

UK economy flatlines unexpectedly

There was no growth in the UK economy in July, official figures show.

It's the second month of [stagnation](#), the Office for National Statistics (ONS) said as GDP – the measure of everything produced in the UK – flatlined in the weeks following the election of the Labour government.

The flatline was not expected by economists, who had anticipated growth.

[Money blog: Online fashion giant U-turns on returns fee](#)

Economists polled by the Reuters news agency forecast the economy would expand by 0.2%.

Some signs of growth

But there's "longer-term strength" in the services sector meaning there was growth over the last three months as a whole and 0.5% expansion in the three months up to July.

Among the G7 group of industrialised nations, the UK had the highest growth rate for the first six months of 2024.

Why stagnation?

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While there was growth in the services sector, led by computer programmers and the [end of strikes in health](#), these gains were offset by falls for advertising companies, architects and engineers.

Manufacturing output fell overall due to "a particularly poor month for car and machinery firms", the ONS said, while construction also declined.

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What will it mean for interest rates?

Market expectations are for interest rates to remain unchanged by the [Bank of England](#) when they meet next week to consider their next move in the fight against inflation.

The central bank had raised the rate and made borrowing more expensive to reduce inflation.

A cut in November, at the next meeting of rate-setters, is expected. Rates are forecast to be brought down to 4.75% at that point.

Political reaction

In response to the figures Chancellor [Rachel Reeves](#) said:

“I am under no illusion about the scale of the challenge we face and I will be honest with the British people that change will not happen overnight. Two-quarters of positive economic growth does not make up for 14 years of stagnation.

“That is why we are taking the long-term decisions now to fix the foundations of our economy.”