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UK Economy Shows Unexpected Resilience in Second Quarter Despite Pressures

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The UK economy delivered stronger-than-expected growth in the second quarter of 2025, defying forecasts of stagnation, but underlying weaknesses point to continuing challenges.

Official figures show the economy grew by 0.3% between April and June, outpacing economists' predictions of 0.1% growth. Although slower than the 0.7% recorded in the first quarter, the results underline a level of resilience in the face of global and domestic pressures. June's figures proved particularly encouraging, with output expanding by 0.4%, helping to lift the quarterly average.

The performance was driven largely by the services and construction industries, supported by higher government spending, which rose by more than 1%. This state-backed demand has been a critical stabiliser during a period when private investment and household spending have struggled.

However, concerns about the sustainability of the recovery remain. Business investment fell sharply by 4%, reflecting ongoing caution among companies facing higher borrowing costs, tax changes, and a subdued outlook. Household consumption, which typically fuels much of the economy, remained flat, highlighting the strain of persistent inflation and sluggish wage growth on family budgets.

Chancellor Rachel Reeves welcomed the data, describing the results as a "strong start to the year." She emphasised the government's commitment to ensuring the recovery benefits households across the country, but admitted that deeper reforms are needed to sustain growth in the long term.

Economists have urged caution, suggesting that much of the recent strength may have been influenced by temporary factors. Analysts pointed to consumer and business spending being brought forward in anticipation of new tariffs and changes to stamp duty, warning that these could distort the picture and mask underlying fragility.

External pressures are adding further weight. Exports to the United States, traditionally one of Britain's most reliable markets, slumped by 13.5%, a three-year low, after Washington imposed tariffs that hit key UK goods. Global demand has also softened, placing additional strain on British manufacturers.

Domestically, businesses face a heavier tax burden, with the government increasing rates in efforts to shore up the public finances. Inflation, while easing from last year's peaks, continues to erode purchasing power, leaving households hesitant to spend and companies reluctant to invest.

The Bank of England has signalled a cautious stance in response. Policymakers have acknowledged the economy's surprising resilience but warned that lingering fragility in employment figures and price pressures could limit the pace of interest rate cuts. For many businesses and consumers, the uncertainty over the cost of borrowing remains a significant brake on confidence.

Despite the headline figures showing modest growth, questions remain over the durability of the recovery. While the services and construction sectors continue to offer support, flatlining consumer demand, weaker investment, and export challenges threaten to undermine momentum in the months ahead.

Britain may have avoided the economic slowdown many feared earlier this year, but sustaining growth amid high inflation, global trade tensions, and domestic policy shifts will prove far more difficult. Analysts warn that without a revival in private investment and consumer spending, the early resilience could quickly give way to stagnation.