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UK GDP and Jobs Data in Focus

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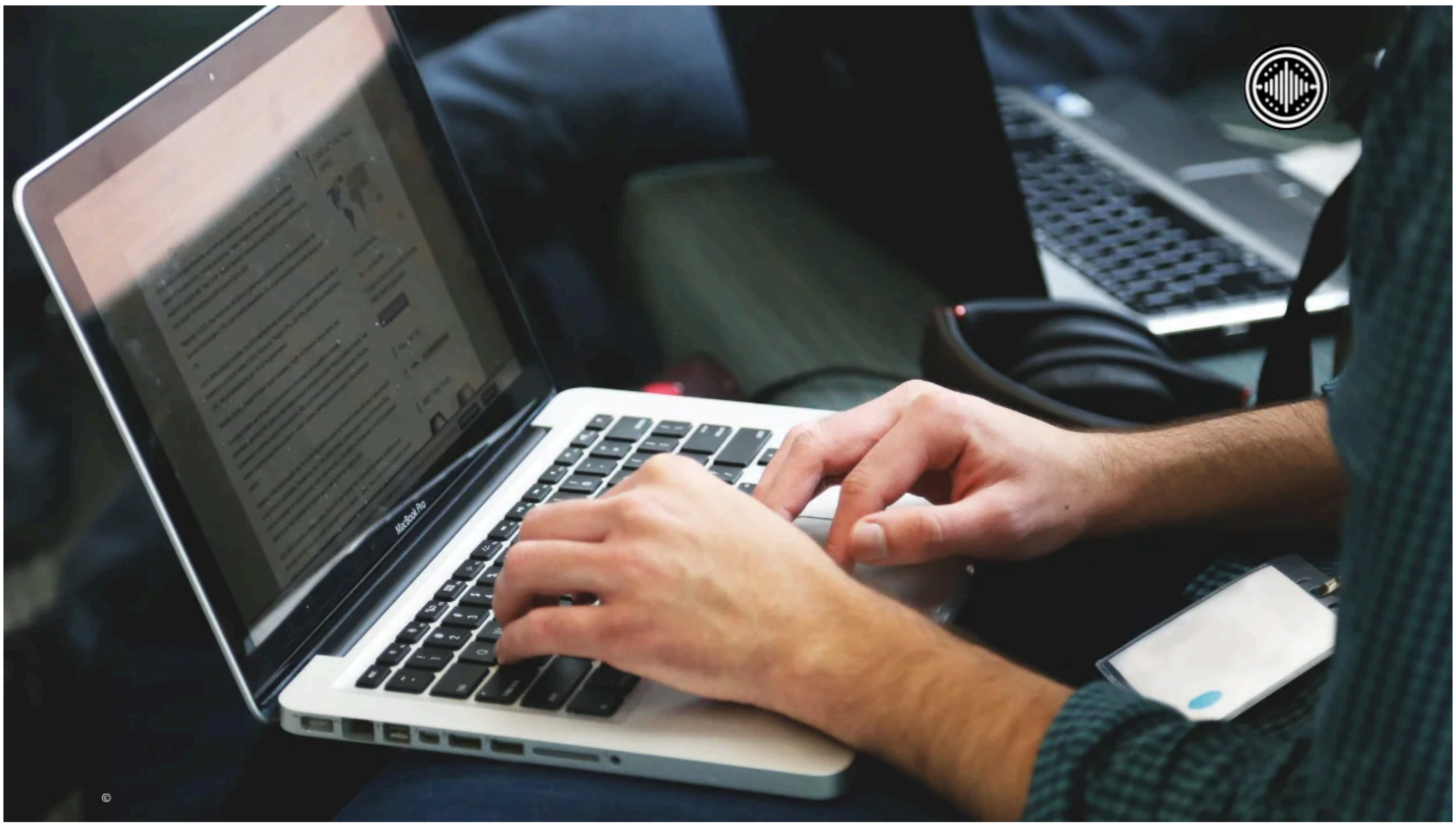

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The UK's economic outlook takes centre stage this week as key GDP and labour market figures are set for release, alongside earnings from several major firms. The data is expected to play a significant role in shaping the Bank of England's upcoming interest rate decisions.

Among the companies due to report are FTSE-listed insurers Aviva and Beazley, as well as gambling firms Entain and Rank Group. Housebuilders Bellway and Persimmon, along with healthcare provider Evoke, are also on the calendar. These corporate updates are likely to provide further clues on the health of the private sector amid a challenging environment.

However, the most scrutiny will fall on GDP and jobs data, as policymakers and markets alike assess the strength of the UK's post-inflation recovery. According to initial figures, the UK economy expanded by 0.7% in the first quarter of 2025, exceeding forecasts. The growth was largely driven by the services sector, which continues to be a key contributor to national output. Business investment also improved, particularly in equipment and technology, while household spending and exports rebounded after a sluggish 2024.

Despite the encouraging quarterly data, April saw a 0.3% monthly drop in GD, the largest contraction in almost a year. Economists attribute this decline to a slowdown in professional services and the end of a temporary stamp duty relief that had supported housing market activity. Export performance also appears to have been affected by rising global trade tensions, with particular weakness noted in manufacturing.

Attention is also turning to the labour market, which has remained relatively stable in recent years. New data shows that the UK unemployment rate rose to 4.7% between March and May 2025, a slight increase that exceeded most analysts' expectations. While still low in historical terms, the uptick is seen as a potential sign that firms are beginning to cut back on hiring in response to higher input costs and persistent economic uncertainty.

Adding to the complexity is criticism surrounding the reliability of labour market statistics. The Office for National Statistics (ONS) has postponed its planned overhaul of the Labour Force Survey until the end of 2026, fuelling concerns about the quality of the current data. This leaves the Bank of England and HM Treasury relying on less robust information to guide monetary and fiscal decisions.

The Bank of England continues to face pressure to adjust interest rates as inflation remains above its 2% target. While weaker GDP and job figures might typically support a rate cut, the questionable accuracy of recent data complicates matters. Financial markets will be watching carefully for any signs of a shift in the central bank's outlook based on this week's figures.

Corporate earnings will also serve as a useful gauge of economic sentiment. Poor results from insurers, gaming firms, or housebuilders may reinforce calls for looser monetary policy to support growth. However, if earnings show resilience, the Bank of England may choose to delay further changes, especially if inflation risks persist.

As the week progresses, the combination of official economic releases and corporate performance will offer a clearer picture of the UK's current trajectory. With businesses and households still adapting to elevated costs and shifting policy signals, the coming days may prove pivotal for future decisions affecting jobs, investment, and interest rates.