12 August 2026

NatWest North East Growth Tracker

Business activity growth slows amid softer demand conditions

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PMI® by S&P Global

12 August 2026

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Key findings

July 2026

Output rises only slightly as new orders fall

Business confidence holds steady

Inflationary pressures ease further, but remain marked

The NatWest North East 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 slows amid softer demand conditions

Business activity across the North East private sector continued to rise in July, according to the latest NatWest Regional Growth Tracker data. However, the rate of expansion slipped to a four-month low amid a fresh fall in sales.

The headline North East Growth Tracker Business Activity Index — a seasonally adjusted index measuring month-on-month changes in the combined output of the region's manufacturing and service sectors — fell from 50.8 in June to 50.5 in July, signalling an expansion of output for the seventh month in a row. However, the reading was the second-lowest seen over this period (after March) and pointed to only a marginal rate of growth.

The slower rise in business activity coincided with weaker demand conditions. New business received by North West private sector firms fell for the first time in eight months, albeit modestly.

Nevertheless, business confidence regarding the one-year outlook for output held steady, while the rate of job shedding eased slightly. Inflationary pressures also continued to subside in July, with input prices rising at the softest pace since last November. Nevertheless, expenses continued to rise sharply overall, driving another marked increase in selling prices.

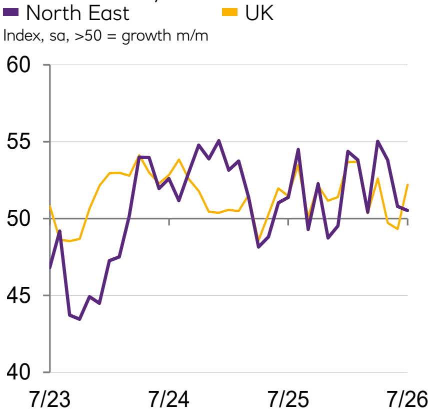
NatWest North East Business Activity Index July 2026

50.5

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

Business Activity



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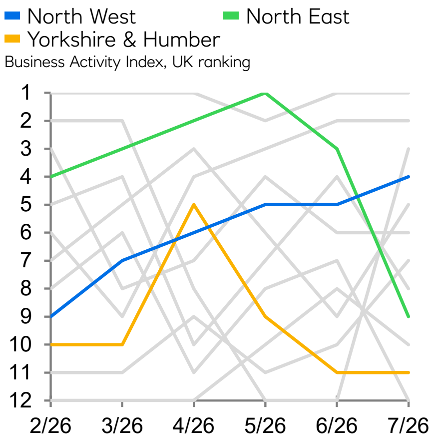

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Comment

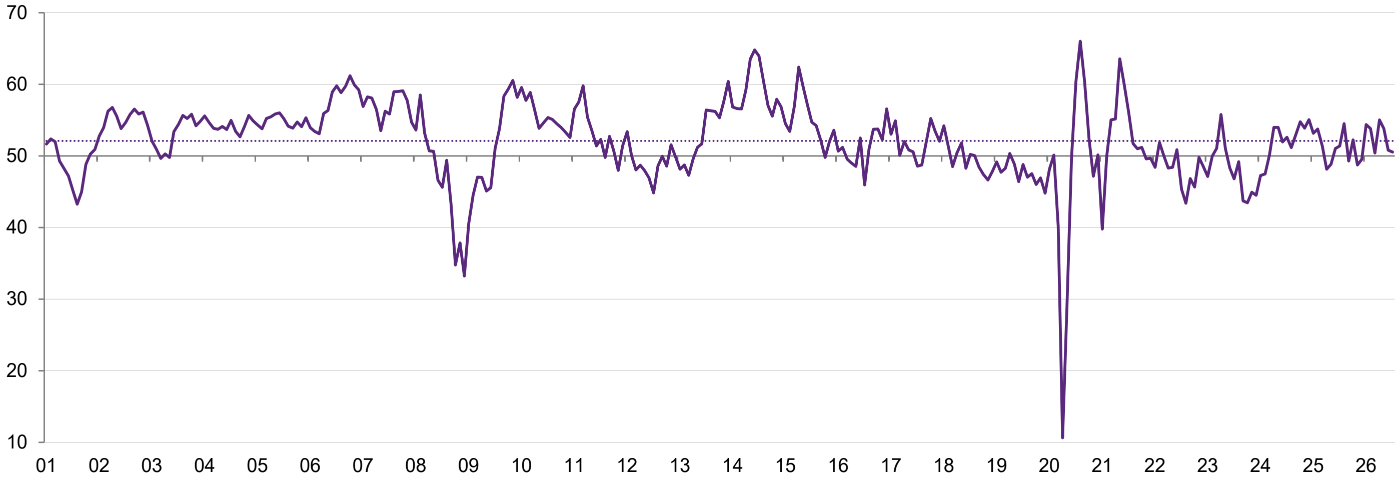
Malcolm Buchanan, Chair of the NatWest North Regional Board, commented:

"The latest NatWest Growth Tracker report revealed a further loss of growth momentum across the North East private sector, with firms signalling the slowest increase in activity for four months amid a fresh reduction in new work. Whilst the marginal rise in output was broadly in line with the picture seen for the UK as a whole, the drop in sales contrasted with a fresh and modest upturn in new orders at the national level.

"Nevertheless, it was encouraging to see that business confidence across the North East held steady in July, suggesting some resilience among firms in their projections for the year ahead. This also coincided with signs that cost pressures continued to ease from the recent peak seen in April, when the conflict in the Middle East led to widespread supply chain disruption and price rises. Though still sharp, the latest increase in expenses was in fact the slowest since last November, while selling prices also rose at a softer rate, adding to hopes that the worst of cost pressures are now behind us. Efforts to reduce costs were also visible when it came to employment, with companies lowering their headcounts again in July, though the rate of job shedding softened compared with June."

Business Activity

Index, sa, >50 = growth m/m. Dots = long-run average since 2001.



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Demand and outlook

Business confidence holds steady despite softer demand conditions

Firms in the North East remained generally upbeat when assessing the one-year outlook for output in July. The level of positive sentiment was unchanged from June, when it hit a three-month high. However, optimism remained softer than the national average, which picked up to the highest since February.

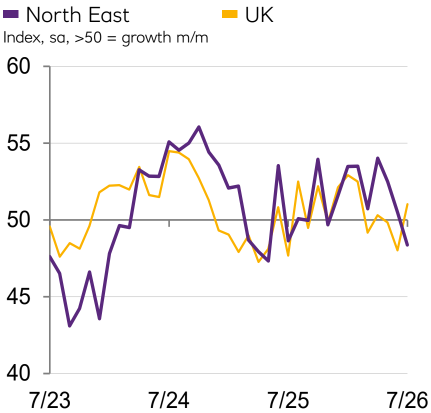
Companies anticipate that stronger domestic and global demand conditions, investment in sales strategies, higher construction activity and reduced supply chain disruption will all support growth over the next year.

Business expectations held steady despite a renewed fall in sales at the start of the third quarter. Though modest, it marked the first reduction since November 2025. Panel members mentioned that economic uncertainty and difficulties obtaining inputs had dampened new order intakes.

Across the UK as a whole, new business rose slightly for the first time in three months.

> "...it was encouraging to see that business confidence across the North East held steady in July, suggesting some resilience among firms in their projections for the year ahead"

New Business



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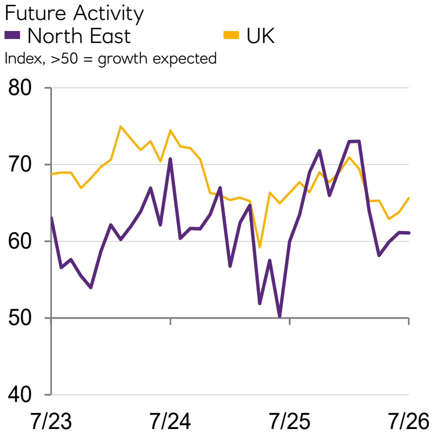
Future Activity



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Jobs and capacity

Workforce numbers trimmed again as outstanding workloads continue to fall

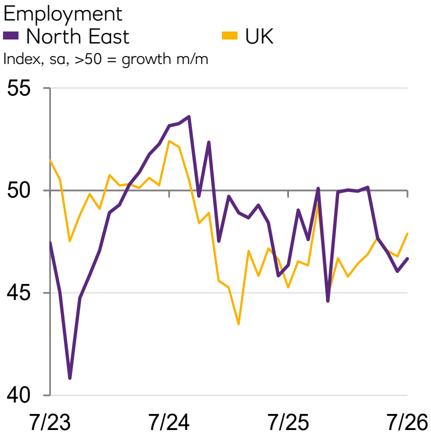
Companies across the North East maintained a preference for lower staffing levels at the start of the third quarter, with employment falling for the fourth time in as many months. The rate of job shedding eased since June, but remained solid overall and quicker than that recorded across the UK as a whole.

Some firms attributed the latest reduction to decisions not to replace voluntary leavers amid elevated cost pressures.

Nevertheless, firms still had sufficient workforce capacity to reduce levels of outstanding business. The rate of backlog depletion was solid, despite easing from June, and extended the current sequence of decline to four months.

At the national level, unfinished workloads fell for the thirty-ninth month in a row, albeit at a slower pace than that seen locally.

> "Efforts to reduce costs were also visible when it came to employment, with companies lowering their headcounts again in July"



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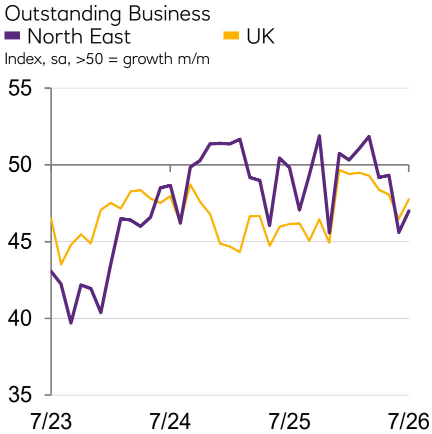

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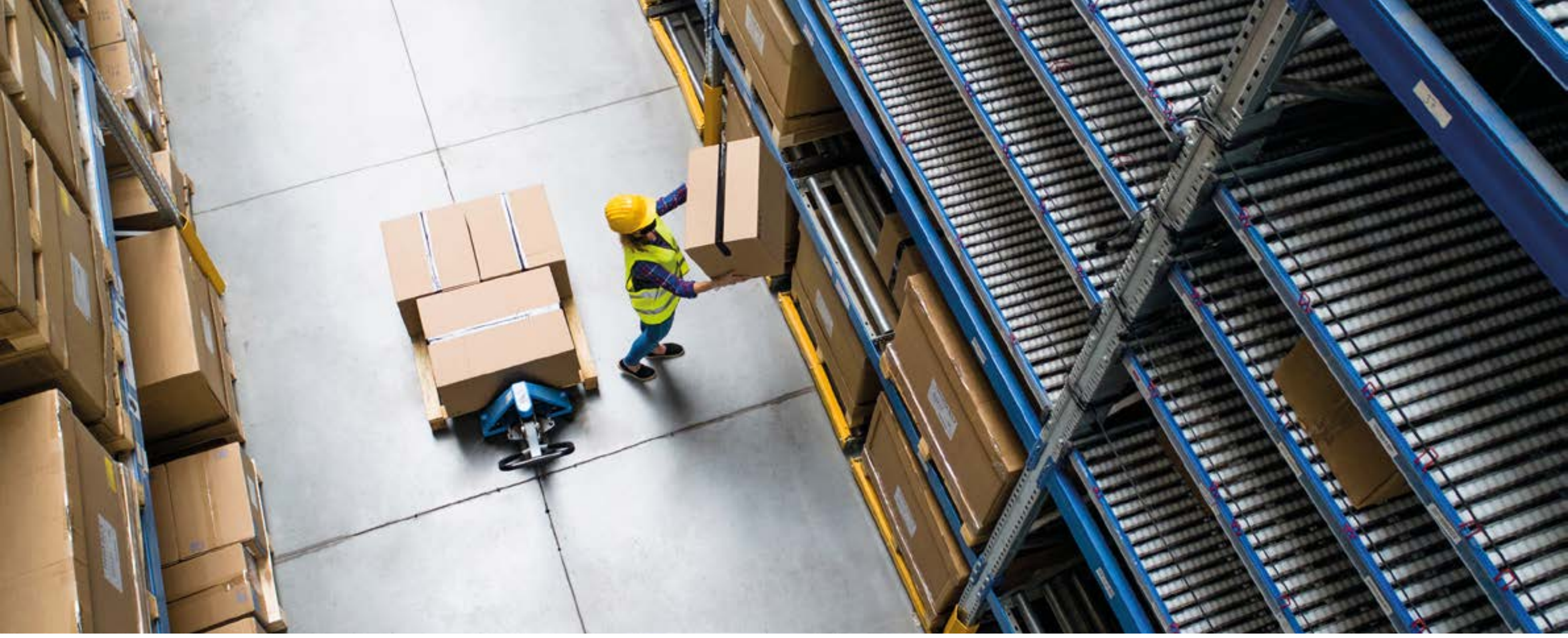


Inflation

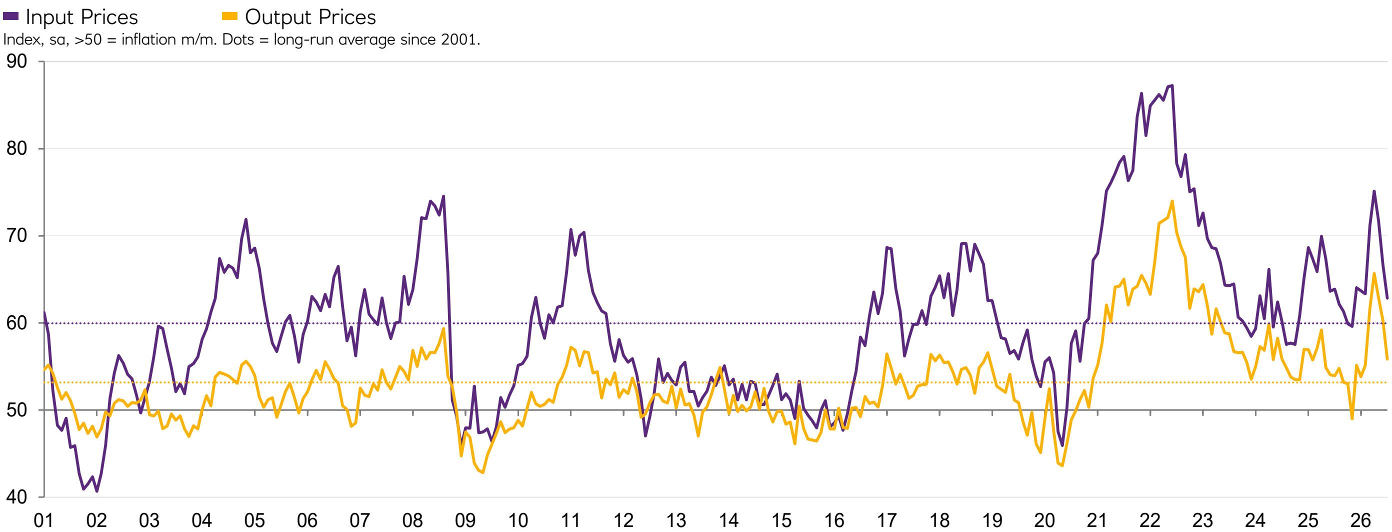
Inflationary pressures ease at start of third quarter

The latest survey indicated that operating expenses at North East private sector firms continued to rise during July. Companies often commented on paying more for raw materials, energy, electronics and staff in the latest survey period. However, the overall rate of cost inflation was the least pronounced in eight months and slower than the UK-wide trend. In fact, the North East and East of England saw the joint-weakest rise in expenses of all 12 monitored UK regions and nations.

Firms generally looked to pass on additional costs where possible to clients via higher selling prices in July. The rate of charge inflation moderated since June, hitting a five-month low, but remained sharp in the context of historical data.

Output prices also rose at a slower rate at the national level, but one that was steeper than that seen in the North East.

> "Though still sharp, the latest increase in expenses was in fact the slowest since last November… adding to hopes that the worst of cost pressures are now behind us"



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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.

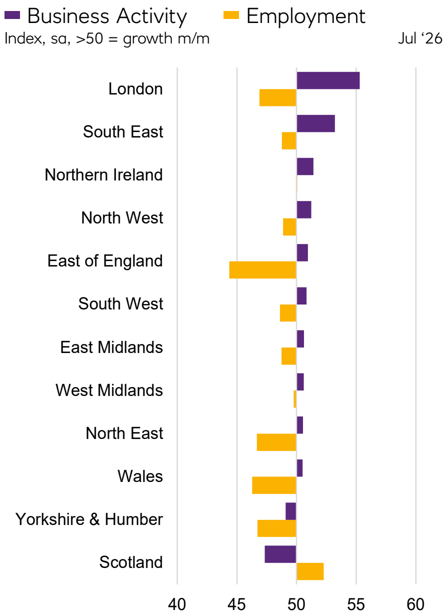
Employment

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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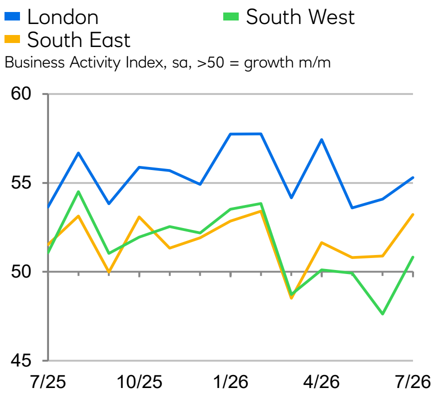

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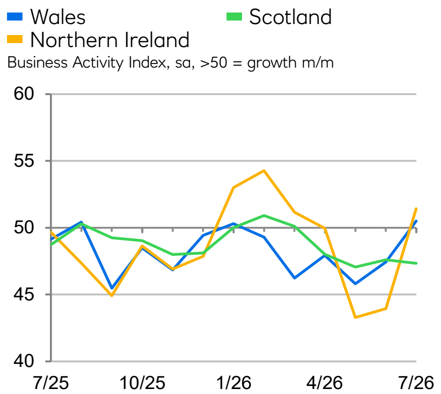

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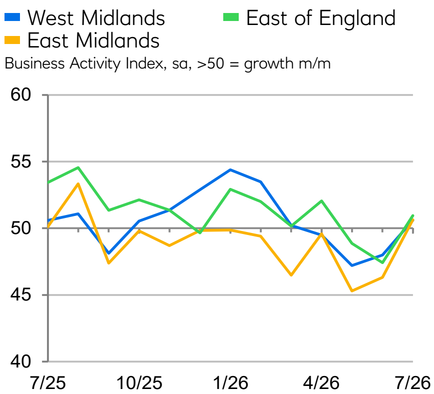

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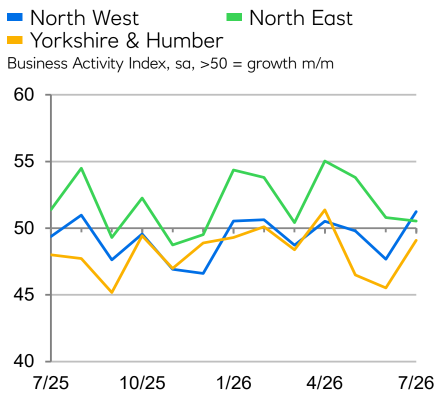

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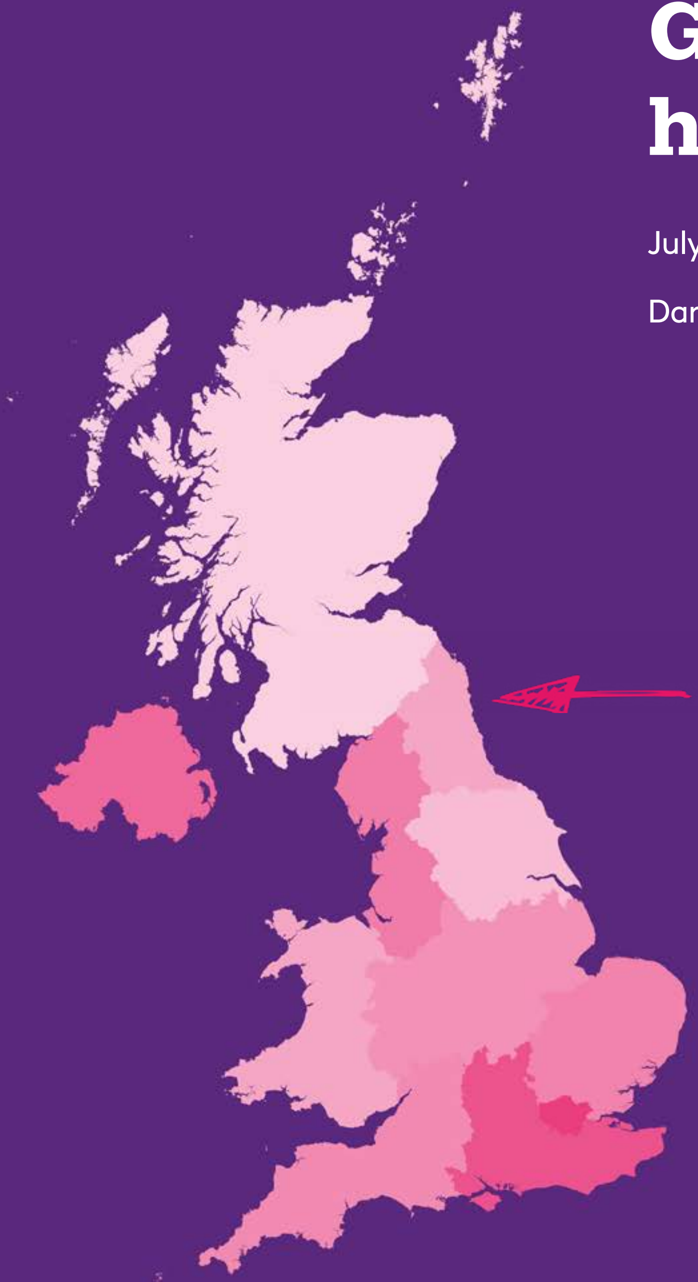
Growth Tracker heat map

July 2026

Darker colour = higher business growth



North East

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

50.5

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

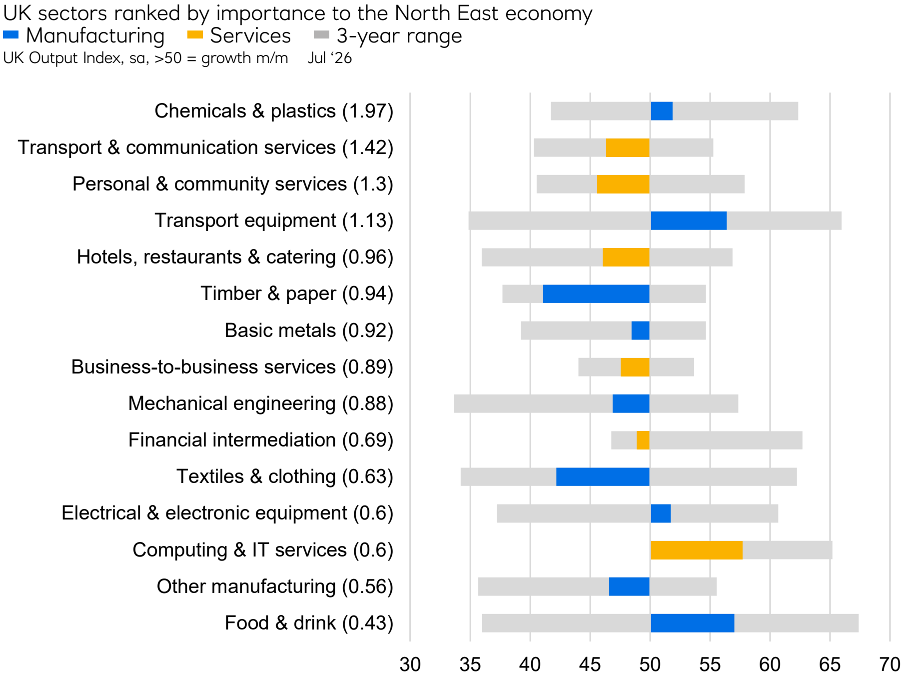
UK sectors

Sector specialisation: North East

The chart shows UK output indices by sector, ranked by location quotients for the North East. 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.

UK sectors ranked by importance to the North East economy



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

Sector in focus: Financial intermediation

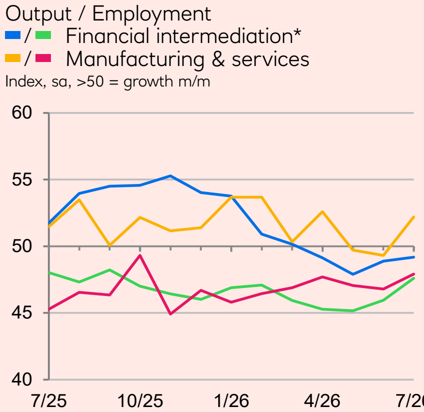
Business activity continued falling across the UK's financial intermediation sector in the three months to July, following on from the downward trend in activity recorded throughout the second quarter of the year. The pace of contraction was the weakest since the decline began and only marginal, however.

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.

Output / Employment



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

Methodology

The NatWest North East Growth Tracker is compiled by S&P Global from responses to questionnaires sent to North East companies 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.

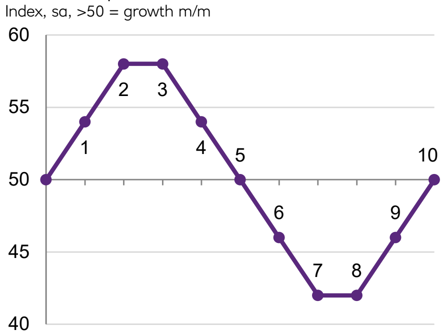
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The North East Business Activity Index is comparable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



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

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

North East 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	53.8	53.5	52.3	50.0	51.0	73.0	63.3	55.1
3/26	50.4	50.7	50.9	50.2	51.9	64.0	71.1	61.6
4/26	55.0	54.0	50.5	47.7	49.2	58.2	75.1	65.7
5/26	53.8	52.5	51.4	47.0	49.3	59.9	71.7	62.9
6/26	50.8	50.5	51.3	46.1	45.6	61.1	66.7	60.3
7/26	50.5	48.4		46.7	47.0	61.1	62.8	55.8

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