

Article

Quarterly economic commentary: April to June 2025

Economic commentary for the latest quarterly national accounts, prices and labour market indicators.

Contact:
Macroeconomic Insights team
economic.advice@ons.gov.uk

Release date:
30 September 2025

Next release:
22 December 2025

Table of contents

1. [Main points](#)
2. [National accounts](#)
3. [Balance of payments](#)
4. [Labour market](#)
5. [Prices and wages](#)
6. [Public sector finances](#)
7. [Related links](#)
8. [Cite this article](#)

1 . Main points

- The UK economy slowed in Quarter 2 (Apr to June) 2025, with real gross domestic product (GDP) increasing by 0.3%, following an increase of 0.7% in Quarter 1 (Jan to Mar) 2025.
- Household savings remain above their pre-coronavirus (COVID-19) pandemic levels; rising real wages are not yet reflected in higher spending on consumer-facing services.
- The UK current account deficit, excluding precious metals, widened to 3.2% of GDP in Quarter 2, its highest since 2023.
- Several indicators suggest a loosening in the labour market in 2025 while annual growth in regular pay was 4.8% in the period from May to July 2025.
- UK consumer price inflation (CPI) continued its divergence from other G7 economies, growing by 3.8% in the 12 months to August 2025.

2 . National accounts

There was an increase in output produced by the UK economy in the first half of 2025. Real gross domestic product (GDP) increased by 0.3% in Quarter 2 (Apr to June) following an increase of 0.7% in Quarter 1 (Jan to Mar). This leaves UK real GDP 1.4% higher compared with a year ago. Real GDP per head, a proxy measure for economic welfare, increased by 0.9% over the same period (see Figure 1).

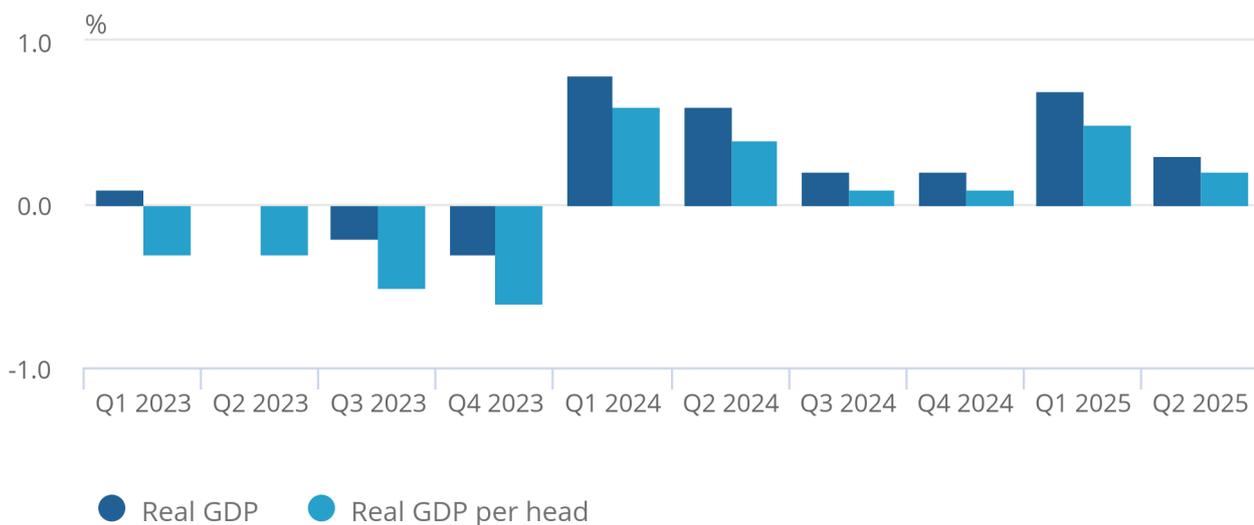
The economy slowed slightly around mid-year when the timelier monthly GDP figures showed an increase of 0.2% in the three months to July 2025, compared with the three months to April 2025. This moderation was mainly led by a fall in production output while the much larger services sector continued to grow. View more information in our [GDP monthly estimate, UK: July 2025](#) bulletin.

Figure 1: Real GDP and real GDP per head slowed in Quarter 2 2025 but grew faster than in Quarter 4 2024

Quarterly changes in real gross domestic product (GDP), 2023 to 2025

Figure 1: Real GDP and real GDP per head slowed in Quarter 2 2025 but grew faster than in Quarter 4 2024

Quarterly changes in real gross domestic product (GDP), 2023 to 2025



Source: Quarterly national accounts from the Office for National Statistics

Notes:

1. Percentage change on previous period.
2. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).

Alternative economic activity indicators, such as the [Purchasing Managers' Index](#) and the [Business Barometer](#), suggest that the UK economy continued to grow in Quarter 3 (July to Sept) 2025. This is also reflected in recent economists' estimates in the [HM Treasury Forecasts for the UK economy: September 2025 survey](#). The survey's median forecast suggests that the UK economy will increase at a pace of around 0.1% to 0.2% per quarter in the second half of the year.

In our [Business insights and impact on the UK economy: 18 September 2025 bulletin](#), economic uncertainty was the most reported challenge affecting turnover for trading businesses at 28%. For businesses with 10 or more employees, the greatest challenge was the cost of labour at 35.6%, down from a peak of 41.6% in April.

The recent resilience in UK growth is somewhat in opposition to general labour market softening, with the number of job vacancies per unemployed person in steady decline for several years, and the number of payrolled employees mostly falling since the start of the year. Households have meanwhile managed to maintain their pace of spending where consumption volumes increased by 1.1% in Quarter 2 2025 compared with a year ago. This was possibly because of an increase in real incomes, as wages outpaced prices over the same period.

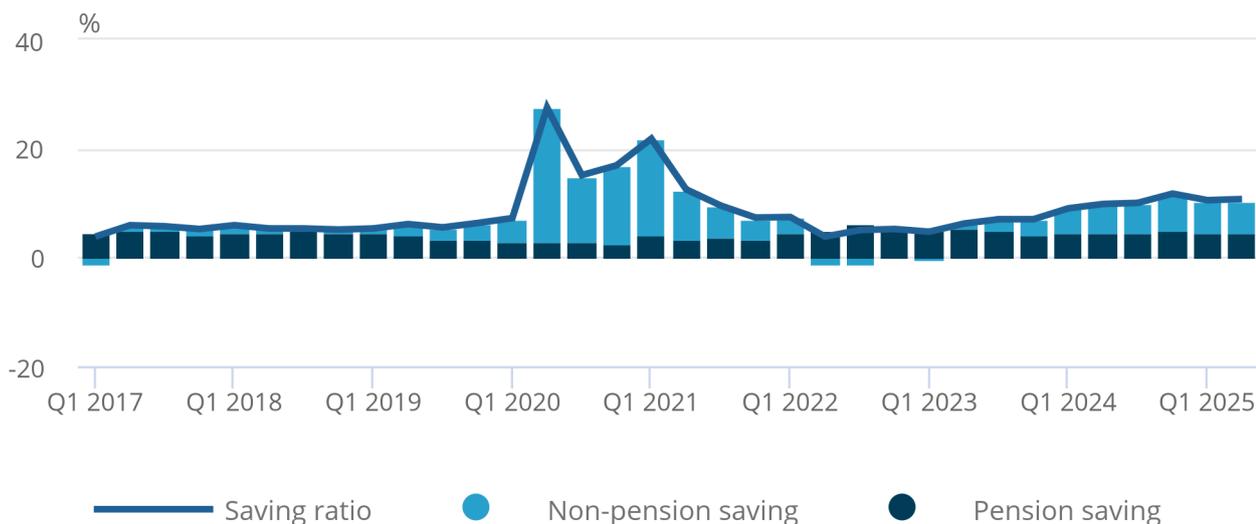
The increase in real incomes has not yet been reflected in higher spending on consumer-facing services, where real activity remains around 5% below its pre-coronavirus (COVID-19) pandemic levels. Instead, households increased their saving ratio, which remains above its pre-coronavirus pandemic levels (see Figure 2). This suggests that there is some additional scope to smooth consumption, which could support GDP growth. Read more detail in our article on [Households' finances and saving, UK: 2020 to 2024](#) article.

Figure 2: The household saving ratio declined slightly in 2025 but remains high

Household saving ratio, UK, 2017 to 2025

Figure 2: The household saving ratio declined slightly in 2025 but remains high

Household saving ratio, UK, 2017 to 2025



Source: Economic accounts from the Office for National Statistics

Notes:

1. The household saving ratio is the proportion of the household sector's total resources that are available but have not been used for consumption.

3 . Balance of payments

The UK was a net borrower from the rest of the world in Quarter 2 (Apr to June) 2025, with the UK current account deficit, including precious metals, widening to £28.9 billion, equating to 3.8% of gross domestic product (GDP).

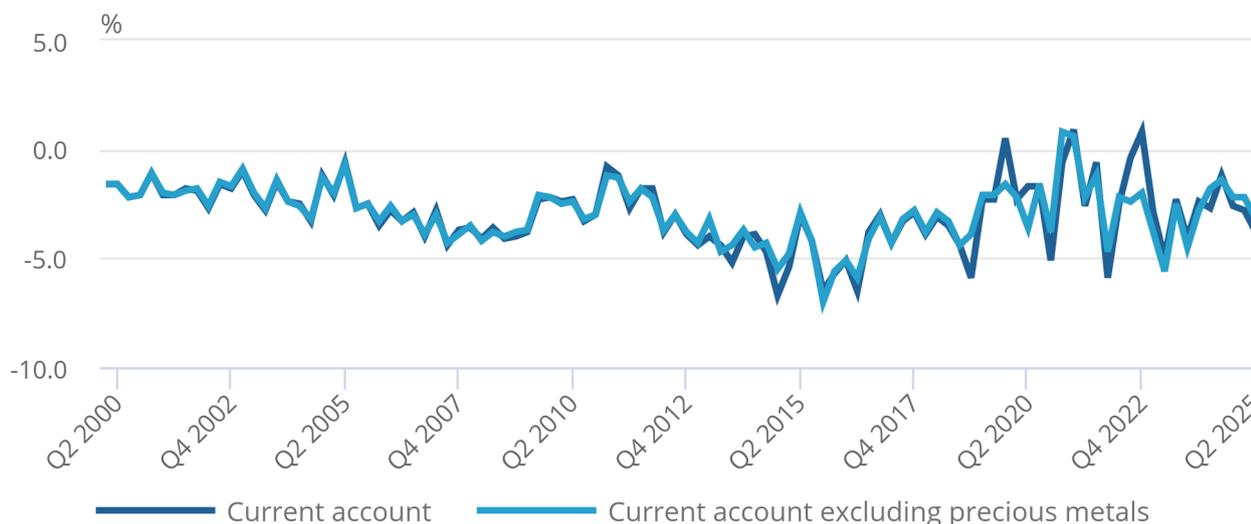
Excluding the volatile movements in precious metals, the underlying current account deficit widened to £23.8 billion or 3.2% of GDP in Quarter 2. These are the widest current account deficits as a share of GDP since Quarter 4 (Oct to Dec) 2023 (see Figure 3).

Figure 3: The UK’s current account deficit, excluding precious metals, widened in April to June 2025

UK current-account balance, percentage of gross domestic product (GDP), 2000 to 2025

Figure 3: The UK’s current account deficit, excluding precious metals, widened in April to June 2025

UK current-account balance, percentage of gross domestic product (GDP), 2000 to 2025



Source: Balance of payments from the Office for National Statistics

Notes:

1. The current account, excluding precious metals, is often used as an underlying measure. This is because movements in non-monetary gold, an important component of precious metals, can sometimes be large and highly volatile, distorting underlying trends in goods trade.

The UK current account deficit, excluding precious metals, widened to 3.2% of GDP in Quarter 2, as the goods deficit expanded to £56.6 billion, partly offset by a higher services surplus of £53.8 billion. The deficit in the primary income balance also widened for a fourth quarter in a row to 2.2% of GDP in Quarter 2 2025.

The widening in the goods trade deficit in Quarter 2 may partly reflect the reversing of the front-leading effect on trade, which boosted exports in Quarter 1, ahead of the announcement of US tariffs in April 2025. The estimates of goods trade with the US in 2024 and 2025 are affected by an overestimate of trade in precious metals, as detailed in our [Balance of Payments bulletin](#).

High tariffs and lingering uncertainty are likely to continue to weigh on global trade and the global economy. Nonetheless, an increasing share of trade is now covered by new or existing trade deals. Some measures, such as the [Trade Policy Uncertainty Index](#), suggest that uncertainty might be slightly easing.

4 . Labour market

The UK labour market has continued to loosen in 2025. The unemployment rate rose to 4.7% in the period May to July 2025. Broader measures of labour market availability have been increasing since the end of 2023 and are above their pre-coronavirus (COVID-19) pandemic levels (see Figure 4). These provide evidence of emerging slack in the labour market. For more information on labour market availability measures, see our [Alternative measures of underutilisation in the UK labour market](#) article.

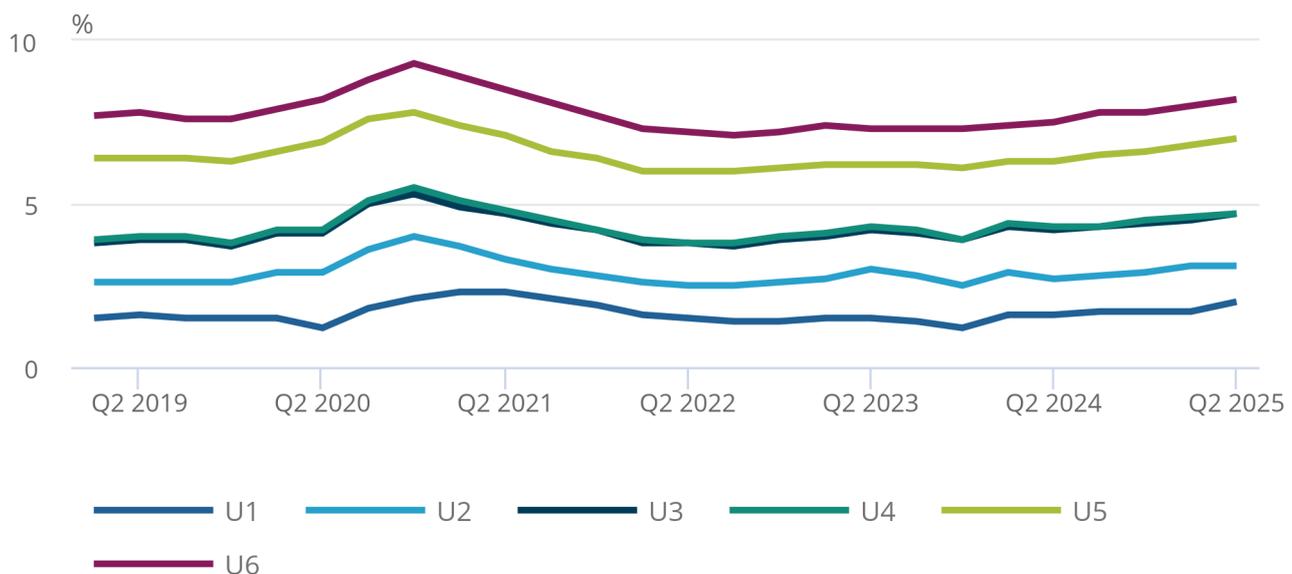
The loosening of the labour market is also reflected in a declining number of vacancies. The ratio of unemployed people to vacancies increased to 2.3 in May to July 2025, also above its levels prior to the coronavirus pandemic. Some firms in our vacancy survey reported that they are not replacing workers that have left, and they are not hiring new workers. Read more detail in our [Vacancies and jobs in the UK: September 2025](#) bulletin.

Figure 4: Most measures of labour under-utilisation were above their pre-coronavirus (COVID-19) pandemic levels and increased in Quarter 2 (Apr to June) 2025

Measures of labour market availability, U1 to U6, 2019 to 2025

Figure 4: Most measures of labour under-utilisation were above their pre-coronavirus (COVID-19) pandemic levels and increased in Quarter 2 (Apr to June) 2025

Measures of labour market availability, U1 to U6, 2019 to 2025



Source: Labour Force Survey from the Office for National Statistics

Notes:

1. U3 refers to the headline unemployment rate.
2. Narrower measures (U1 and U2) reflect that unemployment can be harder for some groups than for others, and the implications of this. For example, it can be more challenging for those who are long-term unemployed and those who were previously employed, rather than for a new entrant to the labour market.
3. Broader measures (U4, U5, and U6) reflect that official unemployment figures may understate the full extent of labour availability (for example, by excluding inactive persons who want a job and those in employment who are working fewer hours than desired).

External indicators point to reduced recruitment activity. According to the latest Bank of England's [Monthly Decision Maker Panel](#) data, mean realised employment fell by 0.5% in the three months to August 2025 compared with a year ago. Similarly, mean expected year-ahead employment growth decreased to 0.2% in the three months to August 2025.

The latest [KMPG and REC Report on Jobs](#) reported a reduction in staff hiring, with falls in both permanent placements and temporary billings in August 2025. It also reported the steepest increase in candidate availability since November 2020. Our latest [Business insights and impact on the UK economy bulletin](#) found that 18% of UK businesses with 10 or more employees reported worker shortages in September 2025, which has been broadly stable since February and down from its peak of around 36% in mid-2022.

However, the loosening of the labour market has not yet fully affected earnings inflation, which remains high. Average weekly earnings (AWE) regular pay (excluding bonuses) increased by 4.8% in the 12 months preceding May to July 2025, while total pay (including bonuses) increased by 4.7% over the same period. Public sector pay growth was higher than the private sector. For more information, see our [Average weekly earnings in Great Britain: September 2025](#) bulletin.

5 . Prices and wages

Headline consumer price inflation (CPI) increased this year to 3.8% in August 2025, up from 2.2% a year ago. Core inflation (excluding energy, food, alcohol and tobacco) was also high at 3.6% in August, and it has been trending around 3.5% for over a year. This leaves UK headline and core inflation among the highest in the G7, but inflation rates are still much lower compared with their peak following the coronavirus (COVID-19) pandemic.

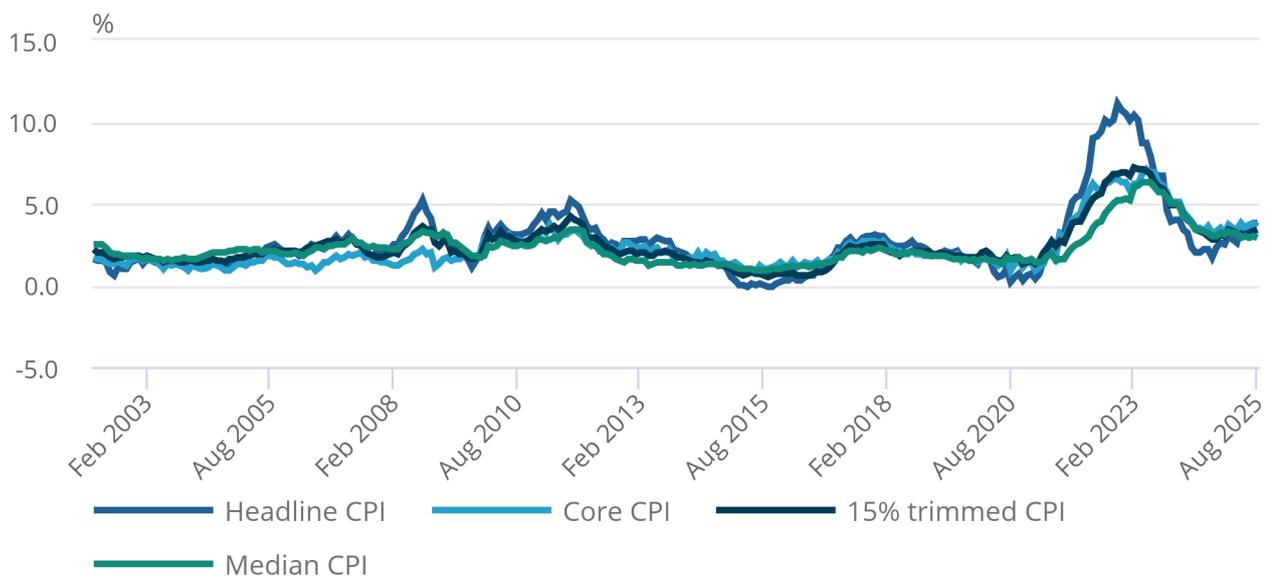
Alternative measures of core inflation such as the 15% trimmed-mean CPI and the median CPI show similar trends to core inflation (see Figure 5). The trimmed-mean measure edged higher while the median CPI was little changed in recent months. These measures exclude the most volatile price movements and provide more stable estimates of underlying inflation trends. These alternative measures are discussed in our [New estimates of core inflation, UK: 2022](#) article.

Figure 5: Various measures suggest that UK inflation increased in 2025

Annual rates of headline and core Consumer Price Index (CPI) inflation, 2005 to 2025

Figure 5: Various measures suggest that UK inflation increased in 2025

Annual rates of headline and core Consumer Price Index (CPI) inflation, 2005 to 2025



Source: Consumer price inflation (CPI) from the Office for National Statistics

Notes:

1. The official core CPI inflation measure excludes energy, food, alcoholic beverages, and tobacco.
2. The alternative trimmed mean core inflation measure removes the top 15% and bottom 15% of the distribution of CPI item price changes in every month.

Part of the reason behind the recent increase in UK inflation is related to wage growth, which continues to outpace productivity growth. This wedge between pay and productivity is the main driver of unit labour costs, which recently increased in the UK faster than in other G7 economies, based on the [Organisation for Economic Co-operation and Development \(OECD\)](#) data. Similar increases in labour costs typically put upward pressure on services prices. Subdued productivity growth remains a major challenge for the UK economy.

Another factor increasing consumer price inflation in recent months was higher prices for food and non-alcoholic beverages, with a 5.1% annual inflation rate in August 2025. This is its highest rate since January 2024, but it is well below its peak, which was close to 20% in early 2023. Food prices increased, which was caused by a combination of domestic and international factors because the UK imports a high proportion of its food products.

Some research suggests that increases in food prices might have an outsized effect on households' inflation perceptions and inflation expectations (see Bank of England's Staff Working Papers [No. 1,125](#) and [No. 1,094](#)). The [Bank of England/Ipsos Inflation Attitudes Survey - August 2025](#) suggests that households' near-term inflation expectations have fallen back slightly, although medium-term measures increased in 2025 and are above their historical averages. This might be adding to the broader persistence of inflationary pressures.

Inflation is expected to ease as emerging labour market slack puts downward pressure on wage growth. While still high, wage growth has already slowed from its peak. A range of indicators suggests it should moderate further, including intelligence from the Bank of England's agents, the Decision Maker Panel, and multiple sources of pay settlements data. These indicators generally suggest that pay growth should fall back by about 1 percentage point by the end of the year to between 3.5% and 4.0%. This should help ease some domestic inflationary pressures.

For more information about the outlook for inflation and wages, see the Bank of England's [Monetary Policy Report - August 2025](#).

6 . Public sector finances

The latest public finances data show borrowing of £83.8 billion in the financial year (FY) April to August 2025, £16.2 billion more than the same period a year ago. This is the highest FY to August borrowing outside of the coronavirus (COVID-19) pandemic since monthly records began in 1993. It is also higher than the March Office for Budget Responsibility forecast (see Figure 6).

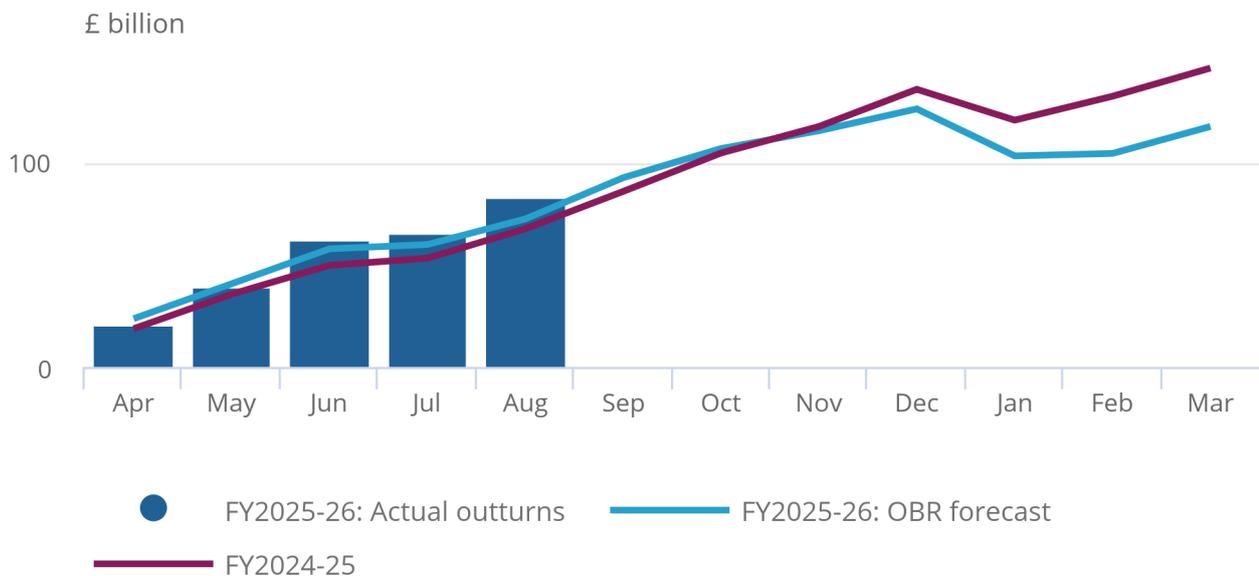
The increase in government borrowing was partly driven by higher debt servicing costs, where persistent inflation and global factors increased interest rates. As usual for this time of year, we have included some routine annual data updates. More information is available in our [Public sector finances, UK: August 2025](#) bulletin.

Figure 6: As we approach the mid-point of the 2025 to 2026 financial year, borrowing is higher than in the same five-month period in 2024 and in the OBR forecast

Cumulative public sector net borrowing excluding public sector banks, UK, financial year (FY) 2024 to 2025 and FY 2025 to 2026

Figure 6: As we approach the mid-point of the 2025 to 2026 financial year, borrowing is higher than in the same five-month period in 2024 and in the OBR forecast

Cumulative public sector net borrowing excluding public sector banks, UK, financial year (FY) 2024 to 2025 and FY 2025 to 2026



Source: Public sector finances from the Office for Budget Responsibility (OBR) and the Office for National Statistics

Notes:

1. This chart uses forecast data published in the [Economic and Fiscal Outlook - March 2025 forecast from the Office for Budget Responsibility](#).

7 . Related links

[GDP quarterly national accounts, UK: April to June 2025](#)

Bulletin | Released 30 September 2025

Revised quarterly estimate of gross domestic product (GDP) for the UK. Uses additional data to provide a more precise indication of economic growth than the first estimate.

[Balance of payments, UK: April to June 2025](#)

Bulletin | Released 30 September 2025

A measure of cross-border transactions between the UK and rest of the world. Includes trade, income, capital transfers and foreign assets and liabilities.

[Public sector finances, UK: August 2025](#)

Bulletin | Released 19 September 2025

How the relationship between UK public sector monthly income and expenditure leads to changes in deficit and debt.

[Labour market overview, UK: September 2025](#)

Bulletin | Released 16 September 2025

Estimates of employment, unemployment, economic inactivity, and other employment-related statistics for the UK.

[Consumer price inflation, UK: August 2025](#)

Bulletin | Released 17 September 2025

Price indices, percentage changes and weights for the different measures of consumer price inflation.

8 . Cite this article

Office for National Statistics (ONS), released 30 September 2025, ONS website, article, [Quarterly economic commentary: April to June 2025](#)