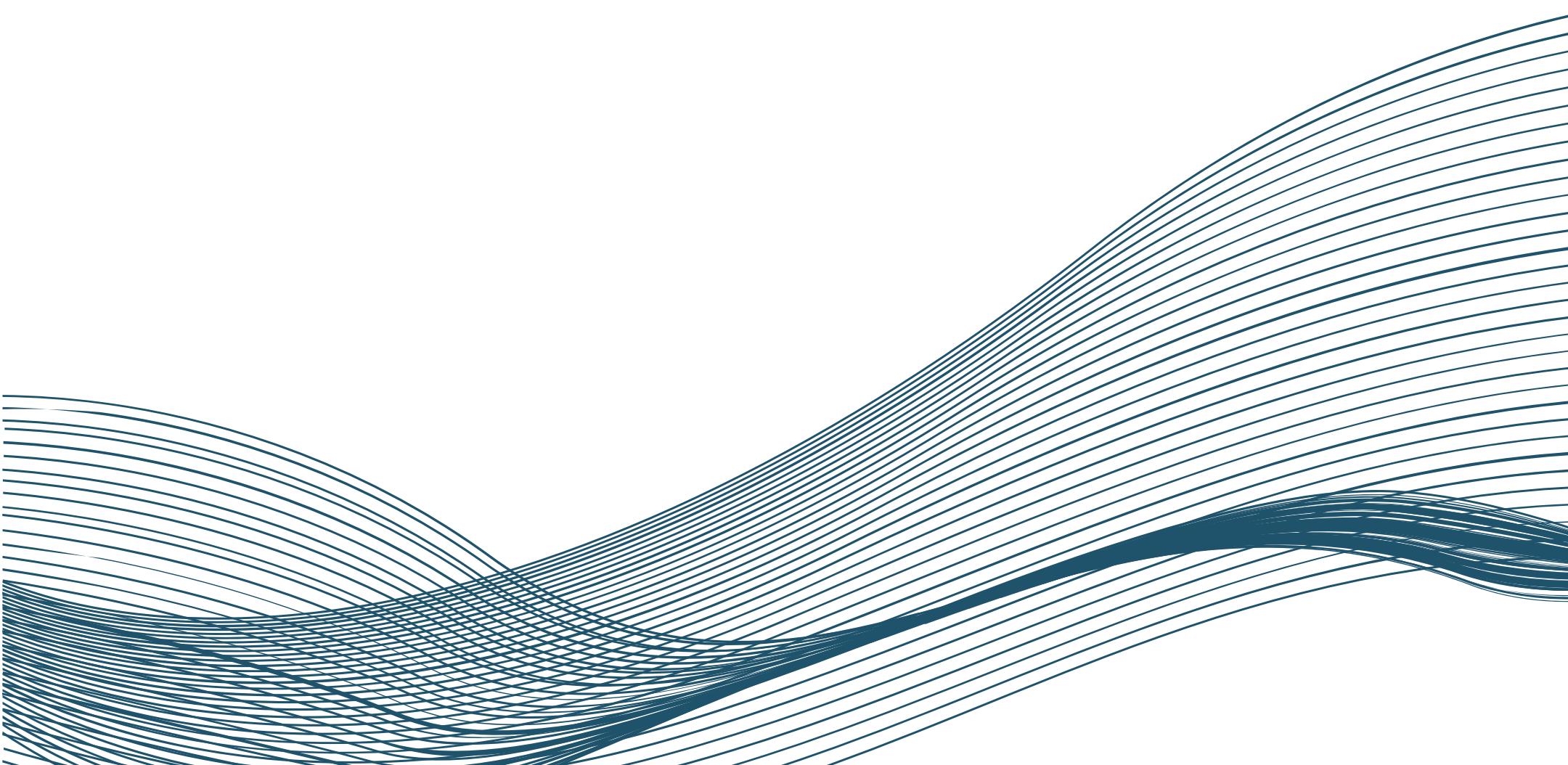



WALKING THE TIGHTROPE

Realities and Opportunities
in the UK Economy

October 2025





The UK economy is walking a tightrope — edging forward, but buffeted by domestic and global pressures.

The headlines tell a story of strain and resilience. GDP is inching upward, but without spark. The Bank of England has cut interest rates to 4% to try and jolt growth. Inflation is plateauing, and way off the government's 2% target. Tariff shifts in the US are unsettling supply chains. And on Europe's doorstep, the war in Ukraine continues to inject uncertainty. The UK is hardly alone in navigating such turbulence, but that is small comfort.

Against this backdrop, in June, the government unveiled their Modern Industrial Strategy — an ambitious ten-year plan setting out policies and actions to revitalise UK growth and position the country as a leading destination for investment and innovation.

There may be political will, but as ever, the bridge between policy and meaningful outcomes will be built by businesses, public bodies, and communities willing to act on the opportunity.

This quarterly report reflects the ATC's commitment to being the go-to resource for UK language services companies (LSCs) seeking to maximise their own growth. In previous quarters, we have reported on the shifting realities facing UK and global LSCs — and the lesson remains that business does not simply land in one's lap. Sales must be cultivated, and uncovering new opportunities requires a proactive attitude and an awareness of both the immediate market and the broader national context.

For this quarter, we present a distinctive report: a blend of economic and industry-specific insights, drawn from official sources and underpinned by the ATC's established language services industry reporting. The aim, as always, is to provide you with the data you need to make informed decisions.

Raisa McNab
Chief Executive
Officer



THE UK ECONOMY AT A GLANCE: KEY NUMBERS AND TALKING POINTS



The UK economy:

Key performance indicators

Let's start by reviewing the key macroeconomic indicators and summarising trends. There are positives to be found here, depending on one's expectations for growth which is present, albeit modest.

The bottom line is that as of Q3 2025, the UK remains one of the world's leading economies, even in the current climate. For companies with foresight, this represents opportunity.

- UK GDP in 2024: **£2,851 billion** (6th globally).^[1]
- GDP rose in Q2 2025 compared to Q1 (+0.3%), outpacing the Eurozone (+0.1% on average) but lagging behind the US (+0.8%).^[2]
- **GDP stands above pre-pandemic levels** (+4.5%).^[3]
- **UK remains a strong destination for foreign investment** (3rd globally).^[4]
- The UK economy continues to be **buoyed by the strength of its services sector**, particularly business services and financial services (more on this in the slides to come).
- The UK remains a **hub for innovation, as well as a magnet for top talent** — both home-grown and international.

[1] World Bank, [GDP ranking by country](#) (accessed September 5, 2025)

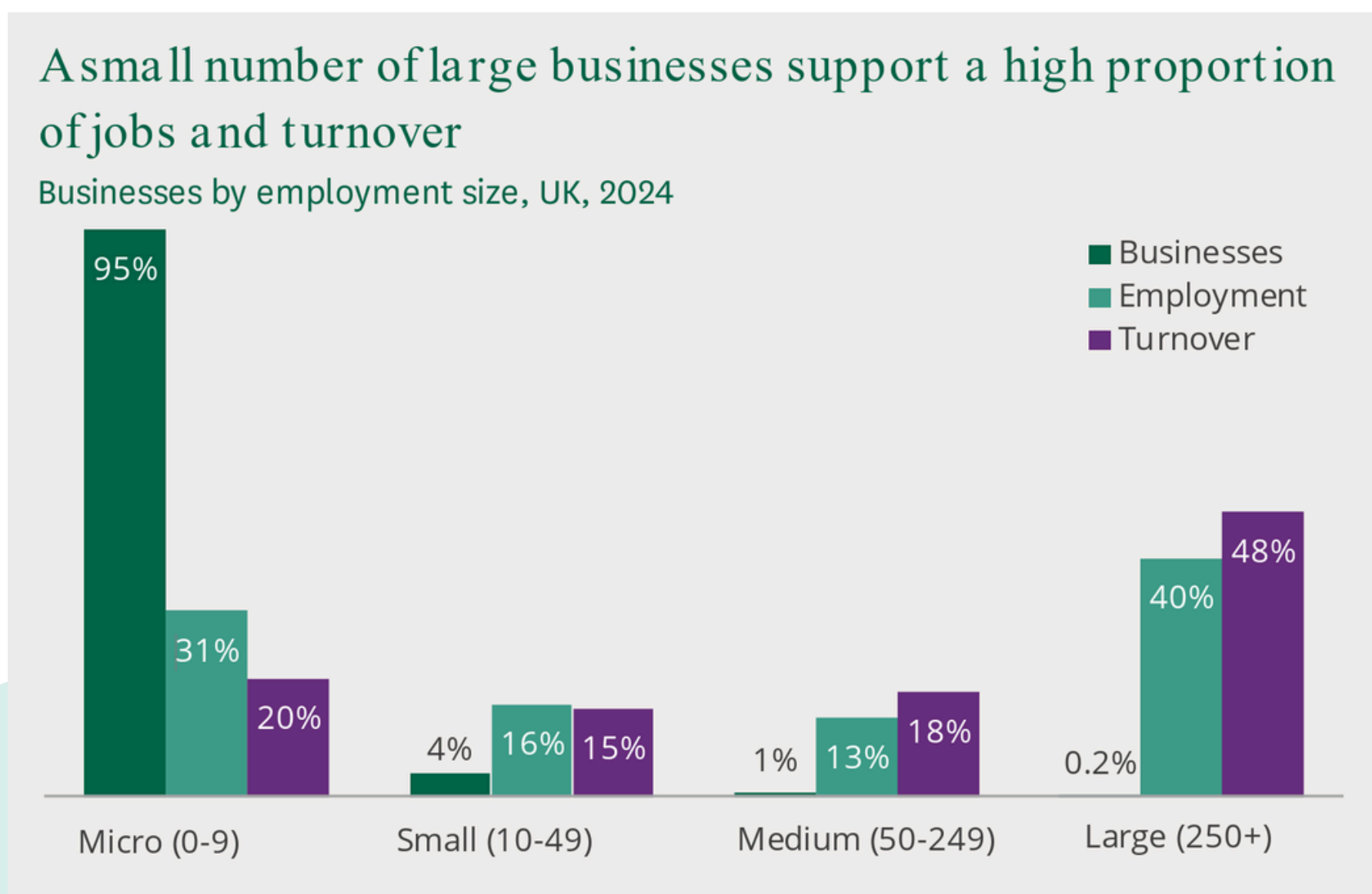
[2][3] House of Commons, [GDP – International Comparisons: Key Economic Indicators Research Briefing](#) (accessed September 4, 2025)

[4] Office for National Statistics, [Foreign direct investment involving UK companies: 2023](#) (accessed September 4, 2025)

The UK economy: Powered by SMEs & heavyweights

The UK has a vast SME segment (companies with fewer than 250 employees). SMEs make up 99% of the business population, account for 60% of employment, and generate 52% of turnover.

By contrast, large businesses are fewer in number, yet they contribute significantly to employment (40%) and turnover (48%).



[1]

While well-established global enterprises are a familiar source of language services demand, it is the SME client base that holds untapped growth potential for UK LSCs.

The UK economy:

A global services powerhouse

This warrants a separate call-out: the UK has a services-oriented economy, with 76% of businesses operating in services, employing 80% of the workforce, and generating 73% of turnover.

Businesses by industry in the UK, 2024				
	Number of businesses		Employment	Turnover
	000s	%	%	%
Agriculture, mining and utilities	179	3%	3%	7%
Manufacturing	247	4%	9%	13%
Construction	870	16%	7%	8%
Total services	4,203	76%	80%	73%
<i>Of which:</i>				
Retail	559	10%	18%	34%
Transportation	313	6%	6%	5%
Accommodation & food	212	4%	9%	2%
IT and communications	338	6%	6%	8%
Financial and insurance	86	2%	4%	..
Real estate activities	143	3%	2%	2%
Professional and scientific	755	14%	11%	10%
Administrative & support services	495	9%	11%	7%
Education	299	5%	2%	1%
Health and social work	356	6%	7%	2%
Arts and recreation	280	5%	3%	2%
Other service activities	367	7%	3%	1%
Total	5,499	100%	100%	100%

[1]

We will return to the export-related data later on, but a couple of headline facts are worth noting — and they point to both gaps and opportunities:

- The UK is the world's second largest exporter of services, behind only the US.^[2]
- Yet only a fraction of UK SMEs contribute to exports (11% of a population of 5.5 million).^[3] This suggests not only that more SMEs could participate in international trade, but also that the UK retains a substantial domestic market for services.

[1] House of Commons, [Business Statistics Research Briefing](#) (accessed September 8, 2025)

[2] World Bank, [Services exports ranking by country](#) (accessed September 15, 2025)

[3] Office for National Statistics, [Annual Business Survey exporters and importers](#) (accessed September 5, 2025)

Walking the tightrope: Headwinds and forecasts

The UK continues to hold a historically strong position in the global economy and is seeing some growth. Nevertheless, it has been facing a range of adverse pressures, both domestic and international. The UK isn't alone — many other economies are set to experience turbulence in the foreseeable future.

For UK LSCs, the message is crystal clear: monitor developments closely, remain agile, and be prepared to respond proactively.

Let's review:

- Inflation (annual) at 4.2%^[1], compared with 2.1% in the EU^[2]; trending downward since the 2022 peak of 11.1%. The government's stated aim is to keep it below 2%.^[3]
- In August 2025, the Bank of England cut the base interest rate to 4% to ease borrowing and encourage spending and investment — a bid to inject momentum into sluggish growth.
- Ongoing challenges include inflationary pressures, high energy costs, NHS waiting lists, and the need for infrastructure investment — all contributing to a slow-moving economy.
- Growth remains heavily London-centric, with regions lagging behind.
- Forecasts (IMF/OECD): uncertainty and challenges remain the defining themes, particularly due to shifts in US tariff policy.^[4]

[1] Office for National Statistics, [Inflation and prices indices](#) (accessed September 4, 2025)

[2] Eurostat, [Euro annual inflation up to 2.1%](#) (accessed September 4, 2025)

[3] House of Commons, [Inflation in the UK: Economic indicators Research Briefing](#) (accessed September 4, 2025)

[4] House of Commons, [GDP – International Comparisons: Key Economic Indicators Research Briefing](#) (accessed September 4, 2025)

The UK Modern Industrial Strategy: TL;DR

The UK government has acknowledged the economy's fragile balance and is taking steps to stimulate growth. In June, it announced a new ten-year Modern Industrial Strategy.

In case you missed it, here's what you need to know.

1. The Industrial Strategy is an ambitious ten-year plan to position the UK as a global hub for investment and a leader across key economic sectors.
2. The Industrial Strategy focuses on **eight high-growth, high-potential sectors (the IS-8)**: Advanced Manufacturing, Clean Energy Industries, Creative Industries, Defence, Digital and Technologies, Financial Services, Life Sciences, and Professional and Business Services.
3. Government is committed to making it easier, faster, and more stable to do business by reducing red tape, streamlining planning processes and infrastructure, widening access to finance and investment, supporting R&D, and developing skills for a future-ready workforce.
4. The Strategy is nationwide, aimed at strengthening the economic potential of regional and national centres.

What should you remember?

The Industrial Strategy is ambitious in scope, and the onus now rests with the government to help bridge the gap between policy and outcomes.

For UK LSCs, this creates opportunities to deliver specialised advisory, tech-enabled expertise and multilingual support across the IS-8 sectors — as we will see, a path many are already pursuing.

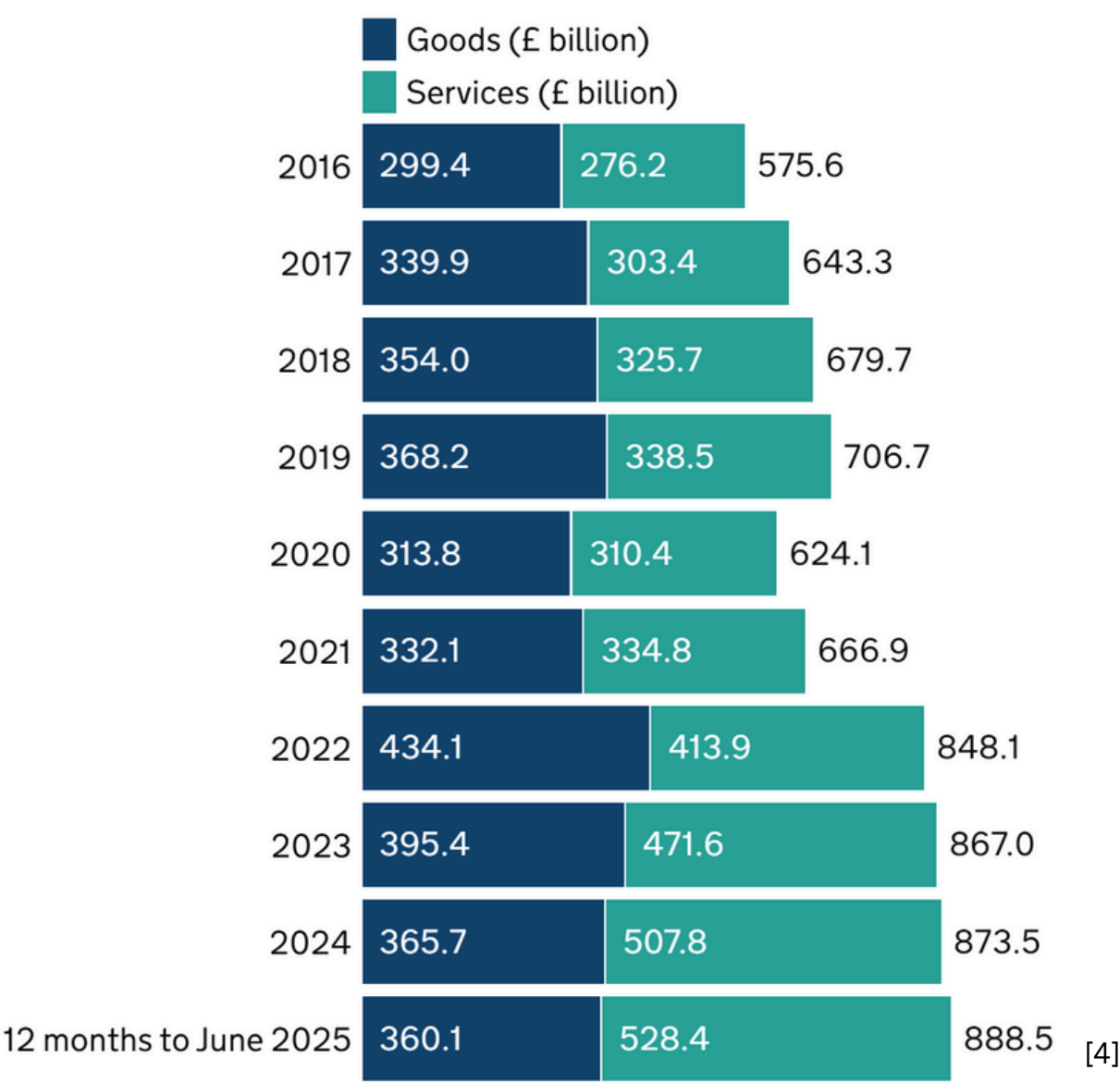
THE UK TRADE AND KEY INDUSTRIES OVERVIEW



UK trade and export:

What you need to know

- The UK remains a net importer, underpinned by a service-oriented economy and robust domestic demand for services. Let's review key trade data:
- Total value of trade: **£1,820.2bn** (+3% YoY)^[1]
 - Negative trade balance: **-£32bn**^[2] (deficit on goods, surplus on services)
 - Exports: **£888.5bn** (+1.9%) vs Imports: **£931.7bn** (+3.9%)^[3]
 - **59% of exports are services**, compared with 41% goods.
 - Notably, in 2022, 72% of UK services exports were delivered remotely — a clear sign of the country's strong integration with the global digital economy.

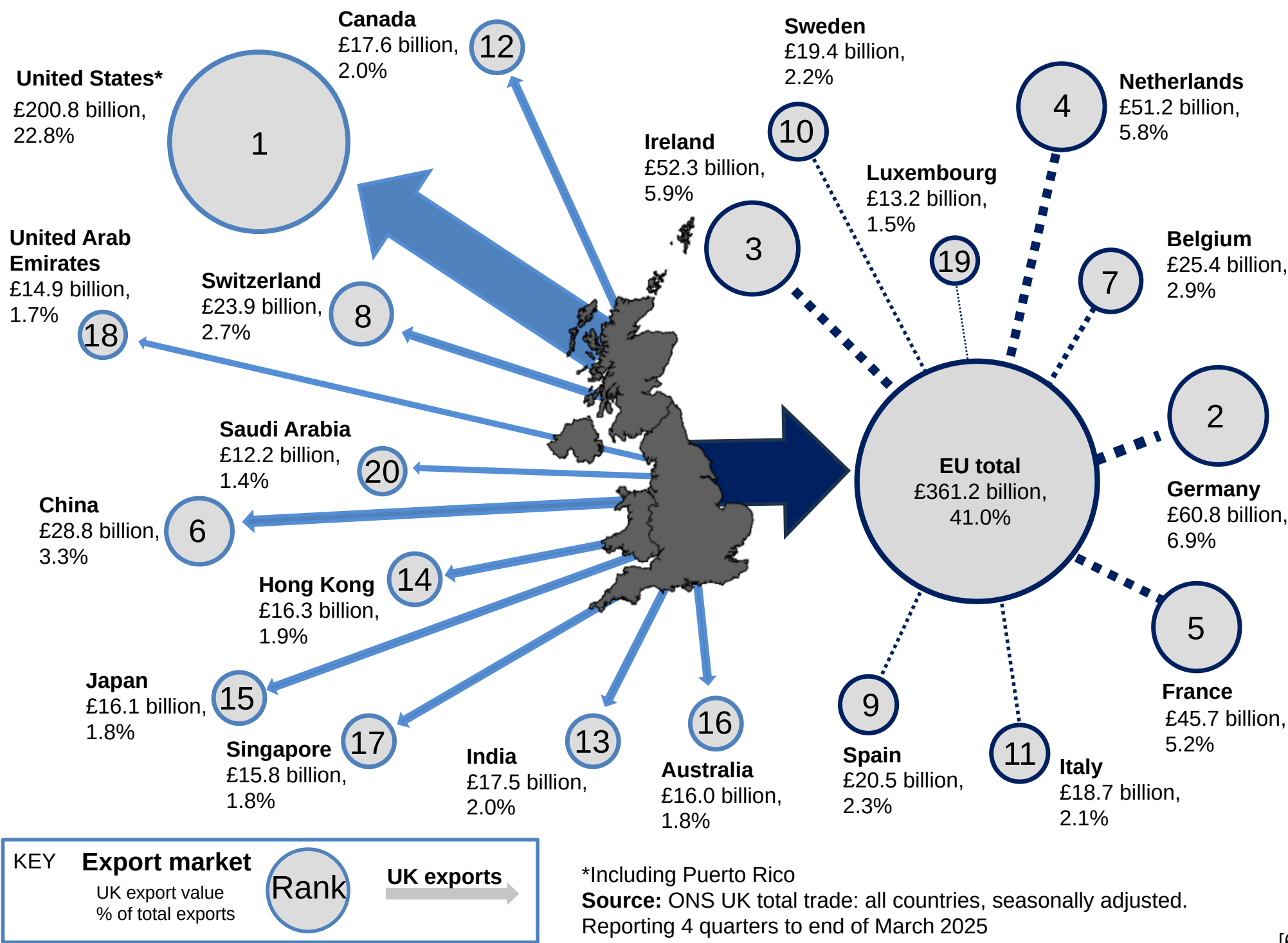


[1][3][4] Office for National Statistics, [UK trade: June 2025](#) (accessed September 5, 2025)
[2] Office for National Statistics, [Total Trade \(TT\): WW: Balance: BOP: CP: SA](#) (accessed September 5, 2025)

UK export breakdown

The UK is ranked as **the world's fourth largest exporter** ^{[1] [2]} and **second largest exporter of services**.^[3]

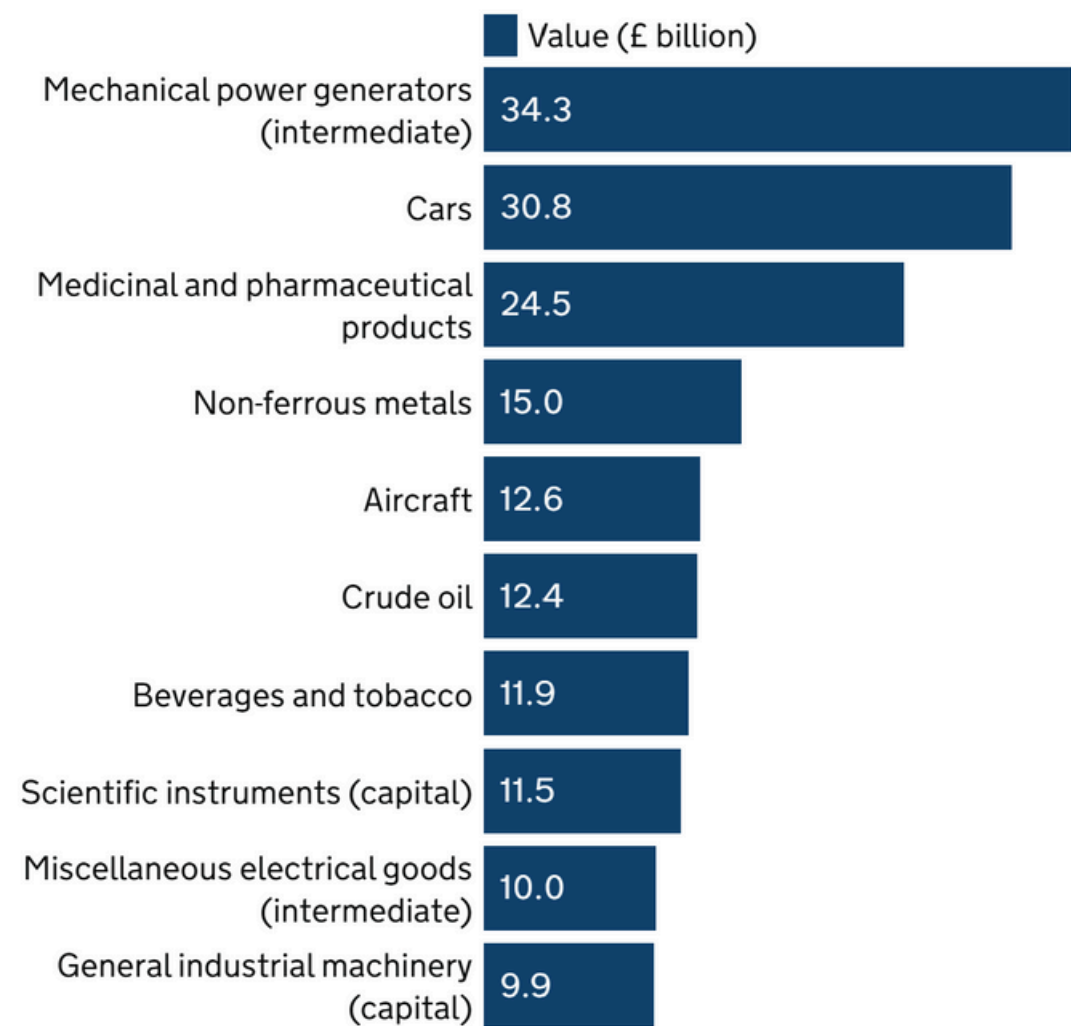
Exports to the US have been declining since tariffs were introduced in April, with 32% of businesses reporting an impact — chiefly rising costs.^[4] By contrast, the EU remains a stable trading partner.^[5] **Its inherent multilingualism will continue to drive strong demand for language services.**



[1] UN Trade and Development, Goods and services (BPM6): Exports and imports of goods and services, annual (accessed September 5, 2025)
[2] CIA World Factbook, Country Comparisons - Exports (accessed September 5, 2025)
[3] World Bank, Services exports ranking by country (accessed September 15, 2025)
[4][5] Office for National Statistics, UK trade: June 2025 (accessed September 5, 2025)
[6] Office for National Statistics, UK total trade: all countries, seasonally adjusted (accessed September 5, 2025)

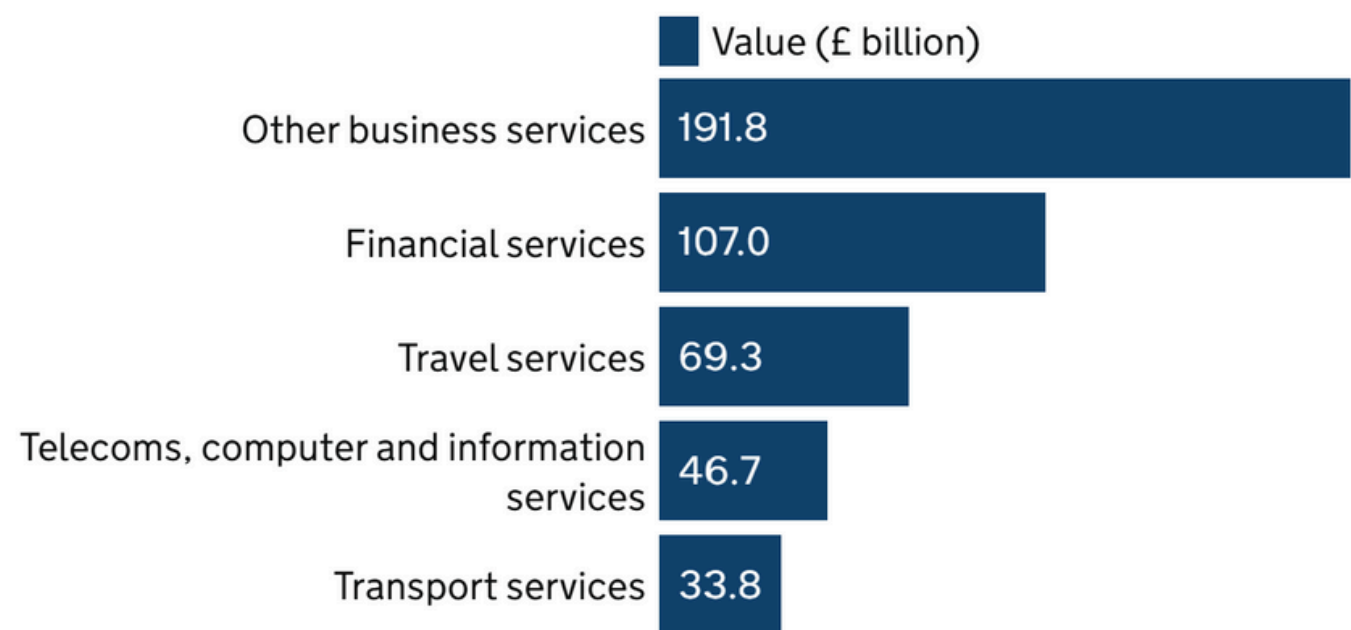
UK export breakdown (cont'd)

Top exported goods^[1]



What immediately stands out from the leading categories of exported goods and services is the extent to which the IS-8 sectors identified in the Modern Industrial Strategy are driving UK export.

Top exported services^[2]



^[1]^[2] Office for National Statistics, UK trade: June 2025 (accessed September 5, 2025)

The IS-8 growth sectors

The government has set out its plan to support and enable strategic industries with high growth and high potential. In the following slides, we provide a snapshot of each.

Advanced manufacturing

- A traditional contributor to goods exports, the Industrial Strategy highlights six frontier industries: automotive, batteries, aerospace, space, advanced (next-generation) materials, and agri-tech.
- **Key stats:** £82 billion gross value added (GVA) and 760,000 jobs in the sector. ^[1]
- **Perspectives:** further funding and R&D investment anticipated over the next five years — the sector is already the second largest by R&D spend.

Financial services

- The UK remains the world's leading exporter of financial services.
- **Key stats:** £107 billion of exported financial services in the 12 months to June 2025, accounting for more than 50% of the services export surplus, with 1.2 million jobs across the UK. ^[2]
- The UK Industrial Strategy seeks to sharpen competitiveness, strengthen cross-border relations and opportunities, and reinforce the UK's global leadership in fintech. ^[3]

[1] Department for Business and Trade, [Advanced Manufacturing Sector Plan](#) (accessed September 12, 2025)

[2] HM Treasury, [The Financial Services Growth and Competitiveness Strategy](#) (accessed September 12, 2025)

[3] HM Treasury, [Financial Services Growth and Competitiveness Strategy: Overview](#) (accessed September 13, 2025)

The IS-8 growth sectors (cont'd)

Clean energy industries

- The government is committed to a net-zero strategy, with a stated goal of doubling annual investment in clean energy to £30 billion by 2035. ^[1]
- Plans include expanding capabilities and capacity in wind and nuclear energy, creating jobs, and developing talent and skills. These efforts are intended to offset high energy costs, build resilience, and contribute to exports.
- **Key stats:** 450,000 sector jobs in 2022.

Creative industries

- The UK has a traditionally strong and mature advertising and marketing sector, alongside globally recognised TV and media players, as well as a thriving market for music and the creative arts.
- The government aims to strengthen the UK's position as a leader in creative innovation through expanded finance capacity, growth packages, and support for regional creative clusters.
- **Key stats:** £124 billion GVA, £45.6 billion in exported services, 2.3 million jobs ^[2]

[1] Department for Business and Trade and Department for Energy Security and Net Zero, [Clean Energy Industries Sector Plan](#) (accessed September 12, 2025)

[2] Department for Business and Trade and Department for Culture, Media and Sport, [Creative Industries Sector Plan](#) (accessed September 12, 2025)

The IS-8 growth sectors (cont'd)

Life Sciences

- Life Sciences is built around three pillars in the Industrial Strategy: enhancing the UK's R&D capabilities, attracting investment and accelerating company and job creation, and improving patient health outcomes.
- **Key stats:** £108.1 billion turnover (2022), over 300,000 jobs nationwide, and a strong contribution to exports. ^[1]

Professional and Business Services

- The Professional and Business Services (PBS) sector is the world's second-largest exporter of services, contributing more than £191 billion to UK exports in the 12 months to June 2025.
- The UK is home to world-leading consultancy and legal firms that enable both the domestic and global economy.
- The PBS sector also plays a pivotal role in advancing the net-zero strategy, digital transformation, and the meaningful development and adoption of AI technologies. ^[2]

Beyond the opportunities directly available, the PBS sector can also serve as a model for UK LSCs aiming to develop a stronger advisory role with their clients.

[1] Department for Business and Trade, Department of Health and Social Care, Department for Sciences, Innovation and Technology, Office for Life Sciences, [Life Sciences Sector Plan](#) (accessed September 13, 2025)

[2] Department for Business and Trade, [Professional and Business Services Sector Plan](#) (accessed September 13, 2025)

The IS-8 growth sectors (cont'd)

Defence

- The Defence Industrial Strategy builds on the Strategic Defence Review published earlier in 2025. Its renewed focus on defence and deterrence reflects both the evolving geopolitical landscape and the UK's capacity to respond to existing and emerging threats.
- The stated ambition is to “make Defence an engine of growth”, with plans to increase defence spending to 2.6% of GDP by 2027 — and potentially up to 5% by 2035.^[1]
- The main priorities are to strengthen the industrial backbone that underpins defence capabilities and resilience, drive technological innovation, and create new jobs.

Digital and Technologies

- Technology- and digital-focused industries are regarded as a strategic investment and a key lever for growth, raising the floor of the UK's global competitiveness.
- The country's established tech ecosystem, world-renowned universities producing top talent, and steady private investment provide a strong springboard for excellence.
- **Key stats:** estimated £1 trillion market capitalisation (the most valuable in Europe and third globally), £207 billion GVA in 2023, and 2.6 million people employed in the sector.

[1] Ministry of Defence, Defence Industrial Strategy 2025: Making Defence an Engine for Growth (accessed September 13, 2025)



(no escaping) AI

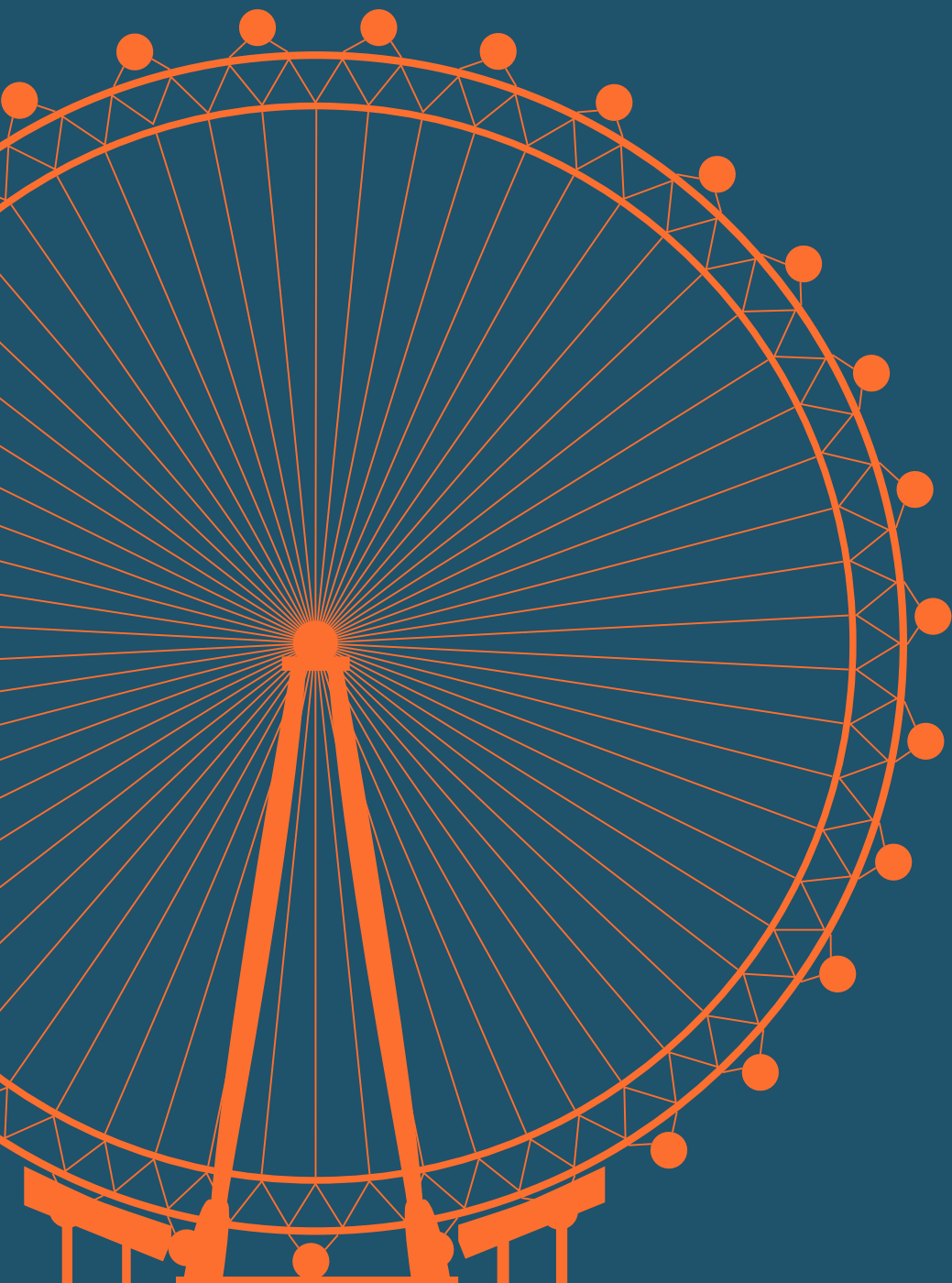
AI is set to continue shaping the global political and economic landscape. Numerous sources within the language services industry have examined its impacts on both the sector and LSCs. As part of a broader review of the UK economy and the forces driving it, it is useful to consider trends relating to AI. Indeed, several strategy plans for the IS-8 industries make explicit reference to digital technologies and AI. Unless otherwise stated, the data in this slide is drawn from a global reference study, Stanford's AI Index.

- In terms of private investment, the UK was the third-largest investor in AI in 2024 alone (and consistently since 2013), following the US and China. While China invested roughly twice as much and the US 25 times as much, the UK surpasses nearly all individual EU countries. A similar pattern is observed for public investment in AI.
- The UK trails only the US in the number of newly funded AI companies, highlighting a vibrant AI start-up ecosystem.^[1]
- The UK continues to be active in responsible AI (RAI) research, ranking third globally in published papers since 2019, behind the US and China.
- It also ranks third, after the US and India, in relative AI skills penetration — a measure of the intensity of AI expertise.
- Finally, the country continues to produce substantial ICT talent, indicating that skills are both being nurtured domestically and that the country is attracting international talent.

A key lesson after three years of GenAI in our industry is that, for LSCs, success comes down to **awareness of AI, understanding its practical applications, fluency with solutions suited to translation and localisation, and the ability to explain its benefits to clients.**

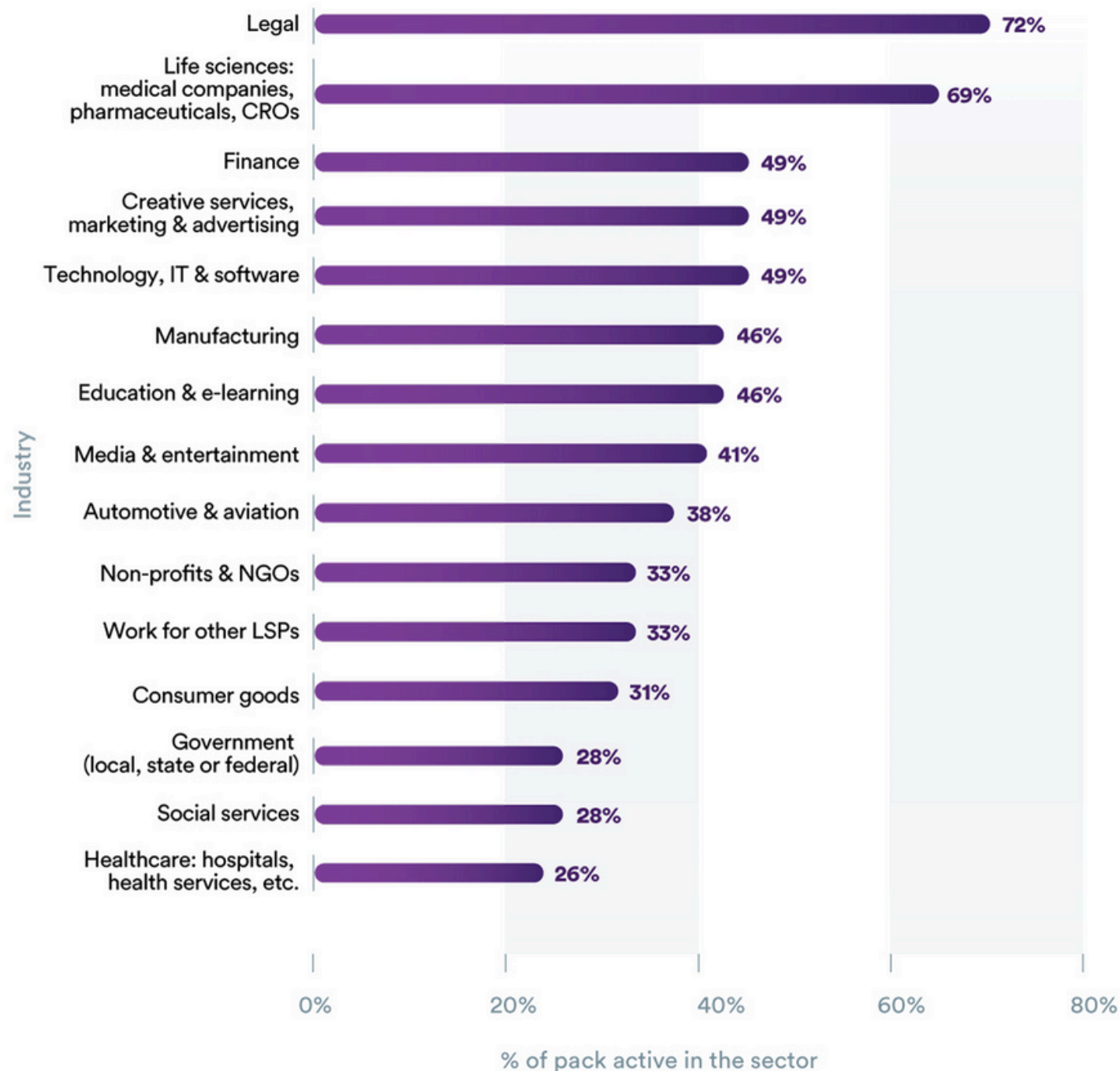
[1] Department for Science, Innovation and Technology, Artificial Intelligence sector study 2024 (accessed September 13, 2025)

WHERE DOES THE LANGUAGE SERVICES INDUSTRY FIT... AND BENEFIT?



Where UK LSCs fit (historically)

In 2023, the ATC reported on the sectors where UK LSCs were most active in:



[1]

Cross-referencing with more recent sources of global data (e.g., [Nimdzi 100 2025](#)), familiar patterns remain:

- Regulated industries remain reliable providers of language-related work, followed by IT/tech and industries traditionally prominent in exported goods categories such as manufacturing, automotive, and aviation.
- UK LSCs also have a strong track record of serving the creative industries, particularly marketing and advertising agencies — a sector that the government has highlighted as one of the IS-8 strategic priorities.

How UK LSCs fit... and benefit

A positive takeaway for the UK LSC landscape is that the government is highlighting and prioritising the IS-8 sectors, many of which overlap with areas where UK — and indeed global — LSCs have traditionally been strong: the core regulated industries, the creative industries, IT/digital, as well as established manufacturing and foundational sectors.

UK LSCs already hold a solid foothold in these industries, and this presence is set to expand further as the government seeks to attract more investment and LSCs position themselves as strategic partners to their clients.

Historically, LSCs have grown around sources of demand (rather than the other way round), often reacting to it. To be sure, demand for languages is not going away. However, caution is warranted: today's turbulence highlights that LSCs are part of the same delicate balance as any other business. They can no longer afford to remain on the sidelines, content merely to react and course-correct.

The coming years will likely shape a new breed of LSC: smarter, more attuned to their client sectors' business environment, confident in their expertise and how to apply it. Resilient, efficient, and agile. Enablers of UK growth — a lesson worth repeating.

