

News in Review

21 May 2025

"The economy is beginning to turn a corner"



The latest data from the Office for National Statistics (ONS) shows the UK economy grew faster than expected in Q1, recording a 0.7% uptick in GDP. A Reuters poll of economists had predicted growth of 0.6% in the quarter, aligned with Bank of England estimates. This growth marks a sharp increase from the 0.1% recorded in Q4 2024.

Increases in consumer spending and production supported growth in Q1, with the services sector also dominating. Business investment also saw strong growth, expanding by 5.9% from Q4, the largest increase in two years. On a monthly basis, the ONS data shows the economy grew by 0.2% in March, outperforming analysts' expectations of zero growth.

Rachel Reeves reacted to the data, saying the growth was *"very encouraging"* before adding, *"we still have to do more. I absolutely understand that the cost of living crisis is still real for many families, but the numbers today do show that the economy is beginning to turn a corner."*

The latest data captures growth just before US tariff announcements and employer National Insurance increases, with analysts cautioning the strong growth rate is unlikely to continue.

Economics Director at the Institute of Chartered Accountants in England and Wales (ICAEW), Suren Thiru believes the Q1 pick up in growth is likely to prove short-lived as businesses rushed to satisfy orders prior to US tariffs, commenting, *"This robust quarterly reading is probably the pinnacle for economic growth this year, with activity likely to slow sharply going forward"*

as tax and tariff rises and global uncertainty bite."

New UK/EU deal struck

This week, Keir Stamer hosted a summit with senior leaders from the bloc, including Ursula von der Leyen, European Commission President, where he signed a deal with the EU, in a bid to reset relations.

Key elements of the deal include a 12-year agreement on EU fishing boats accessing UK waters, a reduction in checks on food exports to the EU, UK travellers to Europe will be permitted to use e-gates at borders, a new defence and security pact, and a youth mobility scheme allowing young people from the EU and UK the right to live and work in each other's countries for a limited period.

The Prime Minister said, *"It's time to look forward... to find common sense practical solutions which get the best for the British people. We're ready to work with partners if it means we can improve people's lives here at home."*

"Finances are stretched for many"

The latest Financial Lives survey from the Financial Conduct Authority (FCA) has highlighted that a quarter of the population (13 million people) have low financial resilience, meaning they have low savings, are missing a series of bill payments and are struggling with debt. Alarming, 10% have no cash savings, while another 21% have under £1,000 in savings. The findings, released on Friday, underscore the financial vulnerability of millions and the far-reaching impact on their mental health – with almost 12 million people feeling stressed or overwhelmed handling financial matters.

Executive Director of Consumers and Competition at the FCA, Sarah Pritchard commented, *"Our data shows that finances are stretched for many – with some unable to save for a rainy day. And we know that some do not have the confidence to invest... but there are improvements – more people with current accounts and less digital exclusion."*

As part of a new strategy, the FCA is working to improve people's access to help, guidance and advice so that everyone can access the support they need, at an affordable price, enabling them to make informed financial decisions.

Other key findings from the bi-annual survey include:

- The median amount people hold in savings is £5,000 to £6,000
- A fifth of people hold savings of at least £25,000, with 10% holding savings exceeding £50,000
- Just over 60% of people who hold over £10,000 in investible assets such as money in savings accounts and cash ISAs, are holding at least three quarters of these assets in cash as opposed to investments
- 3.8 million retirees are concerned they don't have enough money to last throughout their retirement.

The FCA wants to see more people holding mainstream investments, in order to improve long-term returns.

Here to help

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.