

Cost of living: September 2026



Introduction

Statistics from the Office of National Statistics (ONS) on Household Cost Indices (HCI) and the Consumer Price Index (CPI) underline what members know – costs of basic essentials are climbing. This is particularly acute for petrol and diesel, fuels, the price of which has jumped in recent weeks. Where average pay settlements for public service workers have matched or slightly exceeded inflation, they have not reversed over a decade of real-terms income decline. This briefing summarises ONS data on rising costs, and information on how pay for workers has changed over the past 12 months.

Context

The most recent statistics on the rising cost of living in the UK show that inflation has slowed. However, they should be taken in the context of global instability that is likely to create more price shocks in the near future. The ongoing conflict in Iran and other conflicts in the Middle East are likely to create instability in the price of fuels and energy. Climate change is leading to increasingly unpredictable and extreme weather in the UK and across the world. This summer alone, we saw record breaking droughts in England. These conditions create difficult growing conditions for food across the world, pushing up prices.

These figures should also be taken in the context of the Scottish government's programme of public service reform – which aims to cut 20,000 public service jobs. This programme could have serious economic consequences for public service workers, and for their communities, in the context of rapidly rising prices and economic instability.

Household cost indices

HCI statistics show how changing costs impact different parts of the population, including how they impact households on different levels of income, and whether households own or rent their homes. These figures are different from the CPI, which show how the prices of goods and services change over time, affecting all households. HCI data also includes changes in mortgage interest rates.

HCI figures for the second quarter of 2026 showed that in the year to June 2026:

- Overall household costs rose by 2.8%. This is a decrease from 3.6% in the year to March 2026.
- Costs for low-income households increased by 2.7%, compared to 2.8% for high-income households
- Private renters had the highest annual inflation rate of 3%. Mortgage holders and other owner-occupier households, and social renters had a 2.8% inflation rate.

Consumer price index

The CPI rose by 3.1% in the 12 months to August 2026. The rate of inflation for food was 1.3% in August 2026 - a decrease from 3% in April 2026.

One of the most notable rises in prices was in transport, particularly in motor fuels which rose by 23%.

KEY POINTS:

- The Consumer Price Index rose by 3.1% in the 12 months to August 2026
- The price of motor fuels has risen by 23%
- In the 12 months to August 2026, the median average pay deal was 3.8% across the public and private sectors
- As fuel costs soared, oil companies reported significantly increased profits



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The average price of petrol rose by 9.1p per litre between July and August 2026, compared with a rise of 0.3p per litre between July and August 2026. Diesel prices rose by 14.2p per litre in August 2026, compared with a rise of 0.8p per litre in August 2025. These figures were published before the recent sharp spike in the price of diesel. The average price of diesel has risen above £2 a litre in the UK for the first time. The RAC said petrol prices were also still rising, hitting nearly £1.75 a litre on average, and that price rises showed “no signs of slowing”.

These prices will make getting to work more expensive, and are likely to raise the costs of other forms of transport. Employers must urgently revise mileage and fuel allowances for staff who are required to travel as part of their work.

Pay deals and inflation

Research from the LRD shows that in general, pay deals have kept pace with inflation over the past year. In the 12 months to August 2026, the median average pay deal was 3.8% across the public and private sectors. There are also many public service workers who have faced pay increases far below this average, for whom the impacts of inflation are all the more severe. A recent UNISON survey showed that 94% of public service workers were struggling to make ends meet

There is no room for complacency. Experts have warned of looming price shocks due to global instability and weather events. The Food and Drink Federation industry body warned that food price inflation would be almost 4% by the end of 2026 and could rise to above 6% in 2027 due to conflict in the Middle East and climate change. The El Niño weather pattern is likely to further disrupt food systems across the world.

The Bank of England also warned in its inflation projections that CPI could reach 4% by early next year. The National Institute of Economic and Social Research predicts a CPI of 4.5%. This means that pay deals at the median level for the past year could fast fall behind rising food, fuel, and other living costs.

Private profit

The financial pressure facing households and motorists as a result of soaring fuel costs, and the general cost of living, comes as the companies selling those essential goods are making huge profits. As oil and gas prices have continued to rise since the outbreak of war in Iran, oil company BP reported profits of £4.26bn for the second quarter of the year (April to June 2026). This is more than double than its profits for the same period last year. Competitor Shell reported a £7.37bn profit for the same period of 2026.

UNISON approach

While the most recent data from the ONS shows that inflation has slowed, the price of fuel has skyrocketed. This is causing real financial strain for households across the UK, and for public service workers. The rapid rise in the price of fuel and future likely food price rises is a very concerning combination. Investing in public service workers is how we can invest in public services.

The Scottish government's public service reform agenda proposes to do the opposite, and is a cuts agenda. This agenda could have serious economic consequences, for public service workers, and their communities. Cutting jobs is not how public services can be improved. UNISON believes genuine improvements to public services can be made by working to the key principles of democracy, partnership, fairness, investment and excellence

Action for branches

- Circulate this briefing to your members
- The information in this briefing can be used by branches negotiating with employers around pay claims
- Encourage your colleagues to join UNISON. There has never been a more important time to be a member

Additional reading

- [Consumer price inflation, UK: August 2026 – Office for National Statistics](#)
- [UK diesel prices top £2 a litre for first time, RAC says](#)
- [LRD annual Pay Survey 2025/26](#)
- [UNISON Scotland survey on the cost of living](#)



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