

November 2025

Monthly Economic Review



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Ahead of the Chancellor's autumn budget and updated economic forecasts we take a look at the state of play and speculation in the build-up. We also review what's happening state-side with shutdowns and the latest Fed decision, and what we know about the impact of the JLR cyber-attack.

A look ahead to the autumn budget

Later this month the Chancellor will deliver her autumn budget statement, which, once again, comes against a backdrop of heightened economic uncertainty and strained public finances. The statement will also be accompanied by updated economic and fiscal forecasts from the Office for Budget Responsibility (OBR).

Despite the general gloomy tone of coverage, thus far, in the build up to the statement, it's not all terrible. As we've noted in recent *Reviews* the UK (and global) economy has shown a bit more resilience than expected in the first half of this year. Back in March the OBR halved its forecast for growth this year to one per cent. It is very likely to be upgraded in its November update. The average GDP growth forecast for 2025 in October was 1.4 per cent.

However, the OBR's expectation back in March of a material strengthening in growth to 1.9 per cent next year feels punchy compared with the consensus of a bit over one

per cent. While private consumption is likely to pick up next year, a weaker profile for government spending and business investment is expected, and ongoing global uncertainty will likely weigh again on net trade.

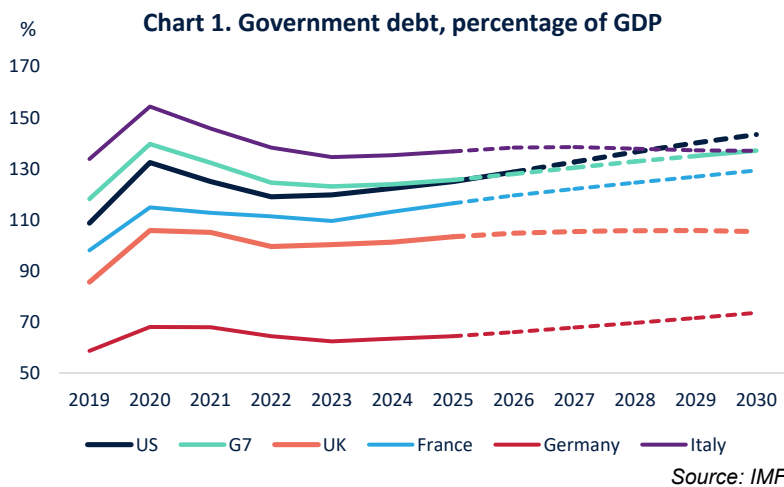
More significantly, and already trailed, is the expected downgrade to the OBR's assessment of trend productivity growth over the forecast period. In March, the OBR pushed up expectations for productivity growth towards the end of the forecast period on the assumption that planning reforms will boost construction and housing services.

Annual productivity growth of around 1.2 per cent, which is pencilled in from 2027, has been a post-GFC rarity. The ambitions and investments set out in the industrial strategy as well as delivery on housebuilding targets (though off to a slow start) could help us get there. Should the OBR judge this to be too optimistic, the Institute for Fiscal Studies (IFS) estimates that each 0.1 percentage point reduction to productivity would increase public sector net borrowing (PSNB) by £7 billion in 2029/30.

Independent forecasts expect borrowing to be around three per cent of GDP in 2029/30 compared with the OBR's March forecast of just over two per cent. This would leave the Chancellor with another round of difficult decisions about tax rises or spending cuts to meet her fiscal rules.

There is no shortage of suggestions on the available options, but with each comes potentially difficult trade-offs: increase income tax (breaks a manifesto promise); raise VAT (near term inflation impact); ISA reform (unpopular and has consequences for some lenders' business models); increase bank levy ([further erodes international competitiveness of financial sector](#)); further capital allowances reforms (would be regarded as another grab from businesses) ... and so on.

Bond markets will however be looking for a balanced tax and spending package that keeps borrowing in check. Businesses and consumers will no doubt be hoping that



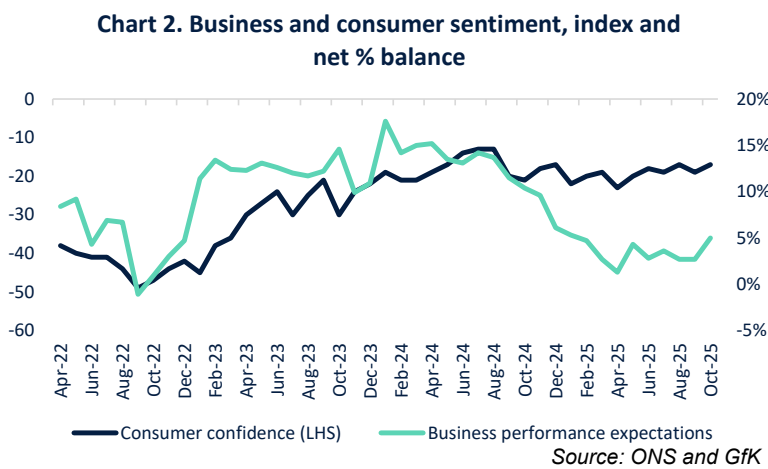
wherever the Chancellor lands, we do not find ourselves in the same boat at the next Budget. But **chart 1** is a reminder that the UK is not the only country the bond markets have in their sights. While the UK debt to GDP ratio is pushing 100 per cent, that leaves us below the G7 average and set to

remain there for the rest of this parliament.

UK Finance will be setting out its recommendations to the Chancellor in early November, and you'll find our [full submission](#) on the website and next month's briefing will round up policy detail, updated forecasts and reaction.

Confidence ups and downs

Last month we touched on the challenges facing SMEs and over the past year, and the tax burden has become more prominent among those challenges. While businesses have demonstrated resilience at the start of this year and some of the heat has also been taken out of global trade tensions and tariff wars that hit confidence



earlier in the year, businesses' growth expectations (chart 2) remain in the doldrums.

The ONS BICS survey in October showed a net balance of five per cent of respondents expected their business performance to improve in the next 12 months, up from April's

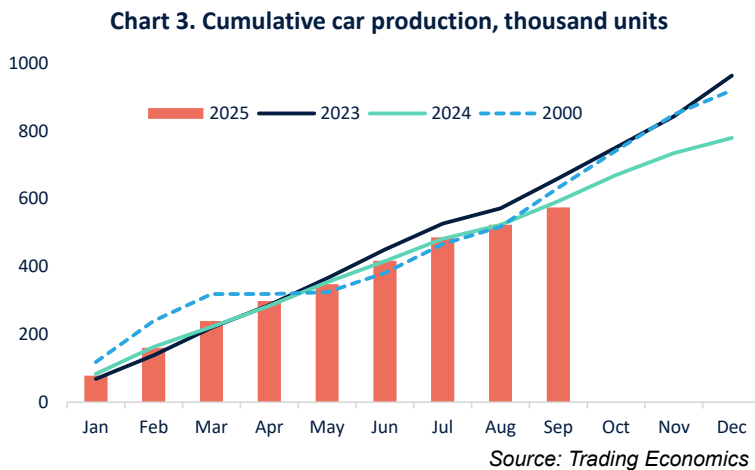
lows, but well below the balance of +15 per in the early months of 2024. Hospitality and retail remain the most pessimistic about future prospects.

The latest flash purchasing managers' indices (PMIs) paint a similarly tentative picture. Services activity is showing modest growth, but respondents noted delayed business decisions in anticipation of the November Budget. There was some slightly better news on the manufacturing front. The pace of contraction is easing with some signs of a pickup in domestic demand, but tariffs and the ongoing fall out from the JLR cyber-attacks (more on that next) are still presenting challenges to the outlook.

On the consumer side, there was a slight pick-up in the GfK sentiment index in October – but the broadly flat trend seen since last autumn persists. Most components of the index increased in October, notably the major purchase index, which was 4 points up compared with September and nine points higher than a year ago. GfK note that the improvement comes ahead of the key Black Friday sales period, but that any bad news for households in the Budget could put the brakes on spending.

Cyber-attack fall out

As noted above, October brought a modest improvement in manufacturing activity, some of which can be attributed to the phased restart at Jaguar Land Rover (JLR) after a near month-long shutdown following a cyber-attack at the end of August. Recent data from the automotive trade body, SMMT, show the impact of the attack on vehicle production (**chart 3**).



Overall vehicle production in September was down 27 per cent on a year ago and year-to-date production was more than eight per cent down.

The cyber-attacks added to the challenges facing the sector from the shift to electric vehicle production as well as US export

quotas. Even before the JLR attack, output was tracking lower than seen in 2023.

Earlier this year the SMMT had predicted total vehicle output in 2025 to be some 15 per cent lower than in 2024, at 755,000 units. The industry has demonstrated its agility in bouncing back, for example during the pandemic when output rebounded strongly after the initial lock downs.

As production gets back on track, it may still take time for the shutdown to fully work through the supply chain. The Cyber Monitoring Centre estimated that around 5,000 were impacted. Small and specialist tier two or three suppliers report that cashflow challenges are likely to persist into the new year. If as expected, automotive output accelerates again next year, the industry cannot afford the loss of skills and capacity in complex supply networks.

Flying blind?

There has been both a lot of news from the US in the past month and none at all. In this section we'll trot through the latest Fed decision, trade discussions in Asia, and the government shutdown.

Starting with the shutdown, at the end of September Congress failed to agree the budget resolutions which would fund the government for the coming year – the

Republicans don't have a large enough majority to push the resolutions through, and Democrats aren't budging on healthcare tax credits that are due to expire.

While shutdowns are fairly rare, they have previously been fairly short-lived (the longest one previously was 35 days), doing relatively little long term economic damage. Impacts from temporary loss of pay or reduced government spending are eventually recovered. However, a longer one would be more damaging if it led to job losses, hit confidence and created indirect issues for businesses, such as not being able to access grants or federal loans.

No sign of this at the moment, but consumer confidence is already pretty subdued. The University of Michigan consumer sentiment for the US showed that inflation and high prices remain at the forefront of consumers' minds, but *"there was little evidence this month that consumers connect the federal government shutdown to the economy."*

Chart 4 was going to look at the how the US economy was faring, but the shutdown also means that agencies such as the Bureau of Labor Statistics and Bureau of Economic Analysis are not providing monthly data outputs. There are direct implications from this for monetary policy.

The Federal Reserve again cut the Fed Funds Rate by a quarter point last month. While inflation remains elevated, macroeconomic uncertainty remains a concern and downside risks to employment were judged to have increased in recent months. However, while markets had expected another reduction in December, Chairman Powell stressed this was not a done deal. There are differing views on the Committee and the absence of timely data means they are flying blind for the time being. Market-implied odds of another cut in December fell sharply after the announcement.

And speaking of flying... President Trump has been in Asia seeking to ease trade tensions. Discussions with Australia, South Korean and Japan brought some reductions in tariffs on automotive, aerospace, and pharmaceutical products. There were also agreements to increase US access to rare-earth minerals. But the key meeting was with China's President Xi. The outcome of the meeting, which Chinese officials have said little on publicly, was a lowering of tariffs on Chinese imports and pledge from China to curb fentanyl exports and increase purchases of US soybeans. This could be the start of calmer global trade relations...

ICYMI and coming up...

We published two major data reports last month on payments and fraud. Our annual [UK payment markets](#) report provides data and commentary on trends in payment markets in 2024 and forecasts up to 2034. Members can access statistical tables of historic and forecast data on the [My UK Finance portal](#).



The half year update on [fraud cases and losses](#) tracks developments across authorised and unauthorised fraud in the first six months of 2025.

We also published our [2025 Q2 Buy-to-let mortgage dashboard](#).

In November, we'll be releasing 2025 Q3 arrears and possessions (13th) and later life mortgage lending dashboard (27th). These can be found [here](#).

Key indicators

Indicator	Period	Value	Change	2025 Forecast
GDP	Q2 2025	0.3%	↓	1.4%
CPI inflation	Sep 2025	3.8%	↔	3.7%*
Unemployment rate	Aug 2025	4.8%	↑	4.8%*
Average earnings	Jul 2025	5.0%	↑	3.8%
Brent crude	Sep 2025	\$67.99	↑	-
\$ Exchange rate	Sep 2025	\$1.34	↓	-
Bank Rate	Sep 2025	4.0%	↔	3.9%*

Source: ONS, HM Treasury, Bank of England, EIA

*Q4 2025