



**Glasgow City Region
Economic Briefing March 2026
Cabinet
Intelligence Hub**



The Latest UK and Scotland Data

The latest economic data show relatively low levels of growth across Scotland and the UK, with Scotland's labour market improving relative to the UK's in Oct to Dec 2025.

GDP: GDP: Monthly GDP (January 2026) showed no growth, significantly short of the 0.2% expected by economists. Commentators argue that this due to the economic hit from the Middle East conflict and uncertainty around the Autumn budget.

Productivity: Labour Force Survey (LFS) estimates suggest that UK output per hour worked was 3.1% higher in Q3 2025 than pre-COVID (2019 average), with output per worker 2.1% higher across the same period.

Inflation & Interest Rates: Consumer Price Index (CPI) inflation rose by 3.0% in the 12 months to January 2026, down from 3.4% in the 12 months to December 2025. Food and transport made the largest contributions.

Labour Market: Labour Force Survey (LFS) estimates, as noted in chart 1, show Scotland's labour market improving relative to the UK over the last observed quarter (Sep-Nov 2025). Increased volatility of LFS estimates mean that quarterly changes should be treated with caution.

Chart 1: Labour market rates, Scotland and UK, Oct to Dec 2025

	Headline Rate	Change on Quarter
UK Employment	75.0%	-0.1 pp
Sco Employment	74.8%	+0.4 pp
UK Unemployment	5.2%	+0.2 pp
Sco Unemployment	3.8%	+0.1 pp
UK Economic Inactivity	20.8%	-0.1 pp
Sco Economic Inactivity	22.3%	-0.5 pp

Sources:

[ONS - GDP Monthly Estimates](#)

[ONS - Productivity Flash](#)

[ONS - Consumer Price Inflation](#)

[ONS - Regional Labour Markets](#)



Global Economic Outlook

Geopolitical and trade tensions will be a defining feature of 2026.

Growth: OECD forecasts a slowdown in global GDP growth, driven by geopolitical uncertainty and trade disruptions, including US tariffs. Fragility in the global economy is also reflected in soaring AI company valuations versus actual returns.

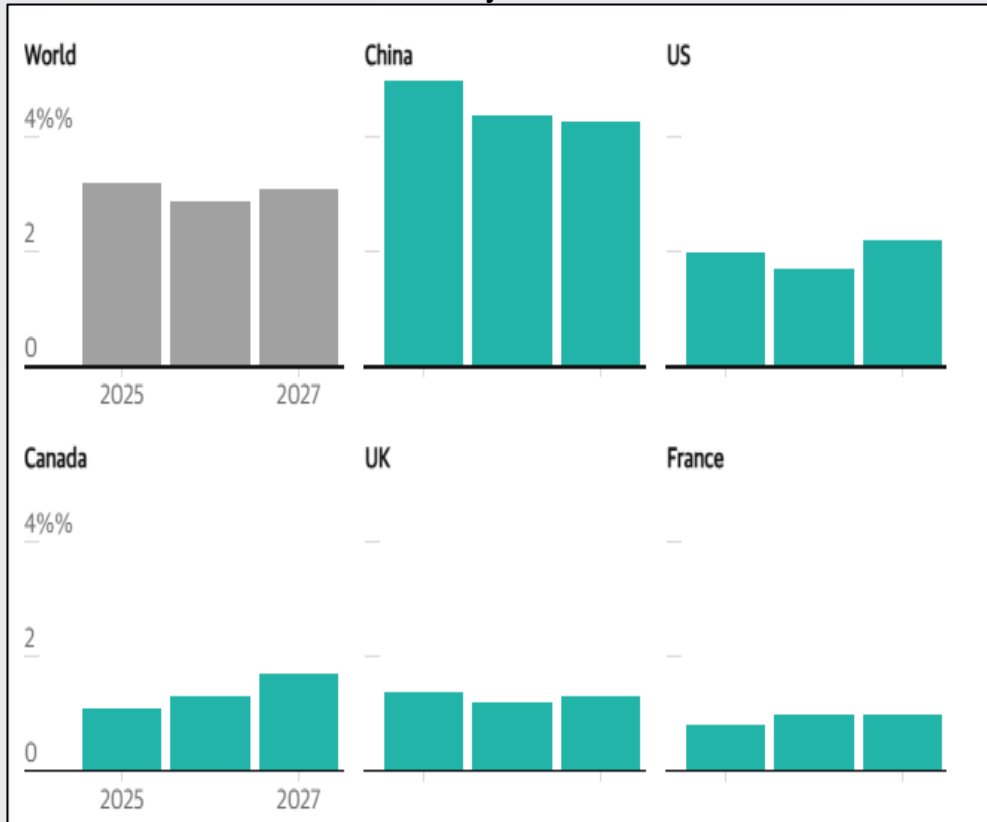
Inflation trends: Inflation was expected to normalise across advanced economies, enabling central banks to end their cycle of interest rate hikes and ease the burden of higher borrowing costs on growth.*

Fiscal Priorities: Rising debt servicing costs are pressuring governments, particularly those with high debt and weak growth. In the UK, elevated interest payments, alongside defence commitments, are likely to constrain future budgets.

* Note: This was pre the recent events in the middle east

Sources: [Guardian](#), [Financial Times](#)

Chart 2: Real GDP Forecasts and Projections.



Source: [Guardian](#) from OECD analysis

Oil Price and their Impact for Households and Businesses

Economists note crude oil prices could surpass levels seen since Russia's invasion in Ukraine, with potentially serious effects for consumers and businesses, and return of stagflation.

Economists say the increasing likelihood of a prolonged middle east conflict could have serious consequences for living standards around the world amid the threat of a renewed inflation shock.

- **Oil prices have surged above \$119 per barrel, the highest level since early 2022,** largely due to disruptions linked to tensions around the Strait of Hormuz, a key global shipping route.
- **If the strait remains closed, analysts warn prices could rise toward \$150 per barrel,** potentially exceeding the previous record of \$145.29 set in 2008. The strait is critical for global trade, carrying about 20% of seaborne oil.
- **According to Goldman Sachs, the impact of Iran's effective blockade could be around 17 times larger** than the disruption to Russian oil supply in 2022, which pushed prices to about \$139 per barrel.

Chart 3: Average real household disposable income per person (2025-26 prices): UK



Source: [The Guardian](#)

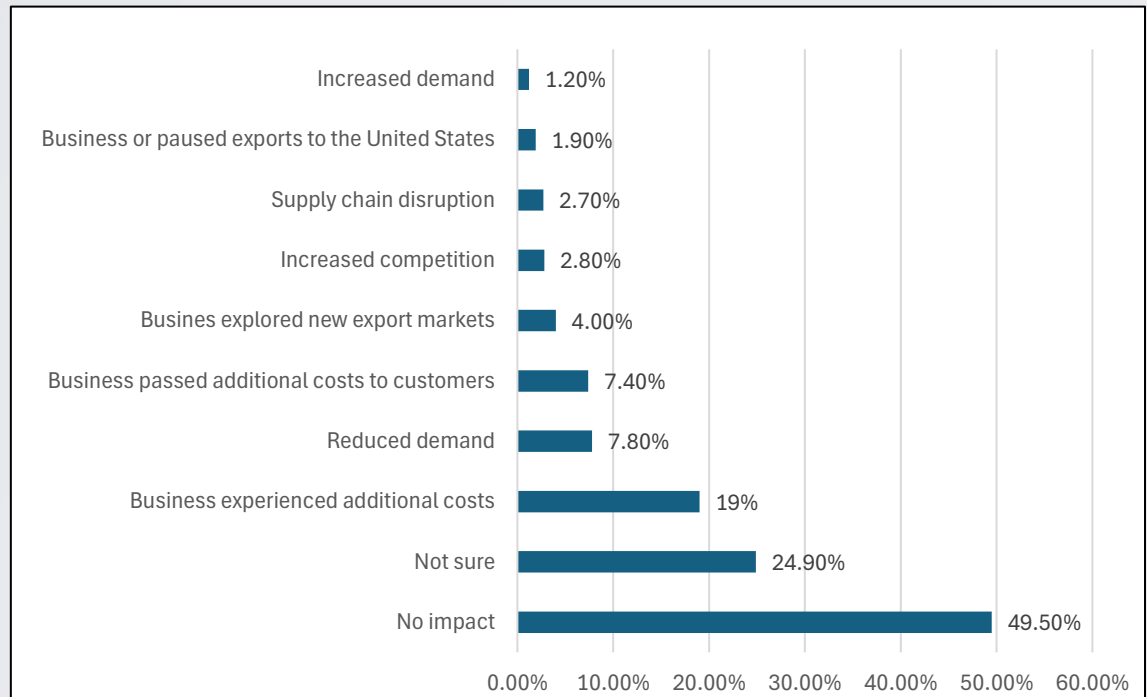
Scottish Government Report on Impact of US Tariffs

The introduction of 10% US tariffs on all goods appears to have had a limited impact on Scottish businesses thus far, but uncertainty remains.

Overall impact appears limited:

- **Many firms unaffected or uncertain:** 49.5% of exporters reported no impact and 24.9% were unsure, indicating the overall economic effect may still be limited or emerging.
- **Implication for the Glasgow City Region:** pressures for export-oriented manufacturing businesses but limited short-term impact on the wider regional economy.

Chart 4: % of respondents, Scottish business impact to US Tariffs



Source: [Scottish Government United States Tariffs](#)

Scottish Government Report on Impact of US Tariffs

The introduction of 10% US tariffs on all goods has had a disproportionate impact on different sectors.

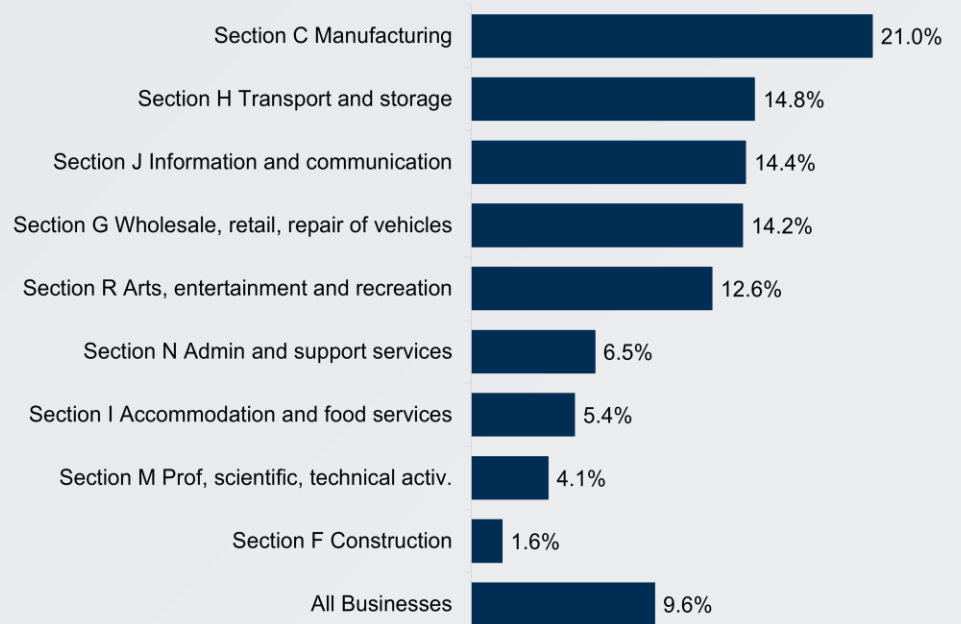
Key Findings:

- The report highlights that goods exporters are particularly affected: 25.7% of goods exporters reported impacts, showing tariffs are concentrated among internationally trading firms.
- This means that there is higher vulnerability in trade-intensive sectors with 21% of manufacturing firms reporting impacts.

Glasgow City Region:

- GCR should take a proactive approach to supporting businesses in adapting their export strategies. This includes strengthening business support services to help firms diversify markets and build resilience in the face of changing global trade conditions.

Chart 5: Percentage of Scottish Businesses impacted by US Tariffs by sector



Source: [Scottish Government United States Tariffs](#)

The UK Defence Growth Deal

In March 2026, the UK Government unveiled plans for increased defence spending in Scotland which includes a £50m UK defence growth deal announced to strengthen Scotland's defence industry.

Glasgow City Region Context and Benefits

- **Economic contribution of Defence:** Across the Glasgow City Region economy, defence-related sectors support approximately **23,000 jobs across 1,725 businesses and contributes £9.2 billion to the economy.** GCR ranks fourth among UK Core City Regions for defence exports and has the second-highest concentration of defence businesses, after the West of England.
- **UK Defence Growth Deal and GCR:** Funding aims to support advanced engineering, shipbuilding, and defence technology. The Clyde Engineering and Innovation Centre near HMNB Clyde, will receive £5 million to support work in digital systems, data science and automation.
- **Investment:** This builds on increased investment from major companies, such as BAE Systems, which is continuing to construct advanced warships for the Royal Navy at its Glasgow site following a £4.2 billion contract. The company is also investing £300 million in its Glasgow shipbuilding facilities, including a £12 million state-of-the-art training centre to support workforce development.



Downturn in Living Standards for Low Income Families

The Resolution Foundation's new book 'Unsung Britain' examines how everyday families navigate income, spending, and rising living costs to shed light of their challenges.

Key Findings:

- **Major slowdown in living standards growth** - Incomes for the poorest half of working-age families doubled over the 40 years up to 2004–05. But because incomes have grown much more slowly since then, it would now take more than 130 years for them to double again.
- **Earnings stagnation since the mid-2000s** - Most of the £7,700 increase in average household earnings for lower-income families occurred before 2004–05, with weak wage growth since then driving the slowdown in living standards.
- **Work is no longer guarantees financial security** - 55% of non-pensioner families in poverty now have someone in work
- **Costs and financial pressures rising fastest for the poorest** - Poorer households have experienced growing debt, including sharp increases in energy bill arrears.

Potential ways to address this downturn in living standards:

- **Make it easier for businesses to grow (digital adoption etc) and people to return to work.** This could help translate economic growth into higher incomes in the Glasgow City Region.
- **Improving pay and conditions in sectors such as social care is also proposed through 'Fair Pay Agreements'.** GCR has had recent success in encouraging employers to adopt the living wage.
- **Stronger enforcement of labour market rights and reforms to the benefits system.** This could include linking benefits more consistently to wage growth.

Source: [Resolution Foundation](#)



Middle East War Threatens Expected Living Standards Boost

The UK is set for a decent but one-off increase in living standards this year, and a bumper rise for lower-income families. But a new energy price shock risks ruining this good news.

Short-term improvement: Living standards in the UK were expected to rise in 2026–27, with typical working-age families gaining about 0.9% (£300) and lower-income households rising 3.9% (£800) due to benefit increases and the removal of the two-child limit.

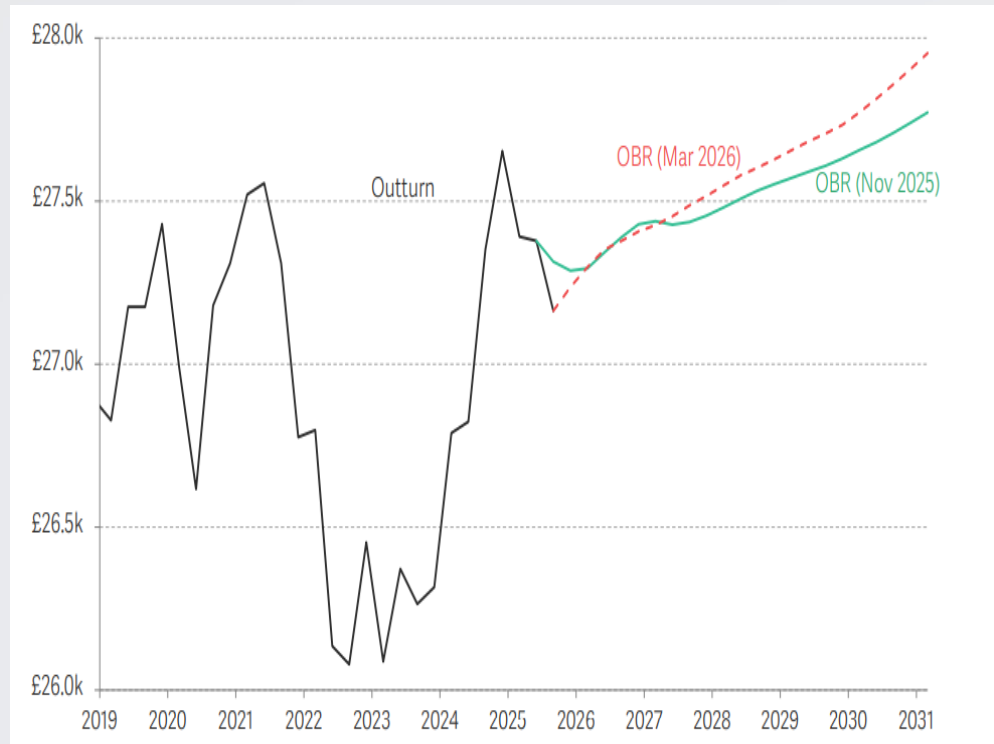
Risks and longer-term outlook: A potential energy price shock due to the war in the Middle East could increase inflation and add about £500 to annual energy bills, hitting poorer families hardest.

Beyond next year, living standards are expected to stagnate or fall slightly because of weak wage growth, and child poverty may rise again after an initial drop.

Possible upside: If real wages grow faster (3.5% instead of 1.4%), living standards could improve instead of falling and government borrowing could drop by up to £20 billion per year.

Sources: [Resolution Foundation](#)

Chart 6 : Average real household disposable income per person (2025-26 prices): UK



A new Living Standards Indicator for GCR

The GCR Minimum Income Standard will define the level of income needed for everyone in GCR to achieve a socially acceptable standard of living.

Unlike poverty lines, which measure income deficits, MIS is a needs-based measure that shows what people require for a decent quality of life and why.

The Intelligence Hub will work with [Loughborough University](#) to develop A bespoke regional indicator. This will involve

- **Adapting the national Minimum Income Standard (MIS) for the GCR so it reflects local living costs and needs.**
- **Producing income benchmarks for different household types, including average household figures.**
- **Using the GCR MIS as a measure of success, allowing us to track progress in living standards over time.**



A MIS for GCR can provide a practical tool for policy design, monitoring, and evaluation. Key policy implications include:

- **Setting a regional benchmark for living standards:** Policymakers can use the GCR MIS to define what income is needed for a decent standard of living locally, giving a clearer benchmark than national poverty lines.
- **Tracking progress and evaluating policy:** The indicator can be used to monitor changes in living standards over time and assess whether policies (e.g., employment, housing) are improving residents' ability to meet essential needs.
- **Targeting support more effectively:** By identifying which household types fall furthest below MIS, policymakers can better target interventions such as income support, childcare provision, or employment programmes.
- **Shaping housing and cost-of-living policies:** Because MIS reflects the real cost of essentials, it can highlight the impact of housing, transport, and childcare costs and support policies that reduce these pressures.



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