

Executive Outlook for Q2 2026: UK and EU

UK and Europe Executive Market Trends Amid Economic Uncertainty

7 minute read

As Q2 2026 opens, Rialto analysts examine the UK and European executive landscape against a backdrop that has shifted materially since the start of the year. What had appeared to be a gradual stabilisation with modest growth, easing inflation and a credible path to rate cuts after years of shocks and uncertainty has been disrupted by the outbreak of conflict in the Middle East. The implications for business confidence, hiring sentiment and executive value are already being felt and, whenever it may end, it will undoubtedly have long term implications on the global outlook.

This insight examines the current economic data, the state of the executive market and the capabilities that will determine who stays relevant in what is becoming an increasingly selective environment. It finds that AI competence and success is now the single greatest differentiator for performance and value.

UK ECONOMIC OUTLOOK 2026: A RECALCULATED PICTURE

The UK economy grew 1.4% in real terms across 2025, its strongest performance since the pandemic but below the OBR's forecast of 1.5% GDP grew 0.2% in the three months to January 2026, with services up 0.2%, production up 1.3% and construction falling 2.0%. Monthly GDP was flat in January, and the Bank of England estimated underlying quarterly growth for Q1 at around 0.1%.

Conflict in the Middle East and Iran's effective blockage of the Strait of Hormuz has since triggered a significant spike in global energy and commodity prices that could endure well beyond any ceasefire. Fertiliser prices are potentially doubling, the Food and Drink Federation is projecting 9% food inflation by year-end and central banks will be forced to hold rates higher for longer precisely when economies were counting on cuts. None of these pressures reverse the moment a ceasefire is announced.

The OECD revised its UK inflation forecast for 2026 to 4%, up 1.5%, and cut its growth projection from 1.2% to 0.7%, the steepest downward revision of any major economy in its March interim outlook. GDP growth forecasts have been cut to between 0.4% and 0.7%, below the OBR's pre-conflict forecast of 1.1%. The EY ITEM Club now expects business investment to contract by 0.2% this year.

Rialto director Richard Chiumento said: "The structural reset we have been tracking for the past twelve months has been overtaken by an acute shock on top of a chronic one. Organisations that were managing cautiously through a tight fiscal environment now face renewed inflation, constrained monetary policy and a further compression of confidence. That combination does not create space for hesitation. Leaders need to move faster, not slower."

THE EXECUTIVE MARKET: COOLING BECOMES MORE ACUTE

The UK unemployment rate stood at 5.2% in November 2025 to January 2026, its highest since 2021, with 1.87 million people out of work, up 323,000 over the year. Total vacancies fell 9.5% compared with a year earlier, declining in 15 of 18 industry sectors, with 2.6 unemployed people per vacancy, up from 1.9 a year ago. Regular pay growth fell to 3.8%, its lowest in over five years. The BDO employment index dropped to 93.30 in February, its weakest reading in nearly 15 years. Recruitment firm Robert Walters' chief executive Toby Fowlston described the current environment as the longest hiring downturn the industry has ever experienced, worse than both the 2008 financial crisis and the pandemic.

The energy price shock now threatens to intensify these pressures. Higher costs will squeeze margins, reduce hiring budgets and accelerate the turn towards automation and offshore resourcing already trending before the conflict. The April 2026 minimum wage rise to £12.71 per hour, and employer National Insurance increases already in effect, add further to the cost of employment at a moment when businesses are least able to absorb it.

AI HIRING IS BUCKING THE TREND

Overall UK job postings sit 27% below their pre-pandemic baseline, but postings mentioning AI have climbed to 127% above it. Around 7.5% of UK job postings contained AI mentions in mid-Q1. In several fields with striking declines in overall postings, including marketing, HR and accounting, posts mentioning AI have more than doubled. The category with the highest share of AI-related postings is data and analytics at 47%, followed by software development at 41%.

Employers are increasingly expecting workers across a broad range of roles to engage with AI as a routine part of the job. For executives, this is now the baseline of assessment. Boards asking about AI governance, algorithmic accountability and value realisation are looking to leadership, not technology, for answers.

SECTORS AND SKILLS IN DEMAND

Engineering was the only sector in the KPMG/REC survey to report stronger demand for permanent staff in February 2026, driven by defence spending, infrastructure investment and the energy transition. The conflict that has complicated the macroeconomic outlook has also reinforced the urgency of energy security investment and the demand for leaders who can deliver complex programmes across contested political and regulatory terrain.

Executives skilled in risk, regulatory change and cost transformation remain in demand in financial services. Cybersecurity and digital infrastructure are still attracting investment regardless of broader hiring freezes. Private equity has sharpened its lens: operating partners and interim executives with restructuring and rapid performance improvement experience are valued.

EUROPEAN EXECUTIVE JOB MARKET TRENDS 2026: FROM FRAGMENTATION TO SHARED SHOCK

In our Q1 2026 insight, we noted a Eurozone broadly improving but unevenly, with Germany wrestling with industrial contraction, Spain and Italy seeing executive vacancies well above pre-pandemic levels, and the EU's regulatory complexity rewarding executives with cross-border fluency. That picture has now been overtaken by a shared external shock.

The OECD cut the Eurozone growth forecast by 0.4% to 0.8%. The ECB projects 0.9% growth, with Q2 activity expected to fall close to zero. Interest rates were held in March, abandoning the cuts markets had anticipated, while the Eurozone inflation forecast was raised by 0.7% to 2.6%. Germany's energy-intensive industrial base makes it especially susceptible. The defence spending narrative offers longer-term relief but will not offset the near-term squeeze on chemicals, automotive and manufacturing. Chemical and steel manufacturers across the EU have already imposed surcharges of up to 30% to offset surging costs, with economists warning of the risk of permanent deindustrialisation in some sectors.

Spain and Italy retain structural momentum, but the shared energy shock has compressed the gap between strong and weak performers. Cross-border regulatory fluency, AI governance capability and the judgement to advise boards on which investment programmes to protect and which to defer are all commanding a higher premium than three months ago.

Governance, compliance and sustainability roles are also in demand as the EU Corporate Sustainability Reporting Directive enters full enforcement, affecting approximately 50,000 companies according to the European Parliament.

COMPENSATION: SOPHISTICATION OVER SCALE

The Indeed Wage Tracker recorded 4% year-on-year posted wage growth in February 2026, the lowest level in four years. With inflation expected to exceed 3% through mid-year, real-term gains are likely to remain limited, reinforcing a shift in how organisations structure senior remuneration in a constrained environment.

Rather than increasing base salary, employers are turning to more targeted, performance-linked reward. Signing bonuses, equity participation and long-term incentives are becoming more common, particularly where critical leadership capability must be secured without adding fixed cost.

For executives, this is a more exacting and evidence-based market. Compensation is increasingly tied to demonstrable outcomes relating to value creation, cost optimisation, revenue growth and transformation delivery, making the ability to evidence impact as important as experience.

Career Strategy for Executives in for Q2 2026: How to Stay Competitive

The Middle East conflict has added genuine unpredictability to a market already structurally recalibrating. Where some organisations were tending towards paralysis, they now risk making hasty pressure driven decisions that hollow out long-term capability in pursuit of short-term cost reduction. Executives who can help boards hold the line and make the case for investing in the right capabilities while others retrench will be well positioned when conditions stabilise.

They must also demonstrate credible authority over how AI should be deployed, governed and measured to remain relevant. Executives who cannot show this are already at a structural disadvantage in assessment processes, regardless of sector. (For a deeper examination of what this requires in practice, see our previous [insights](#) including [What it actually takes to make AI work and AI is changing everything: how to stay ahead.](#))

The executives who will make ground are those who treat the current environment as a structural context within which to operate, not a minefield to survive.

Four actions define that approach.

Translate volatility into decisions. It is not enough to read the environment accurately. Executives who stand out convert external uncertainty into immediate, organisation-specific choices on capital allocation, workforce shape and operational focus, with the clarity and speed that boards currently lack and urgently need.

Prioritise with precision and reallocate at pace. In a constrained market, breadth is a liability. High-performing executives identify the small number of initiatives that will drive disproportionate value and actively move capital and resource towards them rather than preserving legacy activity out of inertia.

Impose discipline on technology and AI investment. Differentiation comes from linking technology investment to measurable outcomes, challenging weak use cases and ensuring that deployment translates into productivity, cost and/or revenue impact, not just adoption metrics.

Evidence impact in quantified terms. As the market becomes more selective, broad experience carries less weight than demonstrable results. Executives must show consistent, quantified impact, particularly in constrained or volatile conditions.

To read about the US, MENA and Asia regions, all of which are navigating different paths through the challenging economic landscape, [click here](#).

HOW EXECUTIVES CAN STAY RELEVANT IN A CHANGING JOB MARKET

As the pace of change accelerates, every executive must think seriously about how to stay relevant, maintain credibility, and secure a strong executive trajectory in today's market. This requires mastering the fundamentals of leadership while committing to continuous AI learning and digital fluency.

If you are considering how best to position yourself for the next stage of your career or an upcoming executive transition, Rialto can support your journey. You are also invited to join the [Rialto AI Business Leaders Circle](#) - a forum enabling members to gain access to the conversations shaping the future of AI, including private briefings in the House of Lords, strategic insights from global AI experts and the chance to influence national policy through the All-Party Parliamentary Group on AI.

To find out more, book an appointment to speak to one of our team today.

MORE INSIGHTS



Executive Outlook for Q2, 2026: The US, Asia and the Middle East



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ACCELERATED IMPACT

The Rialto Consultancy Ltd
25 Southampton Buildings
Chancery Lane
London WC2A 1AL

T: +44 (0)20 3746 2960

E: info@rialtoconsultancy.com

www.rialtoconsultancy.com