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ABCC Monthly UK Economic Report

June 2026

An overview of the latest developments in the UK economy covering major sectors and policy initiatives based on published data and forecasts from key institutions, government departments and private sector bodies.

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01

Historic UK–GCC Free Trade Agreement Signed

£3.7bn

Estimated boost to the UK economy every year

The UK has struck an historic trade agreement with the Gulf Cooperation Council that could boost growth for decades to come. The announcement of the UK–GCC Free Trade Agreement on 20 May strengthens the UK's long-term cooperation with its Gulf partners – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE – and reflects their shared commitment to open trade and long-term economic success.

£1.9bn

Annual increase in wages in the long run

The Department for Business & Trade estimated the deal could boost the UK economy by £3.7 billion every year and increase wages by £1.9bn annually in the long run.

1st

G7 country to agree a trade deal with the GCC

With the deal now secured, the UK has become the first G7 country to agree a trade deal with the GCC. When implemented, the deal will remove tariffs on key exports as well as facilitating the free flow of data. Financial services, digital trade, telecoms, and mutual recognition of professional qualifications are all within the FTA's scope, which also covers all major categories of intellectual property rights, like copyright, trademarks, designs, patents, trade secrets, and geographical indications.

UK exports of automotive parts, aerospace, medical equipment, agri-food, cereals, dairy products, chocolate and luxury goods among others are expected to be tariff-free once the deal comes into force. SMEs, the backbone of the UK economy, should benefit from dedicated SME support measures, trade intelligence sharing, streamlined customs and self-certification of origin.

The UK–GCC FTA is the UK's fifth free trade agreement following on from deals with India, the United States, the European Union and South Korea.

The UK's five free trade agreements

India • United States • European Union • South Korea → **GCC • 2026**

02

Easing of the impact of Middle East conflict

\$83.55

Brent crude, down 4.3%

The news on 15 June of a framework deal to end the war between the United States and Iran is expected to ease pressures on the economy, inflation, interest rates, fuel prices and energy bills. The immediate impact of this was seen on the price of Brent crude, the global oil benchmark, which was 4.3% lower at \$83.55 (£62.10) a barrel, its lowest level for more than three months.

-0.1%

GDP contraction in April (ONS)

The tentative deal gives hope for economic revival though longer-term impacts of the conflict are yet to be seen. The UK's economy contracted by 0.1% in April, according to the Office for National Statistics (ONS), published on 12 June. The April figures reveal how the energy price shock is taking its toll on businesses and consumers.

Interest Rates

3.75%

Bank of England base rate

The Bank of England's Monetary Policy Committee meets on 18 June to decide on UK rates. The Bank left interest rates unchanged at 3.75% on 30 April. Rates have been cut by 1.5 percentage points overall since August 2024, and are now expected to be held unchanged.

Productivity

+0.6%

GDP growth, Q1 2026 vs Q4 2025

GDP was estimated to have grown by 0.6% in January to March 2026 compared to the October to December 2025 quarter, according to a House of Commons Library research briefing published on 27 May 2026. Services output was up by 1.4% in January to March 2026 compared to the previous year.

03

British Business on Economic Trends

0.9%

GDP growth forecast for 2026

The British Chambers of Commerce (BCC) Economic Forecast released 2 June 2026 suggests that UK growth will remain subdued in 2026 and 2027. It predicted weak business investment, higher inflation and falling exports.

Key points in the BCC forecast

- **GDP** in 2026 is expected to grow by 0.9% (compared with 1.0% in the previous forecast) then 1.0% in 2027, and 1.3% in 2028.
- **Business investment** is a major drag from the Middle East conflict, now expected to fall by 2.2% this year before moving back to -0.1% in 2027.
- **Inflation** is forecast to peak at 3.8% by the end of 2026 before easing to 2.3% by Q4 2027.
- **Exports** are expected to fall by 0.2% this year, largely because of the conflict, before moving back to growth of 1.3% next year.

3.8%

Inflation peak by end of 2026

-2.2%

Fall in business investment
this year

04

Strategic Sectors

53.9

Manufacturing PMI — a four-year high in May

~87%

Targeted cut in emissions by 2040, from 1990 levels

+13%

Rise in energy bills from July as Ofgem hikes its cap

Manufacturing

May 2026 saw an upturn in UK manufacturing, with expansion in production volumes hitting a three-month high. However, companies continue to face significant challenges, especially relating to supply chain disruption, material shortages and rising purchasing costs. The seasonally adjusted S&P Global UK Manufacturing PMI rose to a four-year high of 53.9 in May, up slightly from 53.7 in April. The index has remained above its no-change mark of 50.0, signalling expansion, for seven successive months.

Energy

On 2 June, the UK set a target to cut emissions by around 87 percent by 2040 from 1990 levels as it increases efforts to meet net zero goals that it says will help to curb energy costs and create jobs, but it has yet to outline how the goal will be met. “As Britain faces the second fossil fuel shock of the decade, the only way to protect family and business finances is to drive for clean homegrown power that we control,” Energy Secretary Ed Miliband said.

The energy prices surge leaves millions of UK households facing a 13 percent increase in energy bills from July after regulator Ofgem hiked its price cap due to a leap in wholesale gas prices, Reuters reported.



£298,806

Average UK home, down 0.1% in May
(+0.5% annual)

+4.9%

Biggest annual rent rise
Bromley, to £1,705

+3.8%

Fastest regional rent growth
North East England

Housing Market

The housing market remains resilient, with house prices falling slightly. House prices slipped by 0.1% in May, with London and the South-East leading the way in the second monthly fall in a row, Halifax bank has revealed. The average UK home now costs £298,806, down from £299,251 in April, while annual growth edged up from 0.4% to 0.5%. Meanwhile, some UK house builders were warning of an uncertain future for the housing market as global issues hit confidence among potential buyers.

Rents

Average rents in London are rising by almost 5% a year in some of the capital's boroughs. New housing data from property website Zoopla released on 12 June shows more people chasing homes to let in London, bucking the national demand trend.

The biggest annual rise was in Bromley at 4.9% to £1,705, followed by Richmond-upon-Thames at 4.7% to £2,228. The highest average rent is in Kensington and Chelsea, which saw a 1.6% rise to £3,569, followed by Westminster at £3,296 after a 2.4% increase. Elsewhere rents rose most in North East England at 3.8% a year, followed by the North West at 3.3% and Yorkshire & Humber at 2.8%.

05

Investment in UK Infrastructure

£53.5bn

Private investment ready to go across five schemes

Investment in major transport projects can greatly boost UK growth. A report from BusinessLDN (Business London) and Arcadis consultancy has outlined the opportunities from investing in new infrastructure, estimating that £53.5bn of private investment in five major infrastructure schemes were ready to go. The biggest project – with £49bn of private investment – is Heathrow's third runway.

£49bn

Private investment in Heathrow's third runway

Other major projects include bringing Gatwick's existing Northern Runway – currently limited to acting as a taxiway – into routine use, boosting passenger capacity at London Stansted airport, expansion at DP World's London Gateway deep-water port, and upgrades to St Pancras International and the Temple Mills rail depot. The report called for a stronger partnership between business and government on delivery.



06

Technology & Innovation

34%

UK firms innovation-active in
2022–24 (was 36%)

31,150

UK businesses sampled
in UKIS 2025

The Department for Business & Trade published its UK Innovation Survey 2025 on 4 June. The survey, known as UKIS, is the main data source for business innovation in the UK and has been published every two years since 2005. It is the 14th UKIS survey conducted by the Office for National Statistics (ONS). UKIS 2025 focusses on business adoption of innovation through new and improved products and services, investments in types of innovation, changes in business structures, management, design, and marketing innovations. UKIS 2025 sampled 31,150 UK businesses with 10 or more employees. The survey found that 34% of UK businesses could be defined as innovation active during 2022–2024, a 2% decrease on the previous survey when the figure was 36% in 2020–2022.

07 World Firsts for UK in AI

Publishing & digital

The UK's Competition and Markets Authority (CMA) on 3 June imposed a new conduct requirement for Google search, to secure a fairer deal for publishers and consumers and improve Google's search services in the UK. The move follows the CMA's decision to designate Google with strategic market status (SMS) in general search services. In a world first, publishers will now have tools to prevent their content being used to power AI features in searches.

Medical research

AI has been used to develop a “fundamentally new” type of vaccine that could protect against viruses and prevent pandemics, according to Cambridge University researchers. The team claimed it is the first time a vaccine's key component had been designed entirely by AI and then trialled in people. The vaccine was engineered to work on all Covid variants and viruses that infect animals and which could start a future pandemic, a BBC report explained.



08

London Tech Week 2026

£1.1bn

Package to build a UK AI hardware powerhouse

London Tech Week 2026 took place over 8–12 June and provided a platform for exploring innovation and growth in the tech industry. The annual event brings together entrepreneurs, visionary leaders, policy makers and cutting-edge solutions to shape the future of business and the wider application of technology. Prime Minister Sir Keir Starmer outlined a new industrial strategy for AI and tech building on the country's strong innovation sector. The PM told the event of record levels of R&D funding.

£750m

For a new national AI supercomputer

The government also unveiled a £1.1bn package aimed at turning Britain into a global AI hardware powerhouse, by backing domestic chipmakers and investment to train future engineers. A new AI Hardware Plan includes £750m for a new national AI supercomputer and £400m earmarked for next-generation AI chips.

£400m

Earmarked for next-generation AI chips

During tech week, the UK launched an AI Economics Institute (AIEI) to understand the economic impacts of advanced Artificial Intelligence on productivity, labour markets, firms and income distribution.

Sources & further reading

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