

Economic Forecast

The numbers behind the analysis



UK outlook: muddling through

June 2025

Our latest forecast expects that UK economic momentum will remain modest, with GDP growing by 1.2% in 2025 and 1.0% in 2026. Household spending is the main driver of growth over our forecast – supported by real incomes gains and lower interest rates – but higher labour costs and global economic uncertainty will weigh on business investment. The increase in employment costs following the Autumn Budget will lead to higher prices, subdued business investment, and slower employment growth. US tariff hikes pose a modest headwind to UK output, primarily through reduced exports and dampened investment. Furthermore, productivity will lag slightly below its pre-COVID trend, which weighs on the UK's long-term growth prospects.

12mth% unless otherwise stated	2024	2025	2026	2025 Q1	Q2	Q3	Q4	2026 Q1	Q2	Q3	Q4
UK forecasts											
GDP & domestic demand											
Real GDP	1.1	1.2	1.0	1.3	1.0	1.2	1.3	0.8	0.9	1.0	1.2
Household consumption	0.6	1.0	1.3	0.7	1.1	0.9	1.1	1.2	1.2	1.4	1.5
Government consumption	3.0	1.3	1.4	1.3	1.0	1.3	1.3	2.1	1.5	1.0	0.9
Fixed investment	1.5	2.5	1.4	4.4	2.0	1.3	2.5	0.0	1.8	2.0	2.0
of which: business investment	2.0	4.7	1.0	8.1	4.1	2.1	4.6	-0.8	1.6	1.7	1.6
External trade											
Exports	-1.2	0.9	-1.3	-0.3	1.8	0.4	1.6	-2.2	-2.4	-0.8	0.2
Imports	2.7	1.6	-0.9	7.6	-1.1	1.5	-1.6	-3.7	-0.5	0.0	0.7
Net trade (pp. contribution to GDP growth)	-1.3	-0.3	-0.1	0.4	1.2	-0.4	-0.1	0.0	0.0	0.0	0.0
Labour market											
Unemployment (ILO, mn)	1.51	1.64	1.73	1.61	1.60	1.65	1.69	1.71	1.73	1.74	1.74
Unemployment rate (%)	4.3	4.6	4.8	4.5	4.5	4.6	4.7	4.8	4.8	4.8	4.8
Employment (ILO, mn):	33.62	33.97	34.17	33.98	33.94	33.97	34.01	34.07	34.13	34.20	34.29
Average earnings (including bonuses)	5.3	4.9	3.0	5.4	5.3	5.1	4.0	3.5	2.9	2.8	2.8
Prices											
CPI	2.5	3.3	2.5	2.8	3.5	3.5	3.3	3.0	2.2	2.3	2.4
RPI	3.6	3.6	2.6	3.4	3.9	3.6	3.3	3.0	2.3	2.5	2.6
Public finances*											
Net borrowing (£bn)	148.3	114.6	88.1								
Current budget (£bn)	-70.3	-37.7	-8.9								
Current budget (% of GDP)	-2.4	-1.2	-0.3								
Debt/GDP (%)	94.4	93.4	93.2								
Financial liabilities/GDP (%)	82.4	82.9	83.1								
*2024/25; 2025/26; 2026/2027											
Forecast assumptions											
	2024	2025	2026	2025 Q1	Q2	Q3	Q4	2026 Q1	Q2	Q3	Q4
UK Bank Rate	5.11	4.23	3.53	4.60	4.36	4.11	3.85	3.61	3.50	3.50	3.50
Oil prices \$ per barrel (Brent crude)	80.53	68.43	64.51	75.8	66.9	66.0	65.0	64.6	64.5	64.5	64.5
USD/GBP	1.28	1.30	1.33	1.26	1.30	1.32	1.32	1.32	1.33	1.33	1.33
EUR/GBP	1.18	1.18	1.17	1.20	1.17	1.17	1.17	1.17	1.17	1.18	1.18
Global GDP (purchasing power parity)	3.2	2.8	2.9								