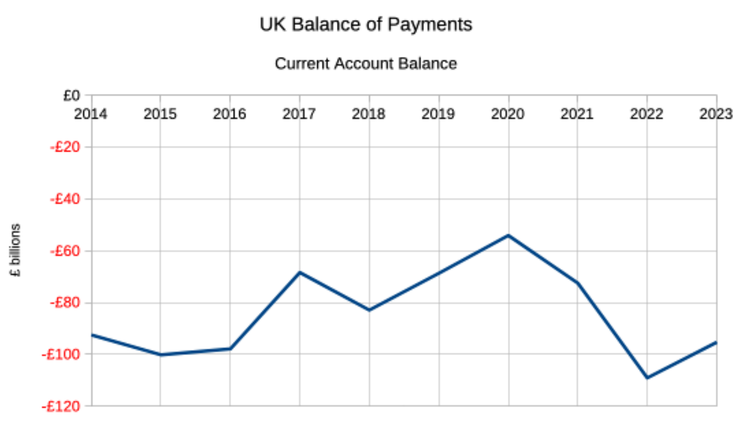
# Employment and the health of the UK Economy.

How and where people are employed in the UK directly affects the health of the economy and the balance of payments, as seen in the current account balance.

## The Health of the Economy

Although the commonly quoted "GDP" is often referenced as a key economic indicator, it primarily measures the scale of economic activity rather than the nation's overall wealth. A more comprehensive indicator of the economy's health is the Balance of Payments (BoP), particularly the Current Account Balance, as it reflects the net economic position regarding trade, investments, and financial flows with the rest of the world. The BoP chart below shows that our GDP and wealth are declining every year, along with the growth in the national debt. "GDP" is propped up by inward investment plus personal and government borrowing. A massive increase in population coupled with a decline in wealth has led many commentators to use the phrase "declining GDP per capita", meaning we are all getting poorer.

| Year | Current Account Balance (£ billion) | % of GDP |
|---|---|---|
| 2014 | -92.5 | -5.1% |
| 2015 | -100.2 | -5.4% |
| 2016 | -97.9 | -5.2% |
| 2017 | -68.4 | -3.4% |
| 2018 | -82.9 | -3.9% |
| 2019 | -68.7 | -3.1% |
| 2020 | -54.1 | -2.5% |
| 2021 | -72.5 | -3.2% |
| 2022 | -109.1 | -4.8% |
| 2023 | -95.3 | -4.2% |

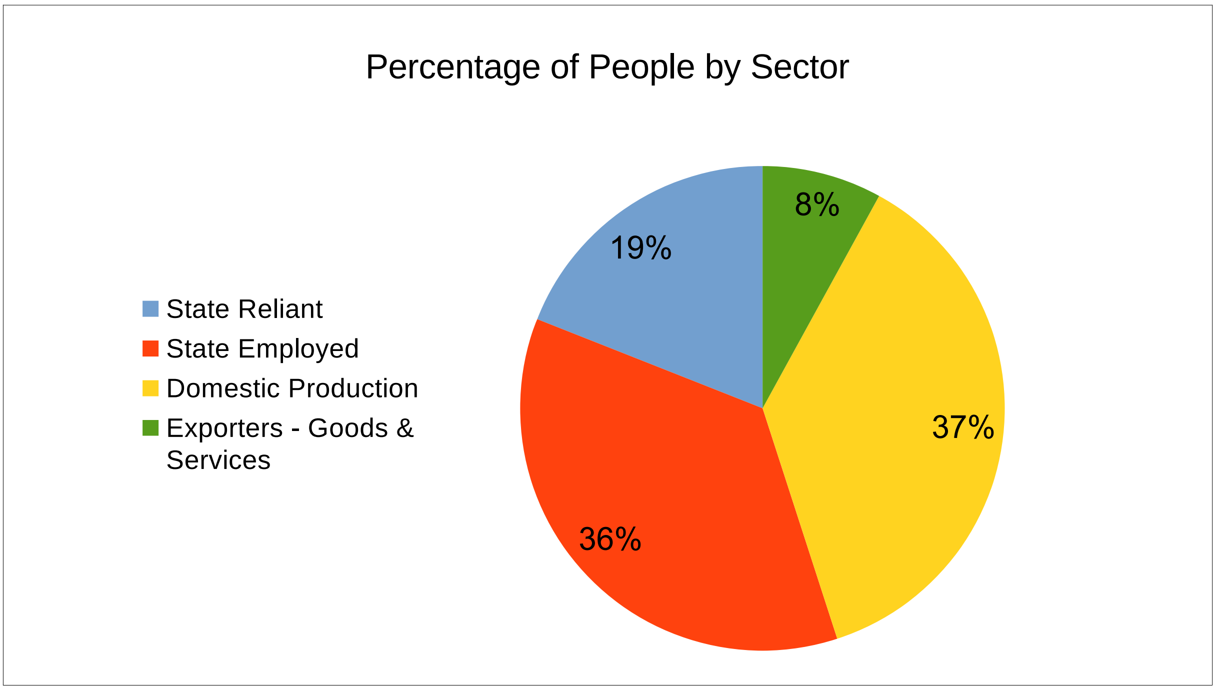



With all the talk about 'Black Holes,' it appears that those advising the politicians ignore the fact that our wealth is declining. A negative balance effectively adds to the national debt and negatively affects the nation's GDP, as seen in the percentage of GDP column above. The current account deficit is a complex issue tied to the structure of the UK economy, its reliance on imported goods, and its global investment patterns. The financial services sector has historically been a key contributor to the UK's balance of payments. It has played a crucial role in mitigating the nation's current account deficit by generating substantial surpluses in financial activities that offset the deficits in other areas, particularly trade in goods. However, in the past two decades, this mitigating effect has decreased to the point that it no longer compensates for losses in trading goods. Due to several factors, including global economic shifts and geopolitical events, this imbalance is not sustainable.

## The UK's disproportionate employment strategy

There must be a balance between those who rely on the state for either income or support and those that create or maintain the UK wealth.

1. **Those relying entirely on state support**: Difficult to quantify precisely, but likely around 19% (including unemployed, some retirees, immigrants, and those on full benefits).
2. **Those relying on wealth generated by others** (including public servants): Approximately 36% (public, hospitality & service sector workers plus some retirees and those living off investments).
3. **Those maintaining wealth by providing goods & services for domestic consumption**: Reduced to around 37% (private sector workers in services, food production and manufacturing for domestic market).
4. **Those creating wealth by exporting goods and services**: There are roughly 8% employed in export-oriented industries, including financial services.




The analysis of the data shows important factors.

1. 55% are reliant on the state for either income or employment. This does not include those in full-time employment and partially funded by the state in terms of social benefits.
2. The 36% employed by the state generally do not contribute to either the balance of payments or the tax intake (the state effectively pays their tax).
3. Just 8% of those employed are responsible for exporting goods and services.
4. A massive 92% make little or no **positive** contribution to the balance of payments.

5. The majority of those residing in the UK make a negative contribution to the balance of payments. Even those making a positive contribution to the BoP may offset that negatively by spending their income on foreign holidays and cars.

## Summary

If it is acepted that the balance of payments is a better measure of the health of the nations ecconomy, we must look more closely where we employ people. Clearly, the 8% involved in exporting is too low and the environmental conditions for setting up companies needs improvement, particularly in the new technologies.

The UK's economy is facing a real decline in GDP and wealth, with the Balance of Payments (BoP) showing the net economic position. The decline is primarily driven by inward investment and personal and government borrowing. The financial services sector has historically been a key contributor to the UK's balance of payments, but its impact has decreased in the past two decades due to global economic shifts and geopolitical events. The UK's disproportionate employment strategy consists of 19% relying on state support, 36% relying on wealth generated by others, 37% maintaining wealth by providing goods and services for domestic consumption, and 8% creating wealth by exporting goods and services. The analysis shows that 55% of the population rely on the state for income or employment, 36% do not contribute to the balance of payments or real tax intake, and 92% make little or no positive contribution to the balance of payments. The majority of those residing in the UK make a negative contribution to the balance of payments.