

## **The British Economy: Between Resilience and the Aftermath of Brexit** *by Pierre Vercueil — Updated Edition 2025–2026*

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Hello everyone and welcome to a new episode of EconoMag. Today, we take an updated look at the United Kingdom—a historically powerful economy that is gradually recovering from a difficult decade marked by Brexit, the pandemic, and record inflation, while trying to return to sustainable growth.

### **A Slightly Lower Position in the Global Ranking**

With a GDP of \$3.645 trillion in 2024, the United Kingdom is the sixth-largest economy in the world and the second-largest economy in Europe, behind Germany (\$4.659 trillion) and ahead of France (\$3.162 trillion), according to the International Monetary Fund.

This represents a small step down compared with our previous episode, when the United Kingdom ranked fifth globally. It has since been overtaken by India, whose rapid growth has propelled its economy into the world's top five.

GDP per capita stands at \$52,648, placing the country 22nd worldwide, four positions ahead of France.

### **A Modest Recovery After Difficult Years**

The sharp contraction in GDP during the pandemic—the largest among G7 countries, at -10.4% in 2020—was followed by a strong rebound in 2021 and 2022.

However, the British economy entered a technical recession in the second half of 2023, resulting in annual GDP growth of only +0.3%.

Growth picked up slightly in 2024, reaching +1.1%, driven by a solid first half (+0.9% in Q1 and +0.5% in Q2) before almost stagnating in the second half of the year.

For the full year 2025, the British economy expanded by 1.3%, slightly above the 1.1% growth recorded in 2024. These figures are encouraging but remain modest compared with the United Kingdom's historical growth standards.

### **Brexit: Real Economic Consequences**

Brexit, formalized in 2020, has profoundly reshaped the British economy.

Since 2010, productivity per hour worked in the United Kingdom has diverged from that of the United States, France, and Germany. By 2023, it was 16% lower than the average of these three countries.

Over the past decade, the United Kingdom has recorded the second-lowest productivity growth among G7 countries, averaging around +0.6% per year.

In terms of trade, goods exports declined by 2.2% in 2024, while imports increased by 1.6%, widening the trade deficit.

Brexit has also created administrative and customs frictions that continue to weigh on trade with the country's main commercial partner: the European Union.

### The Services Sector: Still the Main Engine

The tertiary sector remains the backbone of the British economy, accounting for 72.5% of GDP and more than 81% of employment.

Among the most dynamic sectors are scientific and technical activities (+3.2%), health and social care (+2.9%), and tourism, which generates around 10% of GDP.

Manufacturing continues to rely on traditional strengths. Aerospace—second in the world—, the pharmaceutical industry, and the automotive sector remain pillars of British industry.

However, the automotive sector faced disruptions in 2025, notably due to a cyberattack that temporarily paralyzed the operations of Jaguar Land Rover.

### The City of London: Still Europe's Leading Financial Hub

The City of London remains a major financial center, although its global dominance has somewhat eroded.

Five years after the United Kingdom's departure from the European Union, London faces increasing competition but still remains Europe's leading financial hub.

At the global level, New York has clearly taken the leading position. London still largely outperforms its European rivals, but the City could face a gradual decline in activity, with some financial operations potentially shifting to the United States or Asia.

In the foreign exchange market, the British financial sector maintains a major role, notably managing around 90% of euro interest-rate swaps within the euro area through its clearing houses.

### The Pound Sterling: A Currency in an Intermediate Position

The pound sterling remains the fourth most traded currency in the world, although its international influence has declined.

The sterling bloc now represents only around 3% of global GDP, far behind the U.S. dollar (40%), the Chinese renminbi (30%), and the euro (20%).

In 2025, the pound appreciated significantly against the U.S. dollar, while at the same time depreciating sharply against the euro. This dynamic reflects the intermediate and somewhat uncertain position occupied by the United Kingdom in the global economy.

## Public Finances Under Close Watch

British public debt stands at around 101% of GDP, a sharp increase since the 2008 financial crisis and the Covid pandemic.

The public deficit reached 4.5% of GDP in the 2023–2024 fiscal year.

To restore fiscal room for maneuver, the Labour government of Keir Starmer, which came to power in July 2024, has focused on several reforms: changes to housing planning regulations, an increase in defense spending to 2.5% of GDP by 2027, and restrictions on certain social benefits.

## Conclusion

The United Kingdom of 2025 is an economy that is gradually stabilizing after a particularly turbulent period.

The European Commission forecasts growth of around 1.4% in both 2025 and 2026—modest but real.

The country still possesses undeniable strengths: a world-class financial center, high-tech industries, a global language, and universities of international renown.

However, the persistent effects of Brexit, the productivity gap, and global geopolitical tensions remind us that the path toward sustainable growth remains long and challenging.

Join us for the next episode of EconoMag!

## Vocabulary:

**Economy** – Économie

**GDP (Gross Domestic Product)** – PIB (Produit Intérieur Brut)

**United Kingdom / UK** – Royaume-Uni

**Brexit** – Brexit

**Pandemic** – Pandémie

**Inflation** – Inflation

**Growth** – Croissance

**Recession** – Récession

**Productivity** – Productivité

**Exports** – Exportations

**Imports** – Importations

**Trade deficit** – Déficit commercial

**Administrative frictions** – Frictions administratives

**Customs** – Douanes

**Services sector / Tertiary sector** – Secteur tertiaire

**Employment** – Emploi

**Tourism** – Tourisme

**Manufacturing** – Industrie manufacturière

**Aerospace industry** – Industrie aérospatiale

**Pharmaceutical industry** – Industrie pharmaceutique

**Automotive sector** – Secteur automobile

**Cyberattack** – Cyberattaque

**Financial hub / City of London** – Place financière / City de Londres

**Foreign exchange market** – Marché des changes

**Pound Sterling** – Livre sterling

**Currency** – Monnaie

**Public debt** – Dette publique

**Public deficit** – Déficit public

**Fiscal reforms** – Réformes fiscales

**Geopolitical tensions** – Tensions géopolitiques