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1:
Macroeconomic and structural trends shaping member needs

Executive Summary

- The UK's path to 2050 is uncertain, but across three different macroeconomic scenarios, households are likely to face more varied, complex, and uneven financial needs. Higher interest rates than the post-financial crisis decade, persistent affordability pressures, and greater income volatility are likely to remain important features.
- Three structural trends are especially material for building societies and credit unions: a pressured housing system and longer-term renting; widening wealth inequality and growing dependence on intergenerational transfers; and more volatile incomes with weaker household financial resilience.
- These trends will polarise member needs. Some members will require more sophisticated support around housing wealth, family finance, and long-term saving. Others will need affordable credit, savings buffers, and support to access homeownership or manage irregular income.

Macro backdrop: navigating uncertainty across multiple possible futures

What is happening

Predicting the UK economy in 2050 with precision is not possible. Global megatrends including AI, geopolitical instability, climate change, demographic change, and fiscal pressure will shape the outlook, but their combined effect remains uncertain. This section therefore frames the UK outlook to 2050 as a range of plausible futures that do not account for tail risks or extreme 'black swan' events.

The UK has transitioned from a decade of low inflation and ultra-low interest rates to a period of greater volatility, with higher and less predictable rates and persistent inflation. Geopolitical instability creates upside risks to energy prices and inflation, while low productivity and limited fiscal headroom constrain growth and reduce the scope for policy support. But the trajectory is not fixed.

Three scenarios frame the potential macroeconomic environment:

Scenario 1
Low Growth (Stagnation or Decline):

Characterised by weak productivity, low migration, elevated economic inactivity and high welfare spending. The UK becomes structurally uncompetitive. Public spending rises to ~60% of GDP, while revenue stays around 40%, debt to GDP ratio is pushed to ~150%. Without meaningful fiscal reform, infrastructure deteriorates, tax burdens rise, and the state struggles to fund its health, care, and pension commitments. Interest rates are volatile (3-7%), there is stagflation (3-4.5% annual inflation with limited growth of around 1%) and real disposable income declines consistently. Benefits from AI are at the low end of current forecasts with little impact on aggregate productivity growth, meaning tech-related displacement of workers is relatively small. Slow growth is the biggest driver of unemployment and stagnant, even declining, real wages in some areas.

Scenario 2
Base Case (Continuity of Constraint):

Sluggish productivity growth (0.5% per year), varied and inconsistent AI adoption, policy instability, and limited reform prevent economic acceleration. The debt to GDP ratio settles at 90–100%, interest rates remain relatively low (1.5–2.5%), inflation hovers around 3–4%, and real disposable income barely increases (0.25%). This scenario assumes no major adverse shocks. Wealth concentrates further among older homeowners, younger generations face declining economic mobility, and regional inequalities widen as London captures a relative productivity boom on the back of its high-skilled, flexible workforce. AI adoption is concentrated in the most productive UK firms, mostly in London and the South East, who continue to pull away from the majority. The UK's long-tail of low-productivity firms acts as a structural drag, hoarding labour and capital. Large firms adopt AI to drive productivity and wages but not employment, hollowing out routine cognitive and administrative roles. Overall wages remain flat, inequality grows, homeownership polarises further by income, asset prices surge in high-productivity cities, and unemployment rises.

Scenario 3 Tech-Driven transformation (High Growth):

An AI-led productivity boom arrives and drives broad economic growth. The geopolitical environment is stable. While AI displaces some roles, overall demand rises strongly and new jobs are created; this transition completes before 2050, leaving a positive steady state. Aggregate real GDP grows at ~2–2.5% per year, the debt to GDP ratio falls below 85%, interest rates settle at ~3%, inflation holds at ~3%, and real wages rise meaningfully (~+6%).

Three scenarios for the UK economy in 2050

	LOW GROWTH Stagnation or Decline	BASE CASE Continuity of Constraint	HIGH GROWTH Tech-Driven Transformation
MACROECONOMIC INDICATORS			
Labour productivity	Declining	Stagnant (~0.3-0.5%)	Strong growth driven by productivity gains from tech (~1.5-2.5% per year)
Employment	Employment remains high due to low productivity, unemployment a bit elevated.	Unemployment rises more quickly as some workers are displaced by AI.	Employment rises quickly as demand grows fast enough to offset any AI displacement.
Interest rates	Volatile (lows of ~3.0%%, rising to ~7-8% in response to shocks)	Subdued (~1.5-2.5%)	Normalised reflecting sustained growth (3-4%)
Inflation (CPI)	Stagflationary (~3-4.5%)	Persistent, likely above BoE (~3-4%)	Controlled (~3%)
Real disp. income	Falling (-1.5%)	Flat near-zero real growth 0.25% annual growth)	Rising, wage gains and productivity outpace inflation (real wage growth +6%)
Fiscal headroom	Constrained (Debt:GDP ratio - 150-200%)	Limited restricting policy options (Debt:GDP ratio 90-100%)	Recovering, growth dividend gradually reduces debt/GDP ratio (<85% of GDP)
AI and tech disruption	AI fails to have significant impact on productivity	AI adoption piecemeal, large productivity gap between firms adopting and not	AI abundance, strong productivity growth (10%+), reduced hours worked and prices
SOCIETAL & ECONOMIC INDICATORS			
House price growth	Deflation	Modest growth, transactions below historic avg	Rising, constrained supply and demand
Home ownership trend	Decline in transactions and reduced % of homeowners	Declining, shift to long-term renting continues	Recovering, increased first-time buyer access through wage growth
Wealth inequality	Slight worsening of inequality	Polarised, tech wealth creation benefits higher earners	Everyone gains, though highest incomes gain relatively more
Household savings	Eroded with low savings rate	Low savings ratio limited buffer against shocks	Rising real incomes
Lending availability and cost	Contraction, with low demand for corporate lending despite low interest rates	Subdued, lending constrains mortgage market	Higher growth offsets borrowing costs
Consumer spending	Suppressed	Subdued, services resilient but goods spending remains constrained	Expanding, rising wages fuels consumption while prices reduce as input costs fall

DIRECTION KEY: Strongly improving | Improving | Stable/Flat | Deteriorating | Strongly deteriorating | Volatile/Mixed

Source: Centre for Growth analysis | Scenarios are illustrative framings for strategic planning, not quantitative forecasts. Given long time frame there is a high degree of uncertainty towards the end of the forecast period.

Figure 1: Three scenarios for the UK economy in 2050. Source: Centre for Growth analysis. Scenarios are illustrative framings for strategic planning, not quantitative forecasts and are based on assumptions. These scenarios are focused on long term, ignoring a potentially painful medium-term transition.

Impact of scenarios

The aim of outlining these scenarios is, in part, to highlight what is likely to be common regardless. In all scenarios, many households will continue to face financial pressure and unpredictability. Interest rates are also expected to be higher than those seen in the decade post global financial crisis. As such, the mutual sector will need to cater to a wider variety of needs, given the wider gap between the financially resilient and excluded. The following sections dig into specific trends around housing, wealth inequality and income volatility/financial resilience.

1. Housing system under pressure and rise of long-term renting

The UK housing system remains under structural pressure. Persistent undersupply continues to support high price-to-income ratios, while higher interest rates constrain affordability. Average house prices increased by 4.2%[1] annually between 2015 and 2025, while the annual value of mortgage approvals grew at 3.2% over the same period[2]. Homeownership among working adults aged 25–34 fell from 57% to 39% between 2002 and 2022[3].

Entry into homeownership will be delayed, mortgage terms will extend into later life, and more households will rent for longer or never be able to afford to own a home. At the same time, the buy-to-let market will become more professionalised as smaller landlords exit and larger portfolio or institutional landlords expand.

Implications for member needs

- First-time buyers will be even older, more stretched, and more likely to rely on variable income or family support.
- More members will need flexible routes into ownership, including shared ownership, family-linked mortgages, and products that recognise non-standard income.
- Older members will need support to use, protect, and manage housing wealth in later life as well as work out how to transfer it to the next generation.
- Fewer people will have housing asset wealth to fall back on in later life.
- Long-term renters will need propositions that help them build savings, resilience, and financial track records.

Immediate opportunities for building societies and credit unions include:

- More family-linked, flexible, and variable-income mortgage products.
- Earlier-stage support for deposit building and financial track-record creation.
- Participation in purpose-led private rental supply, including financing, ownership, or partnerships in build-to-rent models.

[1]Source: UK House Price Index: monthly price statistics - Office for National Statistics.
[2]Source: LPMB3C2 Database | Bank of England.
[3]Source: Homeownership rates of working-age adults, by age group, 1995–2022 | Institute for Fiscal Studies.

2. Wealth inequality, intergenerational financial flows, and long-term planning

Wealth is increasingly concentrated in housing and among older cohorts. Younger households face greater barriers to asset accumulation, while intergenerational transfers play a larger role in determining financial outcomes. These trends are likely to continue and will reinforce advantage for households with family wealth and deepen disadvantage for those without.

Housing is central to this dynamic because it remains the primary vehicle for wealth accumulation in the UK. At the same time, the shift from defined benefit to defined contribution pensions places more responsibility on individuals to manage long-term savings and retirement outcomes. For many households, property is both their main asset and a core part of retirement security.

Impact on member needs

- Members will need more support navigating family finance, housing, savings, and retirement together.
- Unequal access to family support will increasingly shape homeownership and long-term financial security.
- In low-growth and base-case scenarios, intergenerational transfers may become more concentrated among the wealthiest households.
- In a high-growth scenario, outcomes improve more broadly, but gains are still likely to be larger at the top of the income and wealth distribution.

Immediate opportunities include:

- Low-cost, member-focused investment products, such as simple multi-asset funds.
- More family-assisted mortgage and deposit-saving propositions.
- Long-term savings and retirement products with more predictable outcomes, possibly leveraging the collective defined contribution model, and including workplace or payroll-linked savings.

3. Income volatility and financial resilience gaps

Income will become less predictable for a growing share of households due to self-employment, gig work, and non-traditional employment patterns. Many households will also lack sufficient savings buffers to absorb financial shocks.

In a high-growth scenario, AI may create a new cohort of workers with volatile incomes as routine cognitive roles are displaced. In lower-growth scenarios, financial stress is likely to become more widespread as state capacity to provide support becomes more constrained.

Impact on member needs

- More members will need flexible credit, short-term liquidity, and support managing irregular income.
- Products based on stable monthly salaries will become less suitable for a growing share of households.
- Financial resilience gaps will increase the risk of exclusion, arrears, and reliance on high-cost credit.
- Digital tools, behavioural nudges, and early-intervention models will become more important.

Immediate opportunities include:

- Flexible mortgage affordability models for variable income.
- Affordable small-value credit and linked savings products.
- Behavioural savings tools, AI-enabled money management, budgeting support, and early-warning interventions.

4. Conclusion: Direction of travel

Financial journeys are becoming increasingly varied, complex, and unequal — and the path ahead is uncertain. Whatever the macroeconomic future of the UK, there is a growing need for institutions that can support access, resilience, and long-term financial health across a range of circumstances. The key challenge is to ensure that products, services, and advocacy are designed with this range of futures in mind.

Impact on building societies and credit unions

- Financial journeys are becoming more varied, complex, and unequal. The sector must plan for a broader range of member circumstances rather than a single linear path to homeownership and retirement.
- Housing affordability, wealth concentration, and income volatility will reshape demand for mutual products and services. Flexible mortgages, deposit-building support, long-term savings, affordable credit, and financial resilience tools will become more important.
- Across all macroeconomic scenarios, the opportunity is to position building societies and credit unions as institutions that help members access housing, manage volatility, build resilience, and improve long-term financial health.

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