Credius
Senator House,
85 Queen Victoria Street,
London EC4V 4AB

T 020 7562 5858
F 020 7562 5802
E info@credius.com
W www.credius.com

September 2026 – review of August 6 minute read

Our monthly economic review is intended to provide background to recent developments in investment markets as well as to give an indication of how some key issues could impact in the future.

It is not intended that individual investment decisions should be taken based on this information; we are always ready to discuss your individual requirements. We hope you will find th s review to be of interest.

UK second-quarter growth more resilient than anticipated

Recent data shows the UK economy unexpectedly expanded by 0.4% between April and June, despite ongoing pressure on business costs and household finances.

BoE Governor Andrew Bailey said, *"Inflation has fallen faster than we'd expected, but the conflict in the Middle East continues to mean high and volatile energy prices. That will cause inflation to rise again later this year. However the conflict unfolds, our job is to make sure any increase in inflation is temporary and that it comes back to our 2% target."*

Official figures from the Office for National Statistics (ONS) showed gross domestic product (GDP) growth slowed from 0.6% during the first quarter. Nevertheless, the result was stronger than economists anticipated, suggesting consumers were still responding well to recent economic disruption. Services and manufacturing were the main growth drivers, while warm weather and major sporting events, including the World Cup, boosted hospitality and leisure activity. June was particularly strong, with output increasing by 0.3% during the month. Chancellor John Healey responded by pointing out the UK had seen the *"fastest growth in the G7 this year" but that it now needed to "double down and drive growth in every postcode."*

The positive growth data was accompanied by a less encouraging update on the public finances. Government borrowing reached £1.8bn in July, considerably higher than the £500m surplus forecast by the Office for Budget Responsibility (OBR). Borrowing since the beginning of the financial year now stands at £56.7bn. Although this is £6bn below the equivalent figure a year ago, thanks to higher tax revenues, it remains more than £2bn above the OBR's projection. This could leave the new Chancellor with little room to manoeuvre on taxes or spending when he delivers

his first Budget on 28 October. Stuart Morrison, Research Manager at the British Chambers of Commerce, said the UK economy displayed *"welcome resilience"* in Q2, but added, *"The headline figures shouldn't disguise the cocktail of cost pressures choking long-term business growth. The Autumn Budget must be a game changer for stronger, sustainable growth. We need measures that boost trade, investment and productivity. The Chancellor must back business, cut costs and deliver growth."*

UK jobs market remains stable, but "stagnant" growth persists

The latest Labour Market Overview published by ONS in August painted a muted picture of the UK jobs market.

Job vacancies for the May to July period fell to 707,000, their lowest level in more than five years and a 6,000 decline from the previous three-month period. Businesses cited higher wage bills, including National Insurance contributions and the minimum wage, with rising operating costs as reasons for the hiring slowdown.

According to HMRC payroll figures, the number of payrolled employees fell by 78,000 in June compared to a year ago, a decline of 0.3%. Provisional estimates suggest employment fell again in July, leaving payroll numbers 94,000 below July 2025. However, ONS reported that the labour market was 'little changed overall,' with the unemployment rate unchanged at 4.9%.

Average pay has continued to rise, although growth remains varied across different parts of the economy. ONS reported regular earnings increased by 3.5% annually, while total pay, including bonuses, rose by 4.1%. Public-sector regular pay grew by 6.1%, compared with 2.8% in the private sector. After inflation, employees experienced modest real-term wage growth.

Graduate job openings have nearly halved over the past year, according to recruitment website Adzuna. It listed 8,383 graduate vacancies in July, compared with 15,397 a year earlier, the lowest total since its records began in 2016. Competition has also intensified across the wider labour market, rising to 2.14 applicants per vacancy from 1.93.

Alex Hall-Chen from the Institute of Directors called it a *"stagnant"* labour market, adding, *"If the government is to deliver on its promise of growth and prosperity in every postcode, it must take concrete steps to restore employer confidence and support job creation."*

Retail sales wilt as temperatures soar in July

Consumer spending slowed in July, according to ONS. The volume of goods sold in stores and online fell by 0.5% over the month, in sharp contrast to the rise of 0.7% for the previous month. The fall was predicted by economists.

Food and drink sales were a notable bright spot, increasing 3.8% year-on-year in July, in part due to the World Cup and England's run to the semi-finals. However, non-food sales in stores were affected by the hot weather, falling 1.3% as shoppers opted to stay home. Clothing sales were down in July, which was in part attributed to retailers bringing forward summer sales to May and June. Consumers also appeared to delay purchasing big ticket items such as furniture and computers.

Helen Dickinson, Chief Executive at the British Retail Consortium, said, *"Consumer demand has struggled in the heat, leaving retailers facing a challenging start to the second half of the year. Household budgets remain stretched, consumer confidence is fragile and retailers continue to grapple with rising operating costs."*

> *"Food and drink sales were a notable bright spot, increasing 3.8% year-on-year in July, in part due to the World Cup and England's run to the semi-finals."*

Higher energy costs and heatwaves push UK inflation back up

The annual rate of UK inflation rose to 2.9% in July, a notable jump from June's 15-month low of 2.6% according to ONS. Analysts had predicted a Consumer Prices Index (CPI) reading of around 2.8%.

The increase was attributed to the impact of the Middle East conflict, with higher gas and electricity prices adding to the UK's cost of living concerns. At the beginning of July, the energy price cap set by regulator Ofgem increased by an average of 13%, resulting in significantly higher bills for UK households. ONS reported 'core' inflation, which strips out the impact of energy, food, alcohol and tobacco, was higher than predicted at 2.6%. Chancellor John Healey said, *"Iran war inflation continued to impact prices here at home, but Britain's economy is resilient."*

The summer drought is set to leave Britain with smaller crop yields and higher grocery prices. The National Farmers' Union warned of food shortages following poor yields for crops such as wheat, barley, rapeseed and oats, while vegetable producers running low on water are reporting quality issues. The poor conditions could lead to higher prices and 'shrinkflation,' where customers pay higher prices for goods in smaller quantities.

> *"At the beginning of July, the energy price cap set by regulator Ofgem increased by an average of 13%, resulting in significantly higher bills for UK households."*

All details are correct at the time of writing (01 September 2026)

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK.