# UK investor confidence plunges as mixed Labour messaging and weak GDP deepen market jitters



Investor confidence in the UK’s economic prospects has deteriorated sharply this month, according to a monthly survey by Hargreaves Lansdown that found sentiment fell across regions but was particularly weak in Britain. The broker’s early‑August poll, conducted between 1 and 8 August, showed optimism about the UK economy sliding to its lowest point since April, a drop the firm linked to worries about weak growth and what it described as mixed messaging from Labour on tax and spending. According to the company, the retreat in confidence was mirrored in more cautious attitudes to the domestic stock market.

Hargreaves Lansdown’s investor confidence score for the UK fell by more than sixteen per cent in the first week of August, leaving an index reading that the firm said was the lowest since the market reaction to earlier tariff threats in April. The research note highlighted that the setback was part of a broader global softening in sentiment, but named Britain among the worst‑hit markets as investors reassessed near‑term growth and policy risk. The firm also pointed to a rotation in client interest towards some mid‑cap funds and investment trusts even as large firms continued to struggle.

Those market jitters have a clear economic backdrop. The Office for National Statistics’ monthly GDP bulletin showed the UK economy contracted for a second successive month in May, with output falling 0.1% following a 0.3% decline in April. The ONS noted that production and construction were the main drags on monthly output, while services posted modest growth across the three months to May — and cautioned that these early monthly estimates are subject to revision. That mix of weak headline monthly prints but some three‑month resilience helps explain why market reactions are sharp even if the picture is not uniformly dire.

Inflationary pressure has also complicated the outlook. The ONS reported that the Consumer Prices Index rose by 3.6% year‑on‑year in June, up from 3.4% in May, with higher food and housing costs among the contributors. For investors this combination of slowing output and persistent inflation raises difficult questions about the timing and scale of policy responses, and it helps explain why confidence has become fragile.

Political and fiscal uncertainty has intensified those economic concerns. Hargreaves Lansdown and other commentators flagged what they called “mixed messaging” from the Labour frontbench about tax and spending plans, and market commentary has focused on whether the Chancellor will need to raise taxes in the autumn to plug a substantial fiscal shortfall. The Guardian reported that the Chancellor has signalled productivity‑raising measures will be the priority for the autumn Budget, but acknowledged the constraints posed by weaker growth; independent analysis and think‑tank estimates cited by coverage in The Independent put the potential fiscal gap in the tens of billions of pounds, forcing difficult choices between tax rises, spending cuts or higher borrowing.

Structural worries about the UK’s capital markets add another layer to investor unease. Reuters has documented an ongoing exodus of companies from London listings, naming recent high‑profile moves that sought deeper liquidity and higher valuations overseas. Market participants told Reuters that weaker IPO appetite and comparatively lower valuations in London have encouraged some firms to choose alternative venues, a trend that investors and policy‑makers fear could further erode the domestic market’s depth.

Yet the picture is not uniformly negative. Hargreaves Lansdown’s own release underlined pockets of resilience: some mid‑cap firms and funds have performed relatively well even as larger companies grapples with headwinds. Combined with the ONS’ note that GDP grew by 0.5% in the three months to May versus the prior quarter, the data suggest the economy contains uneven dynamics rather than an outright freefall — a nuance that markets are trying to price in as they await clearer policy signals.

Looking ahead, the autumn Budget will be pivotal for investor sentiment. Analysts and think‑tanks argue that clarity over the Chancellor’s fiscal plans and credible measures to lift productivity will be essential to restore confidence. For now, Hargreaves Lansdown’s survey serves as an early barometer of a market increasingly sensitive to both economic data and political signalling: until those threads are untangled, investor caution looks set to persist.

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## Reference Map:

* Paragraph 1 – [[1]](https://www.dailymail.co.uk/money/galleries/article-14996701/UK-investor-confidence-slumps-weak-growth-fears.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://treasurytoday.com/press-releases/press-release-investor-confidence-falters-as-sentiment-sours-in-uk-and-europe/)
* Paragraph 2 – [[2]](https://treasurytoday.com/press-releases/press-release-investor-confidence-falters-as-sentiment-sours-in-uk-and-europe/), [[1]](https://www.dailymail.co.uk/money/galleries/article-14996701/UK-investor-confidence-slumps-weak-growth-fears.html?ns_mchannel=rss&ns_campaign=1490&ito=1490)
* Paragraph 3 – [[3]](https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/may2025)
* Paragraph 4 – [[4]](https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/june2025)
* Paragraph 5 – [[1]](https://www.dailymail.co.uk/money/galleries/article-14996701/UK-investor-confidence-slumps-weak-growth-fears.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://treasurytoday.com/press-releases/press-release-investor-confidence-falters-as-sentiment-sours-in-uk-and-europe/), [[6]](https://www.theguardian.com/politics/2025/aug/13/rachel-reeves-uk-productivity-economy-growth-autumn-budget), [[7]](https://www.independent.co.uk/news/uk/politics/rachel-reeves-taxes-spending-cuts-budget-b2802222.html)
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* Paragraph 7 – [[2]](https://treasurytoday.com/press-releases/press-release-investor-confidence-falters-as-sentiment-sours-in-uk-and-europe/), [[3]](https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/may2025), [[5]](https://www.reuters.com/business/retail-consumer/uk-market-exodus-companies-that-have-moved-away-london-listing-2025-06-05/)
* Paragraph 8 – [[6]](https://www.theguardian.com/politics/2025/aug/13/rachel-reeves-uk-productivity-economy-growth-autumn-budget), [[7]](https://www.independent.co.uk/news/uk/politics/rachel-reeves-taxes-spending-cuts-budget-b2802222.html), [[2]](https://treasurytoday.com/press-releases/press-release-investor-confidence-falters-as-sentiment-sours-in-uk-and-europe/)

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## Bibliography

1. <https://www.dailymail.co.uk/money/galleries/article-14996701/UK-investor-confidence-slumps-weak-growth-fears.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data
2. <https://treasurytoday.com/press-releases/press-release-investor-confidence-falters-as-sentiment-sours-in-uk-and-europe/> - An August 2025 press release reports Hargreaves Lansdown’s monthly investor confidence survey, conducted 1–8 August, showing sentiment weakened across regions with the UK and Europe hit hardest. Confidence in UK economic growth fell by over sixteen per cent as investors reacted to weak GDP prospects, uncertainty about fiscal plans, and political ambiguity. The release notes UK stock market sentiment also slid and highlights popular fund and investment trust choices among HL clients. It attributes declines partly to mixed messaging on tax and spending and wider global concerns, while stressing that some mid‑cap UK firms performed better despite larger companies struggling.
3. <https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/may2025> - The Office for National Statistics’ monthly GDP bulletin for May 2025 reports that UK real gross domestic product fell by 0.1% in May, following a 0.3% decline in April. Production and construction were the main drag on monthly output, while services recorded modest growth over the three months to May. Despite the two consecutive monthly falls, GDP grew by 0.5% in the three months to May compared with the prior three‑month period. The release emphasises that early monthly estimates are subject to revision and provides sectoral breakdowns and data tables, noting revisions to earlier months and methodology notes for transparency.
4. <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/june2025> - The Office for National Statistics’ consumer price inflation bulletin for June 2025 shows the Consumer Prices Index (CPI) rose by 3.6% in the year to June, up from 3.4% in May. CPIH, which includes owner occupiers’ housing costs, increased by 4.1% year on year. The release details monthly movements and contributions across components, noting rises in food and housing costs that influenced the rate. It provides tables and charts breaking down CPI and CPIH, alongside methodological notes and explanations of volatile components. The bulletin is the official measure used to track inflation trends and inform policy decisions and public understanding.
5. <https://www.reuters.com/business/retail-consumer/uk-market-exodus-companies-that-have-moved-away-london-listing-2025-06-05/> - Reuters published a June 2025 piece charting a growing exodus of firms from London listings, citing companies that have cancelled, delisted or shifted primary listings overseas. The report names examples including Wise and firms moving to the US, citing market sources and data showing reduced IPO appetite and weaker valuations in London compared with overseas venues. Reuters explains companies seek deeper liquidity, broader investor pools and higher valuations abroad. The article situates the trend within structural challenges for the London Stock Exchange and offers commentary on implications for capital raising and the UK’s role as a global financial centre today.
6. <https://www.theguardian.com/politics/2025/aug/13/rachel-reeves-uk-productivity-economy-growth-autumn-budget> - The Guardian reports Chancellor Rachel Reeves signalling that boosting productivity will be the main priority of the autumn Budget, while acknowledging pressures from weaker growth and fiscal constraints. Published August 13 2025, the piece notes speculation about further tax measures amid an estimated multi‑billion shortfall and highlights political debate over spending priorities versus tax rises. Reeves emphasised infrastructure and planning reform as levers to raise long‑term growth, but the article records commentators warning that sluggish data and previous policy U‑turns leave limited fiscal room. It argues that uncertainty over future tax plans has contributed to investor and business caution recently.
7. <https://www.independent.co.uk/news/uk/politics/rachel-reeves-taxes-spending-cuts-budget-b2802222.html> - The Independent summarises analysis from the National Institute of Economic and Social Research suggesting Chancellor Rachel Reeves faces a substantial fiscal shortfall, variously described as around £41–£51 billion by the end of the forecast period. Published coverage warns that meeting Reeves’s fiscal rules while delivering manifesto commitments will require difficult choices: tax rises, spending cuts or higher borrowing. The piece explains how think‑tank forecasts factor slower growth, policy reversals and higher borrowing into a deteriorating fiscal outlook. It reports commentators urging moderate but sustained fiscal adjustments and notes political debate about the distributional and economic consequences of potential tax rises.