UK key trends in 2022

February 2022

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1. **By the end of 2022 four in every ten directorships in the FTSE 100 will be held by women.** Although the pandemic has had a disproportionate impact on women in the labour market, we expect that at the board level the share of women in the biggest 100 companies listed in the UK will continue to increase, partly due to rising pressure from government and investors to have more women in the leadership roles.
2. **Health and well-being indicators set for record adverse spikes as a result of pandemic measures, and this could adversely impact the economy in the long run.** We expect a less active lifestyle - caused by restrictions, more screen time, and a higher level of stress - to drive obesity rates to a new record high for both adults and children as the knock-on impacts of COVID take their toll.
3. **Household savings rate is likely to drop to the pre-COVID level in 2022, cutting about 70% (or £4,000) of the extra savings in real terms compared to the highest level seen during the pandemic.** We expect a combination of higher spending demand post-restrictions, increased mortgage payments as interest rates hike, and high inflation to squeeze household savings in the short to medium term. Therefore, the household saving rate in 2022 will likely fall back to the pre-crisis level, and it could drop further if high inflation prolongs beyond 2023 or wage growth slows down more than expected.
4. **Despite the January crash, cryptocurrency value could almost double the 2021 value, hitting $4 trillion in market value globally by the end of 2022.** We expect that investors' desire for an alternative investment in a low interest rate and high inflation environment, combined with the introduction of new technologies which can hedge against certain risks, could boost market expansion. However, given the risky and volatile nature, if the crypto market collapsed, it would be equivalent to the size of Germany's economy – the largest economy in the EU – being completely wiped out.
5. **There could be a record number of heat pumps sold across the UK in 2022, potentially triple the number sold in 2020.** We expect changes in consumer attitude toward an environment friendly lifestyle, rising energy bills, and Government grants for heat pump installation starting this year to boost heat pump sales.

Last year we published our predictions for the UK in 2021 in our PwC UK Economic Outlook. As we enter 2022, while there still are a considerable number of uncertainties[1], This report revisits our previous predictions and provides our new predictions for the year ahead.

Early evidence suggests that the UK's COVID-19 restrictions have become less elastic to the number of new COVID-cases. Therefore, our expectation is that from this year the economic impact of the pandemic will gradually fade, and preventative measures – such as vaccination boosters and the wearing of face coverings – will continue to be preferable interventions over national lockdowns.

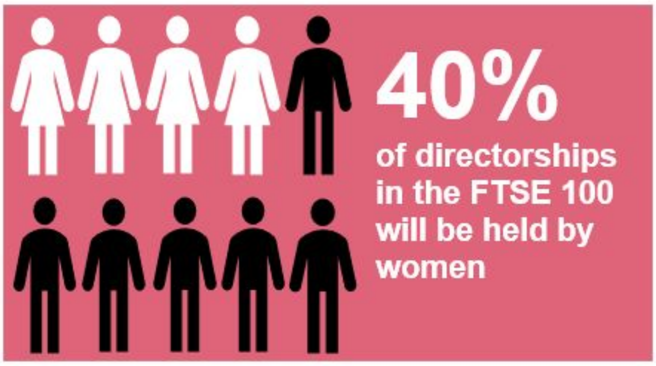
After nearly two years, some impacts of the pandemic could start to materialise this year, and the rest of this report will reflect those structural changes in the UK economy, household lifestyles and sustainability agenda.

1 By the end of 2022 four in ten directorships in the FTSE 100 will be held by women

Over the last five years the number of women on FTSE boards has grown by 50%. At the beginning of 2021 for the first time ever, there were two companies in the FTSE 100 (i.e. the largest 100 companies listed in the UK) with more women than men on the board[2]. This was partly driven by the 'Women on Boards' reports in 2015, which set a target for the FTSE 350 companies[3] to have at least 33% female representation on boards by 2020[4]. A review of this target shows the overall success against the target, with more than 36% of directorship roles in the FTSE 100 companies were held by women in 2020[5], and the figure increased to 38% in 2021[6]. However, at a company level more than 20% of the FTSE 100 companies are still behind targets in 2021[7].

While there is more to be done, the progress could be set back further by the pandemic. Our Women in Work study shows that the pandemic is having a disproportionate impact on women in the labour market[8]. For example, it found that COVID-19 had a larger impact on service sectors, which generally have higher levels of female representation. Moreover, increased caring responsibilities have led to more women to leave the workforce than men during the course of the pandemic. While the potential impact of the pandemic on women's access to leadership is not yet clear, the OECD has highlighted the importance of developing family-friendly workplace policies in an effort to promote female leadership[9].

However, the government and investors are putting increasing pressure on large companies to promote diversity on their boards. Following the initial success of the 33% target, in 2021 the government has announced plans to set a higher target for the next five years[10]. Supported by investors, the Investment Association[11] is also planning to raise its threshold of issuing a red alert to companies that fail to have female directorship representation of 20% to at least 30%[12]. **We expect these factors to contribute to boosting the female representation in the FTSE 100 directorships to at least 40% in 2022**.



1 At the time of writing, implementation of Northern Ireland's future trading arrangement with the EU remains in discussion, as does the possible UK-US trade deal. Ongoing supply disruptions and energy price surges could continue to squeeze household spending power and it is still unclear how full relaxation of COVID-19 restrictions would play out.
2 Department for Business, Innovation and Skills, "The changing face of business: number of women on FTSE boards up by 50% in just 5 years" - link
3 FTSE350 includes the largest 350 companies listed in the UK, and is made up of FTSE100 and FTSE250 companies.
4 Department for Business, Innovation and Skills, 2015, "Women on boards: 5 year summary (Davies review)" – link
5 Hampton-Alexander review, 2021, "FTSE Women leaders" – link
6 Cranfield University, 2020, "The Female FTSE Board Report" – link
7 Ibid
8 PwC, 2021, "Women in Work" – link
9 OECD, 2020, "Policies and practices to promote women in leadership roles in the private sector" – link
10 People Management, "Government announces five-year review to increase women on FTSE boards", 2 November 2021 – link
11 Investment Association is a UK trade body that represents 250 investment managers and investment management companies in the UK
12 The Guardian, "Investors warn top UK firms over ethnic and gender diversity" – link

2 Health and well-being indicators set for record adverse spikes as a result of pandemic measures, and this could adversely impact the economy in the long run

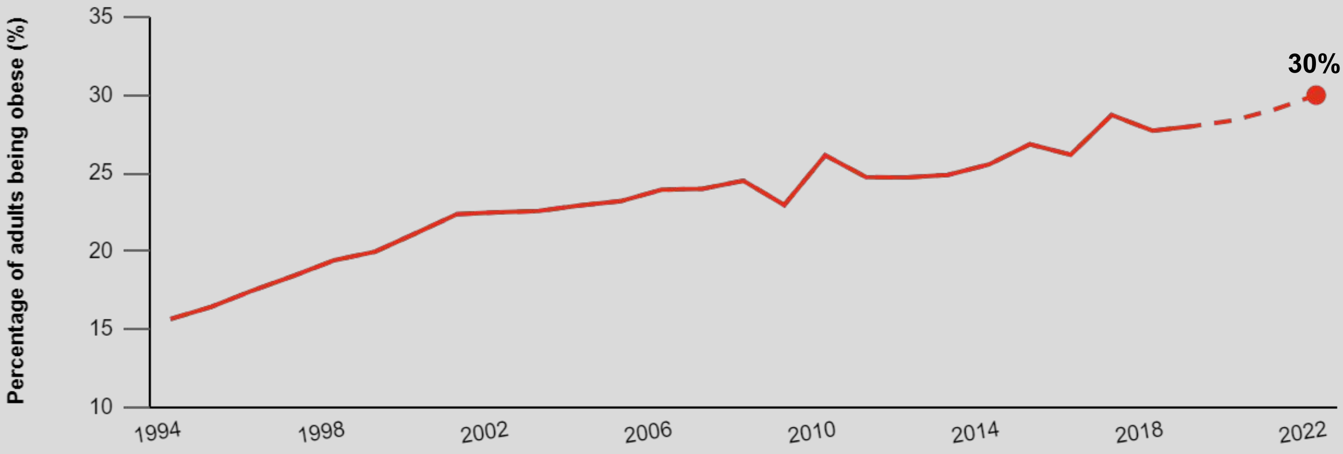
The pandemic and social distancing restrictions have had a profound impact on our health and wellbeing, with a record 30% adults likely to be classified as obese and 1 in 3 children as overweight or obese, by end of 2022. Beside COVID-related illnesses, the rise in sedentary lifestyle as a result of restrictions and limited socialising opportunities could see obesity and overweight becoming increasingly apparent this year[13]. A survey conducted of 5000 adults in July 2021 shows early evidence that 41% adults in England reported putting on weight since the first national lockdown in March 2020, with an average weight gain of around half a stone (4.1kg)[14].

There are a number of factors that could result in a sharp rise of obesity rates among the UK adult population. People are less likely to travel, go to fitness classes or attend social events due to restrictions and concerns over in-person interactions. Since the introduction of 'Plan B' measures in early December 2021, UK gym operators have reported steep declines in revenues despite being allowed to remain open[15]. Households also tend to stay inside for a longer period of time, and in some cases, such as self-isolation, rely on processed food due to its longer shelf life[16].

Increased stress levels due to health concerns or job insecurity can also play a role in weight gain. Research has found that a stress hormone called cortisol happens to be a significant appetite stimulant. When combined with slower body metabolism, which occurs when we are under stress, this stress hormone could result in significant weight gains[17]. Moreover, chronic stress may speed up the rate in which new fat cells are formed regardless of our food intake[18].

The combination of these factors could result in a new record high rate of adult obesity in 2022 of around 30%, wiping out **three times** the obesity reduction efforts the UK made just before the pandemic (see Figure 1).

Figure 1: Adult obesity rate to hit a record high of 30% in 2022



Source: England Health Survey until 2019, PwC projections for 2020-2022

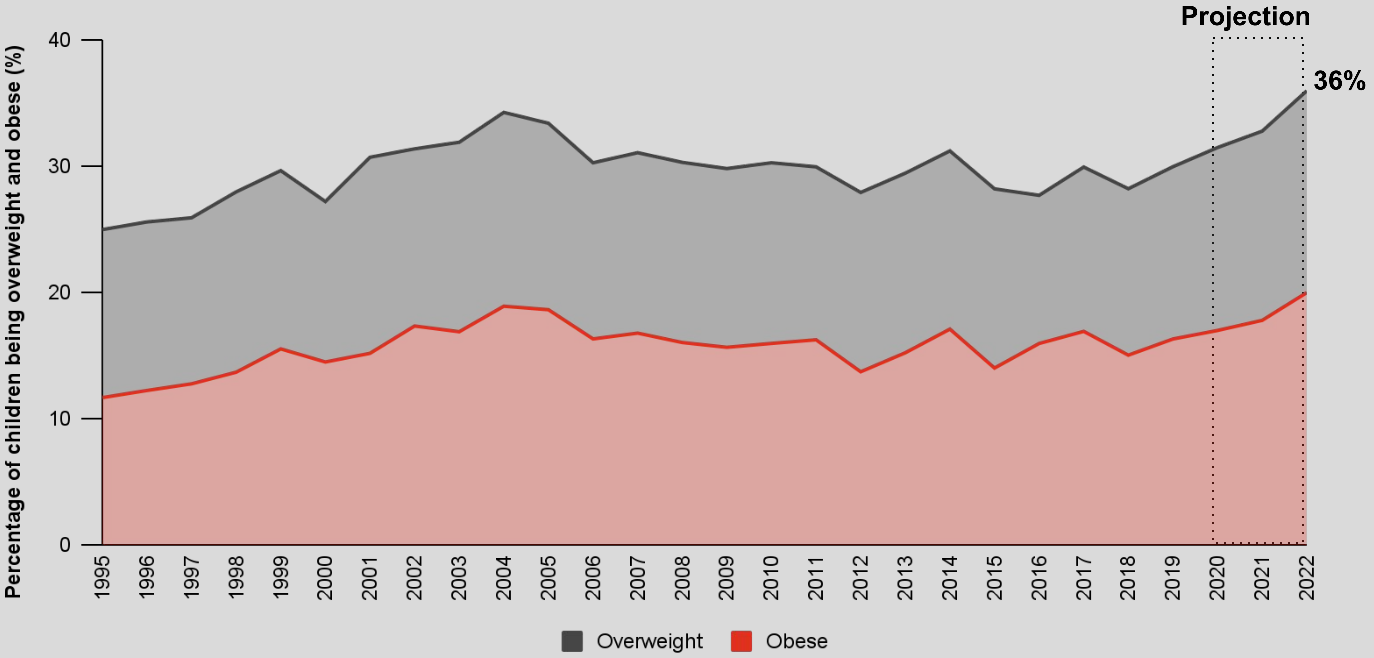
[13] Obesity is usually defined as having a body mass index (BMI) of 30 or above. BMI between 25 and 30 is classified as overweight. Source: UK Parliament, Obesity statistics 2021 – link
[14] Public Health England, "Campaign launched to help public get healthy this summer", 26 July 2021 – link
[15] The Financial Times, "UK gyms exercise caution as Omicron dampens new year hopes", 7 January 2022 – link
[16] World Obesity, "Coronavirus (COVID-19) and Obesity" – link
[17] Healthline, "Stress and Weight Gain: Understanding the Connection" – link
[18] Today, "Stress really can cause weight gain – and it's not about eating", 3 April 2018 – link

The adverse impact of an inactive lifestyle on children could be even more severe. Figure 2 shows that since 2019, the UK has struggled to reduce the proportion of children who are overweight and obese. More recent data reveals that children obesity rates in England in some age groups have soared during pandemic, with around 26% children in year 6, and 14% of those in reception (aged 4 to 5) being classified as obese as of March 2021[19].

As children spend more time at home and often in front of a screen, **we anticipate the proportion of children who are overweight and obese between the ages of 2 and 15 to hit the highest rate** since record began in 1995, with over 1 in 3 being classified as overweight or obese in 2022**.** These high childhood obesity could have long lasting effects on children, economic growth and on wider society.

For example, Public Health England estimates the overall cost of obesity to wider society to be £27 billion per year. This figure is projected to nearly double by 2050. Compared to essential public services, annual spending on obesity and diabetes treatment in England has been greater than the amount spent on the police, the fire service and the judicial system combined[20]. Therefore, policy interventions to encourage returning to a more active lifestyle, such as cycling subsidising, would support addressing these hidden health and economic costs in the long run.

Figure 2: The percentage of children being classified as overweight and obese has picked up since 2018, and could reach 36% in 2022



Source: England Health Survey until 2019, PwC projections for 2020-2022

[19] National Child Measurement Programme, England 2020/21, link
[20] Public Health England, 2017. "Health matters: obesity and the food environment" – link

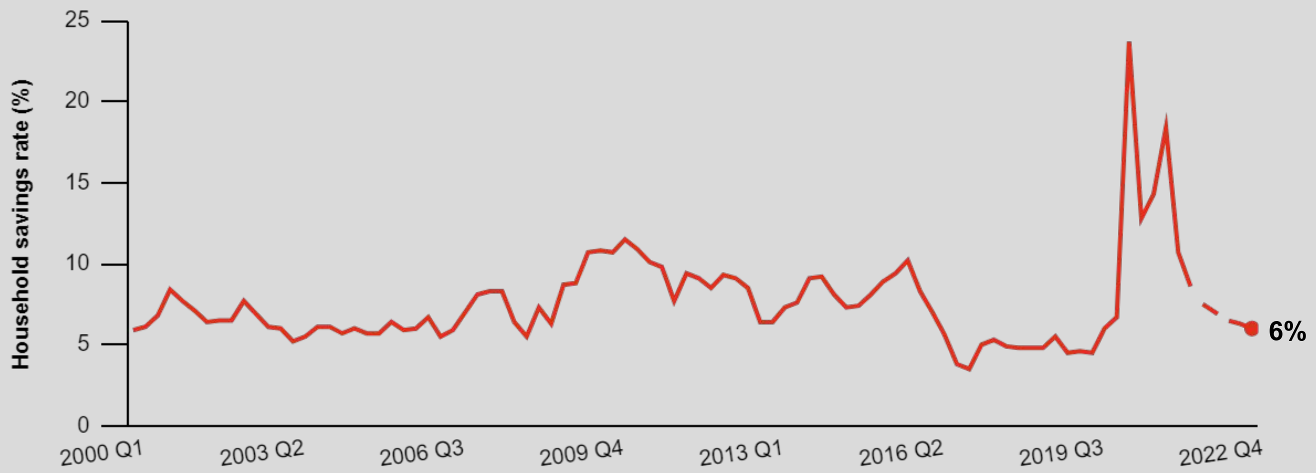
3 Household savings rate is likely to drop to the pre-COVID level, cutting around 70% (or £4,000) of the extra savings in real terms compared to the highest level seen during the pandemic

Tighter restrictions at the start of the pandemic have postponed households' spending opportunities, such as eating out, entertainment, and holidays. As a result, the household savings ratio reached a record level of around 24% in Q2 2020. More recent data shows that British families have built up £250 billion excess savings due to the pandemic[21].

However, household savings have started to stabilise. Existing immunity combined with the ongoing booster programme have allowed most parts of the UK economy to remain open even under 'Plan B'. These developments enabled UK households to increase their spending. The latest data shows household savings rates halving from 18% at the beginning of 2021 to around 9% six months later in Q3 2021 (see Figure 3). For the rest of 2022, driven by a desire to treat themselves, it is also possible that part of the population would spend more than usual on luxuries, such as eating out and traveling. Moreover, the recent rises in interest rates will increase most households' mortgage repayments[22], adding pressure to households' total expenditure. Furthermore, rising prices, especially increases in energy bills due to a rise in energy price cap in April this year, could boost household spending even further over the rest of the year.

Therefore, we expect a combination of higher spending demand post-restrictions, increased mortgage payments, and high inflation to squeeze household savings in the short to medium term, **which will likely bring the household savings rates back down to the pre-crisis level of around 6% in 2022**. Compared to the highest level during the pandemic, a typical UK household could see savings being squeezed by about £4,000 (or 70%) a year in real terms[23]. However, the household savings ratio could drop further if high inflation prolongs beyond 2023 or wage growth slows down more than expected.

Figure 3: Household saving rate will drop to around 6%, similar to the pre-COVID level



Source: ONS until Q3 2021, PwC projections from Q4 2021 to Q4 2022

[21] Bank of England, "The outlook for inflation and monetary policy – speech by Michael Saunders", 3 December 2021 – link
[22] BBC, "How the interest rate rise might affect you", 3 February 2022 – link
[23] PwC estimates based on OBR's forecasts of household income growth (link), and Bank of England's forecasts of inflation (link)

4 Despite the January crash, cryptocurrency value could almost double the 2021 value, hitting $4 trillion in market value globally by the end of 2022

Cryptocurrency (or crypto asset) is a form of digital currency that uses blockchain technology to create and record transactions between users, often in decentralised applications without a central bank or government managing the process[24]. There are currently more than 17,000 different types of cryptocurrencies, such as Bitcoin, XRP and Ethereum. They together amount to a market capitalisation of over $2 trillion globally in 2021[25].

However, cryptocurrencies are regarded as high risk and volatile investments. Their value is extremely unpredictable even when compared to other unstable but conventional assets[26]. Also, in most countries including the UK, cryptocurrencies have not been regulated nor accepted widely as a means of payment[27]. Therefore, investors could risk losing their investment without any forms of protection.

Despite being highly volatile and unregulated, cryptocurrencies have gained increased attention from central banks and financial institutions around the world. 86% of central banks researched Central Bank Digital Currencies (CBDCs) in 2021, a marked increase from around 66% in just three years[28]. The Bank of England is also exploring the possibility of introducing its own CBDC[29]. The growing interest is mainly driven by a number of factors:

- **The introduction of decentralised finance (DeFi) platforms and stablecoins[30] which could, in time, help reduce operational and financial integrity risks and price volatility,** have been associated with traditional cryptocurrencies[31]. These new technologies also have other advantages, such as their scalability, sustainability and interoperability, meaning they are more likely to be able to handle a large volume of transactions, grow in an environmentally sustainable way, and connect with other digital currencies.
- **New Exchange Traded Funds (ETFs) on cryptocurrencies will bring in even more investors throughout 2022**. Launched in October 2021, ProShares Bitcoin Strategy ETF, the first ETF carrying Bitcoin futures being approved in the US[32], has offered investors an opportunity to gain exposure to Bitcoin returns in a more convenient, liquid and transparent way. This milestone could pave the way for more futures-backed ETFs to enter the market this year.
- **A high inflation and relatively low interest rate environment at a global scale could push investors to seek alternative investment** as rising inflation erodes real returns. For UK investors, as prices soared to by nearly 5.5% in January 2022, highest level in 30 years[33], investors could turn to cryptocurrencies to hedge against an inflation squeeze.

[24] Bank of England, "What are cryptoassets (cryptocurrencies)?" – link
[25] Statista, "Bitcoin market cap 2013-2022", 10 February 2022 – link
[26] Bank of England, "What are cryptoassets (cryptocurrencies)?" – link
[27] For example, Russia is proposing a ban of crypto mining, driving Bitcoin prices to its five-month low (link), while following the EU, UK and China, the US Federal Reserve has recently opened debate over possible digital currency (link)
[28] The Economist, "Central Bank are getting closer to issuing their own digital money", 8 November 2021– link
[29] Bank of England, "Responses to the Bank of England's March 2020 Discussion Paper on CBDC", 7 June 2021 – link
[30] Stablecoins are a type of cryptocurrency which are pegged to another underlying asset, such as the US dollar.
[31] IMF, "Chapter 2: The Crypto Ecosystem and Financial Stability Challenges", 12 October 2021 – link
[32] ProShares, "BITO Bitcoin Strategy ETF" – link
[33] The Financial Times, "UK inflation climbs to 30-year high of 5.5%", 16 February 2022 – link

Together with the rapid shift towards digital payments boosted by the pandemic, these factors could accelerate growth of the cryptocurrency market in the coming years. It took the cryptocurrency market just five months to reach its all-time high following a crash in May 2021. We therefore expect the recent downturn in January, which nearly halved the value of crypto, to be short-lived[34]. **By the end of 2022, we anticipate that the global cryptocurrency market would almost double, hitting a total value of $4 trillion.** However, given their risky and volatile nature, this means if the crypto market collapsed, for a scaling comparison, it would be equivalent to the size of Germany's economy – the largest economy in the EU[35], being completely wiped out.

While there is potential for cryptocurrencies to play a more formal role in the UK financial landscape given its strong £12bn FinTech sector[36], a well-designed regulatory framework is required to take full advantage of digital currencies and mitigate risks for investors.

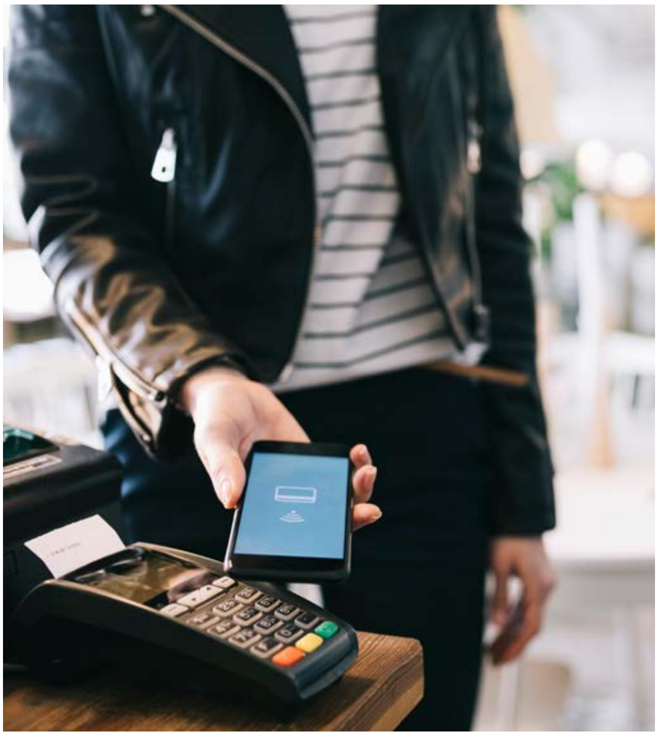
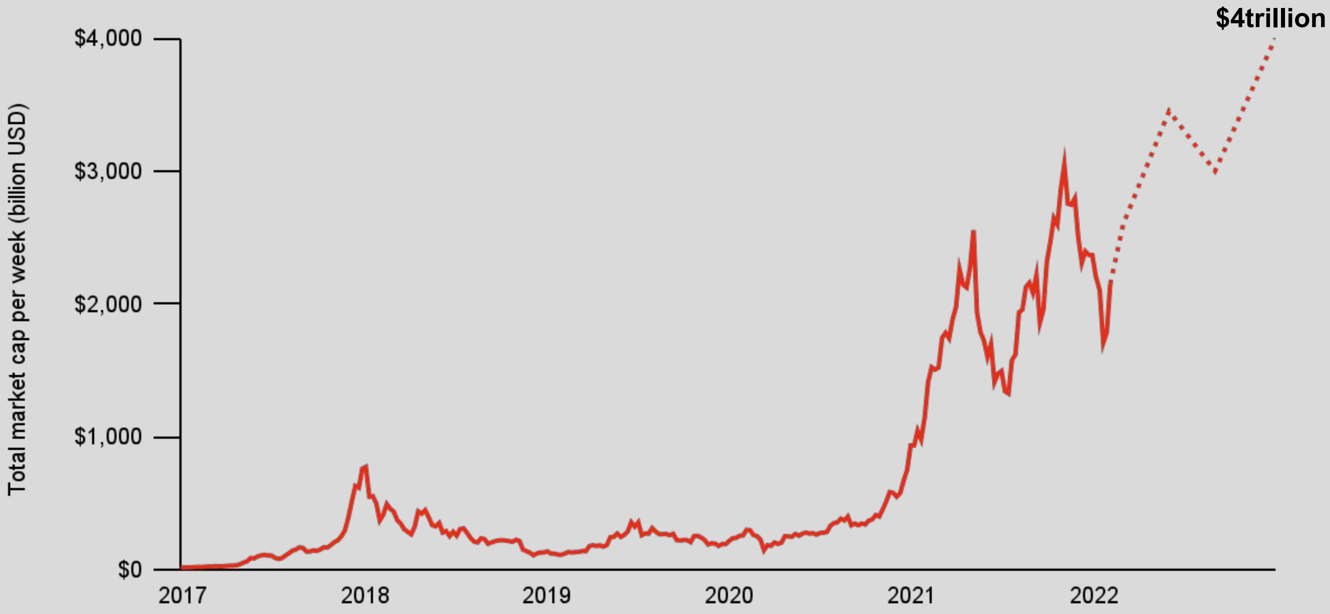


Figure 4: Global cryptocurrency market value could hit $4 trillion by the end of 2022



Source: Statista until 10 February 2022, PwC projections up to 31 December 2022

[34] The May 2021 crash followed China's ban of crypto mining and coincided with a global stock market sell-off as fears mounted that the highly contagious Delta variant could set back economic recovery (Source: Forbes – link); The January 2022 price drop was attributed to Netflix sell-off and proposed Russian crypto mining ban (Source: Financial Times – link).

[35] IMF, "World Economic Outlook", October 2021 – link

[36] IBISWorld, "Industry Market Research, Reports, and Statistics", 29 September 2021 – link

5 There could be a record number of heat pumps sold across the UK in 2022, potentially triple the number sold in 2020

Heat pumps are expected to be one of the key solutions for decarbonising UK buildings this year. Buildings are the largest contributor to UK total greenhouse gas emissions, the majority of which comes from heating[37]. Heat pumps use electricity, which has become increasingly more sustainable through grid-connected systems and wind farms, rather than fossil-based sources, such as oil or gas.

However, the main barrier to replacing traditional boilers with a heat pump is installation costs. An air source heat pump can cost between £8,000-£18,000, and a ground source device costs around £20,000 to £35,000[38], compared to just £1,000 to £3,000 for a gas boiler[39]. Moreover, the current energy bill savings do not seem to match the upfront costs. For example, replacing an old gas boiler with an air source heat pump could save only £375 a year[40], meaning it would take around 21 years to 48 years to claw back the installation costs of an air source heat bump. The upcoming rise in energy bills of around £700 per year[41] could motivate households to switch as it potentially cut the clawback time by more than half. However, more financial support is needed to ensure energy bill savings are meaningful enough to boost heat pump uptake.

To support upfront costs, the government has announced a range of financial support and has set an ambitious target for the adoption of heat pumps. The UK aims for 600,000 heat pumps to be installed a year by 2028[42]. Financial support includes a new 'Boiler Upgrade Scheme' which is due to start in April 2022, providing 90,000 homes with a £5,000 grant to cover initial costs of heat pump installation[43].

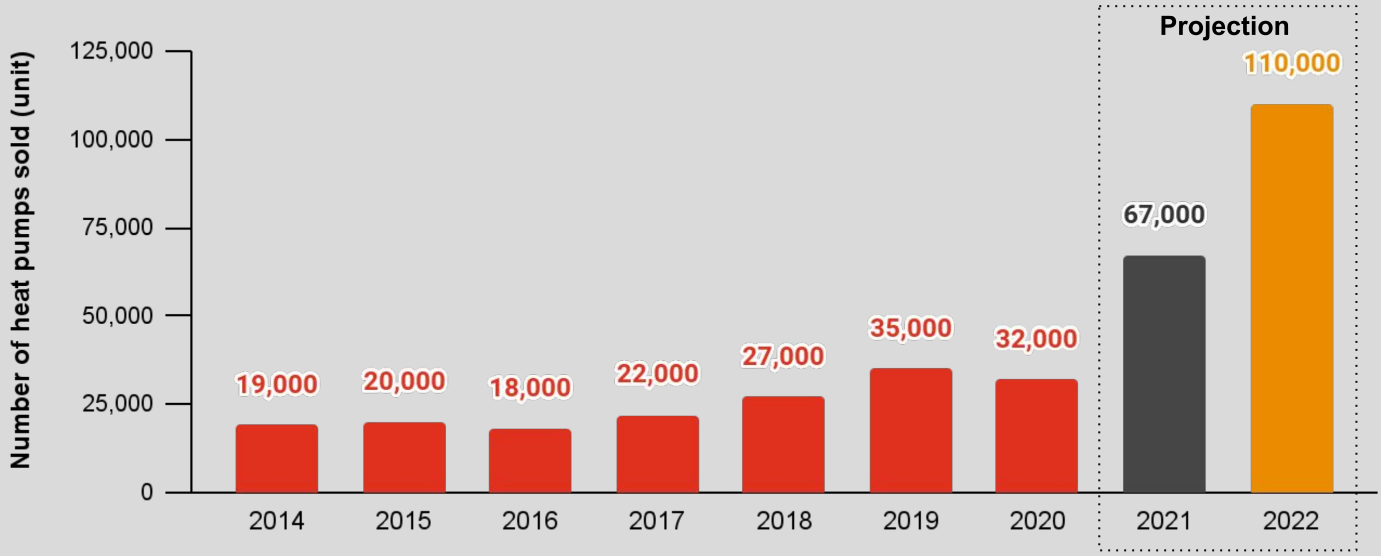
In three years' time, by 2025 all new buildings are also required to be zero-carbon, meaning gas boilers may no longer be allowed[45]. To make heat pumps more affordable, the government has committed to reducing the costs of installing heat pumps by at least 25%-50% by 2025, and to ensure heat pumps are better designed and the costs of buying and running are comparable to gas boilers by 2030[46].

More importantly, we expect changes in consumer attitude toward an environment friendly lifestyle to be the key driver of heat pump uptake this year. A large-scale survey by Rated People found that nearly 60% of UK residents wanted to be more eco-friendly, including a desire to make green home improvements[47]. This is a significant improvement from about 15% in 2019 and 30% in 2020[48]. More recently, our survey reported in the UK Economic Outlook July 2021 found that about 70% home owners had upgraded or were planning to upgrade their properties to be more energy efficient including installing a heat pump[12]. Although granular data on heat pump owners are not available, some studies suggest that higher income households are more likely to take up grant support and install clean heating systems[49]. Therefore, we anticipate heat pump sales to be driven mainly by less cost-conscious users at least in the short run.

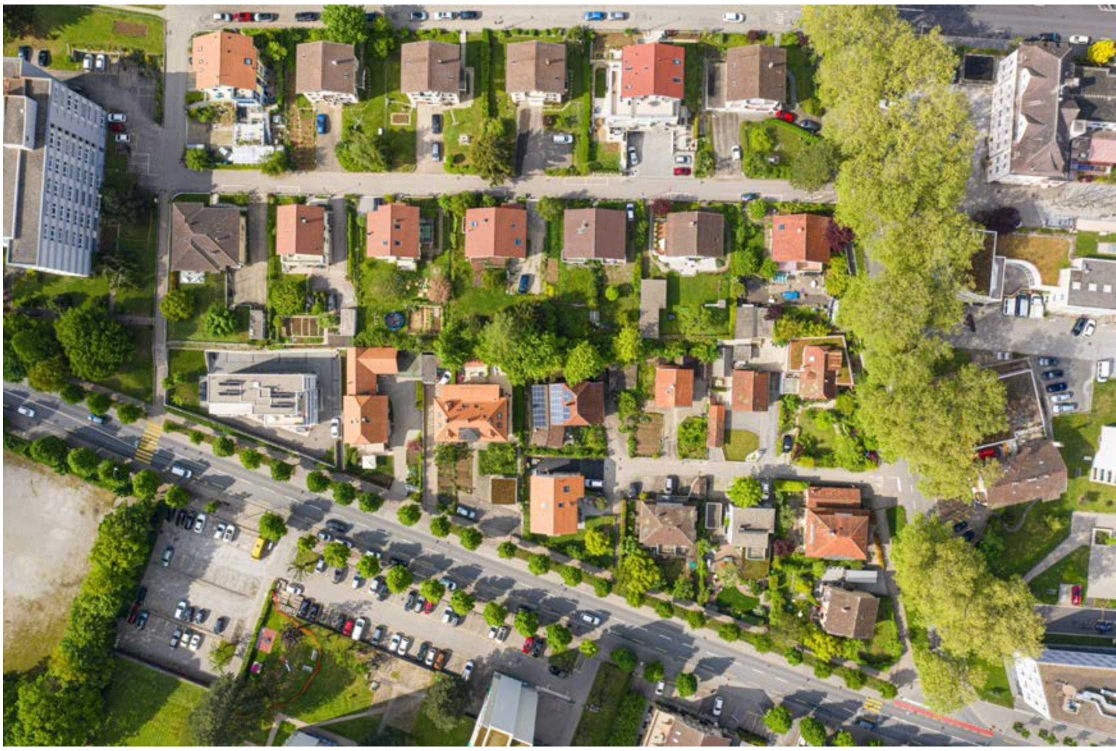
Figure 5 shows that early estimated sales for 2021 based on manufacturing orders of heat pumps are already twice the 2020 sales (67,000 and 32,000, respectively). The actual sales are likely to be higher, and we expect this trend to continue into 2022. **The combination of these factors could boost heat pump sales to a new height in 2022, and to potentially triple the number sold in 2020.**

37 HM Government, October 2021, "Heat and Buildings Strategy" – link
38 Green Match, 2021, "Total cost of heat pumps in the UK" – link
39 The Telegraph, "Six reasons not to buy a heat pump", 5 January 2022 – link
40 Energy Saving Trust, "Setting the record straight on heat pumps", 7 June 2021 – link
41 Ofgem, 2022, "Price cap to increase by £693 from April" – link
42 HM Government, 2020, "The Ten Point Plan for a Green Industrial Revolution" – link
43 Ofgem, "Boiler Upgrade Scheme" – link
44 Climate Change Committee, 2020, "The sixth carbon budget buildings" – link
45 HM Government, October 2021, "Heat and Buildings Strategy" – link
46 Rated People, 2021, "The Rated People home improvement trend report" – link
47 Rated People, 2020, "The Rated People home improvement trend report" – link
48 PwC, 2021, "UK Economic Outlook in July 2021" – link
49 The Economy 2030 Inquiry, 2021, "Home is where the heat (pump) is" – link

Figure 5: Around 110,000 heat pumps are expected to be sold in 2022, triple the number sold in 2020



Source: Heat Pump Association (HPA), European Heat Pump Association (EHPA), PwC analysis
Note: The 2021 figure is HPA's estimate of manufacturers orders (link) based on members' surveys, and the 2022 figure is a PwC projection.



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Revisiting our 2021 predictions

2 Revisiting our 2021 predictions

Last January our PwC UK Economic Outlook set out our predictions for the year 2021. As more recent data emerges, we revisit some of those predictions as the impact of the pandemic starts to unfold[50].

1 The 'baby bust' prediction has been confirmed, and we expect significantly fewer babies being born in 2022, hitting the lowest level since the record began

Although the official data for 2021 has not been published, early evidence shows that **UK births fell from 640,000 in 2019 to 614,000 in 2020.** While this 4% fall is not as fast as the 7% drop we initially anticipated partly because the majority of "COVID-19 babies" are not expected until at least 2021.

As discussed in our last year's report, **we expect the health, social and economic effects of the pandemic to continue causing postponement of pregnancies this year**. For example, price surges could add extra pressure on families' budgets, especially when having a baby requires significant investment and a long term commitment. An annual study by UK Child Poverty Action estimates that the average cost of raising a baby in 2021 was more than £160,000 for a couple and £190,000 for a single parent[51]. The cost is likely to be much higher in 2022 due to high inflation, rising living costs, and record high house prices[52] which together could add an extra £30,000 per year to the 2021 estimated costs[53]. **As a result, we expect couples to continue to postpone their plans and the number of babies this year will fall to around 565,000 for the first time since the record began in 1900.**

Figure 6: Live births will continue to fall in 2022 to the lowest level since the record began

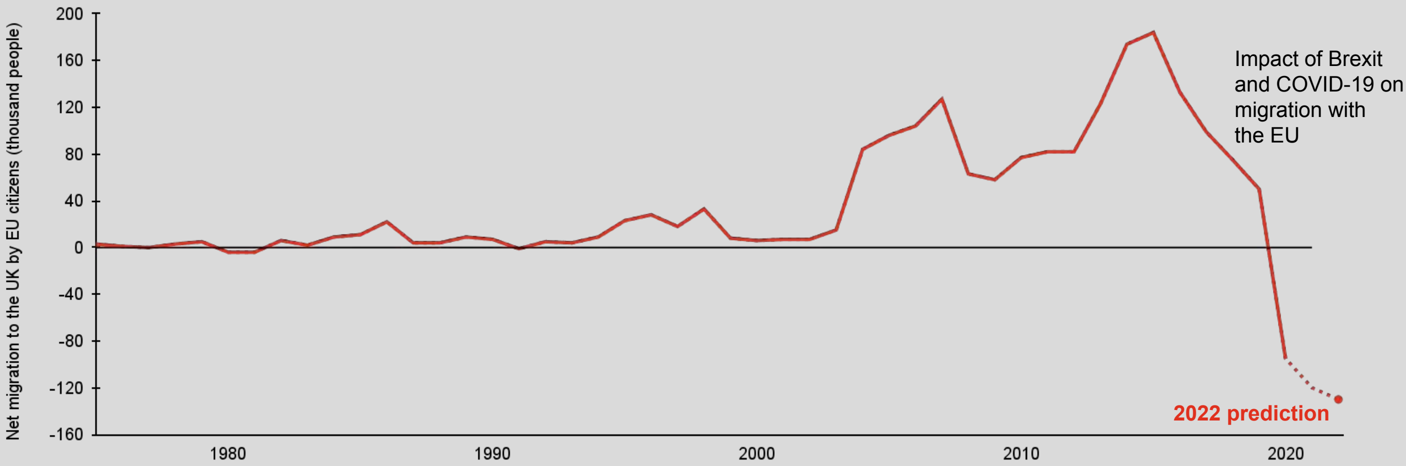
Source: ONS until 2020, PwC projections for 2021-2022

[50] Due to the unpredictable nature of the pandemic, in this section we focus on revisiting predictions that may have been impacted by development of the pandemic, and there is new data or evidence released since our report published in January 2021.
[51] The Child Poverty Action Group, "The cost of a child in 2021', 13 December 2021 – link
[52] Statista, 2021, "Average house price in the UK" – link
[53] We estimate the extra costs for 2022 due to inflation using PwC inflation projections – link, and due to house price increases based on Halifax's house price projections – link

2 Net migration with the EU has indeed turned negative but slightly earlier than expected

We anticipated that the number of EU nationals who leave the UK started to exceed those who settle in 2021. However, running up to the end of the Brexit transition period on 31 December 2020, the disproportionate impact of COVID-19 on the sectors where EU migrants were highly represented appeared to be more severe than expected, and therefore **has brought forward the departure timeline.** Latest data shows that UK net migration with the EU has turned negative with 94,000 more EU nationals estimated to have left the UK than to have arrived in 2020. As the impact of the rising cost of living continues to unfold, we expect the negative net migration to continue in 2022 (see Figure 7).

Figure 7: Net migration with the EU has turned negative in 2020 and will continue in 2022



Source: ONS until 2020, PwC projections for 2021-2022

3 Various government support schemes have successfully prevented the UK's unemployment rate from peaking in Q2 2021 but we expect the rate to rise again in 2022

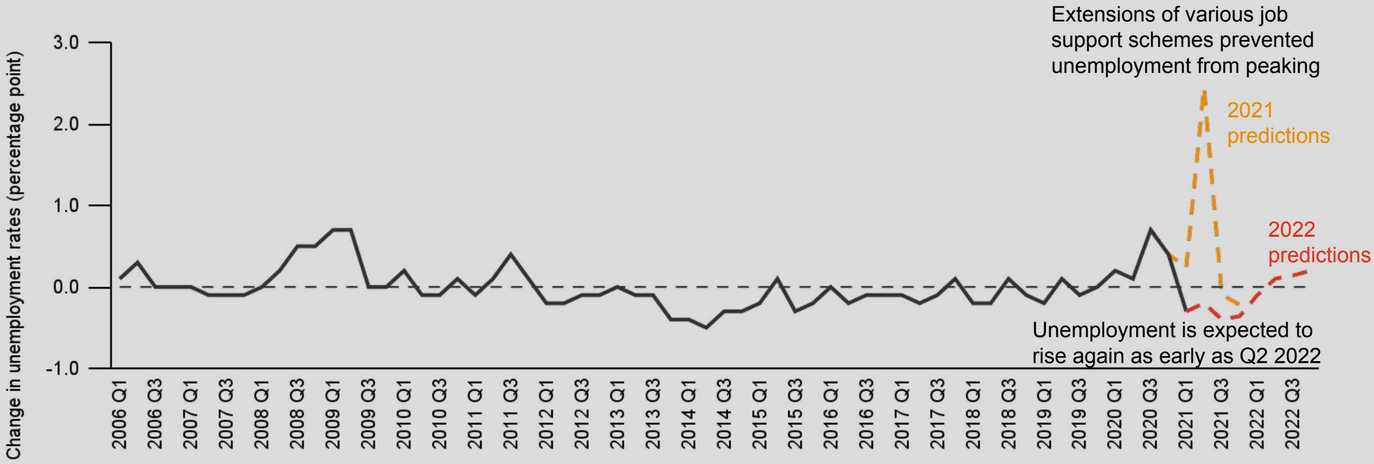
The government's job support through various schemes, such as the Coronavirus Job Retention Scheme (CJRS) scheme and Kickstart scheme[54], **have successfully kept the UK unemployment rate at bay** (see Figure 8). The extensions of these schemes[55] also contributed to helping businesses and workers find their feet as the economy entered a phased reopening. Latest data shows that the UK unemployment rate continued to decrease after the CJRS had ended in October, standing at 4.1% in the three months to November 2021[56].

Going forward, ongoing measures that the government has put in place are expected to keep businesses in hard-hit sectors afloat, and prevent unemployment from peaking at least in the short to medium term. For example, the government has pledged a further £1 billion to support businesses most impacted by the Omicron variant across the UK[57]. Local authorities in England can also provide additional grants, such as the Omicron Hospitality and Leisure Grant, and Additional Restrictions Grant, to local businesses.

[54] Kickstart Scheme provides funding's to employers to create jobs for 16-24 year olds on Universal Credit. It started in September 2020 and is scheduled to close in mid-December 2021. Source: Department for Work and Pension – link
[55] For example, the CJRS scheme commenced in March 2020, and was extended in November 2020, December 2020 and March 2021. Source: The Association of Taxation Technicians, 2021, "Extended Coronavirus Job Retention Scheme to 30 September 2021" – link.
[56] ONS, "Employment in the UK: January 2022", 18 January 2022– link
[57] HM Treasury, Department for Business, Energy and Industrial Strategy, "£1 billion in support for businesses most impacted by Omicron across the UK", 21 December 2021– link

However, a key risk to the UK labour market is the high inactivity rate, currently standing at 1 percentage point higher (or about 320,000 more people not looking for work) compared to the pre-COVID levels[58]. This equals to about one-third of the number of people who are currently looking for work but unemployed. As the economy fully reopened in January 2022 combined with additional pressure of rising cost of living, we anticipate a large share of economically inactive workers to gradually rejoin the job seeker cohort, pushing up the unemployment rate. Therefore, **we expect the UK unemployment rate to continue to decline in the short run, but will start to rise again and exceed the pre-COVID levels of 3.8% in Q2 2022.**

Figure 8: Unemployment rate is expected to rise again as early as Q2 2022



Source: ONS until Q3 2021, PwC projections for Q4 2021-Q4 2022

4 As expected, gender and ethnicity pay gaps have increased in 2021, reversing a decade of progress, and it would take at least 2 years to bring the UK back on track

Before the pandemic, the UK made significant progress in advancing gender and ethnicity equality. Our latest Women in Work Index ranks the UK 16th out of 33 OECD countries, with its index score increasing from around 65 in 2018 to 67 in 2019[59]. With regard to Black, Asian and minority ethnic (BAME) group, our Ethnicity Pay Gap report shows that the UK ethnicity pay gap has turned negative (at -1.6%) for the first time in 2020 since 2012[60].

However, as predicted in our 2021 report, the pandemic has reversed a decade of this progress. This is largely driven by the disproportionate impact of the pandemic on women and people from BAME backgrounds, as they are overrepresented in the sectors that have been most affected by social distancing restrictions[62]. For example, in Q1 of 2021, 52.4%[61] of the 4.41 million furloughed jobs belonged to women, despite making up 48% of the workforce. Because of the pandemic, ethnic minority groups have also experienced higher job insecurity, with unemployment rates increasing by 2.2 percentage points (from 6.2% in 2020 to 8.4% in 2021), compared to just 0.2 percentage points for White ethnic groups (from 3.6% to 3.8%) over the same period[63].

[58] ONS, "Economic inactivity rate", Jan 2022 – link
[59] PwC, 2021, "Women in Work" – link
[60] PwC, 2021, "Ethnicity Pay Gap Report" – link
[61] PwC, 2021, "Women in Work" – link
[62] HM Revenue and Customs, "Coronavirus Job Retention Scheme statistics", 16 December 2021– link
[63] House of Commons, 2021, "Coronavirus impact on the labour market" – link

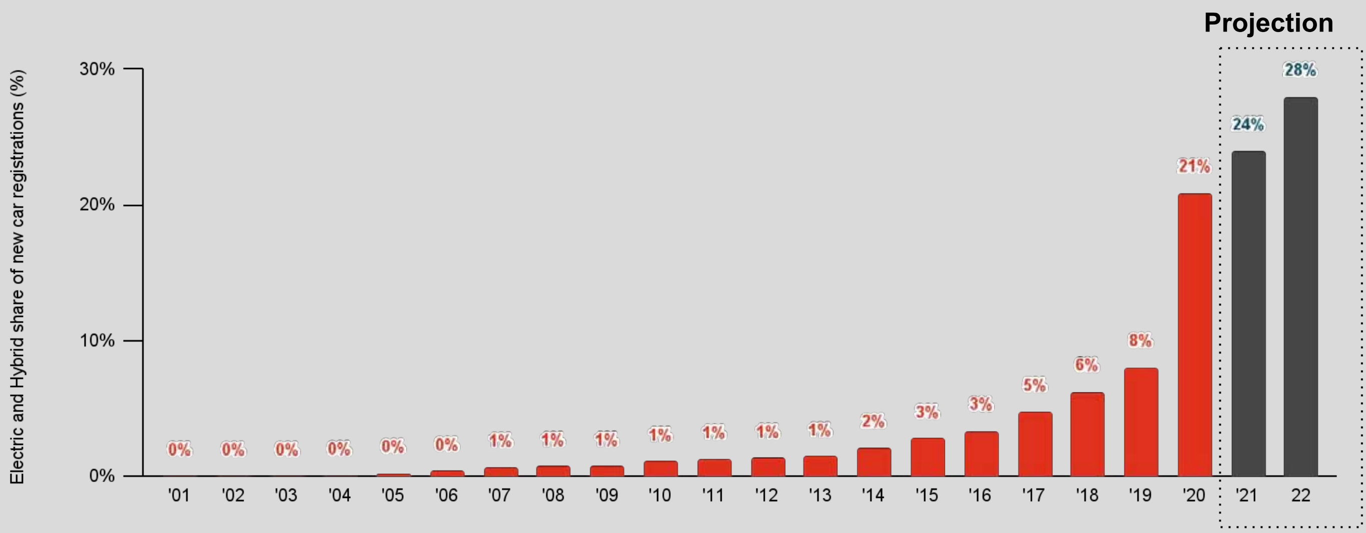
Going forward, we expect it would take at least 2 years for the UK to get back to its pre-crisis levels. This is because it would take time for the adverse impact of the pandemic on gender and ethnicity inequality to fade. While most sectors have fully recovered from their pre-COVID levels, sectors that women and BAME groups overrepresent, such as hospitality and administrative and support services, still lag behind[64]. Moreover, long term economic scarring would potentially delay some of the UK national priorities, including gender and ethnicity equality agendas.

5 2020 has seen a biggest jump in the number of new electric and hybrid cars being registered in Great Britain, and 2022 will set a new record with one in four cars being electric or hybrid

Latest data shows that Great Britain has made a faster-than-expected progress toward electric and hybrid cars, growing at a record rate of 21% in 2020[65], and currently reaching 19% as of September 2021[66]. Despite the global supply shortages of semiconductors due to the pandemic, the 2020 rate is twice the 10% rate predicted in our report last year. This is a combination of a 87% jump in electric and hybrid cars and a 39% drop in fossil fuel cars being newly registered in the year.

With only seven years until the end of new petrol and diesel car sale in 2030, and a noticeable government's investment of £1.8 billion into zero emission vehicle infrastructure[67], the share of new electric and hybrid cars in Great Britain is likely to increase even faster this year. **We expect 2022 to set a new record high, with at least one in four new cars (or 28% of all new cars) to be electric or hybrid.**

Figure 9: The number of electric and hybrid cars has accelerated much faster than expected, and will reach a share of 28% in 2022



Source: Department for Transport until 2020, PwC projections for 2021-2022

[64] As of October 2021, Hospitality and Administrative and support services are about 2% and 6% below their pre-COVID levels, respectively. Source: ONS – link
[65] Department for Transport, 2020, "Vehicles statistics" – link
[66] Department for Transport, September 2021, "Vehicles statistics" – link
[67] Department for Transport, 2020, "Government takes historic step towards net-zero with end of sale of new petrol and diesel cars by 2030" – link

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