

Article

Quarterly economic commentary: April to June 2026

Economic commentary for the latest quarterly national accounts, prices and labour market indicators.

Contact:
Macroeconomic Insights team
economic.advice@ons.gov.uk
+44 1633 580075

Release date:
30 September 2026

Next release:
To be announced

Table of contents

1. [Main Points](#)
2. [National accounts](#)
3. [Balance of Payments](#)
4. [Labour Market](#)
5. [Prices](#)
6. [Public Sector Finances](#)
7. [Related links](#)
8. [Cite this article](#)

1 . Main Points

- Real GDP increased by 0.5% in Quarter 2 (Apr to Jun) 2026, up 1.4% compared with a year ago; the household saving ratio rose slightly to 8.8%, where it remains above pre-coronavirus (COVID-19) pandemic levels.
- The UK underlying current account deficit (excluding precious metals) narrowed to 1.4% of GDP in Quarter 2 2026, where there was a net financial inflow of other investment into the country, as UK investors disinvested their holdings of foreign assets.
- The labour market remained broadly stable, with unemployment unchanged, at 4.9%, in the three months to July, while early estimates show that payrolled employment fell by 0.5% in the 12 months to August 2026.
- UK consumer price inflation (CPI) was 3.1% in the year to August 2026; core inflation (excluding energy, food, alcohol and tobacco) remained unchanged, at 2.6% among the highest in the G7 economies.
- Public sector net borrowing in the financial year to August 2026 was £77.3 billion, £8.1 billion above the Office for Budget Responsibility's March 2026 forecast.

2 . National accounts

Real gross domestic product (GDP) increased by 0.5% in Quarter 2 (Apr to Jun) 2026, following a 0.6% growth in Quarter 1 (Jan to Mar) 2026. Real GDP was 1.4% higher than a year earlier. Services were the main contributor to GDP growth in Quarter 2 2026, especially professional, scientific and technical activities, and information and communication.

More recently, real GDP is estimated to have grown by 0.4% in the three months to July 2026, compared with the three months to April 2026. Monthly GDP growth strengthened over the summer, rising by 0.4% in July, and providing an early indication of a solid start to Quarter 3. More information is available in our [GDP monthly estimate, UK: July 2026 bulletin](#).

Real GDP per head, a proxy measure for economic welfare, is estimated to have increased by 0.5% in Quarter 2 2026 and is up 1.2% compared with the same quarter a year ago.

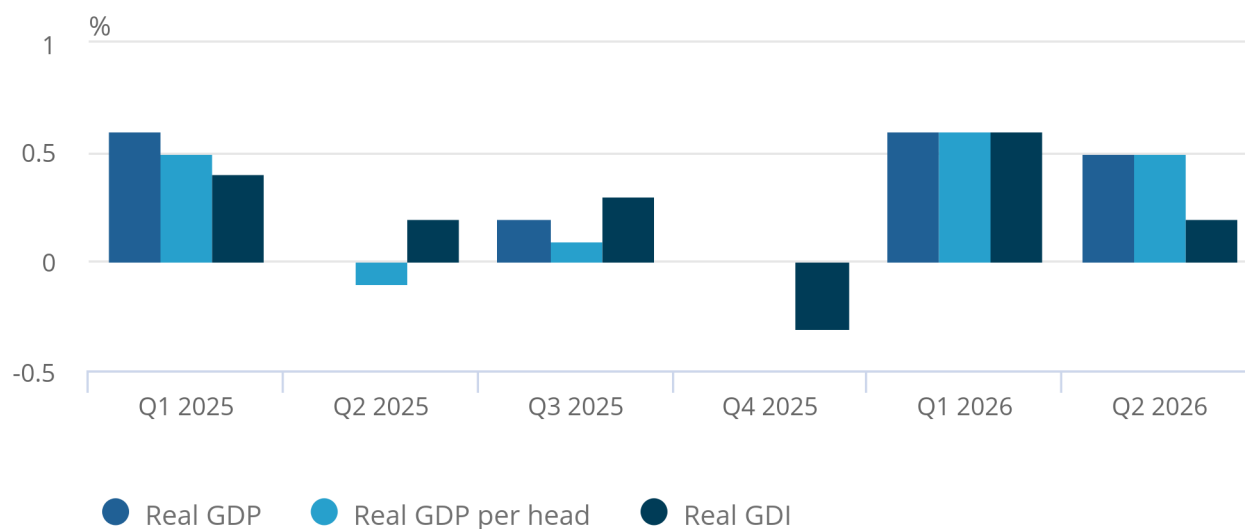
Another welfare indicator is real gross domestic income (GDI), which measures the [purchasing power of UK output](#) over goods and services in global markets. The terms-of-trade capture the rate of exchange between internationally traded goods and services produced by one country relative to another. A change in the terms-of-trade leads to a change in the purchasing power of a country and has an impact on how much a country can purchase, given how much it produces. Real GDI increased by 0.2% in Quarter 2 2026 and is 0.8% higher than a year ago. This reflects how import prices have increased by more than export prices over the last year, mainly because of higher commodity prices, such as energy products.

Figure 1: Real GDP, real GDP per head and real GDI all increased in Quarter 2 2026

Quarterly changes in real gross domestic product (GDP), 2025 to 2026

Figure 1: Real GDP, real GDP per head and real GDI all increased in Quarter 2 2026

Quarterly changes in real gross domestic product (GDP), 2025 to 2026



Source: Quarterly national accounts from the Office for National Statistics

Notes:

1. Percentage change on previous period.
2. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).
3. Population figures are a combination of mid-year estimates and projections, especially for later periods. For more information on the vintages used, please refer to our [GDP monthly estimate, UK: July 2026 bulletin](#) or our [UK resident population mid-year estimates - real-time database dataset](#).

Household consumption in volume terms continued to expand in Quarter 2 2026, although growth slowed to 0.3%. Consumer confidence [remained subdued](#) and households' willingness to make major purchases remained weak over the same period, albeit there was some improvement in Quarter 3 (July to Sept). The household saving ratio rose slightly to 8.8%, led by higher non-pension saving, but remained below its recent peaks and above pre-coronavirus (COVID-19) pandemic levels (Figure 2).

Business investment increased by 1.8% in Quarter 2 2026 and was 5.2% higher than a year earlier. Survey evidence from the [Agents' summary of business conditions September 2026](#) suggested tentative signs of improving investment intentions from a low base, including renewed spending on infrastructure, automation and artificial intelligence. However, demand uncertainty, cost pressures and borrowing costs continued to restrict investment, especially among construction and property businesses.

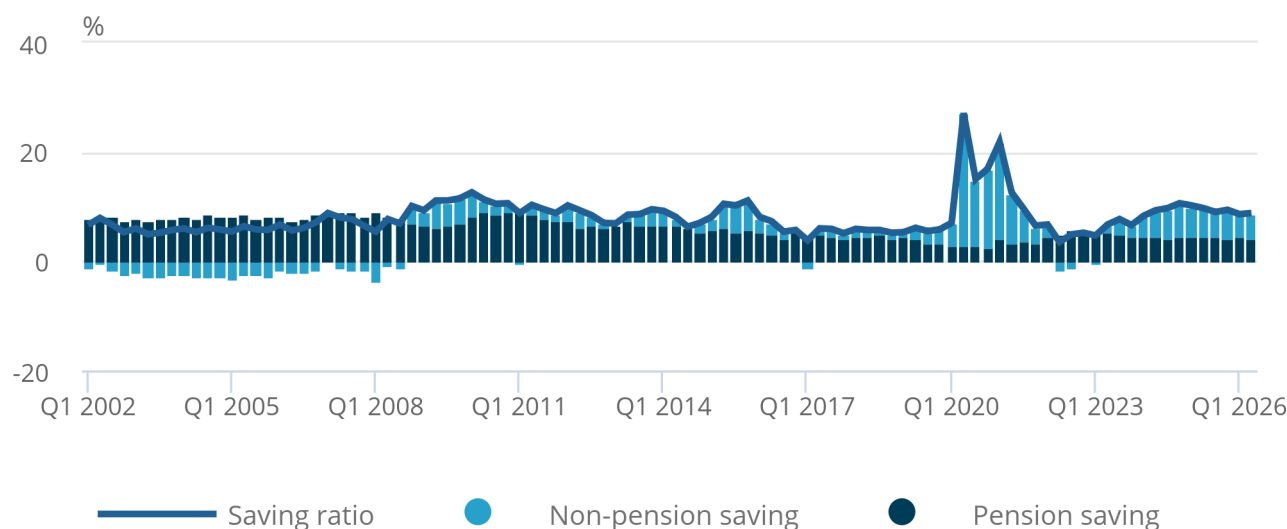
Broader business conditions remained subdued. In our [Business insights and impact on the UK economy: 24 September 2026 bulletin](#), 28% of trading businesses reported lower turnover in August, while economic uncertainty remained the most reported challenge. Businesses also faced increased input costs and growing concern about energy prices, partly linked to the conflict in the Middle East.

Figure 2: The household saving ratio rose slightly in Quarter 2 2026 but remained below its recent highs

Household saving ratio, UK, 2002 to 2026

Figure 2: The household saving ratio rose slightly in Quarter 2 2026 but remained below its recent highs

Household saving ratio, UK, 2002 to 2026



Source: Economic accounts from the Office for National Statistics

Notes:

1. The household saving ratio is the proportion of the household sector's total resources that are available but have not been used for consumption.
2. Q1 refers to Quarter 1 (Jan to Mar), Q2 refers to Quarter 2 (Apr to June), Q3 refers to Quarter 3 (July to Sept) and Q4 refers to Quarter 4 (Oct to Dec).

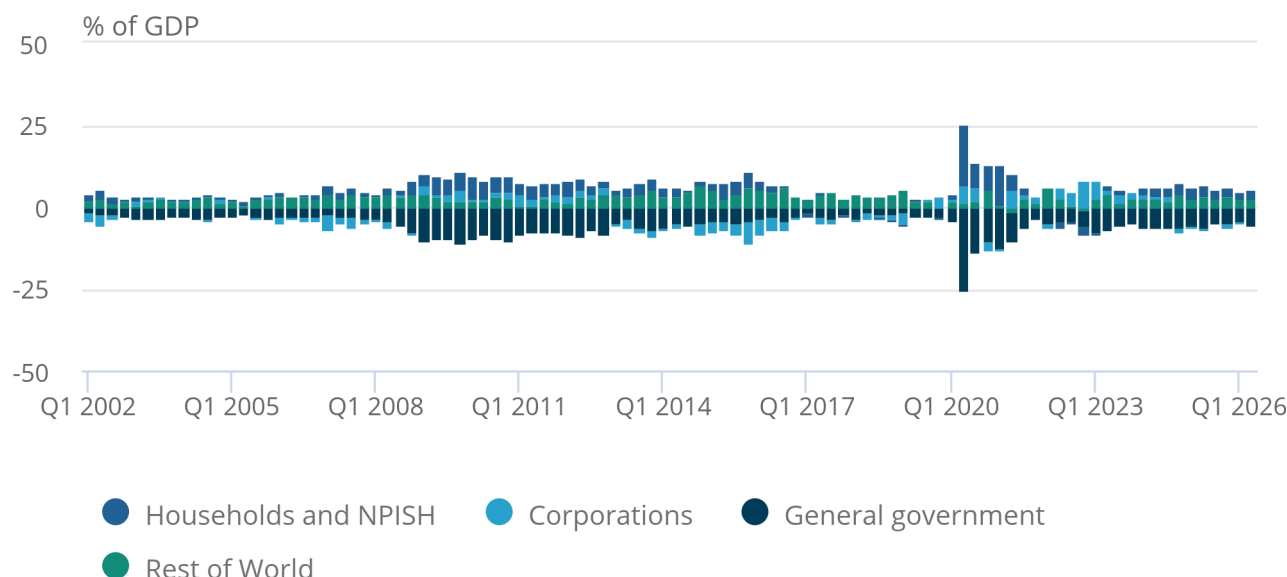
Households and non-profit institutions serving households (NPISH) remained net lenders in Quarter 2 2026, at 2.4% of nominal GDP. Corporations also returned to net lending, led by private non-financial corporations, while financial corporations remained net borrowers. However, these positions were outweighed by general government borrowing, which increased during the quarter, while the UK continued to borrow from the rest of the world (Figure 3).

Figure 3: The general government remained the largest net borrower in Quarter 2 2026, while households and non-financial corporates were net lenders

Net lending and borrowing by sector from the capital account as a percentage of GDP, seasonally adjusted, 2002 to 2026

Figure 3: The general government remained the largest net borrower in Quarter 2 2026, while households and non-financial corporates were net lenders

Net lending and borrowing by sector from the capital account as a percentage of GDP, seasonally adjusted, 2002 to 2026



Source: Economics Accounts from the Office for National Statistics

Notes:

1. Net lending (positive) indicates that a sector is a net provider of funds to other sectors, while net borrowing (negative) indicates that a sector requires financing from others.
2. Corporates include financial and non financial corporations.
3. Households include non profit institutions serving households (NPISH).
4. Data are shown as a percentage of gross domestic product (GDP).
5. Q1 refers to Quarter 1 (Jan to Mar), Q2 to Quarter 2 (Apr to June), Q3 to Quarter 3 (July to Sept) and Q4 to Quarter 4 (Oct to Dec).

3 . Balance of Payments

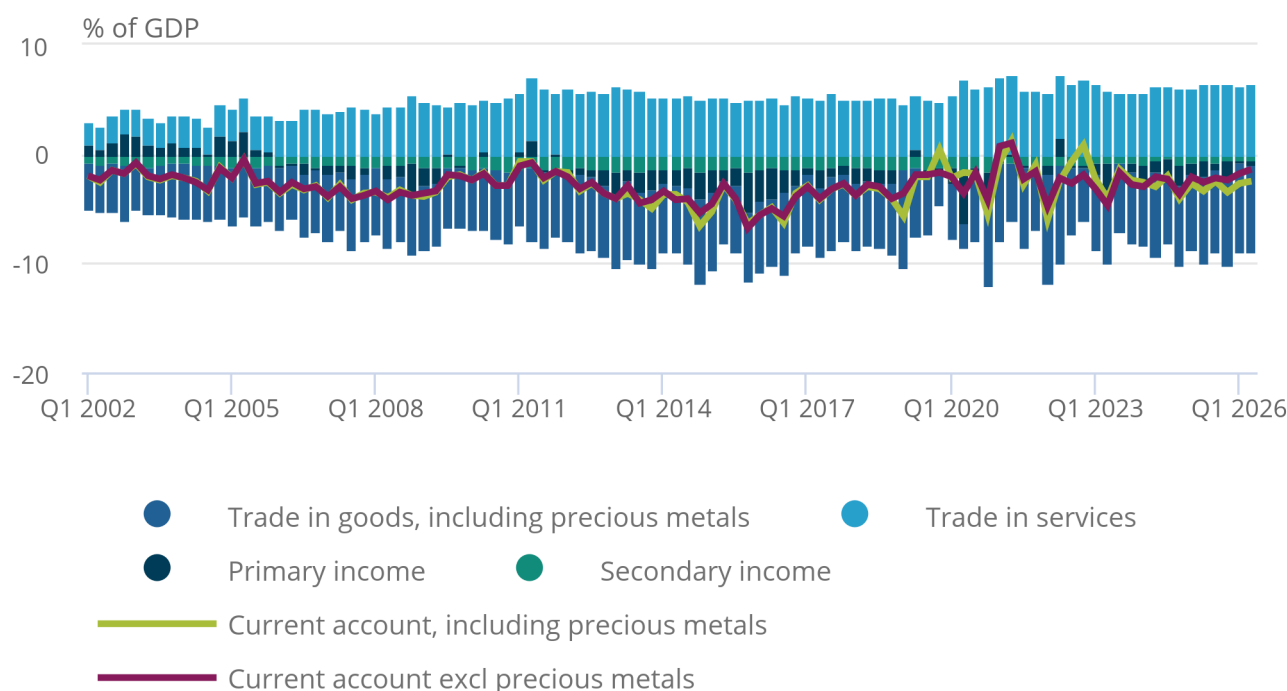
The UK remained a net borrower from the rest of the world in Quarter 2 (April to June) 2026. The underlying current account deficit (excluding precious metals) narrowed to 1.4% of gross domestic product (GDP), as the provisional estimate of FDI income surplus remained high. The total current account deficit also narrowed to 2.5% of GDP over the same period, in part reflecting the high value of precious metals imports (see Figure 4).

Figure 4: The UK's underlying current account deficit narrowed in Quarter 2 2026

UK current account balance as a percentage of gross domestic product (GDP), 2002 to 2026

Figure 4: The UK's underlying current account deficit narrowed in Quarter 2 2026

UK current account balance as a percentage of gross domestic product (GDP), 2002 to 2026



Source: Balance of payments from the Office for National Statistics

Notes:

1. The current account, excluding precious metals, is often used as an underlying measure. This is because movements in non-monetary gold, an important component of precious metals, can sometimes be large and highly volatile, distorting underlying trends in goods trade.

The trade in goods deficit has been narrowing, despite higher energy prices following the conflict in the Middle East, where the UK is a net energy importer. [The S&P Global's Purchasing Managers Index \(PMI\) business survey](#) shows that the level of new export business rose for the eighth month running in August, as foreign demand for UK manufactured consumer and investment goods improved. There has also been a widening of the trade in services surplus in Quarter 2, including in other business services.

The current account deficit is financed by net financial inflows into the UK. These financial flows in and out of the country can be volatile, particularly among more mobile forms of capital, such as other investment. There was a net financial inflow of other investment into the UK in Quarter 2, as UK investors disinvested their holdings of foreign assets. There was also a net financial outflow of portfolio investment, as UK investors increased their holdings of foreign assets in equity and debt investments. The preliminary estimate of the UK's net international investment liability position was £196.8 billion at the end of Quarter 2 2026.

4 . Labour Market

The labour market remained broadly stable in the three months to July 2026, with indications of continued slack. The employment and unemployment rates were unchanged from the previous three-month period, at 75.1% and 4.9%, respectively. However, other indicators pointed to weakening labour demand, including early estimates showing that payrolled employment fell by 0.5% in the 12 months to August 2026.

The number of job vacancies has remained broadly flat since the start of 2026, although these fell in the three months to August 2026 when compared with March to May 2026. Vacancies were at their lowest level since February to April 2021, at 702,000.

Recruitment difficulties also continue to be below normal levels, according to the Bank of England's [Agents' summary of business conditions - September 2026 survey](#). The ratio of unemployed people to vacancies remained at 2.5 in May to July 2026, unchanged since July to September 2025. For more information, see our [Vacancies and jobs in the UK: September 2026 bulletin](#).

Most broader measures of labour market availability declined for a second consecutive quarter in Quarter 2 2026, indicating that some existing spare capacity is being reduced. However, all measures remained above their pre-coronavirus (COVID-19) pandemic levels (Figure 5). For more information on labour market availability measures, see our [Alternative measures of underutilisation in the UK labour market article](#).

Figure 5: All measures of labour under-utilisation were above their pre-coronavirus (COVID-19) pandemic levels but most declined in Quarter 2 2026

Unemployment rates, UK, Quarter 3 (July to Sept) 2019 to Quarter 2 (Apr to June) 2026

Figure 5: All measures of labour under-utilisation were above their pre-coronavirus (COVID-19) pandemic levels but most declined in Quarter 2 2026

Unemployment rates, UK, Quarter 3 (July to Sept) 2019 to Quarter 2 (Apr to June) 2026



Source: Labour Force Survey from the Office for National Statistics

Notes:

1. U3 refers to the headline unemployment rate.
2. Narrower measures (U1 and U2) reflect that unemployment can be harder for some groups than for others, and the implications of this. For example, it can be more challenging for those who are long-term unemployed and those who were previously employed, rather than for a new entrant to the labour market.
3. Broader measures (U4, U5, and U6) reflect that official unemployment figures may understate the full extent of labour availability (for example, by excluding inactive persons who want a job and those in employment who are working fewer hours than desired).

External indicators present a mixed picture of labour market conditions. The latest Bank of England [Monthly Decision Maker Panel](#) reported that realised employment fell by 0.2% in the three months to August 2026 compared with a year earlier. In contrast, the latest [KPMG and REC UK Report on Jobs](#) reported the first broad-based expansion in permanent and temporary staffing in almost four years.

Average weekly earnings regular pay growth (excluding bonuses) remained at 3.5% in the 12 months to May to July 2026. Public sector regular pay growth (6.3%) continued to outpace private sector pay growth (2.9%), partly reflecting a base effect from the early payment of NHS pay awards in the previous year. For more information, see our [Average weekly earnings in Great Britain: September 2026 bulletin](#).

5 . Prices

Headline consumer price inflation (CPI) increased to 3.1% in August 2026, up from 2.9% in July, while core inflation (excluding energy, food, alcohol and tobacco) remained unchanged at 2.6%. UK core inflation was among the highest in G7 economies (see Table 1).

Table 1: UK core inflation remains among the highest in the G7 members despite easing inflation
Core inflation, G7 group of countries, January 2026 to August 2026

	Canada	France	Germany	Italy	UK	US	Japan
January	3.0	0.8	2.4	1.7	3.1	2.5	1.5
February	2.3	1.1	2.3	2.5	3.2	2.5	1.5
March	1.9	1.1	2.5	2	3.1	2.6	1.6
April	1.3	1.1	2.3	1.6	2.5	2.8	1.2
May	1.4	1.3	2.5	2	2.6	2.9	1.2
June	1.6	1.0	2.4	1.9	2.6	2.6	1.3
July	1.8	1.3	2.6	2.0	2.6	2.5	1.5
August	1.9	1.2	2.5	1.8	2.6	2.4	1.7

Source: Organisation for Economic Co-operation and Development, US Bureau of Labor Statistics, and consumer price inflation from the Office for National Statistics

Notes

1. Core inflation in the UK is based on the Consumer Prices Index (CPI) excluding energy food alcohol and tobacco. Core inflation in the United States is based on CPI excluding food and energy as reported by the US Bureau of Labor Statistics (BLS).
2. Figures for other countries are based on the national measures of consumer price indices, excluding energy and food, as reported by the Organisation for Economic Co-operation and Development (OECD).
3. Data as of 18 September 2026.

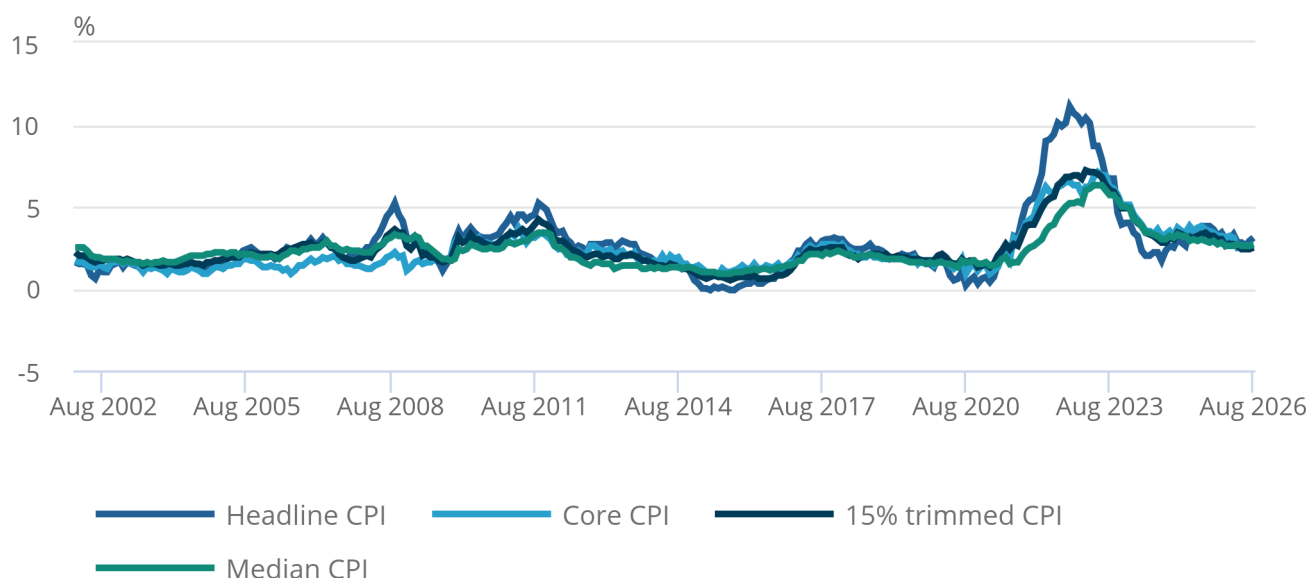
Alternative measures of core inflation also suggest little change in underlying price pressures. The 15% trimmed mean increased to 2.5% in August but remained within its 2026 range, while median inflation was 2.7% (Figure 6). These measures exclude the most volatile price movements, providing a more stable indication of underlying inflation trends. These alternative measures are discussed in our [New estimates of core inflation. UK: 2022 article](#).

Figure 6: Alternative measures of inflation suggest little change in underlying inflation trends

Annual rates of headlines and core Consumer Prices Index (CPI), UK, 2002 to 2026

Figure 6: Alternative measures of inflation suggest little change in underlying inflation trends

Annual rates of headlines and core Consumer Prices Index (CPI), UK, 2002 to 2026



Source: Consumer price inflation from the Office for National Statistics

The increase in headline inflation was primarily driven by higher transport and fuel costs. Transport inflation rose from 3.6% in July to 4.6% in August 2026, with motor fuel prices making the largest upward contribution to the increase in headline inflation.

The rise in energy prices followed the intensification of the conflict in the Middle East. Higher oil prices have already contributed to increased motor fuel prices and wider supply-chain pressures, with refined petroleum products contributing to higher input and output producer price inflation. Their effect on household gas and electricity prices will emerge with a lag. The Office of Gas and Electricity Markets (Ofgem) energy price cap will rise by 4%, from £1,663 to £1,723, in October 2026, with the removal of VAT on electricity partly offsetting the increase in wholesale energy prices.

Despite these wider cost pressures, food inflation remained subdued, at 1.3%, in August 2026, close to its lowest rate since 2021, partly reflecting base effects from price increases a year earlier. Some of the recent increases in energy and transport costs could feed through to food prices with a lag. The impact of recent and upcoming weather patterns is also a risk for food prices.

Measures of household inflation expectations remained mixed. Expectations in the [Bank of England and Savanta Inflation Attitudes Survey](#) fell between May and August 2026, especially at the one-year horizon, although this should be interpreted carefully following the change in survey provider. By contrast, the Citi and YouGov survey showed increases at both the one-year and five-year horizons between July and August 2026.

Expectations among businesses remained elevated, with firms' year-ahead inflation expectations at 3.1% in the three months to August. Expected wage growth remained stable, at 3.4%, according to the [Decision Maker Panel \(DMP\) survey](#). Firms expected higher energy prices to result mainly in higher prices and lower profit margins, with more limited effects on wages.

Evidence from the [Business Insights and Conditions Survey \(BICS\)](#) also suggests that pricing pressures remained. More businesses reported increases in the prices of goods and services bought than in those sold in August, while the proportion expecting to raise selling prices increased. Businesses also reported greater concern about energy prices in early September.

6 . Public Sector Finances

Public sector net borrowing was £18.3 billion in August 2026, bringing borrowing in this financial year to £77.3 billion. This was £8.1 billion above the Office for Budget Responsibility's (OBR's) March 2026 forecast, mainly because central government expenditure was more than £7 billion higher than expected, including spending on social benefits and debt interest. Higher inflation, partly reflecting the conflict in the Middle East, increased expenditure on index-linked debt interest. Central government receipts were also above forecast, including Pay As You Earn (PAYE) income tax and National Insurance contributions, but offset higher expenditure by only around £1 billion (Figure 7).

Figure 7: Public sector net borrowing remains above the OBR profile so far this financial year

Cumulative public sector net borrowing excluding public sector banks, UK

Figure 7: Public sector net borrowing remains above the OBR profile so far this financial year

Cumulative public sector net borrowing excluding public sector banks, UK



Source: Public sector finances from the Office for National Statistics

Notes:

1. This chart uses forecast data published by the Office for Budget Responsibility (OBR) in their [Economic and fiscal outlook - March 2026 monthly forecast updates](#), in April 2026.

The UK Government's costs to finance its accrued deficit (net borrowing), or to refinance its existing debt, have increased since the start of this financial year. Government bond yields have increased in the UK and in other countries this year, in part reflecting higher inflation being priced in by financial markets (Figure 8).

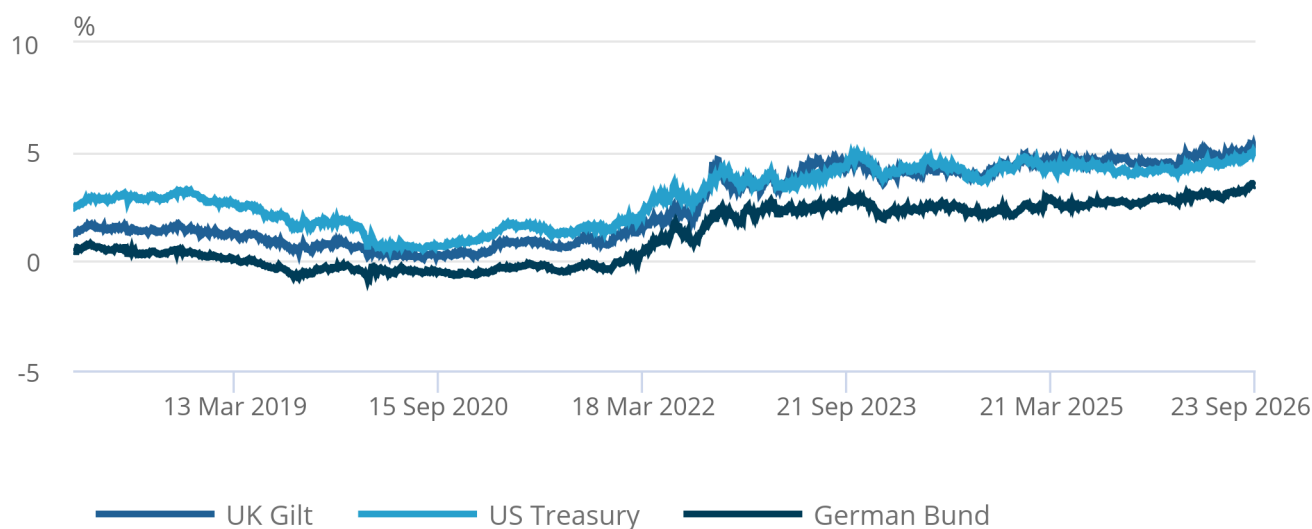
Higher yields increase borrowing costs as new debt is issued, and existing debt is refinanced. In addition, movements in the Retail Prices Index (RPI) have increased accrued interest on index-linked gilts, adding to public sector net borrowing and net debt this financial year.

Figure 8: Government bond yields have increased since the start of this financial year

10-year government bond yields, per cent

Figure 8: Government bond yields have increased since the start of this financial year

10-year government bond yields, per cent



Source: Bank of England, Federal Reserve Bank of St. Louis, and Deutsche Bundesbank

Public sector net debt, which is the amount owed to the UK private sector and overseas minus liquid assets, was provisionally estimated at £2,985.5 billion, or 93.8% of GDP, at the end of August 2026. This is an increase of £78.5 billion from a year earlier.

According to the UK Debt Management Office, [around one-third of UK gilts are held overseas](#), meaning that some gilt interest payments flow to non-UK investors. Public sector net financial liabilities, a broader balance sheet measure that includes additional financial assets and liabilities, were estimated at £2,620.4 billion, or 82.3% of GDP, £108.7 billion higher than a year earlier.

7 . Related links

[GDP quarterly national accounts, UK: April to June 2026](#)

Bulletin | Released 30 September 2026

Revised quarterly estimate of gross domestic product (GDP) for the UK. Uses additional data to provide a more precise indication of economic growth than the first estimate.

[Balance of payments, UK: April to June 2026](#)

Bulletin | Released 30 September 2026

A measure of cross-border transactions between the UK and rest of the world. Includes trade, income, capital transfers and foreign assets and liabilities.

[Public sector finances, UK: August 2026](#)

Bulletin | Released 22 September 2026

How the relationship between UK public sector monthly income and expenditure leads to changes in deficit and debt.

[Labour market overview, UK: September 2026](#)

Bulletin | Released 15 September 2026

Estimates of employment, unemployment, economic inactivity, and other employment-related statistics for the UK.

[Consumer price inflation, UK: August 2026](#)

Bulletin | Released 16 September 2026

Price indices, percentage changes, and weights for the different measures of consumer price inflation.

8 . Cite this article

Office for National Statistics (ONS), released 30 September 2026, ONS website, article, [Quarterly economic commentary: April to June 2026](#)