

Surety Market Overview

Spring 2026

By Oliver Bennett

The escalation of geopolitical tensions in the Middle East has introduced renewed volatility into global energy markets, placing upward pressure on oil, gas and broader input costs. This is particularly evident in energy-intensive sectors such as construction, where higher fuel, materials and transportation costs are impacting project economics, delivery timelines and market confidence. Businesses are operating more cautiously and with increased sensitivity to inflation, supply chain disruption and financing conditions.

Structural investment themes continue to support demand. The rapid expansion of data centre capacity, driven by growth in cloud computing and artificial intelligence, remains a key source of activity across the UK and Europe. Planning reform and long-term infrastructure and defence spending provide a supportive backdrop, albeit with selective capital deployment.

At Liberty Mutual Surety, we remain focused on disciplined underwriting and consistent support for clients in an increasingly uncertain environment. By combining balance sheet strength with market expertise, we continue to provide dependable surety capacity across key sectors.

Economic Indicators



U.K.

Unchanged from
0.6% in Q1 2025

Q1 2026
U.K. GDP (QoQ)
+0.6%

[Office of National
Statistics](#)

Up from 3.4%
in March 2025

March 2026
Inflation (YoY)
3.6%

[Office of National
Statistics](#)

Down from 4.5%
in April 2025

April 2026
Bank Rate
3.75%

[Bank of England](#)



Europe

2025 annual
increase 1.4%

2026 Euro Area
GDP Forecast
+1.1%

[International
Monetary Fund](#)

Up from 2.5%
in March 2025

March 2026
EU Inflation (YoY)
2.8%

[Eurostat](#)

Up from 2.2% in
January 2026

April 2026 Euribor
12-Month Rate
2.8%

[Euribor rates.eu](#)

Current Economic Themes:

1. Widening Geopolitical Conflicts - Impacts

- The war in Iran has sparked a global energy shock, threatening progress on inflation and adding economic uncertainty to that created by Russia's war in Ukraine.
- As European countries further increase defence spending, economic growth may be impacted.
- While the overall impact on the UK economy is still unknown, the current 2026 GDP forecast of +0.8% implies growth may be challenging even without the geopolitical impacts.

[European Commission](#)

2. UK Construction Sector Planning

- The UK has been through a sustained programme of planning reform intended to speed up decision-making, optimize local planning, and embed higher-quality design and place-making.
- Many changes flow from the Levelling Up and Regeneration Act 2023 and consequential updates to national planning policy framework (NPPF).
- Changes are concentrated in the following areas:
 1. The status and content of national policy
 2. The weight of local plans and new national development management policies
 3. Decision-making processes and timeframes
 4. Design and environmental requirements
 5. Adjustments to permitted development and developer obligations

[UK House of Commons Library](#)

[GOV.UK](#)

3. Data Centre Sector – UK and Europe

- Data Centre supply, commonly measured in Megawatts (MW), increased 133% across Europe, from 2,400 MW in 2020 to 5,600 MW in 2025.
- Growth has been driven by cloud adoption and AI demand, with capacity concentrated in UK, Netherlands, Germany, France, Nordics.
- The outlook for the sector is mixed. While demand is high, power availability, permitting, grid connections, and sustainability requirements may force developers to be more selective.

[CBRE](#)

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Common Challenges for British and European Business Sectors

1. Widening Geopolitical Conflicts

- The primary impact of geopolitical conflicts is a **sharp increase in economic uncertainty**.
- Global economic uncertainty can weaken investment and business confidence, reduce demand for exports, and raise market volatility.
- Trade-dependent sectors (construction, transport, manufacturing) and ports could feel pressure.
- Weaker economic growth and higher borrowing costs could strain public finances.
- Public policy support could be necessary, with a focus on individuals and the labour market.

2. Supply & Demand Imbalance (Labor and Materials)

- The **manufacturing** sector is experiencing gaps in advanced digital, engineering, and managerial skills; aging workforce and low rates of vocational upskilling hinder adoption of advanced production practices.
- The **defense** sector has a need for specialized engineers, systems integrators, cyber and software experts; aging workforce in some legacy manufacturing areas and competition from civilian tech sectors for talent.
- Limited vocational/retraining pipelines specifically tailored to **defense**-relevant skills.

	Mar 2026	Mar 2025
Consumer Inflation (YoY)	3.6%	3.4%
Bank Rate (BoE)	3.75%	4.5%
Euribor 12-Month Rate	2.9%	2.3%
	Feb 2026	Feb 2025
Employment Rate	75.0%	74.9%
Unemployment Rate	4.9%	4.4%

[Office of National Statistics](#)

[Euribor rates.eu](#)



U.K. Data Centre Sector *Did you know?*

The UK government has several strategies and frameworks in place to support data centre construction, largely driven by its focus on advancing artificial intelligence (AI) and quantum computing.

1. The government has made a significant financial commitment, including a £2.5 billion **Investment in AI and quantum computing**. This features a £500 million Sovereign AI Fund to help British companies compete globally.
2. The **UK Compute Roadmap** details the government's plan to expand the nation's computing infrastructure. A key goal is to triple the current data centre capacity to at least 6 GW by 2030 to support future AI needs.
3. Since 2024, data centres have been designated as **Critical National Infrastructure**, highlighting their importance to the UK's economy and public services.
4. The government is creating **AI Growth Zones** to encourage the development of data centre capacity and innovation, extending beyond traditional data center hubs.

Overall, the UK's strategy is to significantly expand its data centre infrastructure to foster economic growth and secure its position as a global leader in technology, while also considering sustainability and local benefits.

[Data Centre Review](#)

[GOV.UK](#)

[PWA Planning](#)

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