



GLASGOW
CITY REGION

Intelligence Hub

Economic Briefing

May 2026



Introduction

This briefing provides an overview of the latest economic developments relevant to Glasgow City Region (GCR), pulling together recent national and regional data alongside emerging academic and policy insights. It covers three key areas:

Latest Economic Statistics

- Latest GDP data shows that the UK has experienced the fastest growth amongst G7 nations.
- This coincides with academic research which suggests productivity growth in the UK may be higher than currently estimated.
- However, there are warnings around inflation rising due to global geo-political pressures.

Annual Population Survey

- Some positive news can be seen in the latest APS figures as GCR is no longer the Region with the highest percentage of economically inactive individuals due to long term health conditions.
- An increase in residents with high-level qualifications has improved Glasgow City Region's ranking to joint-top when compared with other UK Core City Regions.

Urban Development: Centripetal Cities

- Finally, there is a note of caution in a recent academic publication on models of urban development, such as those seen in Greater Manchester. The paper argues that inefficient urban development can drive gentrification and displacement, with limited spillover benefits to the wider Region.

The Latest UK and Scotland Data

The latest estimates of Gross Domestic Product (GDP), Inflation (CPI), and the Labour Market have been published by the Office for National Statistics.

GDP: UK GDP is estimated to have increased by 0.6% in 2026 Q1, a larger increase than comparable countries in the Eurozone and the US. There were reported increases in output from the Service, Production, and Construction sectors.

Inflation: CPI rose by 2.8% in the 12 months to April 2026, down 3.3% in the 12 months to March 2026. A notable influence on the fall in inflation was the decrease in price of electricity – which fell by 8.4% in April 2026 compared to a rise of 2.9% in April 2025. This was due, in part, to an updated energy price cap published by Ofgem.

However, it is anticipated that a period of increased inflation will resume in the coming months as the conflict in the Middle East keeps pressure on energy prices.

Labour Market: Updated labour market estimates for 2026 Q1 show a decrease in employment in Scotland compared to the rest of the UK.

Figure 1: Labour Market Indicators

	Headline Rate	Change from 2025 Q4 to 2026 Q1
UK Employment	75.1%	+0.1 pp
Sco Employment	73.7%	-1.1 pp
UK Unemployment	5.0%	-0.2 pp
Sco Unemployment	4.4%	+0.7 pp
UK Economic Inactivity	20.9%	+0.1 pp
Sco Economic Inactivity	22.7%	+0.5 pp

Sources:

[ONS - GDP Quarterly Estimates](#), [UK Parliament](#), [Ofgem](#)

The Latest UK and Scotland Data

Economist John Van Reenen from the London School of Economics argues that the UK's productivity growth is exceeding expectations.

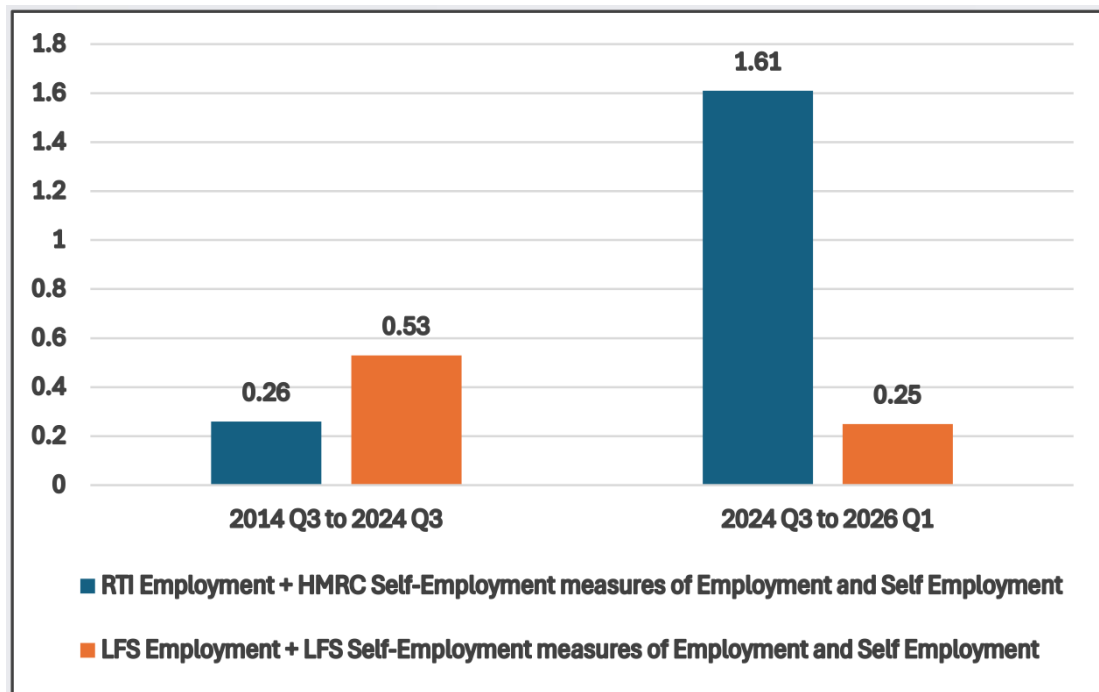
Productivity growth is a key component for long-term economic health – driving real pay growth and more spending on public services. An LSE blog authored by John Van Reenan argues that UK's poor productivity growth since 2008 has been the number one reason for the nation's social and political ills.

However, productivity per worker has been traditionally underreported due to an overestimation of worker numbers from the Labour Force Survey (LFS). Van Reenen compared LFS workforce numbers to more accurate Real Time Information (RTI) data from HMRC.

Using HMRC's RTI estimates, since the last general election, output per worker has risen by approx. 2.4%. This is an annualised rate of 1.6%, which compares with less than 0.3% per year in the previous decade.

£120bn of expanded capital investment in areas such as energy and R&D has helped stimulate productivity in the face of fiscal pressures. Productivity growth has been strongest in high-tech sectors, perhaps facilitated from the first AI boom benefits witnessed in the US economy.

Chart 1: UK Productivity Growth using alternative measures of workers



Source:
[London School of Economics](#)

The Latest UK and Scotland Data

However, ING warn that the UK'S GDP Performance may not be as strong as reported, whilst the Resolution Foundation notes the disproportionate impact of the Middle East conflict.

ING argues that the UK's reported GDP growth should be treated with caution as it likely reflects a recurring statistical pattern rather than a genuine acceleration in economic momentum.

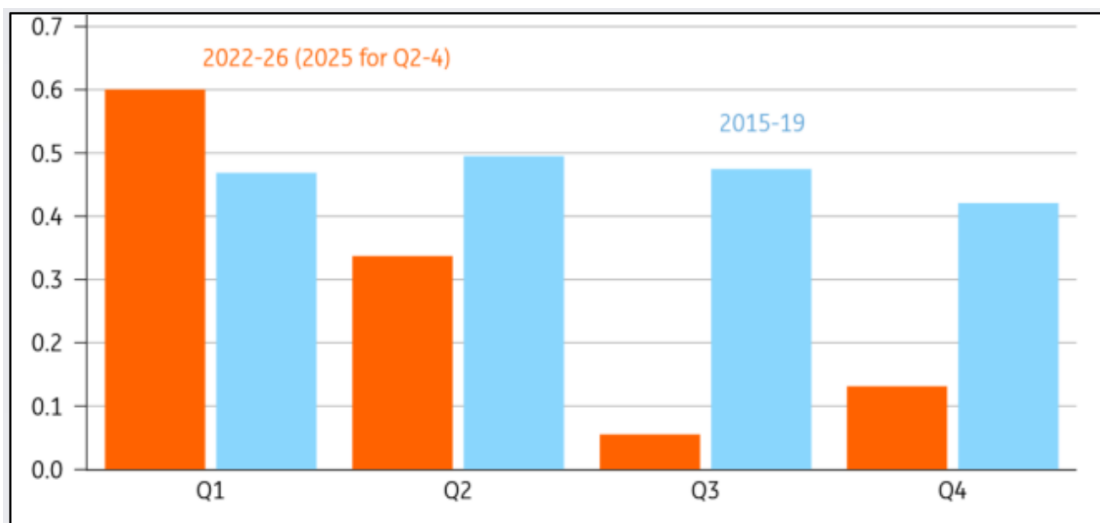
Since 2022, the UK's Q1 growth has consistently looked stronger than the rest of the year, averaging 0.6%, while later quarters have often stagnated. This raises concerns about seasonal adjustment issues in the data, possibly linked to inflation and the timing of annual price changes, which may artificially boost early-year figures. Looking ahead, ING expects economic conditions to deteriorate through 2026.

This pessimistic outlook is echoed by the FT which notes that the UK's GDP performance seems to have not yet been impacted by the escalation of conflict in the Middle East and the consequent increase in oil prices in late February.

The Resolution Foundation writes that the war in the Middle East threatens to sink the UK economy into stagnation, with disproportionate negative impacts for the poorest households through increased inflation.

Income of households in the bottom decile of earnings will be 1.9% lower this year than they were set to be before the war. This is because a greater proportion of poorer households' incomes are spent on areas that are more exposed to oil price shocks, such as food and utility bills.

Chart 2: Average UK Quarterly Real GDP Growth, seasonally adjusted



Sources:

[Financial Times](#), [ING](#), [Resolution Foundation](#)

Annual Population Survey

The Annual Population Survey (APS) was recently published, which provides Labour Market and Educational Attainment statistics for the calendar year 2025.

The latest release of the Annual Population Survey estimates the Region’s labour market performance in the calendar year 2025.

Between 2024 and 2025 GCR experienced a decrease in economic inactivity alongside increases to employment and unemployment. Increasing unemployment may be construed as a negative, but it reflects a growing number of individuals willing to participate in the Region’s labour market.

GCR’s rate of Economic Inactivity due to ill health is no longer the highest ranked amongst the UK Core City Regions after being overtaken by Liverpool City Region. This has primarily been influenced by relative improvements in ill-health observed in North Lanarkshire.

Chart 3: Economic Inactivity due to Long-term Illness Rate, 2025

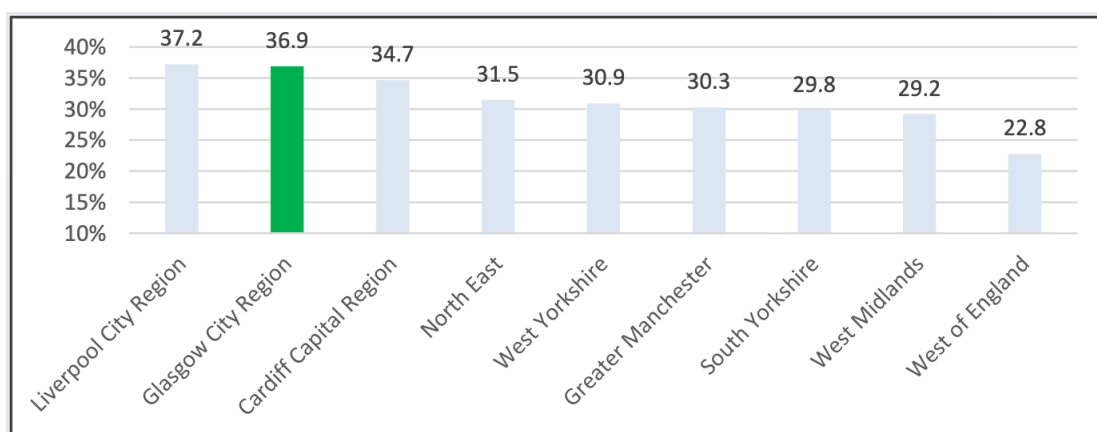


Figure 2: Glasgow City Region Labour Market Estimates, 2025

Indicator	Glasgow City Region	Best Performing UK City Region	Scotland	United Kingdom	Gap to Best Performing UKCCR
Employment rate - aged 16-64	71.4%	79.9%	74.7%	75.5%	+8.5% pt
Unemployment rate - aged 16-64	4.8%	3.9%	3.8%	4.6%	-0.9% pt
Economic Inactivity Rate - aged 16-64	25.0%	16.8%	22.3%	20.9%	-8.2% pt

Source:
[NOMIS - Annual Population Survey](#)

Annual Population Survey

Glasgow City Region has moved to joint-top amongst UK Core City Regions for its rate of residents with High Qualifications.

An RQF 4+ qualification is the equivalent of a HNC degree in Scotland.

Unfortunately, the Region continues to rank highest amongst UK Core City Regions for its rate of residents with no qualifications. The GCR Intelligence Hub has commenced a wider study into how the Region's labour market operates and will be seeking to understand why the Region's No Qualification rate has performed relatively poorly over the last decade.

It should be noted that the APS' reliability has decreased in line with reduced funding for sample sizes. Over the last 10 years the sample size of the GCR has decreased by 37%.

Chart 4: RQF 4+ Qualification Rate, 2025

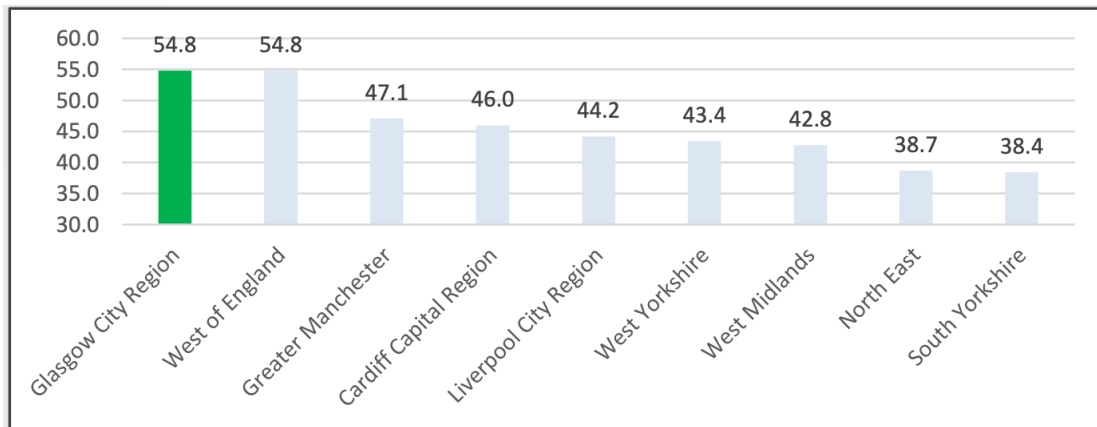
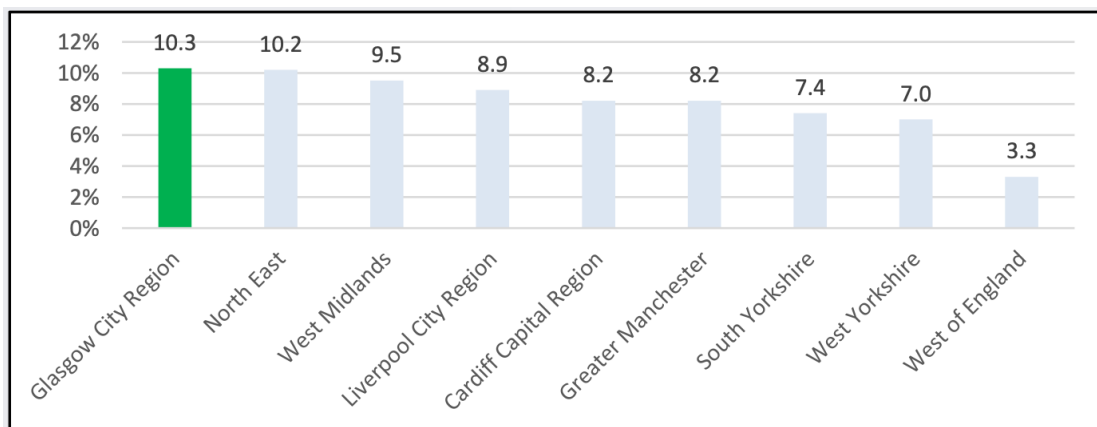


Chart 5: No Qualification Rate, 2025



Source:

[NOMIS - Annual Population Survey](#)

Urban Development: Centripetal Cities

Academics from the University of Sheffield have published a paper that investigates whether the benefits of urban development are diffused to peripheral towns in a Region.

Housing is viewed as central to the UK Government's growth agenda and they have set an ambitious, mandatory house-building target of 1.5 million new homes over the next five years. This has prompted interest in city-first, supply-side, housing-led Urban Development models.

Supporters of this model view Urban Development as a method to attract private investment into city centre residential property assets to draw in skills, finance, and technology from outside. They argue market forces will assemble these new resources efficiently, resulting in rising productivity and wealth which spill-over into surrounding areas.

Productivity benefits through agglomeration. Within this theory benefits are gained through shared infrastructures, the ability to match skills to jobs, and mutual learning between skilled workers in a concentrated area.

Manchester is considered a success story of the supply-side, property-led agglomeration model. Manchester's city centre has been significantly transformed, and there is evidence that new skilled jobs have been created and that productivity has increased. **However, evidence on improvements for the pay of Manchester residents and wider regional spillovers is inconclusive.** Questions about the troubling relations between urban centres like Manchester and their inner and outer-city populations have given rise to academic criticism about who benefits from certain developments.

Severe inequalities persist and are often perpetrated by property-led development in Greater Manchester - favouring rentier interests while driving gentrification and displacement. The promised uplift for 'left-behind' towns appears limited, and there is evidence that innercity communities are struggling with rising rents and displacement pressures exacerbated by the UK's cost of living crisis.

Source:

[Goulding, Leaver, and Silver, Centripetal Cities A critique of supply-side Urban Development](#)

Urban Development: Centripetal Cities

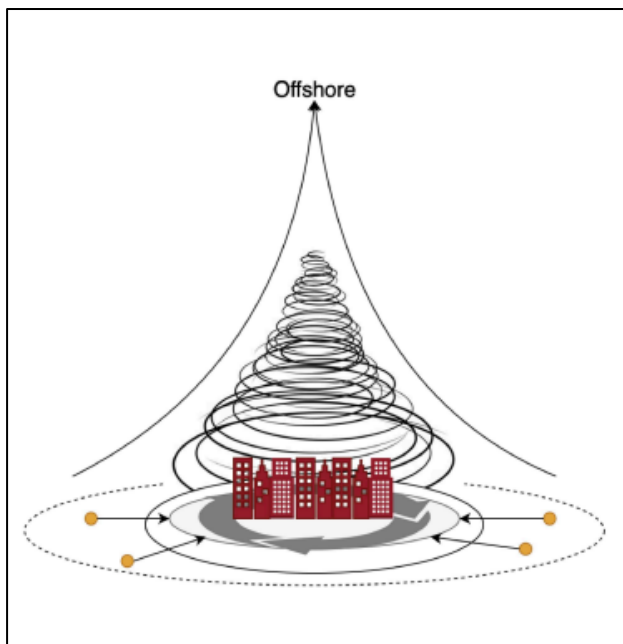
City Regions risk a situation where there is a centralisation of resources into city centre developments which can potentially over-inflate the central housing market.

Property-led urban development pulls in skills, capital and other resources to generate returns primarily within city centres. This risks hollowing out peripheral towns and leaving them less capable of supporting themselves, whilst heating up the housing market in the inner-city.

While this may improve productivity and the circulation of resources in the city centre, the additional gains are captured by investors and rents funnelled out of the region. This reduces the benefits of agglomeration for residents and outlying areas.

All private investments expect a return, and local authorities need to consider how best to balance attracting investment for urban development and the longer-term costs of extractive rights offered to private investors. One criticism of Manchester's property-led urban development model is that the council has offered deals that are too generous to developers relative to the risks they take.

Figure 3: The flow of benefits in a Centripetal City



Source:

[Goulding, Leaver, and Silver, Centripetal Cities A critique of supply-side Urban Development](#)

Urban Development: Centripetal Cities

Rising rent prices in the centre of Manchester make it less affordable than the peripheral towns of Greater Manchester. Glasgow has also experienced disproportionate rent increases.

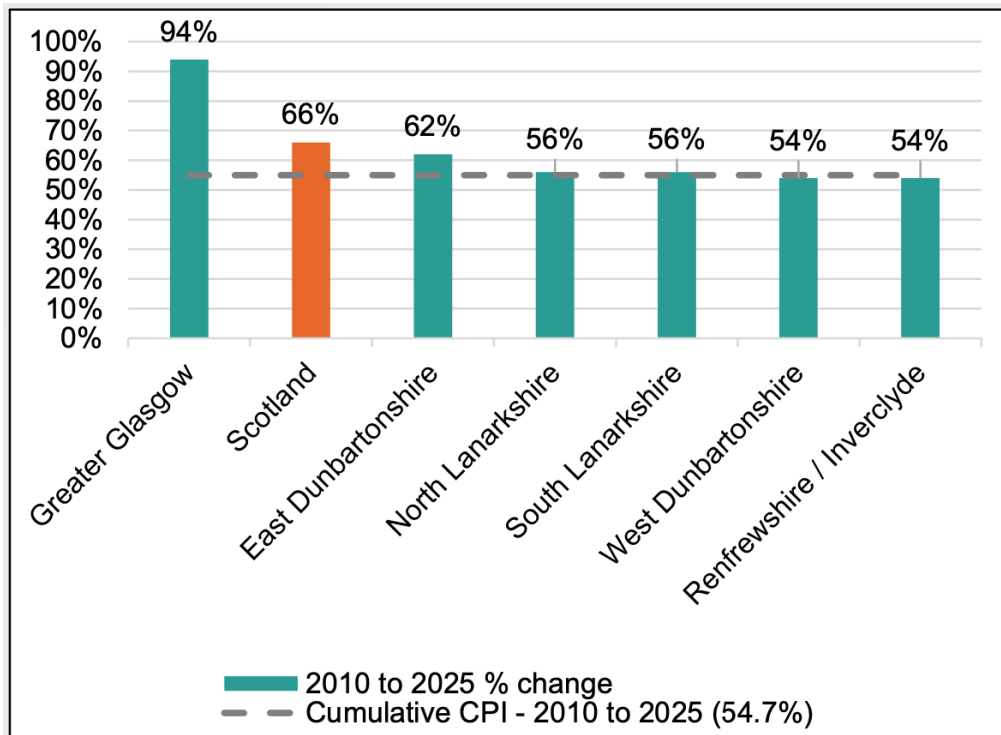
Although the property-led urban development model appears to have slightly increased productivity in Manchester, this is not having a transformative effect on real wages.

Rising housing costs in the city centre have contributed towards real household net income being lower within Manchester city centre than in peripheral towns in Greater Manchester. This implies that the higher wages generated in Manchester city centre are effectively captured by rents, which subsequently leak out of the region.

Whilst other macroeconomic and socioeconomic factors need to be considered, Glasgow should carefully consider future urban development policies as to not experience the same centripetal effects as Manchester.

Over the last 15 years Glasgow's rents have increased substantially above the rate of inflation and beyond other GCR authorities, with just under 17% of all residents privately renting.

Chart 6: 2-Bedroom Home Median Rent Price Growth, 2010 to 2025



Sources:

[*Goulding, Leaver, and Silver, Centripetal Cities A critique of supply-side Urban Development Scottish Census 2022*](#)

Urban Development: Centripetal Cities

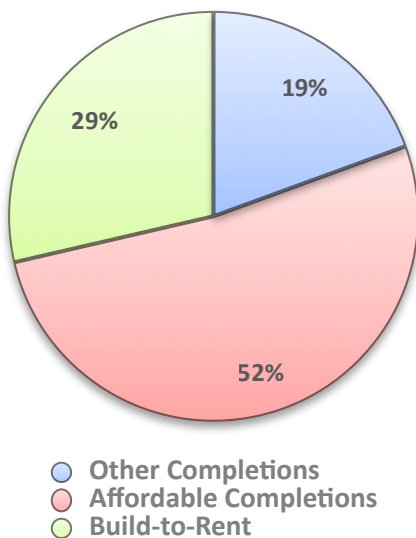
Glasgow City's balanced approach to urban development should help alleviate some of the centripetal effects observed in Manchester.

The paper advocates for a mixed-development portfolio within urban areas, rather than ones dominated by short-term letting platforms and Build-to-Rent (BTR), to enable equitable benefit.

BTR predominantly house more affluent tenants and rents are relatively high. Rental growth of over 12% for new BTR leases was observed in Manchester compared to an overall 4.2% rent increase for all private tenants in 2022. An estimated 2,300 BTR units were constructed in Glasgow City between 21/22 and 24/25. This comprised roughly 30% of all development.

Glasgow's City Centre strategy aims to double the residential population in the city centre by 2035 but critically states that this will be achieved through mixed development including affordable housing. In the same 21/22-24/25 period GCC completed over 4,000 affordable housing units – comprising of 50% of the authority's total builds.

Chart 7: All-sector Housing Completions Glasgow, 21/22 to 24/25



Sources:

[Goulding, Leaver, and Silver, Centripetal Cities A critique of supply-side Urban Development](#)
[Glasgow City Centre Strategy 2024-2030](#)
[CoStar](#)

Queries

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