

How fast is the UK's economy growing and what is GDP?

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The UK's economy grew by 0.1% in November 2024, according to the latest official figures, less than had been expected.

The strength of the economy affects things like pay increases for workers and the amount of tax the government can raise to pay for services.

What is GDP and how is it worked out?

GDP stands for gross domestic product, and is a measure of all the economic activity of companies, governments and people in a country.

In the UK, the Office of National Statistics (ONS) publishes **new GDP figures every month, external**. However, quarterly figures - covering three months at a time - are considered more important.

Most economists, politicians and businesses like to see GDP rising steadily.

That's because it usually means people are spending more, extra jobs are created, more tax is paid and workers get better pay rises.

When GDP is falling, it means the economy is shrinking - which can be bad news for businesses and workers.

If GDP falls for two quarters in a row, that is known as **a recession, which can lead to pay freezes and job losses.**

- **How much money does the UK government raise and spend each year?**
- **Where does the government borrow billions from?**

What is happening to the UK economy?

The UK grew strongly in the first half of 2024, when the economy was rebounding from the brief recession at the end of 2023.

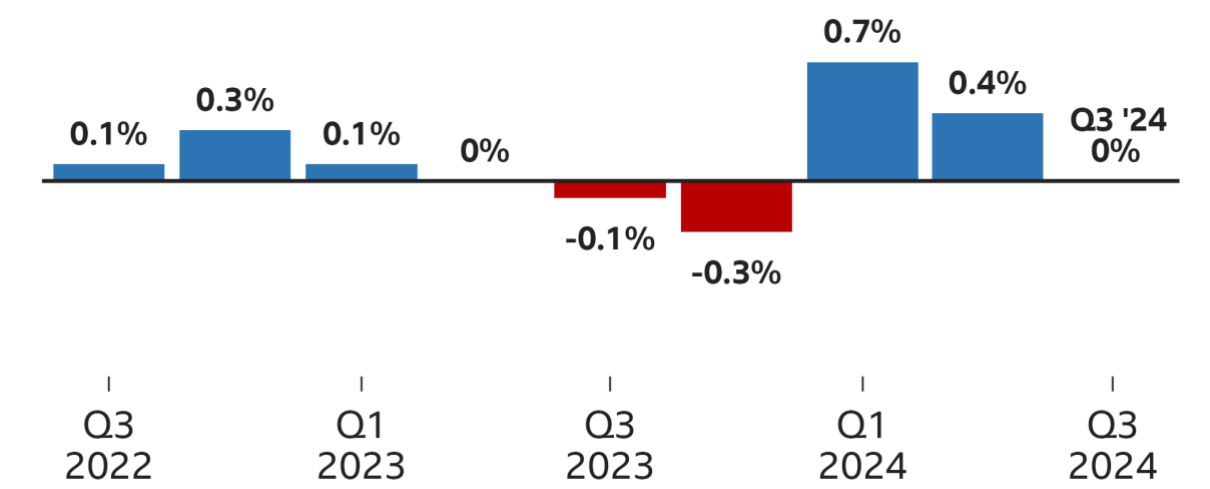
GDP increased by 0.7% between January and March, and **0.5% between April and June, external.**

However, growth has slowed since then.

The economy had zero growth between **July and September**, and economists predict the next quarterly figures will show growth was very low for the final three months of the year.

UK economy flatlined in three months to September

Quarterly GDP growth in the UK, Jul to Sep 2022 to 2024



Source: Office for National Statistics

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The latest monthly figures show that **GDP grew by 0.1% in November**, partly driven by better trading for pubs, restaurants and the construction industry.

This was the first growth for three months after the economy shrank in both September and October, but was lower than economists had expected.

In December 2024, the influential think tank the Organisation for Economic Co-operation and Development (OECD) cut its growth forecast for the UK for 2024.

It now expects the UK economy will have grown by 0.9% across the year as a whole, down from its previous prediction of 1.1%.

That would make it the fourth best performer in the G7 group of rich nations, according to the OECD, external, behind the US, Canada and France, but ahead of Italy, Germany and Japan.

However, economic forecasts are not always accurate.

- Starmer and Reeves navigate tricky economic backdrop

How does GDP affect me?

If GDP is going up steadily, people pay more in tax because they're earning and spending more.

This means more money for the government, which it can choose to spend on public services, such as schools, police and hospitals.

When the economy shrinks and a country goes into recession, these things can go into reverse.

Governments tend to get less money in tax, which means they may decide to freeze or cut public spending, or put taxes up.

In 2020, the Covid pandemic caused the most severe UK recession for more than 300 years, which forced the government to borrow hundreds of billions of pounds to support the economy.

- Why a small drop in inflation matters
- Why are prices rising in the UK?
- When will interest rates fall?

How is GDP measured?

GDP can be measured in three ways:

- **Output:** The total value of the goods and services produced by all sectors of the economy - agriculture, manufacturing, energy, construction, the service sector and government
- **Expenditure:** The value of goods and services bought by households and by government, investment in machinery and buildings - this also includes the value of exports, minus imports
- **Income:** The value of the income generated, mostly in terms of profits and wages

In the UK, the ONS publishes one single measure of GDP, which is calculated using all three measurements.

But early estimates mainly use the output measure, using data collected from thousands of companies.



IMAGE SOURCE, GETTY IMAGES

Why does the GDP figure sometimes change?

The UK produces one of the quickest estimates of GDP of the major economies, about 40 days after the quarter in question.

At that stage, only about 60% of the data is available, so the figure is revised as more information comes in.

The ONS publishes more information about this [on its website, external](#).

What are the limitations of the GDP figure?

GDP **doesn't tell the whole story**:

- **the hidden economy**: unpaid work such as caring for children or elderly relatives isn't captured
- **inequality**: it also doesn't show how income is split across a population - rising GDP could result from the richest getting richer, rather than everyone becoming better off, and some people could be worse off

To try and address this, the ONS also publishes a figure for GDP per capita - or head of population - which can tell a different story.

In fact, when you strip out inflation and population growth, the latest quarterly figures show that **GDP per capita actually fell by 0.1% between July and September 2024, external**.



IMAGE SOURCE,GETTY IMAGES

Image caption,

Official GDP figures don't take into account unpaid work like looking after children
Some critics also argue that GDP doesn't take into account whether the economic growth it measures is sustainable, **or the environmental damage it might do.**

Alternative measures have been developed which try to capture this.

Since 2010, **the ONS has also measured well-being, external** alongside economic growth. This assesses health, relationships, education and skills, as well as people's personal finances and the environment.

But despite its limitations, GDP is still the most widely-used measure for most government decisions and international comparisons.