

Economic Commentary

April 2026
Insights & Economics



Economic Commentary: Highlights

SUMMARY

- Global business activity eased to an 11-month low in March as output eased across services and manufacturing. PMI data pointed to a slowdown in business activity across major economies, including the Eurozone, UK, US and Japan.
- UK GDP showed no growth in January, following growth of 0.1% in December. Over the month, services showed no growth, production fell by 0.1%, and construction grew by 0.2%. Across the quarter, growth was 0.2%.

ECONOMIC DATA

- Business activity rose in nine out of twelve UK nations/regions in January, an increase from five in December. Note this was prior to the Middle East conflict when data reflected stronger demand for goods and services as confidence improved across most areas.
- UK consumer price inflation was 3.0% in the year to February, unchanged from the 12 months to January. Producer input prices rose by 0.5% in the year to February.
- The Scottish economy grew by 0.5% in January, after showing no growth (0.0%) in December. Output grew in the production (+1.2%), construction (+0.2%) and services (+0.4%) sectors. In the 3 months to January, GDP showed no growth.

SE CUSTOMER SENTIMENT

- Scottish businesses report a range of factors impacting supply chains, including international conflict, alongside shipping disruption, cyber attacks and increased barriers to trade. Energy prices are also a key issue, with 76% of businesses very or somewhat concerned.
- 31% of businesses expect to increase prices in April, with various factors driving this, including rising energy, raw materials and transportation/haulage costs.
- Scotland's labour market continues to cool as the number of payrolled employees decreased by 5,000 (-0.6%) over the year to February (the sixteenth consecutive monthly fall).
- Overall sentiment among SE customers is mixed and fragile – some sectors (e.g. Financial services) are more positive than others (e.g. Energy). Intelligence in relation to the Middle East conflict suggests SE goods exporters are experiencing a range of challenges, primarily in relation to trade, logistics and overall demand.

OUTLOOK

- A newly released OECD forecast, following the Middle East conflict, shows global growth is expected to remain broadly stable (2.9% in 2026, before edging up to 3.0% in 2027).
- However, the UK outlook (alongside other economies – e.g. Eurozone) has weakened. UK GDP growth for 2026 was downgraded to 0.7% (from 1.2%), and consumer price inflation is now expected to average 4.0% in 2026, a significant upward revision.

Global/UK

SUMMARY

RECENT ECONOMIC DATA

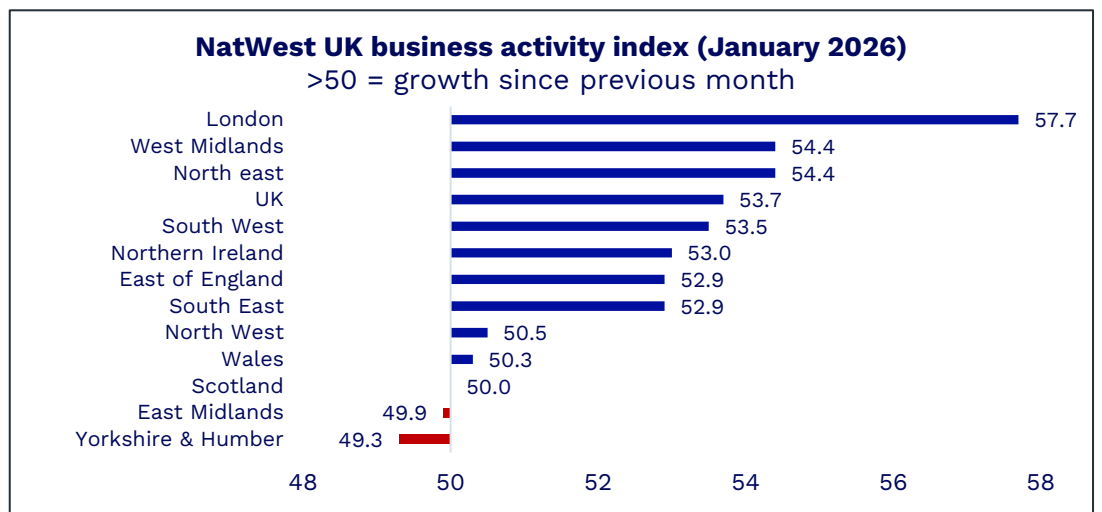
CURRENT BUSINESS SENTIMENT

OUTLOOK

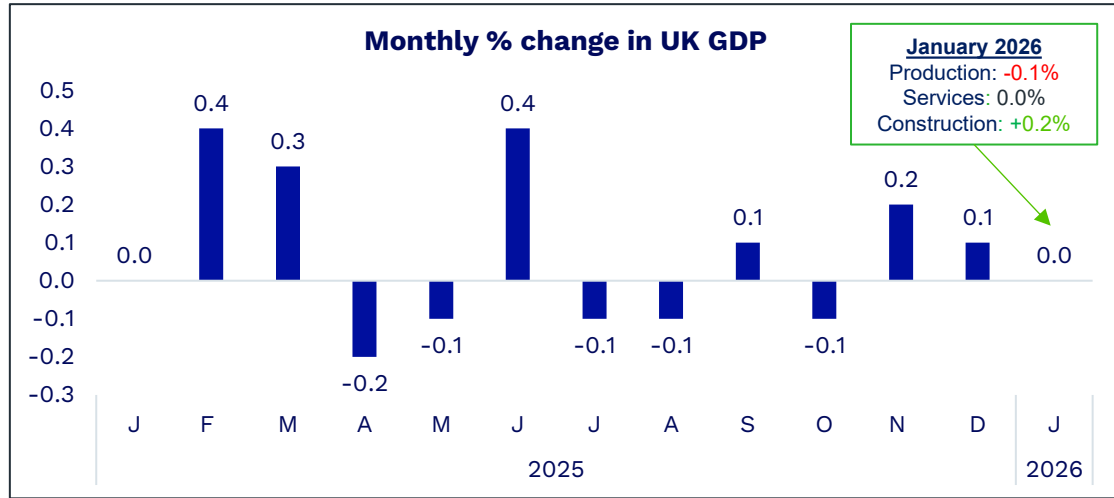
[Global](#) business activity growth fell to an 11-month low in March as output eased across services and manufacturing, and new orders, business confidence and employment all declined. Growth slowed across major economies.

| Business Activity Index (>50 indicates increase vs previous month) | | | | | | | | | | | | | | Change on month |
|--|-------|------|------|------|------|------|------|------|------|------|------|------|-------|-----------------|
| | 2025 | | | | | | | | | | 2026 | | | |
| | March | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | March | |
| Japan | 48.5 | 51.2 | 49.8 | 51.5 | 51.5 | 52.0 | 51.1 | 51.5 | 52.0 | 51.1 | 52.8 | 53.9 | 52.5 | ↓ |
| Eurozone | 50.4 | 50.4 | 49.5 | 50.6 | 51.0 | 51.0 | 51.2 | 52.5 | 52.8 | 51.5 | 51.5 | 51.9 | 51.7 | ↓ |
| China | 51.8 | 50.7 | 51.1 | 50.6 | 52.6 | 53.0 | 52.9 | 51.8 | 51.2 | 51.3 | 51.6 | 55.4 | 51.5 | ↓ |
| US | 53.5 | 50.6 | 52.1 | 52.4 | 54.6 | 54.6 | 53.6 | 54.6 | 54.2 | 52.7 | 52.8 | 51.9 | 51.4 | ↓ |
| UK | 51.5 | 48.5 | 49.4 | 52.0 | 51.0 | 53.5 | 51.0 | 52.2 | 51.2 | 51.4 | 53.9 | 53.7 | 51.0 | ↓ |
| Global | 52.1 | 50.8 | 51.2 | 51.7 | 52.4 | 52.9 | 52.4 | 52.9 | 52.7 | 52.0 | 52.6 | 53.3 | 51.0 | ↓ |
| Scotland | 45.9 | 47.4 | 50.5 | 50.9 | 48.7 | 50.3 | 49.2 | 49.0 | 48.0 | 48.1 | 50.0 | | | |

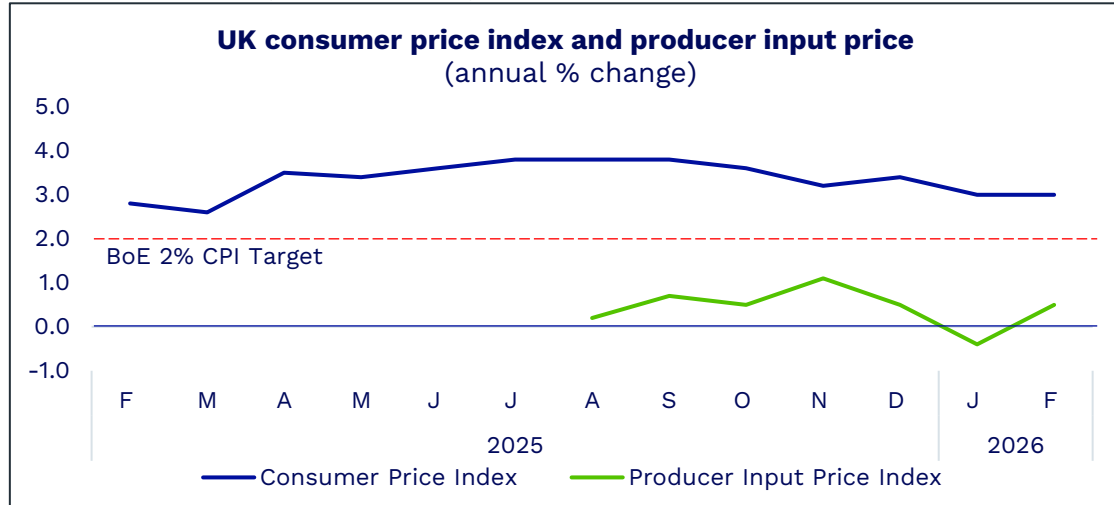
[Business activity](#) rose in 9 out of 12 UK regions in January, up from just five in December and the highest number since August, as stronger demand generally for goods and services boosted confidence. However, it is important to note this was prior to the Middle East conflict.



[UK GDP](#) showed no growth in January, following growth of 0.1% in December. Over the month, production fell by 0.1%, services showed no growth, and construction grew by 0.2%. In the three months to January, the UK economy grew by 0.2%, following growth of 0.1% in the quarter to December.



[Consumer price inflation](#) was 3.0% in the 12 months to February 2026, unchanged from. Clothing was the largest driver of inflation, but this was offset by lower petrol prices (note: data is from before the Middle East conflict). [Producer input prices](#) was 0.5% in the year to February 2026, up from a revised fall of 0.4% in the year to January.



Scotland

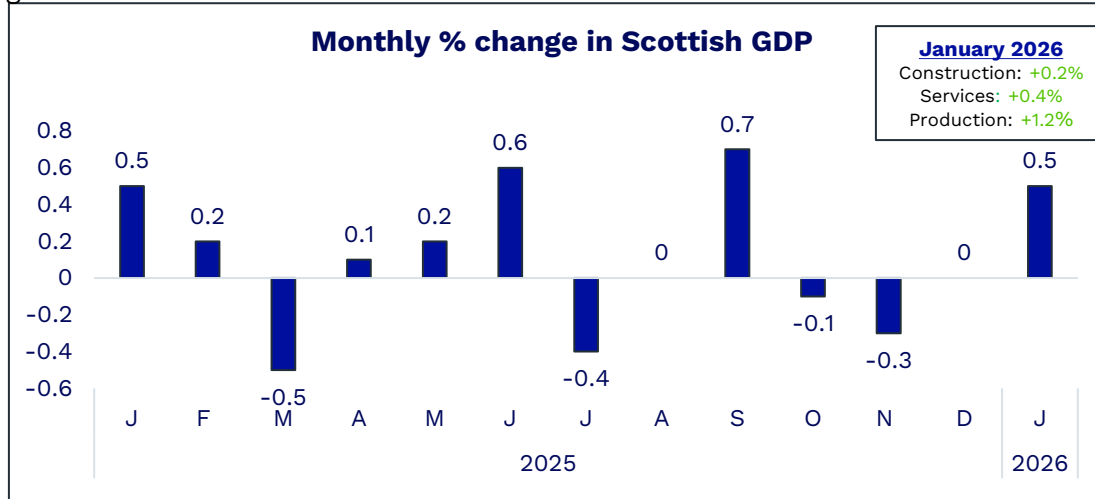
SUMMARY

RECENT ECONOMIC DATA

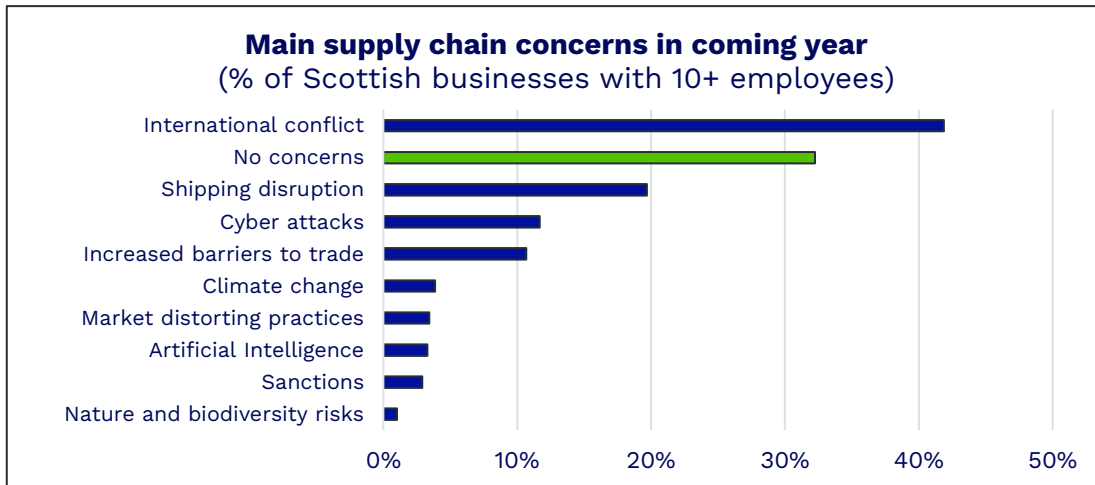
CURRENT BUSINESS SENTIMENT

OUTLOOK

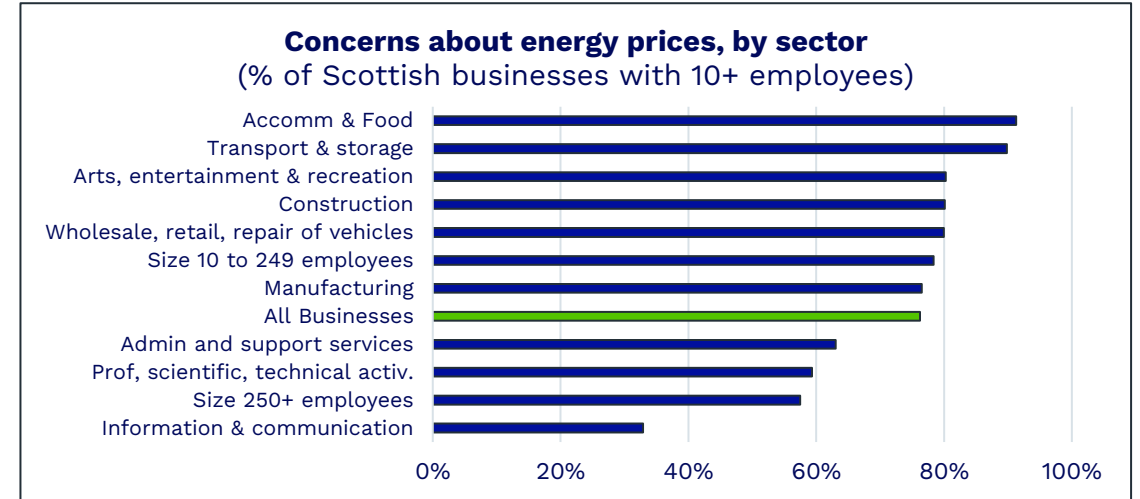
Monthly [GDP](#) grew by 0.5% in January, after showing no growth (0.0%) in December. Output grew in the production (+1.2%), construction (+0.2%) and services (+0.4%) sectors. In the three months to January, GDP showed no growth.



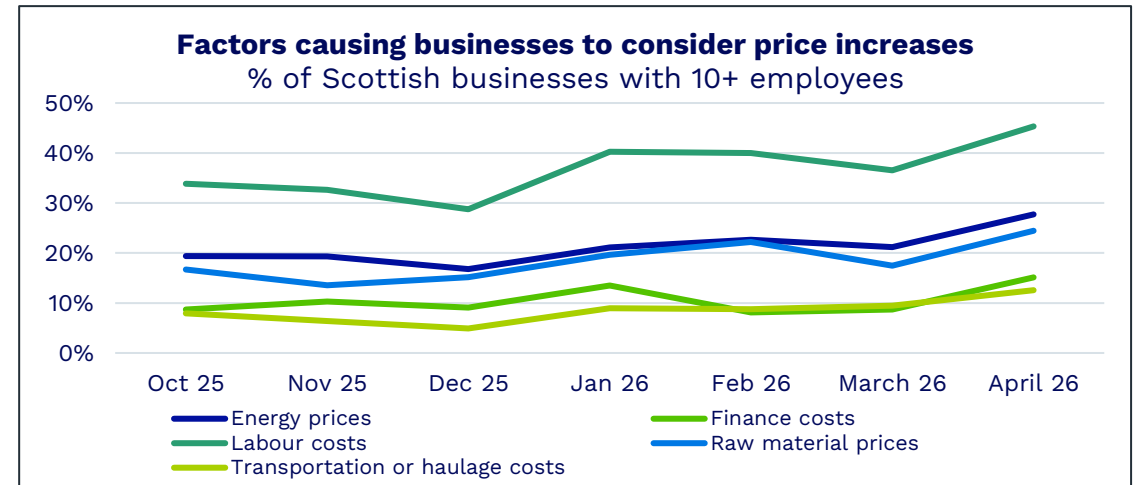
Over 40% of [businesses](#) are concerned international conflict will impact supply chains this year. Shipping disruption, cyber attacks and increased barriers to trade are other key supply chain concerns. Of those reporting concerns, the main expected impacts are higher costs of sourcing materials (reported by 56%) and transportation (48%), as well as shortages of inputs (27%).



76% of [businesses](#) are very or somewhat concerned about energy prices, rising to 91% in Accommodation & food services and 90% in Transport & storage. On overall concerns, falling demand (11%), taxation (11%) and business rates (10%) are top, with business rates showing an upward trend (+8ppts since December).



March saw an uptick in [businesses](#) reporting economic uncertainty and the cost of materials as challenges impacting turnover (+6ppts and +7ppts respectively, compared to February). Various factors are causing businesses to consider price increases in April (31% expect to increase prices), with energy prices (+7ppts), raw materials prices (+7ppts) and transportation/haulage costs (+3ppts) all seeing an upswing on the month.



Scotland

SUMMARY

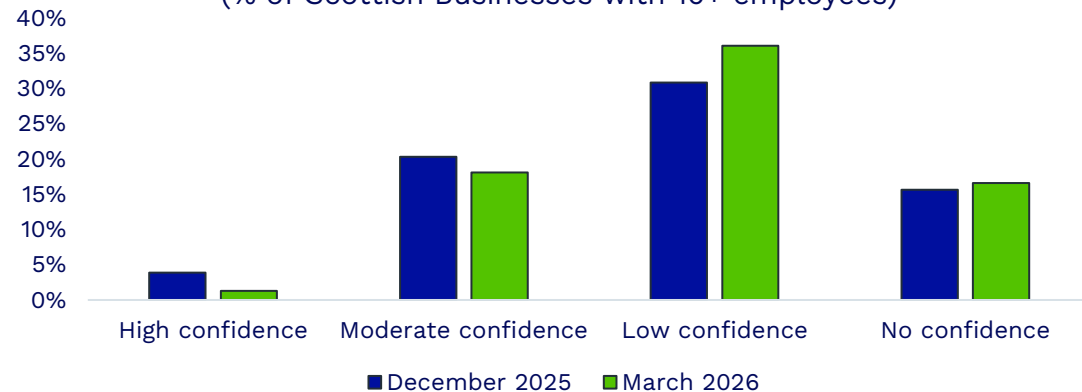
Scotland's [unemployment](#) rate increased by 0.2ppts over the year to 3.9% in November – January (UK: 5.2%). The employment rate increased by 0.7ppts to 74.8% but remains below the UK (75.1%). Median monthly pay increased by 3.6% in the year to February (UK: 4.1%).

| SCOTLAND | RATE (November 25 – January 26) | ANNUAL CHANGE |
|-----------------------------|------------------------------------|------------------|
| EMPLOYMENT (aged 16-64) | 74.8% | +0.7%pts |
| UNEMPLOYMENT (16+) | 3.9% | +0.2%pts |
| ECONOMIC INACTIVITY (16-64) | 22.1% | -0.8%pts |

RECENT
ECONOMIC
DATA

15% of [businesses](#) expected to increase capital expenditure between January and March, rising to 24% in Arts, entertainment & recreation. However, data for March shows a fall in confidence that the UK business environment will create favourable conditions for investment in the coming year. Overall, 46% are confident in their own business outlook for growth in the next 12 months.

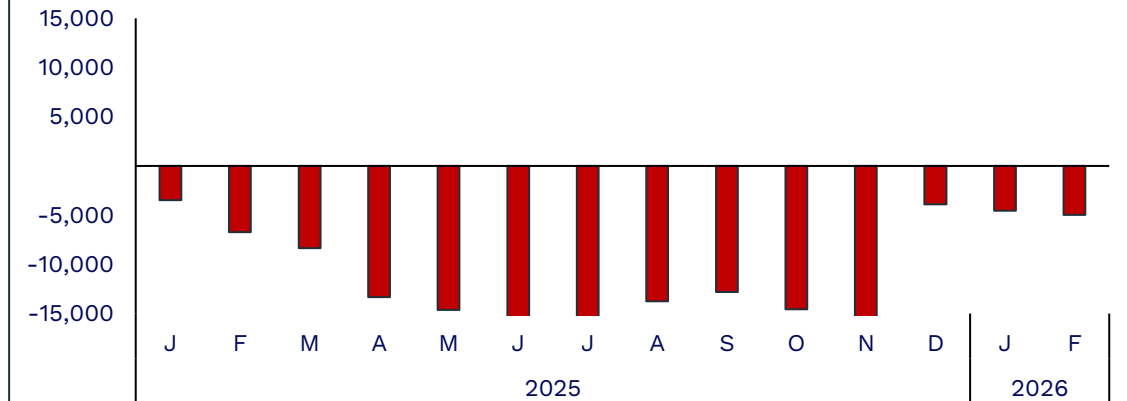
Confidence the UK business environment will create favourable conditions for investment in the next 12 months
(% of Scottish Businesses with 10+ employees)



OUTLOOK

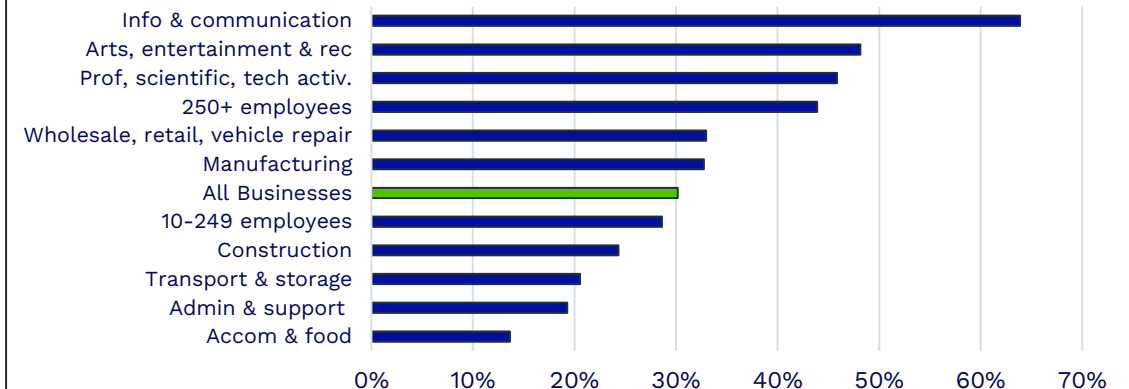
The number of [payrolled workers](#) declined again (for the 16th consecutive month) over the year to February, down 5,000 (-0.2%, the same as the UK). Evidence shows [UK businesses](#) remain cautious about hiring amid weak demand, high labour costs and increasing automation.

Annual change in payrolled Employees in Scotland



30% of [businesses](#) are using some form of AI technology, rising to 64% in the Information & communication sector. The main use of AI is to improve business operations (reported by 55% of AI users), provide products/services to customers (21%) or develop a new product/service (9%). Factors delaying AI use include level of expertise (14%), cost (11%) and lack of trust in AI technology (9%).

Businesses currently using AI, by sector
(% of Scottish Businesses with 10+ employees)



Feedback from Scottish Enterprise Customers

SUMMARY

General sentiment

- Overall sentiment among SE customers is mixed and fragile, with businesses operating cautiously amid conflict in the Middle East, ongoing cost pressures and a difficult investment landscape.
- The conflict has led to increased uncertainty, particularly around geopolitical risks and now logistical uncertainty (for exporters).
- Overall, optimism varies by sector with some (e.g. Financial services) more optimistic than others (e.g. Energy, Oil & Gas). The challenges businesses are facing in trying to raise investment are having a knock-on effect on optimism levels for early-stage companies.

Middle East Conflict

Exporting

- A small number of exporters report no immediate impact on current trade, largely where stock was already in-market prior to the conflict (e.g. Drink sector). However, future orders are expected to be affected.
- Some report no change to plans at present, with long-term interest in the region remaining.
- Other companies are exploring alternative markets (e.g. Asia, Europe) or delaying Middle East expansion plans by 6–12 months or longer, reflecting the scale of disruption.

Overall operations and demand

- A number of companies report orders have been significantly reduced as a result of weaker demand – e.g. demand for premium Food & Drink products has fallen due to low hotel occupancy rates in the Middle East region.
- The situation is expected to have a significant impact on companies that view the Middle East as a key growth market (e.g. Food & Drink), with one reporting that all future orders have been halted.

RECENT ECONOMIC DATA

CURRENT BUSINESS SENTIMENT

OUTLOOK

Transport disruption

- Several companies have experienced significant delays getting products to market due to lengthened transit times (in some cases lasting weeks) and issues shipping to the region.
- With container ships unable to get through the Strait of Hormuz, other ports are struggling to cope with increased traffic, and some have reported containers dropped off at various ports along the supply chain.
- Overall, this has led to logistical uncertainty, with one company reporting large volumes of stock stuck in transit with no clarity on arrival times/location and another expressing concerns over logistics planning.
- Companies recognise alternative options (e.g. air freight) are limited given a hike in costs and reduced availability, adding further cost pressures and logistics uncertainty.
- However, there are cases where orders placed before the start of the war were rerouted and arrived successfully, resulting in only minor delays.

Input costs

- Companies are anticipating increases in energy costs (although most are currently on fixed contracts), as well as higher materials, freight (including air) and logistics costs.
- Some are already seeing cost pressures passed through supply chains, particularly for energy-intensive inputs such as plastic packaging.
- Overall, freight costs have already risen sharply, in some cases up to a threefold increase.
- Where possible, businesses are passing higher costs (e.g. shipping) on to customers and, in some cases, implementing pre-emptive price increases to build a ‘buffer’ against further volatility.

Travel disruption

- Some companies are experiencing travel disruption – for example, having to cancel attending international trade shows/conferences; others are keeping their travel plans under review as the situation evolves.

Economic Outlook

SUMMARY

Global

An updated forecast from the [OECD](#), produced following the outbreak of war in the Middle East, expects global growth to remain broadly stable at around 2.9% in 2026, before edging up to 3.0% in 2027, (assuming that the current energy market disruption is temporary). OECD notes that the evolving conflict weighs on growth and generates significant uncertainty around global demand.

The UK outlook has weakened significantly placing it among the weakest performers in the G20, with GDP growth for 2026 downgraded to 0.7% (from 1.2%), reflecting exposure to higher energy prices and the impact of planned government fiscal tightening. UK Inflation is now expected to average 4.0% in 2026, before easing in 2027 (but remaining above target).

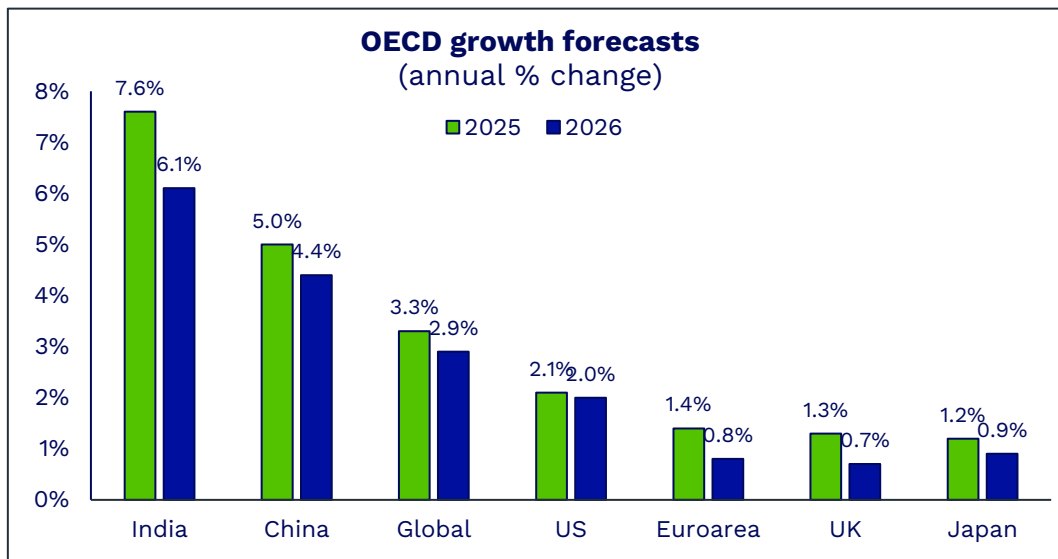
The OECD highlights several key downside risks to the global outlook:

- prolonged disruption to energy supplies and shipping routes, sustaining high energy prices
- renewed increases in food and fertiliser prices, intensifying inflationary pressures
- tighter financial conditions and heightened market volatility, weighing on global growth

RECENT
ECONOMIC
DATA

CURRENT
BUSINESS
SENTIMENT

OUTLOOK



UK and Scottish Forecasts

[KPMG](#) forecasts UK GDP growth to ease to 0.7% in 2026, reflecting the loss of momentum at the end of 2025 and the impact of rising energy prices, before rising to 1.2% in 2027.

Headline inflation is expected to peak at 3.6% in the third quarter of 2026, as the spike in energy prices gradually feeds through, with businesses expected to pass on price increases to consumers. The energy shock is projected to impact households' purchasing power and businesses are likely scale back investment activity.

The inflation outlook is expected to delay interest rate cuts by the Bank of England, with only one cut anticipated this year, and further cuts pushed back until 2027.

The forecast points to a moderation in wage growth, reflecting a slowing of hiring activity alongside an increase in labour supply.

Prior to the Middle East conflict, the [Fraser of Allander Institute](#) upgraded its economic growth forecast for Scotland to 1.3% in 2025 (from 1.0%) and 1.1% in 2026.

