

## News in Review

20 August 2025

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**The UK economy grew modestly in Q2, with gross domestic product (GDP) increasing by 0.3% according to the Office for National Statistics (ONS). While this is a slowdown from Q1 (0.7%), it is more positive than City economists' and the Bank of England's predictions of 0.1% expansion.**

The economy performed better than expected in June with monthly GDP growth of 0.4%, following falls of 0.1% in both April and May. Between April to June, the services sector grew by 0.4%, driven by information and communication technology. Meanwhile, construction output increased by 1.2%, likely due to the dry weather boosting activity.

Confederation of British Industry Lead Economist, Ben Jones, commented on the statistics, *"The strong growth seen earlier this year was a one-off and underlying conditions remain fragile. With business costs mounting, the labour market cooling, investment intentions weakening and confidence generally subdued, the UK is walking a narrow path between resilience and stagnation."*

Chancellor Rachel Reeves said that the figures *"are positive with a strong start to the year and continued growth in the second quarter. But there is more to do to deliver an economy that works for working people."*

### **Negotiations intensify to end the Russia-Ukraine war**

Presidents Putin and Trump met in Alaska last Friday to discuss an end to Russia's war on Ukraine. No decisions were made,

but it became clear that Vladimir Putin will not call a ceasefire without seizing control of the Donbas region. However, President Zelensky has repeatedly said he will not concede as Ukraine's constitution forbids giving up territory.

Following this, European leaders and NATO Secretary General, Mark Rutte, joined Zelensky at the White House on Monday, when Trump pledged US coordination of NATO-style security guarantees, to be primarily led by Europe, to deter further Russian aggression. Zelensky called the assurances a *"strong signal,"* expecting formalisation within 7-10 days. Trump also took to social media to say he would arrange direct talks between Zelensky and Putin, followed by a trilateral summit. The meeting was broadly seen as constructive, though no ceasefire was agreed.

Prime Minister Keir Starmer said the talks could be a *"historic step"* towards security for Ukraine.

### **Housing market slightly retreats**

The housing market lost momentum in July, according to the latest survey from the Royal Institution of Chartered Surveyors (RICS). There had previously been signs of tentative recovery, with new buyer enquiries reporting a net balance of +4% in June. However, this figure fell back into negative territory in July with a recording of -6%. Regional results varied significantly, with weaker demand in East Anglia, the South East and South West of England.

The net balance of sales dropped from -4% to -16% in July. Looking ahead, the

near-term sales outlook is flat with a reading of +1%, down from +7% previously. Simon Rubinsohn, Chief Economist at RICS, said, *"The somewhat flatter tone to the feedback to the July RICS Residential Survey highlights ongoing challenges facing the housing market. Although interest rates were lowered at the latest Bank of England meeting, the split vote has raised doubts about both the timing and extent of further reductions."*

### **UK data centres**

The number of data centres in the UK is expected to rise by almost 20%, according to construction researchers Barbour ABI. Data centres are large warehouses that store IT systems and their associated components. There are currently around 477 data centres in the UK, but this figure is set to increase by nearly 100 due to the rise of Artificial Intelligence (AI), which requires significant power. More than half of these centres will be in London and the surrounding areas, while the largest investment is a £10bn data centre in Blyth, near Newcastle – work is due to start in 2031 and will eventually cover 540,000 square metres.

There are concerns about the impact these plans will have on the environment due to the large amount of energy and water needed to power the data centres.

### **Here to help**

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