
EY Warns UK Growth Slows Amid Energy Crisis



Published on May 12, 2026

Document Date: Thu, May 14 2026 10:56:17 am

Category: ,English,International - ,Snippets

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RKI.news | Source: Xinhua News Agency

LONDON: Britain's economy is expected to grow by only 0.8 percent in 2026 as ongoing energy supply disruptions linked to Middle East tensions continue to affect business confidence and consumer spending, according to a new report released by EY.

The EY ITEM Club forecast said UK economic growth could slightly improve to 1.2 percent in 2027, but warned that the outlook has weakened significantly since regional tensions escalated earlier

this year. Earlier estimates had projected stronger growth for 2026.

The report noted that rising wholesale energy prices are expected to push inflation above 4 percent by the end of the year, likely forcing the Bank of England to maintain interest rates throughout 2026. Economists also expect unemployment to rise moderately while business investment remains weak.

According to the forecast, industries heavily dependent on energy, including steel, chemicals, and plastics manufacturing, could face the greatest pressure if disruptions continue.

EY officials said Britain has shown resilience despite global challenges, but persistently high electricity costs continue to impact industrial investment and business confidence. The report also welcomed recent government measures aimed at strengthening energy security and industrial competitiveness.