



JSCCA Conference

UK economic outlook – navigating in uncertain times

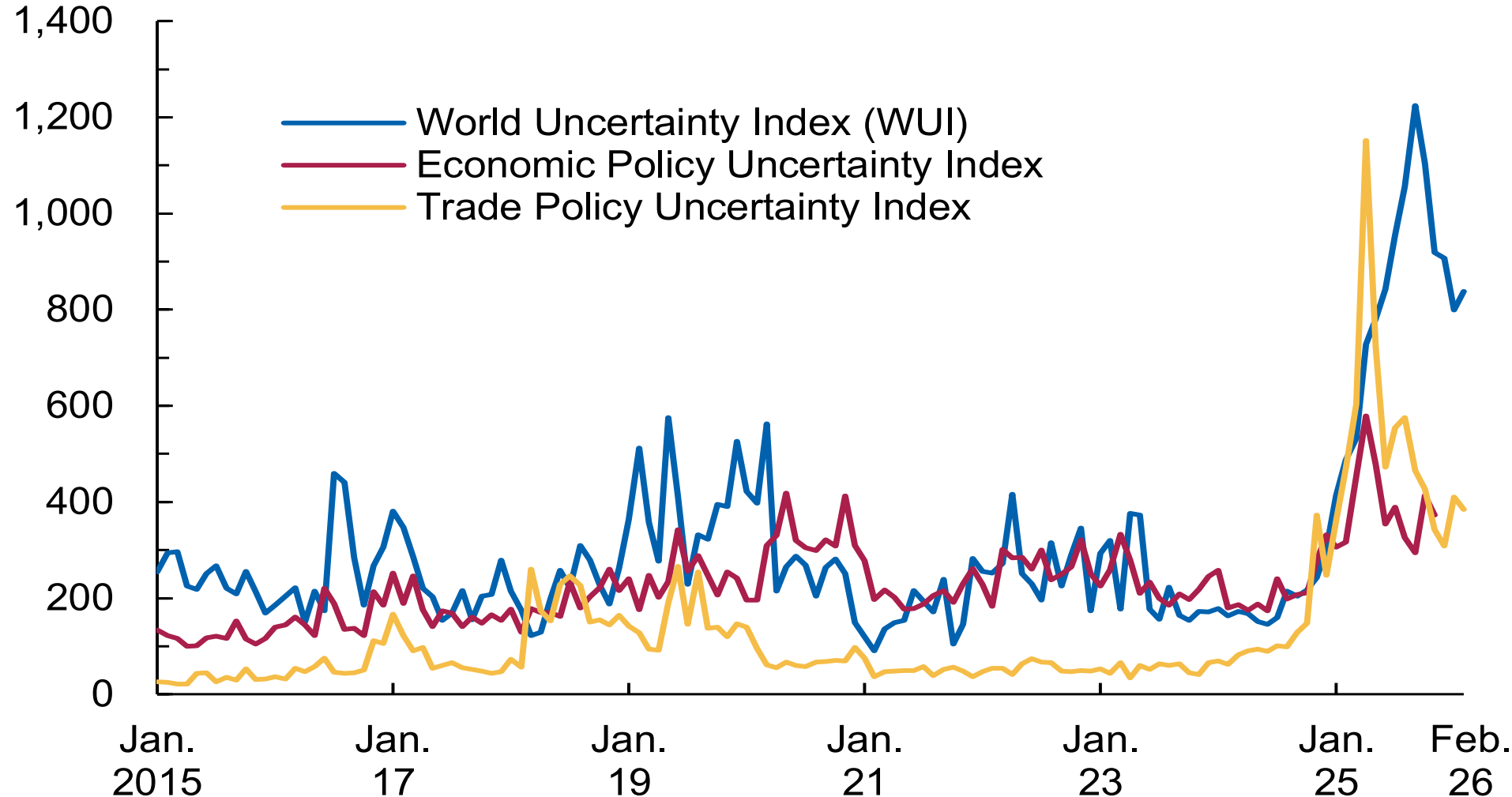
15th October 2026

Professor Trevor
Williams

OUTLINE

- Global Backdrop
- UK economic focus...
- emerging trends & opportunities
- Conclusions

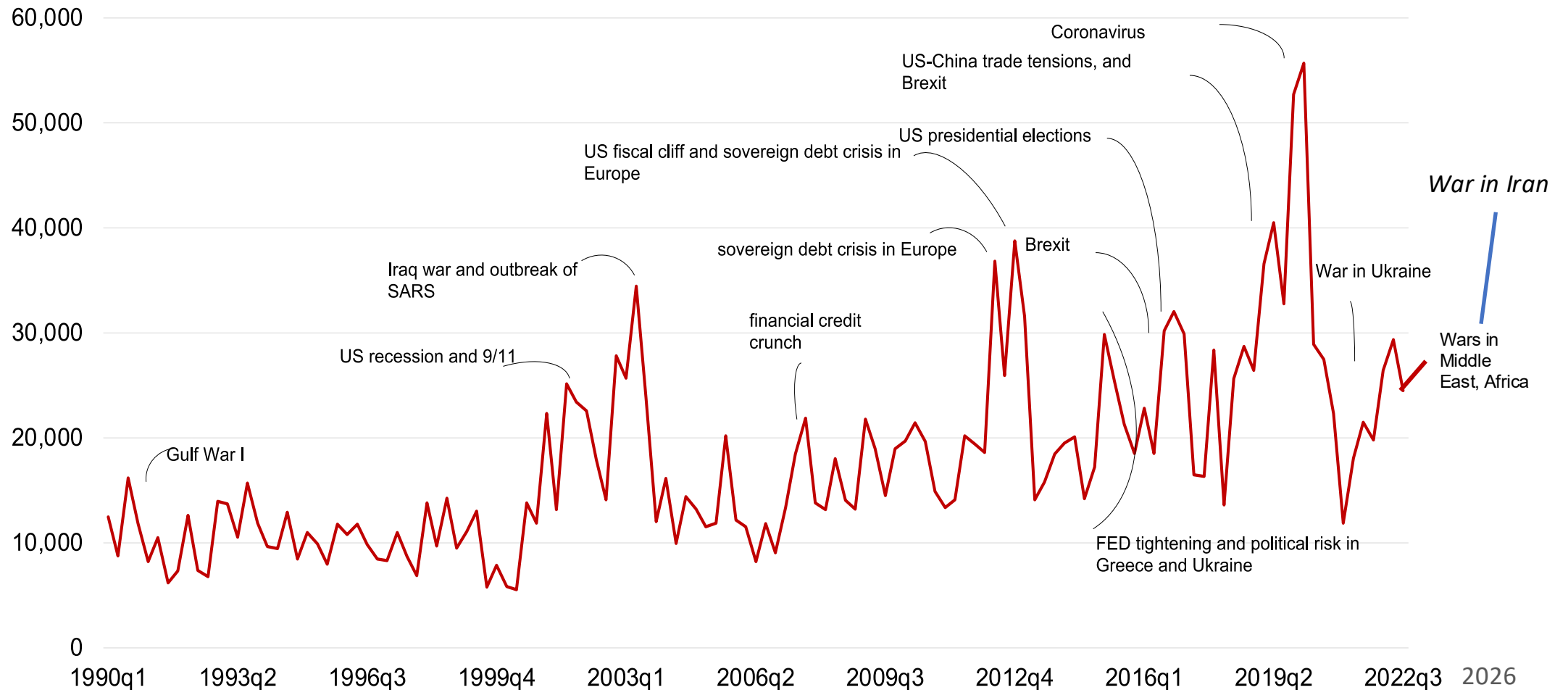
Geoeconomic and geopolitical risks are high...



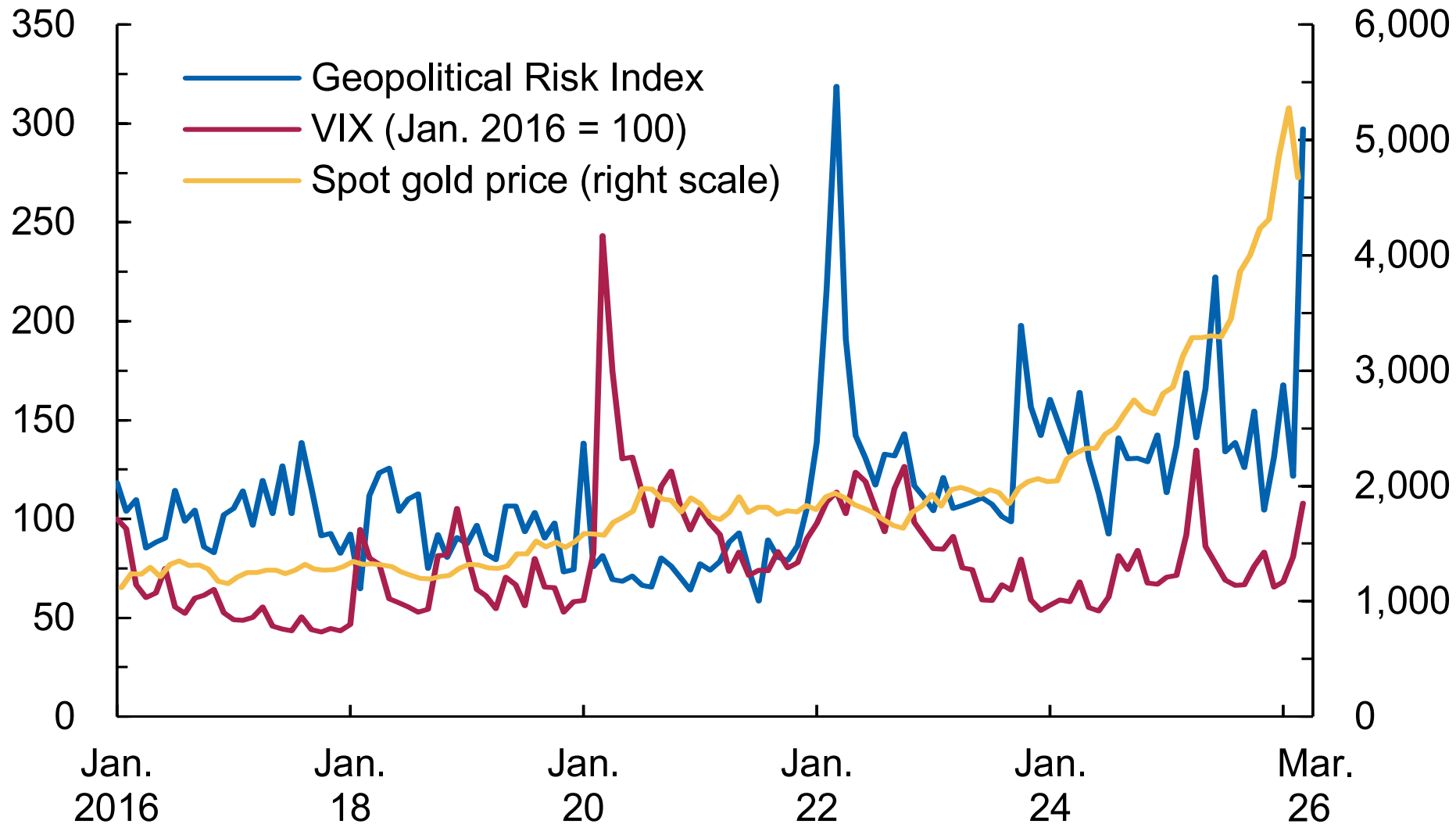
E.g., the undermining of global institutions and the rules-based order & the return of the 'right of might'.

...the world has become a more uncertain place...the 'right of might'?

World uncertainty index



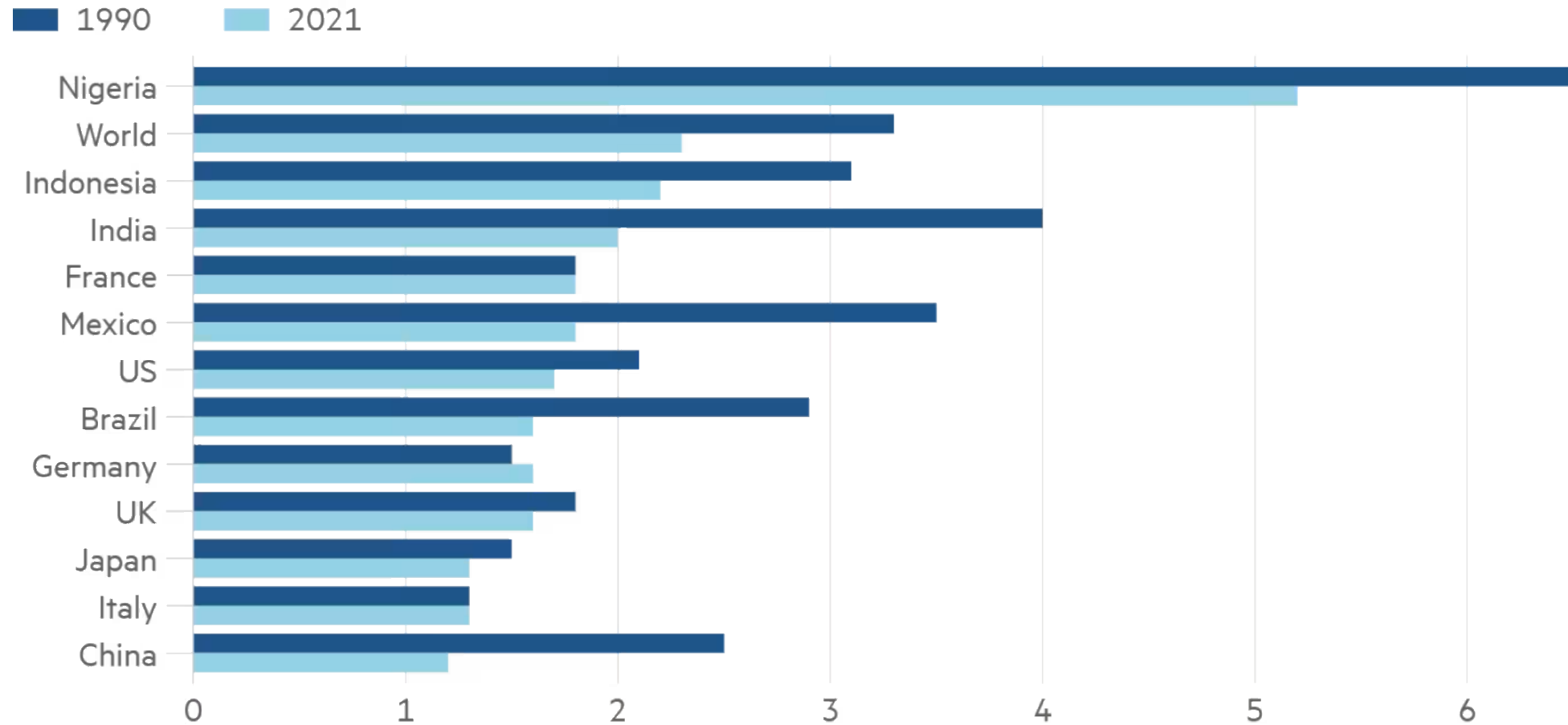
...and carry tangible economic costs



A flight to quality means a fall in demand for 'risk assets', so higher rates = less investment, weaker economic growth and higher borrowing costs

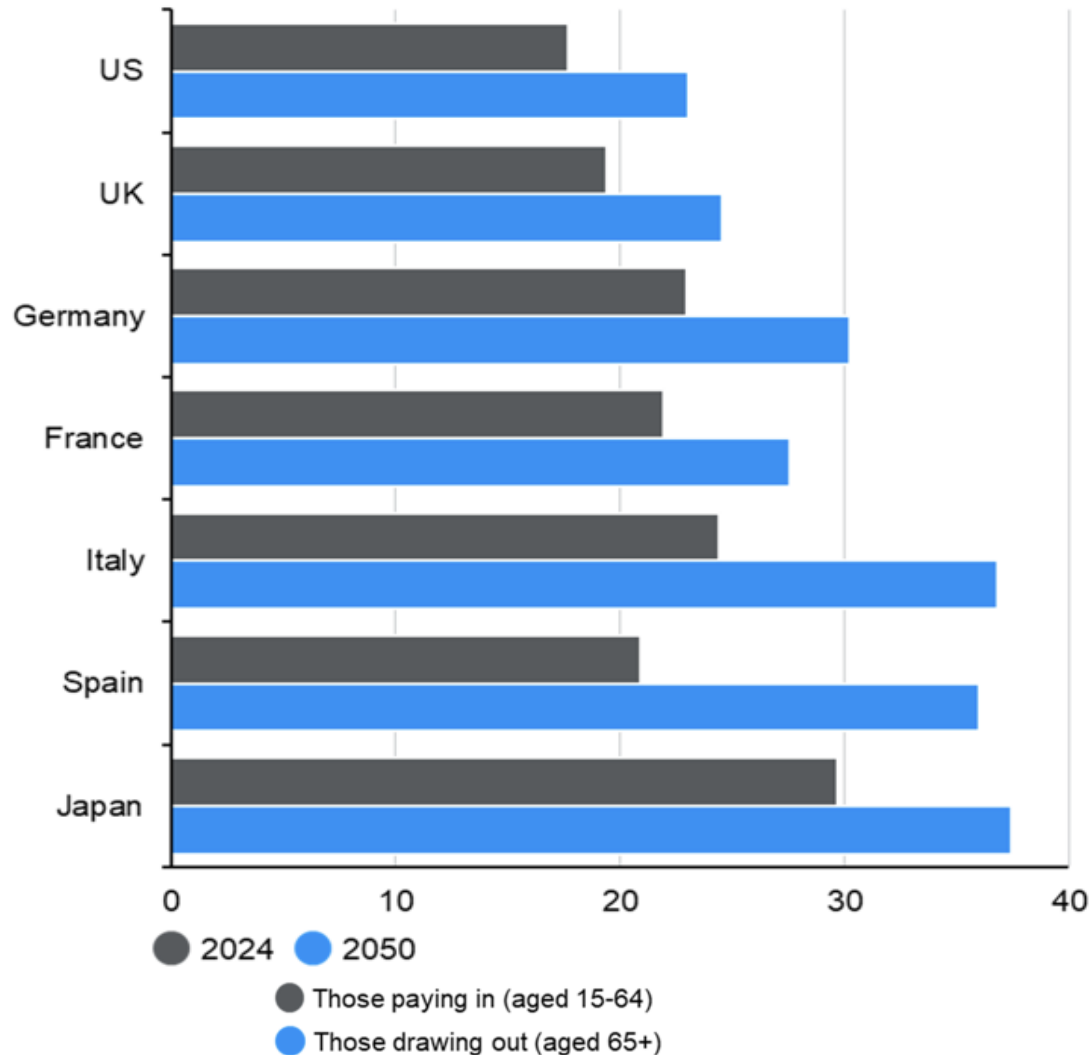
As fertility rates decline, unevenly, across the world...

Fertility rate (births per woman), selected countries

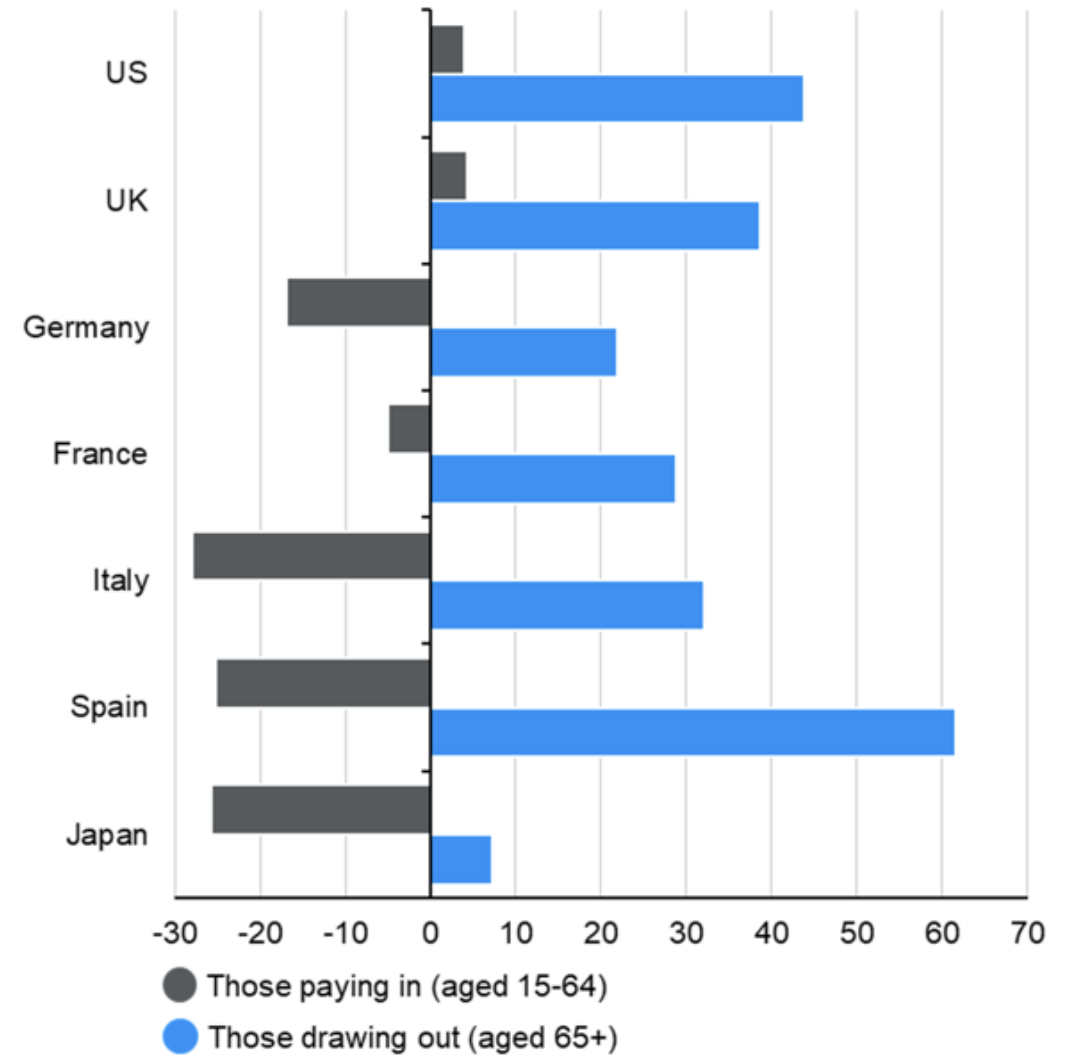


...aging is accelerating...

Share of population aged 65+
%



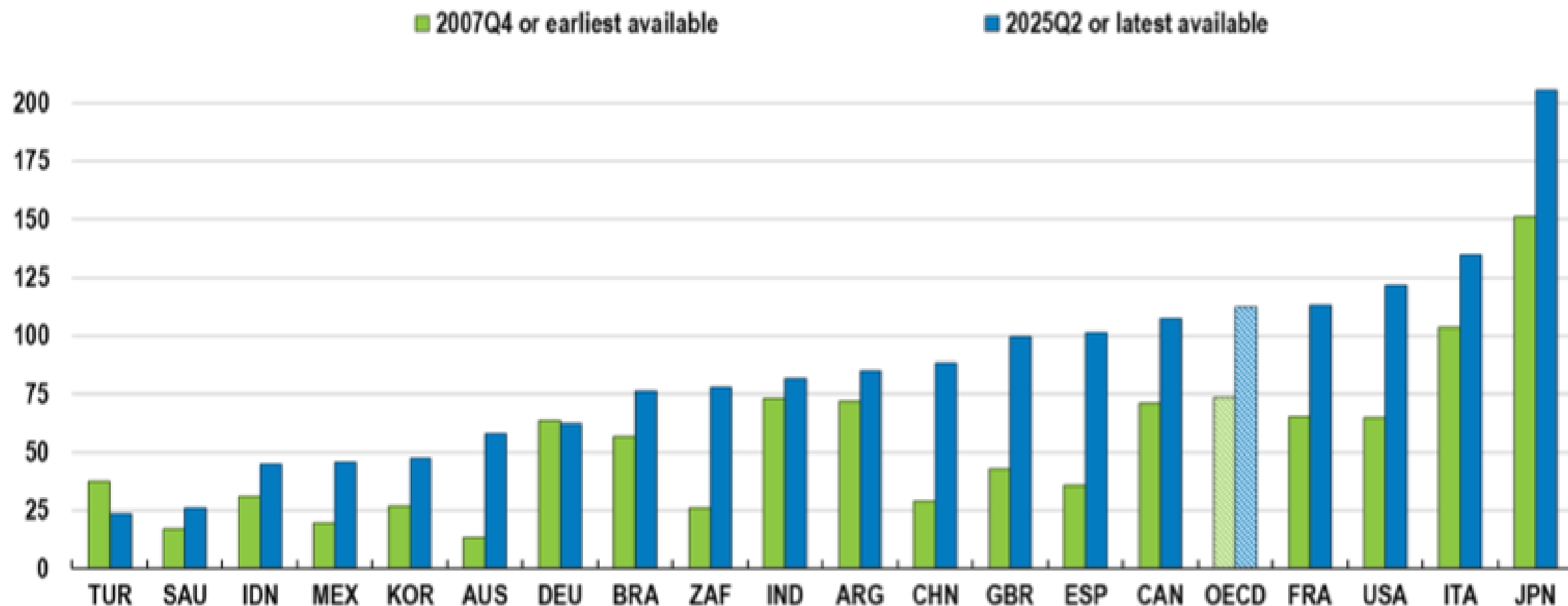
Change in population by 2050
%



...and government fiscal deficits are widening

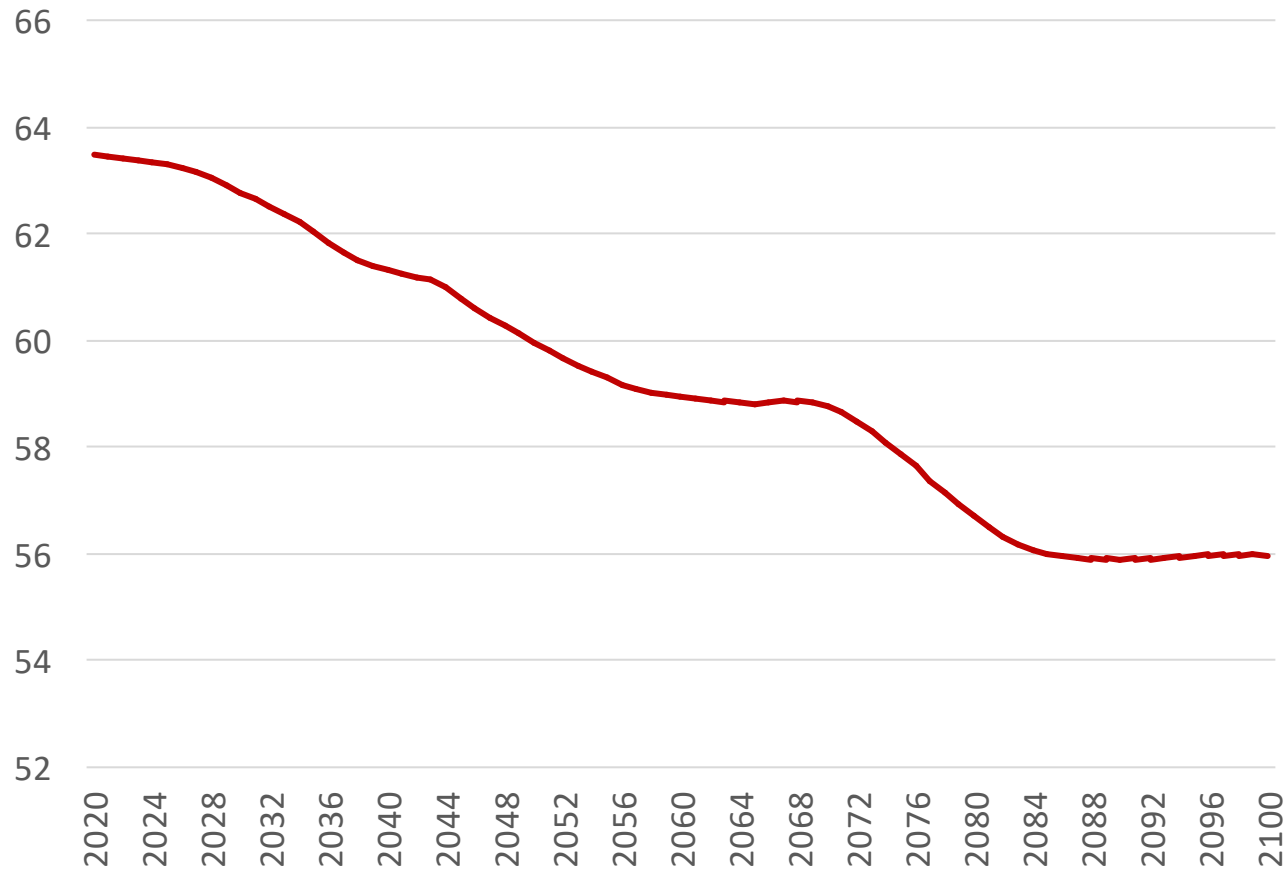
Government debt

% of GDP

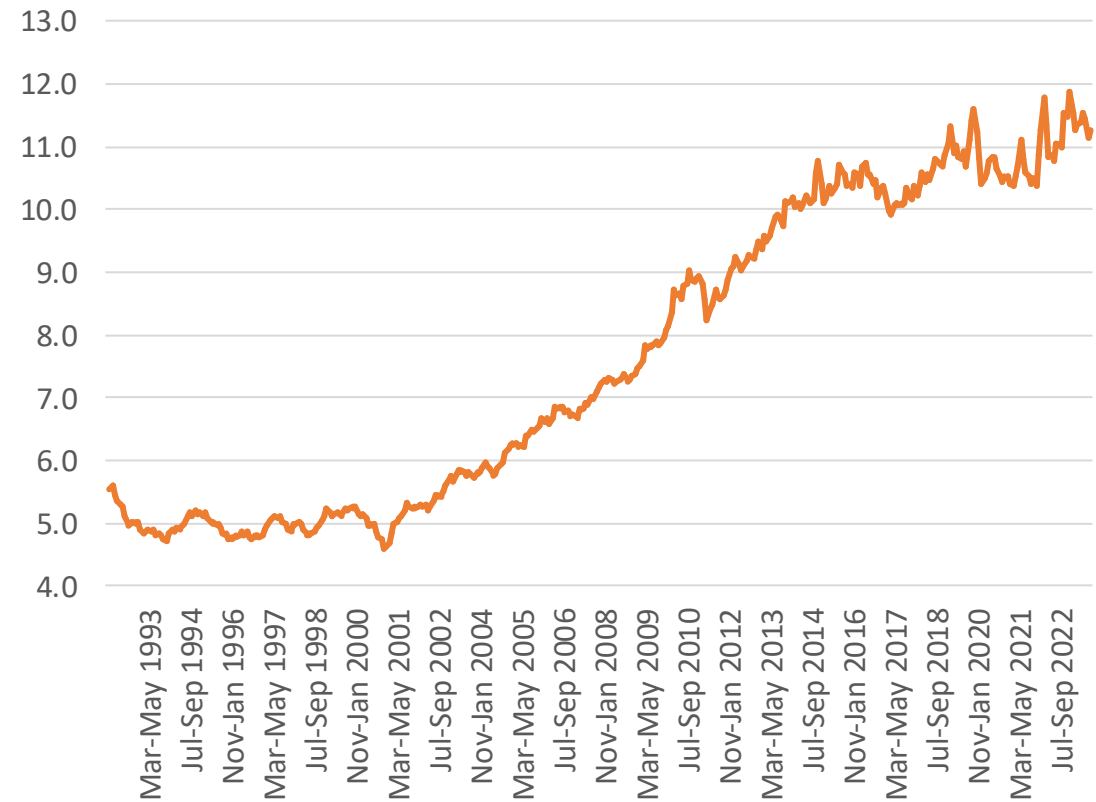


This ageing trend is also evident in the UK...

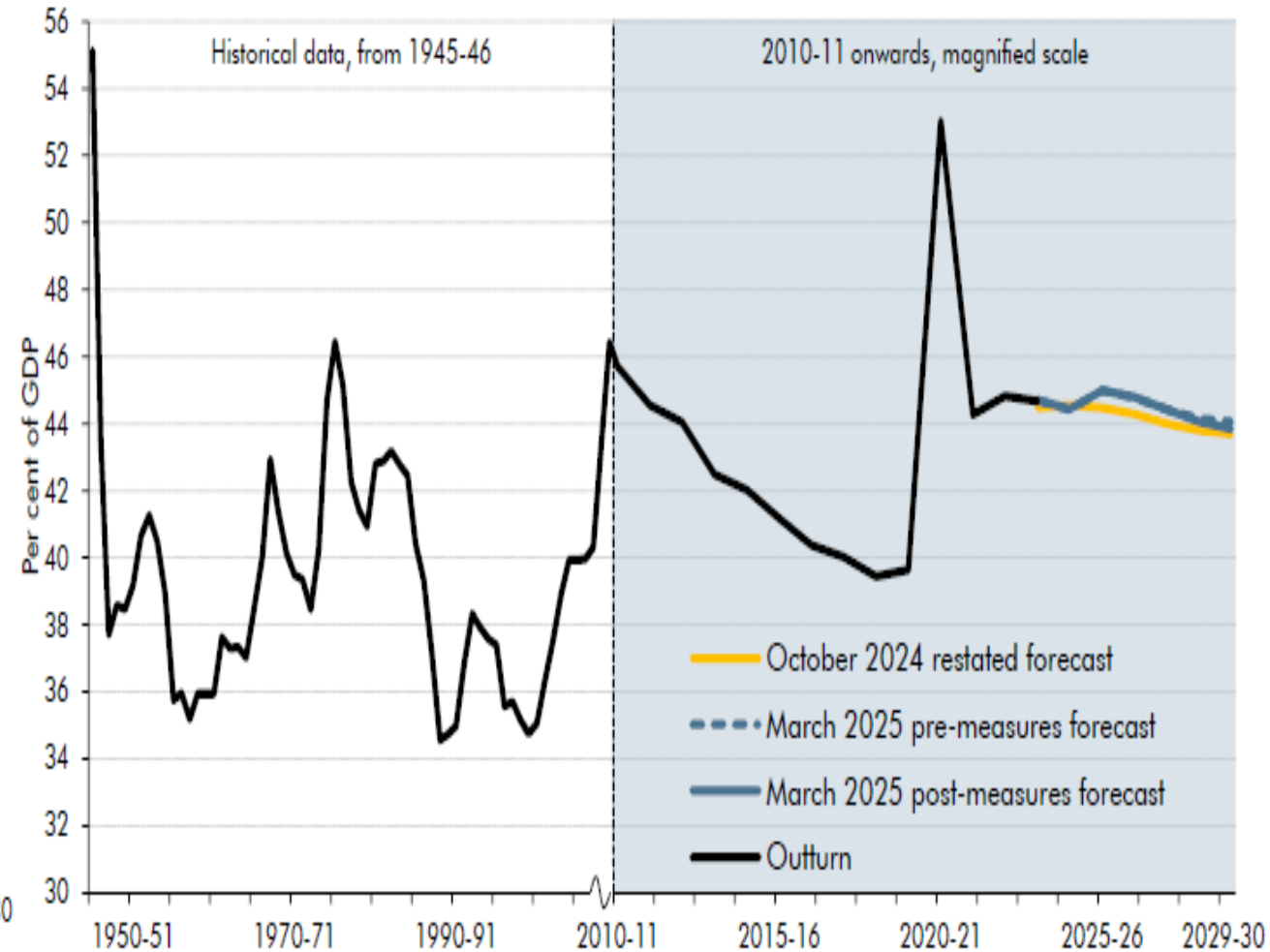
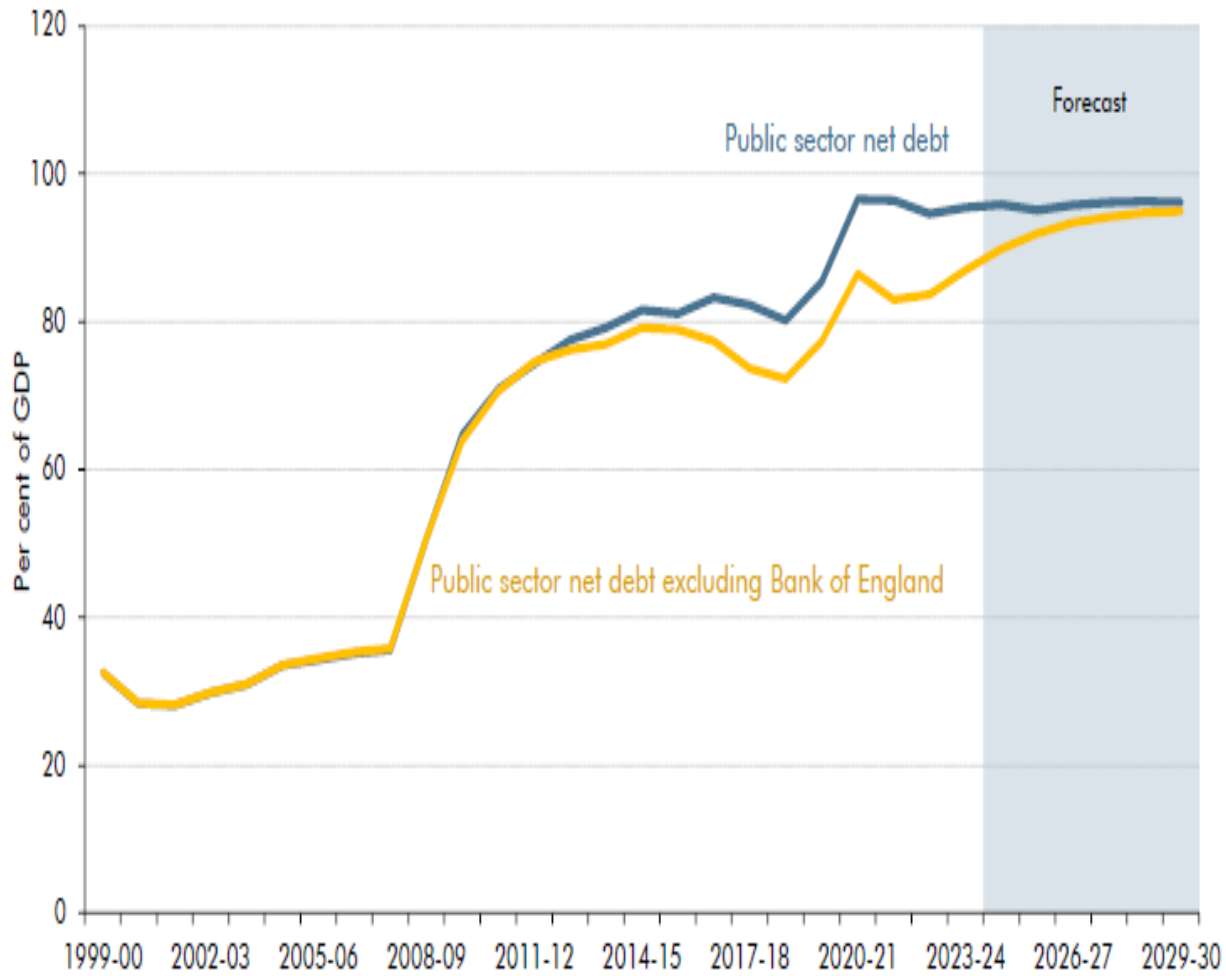
UK working age as % of total population will now fall



But over 65s in employment, % rate (percent of total) rising



...where debt is expected to remain high as a share of GDP...



...and interest payments are a risk to spending plans

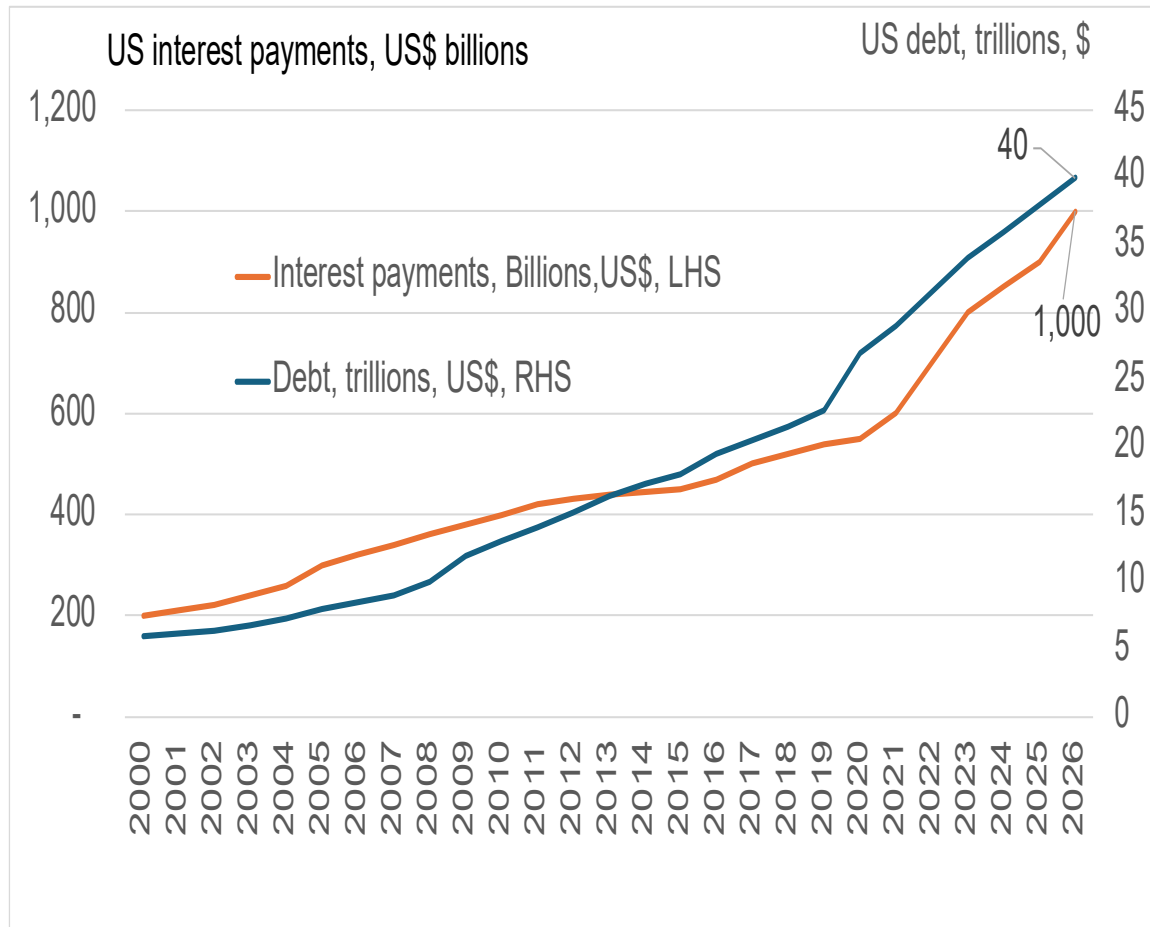
UK government debt interest payments, £ billion

	24/25	25/26	26/27	27/28	28/29	29/30
October 2024 forecast	104.9	105.7	108.2	112.9	117.9	122.2
March 2025 forecast	105.2	111.2	111.4	117.9	124.2	131.6

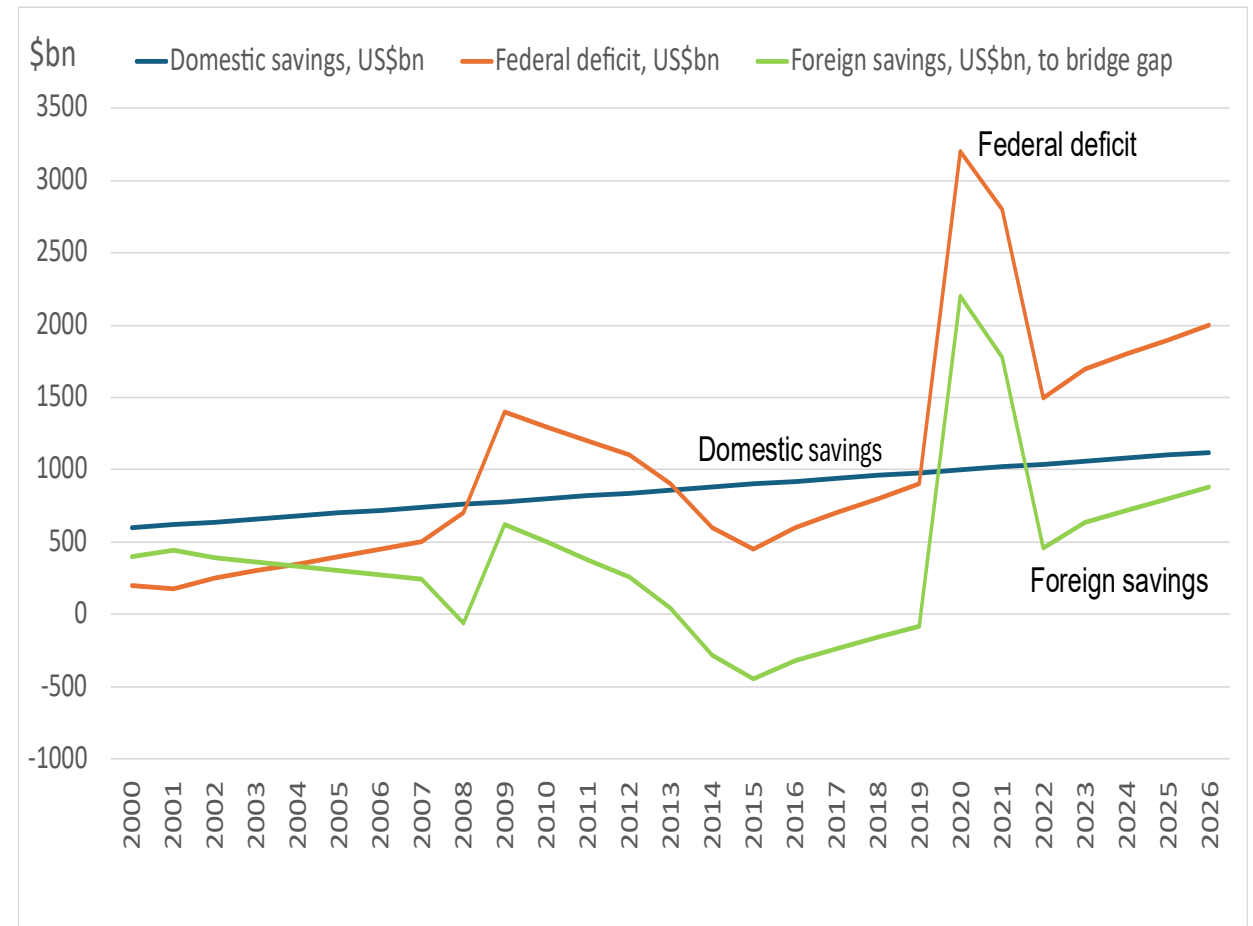
Source: OBR March 2025

US debt hits record levels, as it borrows abroad

US interest payments hit \$1 trillion



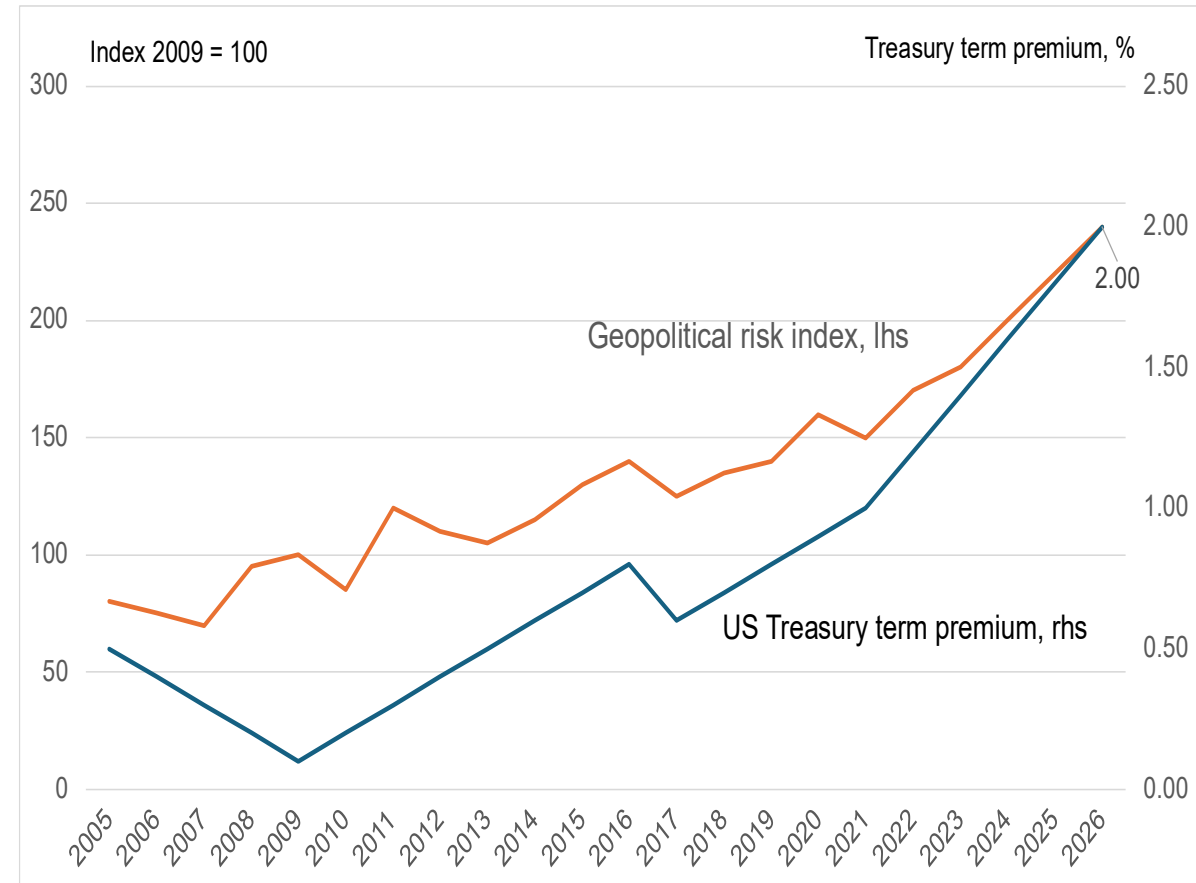
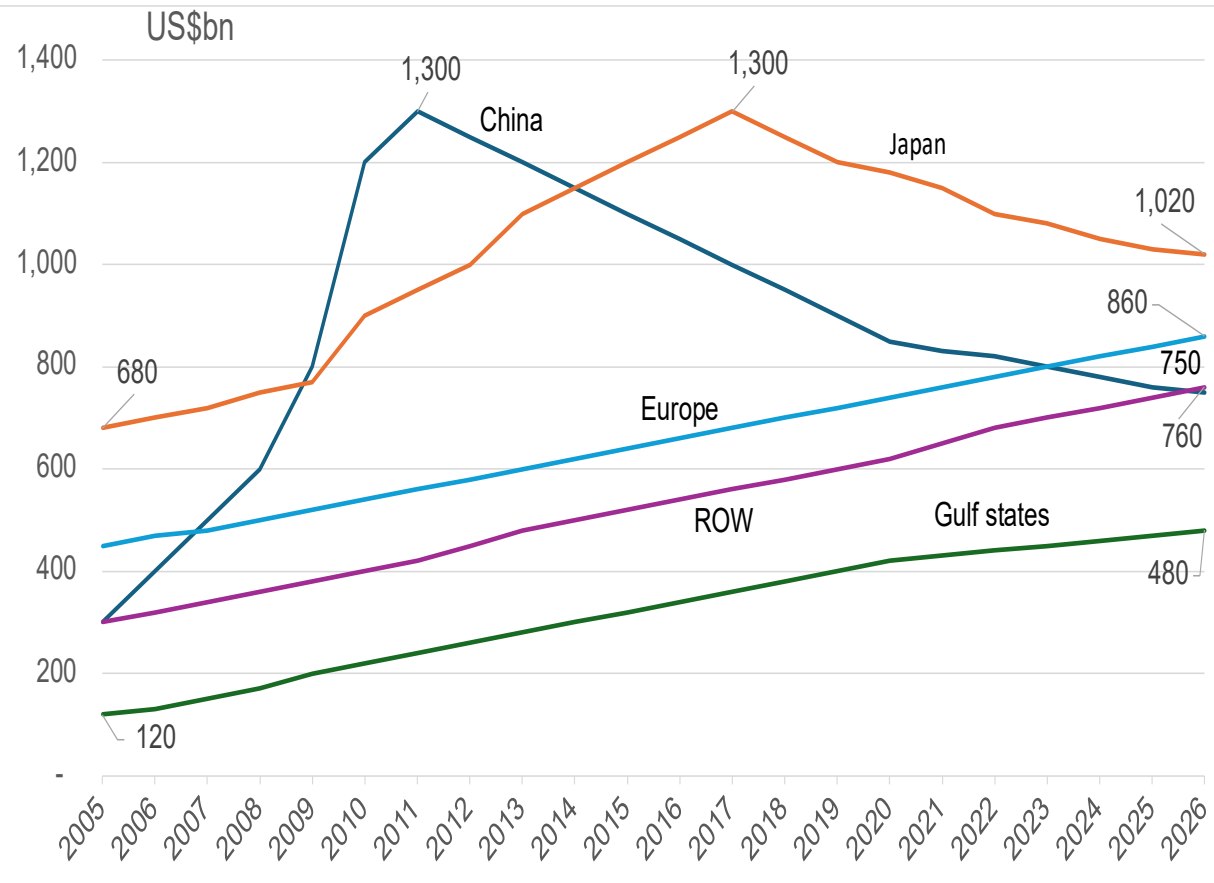
Why: The US has Insufficient domestic savings to cover its spending...



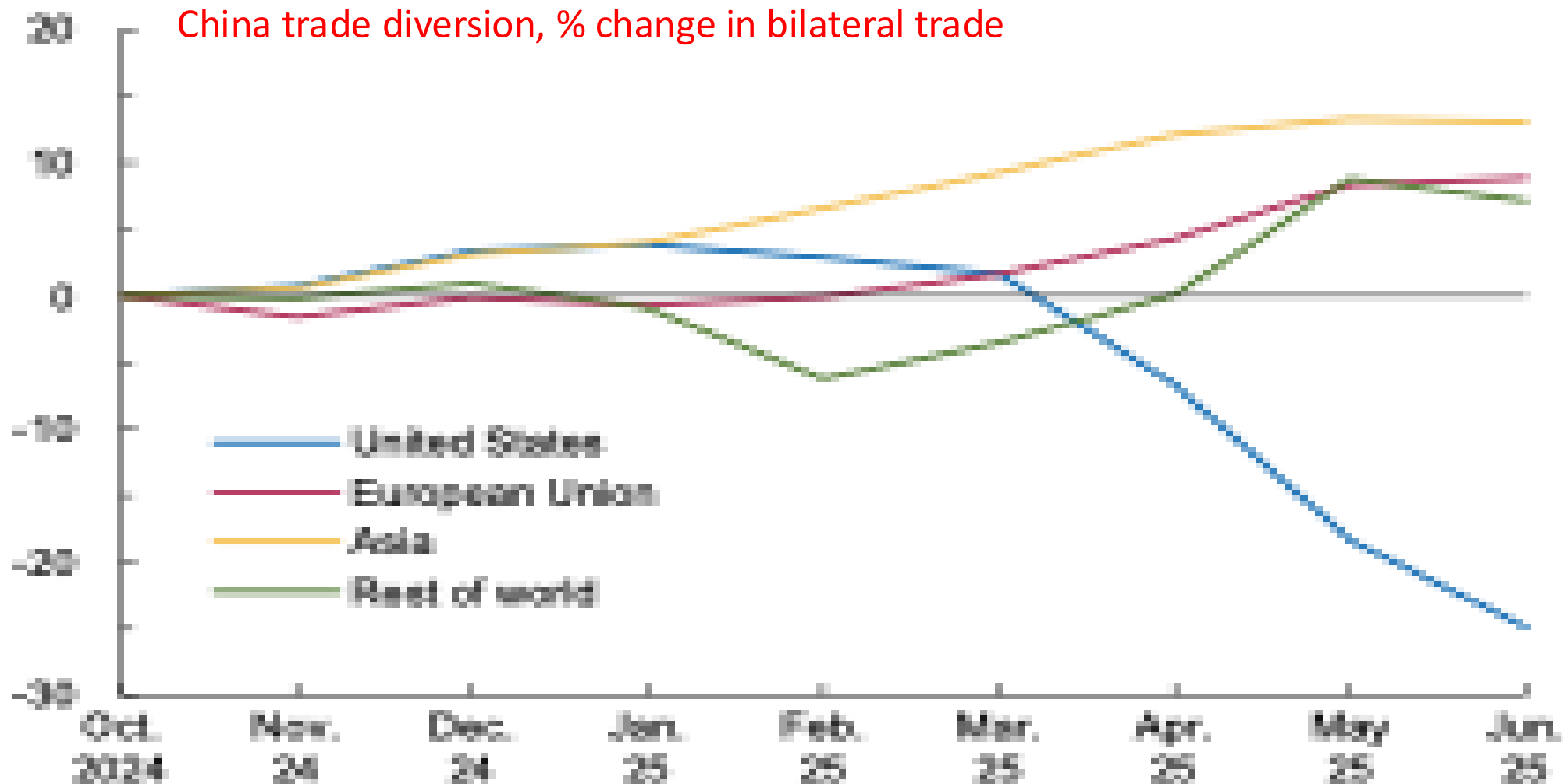
US investors are divesting; risk premiums are rising

...so borrows overseas but some holders of US debt are selling...

...raising its cost of borrowing



Trading with China has offset US tariffs....

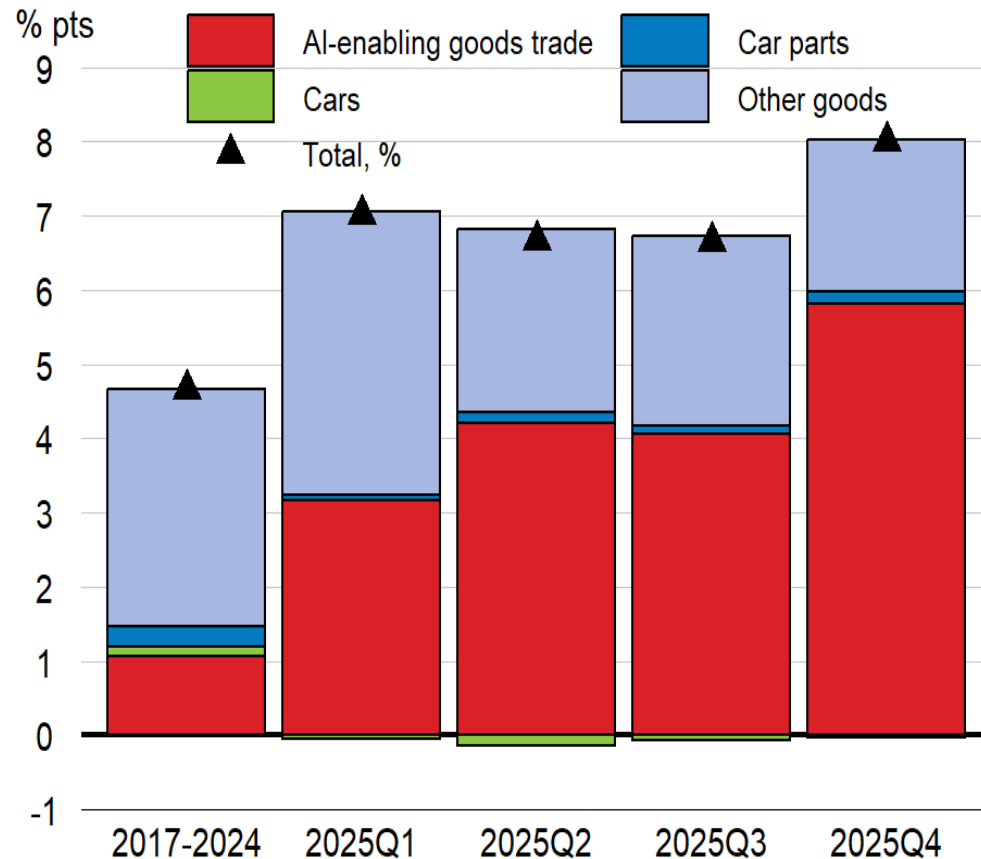


- AI-related trade is concentrated in chips, servers, and specialised components — and not yet broad-based in the wider economy.

...as global AI related trade growth surges

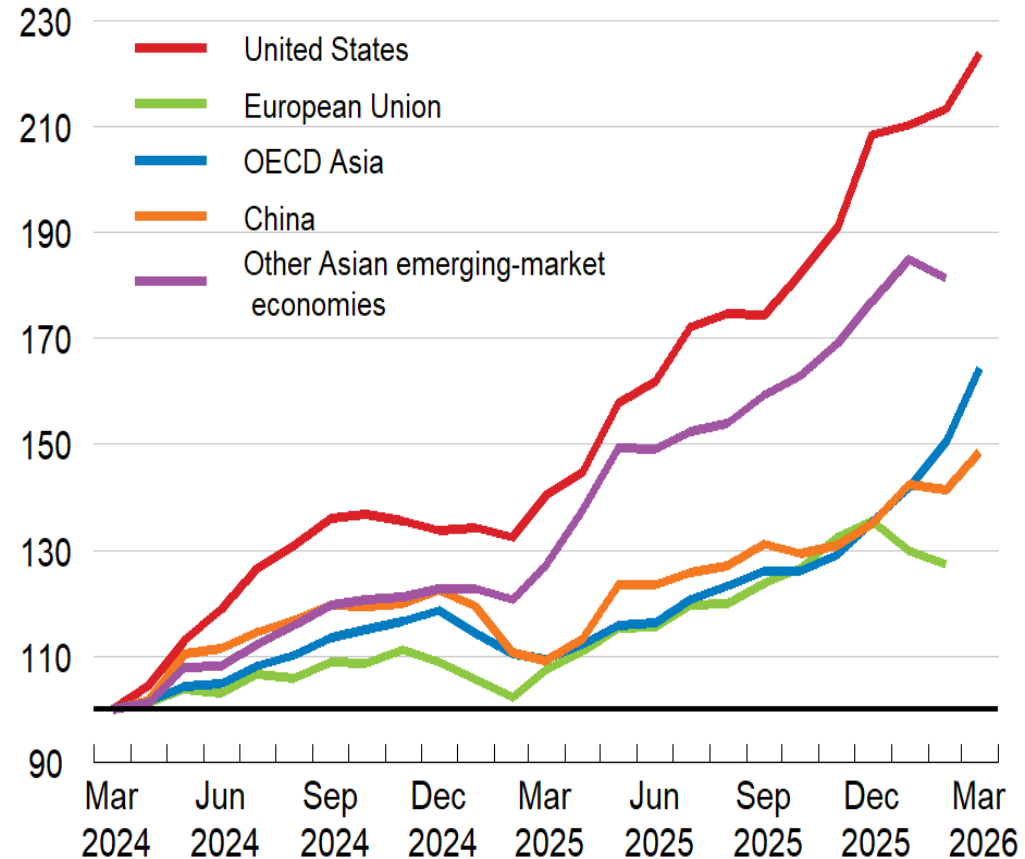
A. Product contributions to trade growth

Year-on-year % changes



B. AI-enabling trade growth by country

Index Mar 2024 = 100, 3-mma



•AI-related trade is concentrated in chips, servers, and specialised components — and not yet broad-based in the wider economy. US may lead but is Asia is close behind

So, global economic growth is resilient

	Average 2013-2019	2024	2025	2026	2027	2025 Q4	2026 Q4	2027 Q4
		Per cent						
Real GDP growth¹								
World ²	3.4	3.4	3.4	2.8	3.1	3.3	2.7	3.2
G20 ²	3.5	3.4	3.3	3.0	3.0	3.2	2.8	3.1
OECD ²	2.3	1.8	1.8	1.5	1.7	1.7	1.5	1.8
United States	2.5	2.8	2.1	2.0	1.8	2.0	1.7	2.0
Euro area	1.9	0.9	1.4	0.8	1.2	1.2	0.9	1.3
Japan	0.9	-0.2	1.1	0.6	0.8	0.4	0.9	0.8
Non-OECD ²	4.4	4.6	4.7	3.8	4.2	4.6	3.5	4.2
China	6.8	5.0	5.0	4.5	4.3	4.7	4.3	4.4
India ³	6.8	7.1	7.6	6.3	6.4			
Brazil	-0.4	3.4	2.3	1.6	2.1			

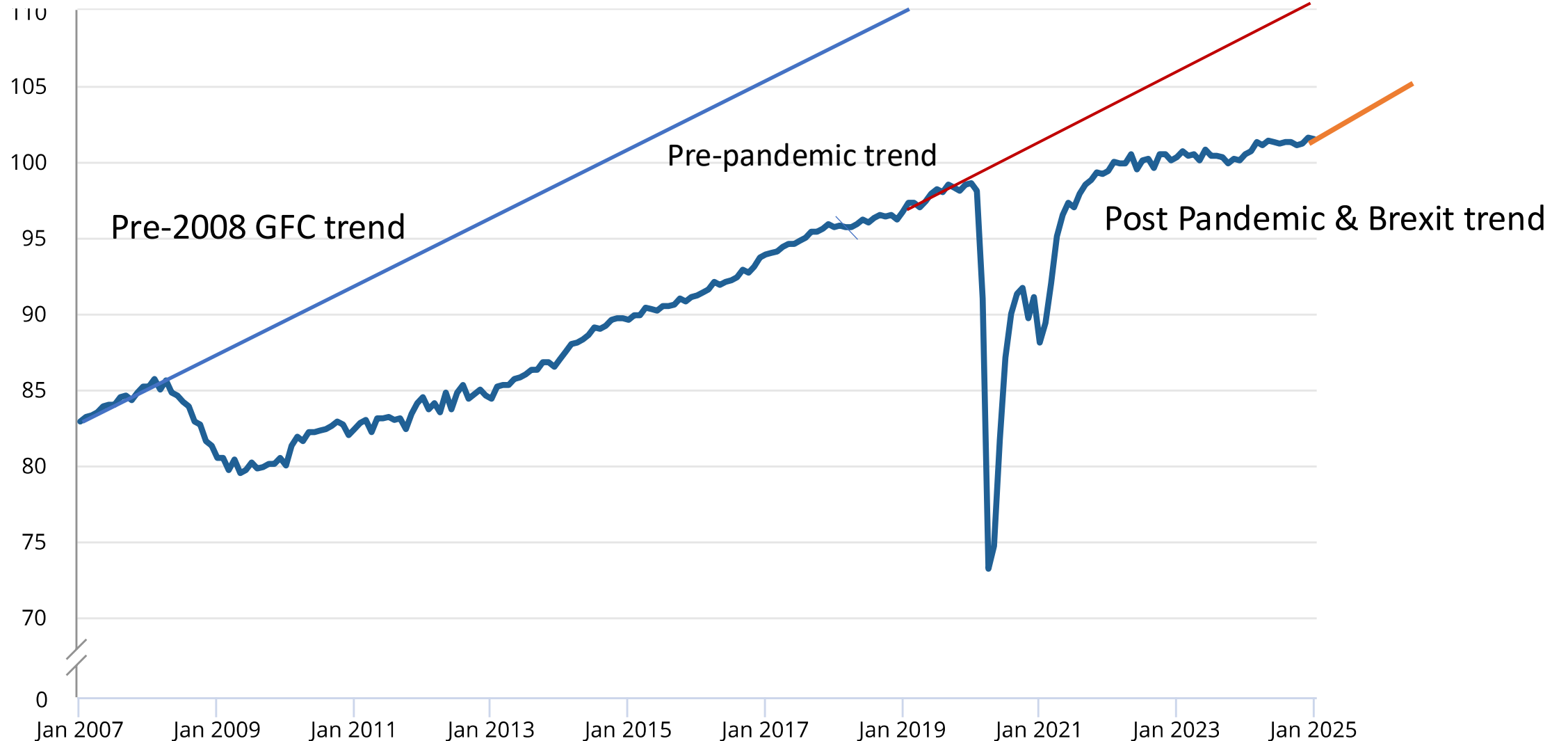
1. Per cent; last three columns show the change over a year earlier. 2. Moving nominal GDP weights, using purchasing power parities.

Focus on the UK

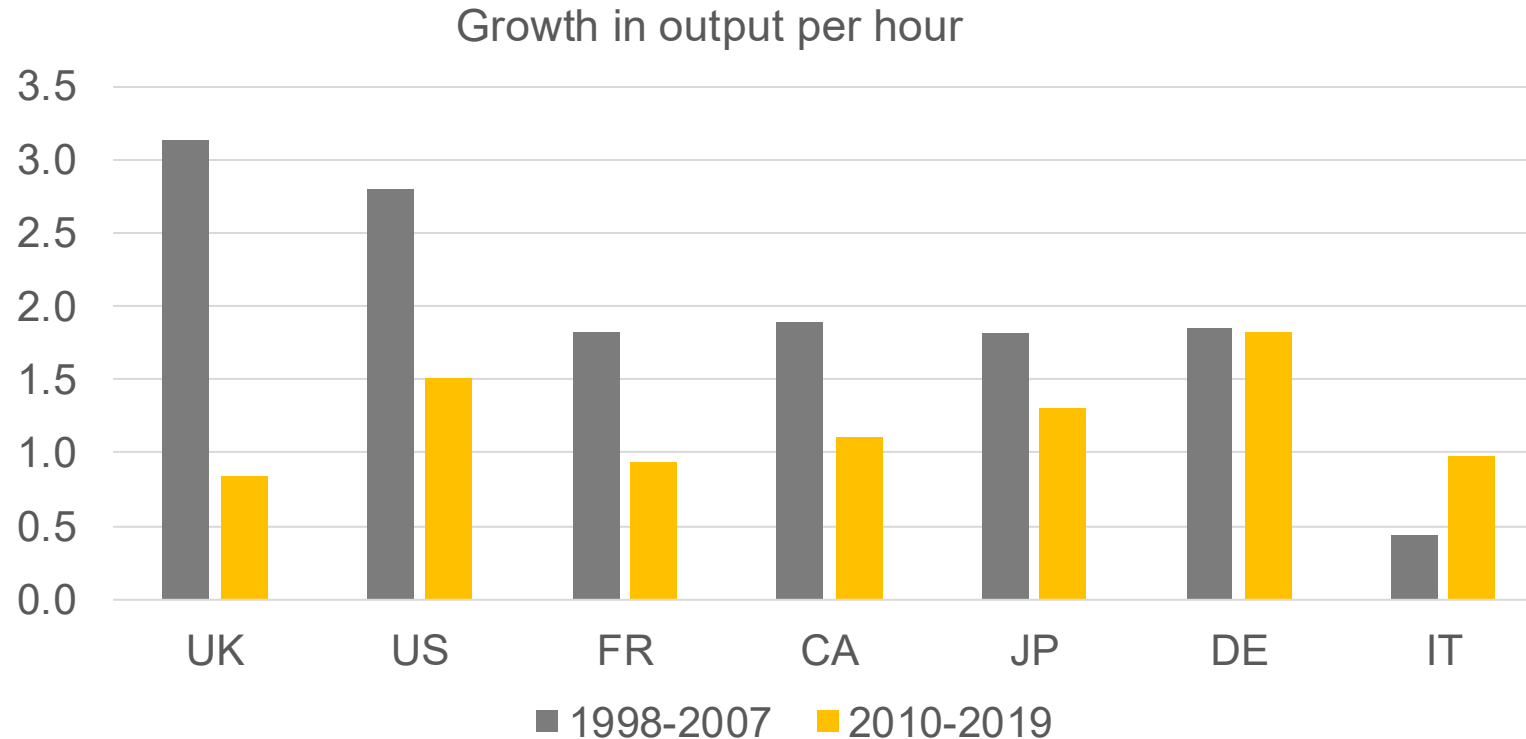
UK Budget forecasts pre crisis...

	Per cent				
	2026	2027	2028	2029	2030
GDP growth					
OBR	1.1	1.6	1.6	1.5	1.5
Bank of England	0.9	1.5	1.9		
External average	1.1	1.4	1.3	1.4	1.5
CPI inflation					
OBR	2.3	2.0	2.0	2.0	2.0
Bank of England	2.3	1.9	2.0		
External average	2.3	2.2	2.2	2.1	2.0
Unemployment rate					
OBR	5.3	4.9	4.4	4.2	4.1
Bank of England	5.3	5.3	5.1		
External average	5.2	5.0	5.0	4.9	4.9

The trend rate of UK growth has been slowing...



Why: UK 'productivity' has not recovered since the GFC

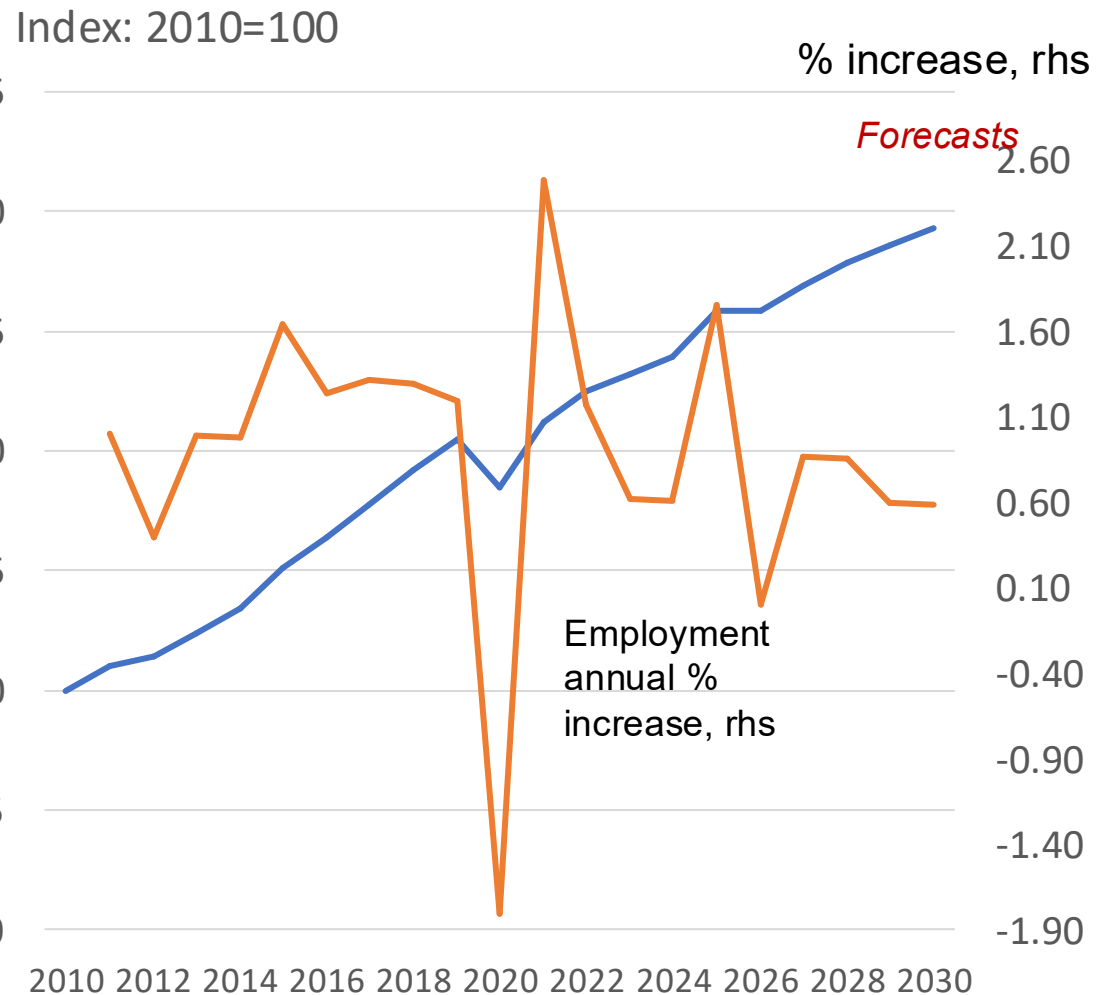


- UK productivity has not recovered since the Global Financial Crisis.
- Its performance is the worst of the G7
- Manufacturing has taken the biggest hit;
- driven by weak investment, slow diffusion of technology, and its sectoral composition.

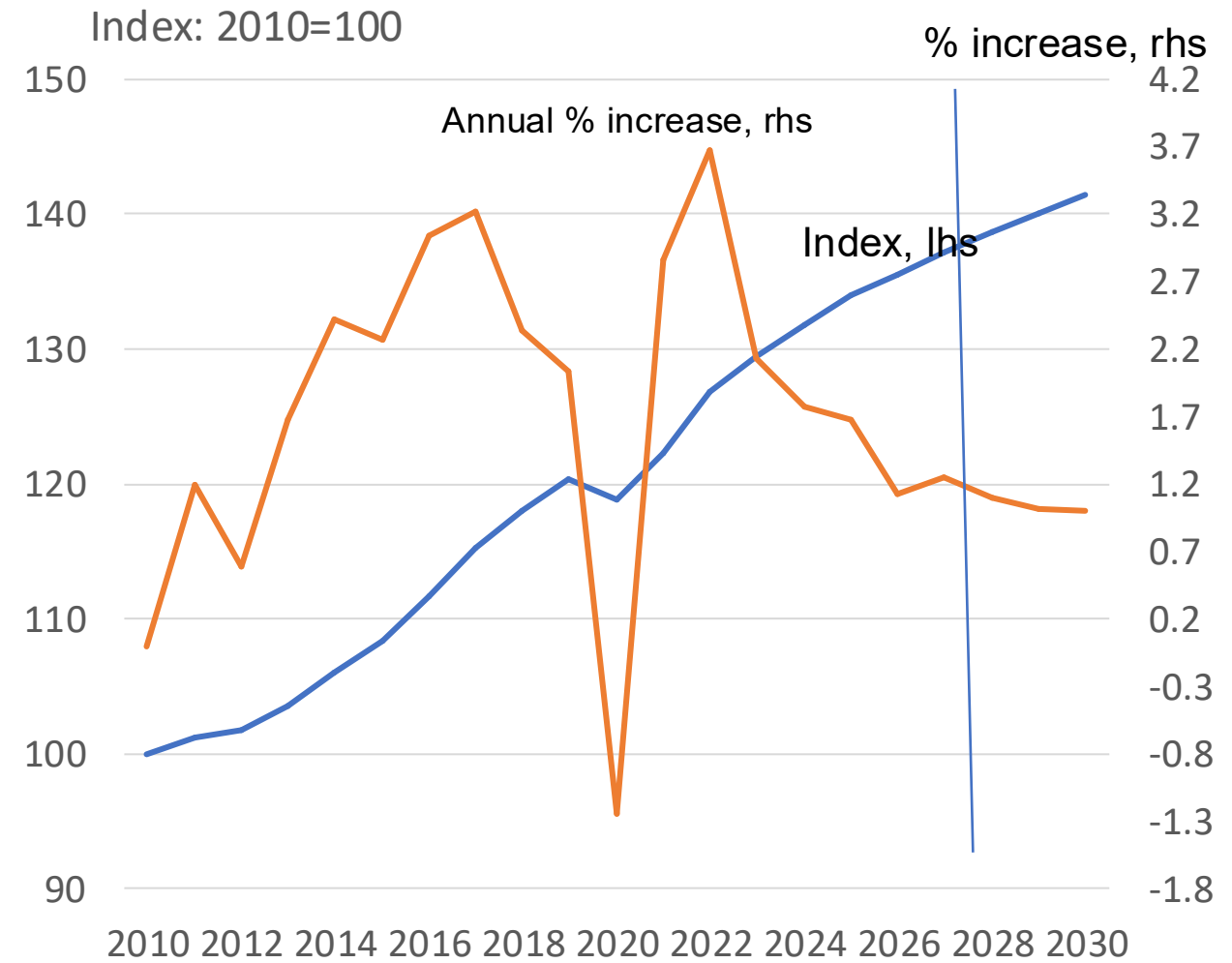
Contributions to UK growth	Manufacturing	ICT	Finance	Mining	Health	Other	Composition effect	Total
1998-2007	1.2	0.9	0.4	-0.1	0.0	0.1	-0.2	2.4
2010-2019	0.2	0.4	-0.1	-0.1	0.0	0.4	-0.1	0.6
2020-2025	0.2	0.3	-0.1	-0.1	0.0	0.3	0.0	0.6

lower productivity: in the quantity of people (ageing, lower migration) & in the growth of capital

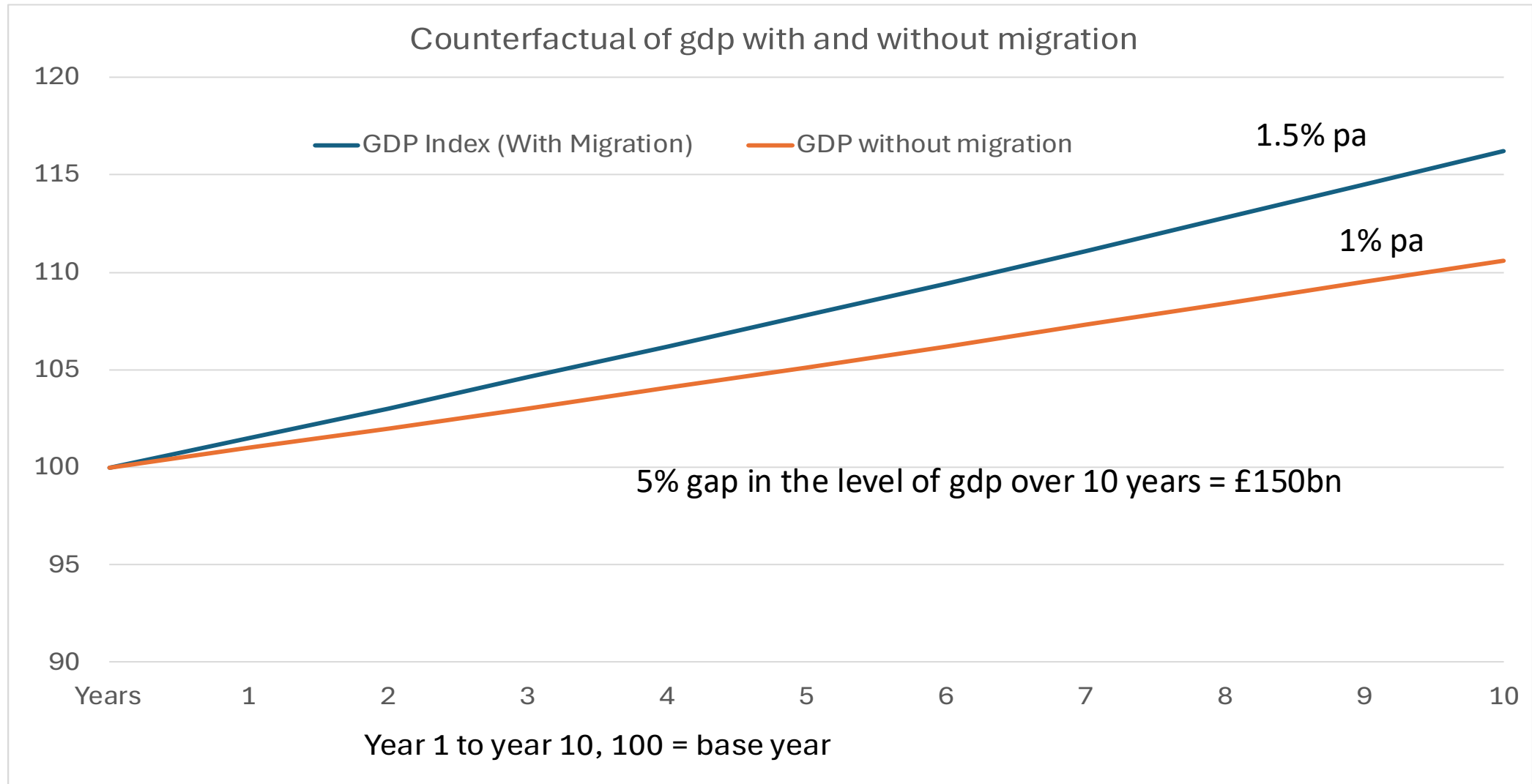
Employment growth is slowing



...as is capital stock growth



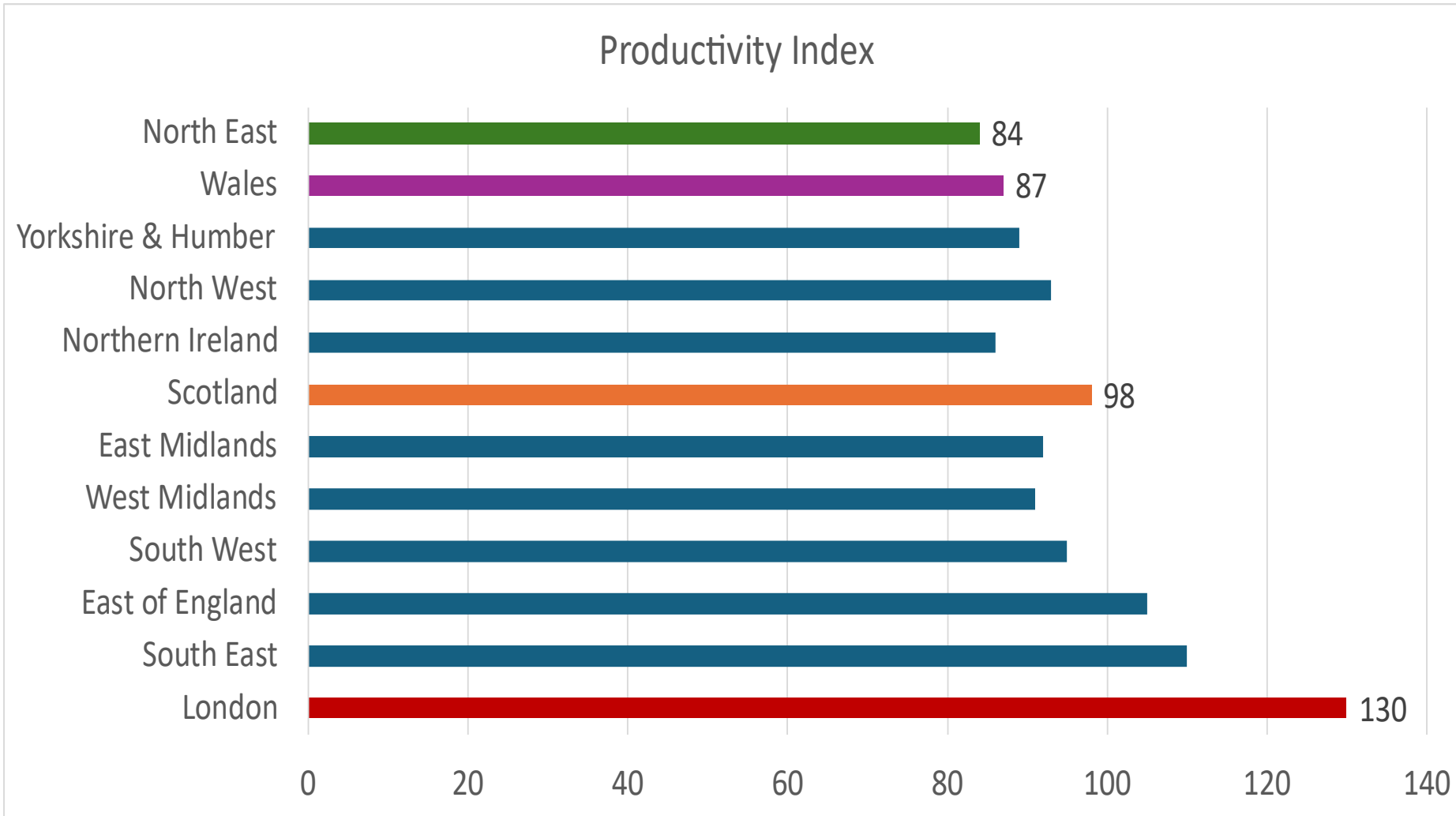
Hence, the migration contribution to gdp growth matters...



...especially for these sectors...

Sector	Migrant Share of Workforce (%)	Why It Matters
Health & Social Care	30–35	Supports NHS staffing and care for ageing population
Hospitality & Food Services	25–30	Keeps restaurants hotels and tourism functioning
Transport & Logistics	20–25	Essential for supply chains and delivery networks
Construction	15–20	Supports housing supply and infrastructure delivery
Agriculture & Food Processing	35–45	Enables seasonal harvesting and food production
Professional & Technical Services	15–20	Includes engineers IT specialists and researchers
Manufacturing	15–20	Supports production capacity and export competitiveness
Cleaning & Facilities Management	25–30	Maintains public buildings, offices and essential services

But productivity varies across the UK



- London's productivity is higher than that of other UK areas.
- Scotland and the Midlands sit around the UK average.
- Wales, the Northeast and parts of the North have the lowest productivity levels...
- ...and the highest credit risk and lowest AI adoption rates

Emerging trends and the opportunity

Firm size also matters for productivity

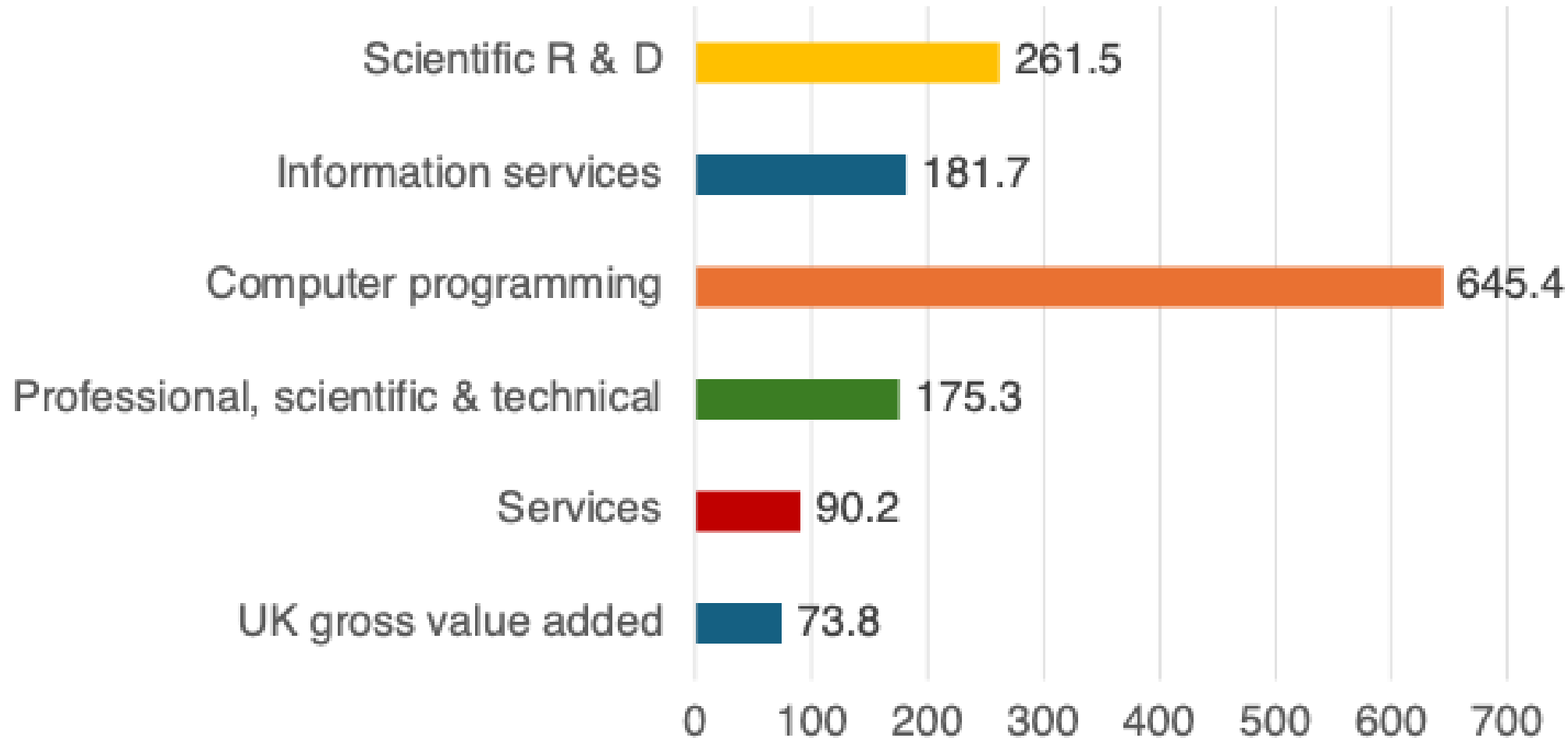
- SMEs have a productivity index of 92.
- Large firms have a productivity index of 118.

Takeaway:

- *Persistent gap versus large firms.*
- *Dispersion: the top quartile of SMEs are world-class, but the bottom quartile drags down the average.*
- *Digital adoption is a key differentiator.*

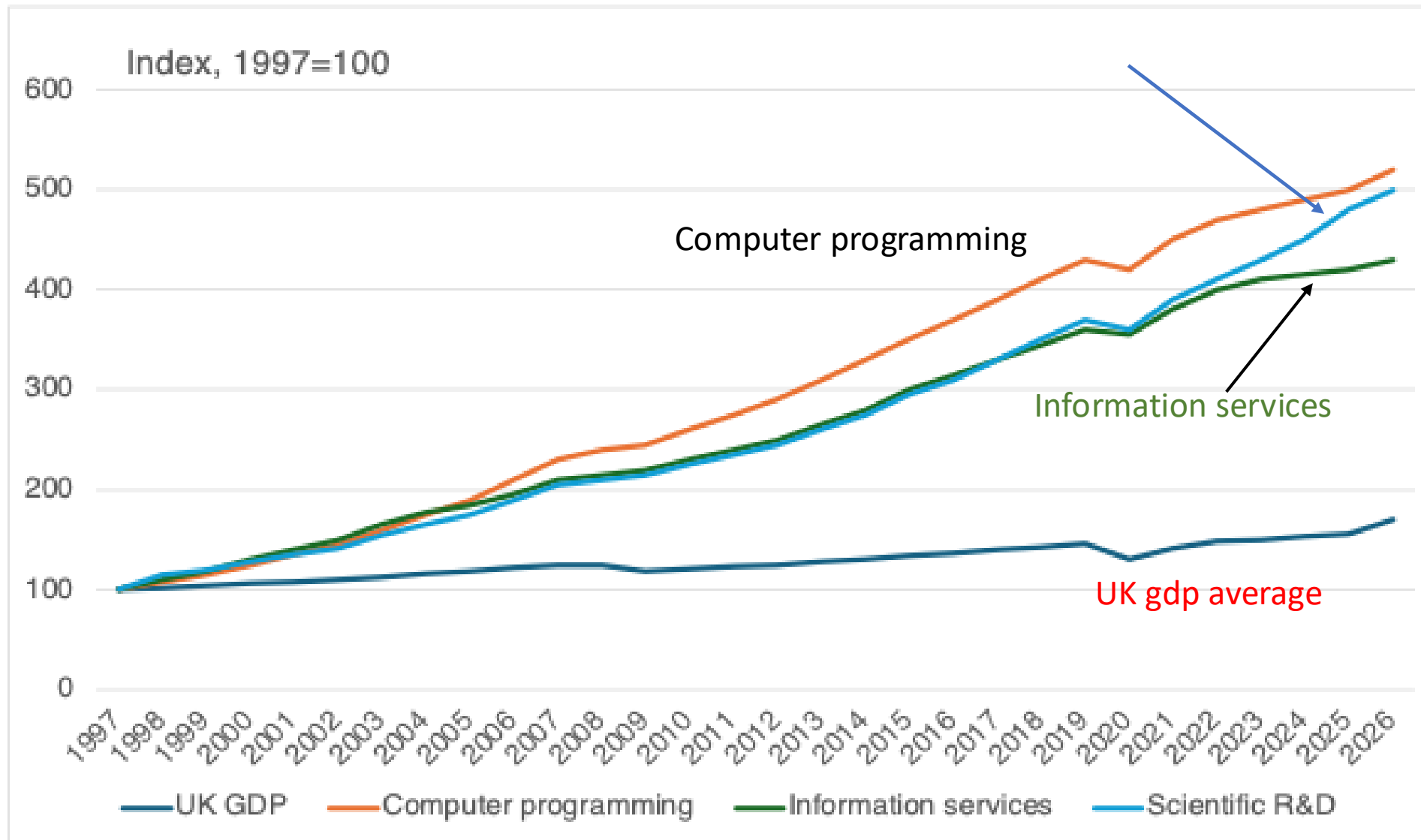
Sectors matter too, productivity uplift in AI and digital adoption

Growth 1997 – 2026, % over period



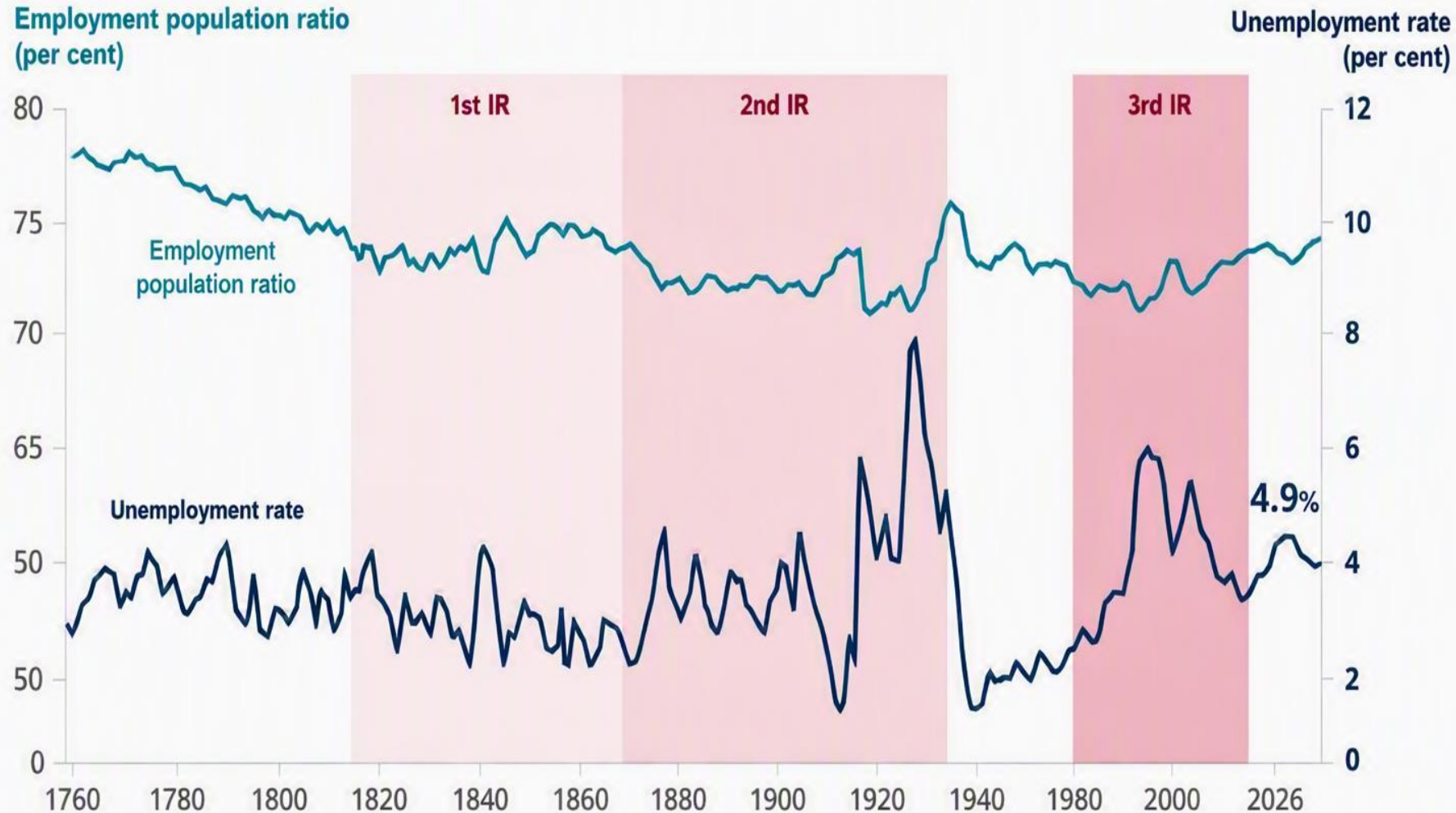
Setting UK GDP as the baseline, it's clear that some sectors outperform by a lot!

Further good news: UK economic growth revised higher...



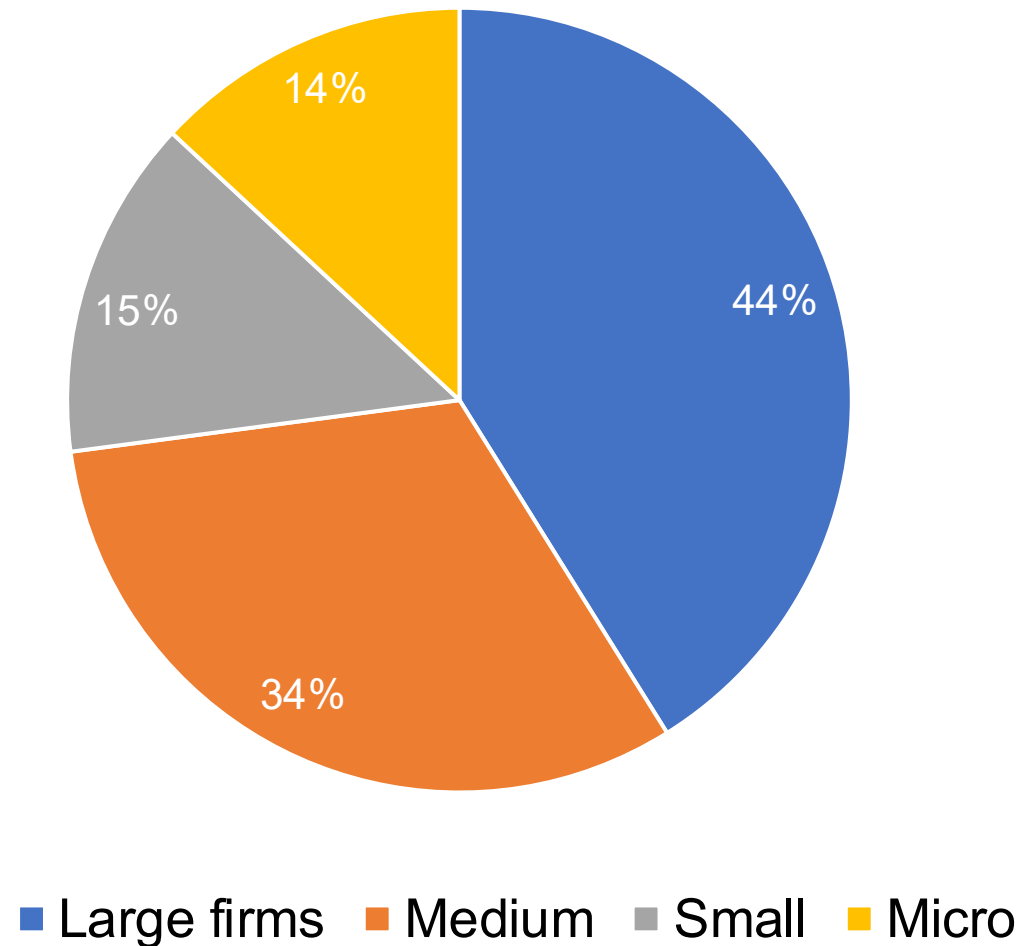
...as AI
sectors
outperform

UK is experiencing its 4th industrial revolution in 250 years



Long-term evidence shows no persistent technology-driven unemployment.

AI Adoption by firm size, based on turnover



Large firms dominate, SMEs are catching up, but micro and small firms lag significantly.

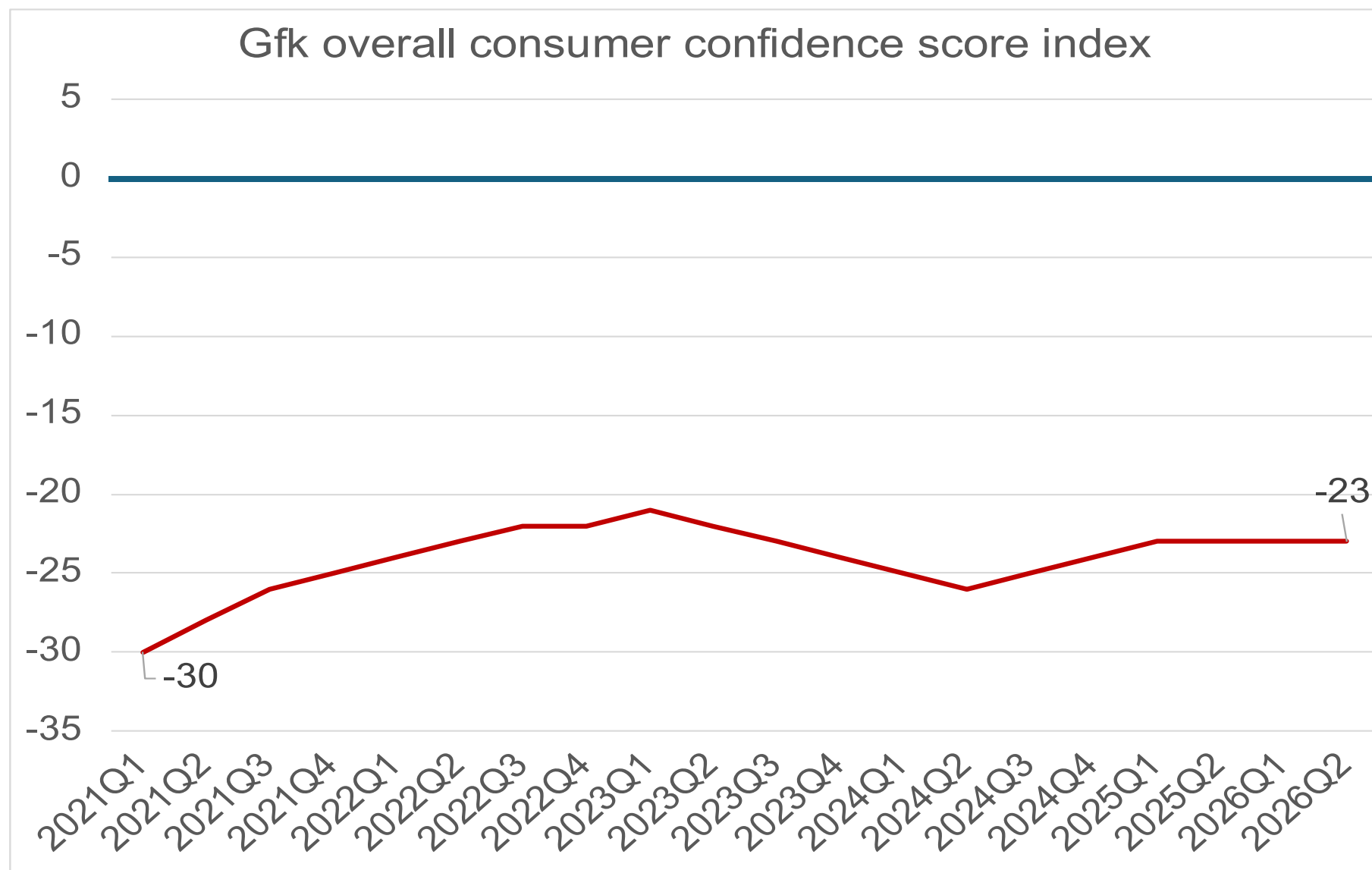
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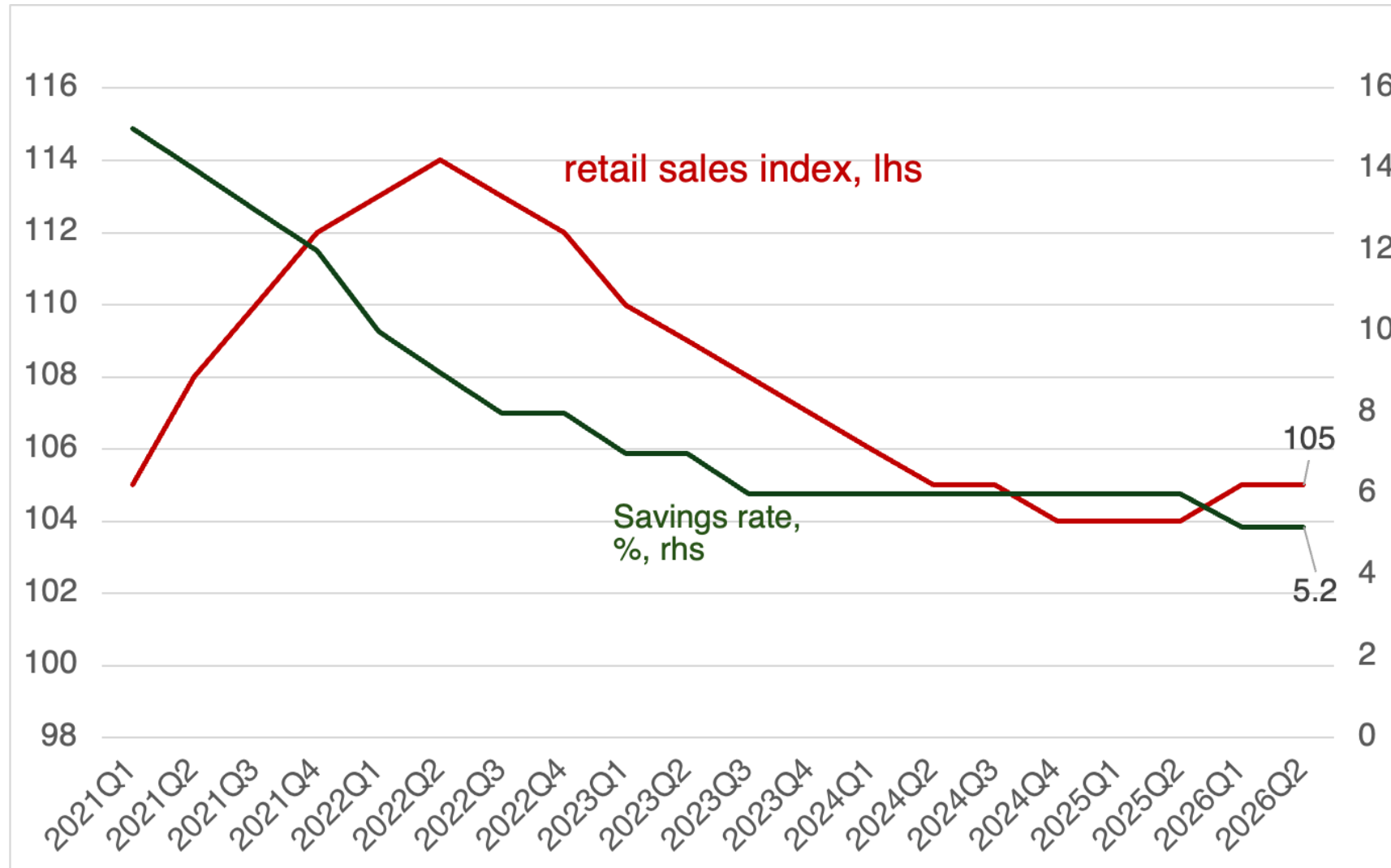
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The Gfk consumer index is improving – albeit still negative...



...retail sales are flat, as household savings dip slightly



Retail sales are flat because households are protecting cashflow; the saving ratio has dipped only marginally, indicating renewed spending.

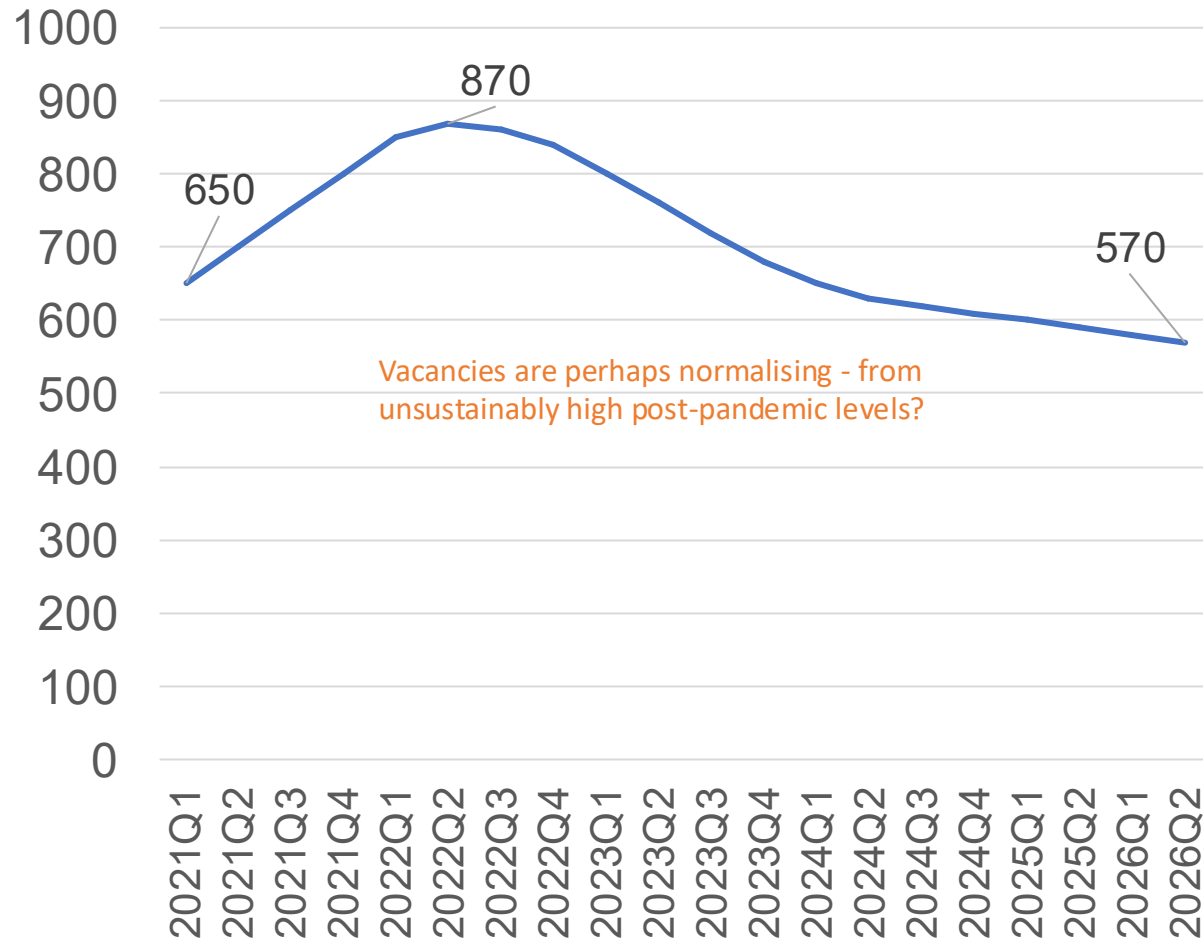
But the unemployment rate is rising, as real pay growth stalls



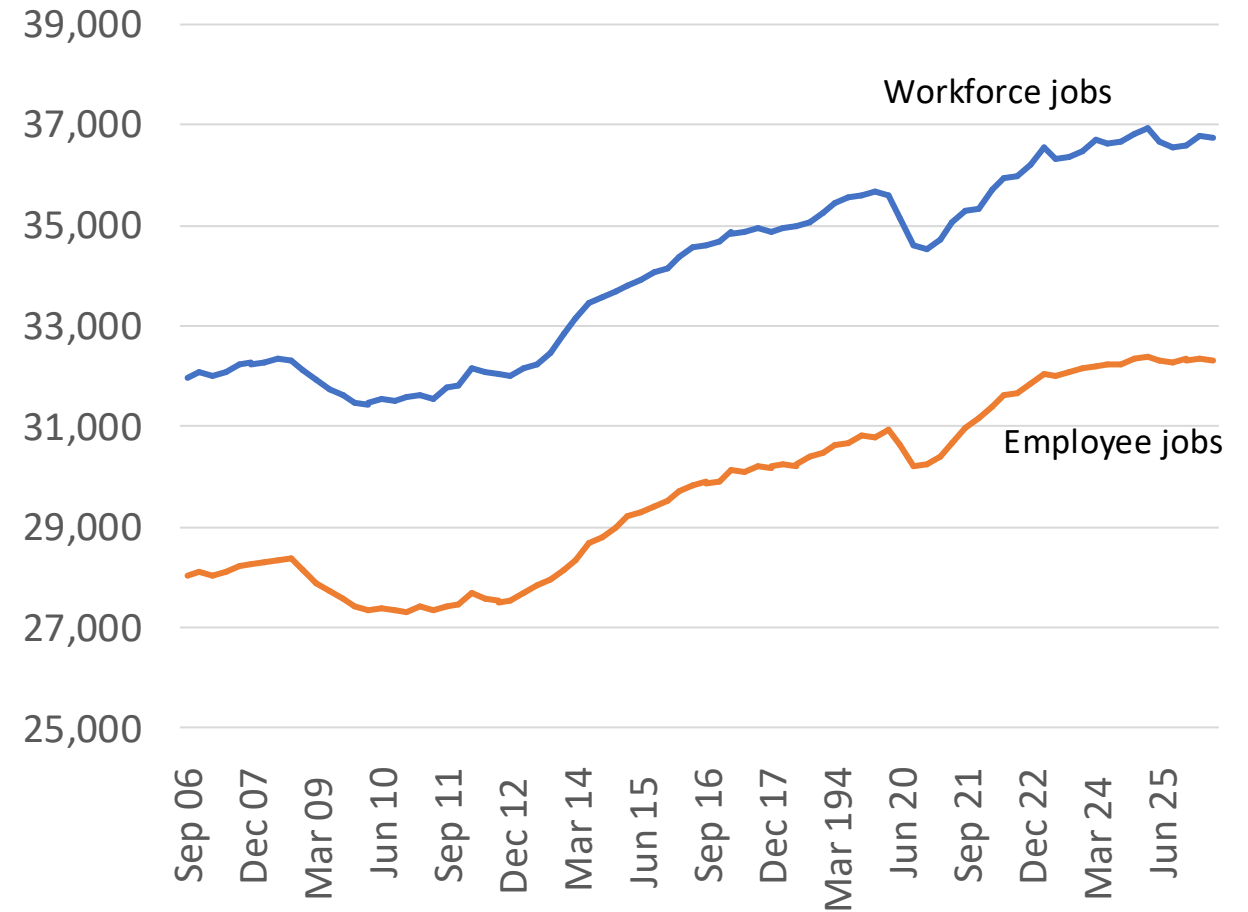
The labour market is loosening gradually — consistent with falling vacancies and stable redundancies.

Vacancies are falling...but employment is still rising

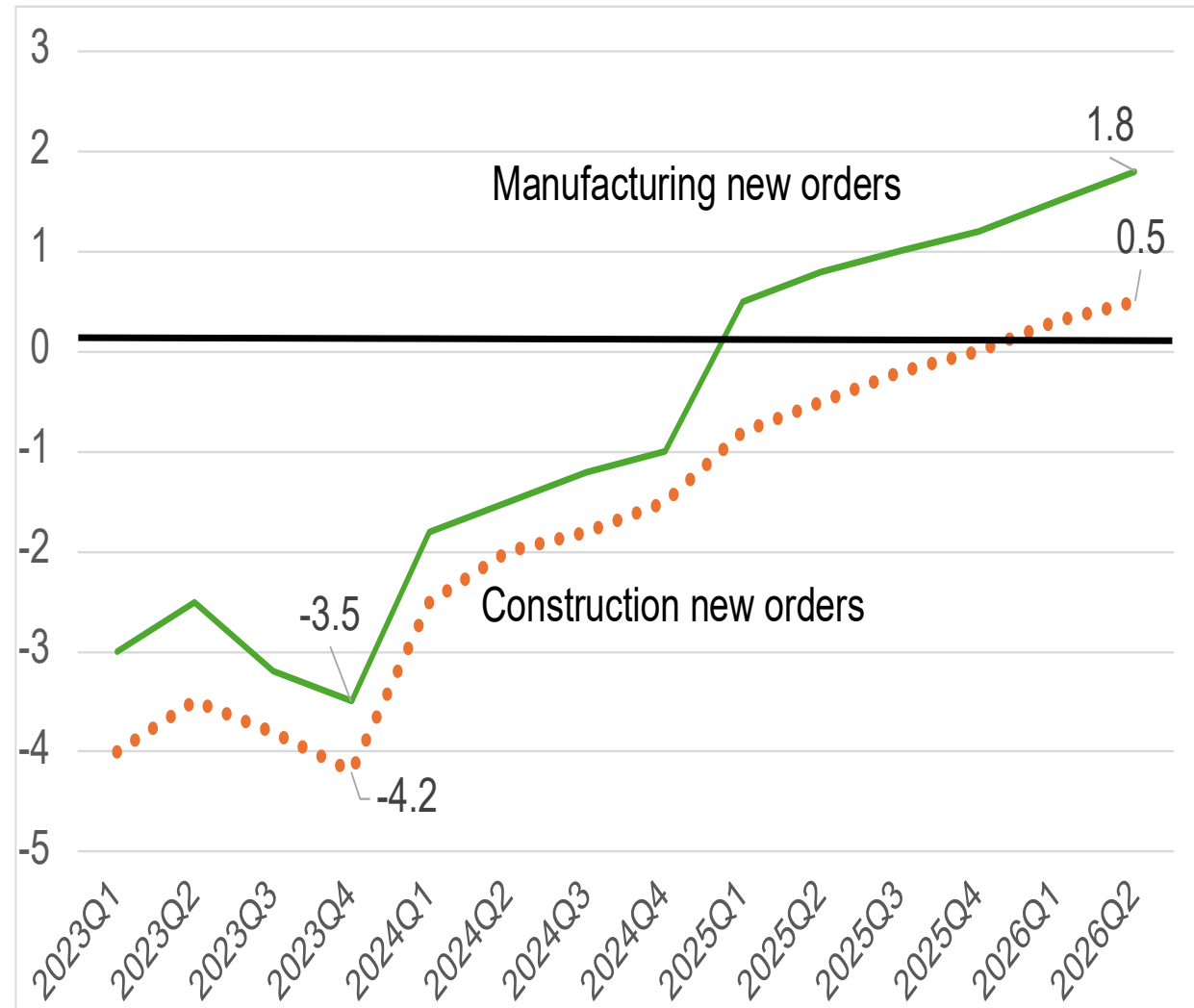
Vacancies, millions



Employment is rising

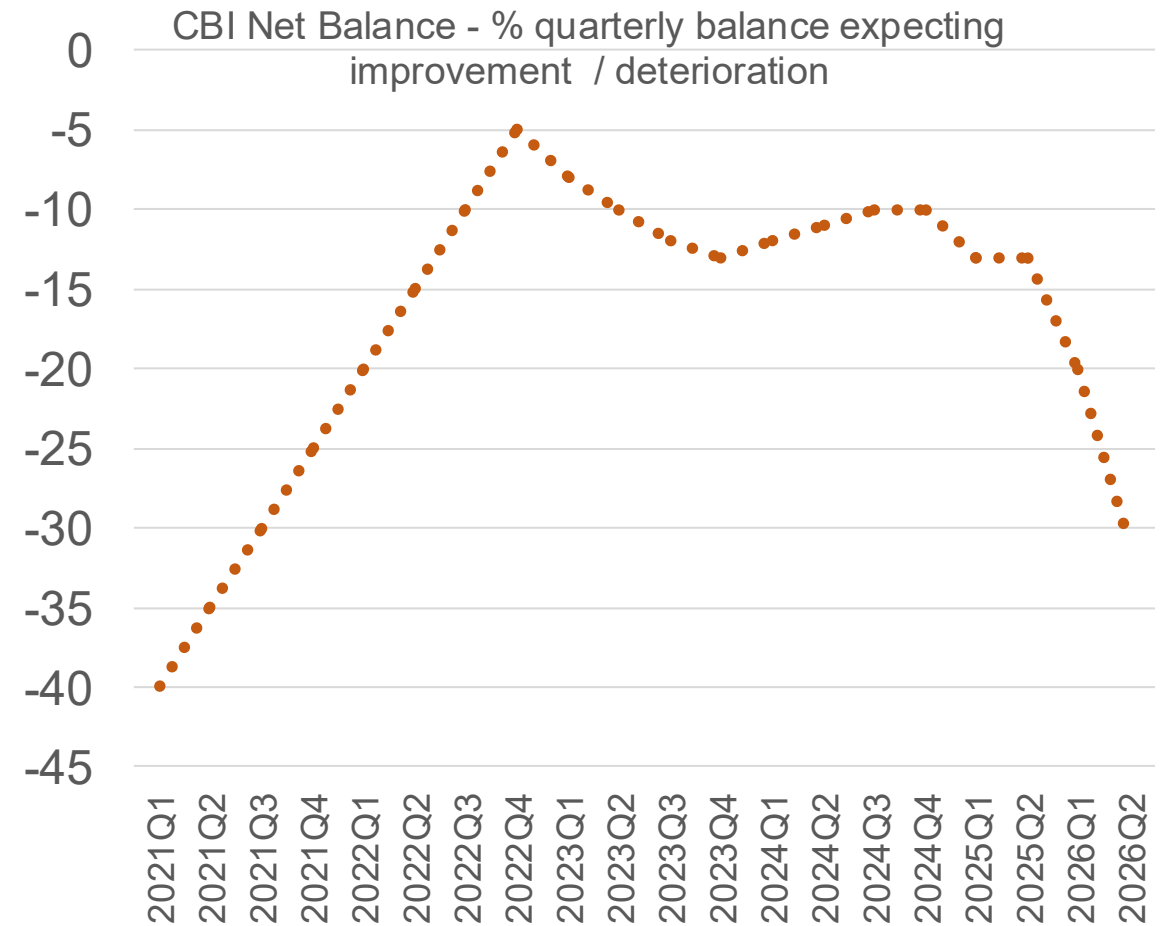


Moreover, new orders have not collapsed in the last quarter...



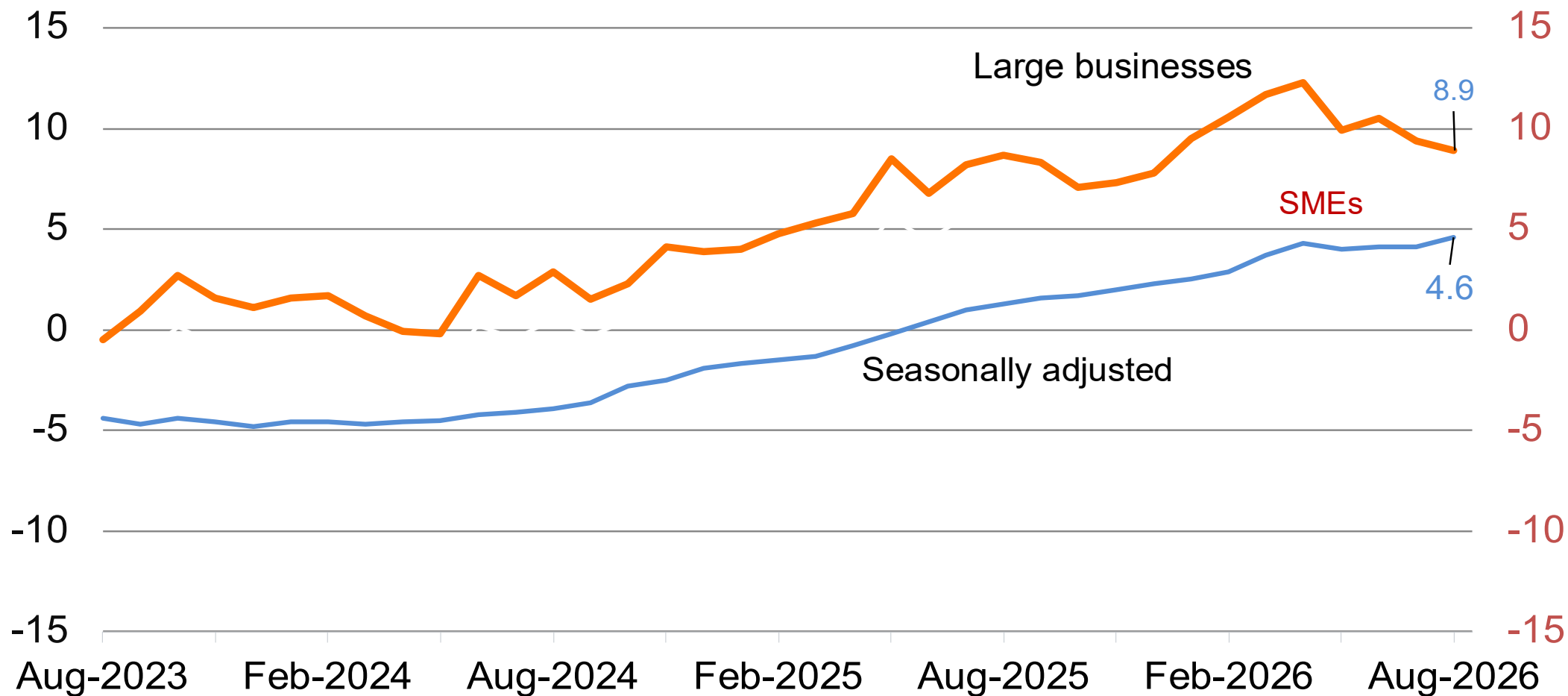
New orders are soft but not contracting —so firms expect weaker conditions but not a recession

However, firms expect trading conditions to worsen



Good news: UK companies are still borrowing...

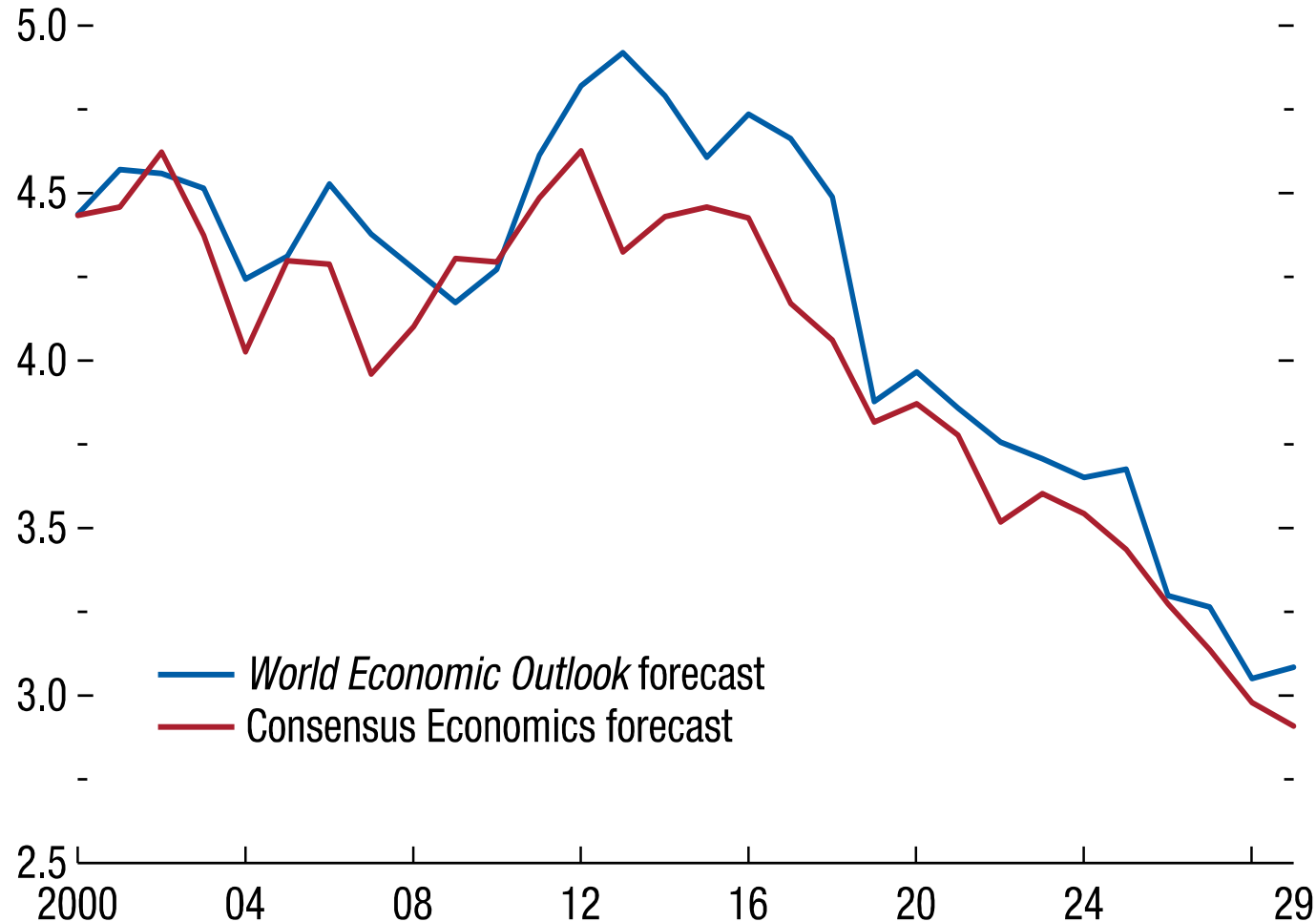
12-month growth
rate



..and UK slower growth echoes common global factors

Five-Year-Ahead Real GDP Growth Projections, 2000–29

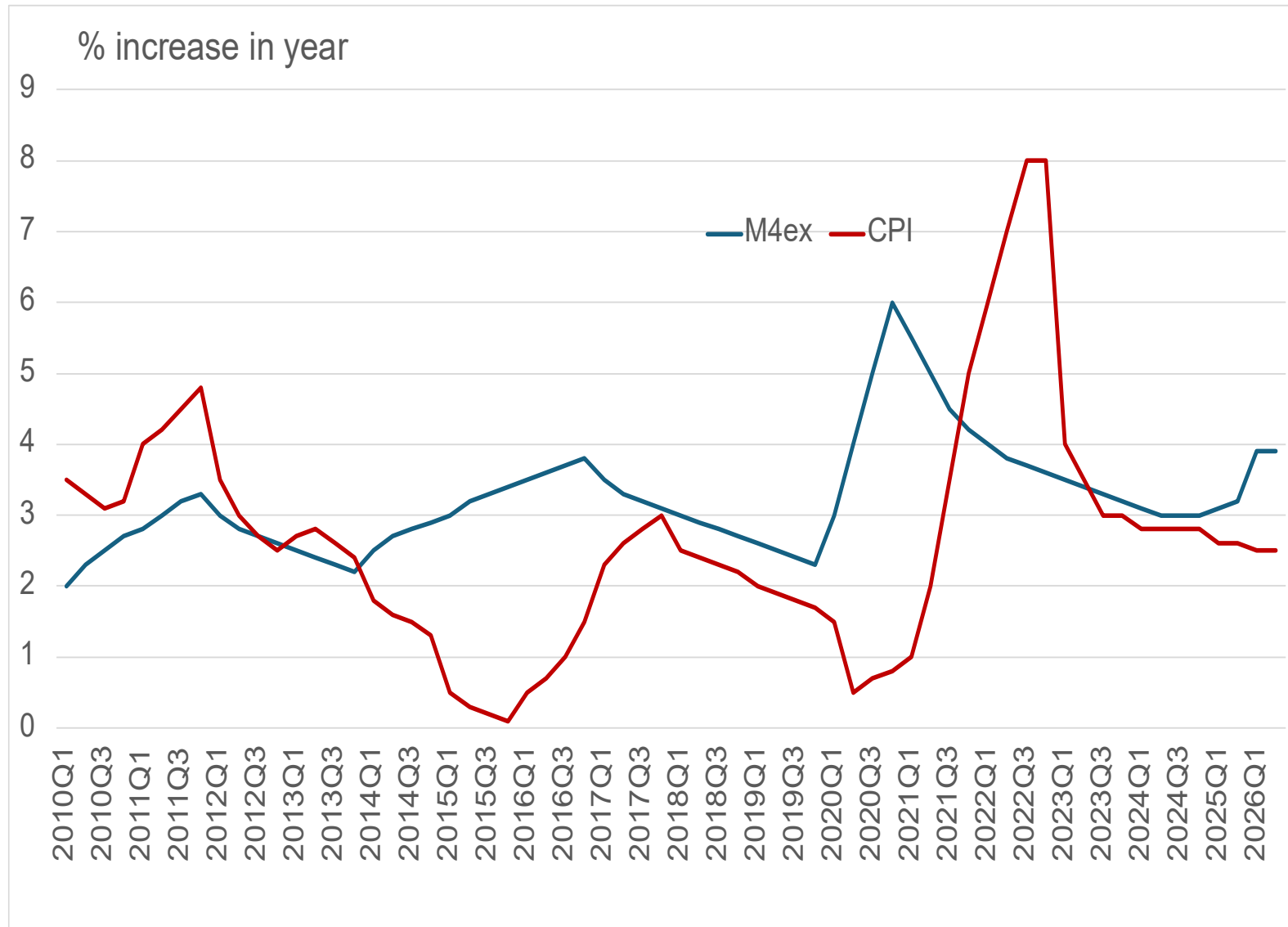
(World growth, percent)



- Global ageing
- No new trade deals since GATT
- No deal on Agriculture
- No deal on services
- No new blockbuster product or geographical economic transformation, in last 20 years

But no need to panic- it's not all bad

Policy conclusion: CPI inflation stable and M4ex still robust



With CPI stable around 2½–3% and M4ex growth near 4–5%, monetary conditions are consistent with trend growth. Inflation is not accelerating, and activity is stabilising.

Geopolitical shocks (Iran conflict, energy prices) remain the main upside risk to inflation.

For me, the risk balance suggests holding the UK Bank Rate steady.

A UK location lens on the key sectors

Energy & renewables — strongest in Scotland and the North East

Fintech — Edinburgh/Glasgow clusters — strongest in Scotland and London

Life sciences — strong university ecosystem — strongest in Cambridge, Oxford, London

AI, Digital & Technology — rapid scaling; strong innovation base — strongest in London and the South East

Advanced Manufacturing — automation; high-value production — strongest in Midlands and North

Green Energy & Sustainability — net-zero investment; renewables growth — strongest in Scotland and coastal regions

A UK location lens on the key sectors

Healthcare & Life Sciences — strongest in London, Southeast, Scotland

E-commerce / Digital Brands — strongest in London and major urban centres

Professional & B2B Services — strongest in London and the Southeast

Construction (Modern Methods) — not region-specific

Transport & Logistics — strongest in the Midlands and major ports

Jersey location lens on the key sectors

Financial & Professional Services — St Helier

Fintech & Digital Infrastructure — St Helier / Digital Jersey

Digital & AI — St Helier / Digital Jersey

Tourism & Hospitality — St Brelade, St Aubin, Gorey

Agriculture — Rural parishes

Construction — Island-wide

Green Energy — Coastal zones

Takeaways

- **Growth is strongest in** AI, digital, advanced manufacturing, green energy, healthcare, and digital commerce.
- **Digital adoption and AI** are transforming productivity.
- **Industry-level divergence is** widening — but opportunities are expanding.
- **Finance is the** critical enabler of scaling up.

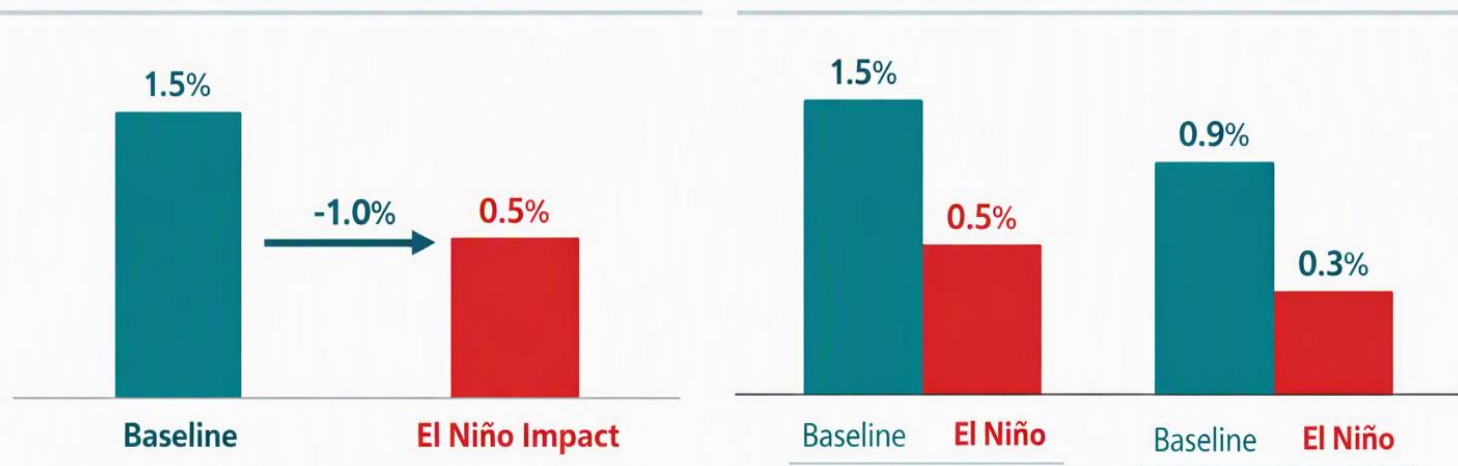
But El Niño risks loom large for 2027

Year	El Niño Peak	Category	UK GDP Impact*
1965	1.2	Strong	−0.4
1972	1.5	Strong	−0.5
1982	2.1	Very Strong	−0.7
1987	1.3	Strong	−0.4
1991	1.0	Moderate	−0.3
1997	2.3	Very Strong	−0.7
2002	1.1	Moderate	−0.3
2009	1.0	Moderate	−0.3
2015	2.0	Very Strong	−0.7
2023	0.8	Weak/Moderate	−0.2
2026 (f)	2.2	Very Strong	−1.0

* The percentage point impact on GDP because of El Niño

- El Niño does not imply negative UK GDP growth in 2027.
- It reduces growth relative to the baseline.
- If the UK had grown by 1.5%, the El Niño shock would lower it to around 0.5% - a 1 percentage-point loss of growth, but not a contraction.

El Niño risks loom large - UK & Jersey shock in 2027



Economic Impact Summary

- UK GDP growth reduced from 1.5% to 0.5%
- Jersey growth lowered from 0.9% to 0.3%
- Both economies still expand, but at a slower pace
- Impact driven by global food, energy, and shipping shocks

Jersey illustrates how El Niño magnifies effects in import-dependent economies.

UK Estimated GDP impact: -1.0%

Driven by global food, energy and shipping shocks

UK food inflation risk: 9–10% (early 2027)

European gas volatility: £2–3bn wholesale impact

Shipping constraints: 5–7% reduction in container throughput

Domestic weather effects limited; global channels dominate

Jersey as a Micro-Case – 0.3%

Near-total reliance on imported food and energy

Price pass-through is faster and stronger than the UK average

Shipping disruptions amplify local volatility

Agriculture (potatoes, dairy) is weather-sensitive

Tourism exposed to increased weather variability

Jersey illustrates how El Niño shocks cascade through small, open economies

The shock operates through inflation, supply chains, energy, and food, and not domestic weather.

* The percentage point impact on GDP because of El Niño

Finally....

Reforms in these areas means the UK could grow faster



Firms (mainly SME's) have been hit by Brexit- rejoin EU Customs union



A housing crisis is substantially hindering productivity; - build more affordable homes but need SMEs.



The number of people off sick; preventive measures



Lack of training: recreate skills centres, technical colleges, nurses' bursaries

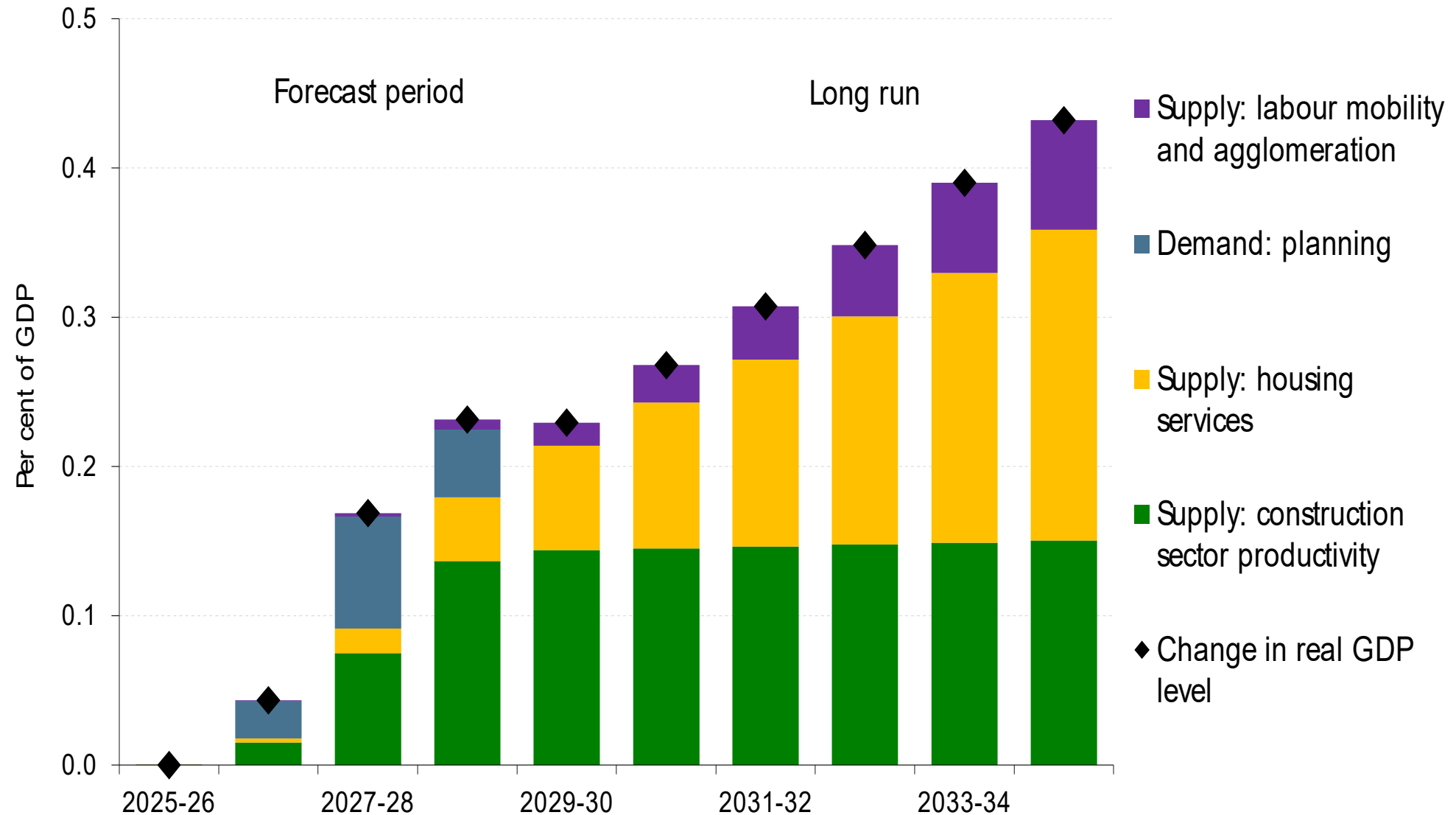


Energy costs are too high, for firms and households. Build SMR 'nuclear power plants (1 signed off), ease carbon targets.



These will - in time - unlock faster economic growth - as much as 0.4% a year, according to the OBR

Tackling them could lift gdp growth ½% per annum





Thank you