22 July 2026

NatWest UK Business Growth Tracker

Manufacturing returns to growth as business confidence improves

NatWest

PMI by S&P Global

22 July 2026

NatWest UK Business Growth Tracker

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About the report

The NatWest UK Business Growth Tracker is a quarterly report designed to monitor business performance at UK small and medium-sized enterprises (1-249 employees) and mid-market corporates (between 50-500 employees). Results are compiled from responses to S&P Global UK Purchasing Managers' Index® (PMI®) surveys. In this report, we also track trade conditions for UK businesses.

The data are compiled from companies that participate in S&P Global's UK services and manufacturing PMI surveys. For more reports and insight, visit www.natwest.com/business/insights/economics

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Key findings

July 2026

Manufacturing SMEs record first rise in output since October 2025

Business growth expectations improve in June

Input cost inflation eases to a three-month low

SME service providers report slower declines in business activity and new work

Mid-market segment saw a slight easing in momentum, despite robust manufacturing performance

NatWest Mid-market Business Activity Index
July 2026

49.3

NatWest SME Business Activity Index
July 2026

47.8

Sebastian Burnside, NatWest Chief Economist, said:

"Manufacturing businesses have faced a lot of headwinds in recent years, from supply chain uncertainty and changing tariffs to the latest energy shock, so the growth they've reported in June is both encouraging and desperately needed. Businesses across all sectors have been grappling with higher costs this year. If the modest fall in pricing pressure shown last month can continue, then it could help growth momentum to build in the second half of the year."

Mid-market Growth Tracker

The NatWest Mid-market Growth Tracker reports on the performance of those manufacturing and services enterprises with 50-500 employees on a quarterly basis.

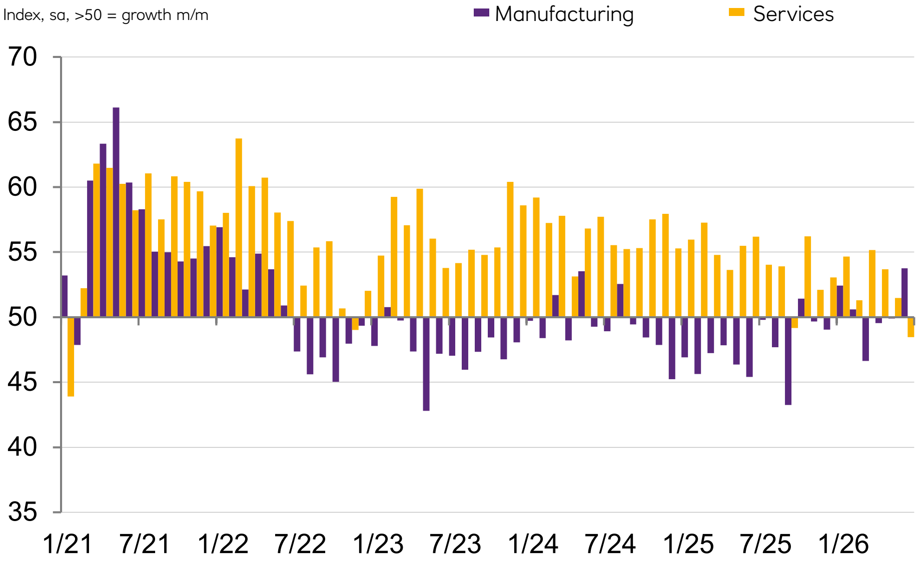
June data from NatWest's Mid-market Growth Tracker highlighted a marginal decline in business activity, which ended an eight-month period of expansion.

At 49.3, down from 51.2 in May, the headline seasonally adjusted NatWest Mid-market Business Activity Index – which is based on mid-market businesses operating in the manufacturing and services sectors – was below the 50.0 no-change mark for the first time since September 2025. This indicated a slight easing in momentum for mid-market businesses, following moderate growth in April and May. Mid-market service providers returned to a modest decline in activity levels. At 48.5 in June, the respective index was the lowest since January 2021.

Service providers mainly cited softer business and consumer demand due to cost pressures and ongoing global economic uncertainty. Where growth was reported, survey respondents noted strong demand for technology services and greater volumes of new work from abroad.

A bright spot in June was a robust performance by manufacturers in the mid-market segment. The rate of output growth was the fastest since May 2022. Goods producers commented on improved order books in some instances, alongside efforts to boost finished goods inventories.

UK Mid-market activity by sector
Index, sa, >50 = growth m/m



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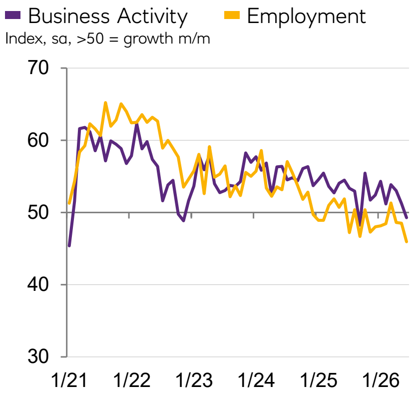


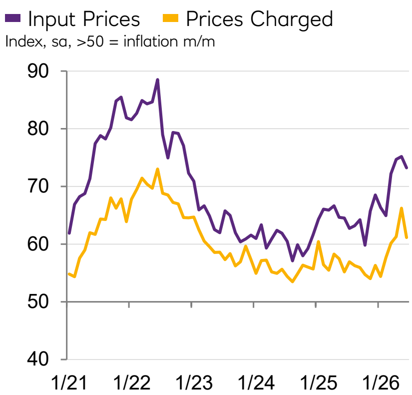
Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

NatWest Mid-market Services Business Activity Index

48.5

NatWest Mid-market Manufacturing Output Index

53.7



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Marginal decline in new work

Mid-market firms reported a slight decline in new business intakes during June, which contrasted with solid growth in April and May.

Softer order books were partly attributed to the impact of rising output charges on customer demand, as well as headwinds from lacklustre domestic economic conditions.

On a positive note, mid-market service providers signalled a solid rise in new work from abroad that was the fastest since December 2025. However, manufacturers recorded a faster decline in export sales during June. Mid-market firms cited intense competition and challenges from strong cost inflation.

A lack of pressure on business capacity meanwhile contributed to reduced employment numbers at mid-market companies. Staffing levels continued to edge lower in June, with service sector firms accounting for the majority of the decline.

Inflationary pressures ease from high point seen in May

Average cost burdens at mid-market companies continued to rise sharply in June, but the rate of inflation moderated from the three-and-a-half year high seen in May. Anecdotal evidence cited higher raw material prices and transportation costs, largely due to the Middle East conflict. There were also reports of higher payroll costs.

Efforts to pass on rising input prices led to another sharp increase in output charges among mid-market businesses in June. However, the rate of inflation eased to a three-month low. This reflected softer cost pressures and constraints on pricing power due to subdued demand.

Business optimism improves

June data indicated that mid-market companies remained upbeat about their business activity prospects over the year ahead. The degree of positive sentiment picked up since May, led by improved confidence in the manufacturing sector.

Survey respondents suggested that signs of easing inflationary pressures, fewer supply chain delays, and receding geopolitical uncertainties had the potential to boost customer demand.

Mid-market firms attributed their confidence to long-term business development plans, stronger pipelines of forthcoming new projects, and opportunities for growth in major overseas markets. Investments in new technologies and AI roll-outs were also cited as supporting the growth outlook.

Andy Gray, Managing Director of Commercial Mid-Market at NatWest said:

“While momentum eased slightly in June, the mid-market continues to show resilience. Manufacturing output returned to growth, confidence improved and cost pressures moderated.

"The Mid-Market Growth Council continues to highlight the significant contribution these businesses make to the UK economy and the opportunity to unlock further growth through the right support, investment and policy environment.

SME Growth Tracker

The NatWest SME Growth Tracker is designed to monitor business performance at UK enterprises with 1-249 employees.

June survey data indicated that business conditions remained challenging for UK SMEs. Business activity and new orders fell at the end of the second quarter, with firms often noting that market uncertainty and increased costs had dampened sales and output. That said, in both cases, rates of reduction eased from May. Price pressures moderated slightly following the initial spikes in energy and raw material costs in April and May that stemmed from the conflict in the Middle East. At the same time, business confidence about the year-ahead outlook for output ticked higher. However, hiring activity continued to weaken, with June marking the steepest drop in UK SME payroll numbers since November 2025.

The headline seasonally adjusted NatWest SME Business Activity Index rose to 47.8 in June from 46.9 in May to signal a softer and only modest reduction in activity across small and medium-sized enterprises in the UK. Activity levels have now fallen in each of the past eight months.

At the sector level, service providers signalled a further solid decline in activity (index at 47.3). The pace of reduction was less pronounced than in May, but quicker than the average seen so far in 2026. In contrast, SME goods producers indicated a slight rise in production in June (index at 50.5), marking the first increase in output for eight months.

Demand dampened by ongoing market uncertainty and rising prices

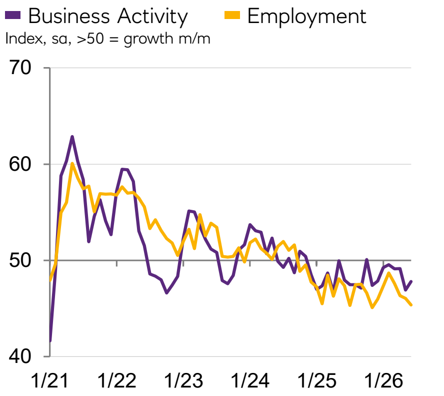
Inflows of new business fell across UK SMEs for the nineteenth month in a row in June. Though solid, the pace of reduction was the softest seen since March. According to anecdotal evidence, economic uncertainty both at home and overseas, alongside rising costs, were the main drags on sales.

Underlying data indicated that new orders declined across both the manufacturing and services sectors during June. The latter recorded the more pronounced pace of contraction, though both sectors registered slower falls when compared to May.

International demand for goods and services produced by UK SMEs continued to deteriorate in June. The pace of reduction moderated from May, but was nevertheless strong by historical standards. Panellists reported lower amounts of new work across key European markets in particular.

UK SMEs continue to trim their staffing levels

June data pointed to a further decrease in employment across UK SMEs, thereby extending the current sequence of workforce reductions to 21 months. Moreover, the rate at which firms trimmed their payroll



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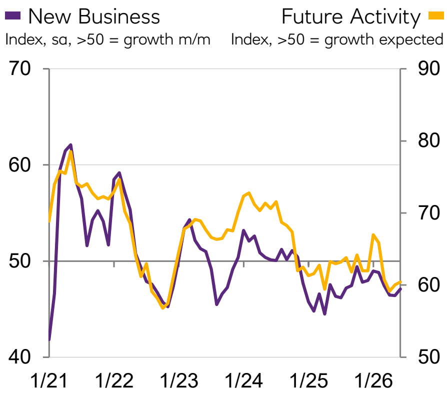

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numbers accelerated to the sharpest recorded since last November and was among the quickest seen over the past five-and-a-half years.

Qualitative data indicated that rising labour costs, particularly National Insurance contributions, and muted demand conditions had deterred firms from taking on new staff. Consequently, there were frequent mentions of hiring freezes, redundancies and the non-replacement of voluntary leavers.

Price pressures ease but remain historically elevated

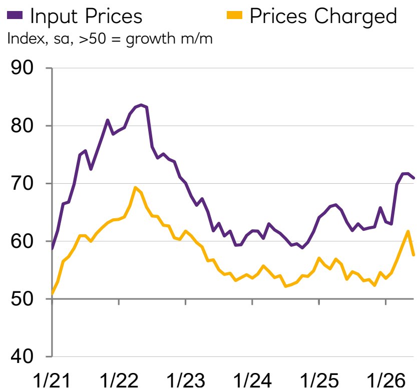
UK SMEs faced substantial cost pressures during June, with panellists noting higher prices for raw materials and energy as a result of the conflict in the Middle East. While the overall rate of cost inflation ticked down for the first time since February, hitting a three-month low, it was one of the sharpest rises in expenses seen since late 2022.

Average prices charged for SME goods and services also rose at a softer pace that was the weakest since March. Nevertheless, the rate of output charge inflation remained rapid overall, with companies often noting that they had raised their prices as part of efforts to pass higher costs on to customers.

Sector data highlighted that manufacturers recorded stronger rises in both input costs and selling prices compared to their counterparts in the services sector.

Business confidence recovers from April's recent low

Optimism regarding future business activity across UK SMEs improved again in June, rising further from April's 41-month low. Anecdotal evidence suggested that businesses were often optimistic that demand conditions would improve and



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thereby support output growth in the year ahead. That said, expectations remained historically subdued. Lingering geopolitical uncertainty, concerns around the global economic outlook and intense cost pressures were all cited as potential headwinds to growth.

SME Services

SME services sector contracts again in June

The latest survey data indicated that business activity across SME services companies fell for the eighth month in a row in June. While the rate of decline eased from May's near five-and-a-half-year record, it remained solid overall. The reduction was linked to subdued overall economic conditions, which in turn were attributed to ongoing geopolitical uncertainty, muted confidence and inflationary pressure.

The amount of new work continued to decline during June, despite the rate of contraction slowing for the second month in a row. Furthermore, overall new orders have now fallen continuously for just over a year-and-a-half.

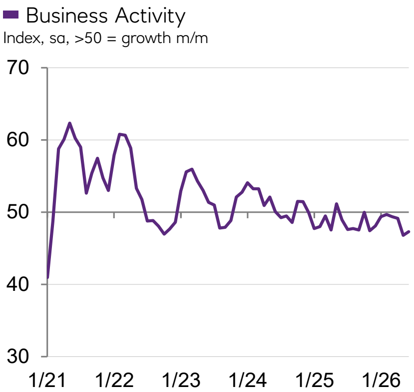
Cost pressures remain at near three-and-a-half-year high

Average input costs faced by SME services companies continued to rise rapidly during June. Notably, the rate of inflation was unchanged from May and signalled the joint-steepest rise in expenses since January 2023. Panel members often commented on a generally strong inflationary environment, citing the impact of the conflict in the Middle East on supply chains and prices, as well as higher staffing costs.

However, weaker demand conditions and greater competitive pressures

NatWest SME Services Business Activity Index

47.3



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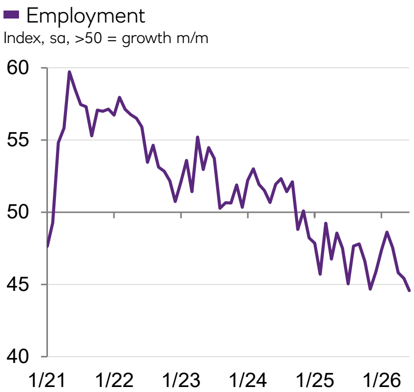

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dampened overall pricing power. Whilst selling prices rose sharply overall, the latest increase was the softest recorded in four months.

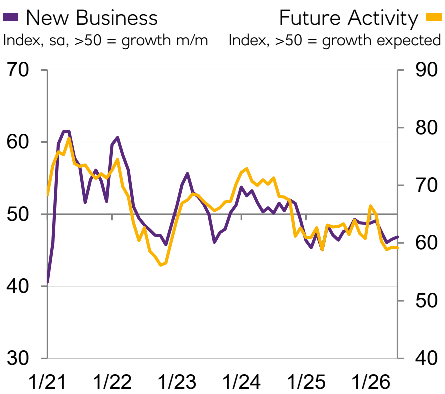
Employment falls at fastest rate since the pandemic

Staff numbers at SME services companies fell again in June. Efforts to cut costs were often behind the reduction in headcounts, whilst some firms trimmed payrolls due to fewer sales. Notably, the decline in staffing levels was the most pronounced since November 2020.

Signs of spare capacity meanwhile persisted, with unfinished workloads falling markedly at the end of the second quarter. Moreover, the rate of backlog depletion was the steepest in 16 months and among the quickest since the pandemic.

Business confidence remains subdued amid uncertainty and cost pressures

Although SME service sector firms generally anticipate activity levels to rise over the next 12 months, the degree of positive sentiment remained subdued by historical standards. Moreover, the respective index edged down to its third-lowest level since November 2022 in June. Global economic uncertainty, rising costs and lower client spending were all key concerns when assessing the outlook.



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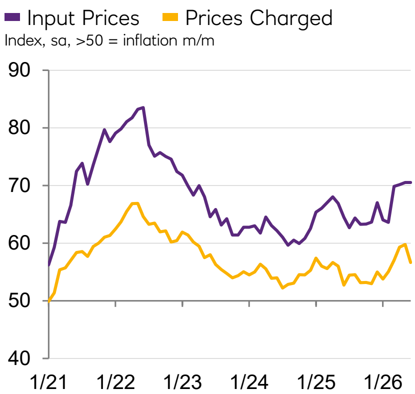

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SME Manufacturing

SME factory output rises for first time in eight months

SME goods producers signalled higher production levels at the end of the second quarter, marking the first increase in output since October 2025.

Qualitative data indicated that output had risen as manufacturers and their customers looked to build up stocks to safeguard against potential future supply chain disruption and price increases due to the conflict in the Middle East. Average delivery times for inputs continued to lengthen sharply in June, which was widely linked to the impact of the conflict on shipping and vendor inventory levels.

At the same time, new orders continued to decline only modestly, with the pace of contraction easing from May.

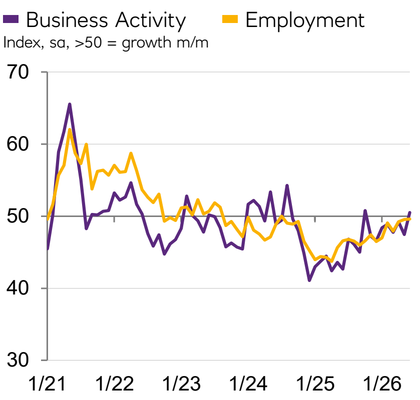
Business confidence improves further at end of Q2

When asked about their expectations for output over the coming year, SME manufacturers continued to express optimism in June. Notably, the level of positive sentiment improved to its highest in four months, moving closer to the levels seen prior to the outbreak of the conflict in February.

Companies often anticipated that stronger client demand, new product releases, efforts to scale up capacity and increased export opportunities

NatWest SME Manufacturing Output Index

50.5



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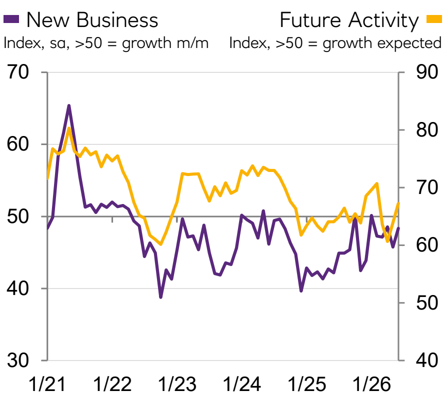

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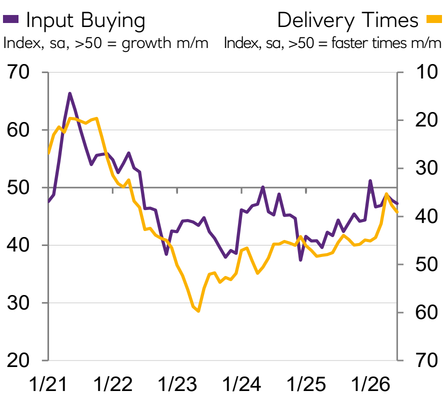

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NatWest

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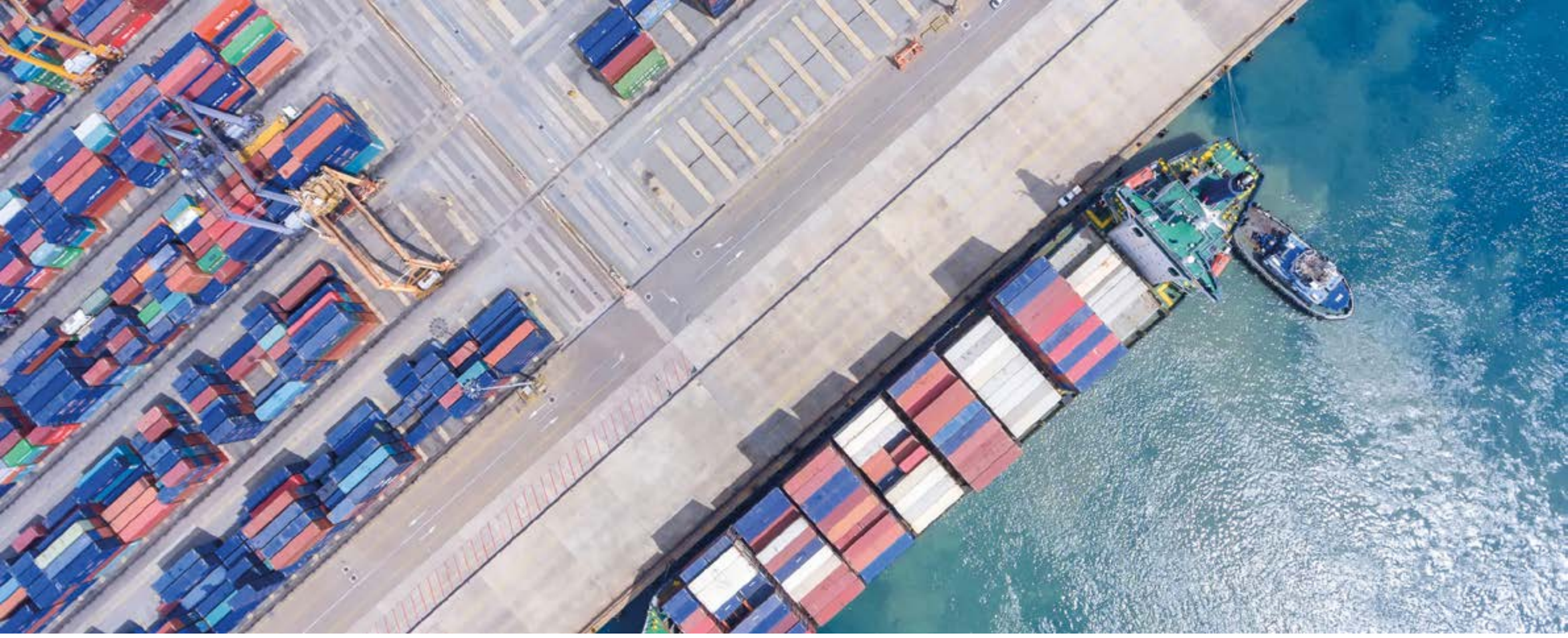


would support growth. However, concerns were often raised around the strength of underlying economic conditions, geopolitical uncertainty and higher production costs.

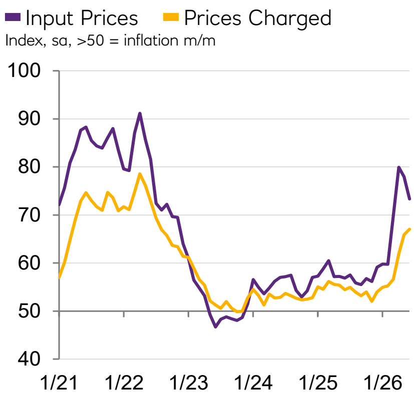
Cost pressures ease but remain intense

SME manufacturers signalled a further substantial rise in average input costs during June. This was despite the rate of inflation easing further from April's 46-month record. Companies reported that a wide range of factors had gone up in price, largely due to the conflict in the Middle East, including fuel, energy, metals and shipping.

Firms responded to these greater expenses by raising their own selling prices again in June. Furthermore, the rate of output charge inflation accelerated to the sharpest recorded in nearly four years.

Staffing levels trimmed further in June

Employment across SME manufacturers fell for the twenty-third month running in June. Firms that recorded lower payrolls often commented on efforts to reduce costs and relatively subdued demand conditions. That said, the rate of job shedding was little-changed from May and only marginal.



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Ashleigh Dorrington-Harvey, Head of Manufacturing and Construction said:

“June brought a welcome return to stronger output growth for UK manufacturers, with production rising at its fastest pace since September 2024. While this points to a sector that continues to demonstrate resilience and a clear appetite for growth, the picture is more nuanced than the headline suggests. Some of the recent uplift has been supported by strategic stockpiling as businesses respond to supply chain disruption, geopolitical uncertainty and anticipated cost pressures.

With new order growth easing, underlying demand remains relatively subdued, highlighting the importance of sustained customer demand and investment in driving longer-term growth. Despite ongoing challenges, manufacturers continue to show remarkable adaptability as they navigate a complex operating environment.”

UK Trade Tracker: Q2 2026

The NatWest UK Trade Tracker is designed to monitor export performance. The latest report includes a feature on companies' export expectations for the coming 12 months.

When UK companies were asked in June whether their export business volumes had changed from a month prior, both mid-market firms and SMEs signalled sustained reductions. More granular data showed mid-market service providers as the sole bright spot, having posted the fastest pick-up in international sales since December 2025.

Mid-market service providers signal solid expansion of exports in June

Up from 48.9 in May, the seasonally adjusted Mid-market Composite New Export Business Index rose to 49.8 in June, signalling just a fractional dip in sales to international clients. This was the closest the index has been to the 50.0 no-change mark in the current five-month trend of decline. It also matched the long-run series average.

June marked a second successive monthly rise in new export business across the UK services mid-market, with May's upturn ending a four-month period of contraction. At 53.0 in June, the respective seasonally adjusted index reached its highest of the year so far and was above its long-run trend (50.6). Some panellists reported successful efforts to expand in new overseas markets, especially the US and Europe.

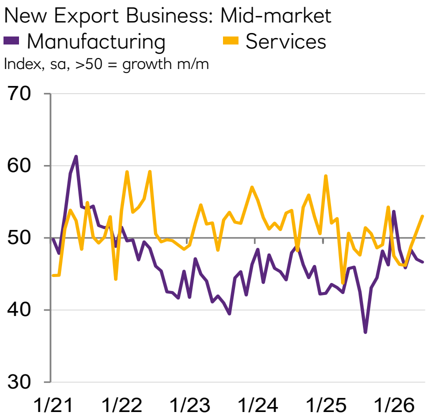
Meanwhile, mid-market manufacturers signalled another drop in new export orders in June, thereby stretching the current trend of decline to five months. Amid subdued customer demand and geopolitical uncertainty, the reduction was the sharpest since March.

Decline in SME new export business softens

June marked a further solid reduction in new export orders at UK SMEs (index: 46.7), extending the current run of decline to almost two-and-a-half years. The rate of contraction was the least marked in four months, albeit still elevated by historical standards.

At the sector level, SME service providers signalled moderate reductions in export sales across each month of the second quarter, with the respective seasonally adjusted index posting at 47.6 in June. Raised levels of global economic uncertainty, in part linked to the conflict in the Middle East, weighed on export performance, with some instances of delayed projects reported. However, drop in exports was slower than the reduction in total new sales.

SME manufacturers indicated a marked fall in export orders at the end of the second quarter (index: 45.8). However, this was softer than May's year-to-date high. Weak global demand and US tariffs reportedly weighed on exports. Lower orders from the EU were again partly linked to post-Brexit trade frictions.



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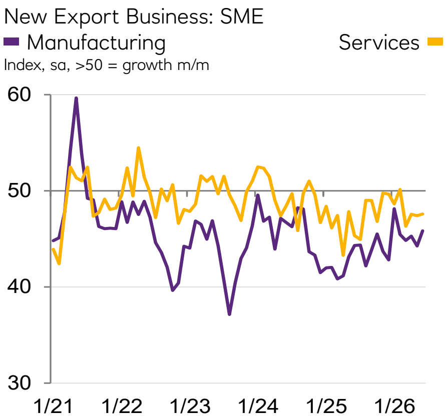

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	Mid-market	SME
Composite	49.8	46.7
Services	53.0	47.6
Manufacturing	46.6	45.8

UK Trade Tracker: Outlook

UK businesses were asked whether they expect their export sales to increase, stay the same or decrease in the next 12 months.

Survey respondents also provided qualitative insights about their future export opportunities and challenges.

June data indicated that UK exporters remain upbeat about their prospects for new orders from abroad over the year ahead. Around 37% of the survey panel predict an increase in new export business, while only 15% forecast a reduction.

The resulting NatWest Future Export Business Index registered 61.0 in June, which was well above the neutral 50.0 threshold and only slightly lower than seen during the prior survey period (index at 61.9 in February).

Manufacturing export outlook

Manufacturers were again more optimistic about the outlook for export sales than service providers, but the degree of confidence moderated since February. This was highlighted by the Manufacturing Future Export Business Index dropping from 66.4 to 62.6 in June.

Around 43% of goods producers anticipate an upturn in new work from abroad, while 18% expect a decline. This compared with 47% and 14% respectively in February.

Services export outlook

Service providers signalled an improvement in optimism levels during June, with 31% of firms predicting a rise in new export business compared to 12% that anticipate a decline.

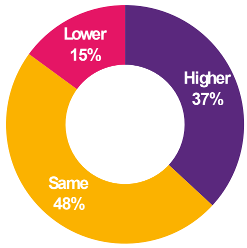
At 59.2 in June, the resulting Services Future Export Business Index was up from 57.1 in February.

NatWest UK Future Export Business Index

61.0

Do you anticipate export orders at your company to be higher, the same or lower in 12 months' time compared to current levels?

UK overall



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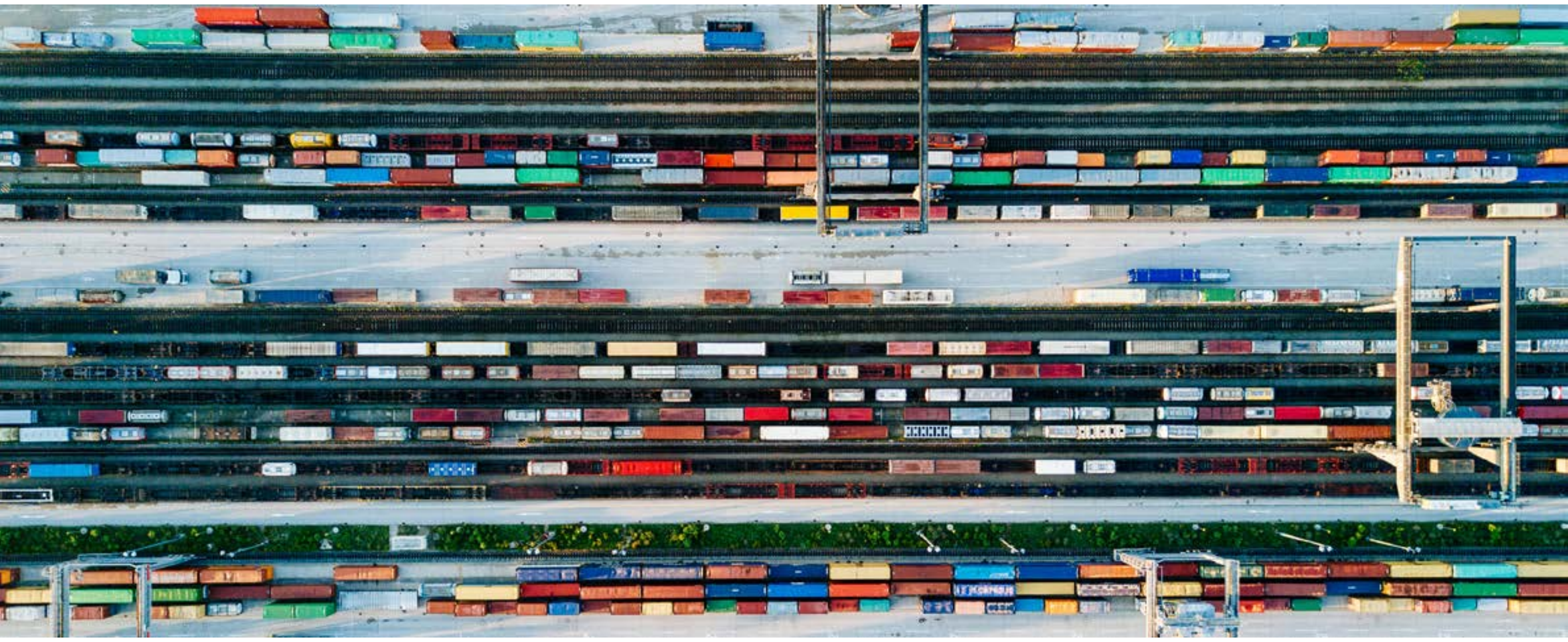
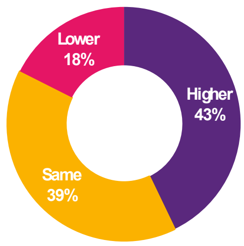


Do you anticipate export orders at your company to be higher, the same or lower in 12 months' time compared to current levels?

Manufacturing



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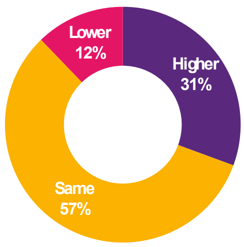
Services



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Export opportunities and challenges

Survey respondents commented on a range of positive factors likely to support export sales during the next 12 months.

UK businesses widely reported plans to expand into new overseas markets, particularly in Europe and the US. Many firms noted ongoing efforts to explore export opportunities in larger international markets, with AI investment spending and new product innovation often cited as tailwinds to growth.

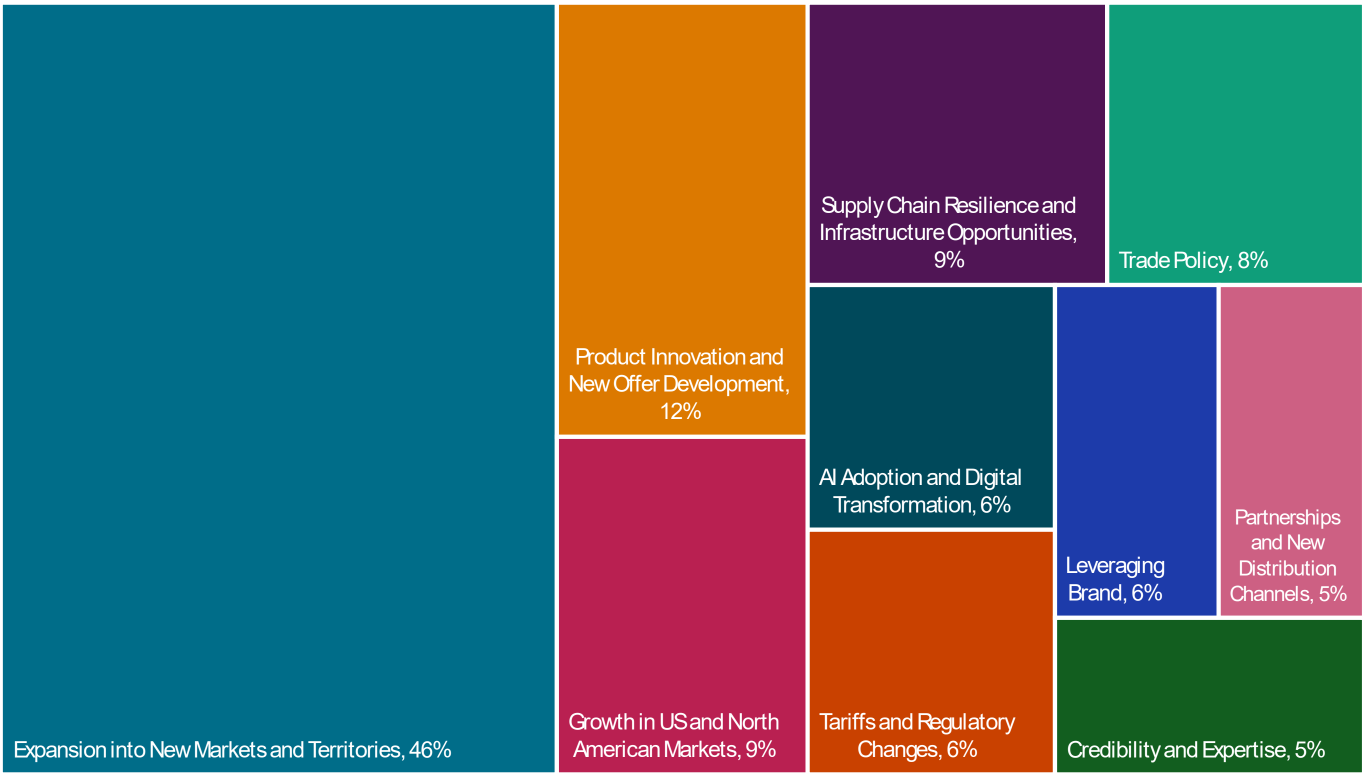
Manufacturers often suggested that reduced EU trade frictions and new international trade agreements could support higher sales in overseas markets. A number of firms noted opportunities in the wake of the UK-India free trade agreement, which comes into force in July 2026.

Strong US economic conditions were highlighted by survey respondents in June, but some firms remained cautious about the impact of tariffs. Higher levels of European defence spending and efforts to boost supply chain resilience were also cited as likely to provide growth opportunities in overseas markets. In some cases, businesses noted that UK expertise on major infrastructure projects (e.g. water treatment) was likely to provide opportunities in export markets.

Higher energy and shipping costs were often reported as the main challenges for UK exporters in the next 12 months. Survey respondents also noted intense price competition across global markets, alongside headwinds from transportation delays, EU regulatory uncertainty and potential exchange rate volatility.

Top Export Opportunities

When thinking about your export orders over the coming 12 months please outline any opportunities.



Percentages sum to more than 100% as individual responses may reference multiple themes.
This chart may be AI-assisted and is composed, reviewed, edited and approved by S&P Global.
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Methodology

The NatWest UK Business Growth Tracker is a quarterly report designed to monitor business performance at UK small and medium-sized enterprises (1-249 employees) and mid-market corporates (50-500 employees) and UK trade conditions.

It is based on responses to questionnaires sent to companies that participate in monthly UK Purchasing Managers' Index™ (PMI®) surveys compiled by S&P Global.

The panel of around 850 small and medium-sized enterprises and 370 mid-market enterprises is stratified by detailed sector, based on contributions to GDP.

Survey responses are collected by S&P Global in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.

The UK Business Growth Tracker indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

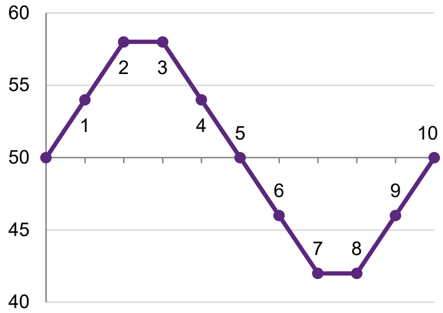
Indices are compiled for a range of survey variables, including business activity, new orders, new export orders, employment, input costs, prices charged, outstanding business and future activity.

The UK Business Growth Tracker data for June were collected 11 – 26 June 2026. Composite data are available from January 1998. Manufacturing data are available from January 1992 and Services data from July 1996.

The Q2 2026 Trade Tracker section includes a special feature on the UK Trade Outlook. Companies were asked about their expectations for exports in 12 months' time, as well as the opportunities and challenges they anticipate in the coming year.

For further information on the survey methodology, please contact economics@spglobal.com.

Growth Tracker Index interpretation
Index, sa, >50 = growth m/m



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Key

1 Growth, from no change
2 Growth, faster rate
3 Growth, same rate
4 Growth, slower rate
5 No change, from growth
6 Decline, from no change
7 Decline, faster rate
8 Decline, same rate
9 Decline, slower rate
10 No change, from decline

Sector coverage

International Standard Industry Classification (ISIC) code

D Manufacturing
H Transportation and storage
I Accommodation and food service activities
J Information and communication
K Financial and insurance activities
L Real estate activities
M Professional, scientific and technical activities
N Administrative and support service activities
P Education*
Q Human health and social work activities*
R Arts, entertainment and recreation
S Other service activities

*Private sector only

Further information

NatWest

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www.natwest.com/business/insights/economics

www.linkedin.com/company/natwest-business/

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