	34	20.0	
			YUN Youth unemployment rate	71	58.3		
			BRN Human flight and brain drain	21	83.7		
			LFR Labor force participation ratio - male vs female*	45	66.0		

* Calculated as the deviation from a conceptual optimum
 (n) Refers to Indicators newly incorporated in the EQx2022