

Article

# Quarterly economic commentary: July to September 2025

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

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# 1 . Main points

- The UK economy slowed in Quarter 3 (July to Sept) 2025, with real gross domestic product (GDP) increasing by 0.1%.
- The UK current account deficit (including precious metals) narrowed to 1.6% of GDP in Quarter 3 2025, its lowest since Quarter 4 2022.
- Several indicators suggest a loosening in the labour market, as early estimates showed an annual fall in payrolled employees of 0.6% in November 2025, while the unemployment rate increased to 5.1% in the three months to October.
- Consumer price inflation (CPI) has started to ease, declining to 3.2% in the 12 months to November 2025, while annual growth in regular pay eased to 4.6% in the three months to October 2025.

## 2 . National accounts

Real gross domestic product (GDP) increased by 0.1% in Quarter 3 (July to Sept) 2025. This leaves UK real GDP 1.3% higher compared with a year ago. Real GDP per head, a proxy measure for economic welfare, showed no growth in Quarter 3 2025, and is 0.9% higher compared with a year ago (see Figure 1).

More recent monthly GDP data indicate the economy has softened further, with output declining by 0.1% in the three months to October 2025. This marks the first three-monthly fall in real GDP since December 2023. This decline was led by a fall in production and construction output, with services experiencing no growth. See more information in our [GDP monthly estimate, UK: October 2025 bulletin](#).

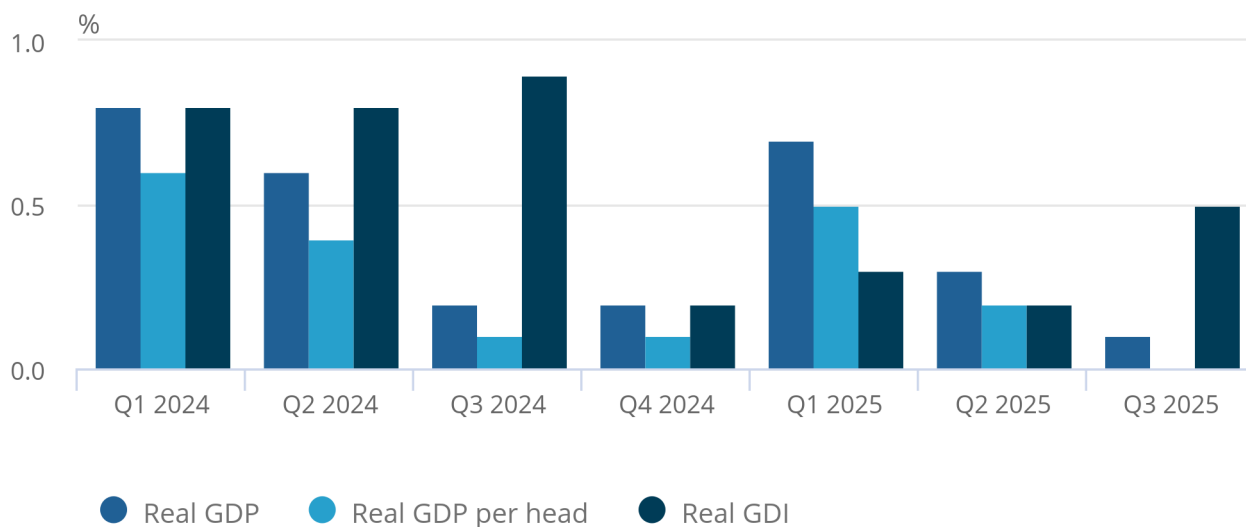
Real gross domestic income (GDI) measures the purchasing power of UK output over goods and services in global markets. It increased by 0.5% in Quarter 3 2025 and is 1.2% higher than a year ago. Real GDI outpaced real GDP in Quarter 3 as export prices increased while import prices fell, improving the UK's terms of trade.

## Figure 1: Real GDP and real GDP per head slowed further in Quarter 3 2025

Quarterly changes in real gross domestic product (GDP), UK, 2024 to 2025

### Figure 1: Real GDP and real GDP per head slowed further in Quarter 3 2025

Quarterly changes in real gross domestic product (GDP), UK, 2024 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).
3. Population figures for up to mid-2024 are based on mid-year UK population estimates published on 26 September 2025. Figures for Quarter 3 (July to Sept) 2024 to Quarter 1 (Jan to Mar) 2025 are based on an interpolation between the mid-2024 estimate and the provisional mid-2025 estimate published on 27 November 2025. For Quarter 2 (Apr to June) 2025, the population figure is based on the provisional mid-2025 estimate. The population figure for Quarter 3 2025 is based on an interpolation between UK 2022-based population projections for mid-2026 (as published on 28 January 2025) using the migration category variant and the mid-2025 provisional UK population estimate.

Consumption volumes increased by 0.3% in Quarter 3 2025, and were 0.7% higher compared with a year ago. Household savings remain high by historical standards, where there is some evidence that suggests that [households are looking to rebuild their savings](#). Households started to reduce their saving ratio in 2025 (see Figure 2), as real household disposable income (RHDI) slowed in 2025. More information about the household saving ratio is available in our [Households' finances and saving. UK: 2020 to 2024](#) article.

Business investment increased by 1.5% in Quarter 3 2025, and is 2.7% higher compared with a year ago. In our [Business insights and impact on the UK economy: 18 December 2025 bulletin](#), economic uncertainty remained the most reported challenge affecting turnover for trading businesses, which may be weighing on the investment outlook. Businesses also reported falling demand for goods and services as their main concern. Private non-financial corporations have reduced their net borrowing in 2025, possibly reflecting the impact of uncertainty.

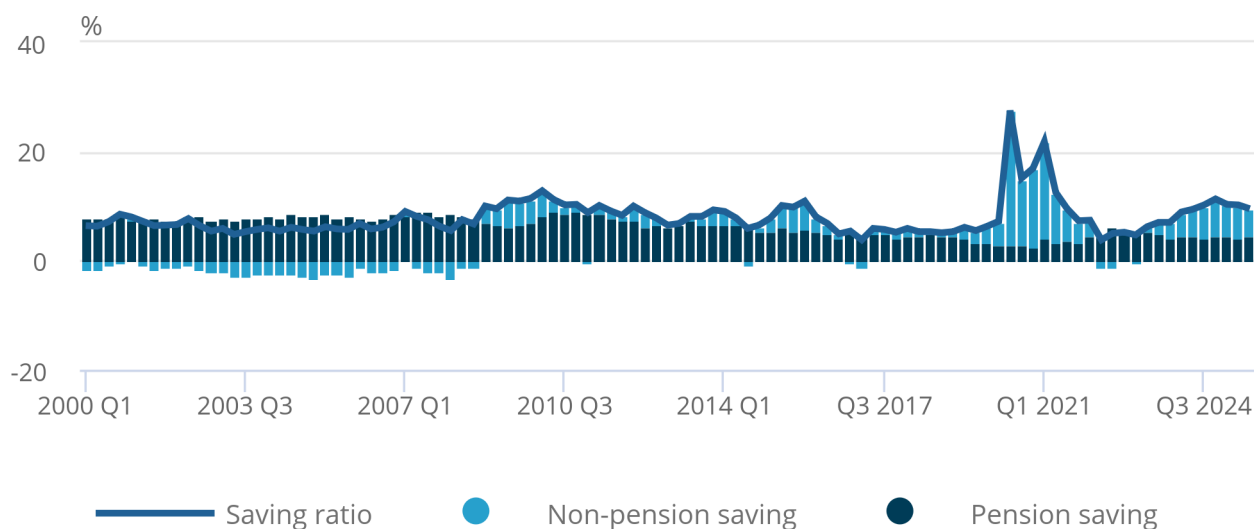
HM Treasury's [Forecasts for the UK economy: December 2025 survey](#) suggests that the UK economy should continue to grow in Quarter 4 (Oct to Dec) 2025, albeit at a slow pace, where the median forecast projects an increase of 0.1% quarter-on-quarter.

**Figure 2: The household saving ratio declined in 2025 but remains above its pre-coronavirus levels from 2019**

Household saving ratio, UK, Quarter 1 (Jan to Mar) 2000 to Quarter 3 (July to Sept) 2025

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Household saving ratio, UK, Quarter 1 (Jan to Mar) 2000 to Quarter 3 (July to Sept) 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.
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).

### 3 . Balance of payments

The UK was a net borrower from the rest of the world in Quarter 3 (July to Sept) 2025 of 1.6% of gross domestic product (GDP). This is the lowest UK current account deficit (including precious metals) since Quarter 4 (Oct to Dec) 2022. Excluding precious metals, the underlying current account deficit was 1.4% of GDP, its lowest since Quarter 4 2021 (see Figure 3).

When excluding precious metals, the UK total trade in goods and services deficit widened in Quarter 3 2025, where the increase in trade policy uncertainty since the start of the year may have led to trade diversions and weighed on export performance. The Organisation for Economic Co-operation and Development (OECD) project in their [Trade in goods and services forecast](#) that net trade will continue to put downward pressure on UK GDP in 2026, as import volumes continue to outpace export volumes. There is also some evidence that [tariffs continue to negatively impact goods exports](#).

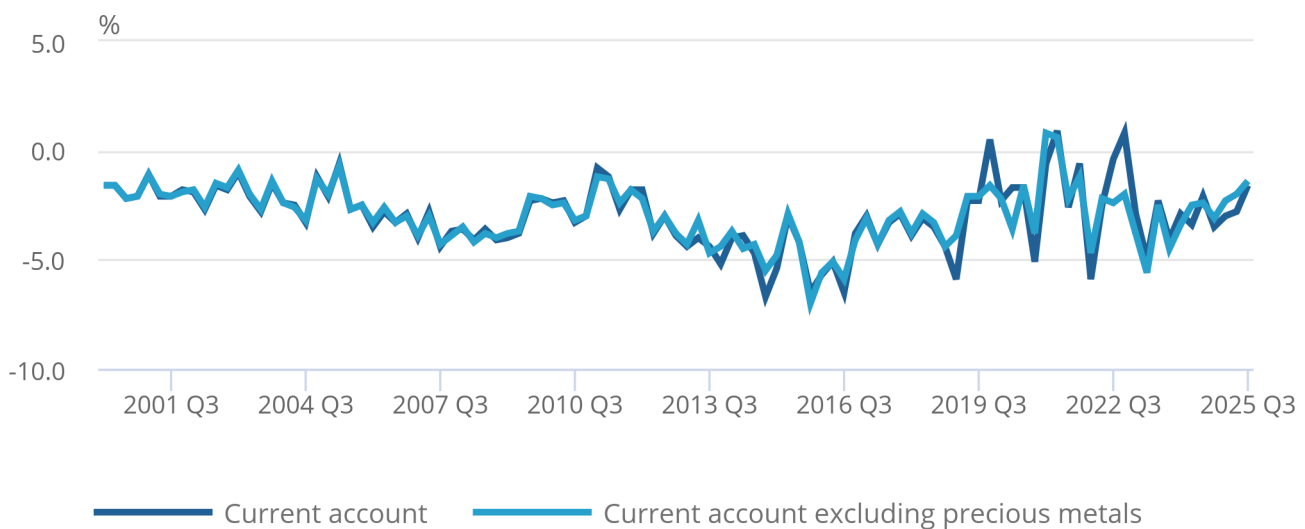
The widening in the trade deficit was more than offset by a narrowing in the primary income balance deficit in Quarter 3 2025, as earnings on direct investment abroad increased, while there was a fall in foreign earnings on direct investment in the UK.

**Figure 3: The UK’s current account deficit narrowed in Quarter 3 2025**

Balance of payments current accounts, UK, Quarter 1 (Jan to Mar) 2000 to Quarter 3 (July to Sept) 2025

Figure 3: The UK’s current account deficit narrowed in Quarter 3 2025

Balance of payments current accounts, UK, Quarter 1 (Jan to Mar) 2000 to Quarter 3 (July to Sept) 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.
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).

There was a net financial inflow of capital to finance the UK's net borrowing from the rest of the world. In Quarter 3 2025, this was primarily financed by a net inflow of portfolio investment, financial derivatives and other stock options, and other investments, partly offset by a net outflow of direct investment. These movements resulted in a net increase in our external liabilities. This expansion of the financial account surplus helped drive an increase in the net international investment liability position from £243.4 billion to £261.4 billion in Quarter 3.

## 4 . Labour market

The UK labour market has continued to loosen in 2025. Early estimates show there was a 0.6% fall in payrolled employment in the 12 months to November 2025, while employment intentions remain lower than normal. The unemployment rate rose to 5.1% in the period August to October 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](#).

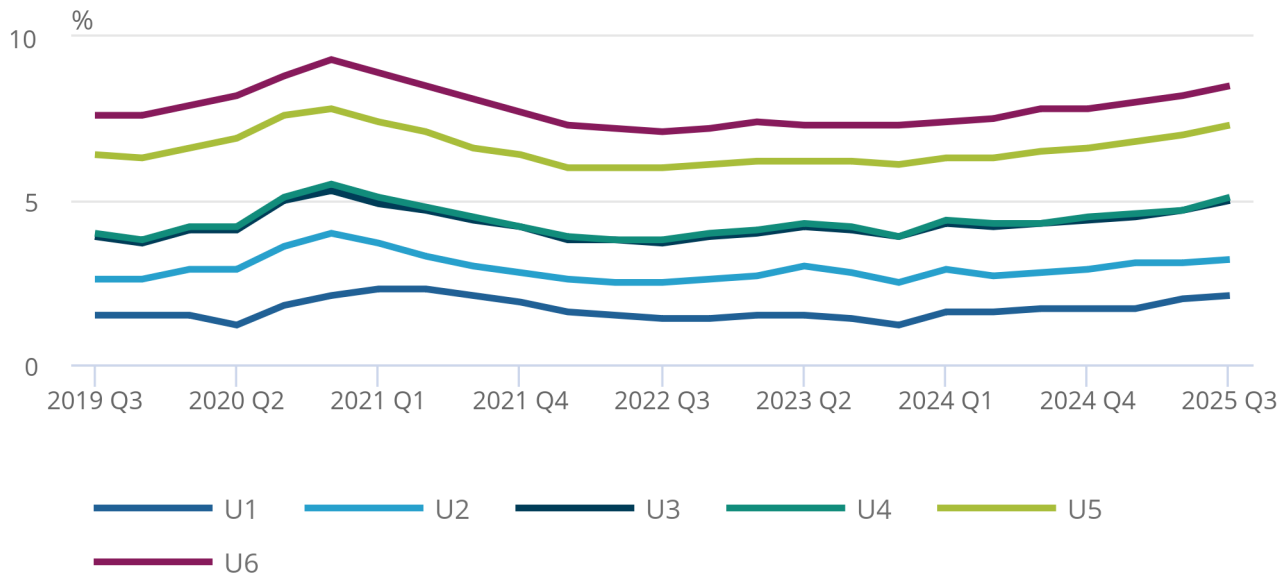
The cooling of the labour market is also reflected in a declining number of vacancies in recent years, which has then been broadly flat of late. The ratio of unemployed people to vacancies increased to 2.5 in August to October 2025, also above its levels before the coronavirus (COVID-19) pandemic and the highest level (excluding the pandemic) since May to July 2015. Read more detail in our [Vacancies and jobs in the UK: December 2025 bulletin](#).

**Figure 4: Most measures of labour under-utilisation were above their pre-coronavirus levels and increased in Quarter 3 2025**

Unemployment rates, UK, Quarter 3 (July to Sept) 2019 to Quarter 3 (July to Sept) 2025

Figure 4: Most measures of labour under-utilisation were above their pre-coronavirus levels and increased in Quarter 3 2025

Unemployment rates, UK, Quarter 3 (July to Sept) 2019 to Quarter 3 (July to Sept) 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).
4. 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).

External indicators show reduced recruitment activity. According to the latest Bank of England [Monthly Decision Maker Panel data](#), mean realised employment fell by 0.7% in the three months to November 2025 compared with a year ago. Similarly, mean expected year-ahead employment fell to 0.2% in the three months to November 2025.

The latest [KMPG and REC Report on Jobs](#) reported vacancies continued to fall at a historically marked pace. Redundancies and fewer work opportunities reportedly drove further rapid increases in candidate supply, with both permanent and temporary staff availability rising at rates that were among the quickest since 2020.

Wage pressures have moderated as spare capacity in the labour market has continued to increase. Average weekly earnings (AWE) regular pay (excluding bonuses) increased by 4.6% in the 12 months preceding August to October 2025, while total pay (including bonuses) increased by 4.7% over the same period. This is a slowing in wage inflation, although it remains high. Public sector pay growth was higher than the private sector. The public sector annual growth rate is affected by some public sector pay rises being paid earlier in 2025 than in 2024. For more information, see our [Average weekly earnings in Great Britain: December 2025 bulletin](#).

## 5 . Prices and wages

Headline consumer price inflation (CPI) declined to 3.2% in November 2025, its lowest rate since March 2025. Core inflation (excluding energy, food, alcohol and tobacco) was also at 3.2% in November, its lowest since the end of last year. Despite the easing of inflation in recent months, UK core inflation remains among the highest in the G7 group of countries (see Table 1).

Table 1: UK core inflation continues to decline from its peak but remains among the highest in the G7  
Core inflation, G7 group of countries, January 2025 to November 2025

	Canada	France	Germany	Italy	Japan	UK	US
<b>January</b>	1.6	1.8	2.8	1.7	1.7	3.7	3.3
<b>February</b>	2.6	1.6	2.6	1.5	1.6	3.5	3.1
<b>March</b>	2.4	1.6	2.5	1.6	1.7	3.4	2.8
<b>April</b>	2.8	1.6	2.7	2.0	1.7	3.8	2.8
<b>May</b>	2.6	1.4	2.5	1.7	1.8	3.5	2.8
<b>June</b>	2.6	1.7	2.4	1.8	1.8	3.7	2.9
<b>July</b>	2.5	1.7	2.4	1.9	1.8	3.8	3.1
<b>August</b>	2.5	1.5	2.4	1.9	1.8	3.6	3.1
<b>September</b>	2.5	1.6	2.6	1.9	1.5	3.5	3.0
<b>October</b>	2.7	1.5	2.7	1.8	1.8	3.4	-
<b>November</b>	2.4	1.4	2.6	1.7	-	3.2	-

Source: Organisation for Economic Co-operation and Development, and consumer price inflation from the Office for National Statistics

### Notes

1. Core inflation in the UK is based on the Consumer Prices Index (CPI) excluding energy, food, alcohol and tobacco. Core inflation in the United States is based on CPI excluding food and energy as reported by the US Bureau of Labor Statistics (BLS).
2. Figures for other countries are based on the national measures of consumer price indices, excluding energy and food, as reported by the Organisation for Economic Cooperation and Development (OECD).
3. Data as of 17 December 2025.

Part of the reason why UK core inflation was higher than other advanced economies is related to wage growth, which continues to outpace productivity growth. This wedge between pay and productivity is the [unit labour costs, which increased in the UK faster than in other G7 economies](#), based on Organisation for Economic Co-operation and Development (OECD) data.

Similar increases in labour costs typically put upward pressure on services prices, where the UK services CPI increased by 4.4% in the year to November 2025, while the more import-intensive core goods (non-energy industrial goods) price inflation was 1.1% over the same period. More information on domestic and imported inflation can be found in our [Contributions to the 12-month rate of CPI\(H\) by import intensity dataset](#).

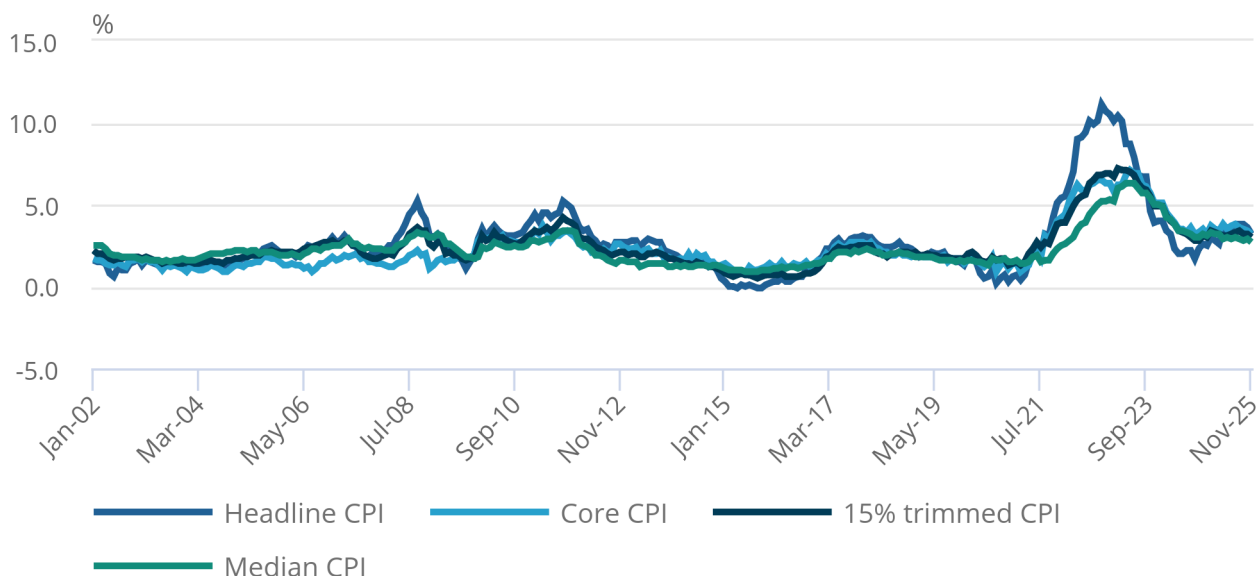
Alternative measures of core inflation also declined in recent months. The 15% trimmed-mean CPI declined to 3.0% in November 2025, its lowest level since the start of the year, while the median CPI fell to 2.7%, its lowest rate in over three years (see Figure 5). These measures exclude the most volatile price movements and provide more stable estimates of the recent easing in underlying inflation trends. These alternative measures are discussed in our [New estimates of core inflation, UK: 2022 article](#).

**Figure 5: Alternative measures of inflation fell in November 2025 as progress on disinflation continues**

Annual rates of headlines and core Consumer Prices Index (CPI), UK, 2002 to 2025

## Figure 5: Alternative measures of inflation fell in November 2025 as progress on disinflation continues

Annual rates of headlines and core Consumer Prices Index (CPI), UK, 2002 to 2025



Source: Consumer price inflation 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.

The annual inflation rate for food and non-alcoholic beverages prices was 4.2% in November 2025, up from 2.0% a year ago. This is still much lower than the rates close to 20% in early 2023. Persistent UK food inflation was caused by a combination of domestic and international factors.

Some research suggests that increases in food prices might have an outsized effect on households' inflation perceptions and inflation expectations (see the Bank of England's Staff Working Papers [Food prices matter most: sensitive household inflation expectations](#) and [How food prices shape inflation expectations and the monetary policy response](#)). The [Bank of England/Ipsos Inflation Attitudes Survey: November 2025](#) shows that households' inflation expectations increased in 2025 and are still above their historical averages. This might still be adding to the broader persistence of inflationary pressures.

## 6 . Public sector finances

The latest public finances data show borrowing of £132.3 billion in the financial year to November 2025 (April to November). This was £10.0 billion (or 8.2%) more than in the same eight-month period of 2024 and the second-highest April to November borrowing (not adjusted for inflation) on record, after that of 2020. Borrowing was also £16.7 billion (or 14.5%) higher than the £115.6 billion forecast by the Office for Budget Responsibility in March 2025 (see Figure 6).

Increased public sector net borrowing reflects an increase in the current budget deficit – borrowing to fund day-to-day public sector activities – of £7.0 billion (8.1%) to £93.0 billion in this financial year compared with the same eight-month period a year ago. This deficit has increased because the growth in public sector current expenditure outstripped the growth in current receipts.

Cumulative central government current expenditure increased by around £55.4 billion to £736.3 billion in the financial year to November 2025 compared with the same period in 2024. Contributing to this increase was a £14.1 billion increase in pay and a £9.4 billion increase in social assistance payments. This was largely caused by inflation-linked increases in many benefits and earnings-linked increases to State Pension payments.

Cumulative central government current receipts increased by around £45.2 billion to £692.6 billion in the financial year to November 2025 compared with the same period in 2024. Contributing to this rise in current receipts was a £11.8 billion increase in Pay As You Earn (PAYE) Income Tax receipts and a £21.0 billion increase in compulsory social contributions, as changes to the rate of National Insurance contributions paid by employers came into effect. Inflation and private-sector pay increases also caused some fiscal drag, as taxpayers entered higher tax brackets, and some revenues are inflation-linked.

Another large component of this increase in borrowing to fund day-to-day activities was higher debt servicing costs, where persistent inflation and global factors put upward pressure on longer-term gilt yields. The interest payable on central government debt increased by £13.1 billion compared with the same eight-month period in 2024 to £71.1 billion, largely because the interest payable on index-linked gilts rises and falls with the Retail Prices Index (RPI), which has increased since March 2025.

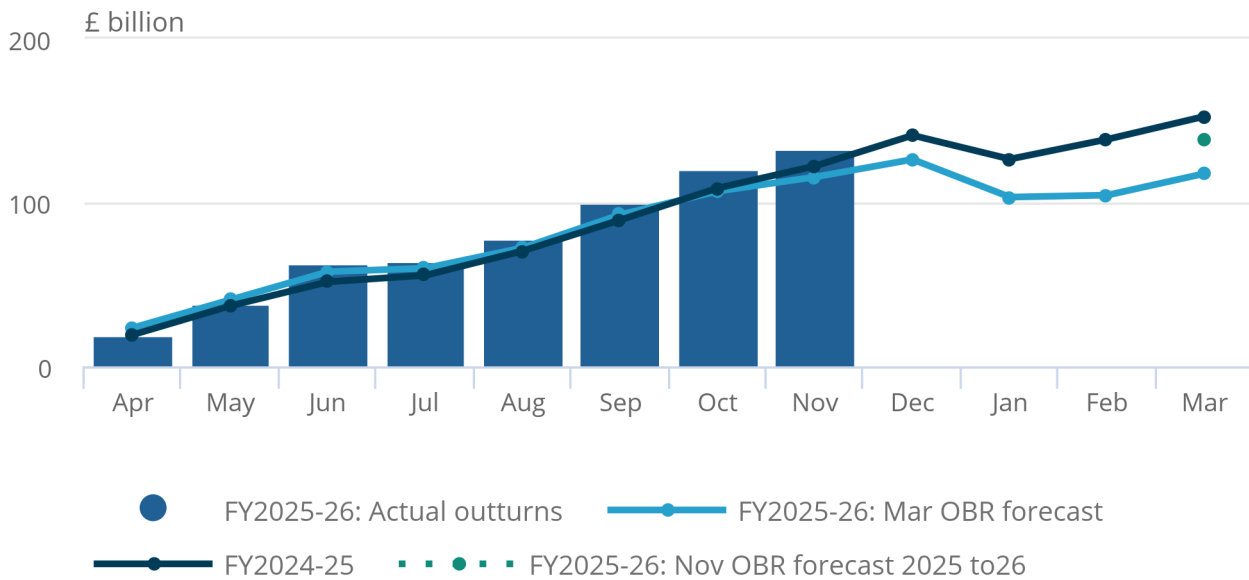
For more information, please see our [Public sector finances, UK: November 2025](#).

**Figure 6: As we enter the second half of the financial year ending March 2026, borrowing is higher than in the eight-month period in 2024 and in the OBR forecast**

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

Figure 6: As we enter the second half of the financial year ending March 2026, borrowing is higher than in the eight-month period in 2024 and in the OBR forecast

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



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

Notes:

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

## 7 . Related links

### [GDP quarterly national accounts, UK: July to September 2025](#)

Bulletin | Released 22 December 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: July to September 2025](#)

Bulletin | Released 22 December 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: November 2025](#)

Bulletin | Released 19 December 2025

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

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

Bulletin | Released 16 December 2025

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

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

Bulletin | Released 17 December 2025

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

## 8 . Cite this article

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