

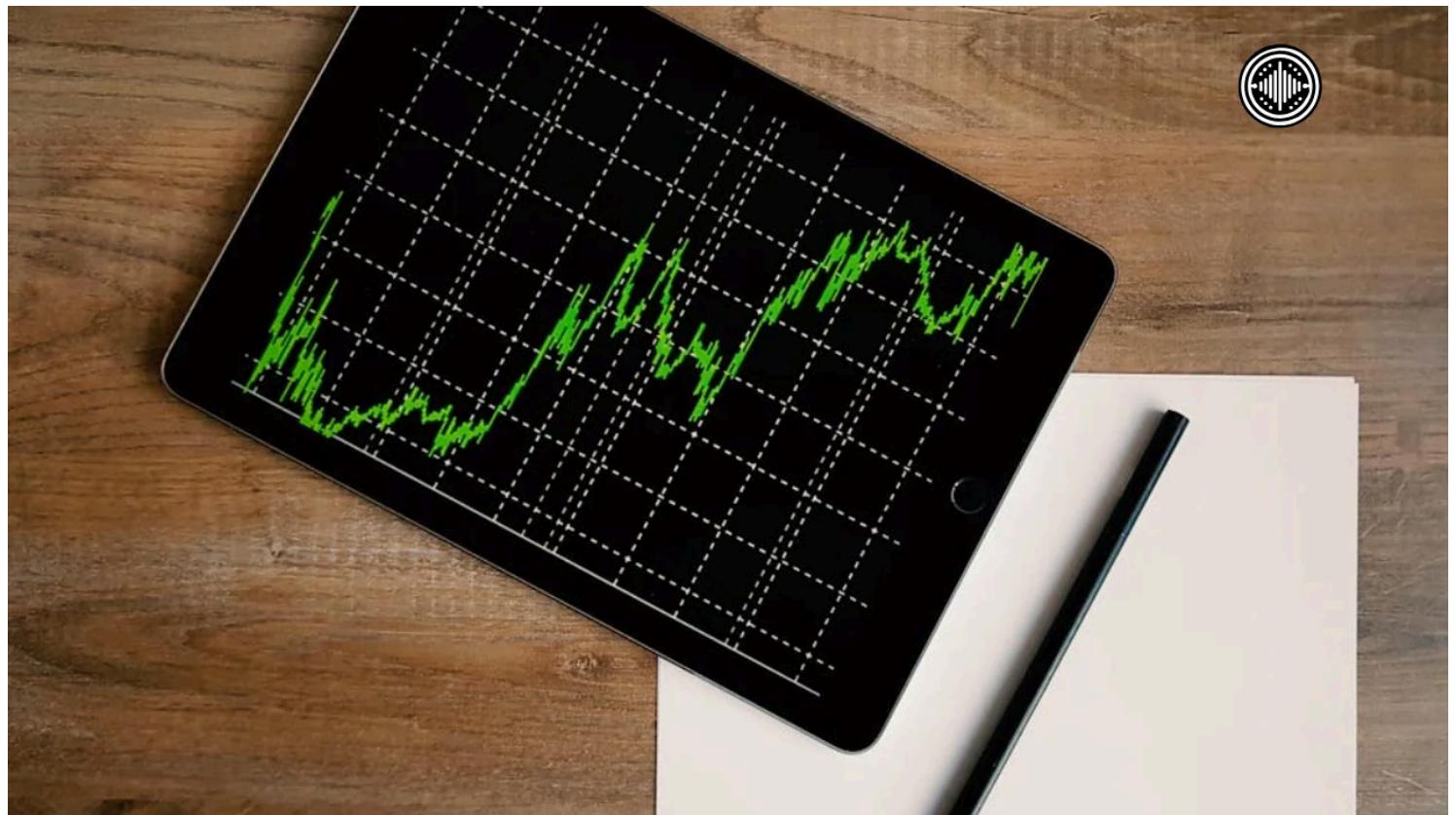
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UK Business Investment Slows but Still Shows Momentum in Early 2025

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Business investment in the UK grew solidly in the first quarter of 2025, though revised figures released by the Office for National Statistics (ONS) show that the initial surge was more tempered than previously reported. Investment rose by 3.9% between January and March, a downward revision from the earlier estimate of 5.9%. Despite the recalibration, the

quarterly increase remains the largest since early 2022 and marks a 6.1% jump compared to the same period last year.

The expansion was largely driven by strong spending on transport equipment, particularly aircraft, alongside moderate gains in information and communication technology and other machinery. Building investment also contributed, though to a lesser degree. However, the overall momentum was dampened by a notable dip in investment in intellectual property products, which pulled down the headline growth rate.

The broader measure of whole-economy investment, known as Gross Fixed Capital Formation (GFCF), also saw a modest revision, rising by 2.0% in the quarter instead of the 2.9% initially estimated. This measure captures both business and government investment and suggests more restrained capital outlays than first thought. Government investment, in particular, declined by 1.7% quarter-on-quarter, though this represented a smaller fall than the originally reported 2.7% drop.

While the quarterly performance is still positive, it highlights the ongoing fragility of the UK's investment landscape. The country's investment-to-GDP ratio stood at 18.2% in the first quarter, remaining the lowest among G7 nations. This underlines persistent structural issues that continue to weigh on the UK's long-term growth potential, even as short-term confidence appears to be returning in some sectors.

ONS attributed the revisions to the incorporation of more complete survey responses, particularly from larger firms whose data tend to come in later. As a result, these revised figures are considered more accurate and reflective of actual business activity. Looking ahead, the trajectory of

business investment will likely depend on broader economic stability, interest rate trends, and the policy stance of the next UK government.