BRITISH CHAMBERS OF COMMERCE

2 June 2026

QUARTERLY ECONOMIC FORECAST Q2 2026

The latest British Chambers of Commerce (BCC) forecast expects subdued growth in 2026 and 2027, with higher inflation and unemployment as the Middle East conflict continues to be felt.

- GDP in 2026 is expected to grow by 0.9%, 1.0% in 2027, and 1.3% in 2028
- The Middle East conflict is expected to push inflation to 3.8% by the end of 2026
- Unemployment is expected to be 5.2% in 2026, with youth unemployment expected to hit 17.8% in 2027

GDP growth

UK GDP is expected to grow by 0.9% in 2026, which is only marginally slower than Q1, despite the ongoing geopolitical uncertainty. This is reflective of stronger than expected GDP in Q1. The economy is then expected to grow by 1% in 2027 and 1.3% in 2028.

With firms facing elevated domestic costs and global economic uncertainty, business investment is forecast to contract by 2.2% in 2026 and 0.1% in 2027, before recovering to 2.3% in 2028.

The Middle East conflict will make international trade challenging, and UK exports are forecast to fall this year by 0.2% before recovering to 1.3% growth in 2027.

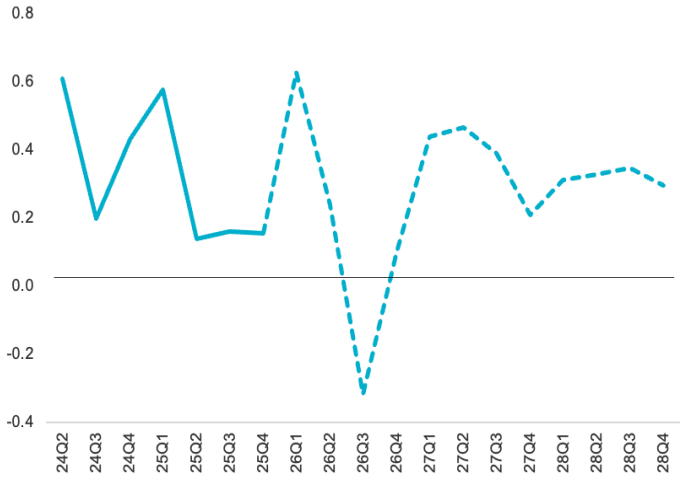
0.9% forecast GDP growth for 2026

-2.2% forecast business investment growth for 2026

3.8% forecast CPI inflation rate by Q4 2026

Quarterly GDP expected to average approx. 0.3% between 2026-28

Source: BCC forecast, Q2 2026



Inflation

Inflation is expected to peak at 3.8% in Q4, with the main drivers being higher energy prices and shipping costs, linked to the ongoing unrest in the Middle East. There is uncertainty over how the Bank of England will react, but given already tight monetary policy, weakening growth, rising unemployment, and potentially lower second-round inflationary effects on labour costs compared with 2022, the Bank are expected to hold through the current inflationary spike. However, this could change if the inflation shock deepens.

Employment

With vacancies continuing to fall, unemployment is forecast to rise to 5.2% in 2026 and then reach 5.5% in 2027. BCC surveys continue to show labour costs as the main cost pressure for businesses. Youth unemployment remains an area of concern as labour costs and AI erode entry level jobs. It is expected to be 16.9% in 2026, rising to 17.8% in 2027. With firms facing squeezed margins because of input costs and minimum wage increases, growth in average earnings is forecast to ease from 3.7% by Q4 2026 to 3.3% by the end of 2027.

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Current forecast (2026 Q2)				
BCC Economic Full Forecast (Annual % change)				
	2025	**2026**	**2027**	**2028**
GDP	1.4	0.9	1.0	1.3
Household Consumption	1.0	0.9	0.9	1.3
General Government	1.6	1.1	0.7	0.5
Investment	4.3	0.7	1.0	1.5
of which: Business Investment	4.3	-2.2	-0.1	2.3
Exports	2.1	-0.2	1.3	2.2
Imports	4.2	1.4	1.1	1.7
Total Production	-0.2	0.0	-0.4	0.9
Manufacturing	-0.8	0.8	-0.4	0.8
Construction	0.8	-1.0	-0.4	0.7
Services	1.7	1.3	1.3	1.4
Unemployment Rate %	4.8	5.2	5.5	5.3
Unemployment change 000's	229.8	154.6	104.6	-70.7
Youth unemployment rate %	14.9	16.9	17.8	17.2
Youth unemployment change 000's	69.1	85.7	40.1	-28.3
CPI inflation Q4	3.4	3.8	2.3	2.0
Average earnings Q4	4.5	3.7	3.3	3.1
Bank Rate Q4	3.75	3.75	3.75	3.50
Net Trade % GDP	-2.3	-2.8	-2.8	-2.6
Balance of Payments % GDP	-2.4	-4.2	-4.0	-3.6
PSNB ex % GDP	5.0	3.6	3.8	2.9
PSNB ex £bn	157.6	113.5	124.7	99.3

The BCC forecast is produced using the National Institute Global Econometric Model (NiGEM) For more information, contact David Bharier, Deputy Director

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