ARABBRITISH
CHAMBER OF COMMERCE

ABCC Monthly UK Economic Report



September 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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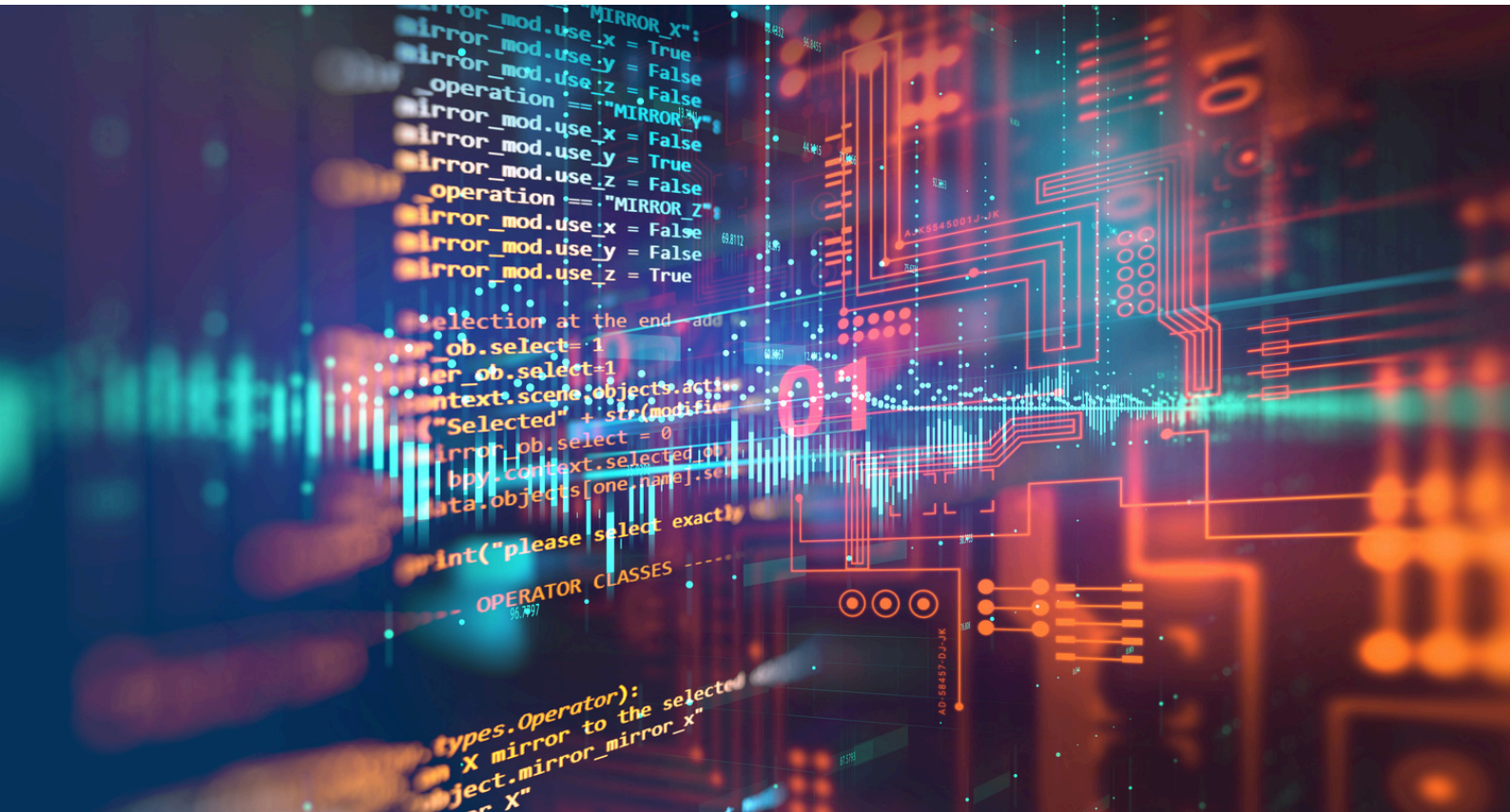
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01

Unexpected Growth

0.4%
UK monthly GDP growth in July 2026 (ONS)

The UK's monthly GDP grew by 0.4% in July 2026, following growth of 0.3% in June 2026 and no growth at all in May 2026, according to the Office for National Statistics (ONS). The growth in July was because of rises of 0.4% in services, of 0.2% in production and of 0.1% in construction. The faster than expected growth was partly helped by businesses using artificial intelligence (AI). Many analysts had predicted no growth. Growth was also helped by a strong performance from the services sector, and particularly computer programming. Experts said the figure showed the UK economy was proving resilient in the face of prevailing shocks, but they expect growth to slow in the months ahead as high energy prices affect households. Meanwhile, the Organisation for Economic Co-operation and Development (OECD) forecast that the UK economy was set to grow by 1% next year, down from its previous prediction of 1.1%. The prediction came in the OECD's Economic Outlook, Interim Report September 2026, released on 23 September.



02

Inflation Rise

3.1%
UK inflation in the year to August (ONS)

66%
of firms cite inflation as the main concern (BCC)

Major economic news of the last month is that UK inflation rose to 3.1% in the year to August, moving further away from the Bank of England's 2% target and accelerating from 2.9% in the 12 months to July. This latest rise, according to the ONS, came after petrol, diesel and airfares all increased as the ongoing Middle East conflict continued to disrupt global oil supplies. In a response, the British Chambers of Commerce warned that the cost of doing business, and the cost of living, were two sides of the same coin. “Our latest survey of almost 5,000 firms shows inflation is now the main concern, cited by 66% of firms. Meanwhile, over half (52%) told us fuel costs are pushing up their prices,” said Stuart Morrison, BCC’s Research Manager.

03

Government Borrowing

£18.3bn
Government borrowing in August (ONS)

£3.5bn
more than official forecasters had expected

Government borrowing was £18.3bn in August, almost a fifth higher than the year before, the ONS said, £3.5bn more than official forecasters had expected. The surge in borrowing - the difference between tax receipts and government spending - adds to the pressures on the Chancellor as he prepares for next month’s Budget.

04

Labour Market

30.2m

Payrolled employees, early estimate for August 2026 (ONS)

2.9%

Private sector wage growth in the three months to July

New data has shown that the wider UK jobs market cooled further over the summer, adding to a mixed picture on the state of the UK economy amid the surprise growth spurt in July and risks over price rises. The ONS found that private sector wages increased by 2.9% in the three months to July. This compared to 6.3% for the public sector in the three months to July and 6.1% in the quarter to June. Early estimates for August 2026 indicate that the number of payrolled employees was 30.2 million, which is a fall of 0.5% from August 2025; equivalent to 145,000 fewer employees, the ONS said.

05 Interest Rates Held – For Now

The UK interest rate was held at 3.75% by the Bank of England for the sixth time in a row despite rising inflation. The Bank's Monetary Policy Committee was split 6-3 in its decision announced on 17 September. This was widely expected by economists despite rising inflation and earlier decisions to raise rates taken by the US Federal Reserve, the European Central Bank and others. Andrew Bailey, the Bank's governor, warned: "So far higher global energy costs have had a limited effect on price and wage setting in the UK. But the longer this volatility persists, the bigger the impact it will have on inflation, and the more likely it is we will need to raise Bank rate to ensure that inflation falls back to our 2% target."

Investment adviser, the Wealth Club, commented, "Borrowers shouldn't assume that today's hold means mortgage rates will stay frozen. Fixed mortgage rates are guided by swap rates, which reflect expectations for where interest rates are heading, rather than simply where Bank Rate stands today. With markets still pricing in further rate hikes, swap rates have been pushed higher, and lenders have already been raising some fixed mortgage rates."



06

Plan for Growth

25%
Reduction in the burden of business regulation by the end of this Parliament

G7
UK growth "the fastest in the G7 in the first half of this year"

~50%
"Nearly half of the most innovative companies in Europe" are in the UK

The UK government has been outlining plans to support growth through investment, innovation and skills development, alongside greater devolution, highlighting how removing obstacles will strengthen the economy. In the run up to the Budget, UK Chancellor, John Healey MP, delivered what H M Treasury described as a "growth speech" where he set out his vision for driving economic growth. Healey stressed how "the UK is home to nearly half of the most innovative companies in Europe" and "world-leaders in life sciences, in defence technology, in creative industries, financial services." The Chancellor admitted that UK growth was "still fragile", but it remained "the fastest in the G7 in the first half of this year." He said that "while Britain's growth trajectory has been weak this now must change." and pledged to a mission of growth with "more investment, more innovation". A key component of the UK's plan for growth would be more devolution of powers, stating that the government "will support local leaders to deliver local growth." This greater devolution would enable "long-term local investment and industrial strategies," he said. Repeating the Prime Minister's watchword, the Chancellor pledged to make "good growth in every postcode" become a reality. One of the key measures to help businesses, he said, would be to reduce "the burden of business regulation by 25% by the end of this Parliament." The Chancellor was speaking at the Coventry headquarters of the Manufacturing Technology Centre, a leading research and technology organisation at the forefront of UK manufacturing innovation.

While the Chancellor's speech was broadly welcomed by business, some bodies warned that rising costs within the tax and regulatory system were delaying investment decisions. As Anna Leach, Chief Economist, Institute of Directors, stated, "Instability and rising costs within the tax and regulatory system are delaying investment decisions and undermining the UK's competitiveness. To boost business confidence and investment, the government must move swiftly to address uncompetitive energy costs and provide greater certainty through a refreshed and expanded business tax roadmap."

07

Economic Outlook

1%
UK GDP growth anticipated in 2026 (BCC)

5.4%
Unemployment forecast to peak in 2027 (BCC)

In its economic forecast, published 1 September, the British Chambers of Commerce stated that UK GDP is anticipated to grow by 1% in 2026, which is only marginally better than the BCC's previous forecast (0.9% in the Q2 forecast). Despite severe global challenges, in particular higher oil prices, the UK economy was more resilient than expected in the first six months of this year. Within uncertainty about the course of conflict in the Middle East, GDP is expected to remain at 1% in 2027. Growth is forecast to pick up to 1.3% in 2028. The figures for unemployment are concerning with unemployment forecast to reach 5% by the end of 2026 and then peak at 5.4% in 2027. Youth unemployment, meanwhile, is expected to reach a high of 17.6% next year, BCC says. Turning to trade, the BCC says that UK exports are expected to grow by just 0.4% this year. While that is an upgrade on their previous forecast (0.2%), reflecting some easing of Middle East tensions, the absence of a lasting peace deal means that trade will remain challenging. All in all, this latest forecast paints an uncertain outlook for the UK economy.



08

Upcoming Budget

75%
Share of the Renewables Obligation for business the BCC wants government to fund

The forthcoming Budget has provoked intense discussion among the business community. The Prime Minister warned that the October Budget would be "challenging" in view of the situation around the world and in the Middle East. There will need to be "difficult decisions" to ensure the economy remains on track for growth, PM Andy Burnham said. The British Chambers of Commerce has urged the Chancellor to back business by cutting costs, boosting confidence, and creating the right conditions for firms to invest, hire and grow. The BCC argues that Britain is becoming too expensive for business and this is making the economy less competitive. The chambers insist that the best way to "unlock growth in every postcode" would be to reduce the cost of doing business.

The chambers urged the Chancellor, to 'Back Business, Cut Costs and Deliver Growth' in his first Budget statement. With BCC research showing fragile business confidence, its budget submission asked the Chancellor to give firms the 'breathing space' they need to create jobs, invest and grow. The BCC recommended three fiscally responsible immediate steps: firstly, cut employer National Insurance contributions for all under-25s, to help tackle the youth employment crisis, funded in part by replacing the pensions triple lock, which is a far from uncontroversial proposal; second, to introduce a targeted tax reduction package to ease energy and business rate pressures for all firms, including government funding 75% of the Renewables Obligation for business, and lowering all rateable value multipliers; and, finally, restore consistent, locally delivered export support to help more SMEs trade globally and drive growth.

In a Budget submission, the Institute of Directors (IoD) urged tangible steps to bring down the cost of employment and restore employer confidence in hiring. The directors' body warned there was a real danger that labour market conditions will continue to weaken while more business leaders expect to reduce headcount over the coming year. In response to the ONS labour market data released 15 September, Alex Hall-Chen, the IoD's Principal Policy Advisor for Employment, said that the Budget must restore employer confidence in hiring. "Today's figures show that the labour market is continuing to soften, with the number of payrolled employees down by 26,000 on the month (145,000 on the year) and vacancies down 8,000 on the quarter (36,000 on the year)."

09

Crypto Assets

240

People declaring more than £1 million in crypto capital gains, 2024 to 2025 (HMRC)

Figures published by HM Revenue and Customs (HMRC) revealed that 240 people declared more than £1 million in capital gains from crypto assets in the 2024 to 2025 tax year, with the same group reporting a total of £717 million in crypto asset gains. This data published 27 August comes as part of HMRC's annual Capital Gains Tax statistics and is the first time it has published this specific data, following the introduction of a dedicated part of the Self-Assessment return for crypto asset capital gains. In the 2024 to 2025 tax year, there were 17,600 individuals making Capital Gains Tax-liable disposals of crypto assets such as Bitcoin, Ethereum and Dogecoin. These taxpayers reported total crypto asset disposal proceeds of £13.8 billion and gains of £1.38 billion. The government first issued guidance in 2018, updated 2025, on the tax rules for individuals, businesses and service providers when they buy, sell or receive crypto assets.

Tourism Tax

The government announced plans on 10 September 2026 to allow local mayors to introduce a tourist tax in England as a percentage of accommodation costs, which could raise hotel bills for domestic tourists including companies sending staff on work trips. The potential impact of the tax on the hospitality sector raised concerns. Allen Simpson, the chief executive of UKHospitality, said the plans would put jobs at risk, pointing out that a new tourism tax in Edinburgh was “already having damaging effects”. He told BBC Radio 4’s Today programme that holidays in the UK (“staycations”) were “already more expensive” because of higher VAT. Several groups like the Business Travel Association, the Global Business Travel Association and the Institute of Travel Management called for business travel to be exempt from the new levy.

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