

# Pay bulletin

The latest news on salaries, settlements and more

July 2026

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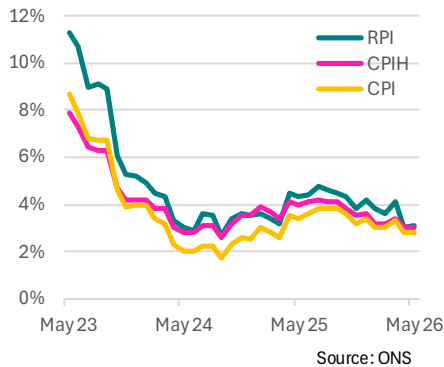
Welcome to July's pay bulletin. Read on for the latest data on inflation, pay and labour market trends.

## This month:

- CPI remains at 2.8%
- Median pay settlements remain at to 3.5%
- In the period from February to April average weekly earnings are rising by 3.4%
- A look at the rise in job adverts stipulating a requirement for AI skills

## 1. Inflation starts to climb

**UK inflation rate**  
% change over 12 months



The [latest figures](#) from the Office for National Statistics (ONS) show that:

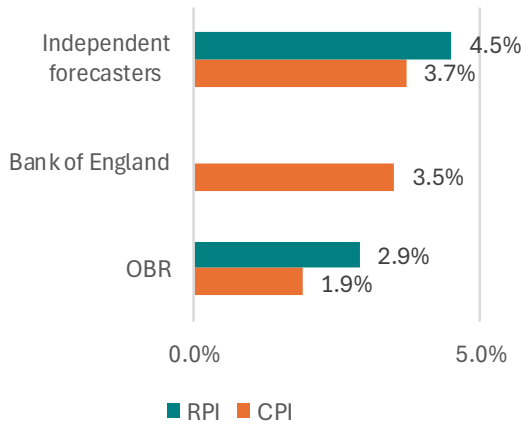
- **CPI was 2.8%** in the 12 months to May, unchanged from last month
- **CPIH was 3%** in the 12 months to May, unchanged from last month
- **RPI was 3.1%**, in the 12 months to May, up slightly from 3% last month

Transport made the largest upward contribution to the monthly change in both CPIH and CPI annual rates; food and non-alcoholic beverages made the largest, partially offsetting, downward contribution.

Core CPI (CPI excluding energy, food, alcohol and tobacco) rose by 2.6% in the 12 months to May 2026, up from 2.5% in the 12 months to April; the CPI goods annual rate slowed from 2.4% to 2.0%, while the CPI services annual rate rose from 3.2% to 3.7%

## 2. Headline rates of inflation for Q4 2026

### Inflation Forecast: Projected annual % change in Q4 2026



Source: HM Treasury, OBR, BoE

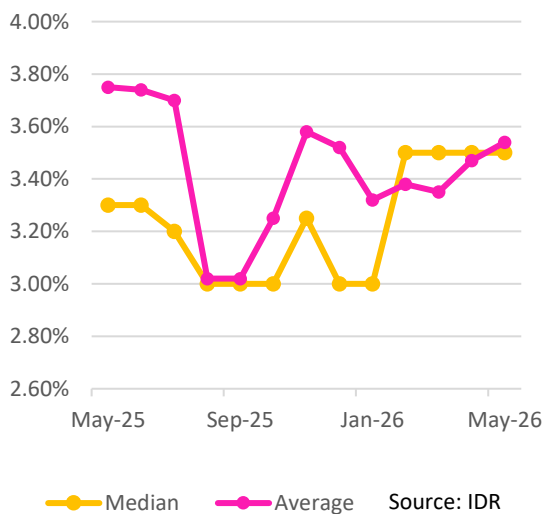
[HM Treasury's average of most recent inflation forecasts](#) expects CPI to be

3.7% and RPI at 4.5% by Q4 2026, whilst the most recent OBR forecast in March was 1.9% for CPI and 2.9% for RPI. The Bank of England's central CPI forecast of 3.5% was last updated in April

Future inflation is uncertain because it is affected by unpredictable global shocks, especially energy prices, as well as domestic factors like wages and weak economic growth. External price changes and the UK's reliance on imports can quickly push inflation up, while slower growth may reduce it. These competing pressures, along with temporary price fluctuations, make the overall path of inflation difficult to predict

## 3. Average pay settlements remain flat

### Whole economy pay awards 3 month rolling average



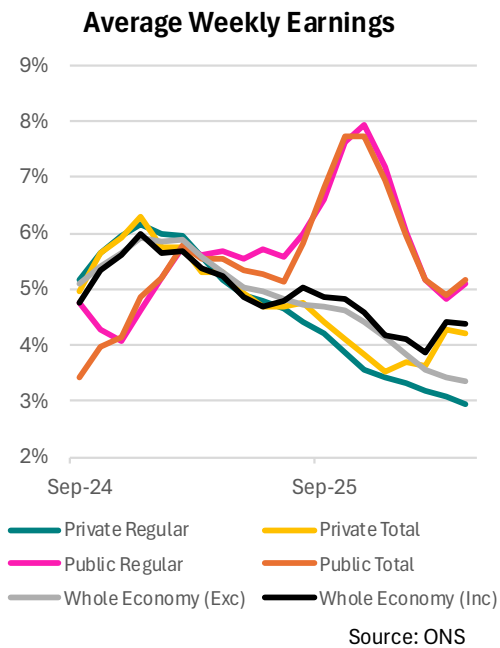
Source: IDR

Median pay awards were at 3.5% in the three months to May, according to [Income Data Research](#), remaining at the same level from last month.

[Brightmine](#) has found that employers are taking a more cautious approach to pay rises, with about 42% expecting 2027 increases to fall between 2% and 3%

Deals logged in the LRD's [Payline](#) database showed pay settlements averaging 3.5% in the three months to June, whilst commenting that they appear to be reasonably robust following a period where they were at a low ebb of just 3%.

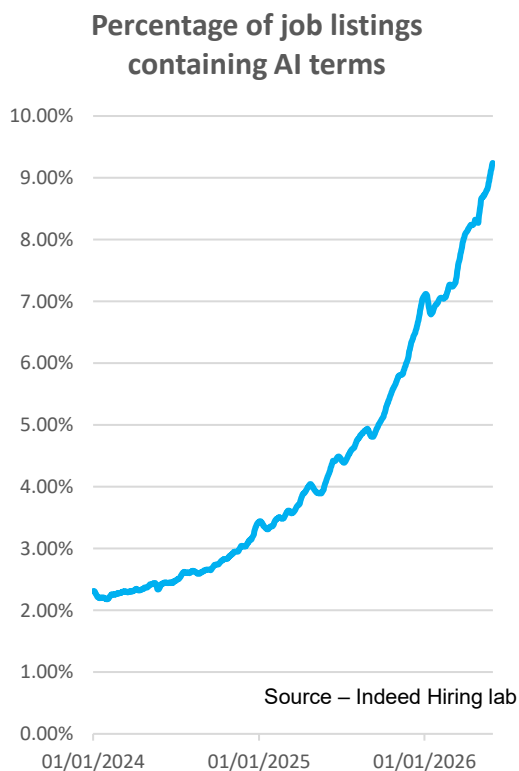
## 4. Public sector pay continues to grow faster



Between February and April 2026, [employees' earnings](#) showed moderate growth, with regular pay rising by 3.4% and total pay (including bonuses) increasing by 4.4%. However, after adjusting for inflation, real earnings growth remained modest, ranging from around 0.1% to 1.3% depending on the inflation measure used.

Pay growth differed across sectors, with the public sector seeing stronger increases (5.1%) compared with the private sector (2.9%), partly due to the timing of pay awards. Outside the public sector, the wholesaling, retail, hotels and restaurants sector recorded the highest regular earnings growth at 3.5%.

## 5. In Focus: AI in job listings



Employers are increasingly looking for candidates who can use AI tools, analyse data, automate routine tasks, and work effectively alongside AI systems, even in roles that are not traditionally technical.

Data from Indeed via its [Hiring Lab](#) platform found that over 9% of all job advertisements now make mention of AI skills, up from 2% in 2024 continuing to rise and rise rapidly.

However, whilst most postings focus on developing or using AI technologies, a significant proportion mention AI only in general terms, reflecting the growing importance, albeit, and sometimes in a rather ambiguous way.

