

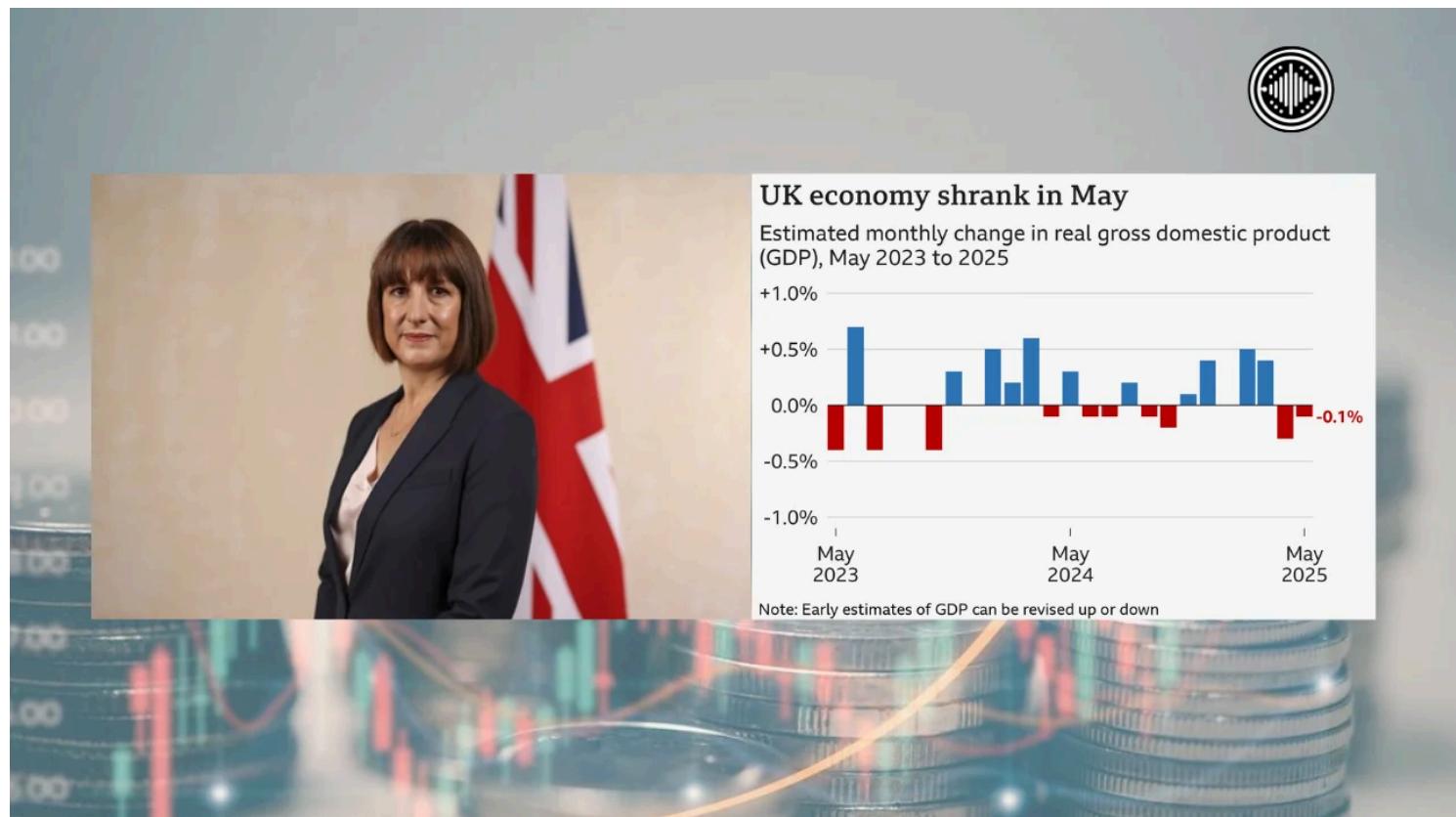
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## Reeves Faces UK GDP Slump as Investors Seek Reassurance

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Chancellor of the Exchequer Rachel Reeves is under growing pressure to defend Labour's economic record after new data revealed that the United Kingdom economy contracted for the second straight month, fueling investor anxiety and casting doubt on claims of a stable recovery.

Official figures from the Office for National Statistics show UK GDP contracted by 0.1% in May 2025, following a 0.3% decline in April, which is the second consecutive monthly fall. The downturn, driven by weakness in manufacturing, construction and energy sectors, has

heightened concerns that Labour's tax-heavy strategy may risk undermining growth and investor confidence.

Reeves is expected to use her upcoming Mansion House speech to paint an optimistic vision of Britain's economic future, describing the City of London as central to new investment and opportunity. The Office for Budget Responsibility has warned of mounting fiscal challenges and potential tax increases following policy reversals, raising questions about the sustainability of public finances.

Business groups have criticised Labour's implementation of a roughly £25 billion increase in employer National Insurance contributions in April. Ben Jones, lead economist at the Confederation of British Industry, urged the Chancellor to "provide clear reassurance of no new taxes on business" and to commit to removing barriers to growth in partnership with firms.

Investor sentiment was already fragile, partly due to uncertainty over global trade. The 0.7% economic expansion in Q1 2025 was driven by firms accelerating activity ahead of US tariff threats and a brief stamp duty cut, temporary drivers now fading and exposing underlying output weakness.

Critics argue that policy reversals, such as shelving proposed disability benefit reforms that would have saved about £5 billion, and reversing cuts to winter fuel payments, have tightened fiscal space, leading to warnings from shadow ministers of a "tax timebomb" necessitating further revenue measures.

Amid the gloom, some economists believe the Bank of England will be left with little choice but to step in. Deutsche Bank's UK chief economist, Sanjay Ra, warned that the softness in GDP would reinforce the Monetary Policy Committee's view that demand is weakening, and predicted an interest rate cut in August, with further easing possible later in the year.

While Labour ministers insist that public investment and trade deals will deliver growth, the reality on the ground tells a different story. Declining output, mounting fiscal pressures, and eroding confidence are not simply a temporary blip; they are symptoms of deeper structural challenges that cannot be solved by optimistic speeches alone.

Reeves will need more than slogans about opportunity to persuade investors and taxpayers that Labour has a credible plan to reverse the slide and restore sustainable growth without

burdening businesses with ever-higher costs.

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