ECONOMIC INSIGHTS

Allianz Insights
March 2026

Since we published our December insights, UK GDP growth has slowed but there is no recession. Weak consumer spending continues but targeted investments in green energy, data centres and infrastructure means a low but stable growth outlook for 2026-2027.

In February, the US Supreme Court ruled against President Trump's imposition of global tariffs, stating that Trump had exceeded his authority by using a law reserved for national emergencies to impose them. Trump responded by announcing new global tariffs of 15% which would be implemented using a different legal route.

In March, global tensions increased further when the US and Israel launched an attack on Iran, with Iran launching retaliatory strikes towards Israel.

Here we summarise the key issues, along with the relevant insurance implications, that are likely to be affecting some customers.

Inflation and price indices

- Families with more than two children will be able to claim full Universal Credit and tax credits from April. The government estimates this will lift 450,000 out of poverty by 2030. (Source: BBC)
- The Bank of England's base rate is currently 3.75%, and the inflation rate is 3% with a target of 2%. If the economy evolves as expected, the Bank of England anticipates making further cuts to the base rate in 2026. (Source: Bank of England)
- Global GDP growth remains strong and is expected to reach +2.9% in 2026 and +2.8% in 2027. (Source: Allianz)
- Emerging markets remain resilient overall. (Source: Allianz)

- Institutional risks, geopolitical risks and financial risks, will continue to increase throughout 2026. (Source: Allianz)
- UK mortgage rates remain volatile but fixed rates have steadied and some lenders have started cutting fixed rates back. Experts predict that rates may fall further in 2026. (Source: Home Owners' Alliance)
- From April 2026, the UK National Living Wage (21+) will rise to £12.71 per hour. This will benefit 2.7 million low paid workers but could result in hiring freezes from some businesses. (Source: BBC)
- Public sector investment is expected to strengthen as spending on infrastructure increases. (Source: KPMG)

Insurance impacts

- Cyber incidents remain the top risk for businesses (Source: Allianz)
- Large companies' investments in cyber security and resilience have been paying off, ensuring they can detect and respond to attacks early. (Source: Allianz)
- AI-enhanced underwriting continues to enable more accurate risk assessment, highly tailored coverage and greater operational efficiency.
- During times of economic stress, insurance regulators are focusing on fair value, particularly for vulnerable consumers.

Supply chain disruption

- US tariffs are reshaping supply chains, prompting retaliation and heightening uncertainty. (Source: Allianz)
- Supply-chain vulnerability remains high with geopolitical risks, protectionist trade policies and tariff wars putting supply chains under increasing strain. (Source: Allianz)

Insurance impacts

- Supply chain disruption will increase insurer's exposure to business interruption claims, drive up repair and replacement costs in property and motor insurance, and force tighter underwriting and higher premiums.
- There is an increasing demand for businesses to have supply chain risk cover.
- Risks like insolvency, cyber-attacks and geopolitical shocks are all major causes of business interruption and supply chain disruption, yet just 3% of Allianz Risk Barometer responders globally view their supply chains as 'very resilient'. (Source: Allianz)

Energy crisis

- Energy project costs have increased by 20-23% from quotation to construction, affecting renewables, infrastructure and other energy developments. This is reshaping investment decisions and slowing deployment. (Source: Womble Bond Dickinson)
- Energy-related supply chain disruption is a top global business risk. (Source: Allianz)
- Private sector investment is being driven by green energy and data centres. (Source: KPMG)

Insurance impacts

- The shift away from fossil fuels and the volatility caused by the energy crisis requires insurers to tighten underwriting for carbon-intensive industries, reassess risk models for energy-dependent sectors and increase scrutiny on client's transition plans. (Source: Allianz)
- Retailers and suppliers are struggling with increased energy bills which reduce margins and make businesses more sensitive to insurance price increases. (Source: The Guardian)

The cost and shortages of food and supplies

- UK grocery inflation slowed to 4% in January 2026- the lowest since April 2025. This offered some relief after years of elevated prices. (Source: Invezz)
- Transport and food and non-alcoholic beverages made the largest downward contributions to the monthly change in Consumer Price Index (CPI) annual rates. (Source: Office For National Statistics)
- Climate change is one of the primary drivers of food shortages in the UK. Extreme weather, drought risk and global climate impacts are increasing the likelihood of food shortages, price spikes and supply chain disruption. (Source: The Independent)
- One in six businesses expect the prices of goods and services they sell to increase in March 2026. (Source: Office for National Statistics)

Insurance impacts

- UK farmers face higher operating costs, including labour, which may lead to tighter margins and more insurance claims.
- Insurers must ensure products remain appropriate as food insecurity increases.

The cost of materials

- Based on annual average, construction material prices have more than doubled in the past twenty years. (Source: BCIS)
- Building material costs are expected to rise across 2026 which means the total cost of building is likely to increase by 15% by 2030, with tender prices rising by 16% over the same period. (Source: Hunter Finance)
- Ongoing construction material inflation, broader consumer goods price trends and elevated national inflation are contributing to higher costs of supplies, materials and general goods.

Insurance impacts

- Rising material costs are already feeding directly into higher insurance premiums, larger claims payouts and increased underinsurance risk.
- Insurers are facing persistent inflation claims costs due to more expensive repairs, longer repair times and higher total loss valuations.

Construction

- The increase to the National Living Wage from April 2026 will have an impact on construction and manufacturing sectors which will see an increase in labour costs as a result. (Source: BBC)
- Labour shortages and energy costs continue to push up production and transportation costs.

Insurance impacts

- New construction methods and innovations in sustainability require insurers to update their underwriting models.

Motor

- Car production fell sharply in 2025 driven by supply disruptions and a major cyber incident at Jaguar Land Rover which forced a five-week shut down. (Source: BBC)
- Electrification remains one of the defining forces shaping the UK motor industry in 2026. (Source: Infor)
- Chinese car manufactures continue to expand internationally, intensifying competition in the EV sector and putting pressure on pricing strategies. (Source: CNBC)
- New technology makes it difficult to source parts leading to increased motor repair costs. (Source: Allianz)

Insurance impacts

- High repair costs, more expensive car technology and inflation driving up claims costs are squeezing insurer's margins. (Source: Ernst and Young)
- UK motor insurers are set to make sizeable losses in 2026 (Source: Ernst and Young)

Commercial property

- Many landlords are selling their properties ahead of The Renter's Rights Act coming into force, meaning there will be fewer rental properties available, pushing up rent prices. (Source: Deposit Protection Service)
- The UK commercial property market shows signs of solid recovery in 2026, supported by low development activity and steady tenant demand. (Source: Savills)
- Rental demand remains high and rent costs now top £1000 a month in many areas of the UK. (Source: BBC)

Insurance impacts

- The EPC mandate will likely increase demand for property insurance policies covering energy efficient renovations.

Further reading

Allianz Economic Research - Allianz global research analysing economic and industrial developments.

Underinsurance - Resources, information and guidance to help customers understand the issue of underinsurance.

Ludonomics - Ludovic Subran, Allianz Group's Chief Economist, publishes a weekly update on Allianz markets, macro, sector and insurance.