DfE Monthly Economic Update July 2026

Department for the Economy | An Roinn Geilleagair

Latest Economic Indicators

Labour Market Structure Mar May 2026

- Unemployment: 1.8% (Q.o.Q. 0.4pps▼ *)
- Employment: 72.1% (Q.o.Q. 0.8pps▲ *)
- Economic inactivity: 26.5% (Q.o.Q. 0.5pp▼ *)

Labour Market Trends June 2026

- Employees: 820,800 (M.o.M. no change)
- Median employee pay: £2,480 (M.o.M. 0.9%▲)
- Claimant Count Rate: 3.3% (M.o.M. 0.1pp▼)

Economic Growth Q1 2026

- NICEI (overall): Y.o.Y. 3.6%▲; Q.o.Q. 0.7%▲
- Services: Y.o.Y. 2.3%▲ ; Q.o.Q. 0.9%▲
- Production: Y.o.Y. 7.6%▲ ; Q.o.Q. 2.1%▲
- Construction: Y.o.Y. 10.1%▲ ; Q.o.Q. 1.0%▼

International Goods Exports year ending March 2026

- Ireland: £4.7bn (4.3%▲)
- Rest of EU: £2.5bn (6.2%▲)
- Rest of World: £3.7bn (5.5%▼)

Monetary Conditions

- CPI annual inflation (Jun 26): 2.6% (M.o.M. 0.2pps▼)
- Bank Rate (Jul 26): 3.75%

Ulster Bank Regional Growth Tracker June 2026**

- Business Activity Index: 43.9
- New Business Index: 40.1
- Input Costs Index: 77.0

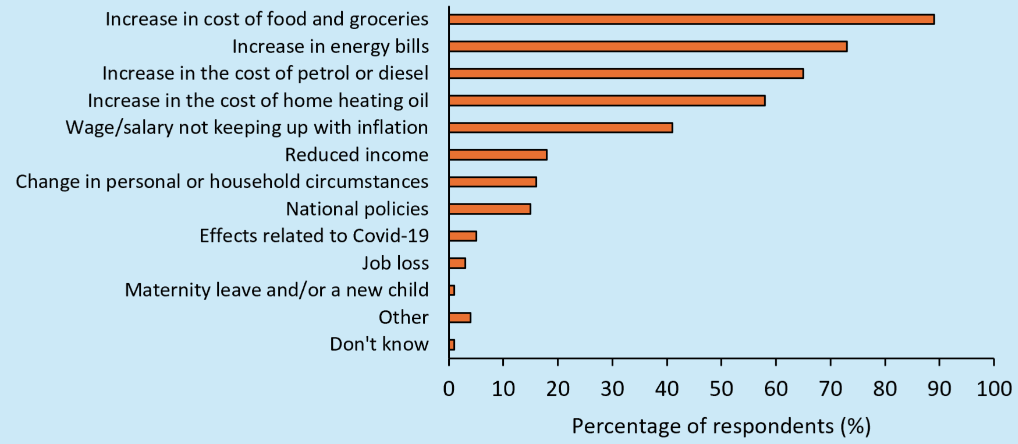
Consumer Conditions

- Credit Union Consumer Sentiment Index (May 26): 55.9 (Y.o.Y. 11.0pts▼ ; since Feb '26 7.5pts▼)
- Retail Sales Index (Q1 26): Y.o.Y. 1.8%▲ ; Q.o.Q. 2.1%▲

*Not statistically significant may not reflect real change.
**>50 indicates growth over month. <50 indicates decline. 50 no change.

1. Cost of Living Challenges

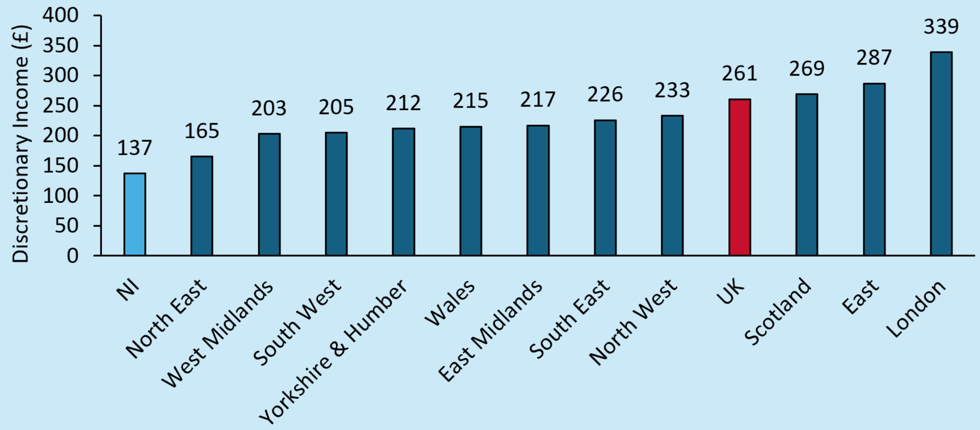
Factors which households reported had made their financial situation worse, March 2026.



Source: Consumer Council Cost of Living Pulse Survey

2. Household Spending Power

Estimated household weekly discretionary income, excluding bonuses, by region, June 2026.



Source: Asda Income Tracker

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Commentary

The Ulster University Economic Policy Centre's (UUEPC) July Outlook forecasts **economic growth** of 1.6% in both 2026 and 2027, before increasing slightly to 1.7% from 2028 to 2030 (Figure 3). This outlook is underpinned by Northern Ireland's (NI) positive labour market performance, with employment growth across both the public sector and parts of the private sector, including Wholesale & Retail. Workforce jobs increased at the fastest annual rate of any UK region between Q1 2025 and Q1 2026, with projections suggesting that the number of jobs in NI will exceed one million by 2032. Job growth is expected to ease over time and align with broader UK trends in the longer term. Overall, the UUEPC forecasts that NI will experience stronger economic and employment growth than the UK over this period.

The latest Ulster Bank Regional Growth Tracker indicated a further sharp reduction in **business activity** in June 2026, which firms attributed to weaker demand conditions. Some businesses also partly linked the fall in activity to civil unrest. New orders fell at the fastest pace since October 2022 as strong inflationary pressures deterred customers. Input cost inflation eased for the second consecutive month but remained substantial, reflecting increasing freight and fuel prices and increased labour costs.

The latest Labour Market Report suggests that the NI **labour market** is broadly stable. In June 2026, the number of payrolled employees was unchanged from the previous month but was 1.4% higher than in June 2025, with NI being the only UK region to not record an annual decline. Employee median monthly pay increased by £21 (0.9%) over the month and was up by 4.9% over the year, exceeding UK inflation. NI had the largest annual increase of the 12 UK regions but remained the second lowest earning region. Around 33,800 people were claiming unemployment benefits in June, equating to around 3.3% of the NI workforce (the 'claimant count rate'). This was the lowest claimant count estimate since March 2020 and represented a decrease of 9.4% over the year (Figure 1). There were 60 confirmed redundancies in June, bringing the rolling 12-month total to 1,670, the lowest since August 2023.

The annual UK Consumer Prices Index (CPI) **inflation** rate was 2.6% in June 2026, down from 2.8% in the previous month. Annual CPIH inflation, which also includes owner occupiers' housing costs, was 2.8% in June, down from May's rate of 3.0%. Motor fuels (particularly diesel) and food prices made the largest downward contribution to the monthly change in both CPI and CPIH annual rates.

Home heating oil (HHO) prices saw another sharp increase in July 2026 (Figure 4). As of 31 July 2026, the price of 500 litres of HHO averaged around £460, an increase of 34% from the start of the month but around 27% lower than the recent peak of 8 April. NI motor fuel prices have also risen again. On 30 July, petrol and diesel prices averaged around £1.51 and £1.67 per litre, respectively, representing increases of around 4% and 7% from 2 July 2026. Electricity costs are set to rise for many households and businesses in NI, with all suppliers now having implemented or announced tariff increases.

At its meeting ending on 29 July 2026, the Bank of England Monetary Policy Committee (MPC) voted by a majority of 6-3 to maintain **Bank Rate** (the core UK interest rate) at 3.75%. Andrew Bailey, Governor of the Bank of England, said that *'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, as the conflict unfolds,* [the MPC's] *job is to make sure any increase in inflation is temporary and that it comes back to our 2% target.'*

According to the latest Asda Income Tracker (Q2 2026), NI continues to have the lowest **discretionary income** (income after tax and essential spending) of any UK region at £137 per week, roughly half the UK average (Figure 2). However, NI saw the second-strongest growth in discretionary incomes over the year (+6.4%), lagging only the East of England and representing an acceleration from the previous quarter.

The latest Consumer Council **Cost of Living** Pulse Survey (conducted March 2026) found that while respondents' financial positions had improved since the peak cost-of-living pressures in 2022, many households continued to face financial pressures. Around two in five respondents reported being worse off financially than a year ago – as shown in Figure 1, these households largely attributed this to the increased cost of food, energy and fuel. Figure 5 shows the actions taken by respondents to help their household financial situation. Around three in ten believed their household would be worse-off in 12 months' time, and a similar proportion indicated they had no savings available to cover unexpected expenses. Two in five respondents felt that dealing with their household financial situation affects their mental health. The findings also show that females, those on low incomes, those who are disabled and those living in rural areas are most acutely affected by the current cost of living.

Tourism NI's performance update for July indicates that the **tourism** sector has maintained encouraging momentum in 2026. Strong hotel sales and room rates have been supported by resilient visitor demand. While sectors such as attractions have experienced mixed trading conditions and businesses continue to face rising cost pressures amid economic uncertainty, visitor sentiment remains positive with consumer confidence gradually improving. Key events, including the Fleadh Cheoil, alongside temporary reduced VAT rates over the summer for some sectors, support a constructive outlook.

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Tables and Charts

Figure 3: Forecast Gross Value Added (GVA) growth in NI and the UK overall, 2026 to 2027. Source: UUEPC Outlook July 2026.

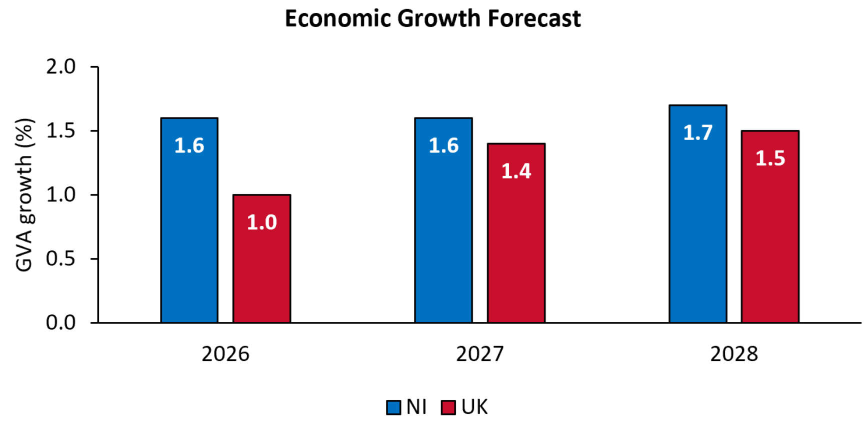

Figure 5: Responses to the Consumer Council Cost of Living Pulse Survey question 'which of the following behaviours have you done in the past three months to help your household financial situation?' selected by at least 25% of respondents in March 2026.

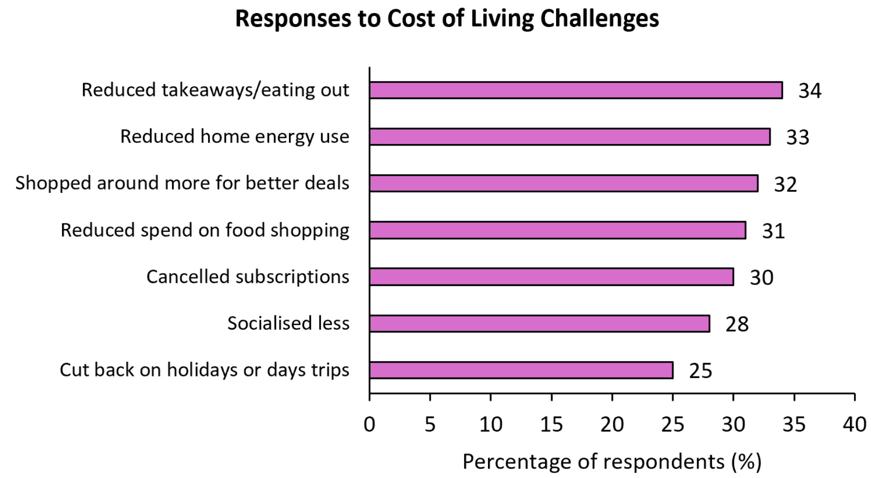

Figure 4: The average price of 500 litres of home heating oil in NI, January 2025 to July 2026. Source: Consumer Council Home Heating Oil Price Archive.

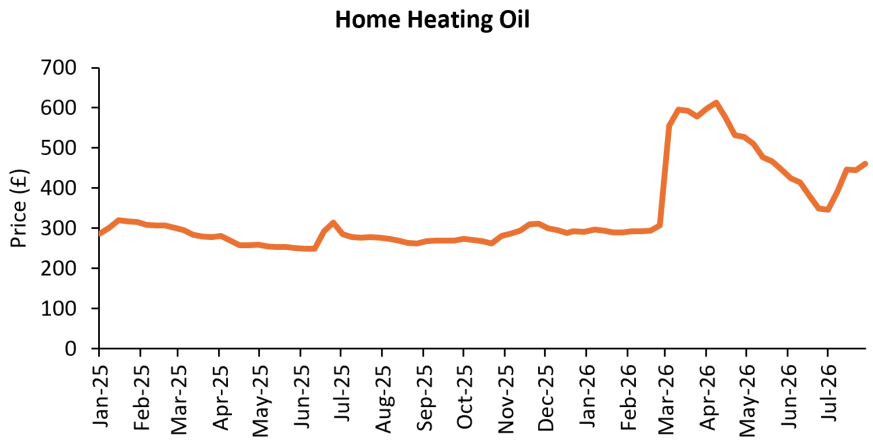

Table 1: The latest available headline labour market indicators for NI, the UK, Ireland and the Euro Area overall, seasonally adjusted and in percentage terms. Note: Data for Ireland and the Euro Area refer to Q1 2026. NI and UK data refers to the three months ending May 2026. Sources: NISRA Labour Market Report and OECD Infra-annual Labour Statistics.

Indicator	NI	UK	Ireland	Euro Area
Unemployment Rate	1.8	4.9	5.0	6.3
Employment Rate	72.1	75.1	73.9	70.8
Inactivity Rate	26.5	20.9	22.1	24.3