12 August 2026

NatWest London Growth Tracker

Business activity growth strengthens in July

NatWest

PMI by S&P Global

12 August 2026

NatWest London Growth Tracker

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Key findings

July 2026

Inflationary pressures soften for third straight month

New business growth remains solid

Job cuts ease amid pick-up in confidence

The NatWest London Growth Tracker provides a timely snapshot of regional economic performance.

The report tracks monthly changes in business activity, demand, employment, backlogs, prices and the year-ahead outlook. The data are compiled from local companies that participate in S&P Global's UK manufacturing and services PMI surveys.

For more reports on 12 UK nations and regions, visit www.natwest.com/business/insights/economics

Business activity growth strengthens in July

Firms in London saw a faster expansion of business activity during July, helped by sustained sales growth, weaker inflation and higher confidence.

The headline London Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region's manufacturing and service sectors – rose from 54.1 in June to 55.3 in July, marking an acceleration of output growth for the second month running. Firms seeing output increase remarked on greater levels of new work and a rebound in European markets.

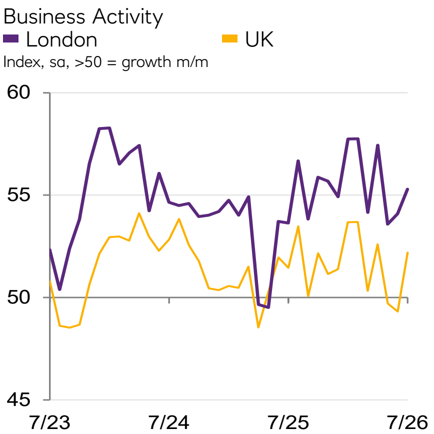
Sustained growth across the capital contributed to a renewed expansion in UK-wide output. In fact, most of the monitored regions saw an uplift, although London's was the strongest.

NatWest London Business Activity Index July 2026

55.3

The Business Activity Index is a diffusion index calculated from companies' responses to a question on monthly changes in the volume of business activity. The index varies between 0 and 100 and is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. A reading above 50 indicates an increase compared to the previous month, and below 50 a decrease. The index is seasonally adjusted.

Data compiled 9-29 July



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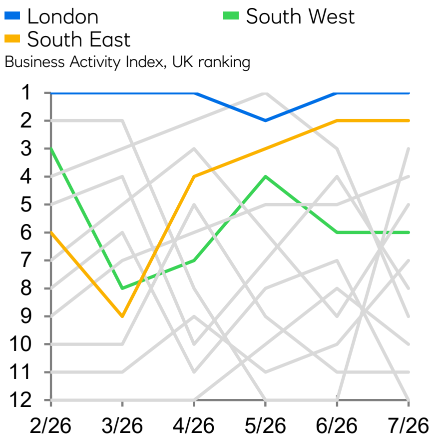

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Comment

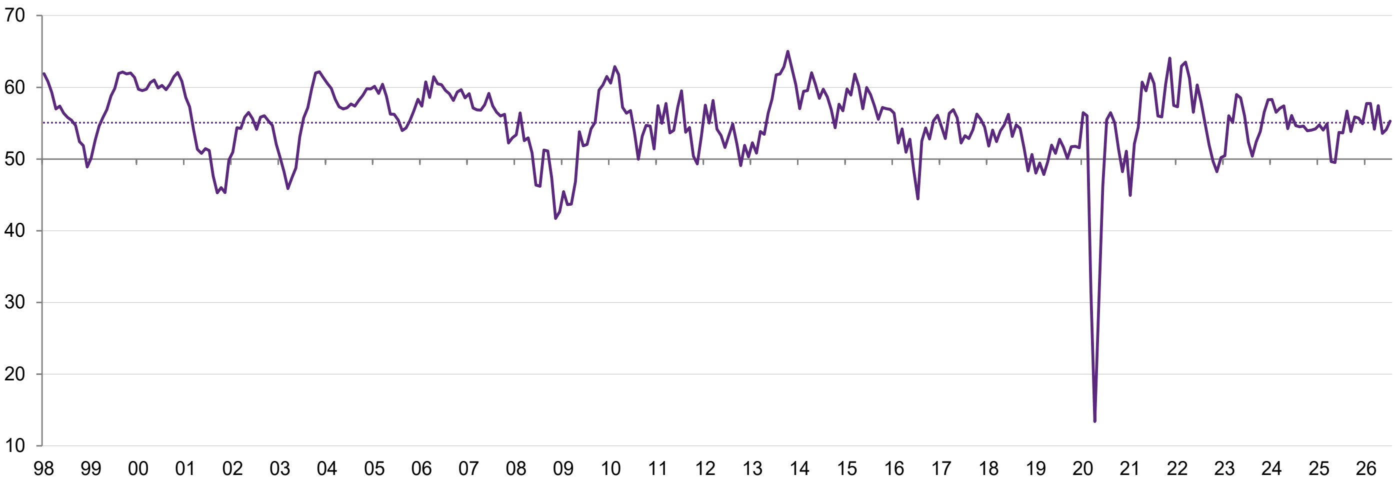
Catherine van Weenen, NatWest's Regional Managing Director, Commercial Mid-Market, London & South East, said:

"London businesses benefitted from solid sales growth and a tempering of price pressures in July, which led to the fastest rate of output growth in three months. This spurred an uptick in future expectations, with many firms prioritising investment as they expect sales revenues to grow.

"After a surge in price pressures related to the Middle East conflict, July saw a further softening of this trend for local firms, driving a slower increase in charges. An encouraging sign was also seen for employment which recorded its softest reduction in 2026 so far."

Business Activity

Index, sa, >50 = growth m/m. Dots = long-run average since 1998.



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Demand and outlook

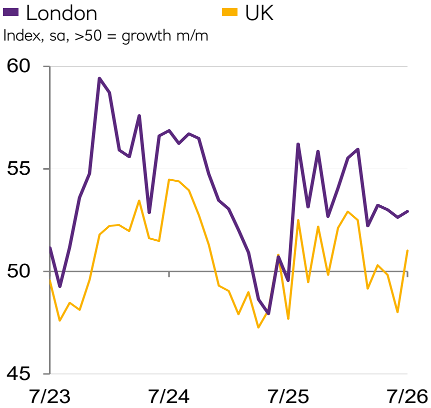
Business expectations recover slightly from June's 11-month low

London-based companies reported solid growth of new orders and an uptick in confidence as the second half of 2026 got underway. The month-on-month increase in new order volumes was the twelfth seen in a row, while the pace of expansion was the strongest registered nationwide. Some firms reported a demand boost from European markets.

Predictions for output levels in 12 months' time improved in July, but they remained less upbeat compared to those observed at the start of the year. Anecdotal evidence suggested that geopolitical uncertainty and high business costs continued to weigh on confidence. That said, many firms assessed the outlook with optimism due to strong demand forecasts and business investments.

> "the fastest rate of output growth in three months... spurred an uptick in future expectations, with many firms prioritising investment as they expect sales revenues to grow."

New Business



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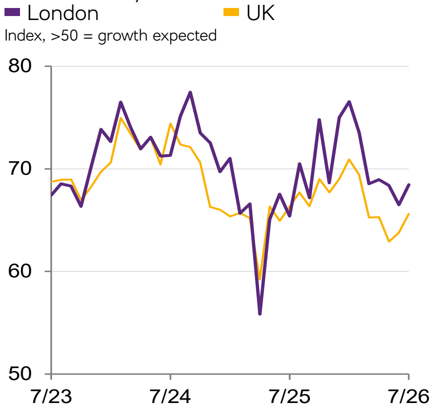
Future Activity



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

Jobs and capacity

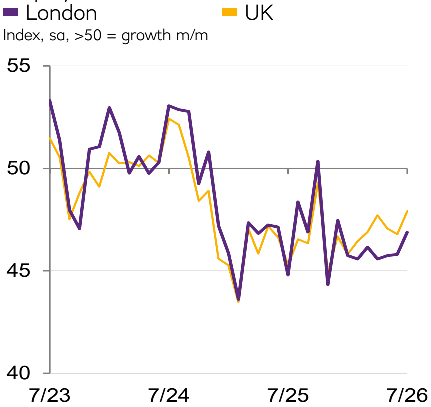
Job cuts ease to slowest rate in 2026 so far

London's employment narrative remained negative in July. Businesses reported a solid drop in headcounts, which they largely attained through natural attrition. Nevertheless, the rate of decline softened in July and was the least marked for seven months, with some firms noting selective hiring efforts as part of strategic investments.

Meanwhile, outstanding business at local companies was unchanged during July. This stability in backlogs ended a three-month sequence of decline and contrasted with a moderate fall at UK companies overall.

> "An encouraging sign was also seen for employment which recorded its softest reduction in 2026 so far."

Employment



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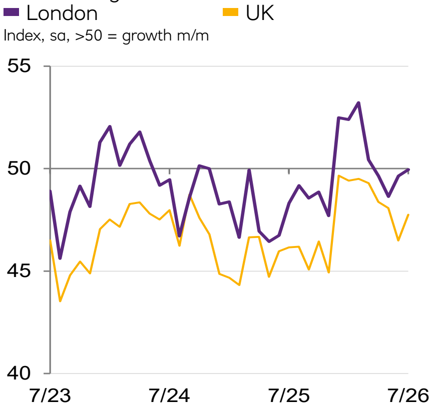
Outstanding Business



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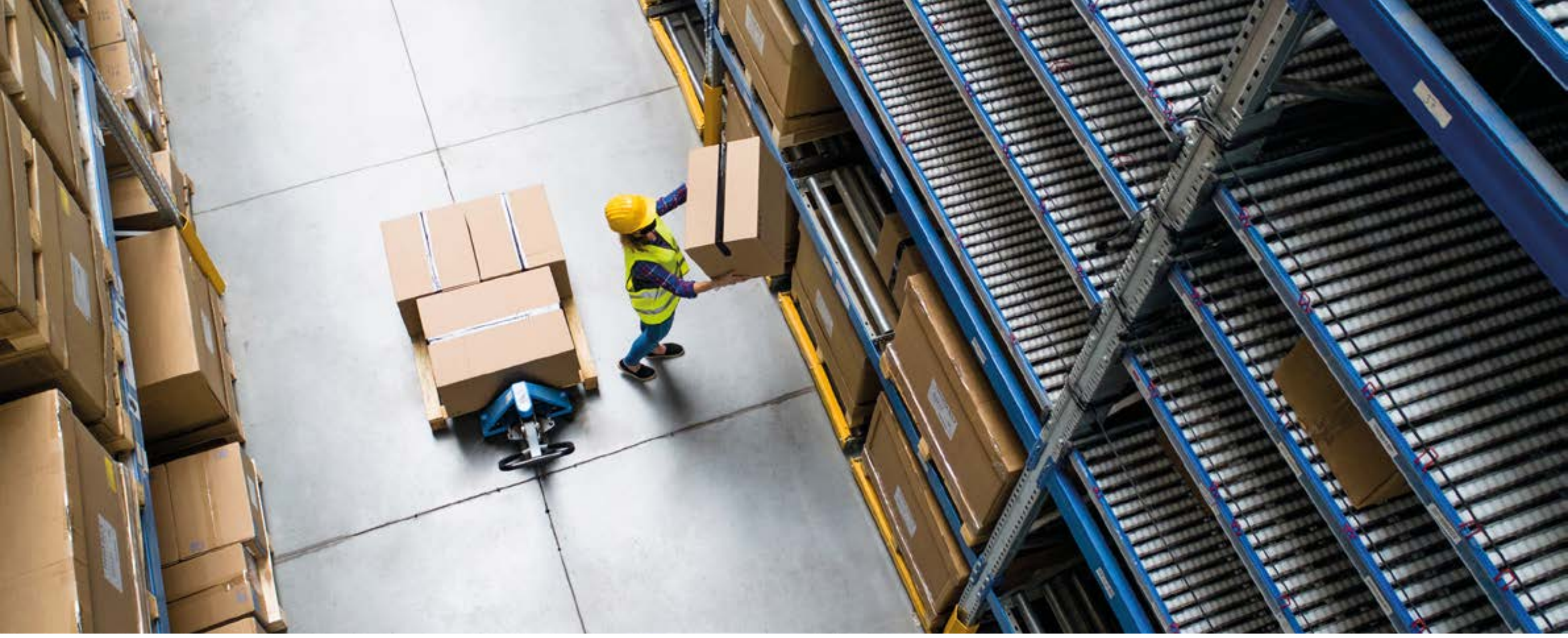


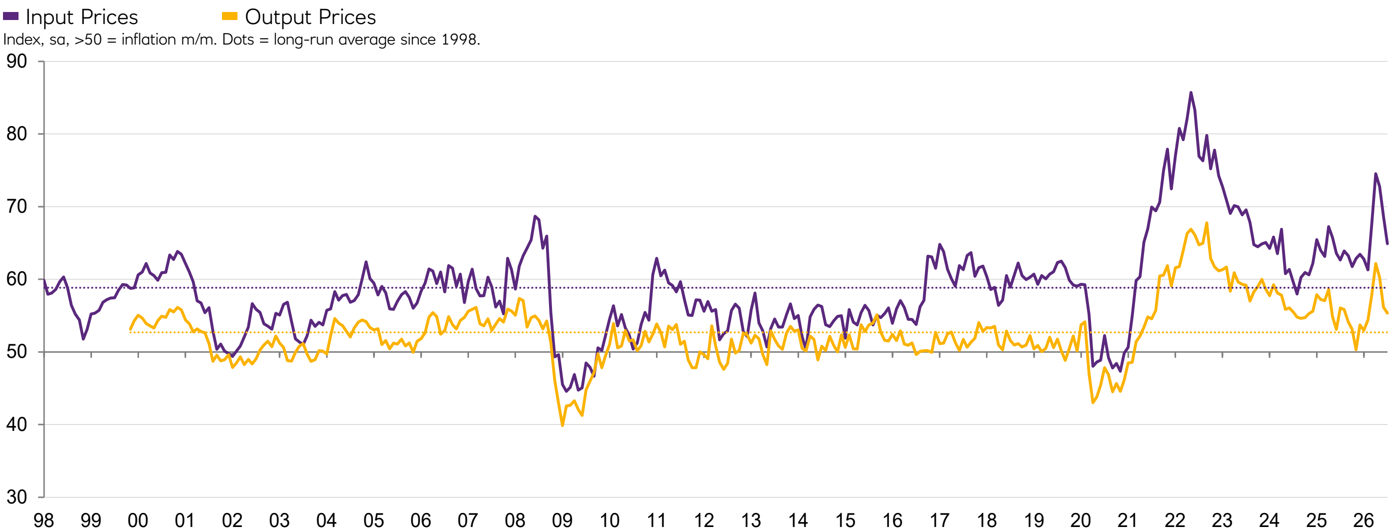
Inflation

Cost pressures fall for the third month running

London businesses welcomed additional relief on inflationary pressures at the start of the third quarter. Although input costs increased sharply, the rate of inflation slowed for the third straight month from April's multi-year high. Firms seeing an uplift in costs pointed to higher prices for IT components, fuel and transport, plus elevated pay.

Slowing cost inflation translated into a softer rise in output charges. July's increase was the least pronounced since February and one of the weakest recorded in the UK, behind Scotland and the East of England. That said, the inflation rate remained strong in the context of the series history.

"After a surge in price pressures related to the Middle East conflict, July saw a further softening of this trend for local firms, driving a slower increase in charges."



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UK Regional Growth Tracker

Business Activity

July saw business activity growth widen across the UK, with 10 of the 12 nations and regions reporting higher activity, up from just three in June. London once again topped the rankings, ahead of the South East and Northern Ireland*. Scotland and Yorkshire & Humber were the only areas to record decreases in output.

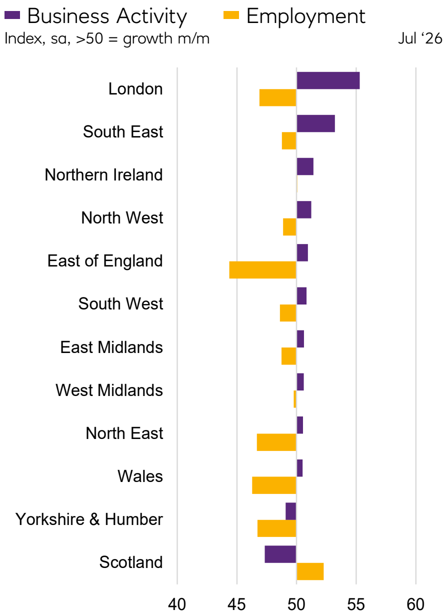
Employment

Labour market conditions remained subdued across most parts of the UK at the start of the third quarter. The majority of areas saw lower employment, with firms in the East of England recording the steepest decline. Scotland went against the trend and recorded an increase in workforce numbers, while Northern Ireland saw little-change.

Future Activity

There was an improvement in business expectations towards activity in the year ahead in the majority of UK nations and regions in July. The North West recorded the most market uptick in confidence and the highest overall degree of optimism. Firms in Northern Ireland remained the least upbeat, though sentiment there rebounded to a four-month high.

*As well as manufacturing and services, coverage in Northern Ireland also includes construction and wholesale & retail.



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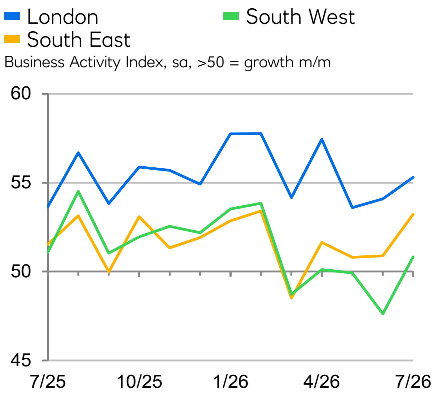

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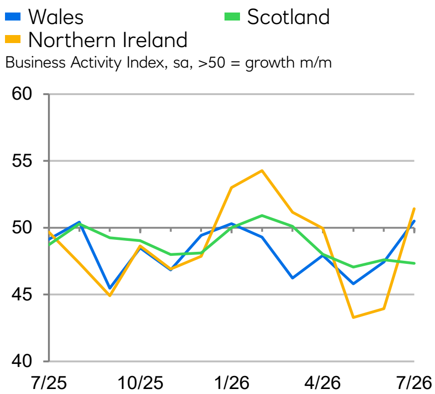

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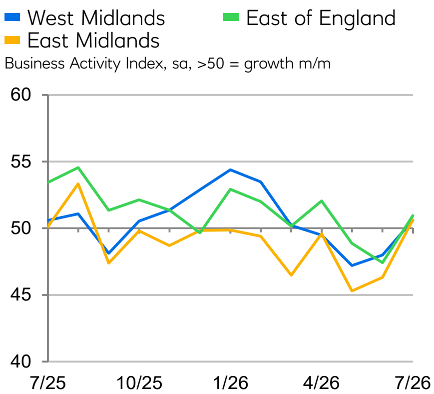

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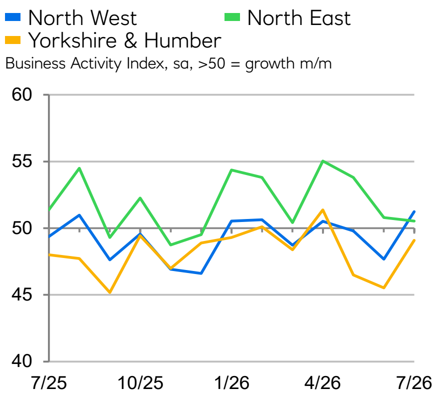

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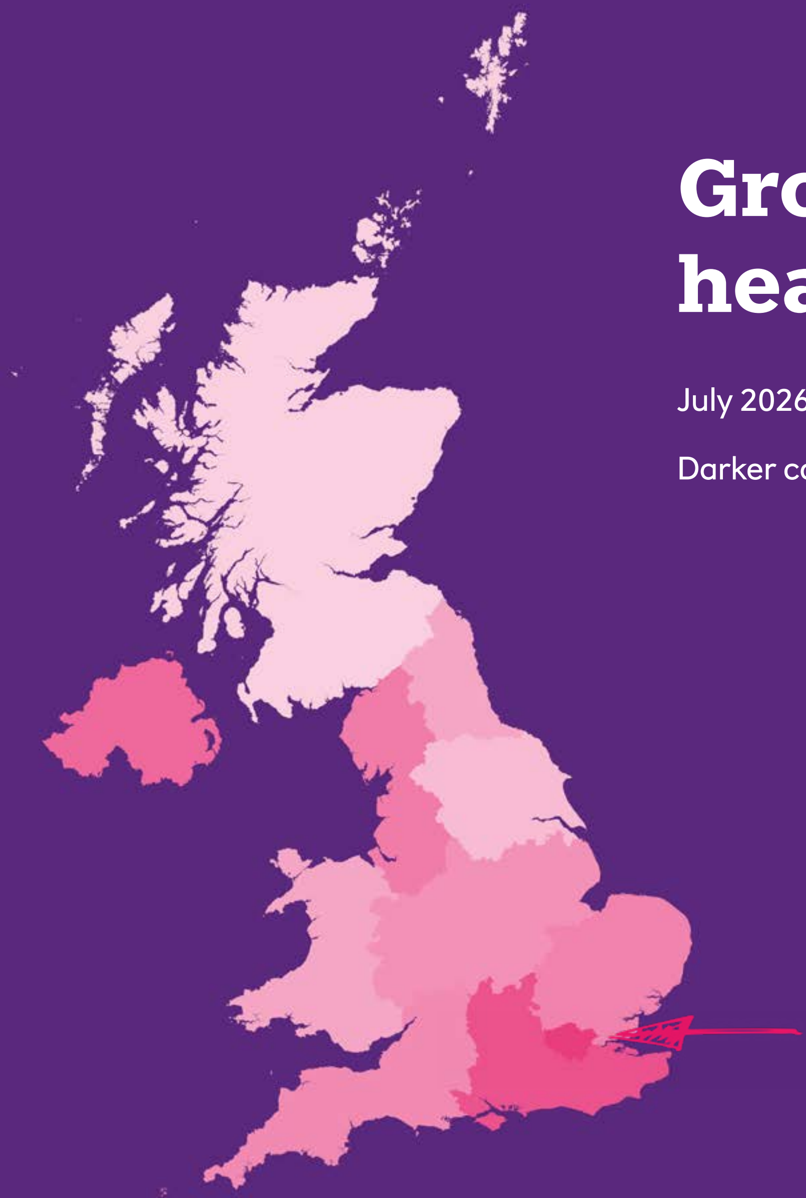
Growth Tracker heat map

July 2026

Darker colour = higher business growth



London

Business Activity Index
sa, >50 = growth m/m

55.3

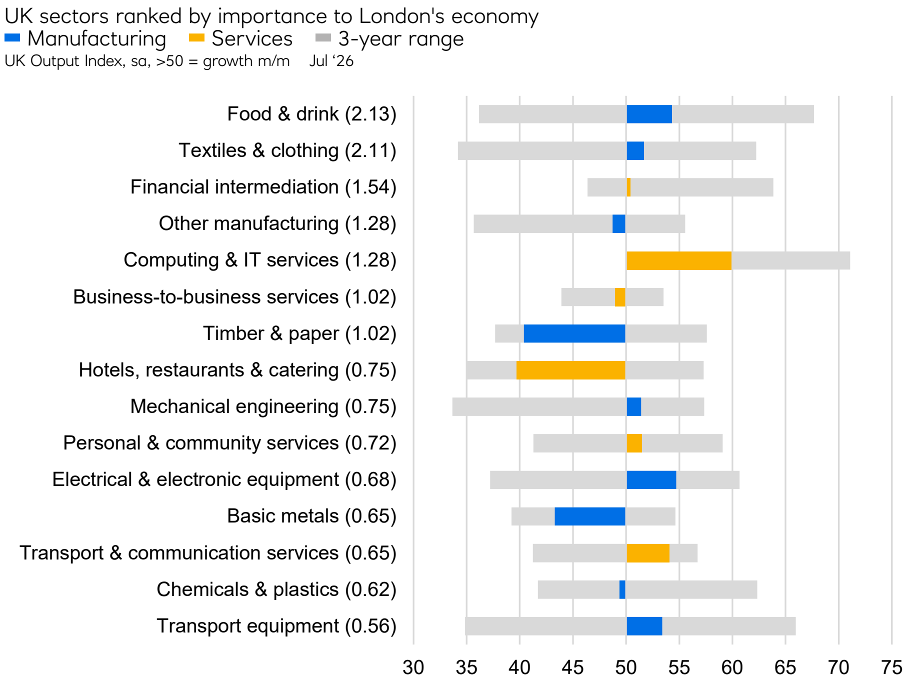
Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

UK sectors

Sector specialisation: London

The chart shows UK output indices by sector, ranked by location quotients for London. Location quotients (LQs) are ratios derived by comparing the share of sector output (or gross value added) in regions with the national share of output in the same sector.

Focusing on the manufacturing and service sectors in isolation, a location quotient is calculated by taking a sector's proportion of regional output and comparing it with the UK-wide share of output in the sector. An LQ of 1.0 in a sector means that the region and the UK as a whole are equally specialised in that sector. An LQ greater than 1.0 indicates that the sector has a greater economic footprint in the region than it does for the UK as a whole.



Sources: NatWest, S&P Global PMI. ©2026 S&P Global.
Location quotients for London are shown in brackets. Latest data are smoothed as three-month moving averages (3mma).

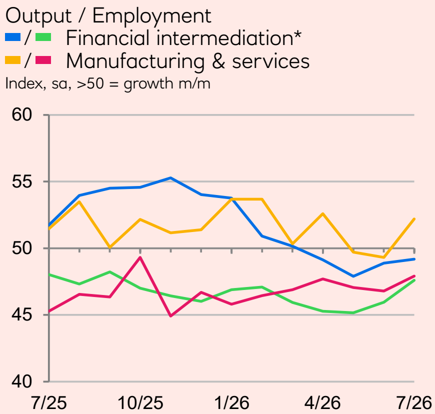
Sector in focus: Financial intermediation

Business activity continued falling across the UK's financial intermediation sector in the three months to July, following on from the downward trend in activity recorded throughout the second quarter of the year. The pace of contraction was the weakest since the decline began and only marginal, however.

Staff retrenchment remained a theme across the sector, as has been the case since late 2024. Although the pace of job losses showed an easing trend, it remained slightly quicker than the average seen across the UK private sector as a whole.

Financial intermediaries meanwhile recorded a marked, albeit slower, rate of cost inflation in the three months to July. However, the rates they charged were left broadly unchanged amid a continued decline in backlogs of work.

Although firms in the sector were hopeful of growth in the coming year, expectations were the lowest in just over a year and subdued by historical standards.



Sources: NatWest, S&P Global PMI. ©2026 S&P Global.
*Data are smoothed as three-month moving average (3mma).

Methodology

The NatWest London Growth Tracker is compiled by S&P Global from responses to questionnaires sent to companies in London that participate in S&P Global's UK manufacturing and services PMI surveys.

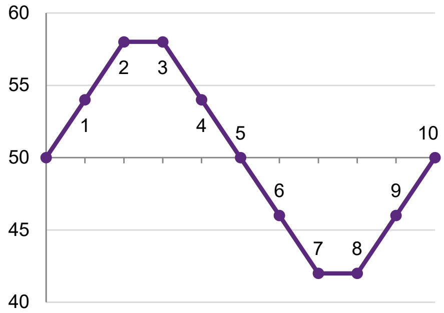
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The London Business Activity Index is comparable to the UK Composite Output Index.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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

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

Data

London manufacturing and services
Index, sa, 50 = no change over previous month. *50 = no change over next 12 months.

	Business Activity	New Business	Export Climate Index	Employment	Outstanding Business	Future Activity	Input Prices	Output Prices
2/26	57.8	56.0	52.5	45.6	53.2	73.5	61.3	54.4
3/26	54.2	52.2	51.0	46.2	50.4	68.5	67.7	57.9
4/26	57.4	53.2	51.3	45.6	49.6	69.0	74.5	62.2
5/26	53.6	53.0	51.5	45.7	48.6	68.4	72.8	60.2
6/26	54.1	52.6	51.9	45.8	49.6	66.5	68.6	56.1
7/26	55.3	52.9		46.9	50.0	68.5	64.9	55.3

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Contact

David Neiberg
Corporate Affairs
NatWest
+44 (0) 7790 026 450
david.neiberg@natwest.com

David Owen
Principal Economist
S&P Global Market Intelligence
+44 1491 461 002
david.owen@spglobal.com

Hannah Brook
EMEA Communications Manager
S&P Global Market Intelligence
T: +44-7483-439-812
hannah.brook@spglobal.com
press.mi@spglobal.com

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