**UK GDP grew strongly in February**

The Office for National Statistics (ONS) published data for UK GDP growth in February. It showed that UK output grew quite strongly, with GDP rising by 0.5% compared to the previous month. This follows revised figures for January showing flat growth (up from a previously estimated -0.1%). Most analysts had expected smaller monthly growth.

The ONS noted that *“all three main sectors grew in February 2025: services output increased by 0.3% and was the largest contributor to the monthly growth in GDP, production output rose by 1.5%, and construction output increased by 0.4%.”* Over the broader three-month period to February, real GDP grew by 0.6%, largely driven by services.

**US tariffs continue to affect UK growth expectations**

This month, the Trump administration introduced a 10% baseline tariff on most goods including from the UK (already in effect), alongside 25% tariffs on steel, aluminium, vehicles, and automotive parts, which will be phased in across April and May. Further measures are under consideration, including a 25% tariff on pharmaceuticals and a 21% ‘retaliatory’ tariff on UK exports, in response to what the US views as an unfair 20% VAT regime. However, a higher level of ‘reciprocal’ tariffs that was announced on 2 April against some countries have been paused from 9 April for 90 days. This pause does not include imports from China which has been hit by tariffs of up to 145%.

With the already confirmed actions, the Office for Budget Responsibility (OBR) is likely to revise down its growth forecast, placing additional pressure on the Chancellor’s Autumn Budget agenda. Modelling by Oxford Economics (which accounts for the April tariff package) suggests a 0.5 percentage point hit to UK GDP growth in 2025, driven more by weaker US and global demand (rather than by direct trade effects). While their analysis isn’t region-specific, they note that London’s highly trade-exposed business services sector is likely to be disproportionately affected. Across forecasts and expert commentary, there is a general consensus that US tariffs could shave 0.3–0.5 percentage points off UK growth this year.

We’ve yet to see modelling specific to London, but some channels of impact are already clear. While London is not reliant on goods exports, firms could be exposed via supply chains, head office operations, and financial markets—affecting investor sentiment, delaying commercial and residential development, and slowing hiring in disrupted sectors. Regarding specific sectors, the US remains the UK’s largest trade partner of financial and insurance services, importing a third of all of UK financial and insurance service exports. Roughly half of the sector’s output is concentrated in London, so disruptions to the capital’s firms will not be negligible. Beyond tariffs, President Trump’s renewed attacks on Federal Reserve independence—including direct criticism of Chair Jerome Powell—introduce an additional layer of risk.

If political influence over U.S. monetary policy begins to shape rate decisions, the result could lead to a loss in confidence in capital markets, increasing global financial uncertainty - with tangible consequences for London’s internationallyoriented firms. This backdrop of rising external pressure underscores the need for continued monitoring— and, where feasible, sector-specific resilience planning.

**IMF cuts global growth forecast**

The International Monetary Fund (IMF) published its latest World Economic Outlook this month. It noted that “after enduring a prolonged and unprecedented series of shocks, the global economy appeared to have stabilized, with steady yet underwhelming growth rates. However, the landscape has changed as governments around the world reorder policy priorities and uncertainties have climbed to new highs. Forecasts for global growth have been revised markedly down” due to effective tariff rates being at “levels not seen in a century and a highly unpredictable environment”. The IMF further noted that downside risks dominate its forecast. Thus, it now expects world growth of 2.8% this year and 3.0% next year, downgrades of 0.5 percentage points (pp) and 0.3pp respectively on their January forecast.

The US has seen its growth rate heavily reduced this year with it now expected to grow by 1.8% in 2025 and 1.7% in 2026, downgrades of 0.9pp and 0.4pp respectively. The UK is forecast to grow by 1.1% this year and 1.4% next year, downgrades of 0.5pp and 0.1pp respectively on their January forecast.

**China’s Q1 growth beats expectations**

China’s GDP grew by 5.4% in Q1 2025, driven partly by firms rushing exports before tariffs hit. However, officials warn of weak domestic demand and persistent external risks.

Chinese GDP grew by 5.4% in the first quarter of the year, ahead of the rate expected by surveyed analysts. It is believed this was in part driven by exporters frontloading their exports to the US ahead of the imposition of tariffs. Commentating on the numbers Sheng Laiyun, deputy commissioner of China’s National Bureau of Statistics said the economy had a “good start” to the year. However, he warned that “the current external environment is becoming increasingly complex and severe, the driving force for domestic effective demand growth is insufficient and the foundation for the economy to continue its rebound and improvement still needs to be solidified”. European visitors to the US down Elsewhere, Financial Times analysis of International Trade Administration (ITA) data found that western European visitors to the US have declined markedly with 17% less western European visitors to the US in March compared to the same month a year earlier.

Travellers from some countries including Ireland, Norway and Germany were down by more than 20%. It should however be noted that the differing timing of Easter in 2025 compared to 2024 when it fell in March may have impacted these numbers. London sees a softening labour market The latest labour market data from the ONS shows a continued softening of conditions in London. Notably, the unemployment rate in London has risen again, reaching 6.5% in February, equivalent to around 328,000 Londoners out of work and looking for work. And, while data problems remain for this survey-based figure – along with those for employment and economic inactivity – administrative data on benefit claimants also shows a rise to 6.0% (around 370,000 Londoners claiming unemployment-related benefits).

The number of payrolled employees in London has also been falling, and in March was down 0.5% on the year. However, this softness in labour supply has not yet translated into wage pressures. Nominal monthly pay for payrolled employees grew by 4.3% on the year and after adjusting for inflation was nearly 1% higher