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## UK economy grows 0.7% in early 2025, but household savings and income take a hit

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– Categories: *Economics*



The UK economy recorded growth of 0.7% in the first three months of 2025, according to updated figures from the Office for National Statistics, offering a sign of modest recovery after a sluggish period. This marks the strongest quarterly performance in over a year, with gains seen across key sectors including services, manufacturing, and construction. The manufacturing sector, in particular, saw a boost due to increased activity

ahead of expected U.S. tariffs and a temporary surge in aircraft investment. These one-off factors played a role in lifting the overall economic numbers.

However, beneath the surface, household finances are showing signs of stress. The household saving ratio fell to 10.9% from 12%, the first decline in nearly two years. This suggests that many households have begun dipping into their savings to manage daily costs, as inflation and higher taxes continue to weigh on disposable income. The data also shows that real household disposable income, a key measure of financial wellbeing, dropped by 1% over the same period. The decline highlights how rising costs for essentials like energy, rent, and food are outpacing income growth.

While the 0.7% GDP growth offers a short-term lift, economists have urged caution. Much of the increase appears to have been driven by temporary factors rather than lasting economic momentum. Early signs from the second quarter suggest the economy may already be losing steam, with GDP falling by 0.3% in April. The Bank of England has forecast growth of just 0.25% for the second quarter, pointing to a slower pace ahead.

In the broader context, the figures reflect an economy in transition, showing some strength in headline growth, but still grappling with real pressures at the household level. As the government looks toward longer-term recovery, these indicators underline the need for policies that support not just economic expansion, but also the financial resilience of the people living through it.