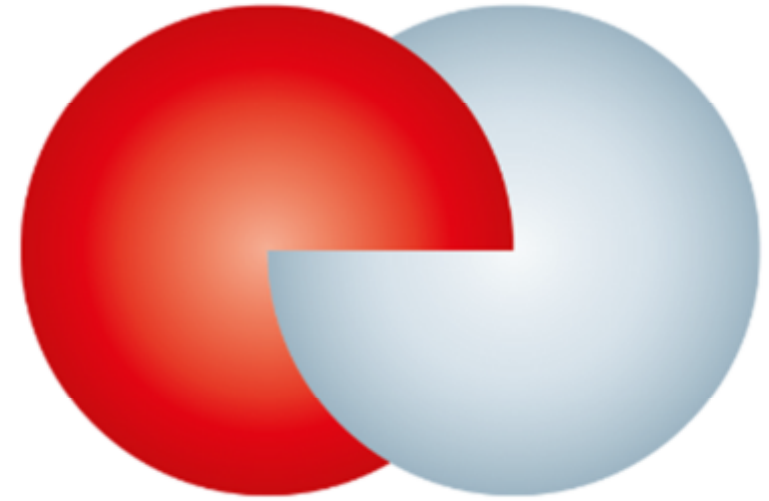


AUSTRIA CONNECT UK 2025



STRATEGY & GEOPOLITICS
LONDON 30.04.2025

BRITAIN 2025

Plans, Options & Realities

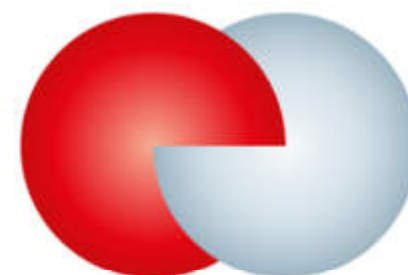




ANAND MENON

Director of UK in a Changing Europe

Strategy & Geopolitics



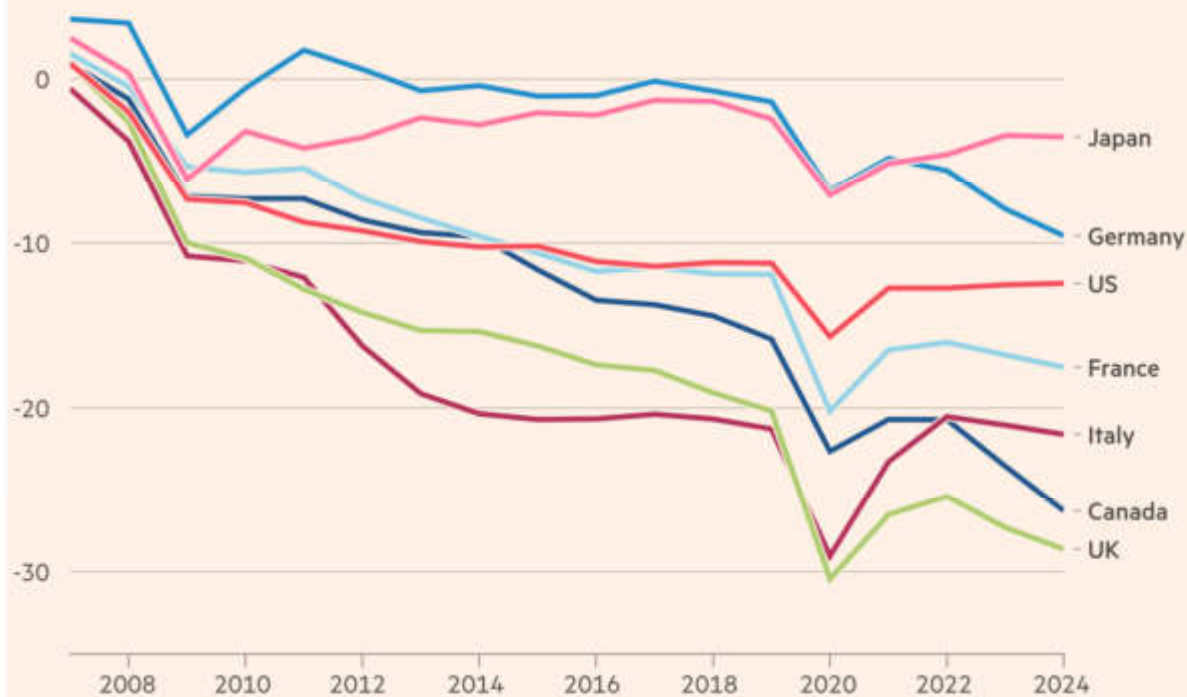
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UK 2025

The State of the UK

Anand Menon

UK economic performance has been terrible since the global financial crisis

Deviation of real GDP per head from 1990-2007 trend (%)

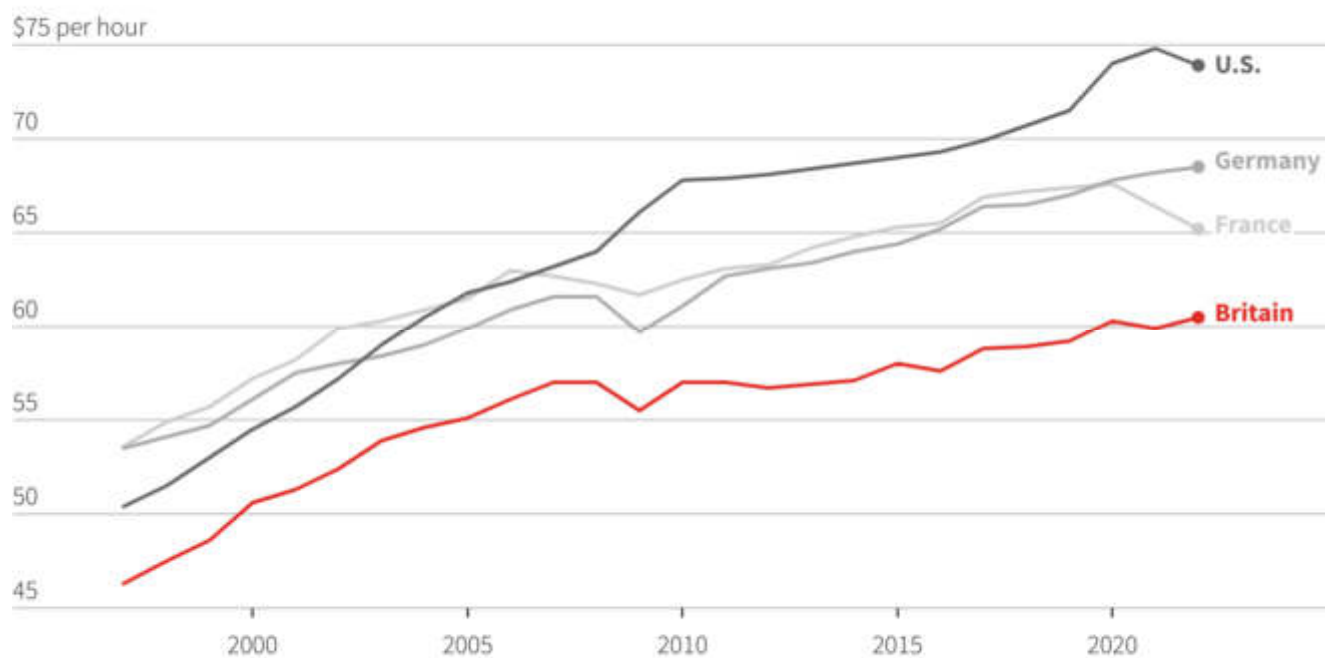


FINANCIAL TIMES

Source: IMF; FT calculations

The UK's productivity problem

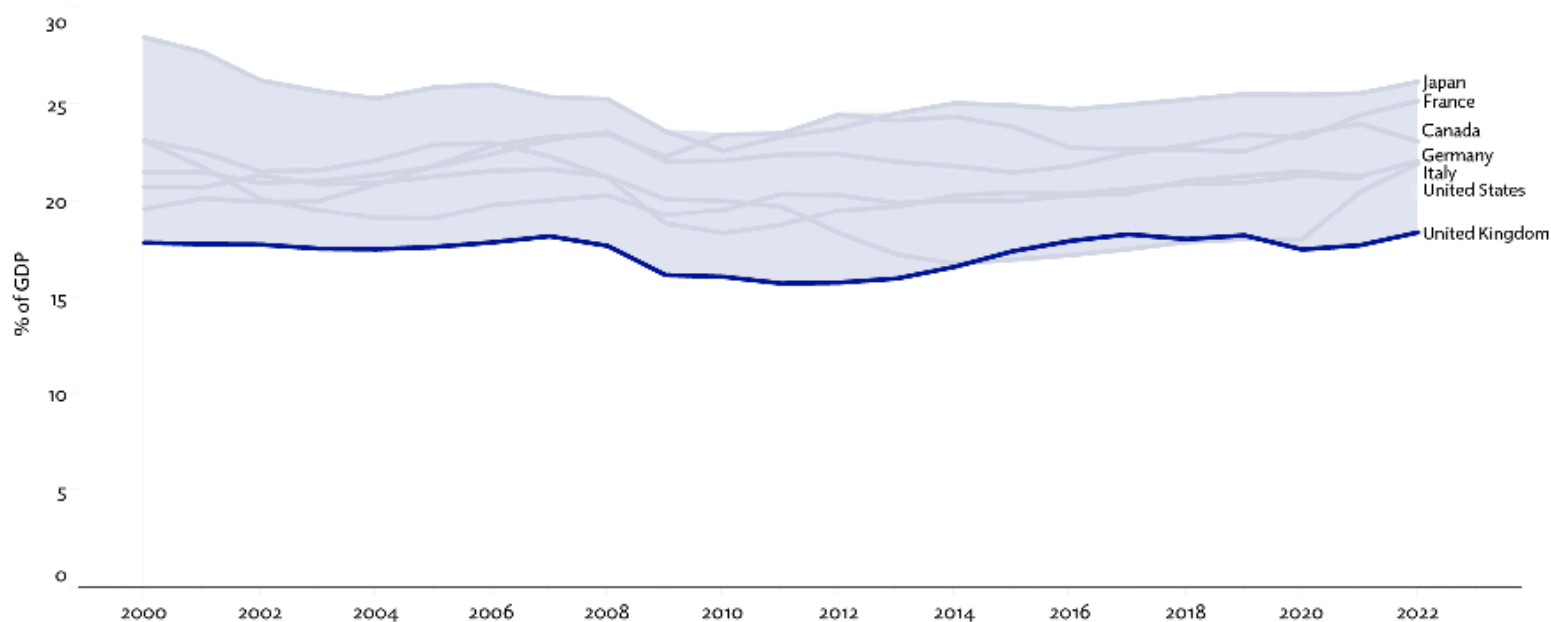
GDP per hour worked, a measure of labour productivity, has been lower in Britain than in the United States, Germany, France for decades.



Note: 2010 US \$ constant prices and PPPs
Source: OECD

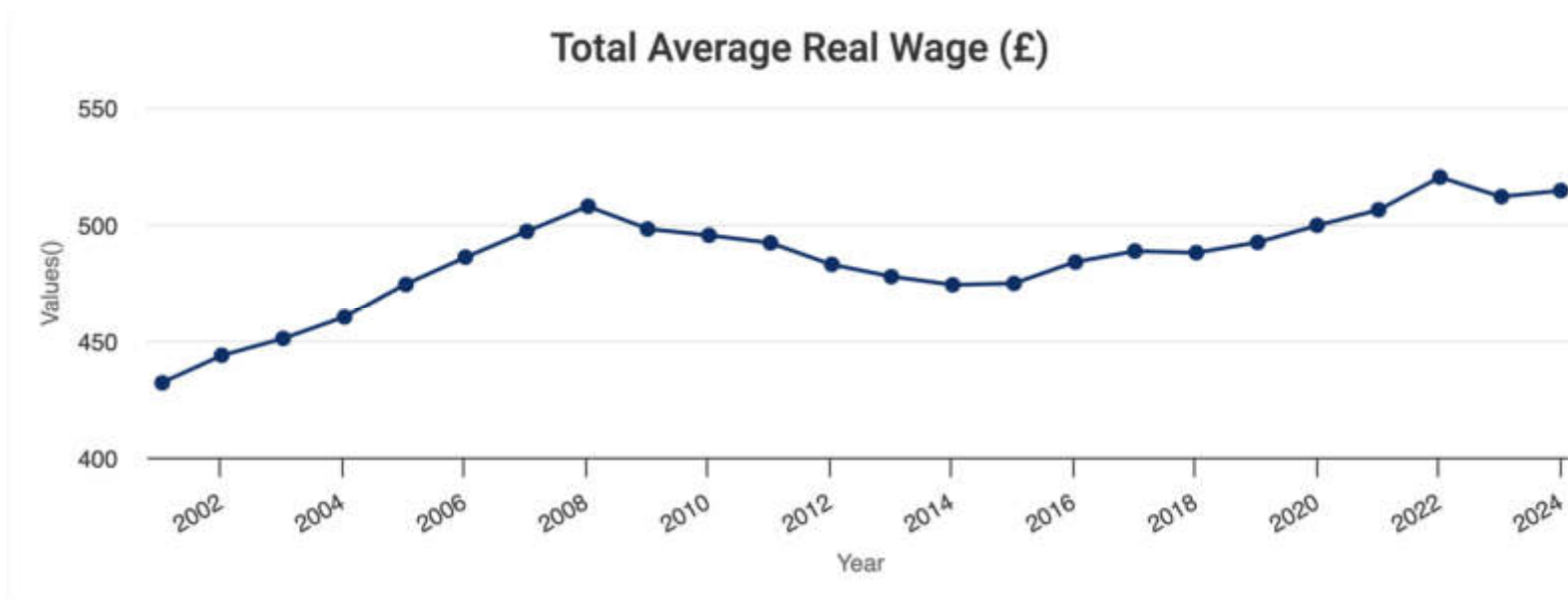
UK investment remains the lowest in the G7

Gross fixed capital formation (GFCF) as a percentage of GDP for G7. Dark blue line represents United Kingdom

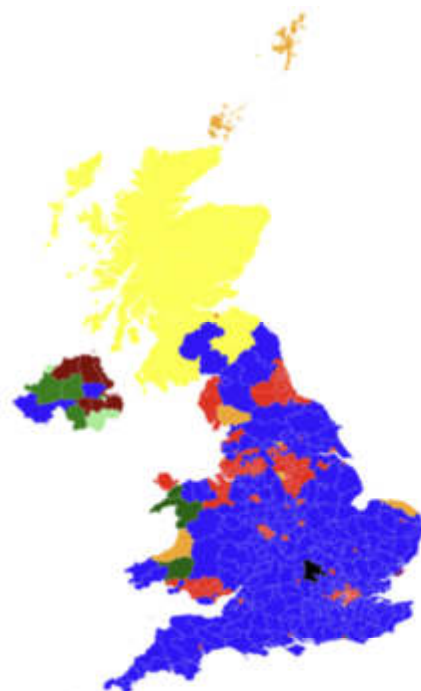


Source: OECD stats, GFCF.

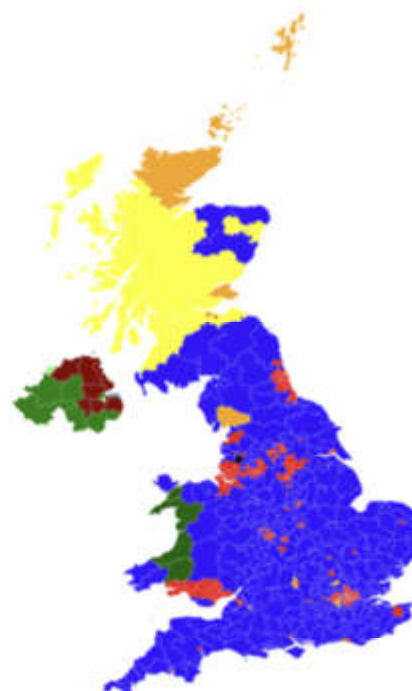
Real wages have increased a mere 1% since 2008



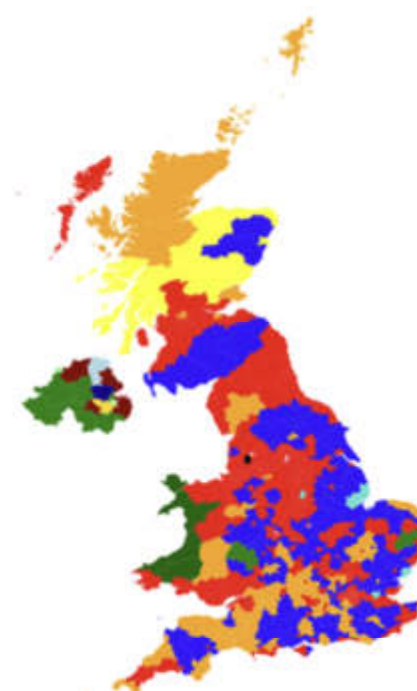
2015 General Election results



2019 General Election results



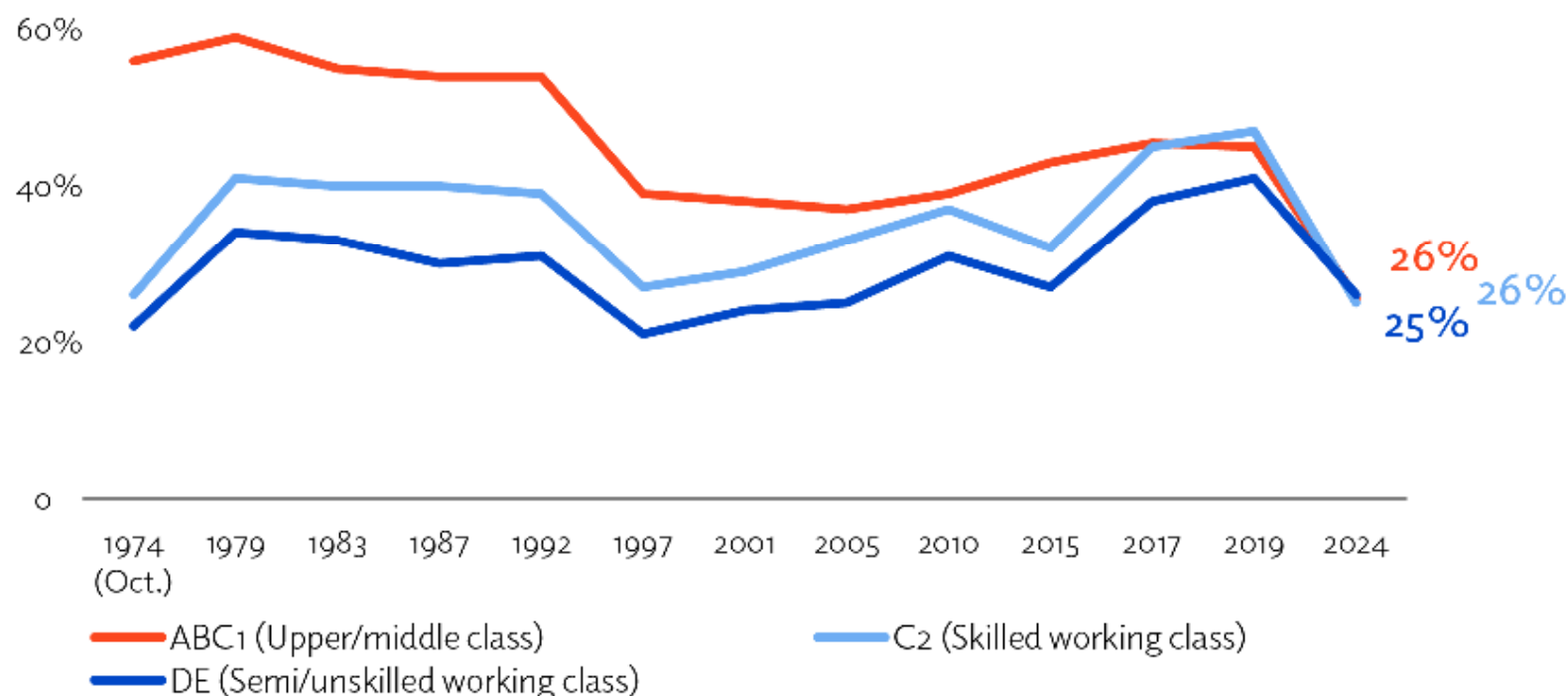
2024 General Election results



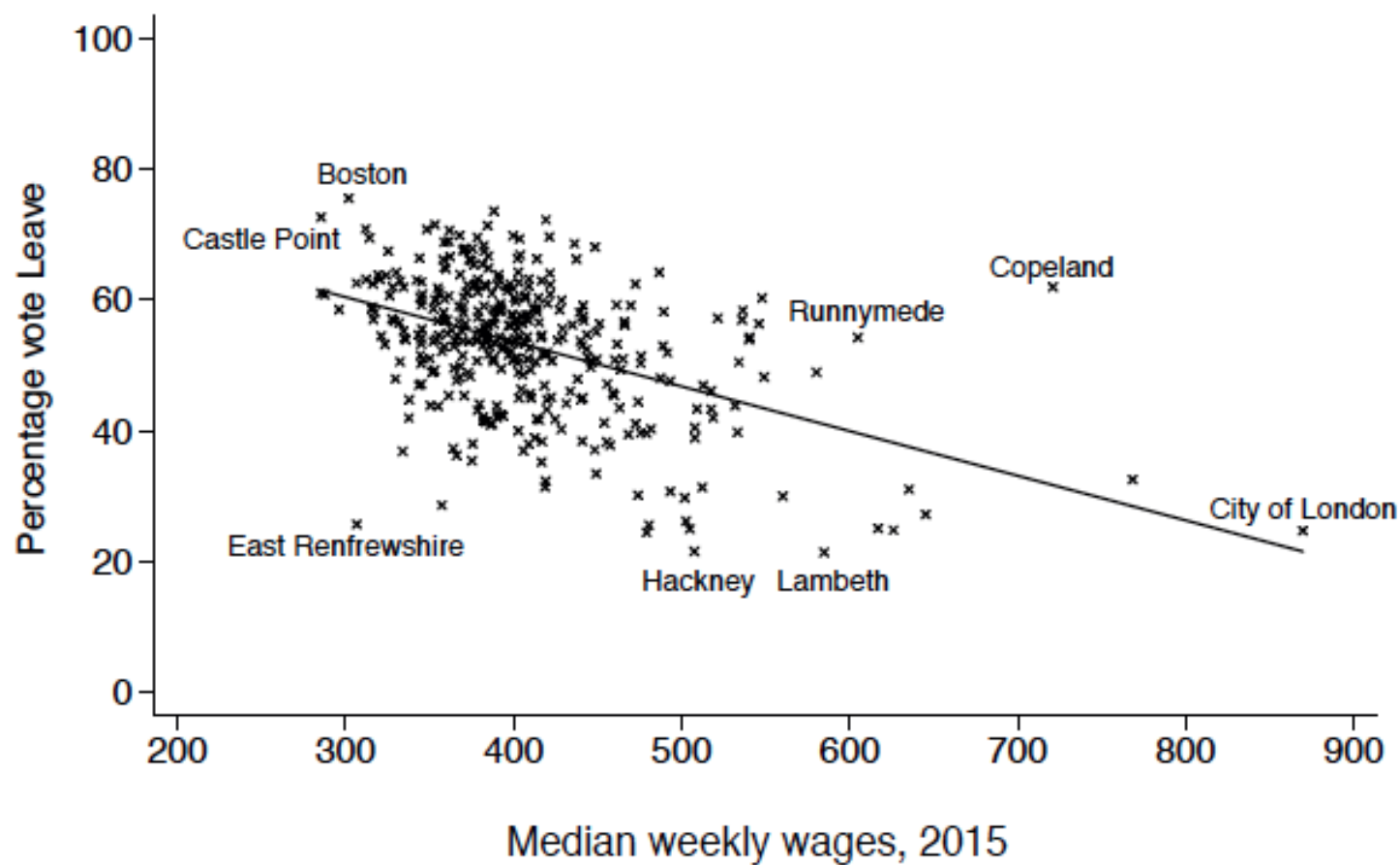
The Conservatives lost a significant share of support in 2024 among all social grades- and won their lowest support among upper/middle class voters since 1974

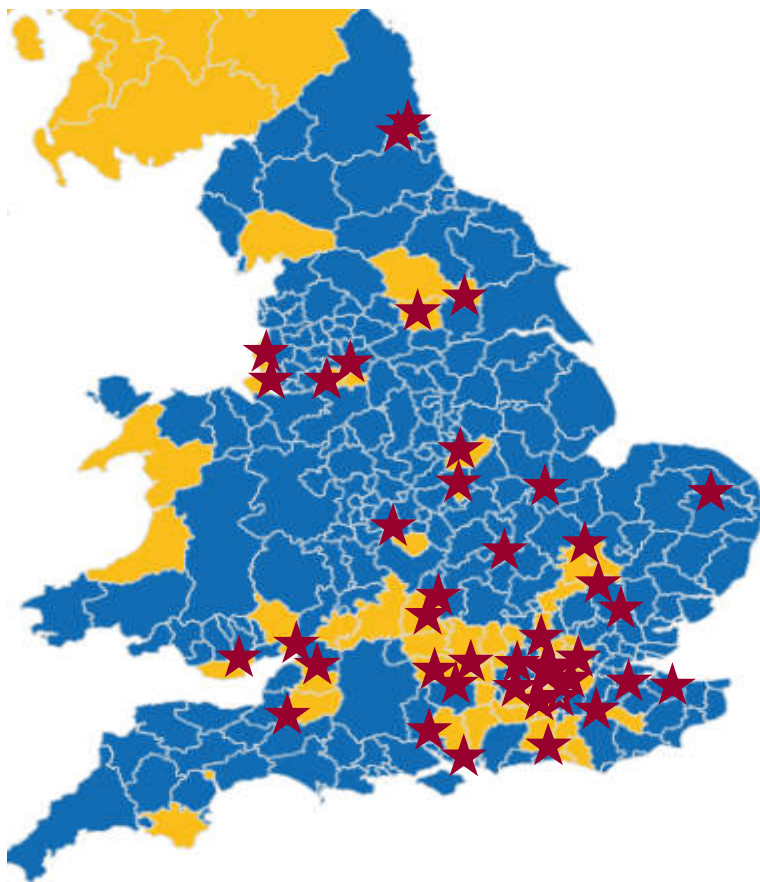
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Conservative vote share at general elections since 1974 by social grade



Source: Ipsos, How voters voted, 1974-2024





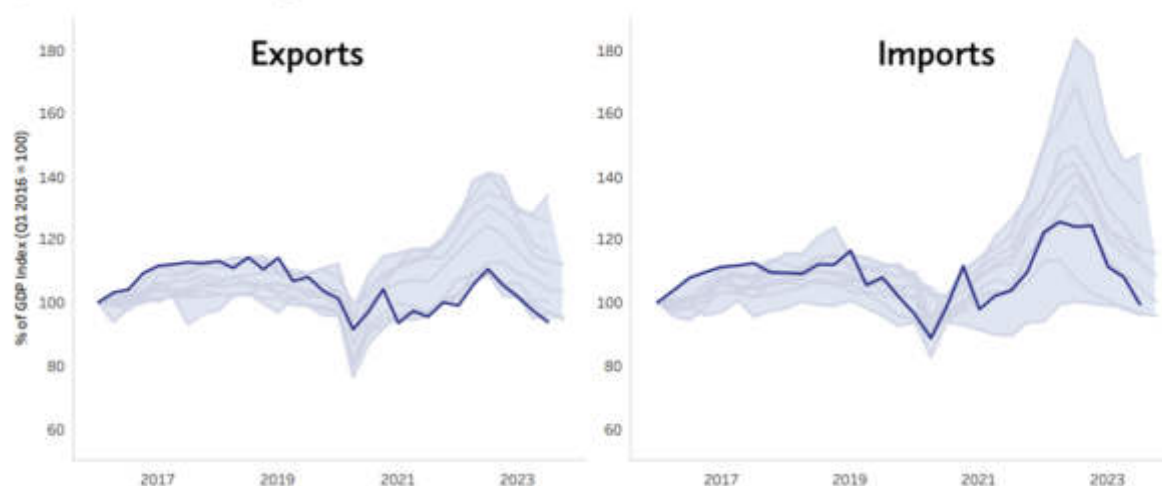
#MakingSenseOfBrexit

Brexit and goods trade

Growth in UK goods trade has been weak

OECD countries goods imports and exports as a percent of GDP indexed to Q1 2016 = 100. United Kingdom in dark blue.

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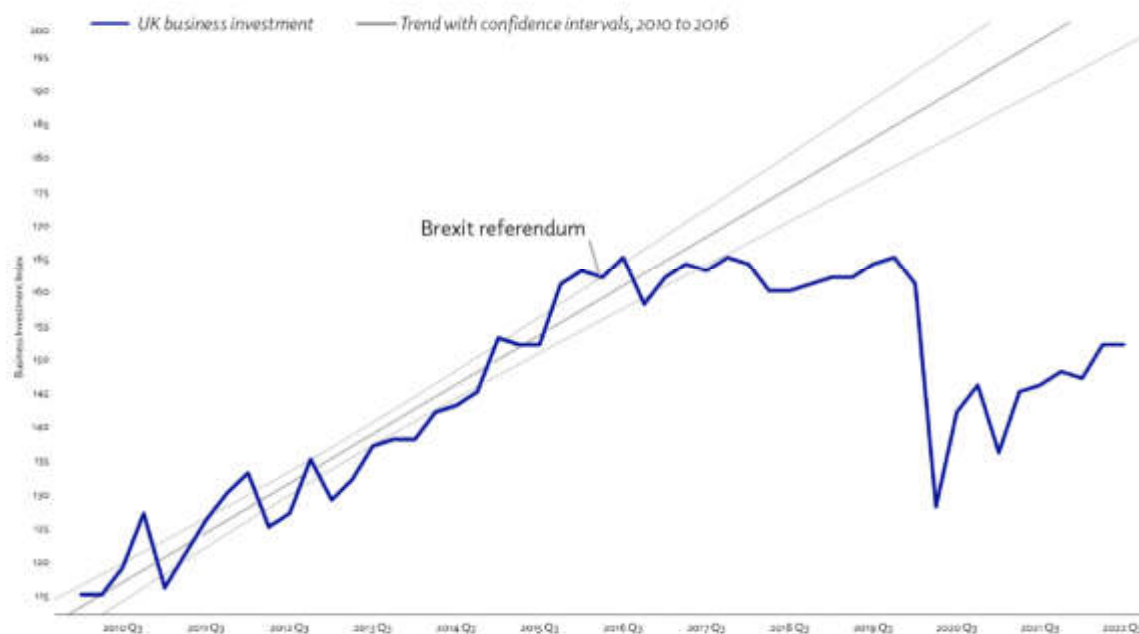


Source: OECD Data Explorer - International merchandise trade statistics - Quarterly in national currency, calendar and seasonally adjusted. OECD.Stat - Quarterly national accounts. GDP - expenditure approach - CQFSA: national currency, current prices, seasonally adjusted. Canada, France, Germany, Italy, Japan, Netherlands, Spain, UK, US, EU-27.

UK investment affected by referendum

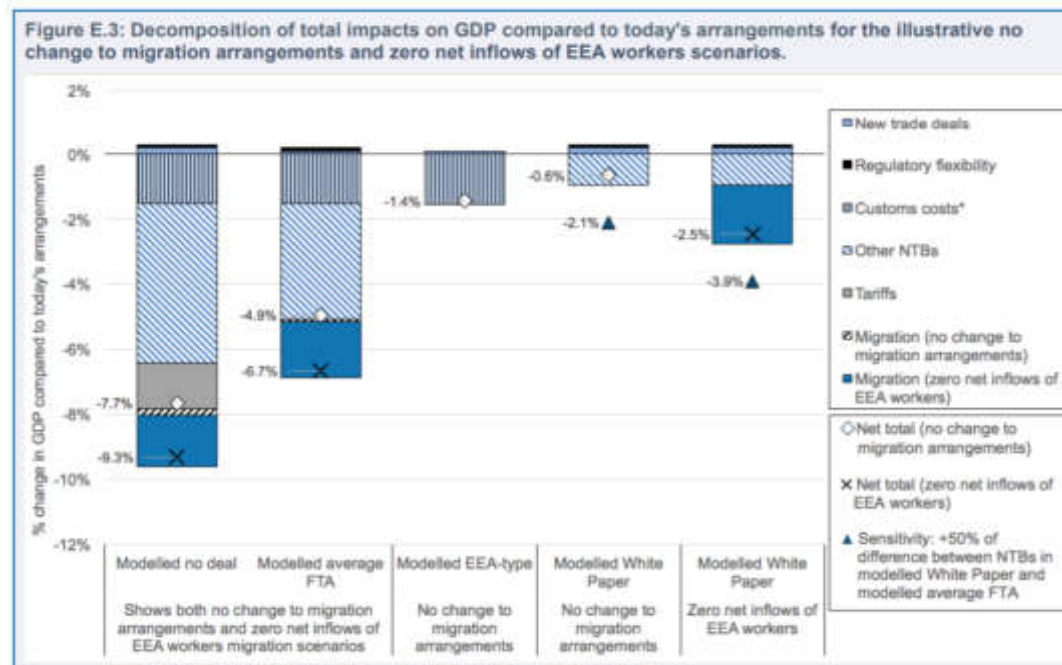
UK real business investment index score Q1 2020 to Q3 2022 (Q1 1997 = 100).
Trendline based on Q1 2020 to Q2 2016 trend.

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Source: Data from Office of National Statistics. Graphic and trend analysis by UK in a Changing Europe.

Impact (including trade deals)



A less friendly world

Program/Initiative	Region	Estimated Cost	Time Frame	Key Focus Areas
Inflation Reduction Act (IRA)	United States	\$369 billion	10 years (2022-2032)	Clean energy, electric vehicles, emissions reduction
EU Green Deal	European Union	€1 trillion	10 years (2020-2030)	Climate neutrality, emissions reduction, circular economy, biodiversity
Net Zero Strategy and Green Industrial Revolution	United Kingdom	£12 billion public funding + additional investments	10 years (2021-2030)	Net-zero emissions, green energy, electric vehicles, hydrogen, nuclear energy

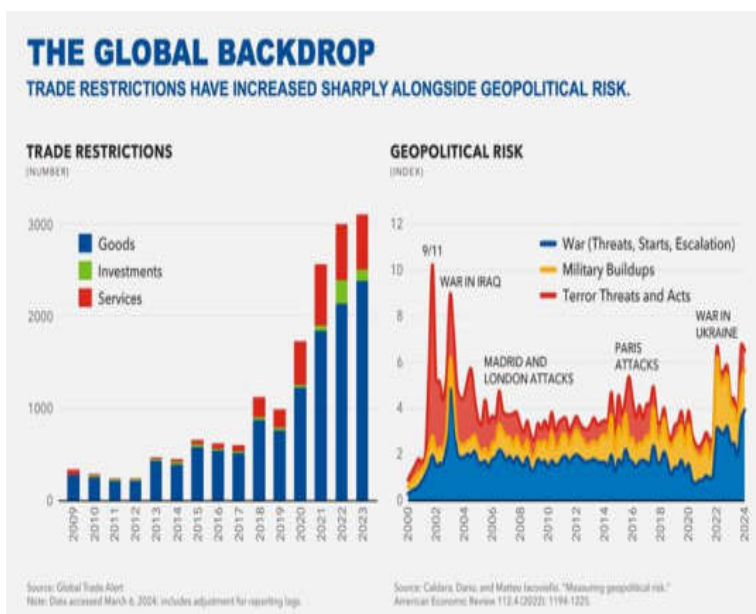
Never a Dull Moment..

Timeline of key tariff-related events

Date	Initiator	Description
Mar 27 2025	Various	Notice of possible retaliation against US 25 per cent car tariffs
Mar 26 2025	US	Donald Trump announces the US will impose tariffs of 25 per cent on foreign-made auto imports
Mar 24 2025	US	US announces tariffs against countries that buy Venezuelan oil
Mar 12 2025	Canada	Canada hits back with new tariffs on almost C\$30bn (\$21bn) of US goods
Mar 12 2025	EU	As US tariffs on aluminium and steel take effect, a retaliatory EU tariff package targets up to €26bn of American goods, set to take effect on April 1
Mar 11 2025	US	US announces additional 25% tariff on steel and aluminium imports from Canada
Mar 6 2025	US	New executive orders backtrack on sweeping 25 per cent tariffs on Mexico and Canada
Mar 4 2025	Canada	Retaliatory package announced : 25 per cent tariffs on \$155bn worth of imported goods, including an immediate list of goods worth \$30bn

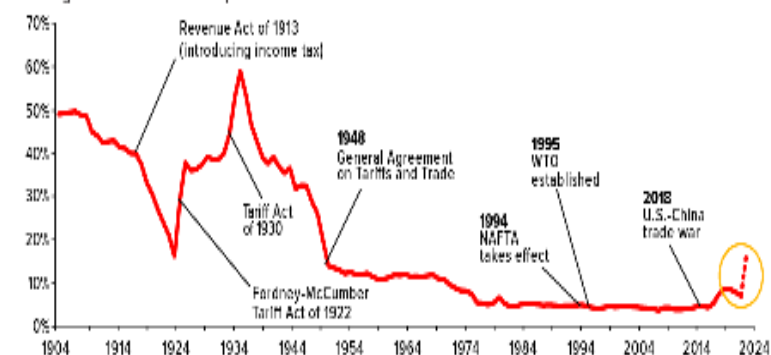
Mar 4 2025	Canada	Retaliatory package announced : 25 per cent tariffs on \$155bn worth of imported goods, including an immediate list of goods worth \$30bn
Mar 4 2025	US	Additional 10% levy on Chinese imports announced
Mar 4 2025	US	Delayed 25% tariffs on Mexico and Canada take effect
Feb 10 2025	US	25 per cent tariffs on aluminium and steel imports announced — expected to take effect Mar 12
Feb 5 2025	US	Low value duty-free shipments from China restored temporarily
Feb 4 2025	China	New US tariffs applied as part of retaliatory package
Feb 4 2025	US	Tariffs on China take effect
Feb 3 2025	US	Canada tariffs placed on hold for 30 days
Feb 3 2025	US	Mexico tariffs placed on hold for 30 days
Feb 1 2025	Canada	Two rounds of retaliatory tariffs announced
Feb 1 2025	US	Steep new tariffs on Canada, Mexico and China announced

The Global and Historical Context



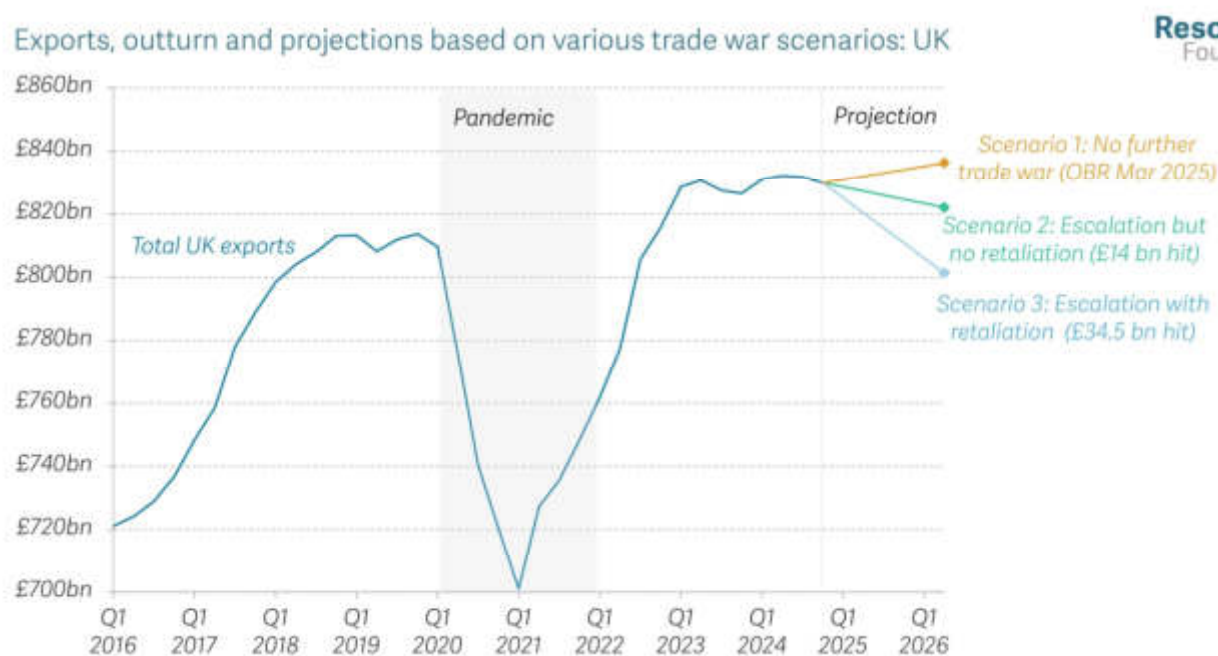
Trump's Tariff Increases Would Be the Largest Since World War II

Average Tariffs on Dutiable Imports | 1900 – 2024



Source: PII, U.S. Global Investors

Tariffs will impact on UK



Notes: Baseline scenario of chained volume measures growth of exports from OBR EFO. Scenario 2 includes the US raising tariffs to 20% on all countries, and 60% on China. Scenario 3 shows that on top of Scenario 2, other countries including the UK retaliate with 20% tariffs and China with 60% tariffs. Source: RF Analysis of ONS, Trade Time Series, OBR Economic and Fiscal Outlook March 2025, N Tambo, Trump's tariff proposal could cost over \$2,000 (£1,500) per capita to US consumers, Centre for Inclusive Trade Policy (CITP), October 2024.

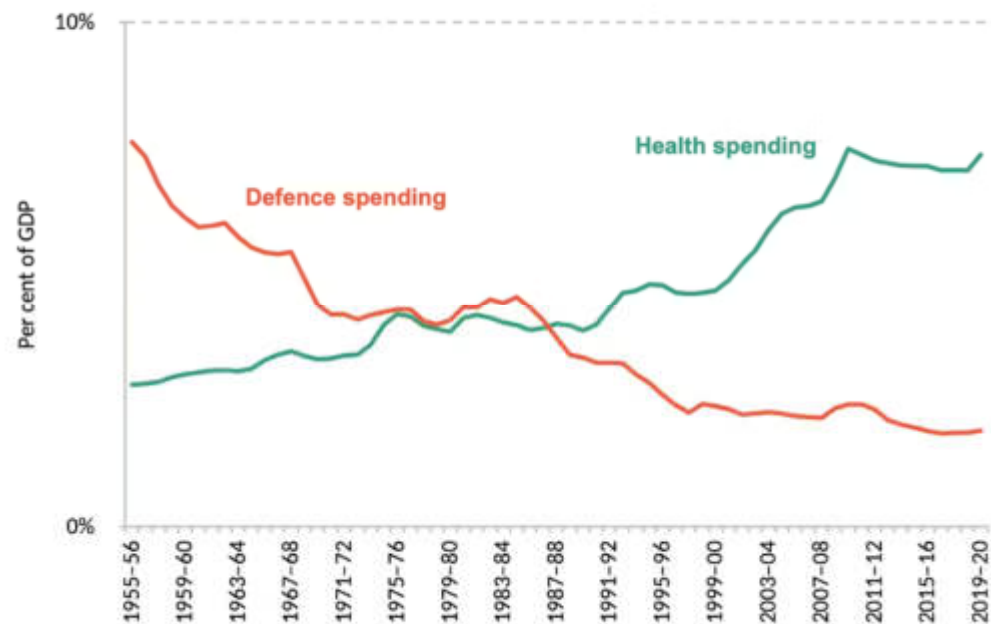
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India, Mercosur (Brazil, Argentina, Paraguay and Uruguay) and the Gulf-Cooperation Council (UAE, Saudi Arabia, Oman, Qatar, Kuwait and Bahrain).

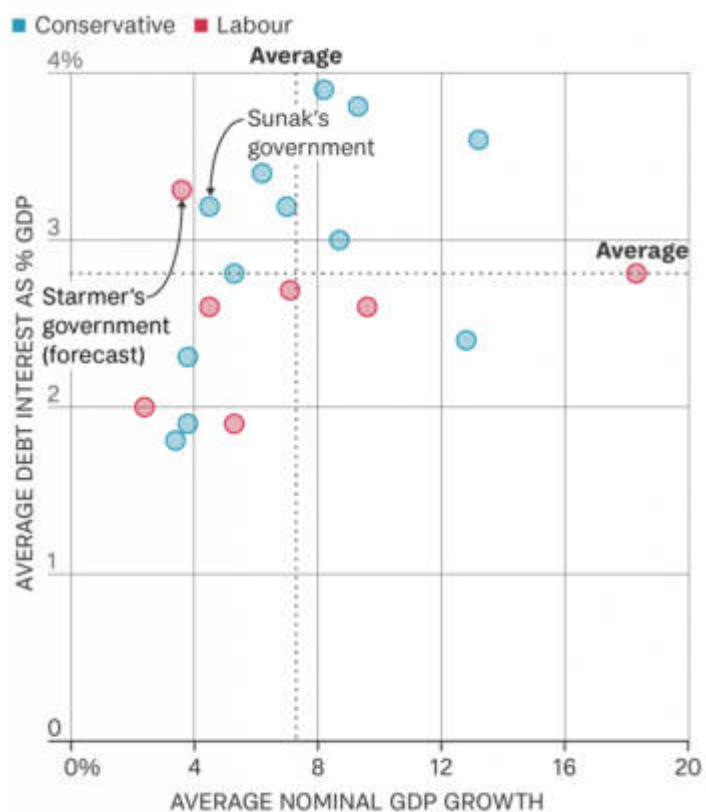
Defence trade offs

UK spend on health and defence as % of GDP



Note: definition of defence spending here does not correspond to that used by Nato. Source: IFS

GDP growth and debt interest spending by parliament



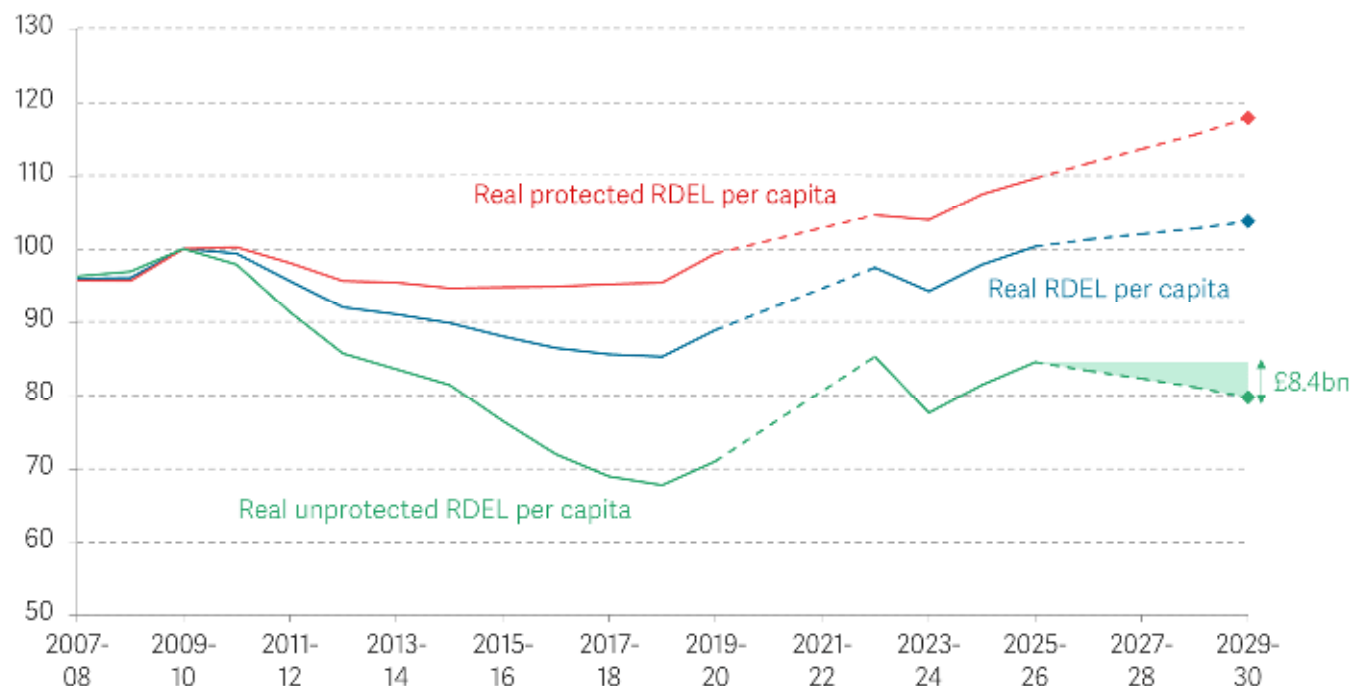
Source: Institute for Fiscal Studies

Source: Tortoise Media

'Unprotected' departments are already set for cuts of £8 billion by 2029-30

Indices of real (government expenditure deflator adjusted) RDEL (2009-10=100), all departments, 'unprotected' departments and 'protected' departments

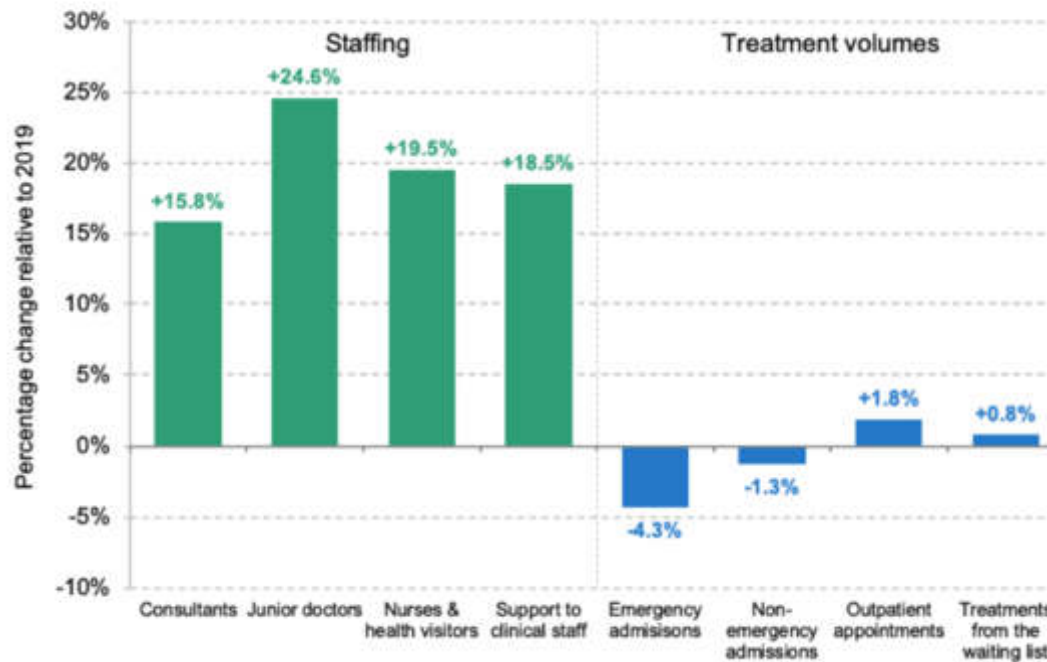
Resolution
Foundation



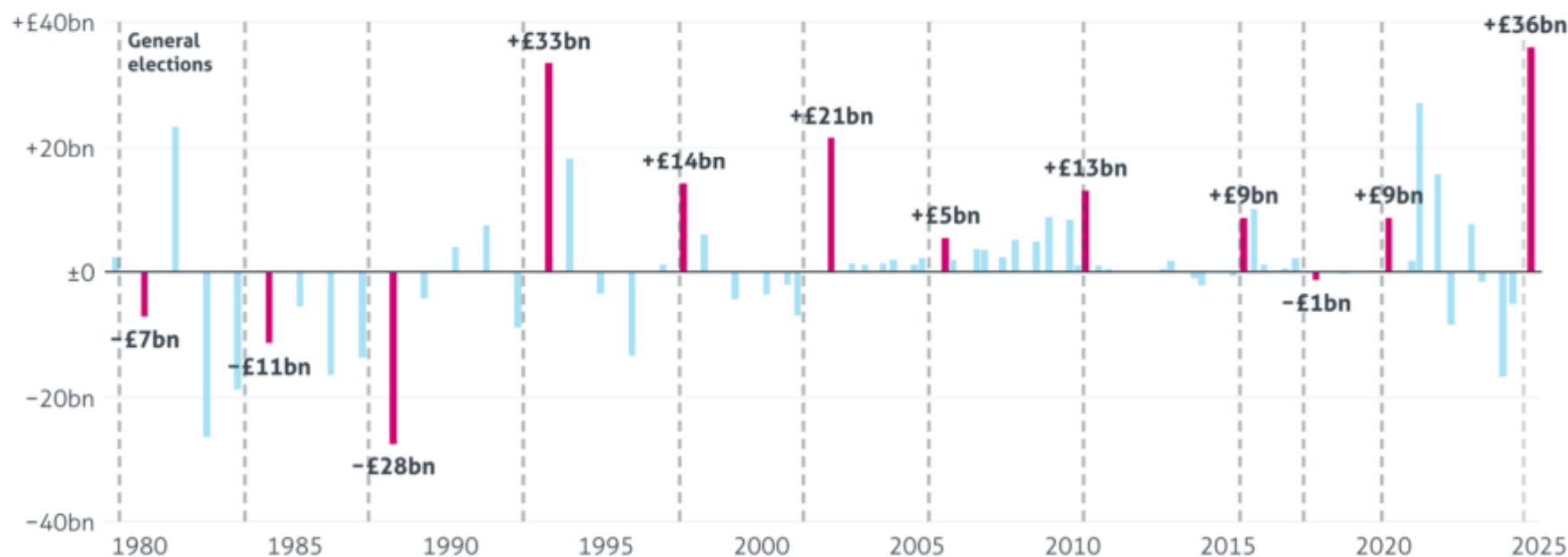
Notes: Deflated using the OBR forecast for the GDP deflator to 2024-25 cash terms. Protected budgets include NHS, education, defence and foreign, commonwealth and development office. NHS budget is assumed to grow by 8.8 per cent a year in real terms, education budget is assumed to be flat in per pupil real terms and topped up for projected costs of childcare policies, defence is assumed to grow with nominal GDP, and foreign, commonwealth and development office budget is assumed to grow in line with 0.4 per cent of GNI. Figures include the impact of Barnett consequentialia.
Source: Resolution Foundation analysis of OBR, Economic and Fiscal Outlook, various, HM Treasury, Budget and Spending Review documents, various.
Resolution Foundation 2024
resolutionfoundation.org

While staffing has increased treatment volumes have not.

Figure 1. Hospital staffing and treatment volumes in 2023 compared with 2019



Permanent net tax increase announced at each fiscal event (2024/25 terms), 1979–2024



Source: Institute for Government analysis of Office for Budget Responsibility, Policy Measures Database, 2024 and Economic and Fiscal Outlook, October 2024.

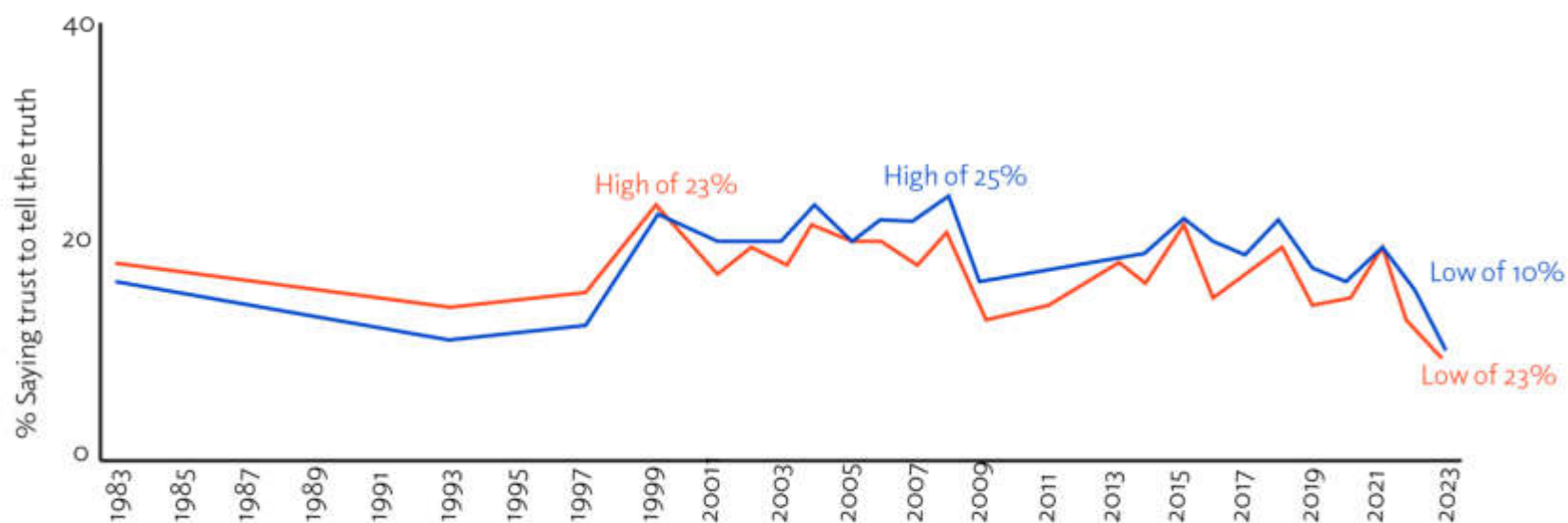


2023 Saw the lowest level of trust in politicians and Government ministers on record

Trust in politicians, 1983-2023

■ Politicians ■ Government ministers

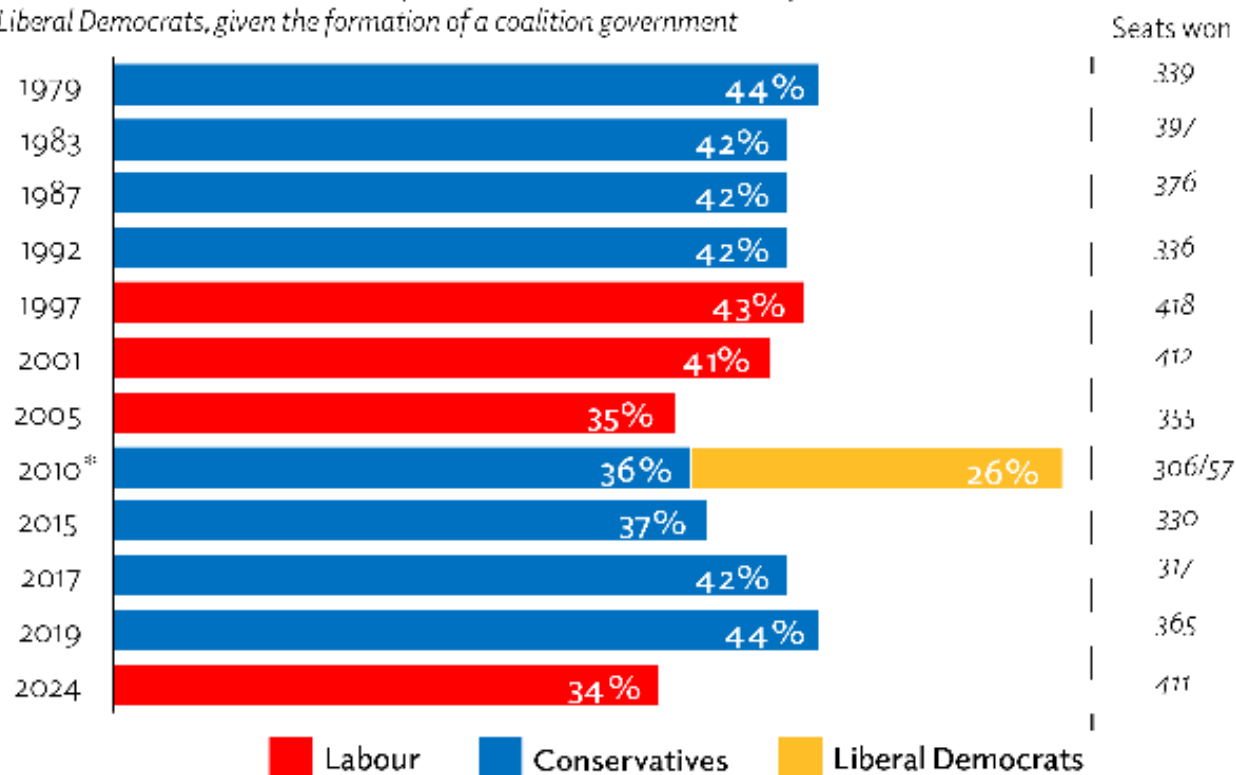
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Source: Ipsos Veracity Index, 1983-2023.

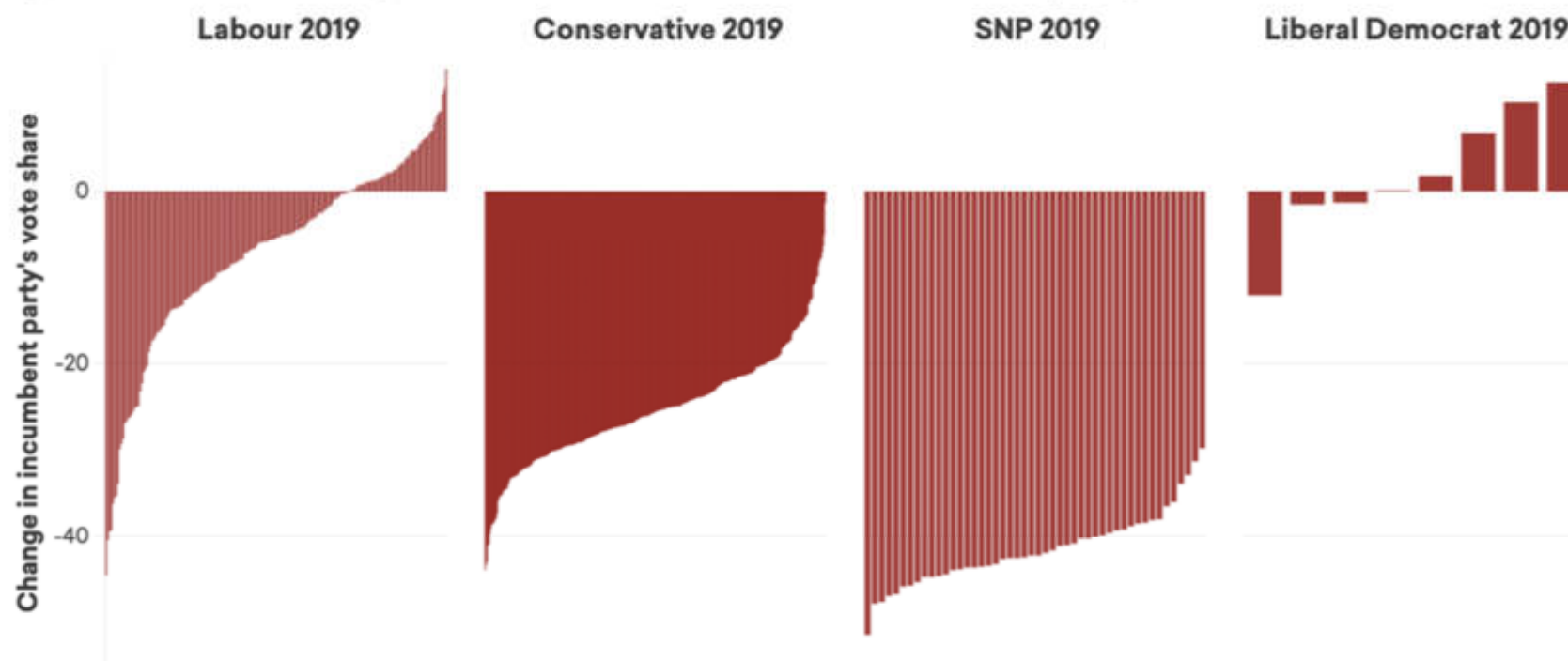
Percent of the national vote won by the party which went on to form the government, 1979-2024

NB: Vote/seat share for 2010 encompasses both the Conservative Party and the Liberal Democrats, given the formation of a coalition government



Source: House of Commons Library, 2024

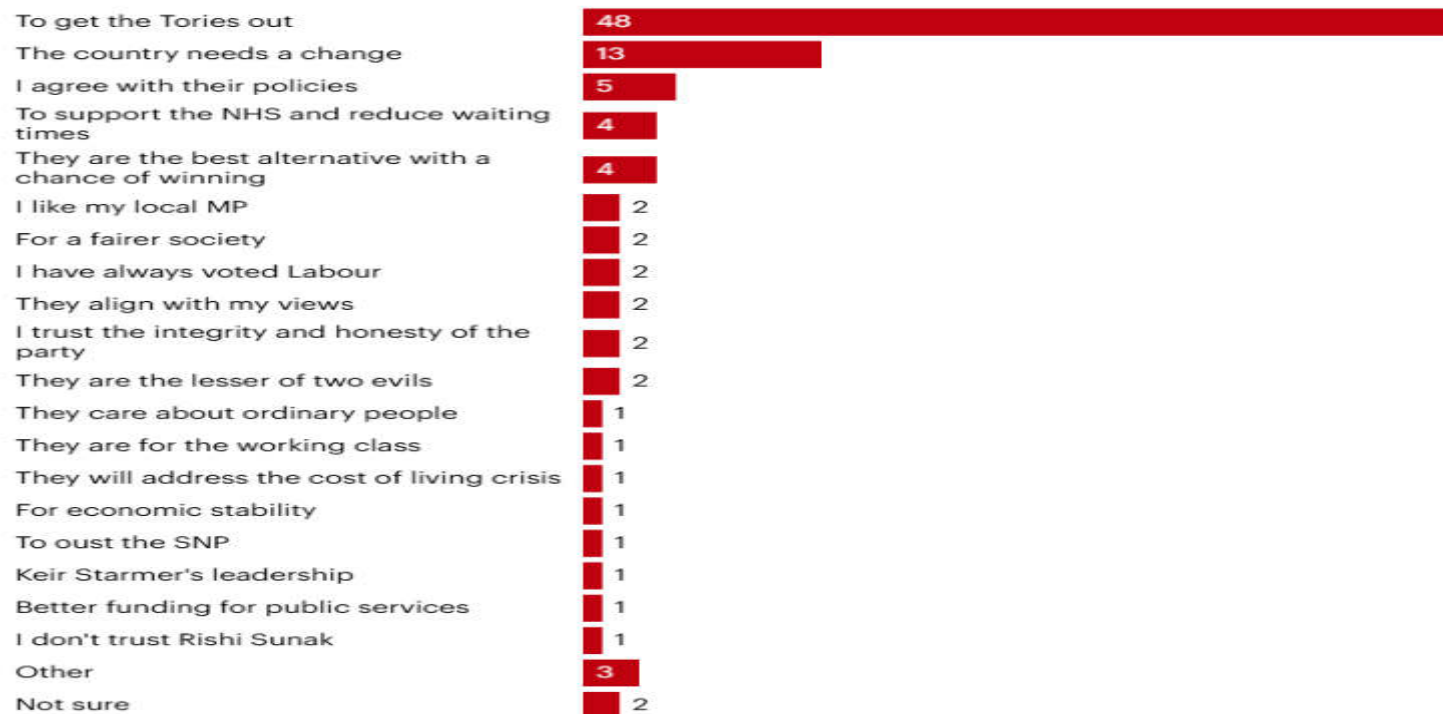
Figure 3 | Incumbent parties lost vote share in the vast majority of UK constituencies



What do Labour voters say their main reason for backing the party is? To get the Tories out

What would you say is the ONE main / biggest reason you are voting for Labour at the coming general election? %

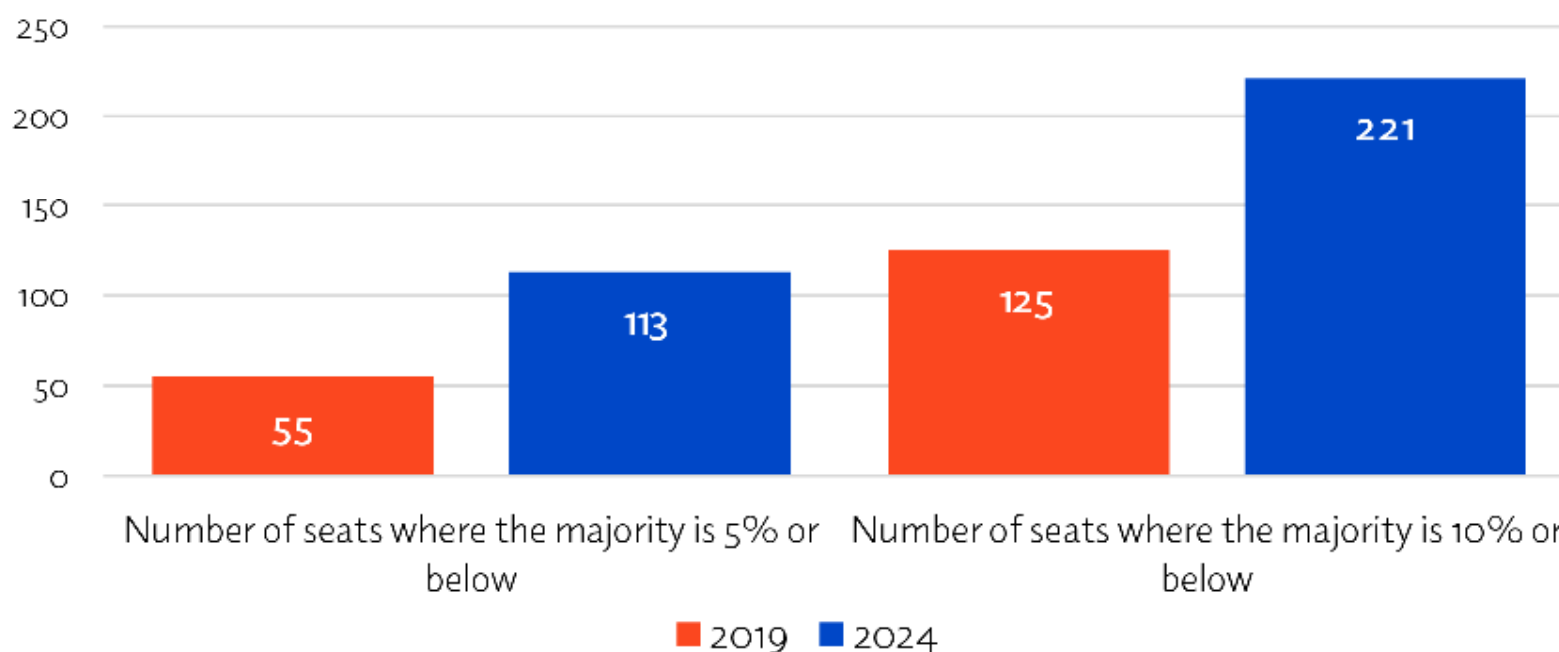
Respondents answered in their own words, which YouGov's AI language model has categorised into the below categories



Britain has become much more marginal after the 2024 General Election

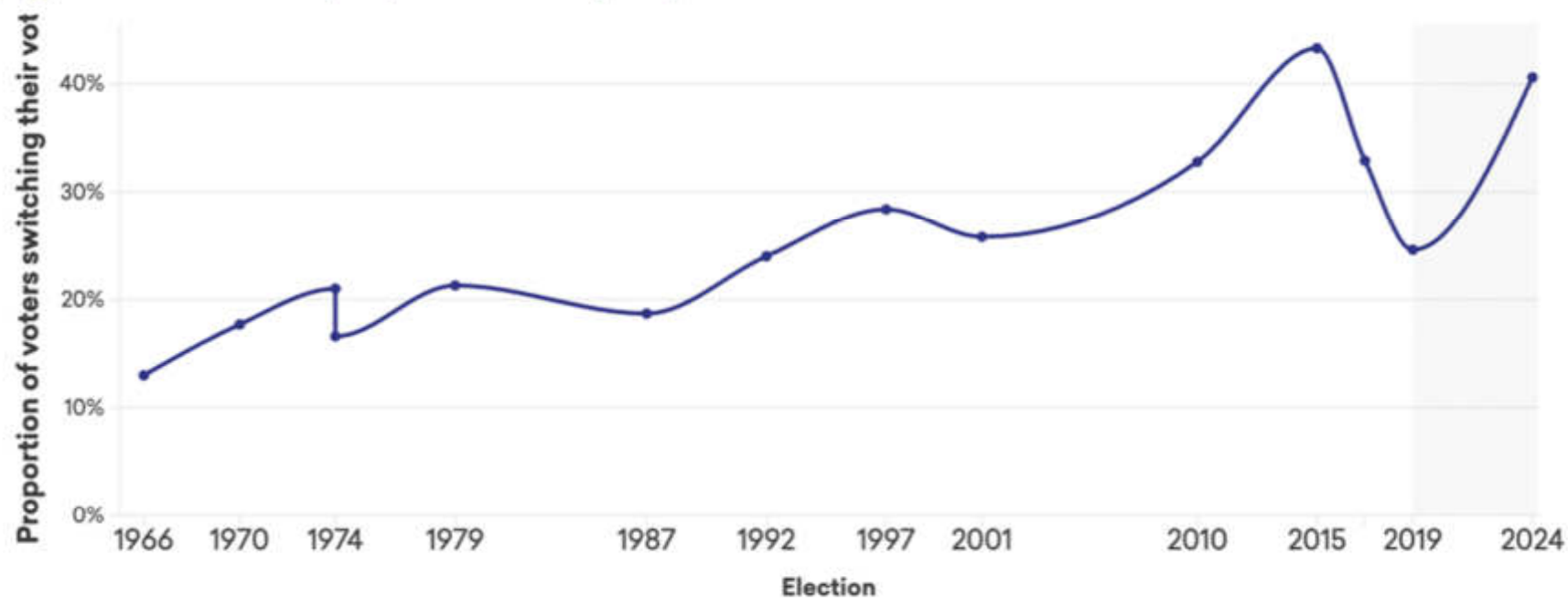
*Marginal seats (those where the margin of victory was within 5% or 10%)
post-election, 2019-2024*

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Source: Focalddata, How Britain Voted 2024

Figure 6 | Historic proportions of people switched their vote at this election



Fragmentation in the party system

