

UK Economy Grows 0.7% in Early 2025, Leading G7 Nations but Facing Future Challenges

July 1, 2025

— *Categories: Finance*

London, July 1, 2025 The UK economy grew by 0.7% in the first quarter of 2025, outperforming all other G7 countries and showing signs of a strong recovery after last year's slowdown. The latest data from the Office for National Statistics (ONS) highlights growth across key sectors including services, manufacturing, and business investment.

This marks the fastest quarterly growth the UK has seen in over a year, placing it ahead of major economies like the U.S., Germany, and France.

"These results show the strength and resilience of the UK economy," said Chancellor Rachel Reeves. "It's a promising start to the year."

The growth was driven by several key factors. Business investment rose nearly 6%, especially in transport and machinery, as companies acted ahead of expected tariff changes. The services sector, which makes up the largest part of the UK economy, expanded by 0.7%, while manufacturing and construction also posted gains.

Consumer spending also helped lift the economy, growing 0.4% during the quarter. However, this came with signs of pressure on household finances. Real disposable income fell by 1%, and the household savings ratio dropped to 10.9%, the first decline in two years.

"People are spending more, but not necessarily because they feel financially secure," said Dr. Helen Fraser, senior economist at Barclay & Co. "Rising costs for essentials like food, rent, and energy are forcing households to dip into their savings."

Although the first quarter was strong, early data from April shows a slowdown. GDP fell by 0.3% that month, mainly due to lower output in services and disruptions from global trade tensions. Economists now expect second-quarter growth to slow to around 0.2%–0.3%.

Bank of England Governor Andrew Bailey welcomed the growth figures but warned that much of the boost may be temporary.

“We’ve seen positive momentum, but underlying challenges remain,” Bailey said. “We must stay focused on keeping inflation under control and supporting stable, long-term growth.”

While the UK’s strong start to 2025 is encouraging, rising living costs and international uncertainties could limit progress in the months ahead. Economists and policymakers alike will be watching closely to see whether this growth can be sustained.