

IMF Executive Board Concludes 2025 Article IV Consultation with United Kingdom

July 25, 2025

- An economic recovery is underway, with growth projected at 1.2 percent in 2025 before gaining momentum next year.
- The authorities' fiscal plans strike a good balance between supporting growth and safeguarding fiscal sustainability. It will be important to stay the course and deliver the planned deficit reduction over the next five years.
- The Bank of England (BoE) should continue to ease monetary policy gradually, while remaining flexible in light of elevated uncertainty.
- The authorities' Growth Mission covers the right areas to lift productivity. Given the breadth of the agenda, prioritizing and sequencing of structural reforms, along with clear communication, will be key to success.

Washington, DC: On July 21, the Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for the United Kingdom.^[1] (#_ftn1)

The economy rebounded in Q1 2025, after weaker growth in the second half of 2024. The growth recovery in the first quarter was mainly driven by business investment. After easing to 1.7 percent in September, headline inflation picked up again in the fall mainly because of waning effects from lower energy prices. Wage growth continued to moderate as the labor market showed signs of easing. Monetary policy has remained restrictive, despite the gradual reduction in Bank Rate, and the stance of fiscal policy was broadly unchanged in FY2024/25 (relative to the previous year).

The economic recovery is expected to gain momentum this year and next. Growth is projected at 1.2 percent in 2025 and 1.4 percent in 2026, as monetary easing, positive wealth effects, and an uptick in confidence bolster private consumption, while the boost to public spending in the October budget will also help support growth. The forecast assumes that, all else equal, global trade tensions lower the level of UK GDP by 0.3 percent by 2026, due to continued uncertainty, slower activity in UK trading partners, and the direct impact of remaining US tariffs on the UK. The pickup in headline inflation that started in the second half of 2024 is expected to continue as a result of regulated price increases, the employer NIC rate hike, and waning base effects from energy prices. The rise in inflation should nonetheless be temporary, and average CPI is projected to decline from 3.2 percent in 2025 to 2.3 percent next year.

Risks to growth remain to the downside. Tighter-than-expected financial conditions, combined with rising precautionary saving by households, would hinder the rebound in private consumption and slow the recovery. Persistent global trade uncertainty could also weigh on UK growth, by weakening world economic activity, disrupting supply chains, and undermining private investment. A significant rise in commodity prices risks intensifying inflationary pressures.

Executive Board Assessment^[2] (#_ftn2)

Executive Directors agreed with the thrust of the staff appraisal. They noted that the economy is expected to recover modestly in 2025 before accelerating further in 2026, with inflation returning to target in the second half of next year after a temporary spike driven by one-off factors. They commended the authorities' efforts

to foster policy stability and pro-growth reforms, but viewed domestic and global risks, including those stemming from trade tensions, as being tilted to the downside.

Directors concurred that the medium-term fiscal strategy appropriately supports growth, while stabilizing net debt. They emphasized the importance of staying the course and reducing fiscal deficits as planned over the medium term, which may require additional measures if risks materialize. Directors welcomed the recent improvements to the fiscal framework, and supported further refinements to improve predictability and reduce pressures for frequent policy changes. They encouraged continued efforts to improve spending efficiency and to address long-term pressures from ageing population, defense spending and climate transition.

Directors agreed that a gradual and flexible approach to monetary policy easing remains appropriate. Given elevated uncertainty, they noted that retaining flexibility to adjust the monetary stance in either direction is warranted. They welcomed the Bank of England’s (BoE) implementation of the Bernanke Review, particularly the shift toward scenario-based communication, conditional guidance, and improved forecasting. They noted that the BoE’s transition to a demand-driven repo-based framework is appropriate to mitigate balance sheet risks, while maintaining monetary control.

Directors recognized that the financial sector remains broadly resilient and that the macroprudential settings are appropriate. They underscored the importance of enhancing gilt market resilience amid rising global risks. They acknowledged the significant progress made in assessing and reducing vulnerabilities in the non-bank sector and encouraged further collaboration with other countries to mitigate financial risks. They encouraged steps to further strengthen the AML/CFT framework. Directors also emphasized that ongoing reforms should balance promoting growth with preserving financial stability.

Directors welcomed the authorities’ structural agenda which covers all relevant areas. They noted that careful prioritization and sequencing of policies will be key to success. They highlighted policy stability, planning reforms, and boosting human capital as the most important priorities, likely to deliver the largest growth benefits. Directors commended the authorities for their continued support of multilateral cooperation.

United Kingdom: Selected Economic Indicators, 2019-2030

(Percentage change, unless otherwise indicated)

2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030

Projections

Real Economy

(change in percent)

Real GDP	1.6	-10.3	8.6	4.8	0.4	1.1	1.2	1.4	1.5	1.5	1.4	1.4
----------	-----	-------	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

Domestic demand	1.9	-11.5	9.1	5.1	0.0	2.4	1.8	1.4	1.5	1.4	1.4	1.4
Private domestic demand	1.3	-13.1	7.2	7.2	0.5	0.8	1.3	1.6	1.5	1.5	1.5	1.4
CPI, period average	1.8	0.9	2.6	9.1	7.3	2.5	3.2	2.3	2.0	2.0	2.0	2.0
CPI, end-period	1.3	0.6	5.4	10.5	4.0	2.5	2.9	2.0	2.0	2.0	2.0	2.0
Unemployment rate (in percent) 1/	3.8	4.6	4.6	3.8	4.1	4.3	4.5	4.4	4.3	4.2	4.1	4.0
Gross national saving (percent of GDP)	15.6	14.6	17.2	16.6	14.3	15.0	13.1	13.2	13.5	13.5	13.7	13.9
Gross domestic investment (percent of GDP)	18.2	17.6	17.7	18.7	17.8	17.7	16.4	16.5	16.6	16.6	16.6	16.7

Public Finance

(fiscal year, percent of GDP)

Public sector overall balance 2/	-2.6	-15.1	-5.3	-5.0	-4.8	-4.7	-4.1	-3.5	-2.8	-2.6	-2.3	-1.9
Public sector primary balance	-1.3	-14.1	-3.2	-1.2	-1.7	-1.9	-1.1	-0.6	0.2	0.5	0.8	1.1
Public sector cyclically adjusted primary balance 3/	-1.4	-12.0	-3.6	-2.4	-1.9	-1.8	-0.8	-0.3	0.4	0.6	0.9	1.1
Public sector net financial liabilities (PSNFL) 4/	74.5	83.2	80.5	80.5	81.1	81.5	82.9	84.0	84.1	84.1	83.9	83.4

Money and Credit

(12-month percent change)

M4 (end-period)	3.8	12.6	6.4	1.6	-1.2	2.6	...	...	...	...	...	...
-----------------	-----	------	-----	-----	------	-----	-----	-----	-----	-----	-----	-----

Net lending to non-fin private sector (end-period)	2.8	3.6	2.7	2.9	0.0	2.1	4.6	3.6	3.7	3.7	3.8	3.7
--	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

House Price Index (HMLR, end- period)	0.9	7.0	7.3	7.3	-2.7	4.0	...	...	...	...	...	...
---	-----	-----	-----	-----	------	-----	-----	-----	-----	-----	-----	-----

Interest Rates

(percent; year
average)

Bank Rate	0.8	0.2	0.1	1.5	4.7	5.1	4.1	3.2	3.0	3.0	3.0	3.0
-----------	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

Long Term Interest Rate	0.9	0.4	0.8	2.4	4.1	4.1	4.5	4.1	4.1	4.2	4.3	4.3
----------------------------	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

2y mortgage rate (75% LTV fixed rate,average)	1.6	1.6	1.4	3.5	5.3	4.8	...	...	...	...	...	...
---	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

5y mortgage rate (75% LTV fixed rate,average)	1.9	1.8	1.6	3.4	4.8	4.4	...	...	...	...	...	...
---	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

Balance of

Payments (percent
of GDP)

Current account balance	-2.7	-2.9	-0.4	-2.1	-3.5	-2.7	-3.4	-3.3	-3.1	-3.1	-2.9	-2.8
----------------------------	------	------	------	------	------	------	------	------	------	------	------	------

Trade balance	-1.4	0.6	-0.2	-1.7	-1.1	-1.1	-1.1	-1.1	-0.9	-0.8	-0.7	-0.6
---------------	------	-----	------	------	------	------	------	------	------	------	------	------

Exports of G&S (volume change in percent)	2.0	-11.8	3.2	12.6	-0.4	-1.2	0.3	1.1	1.2	1.2	1.1	1.1
---	-----	-------	-----	------	------	------	-----	-----	-----	-----	-----	-----

Imports of G&S (volume change in percent)	2.7	-15.9	5.8	13.0	-1.2	2.7	1.9	1.2	1.3	1.1	1.1	1.1
---	-----	-------	-----	------	------	-----	-----	-----	-----	-----	-----	-----

Terms of trade (percent change)	0.7	1.5	-0.2	-3.9	1.0	3.6	1.7	0.2	0.4	0.4	0.4	0.0
------------------------------------	-----	-----	------	------	-----	-----	-----	-----	-----	-----	-----	-----

FDI net	-1.5	-5.2	5.0	2.6	0.4	1.8	0.2	0.2	0.2	0.2	0.2	0.2
---------	------	------	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

Reserves (end of period, billions GBP)	131.6	131.8	143.4	146.7	139.6	139.5	139.5	139.5	139.5	139.5	139.5	139.5
--	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

Exchange Rates

Nominal effective rate (2010=100, year average)	97.8	98.3	102.6	101.0	102.2	106.5	...	...	...	...	...
---	------	------	-------	-------	-------	-------	-----	-----	-----	-----	-----

Real effective rate (2010=100, year average)	98.6	98.8	102.6	101.3	103.9	108.3	...	...	...	...	...
--	------	------	-------	-------	-------	-------	-----	-----	-----	-----	-----

Memorandum

Items:

Nominal GDP (billions GBP)	2,234	2,103	2,285	2,526	2,711	2,851	2,981	3,089	3,203	3,321	3,447	3,575
----------------------------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

Nominal GDP (billions USD)	2,853	2,699	3,144	3,125	3,371	3,645	...	...	...	...	...
----------------------------	-------	-------	-------	-------	-------	-------	-----	-----	-----	-----	-----

Sources: Bank of England; IMF's Information Notice System; HM Treasury; Office for National Statistics; and IMF staff calculations.

1/ ILO unemployment; based on Labor Force Survey data.

2/ Corresponds to the fiscal year beginning in April.

3/ In percent of potential GDP.

4/ PSNFL is a broader balance sheet metric than public sector net debt, that includes the Bank of England and additional liabilities (e.g. funded pension schemes), while subtracting a broad range of financial assets (e.g. student loans).

IMF Communications Department

MEDIA RELATIONS

PRESS OFFICER: CAMILA PEREZ

PHONE: +1 202 623-7100 | **EMAIL:** MEDIA@IMF.ORG

[X @IMFSPOKESPERSON](https://twitter.com/IMFSPOKESPERSON) ([HTTPS://TWITTER.COM/IMFSPOKESPERSON](https://twitter.com/IMFSPOKESPERSON))