

Snap | 14 May 2026

UNITED KINGDOM

0.6% UK growth? Why you should be sceptical

Ever since 2022, the UK economy has grown much faster in the first quarter than in the rest of the year. And 2026 looks like it ll be no different

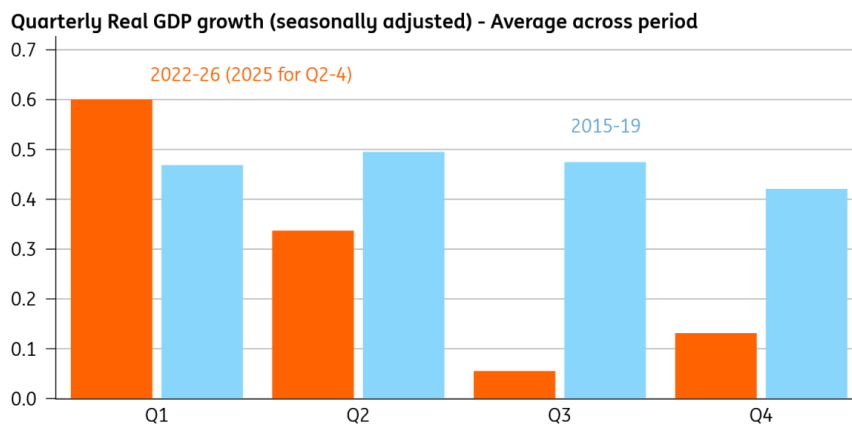


We just aren't convinced by the UK's first quarter growth performance. GDP rose by 0.6%, up from 0.2% in the fourth quarter of 2025.

It follows a now-familiar pattern; since 2022, UK growth figures have come in much stronger in the first three months of the year than the rest. Growth has averaged 0.6% in Q1 over that period, a sharp contrast to Q3 where the economy has typically flatlined.

Why? It's hard to say exactly what's happening. But it seems that something's not quite right with the way the data is being seasonally-adjusted, a legacy we suspect of higher inflation and the timing of annual price hikes. To its credit, the Office for National Statistics has confirmed today it has made some changes to previous years and is keeping its methods under review.

UK GDP has become very seasonal



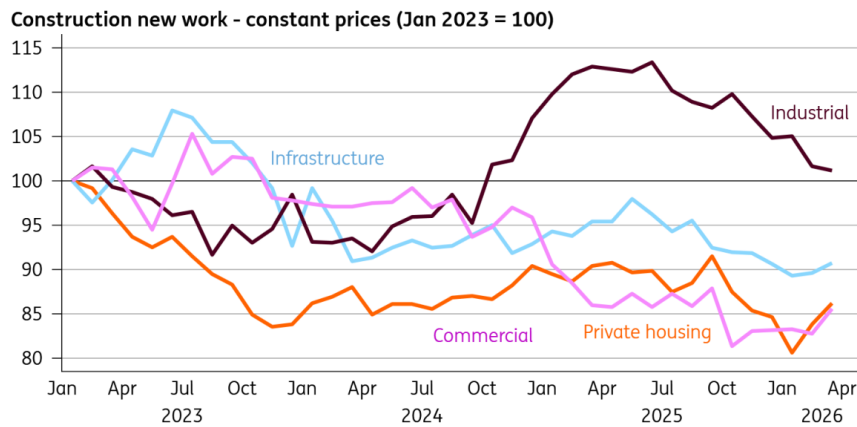
Source: Macrobond, ING

That's not to say the UK economy didn't grow at all in Q1. Surveys point to an underlying trend closer to 0.2-0.3%, which certainly isn't terrible. Notwithstanding those seasonal issues, retail spending looks solid. The purchasing managers' indices had a decent start to the quarter, too. We're keeping a keen eye on IT, which contributed 0.3pp of the 1.2% year-on-year growth we saw in March, despite only having a 6% weight in GDP. That has been consistently the case and might point to some tailwinds from AI.

We know, for instance, that the UK is at the forefront of Europe's efforts to build data centre capacity, though the evidence is mixed on exactly how much this is boosting Britain's economy. A surge in industrial-related construction in the first half of 2025 has since reversed. And when we look at import data, Britain hasn't seen the surge in computer-related equipment that the US has experienced. One to watch this year.

Speaking of construction, this is another area that seems to have had a more stable first quarter after a horrendous end to 2025. Private housebuilding had a bit of a bounce in new work, as did commercial construction, though both are still 14% below January 2023 levels. This feels like a temporary bounce; forward-looking indicators on construction remain worrisome, compounded by the fresh pressure emerging on the property market.

Construction bounced in Q1 but it's unlikely to last



Source: Macrobond, ING

That brings us to the key point, which is that the direction of the UK economy this summer has clearly changed for the worse over the past few weeks. Admittedly, a strong GDP reading for March sets a decent base for the second quarter; growth is likely to come in around 0.2-0.3%, before likely turning negative in the third quarter. Real disposable incomes are likely to fall, with inflation headed slightly above 4% this summer and wage growth stuck closer to 3%, and unemployment likely to increase further.

The big question is whether we'll see a decent fall in the savings ratio to compensate. Our guess is we won't see a significant change given consumer caution. We're pencilling in annual growth of 0.8% for the UK this year, flattered by the strong Q1 that's been confirmed today.

Today's data won't change much for the Bank of England, which is singularly focused on the impending inflation spike and the risk of it spilling into wage growth. We expect a one-and-done rate hike in June.

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