

WEEKLY ANALYSIS

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FOCUS ON BONDS AND REAL ESTATE IN THE UK

Surprise rebound in GDP. Leading indicators uncertain. Inflation remains stubborn. BoE to remain cautious until September. High risk premium for bonds. Securitized real estate trending positively. Loss of momentum for the FTSE100.

Key points



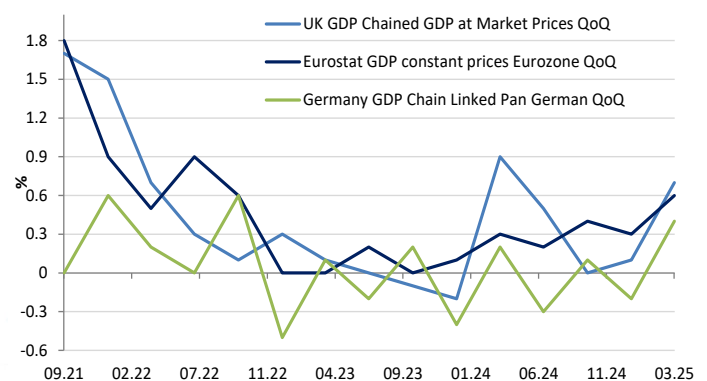
- Surprising rebound in Q1 GDP exceeds expectations
- International uncertainty weighs on the UK economy
- Leading indicators point to a transition
- Real wages continue to rise
- Household confidence fails to improve
- More complex trajectory for inflation
- BoE to remain on hold until September
- The bond market offers attractive yields
- Towards a period of stabilization for the pound
- Listed real estate performs well in the first half of the year
- UK stocks are risky again

Surprising rebound in Q1 GDP, significantly exceeding expectations

The United Kingdom recorded significant growth in its Gross Domestic Product (GDP) in the first quarter of 2025, exceeding expectations and posting the best performance among the G7 economies. It grew by +0.7% in the first quarter of 2025 compared to the previous quarter (Q4 2024). This growth represents a significant acceleration compared to the 0.1% ultimately recorded in Q4 2024. On an annual basis, GDP is estimated to have increased by +1.3% compared to the first quarter of 2024. This performance is superior to that of other G7 countries: the eurozone saw its GDP increase by only +0.3% during the same period (Germany +0.4%, France +0.1%), while US GDP actually declined by -0.1%. The United Kingdom therefore stands out with the strongest growth within this group. Growth in the first quarter of 2025 was mainly driven by the services sector, which grew by +0.7%. Ten of the fourteen service sub-sectors recorded growth, with notable contributions from administrative and support services (+3.3%) and wholesale and retail trade (+1.6%). In contrast, the construction sector remained stable (0%) in

the first quarter of 2025. Public administration consumption also fell by 0.5%, mainly due to lower spending on health and education. Fixed investment was a key driver of growth in Q1, as were exports of goods, which rose by +5.6% between Q4 2024 and Q1 2025, and exports of services (+2%). GDP growth was therefore achieved without any contribution from public spending or household consumption, which is relatively surprising and could herald a likely slowdown in Q2.

Quarterly GDP growth-United Kingdom



Sources: Bloomberg, BBGI Group SA

International uncertainty weighs on the British economy

The first figures published in the United Kingdom for GDP growth in April are rather mixed. Monthly GDP fell by 0.3% compared to March 2025, marking the first decline in six months and the sharpest drop since October 2023. This decline was mainly due to a contraction in the services sector (-0.4%) and manufacturing (-0.6%), although construction rose by 0.9% in April. This contraction in April suggests that the strong momentum of the first quarter may not be sustained as strongly in the second quarter, and that the economy may face headwinds. Although the first quarter was strong, the outlook for the coming months appears more mixed due to several factors.