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UK Growth Leads G7, But Households Still Feel the Pinch

June 30, 2025

– Categories: Economics



Despite recording the fastest economic growth among G7 nations in the first quarter of 2025, UK households are facing growing financial strain, according to the latest data from the Office for National Statistics. While the economy expanded by 0.7% between January and March, the strongest quarterly performance in over a year, the figures also reveal a more troubling story for household finances.

Real household disposable income, a key measure of how much money people have left after taxes and inflation, fell by 1% in the first quarter. This marks the first decline in nearly two years, indicating that pay increases are not keeping pace with rising costs. At the same time, the household saving ratio dropped to 10.9% from 12%, suggesting that more people are relying on their savings to manage everyday expenses. From rent and energy to groceries and transport, the pressure of rising living costs continues to erode financial security for many families.

The contrast between national economic growth and personal financial wellbeing has raised questions about the depth and sustainability of the recovery. Much of the first-quarter growth was supported by short-term boosts in manufacturing and investment, including stockpiling ahead of potential trade tariffs and a spike in aircraft purchases, rather than a broad-based improvement in domestic demand. For many, the recovery has yet to translate into meaningful relief in their day-to-day lives.

Although the UK's growth rate outpaced other G7 countries, the uneven impact is becoming clearer. Some economists warn that without stronger real wage growth and improved consumer confidence, the gains seen in the first quarter may not be sustained. Already, data from April suggests a slowdown is underway, with GDP falling by 0.3%.

The figures highlight a delicate moment for the UK economy, one where headline growth masks underlying challenges faced by households. While the return to growth offers some hope, the pressure on living standards serves as a reminder that economic recovery must reach beyond the numbers to genuinely improve people's lives.