

UK ECONOMY & LABOUR MARKET REPORT OCTOBER 2026

A monthly briefing for UK businesses



Analysis of the latest economic indicators, labour market trends
and business signals shaping the UK workforce



The Practice Director’s Desk

As we move further into the final quarter of the year, the latest figures reinforce a familiar challenge for business leaders - how to keep progress moving when costs are rising and hiring remains difficult.

Inflation has increased to 3.5% while vacancies have fallen again, yet employment remains relatively stable and advertised job activity has edged up. It’s a mixed picture and one that calls for careful decisions rather than a simple change in direction.

In conversations with clients the focus is increasingly on getting the right things done with the capability already in place, while bringing in specialist expertise where it can make a real difference. Digital transformation, AI adoption and operational improvement remain important priorities, with expectations around delivery, value and accountability high.

This has implications for workforce planning too, permanent recruitment may not always be the right answer, particularly when a programme needs a specific skill set for a defined period. Interim and contract specialists can help fill critical gaps, bring experience into a team quickly and maintain momentum without creating a long term commitment. The key is to be clear about the capability needed and the outcome it must support.

For me, the opportunity in this market is to stay focused rather than stand still. Clear priorities, realistic plans and access to the right people can help organisations continue making progress, even when the wider outlook remains uncertain. If you are reviewing your priorities for the months ahead, I am happy to share what I’m seeing across the market and hear how things are looking in your organisation.

Julian Brown Julian.Brown@ChangeSpecialists.co.uk

Practice Director



If you would like to discuss what we are seeing across the market, I would be delighted to arrange a brief conversation. [Link to my calendar](#)



Hiring Activity

Vacancies have fallen to 691,000, although active job postings have edged up, suggesting demand persists for selected skills and roles.



Market Sentiment

Employment has increased slightly, but falling vacancies and fewer payrolled employees point to continued caution in hiring and workforce planning.



Challenges Persist

Inflation has risen to 3.5%, adding pressure to operating costs while organisations continue to balance investment ambitions with affordability.



Implications

Clear priorities and access to specialist capability can help organisations maintain delivery momentum without committing to unnecessary long term costs.

Headline Findings

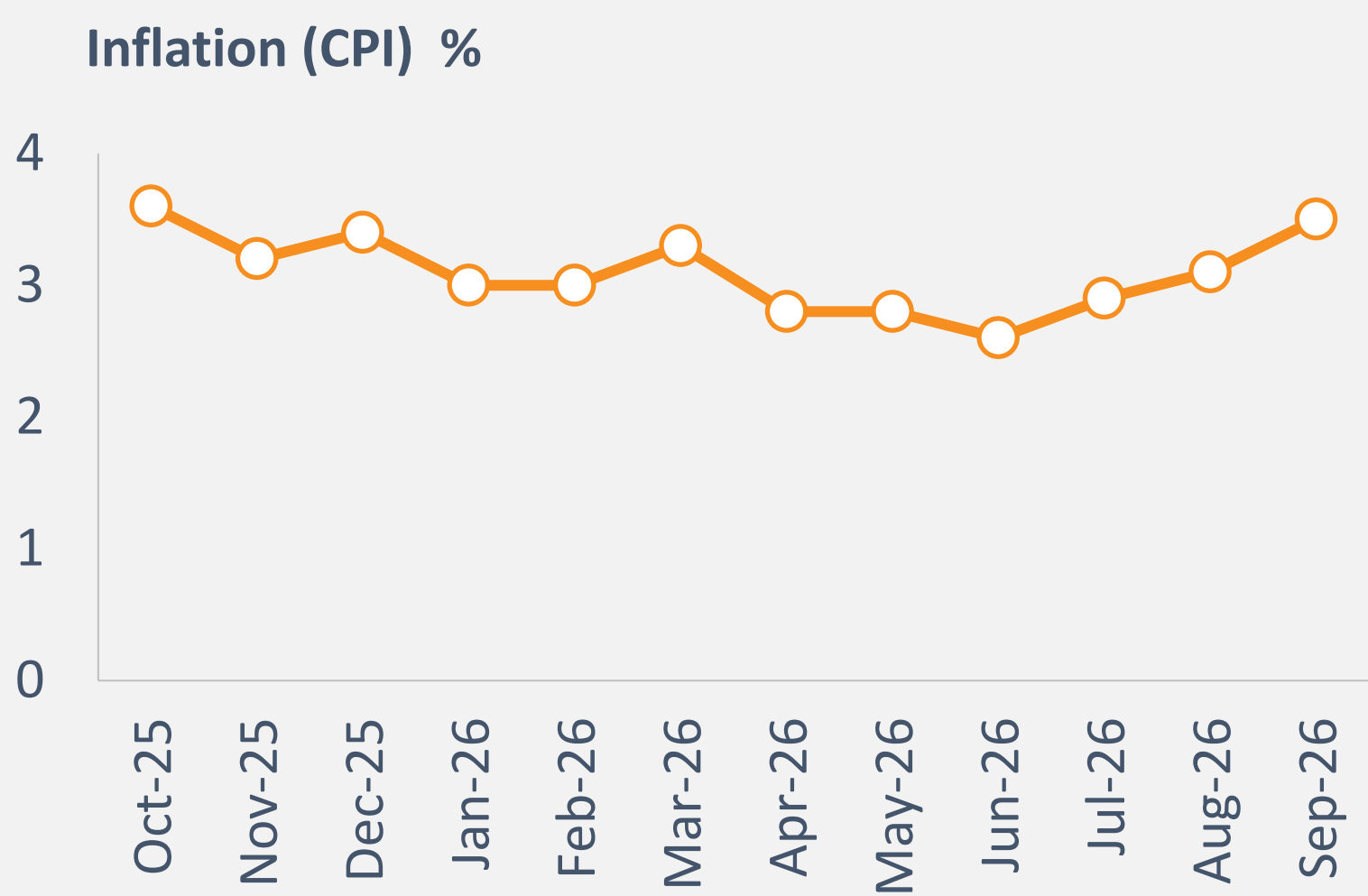
UK ECONOMY & LABOUR MARKET UPDATE AT A GLANCE

Our round-up of key statistics, covering inflation, employment and earnings

Inflation

3.5%

September 2026



Inflation rise driven largely by higher petrol, diesel costs. Widely expected to rise again in the coming months

Target is 2%

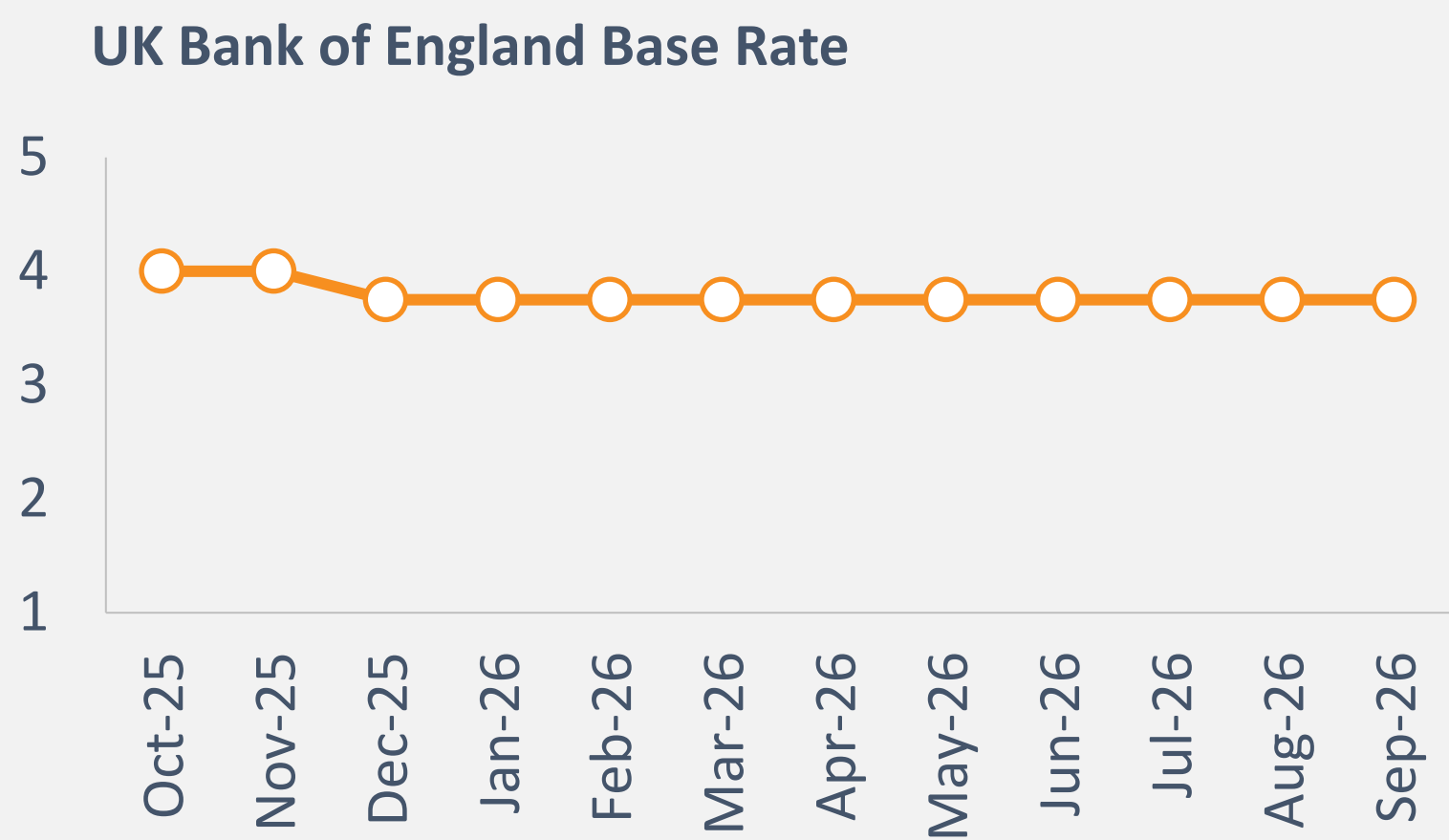
3.7%

Growth in employees' average regular earnings (excl. bonuses)
Jun - Aug 26

UK Bank of England Base Rate

3.75%

September 2026



The Monetary Policy Committee voted to hold the rate at 3.75% for the 6th time in a row despite rising inflation.

Next review 5 Nov

30.2 million

Est. Payrolled Employees
August 26

Down by 92k (0.3%) on the year
Down 37k (0.1%) over the qtr

75.3%

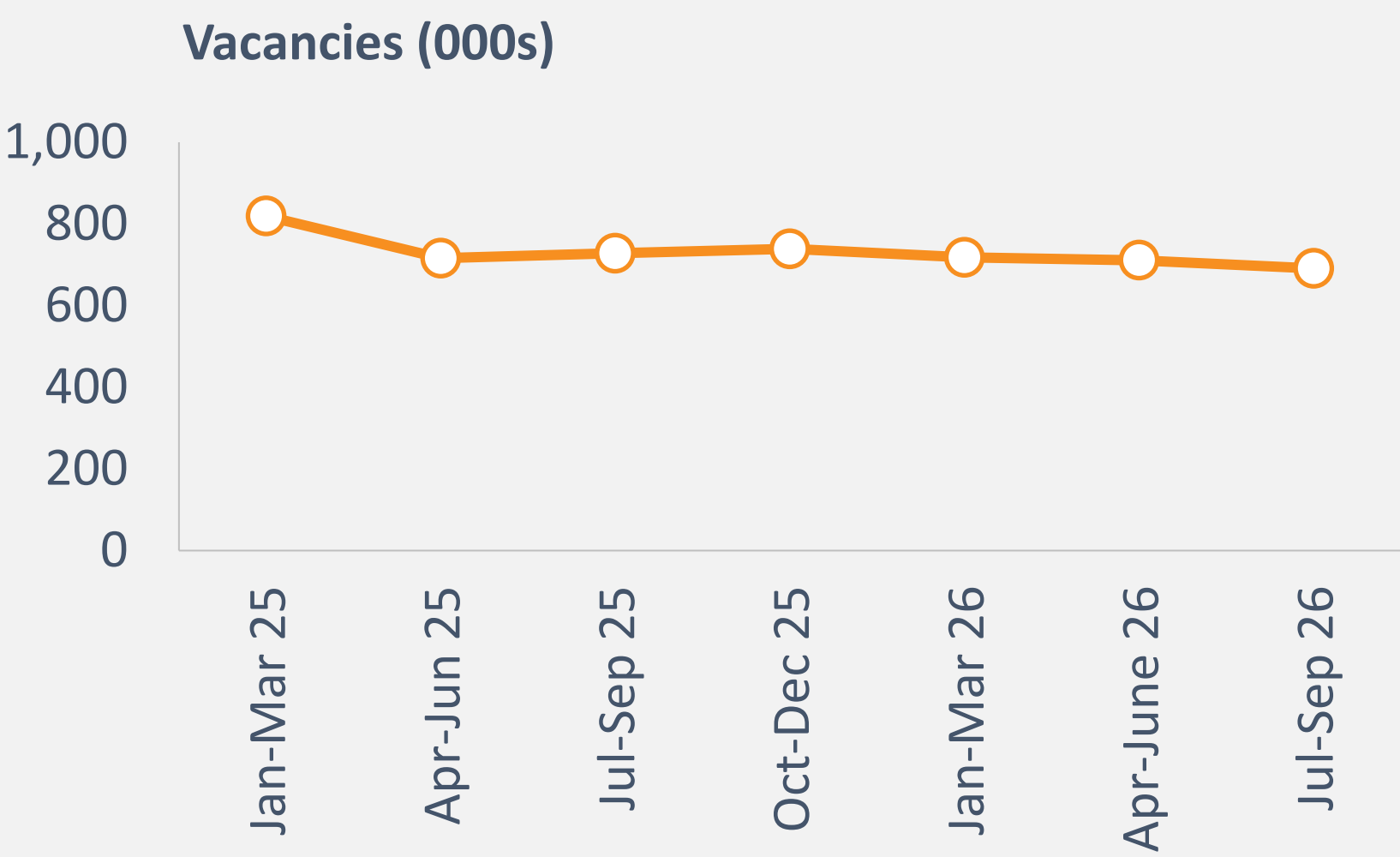
UK employment rate
Jun - Aug 26

up 0.2% on the qtr and the year

Est. Job Vacancies

691k

July - Sep 2026



Hiring softened again in the quarter to Sept with estimated vacancies declining to 691k, 2.9% down on the previous qtr, 5.1% down on the year.

+1.8%

Active job postings
1,699,589 in Aug 26
An increase on July indicating continued resilience in advertised hiring demand despite softer vacancy figures

The unemployment rate was 4.7% in Jun - Aug, down 0.1% on the quarter and the year.
The economic inactivity rate was estimated at 20.9% Jun - Aug, down 0.2% on the year and 0.1% on the quarter.

Data source: Office for National Statistics, Recruitment & Employment Confederation , Change Specialists Ltd.

OCTOBER LEADERSHIP INSIGHT

Progress Through Prioritisation

When costs rise and resources are constrained, doing more isn't always the answer. Often the greater opportunity lies in being clearer about what matters most.

For leadership teams, this means understanding which initiatives will have the greatest business impact, where delivery is at risk and whether the right capability is in place.

Strong prioritisation doesn't mean stepping back from change. It means focusing effort where it can make the biggest difference - and being prepared to adapt as circumstances evolve.



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Market Insight Fewer Vacancies, Continued Demand for Skills

Vacancies have fallen to 691,000, while active job postings rose by 1.8% in August.

For employers finding the right specialist skills remains a challenge. The focus is on identifying critical capability and deciding whether to recruit, develop existing teams or bring in external expertise.

Why Organisations Choose Change Specialists

From digital transformation and AI to major business change programmes, we help organisations access experienced specialists when and where they are needed.

Whether through direct engagement or our public sector frameworks, our focus is simple: connecting clients with proven expertise that delivers measurable outcomes.

Contact us to organise a brief introductory call. **01379 871144** or info@ChangeSpecialists.co.uk

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