12 August 2026

NatWest South East Growth Tracker

South East economy sees strongest expansion in five months in July

NatWest

PMI by S&P Global

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Key findings

July 2026

South East signals second-fastest rise in activity of 12 UK areas

First growth in new business since February

Cost pressures at five-month low

The NatWest South 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

South East economy sees strongest expansion in five months in July

The latest NatWest Growth Tracker signalled a sustained and faster trend of output growth across the South East private sector, supported by a renewed increase in new work.

The headline South East Business Activity Index rose to 53.2 in July. Up from 50.9 in June, the latest reading signalled the second-strongest growth in output in almost two years (only just softer than that seen in February).

Reflective of greater volumes of new work, the rate of expansion quickened to a solid pace.

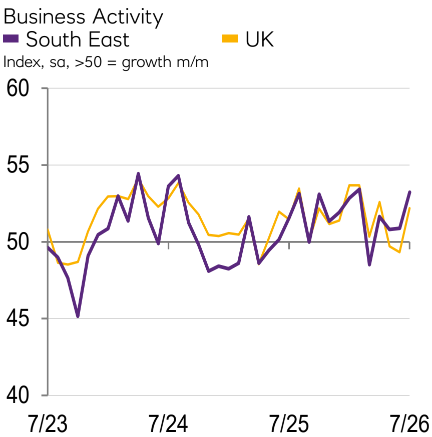
Of the 12 monitored UK areas, only London signalled a faster rise in activity than that seen locally.

NatWest South East Business Activity Index July 2026

53.2

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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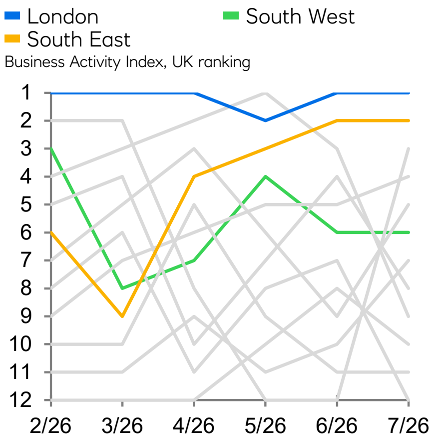

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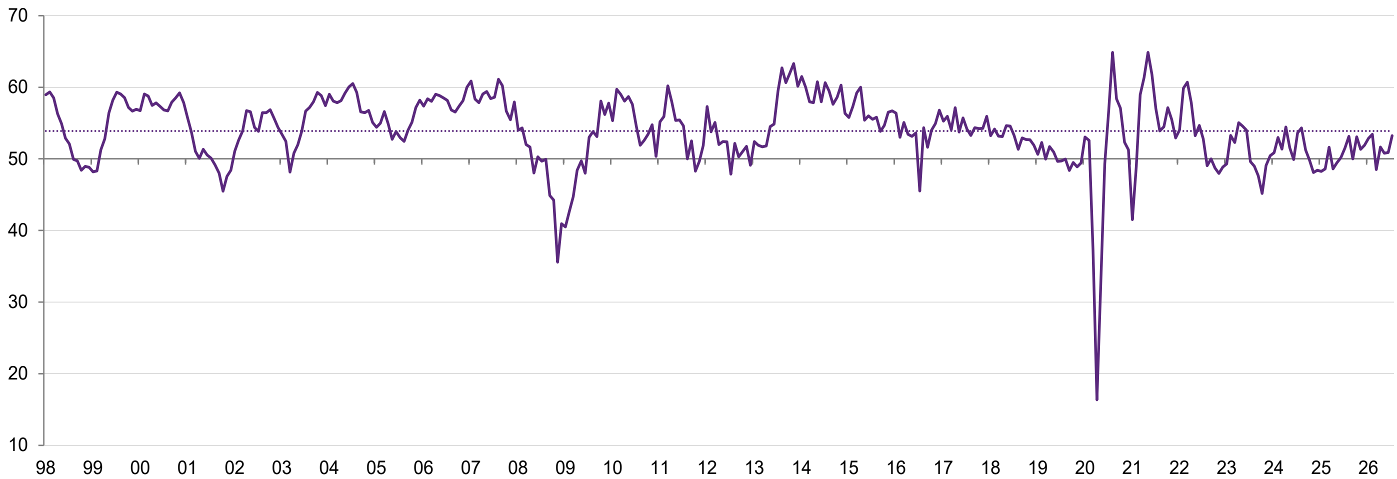
Comment

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

"The South East economy was able to find another gear as the second half of the year gets underway, with activity rising at one of the strongest rates in nearly two years. Encouragingly, for the first time in five months, the South East was backed by an injection of new business.

"Cost pressures continued to trend downwards in July, with the uplift in new work allowing for greater pass-through of cost burdens to customers. With inflation readings still above trend, firms looked to tighten their spending through the non-replacement of departing staff for now."

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



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Demand and outlook

Growth in new business reinstated in July

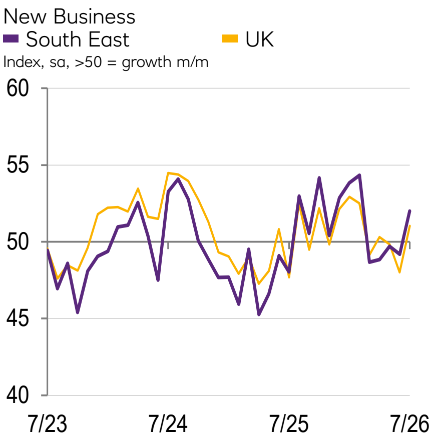
For the first time in five months, the volume of new business placed with South East companies increased in July. Stronger demand for goods and services was linked by panellists to an improvement in customer confidence and winning new contracts.

Although only modest, the expansion was the second-quickest of the 12 monitored UK regions and nations, just outpaced by London.

Despite the pick-up in demand, there was a dip in the overall level of confidence among South East businesses amid some reports of economic uncertainty.

The degree of positive sentiment dropped below the national average, but it did remain higher than May's 13-month low. Some firms remained hopeful for better business conditions and expect growth to be supported by new product launches and commercial activities.

"Encouragingly, for the first time in five months, the South East was backed by an injection of new business."



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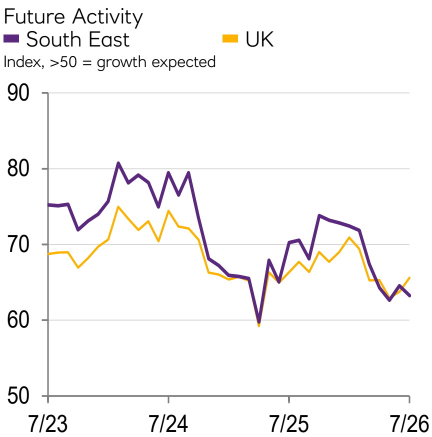


Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

Jobs and capacity

July sees second successive round of job losses across South East private sector

The seasonally adjusted Employment Index posted below the crucial 50.0 mark in July, signalling a second dip in jobs across the South East in as many months. The rate of reduction was the strongest since February, but less marked than the national average and only modest in nature.

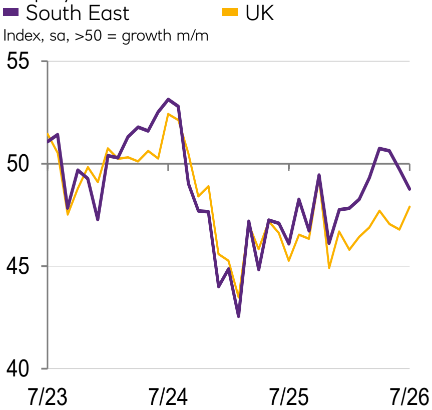
In anecdotal evidence, firms noted the non-replacement of leavers due to efforts to cut costs and respond to business needs.

Although there was still evidence of spare capacity, the latest reduction in outstanding work was only slight and softer than in June.

In fact, of the 11 UK areas to post a fall in backlogs, that seen in the South East was the least marked.

> "Firms looked to tighten their spending through the non-replacement of departing staff for now."

Employment



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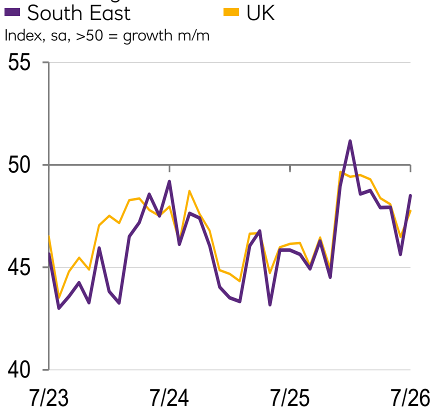
Outstanding Business



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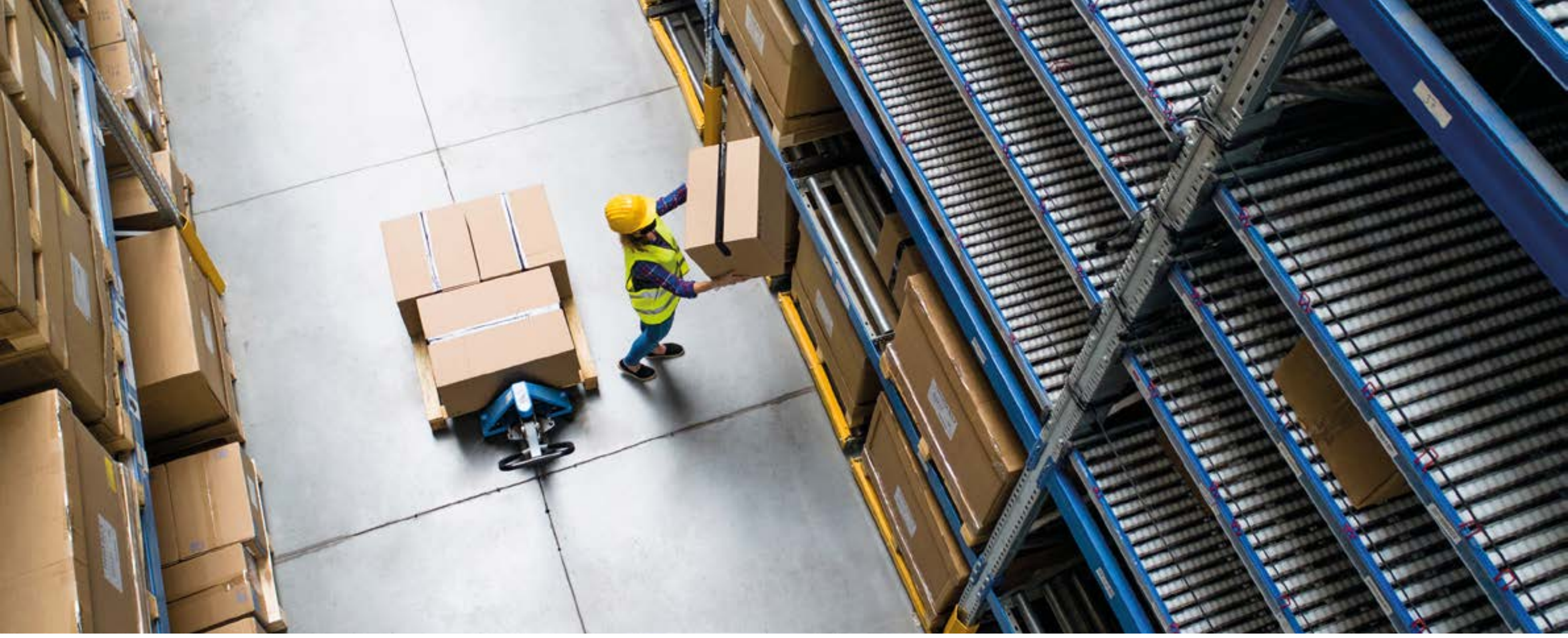


Inflation

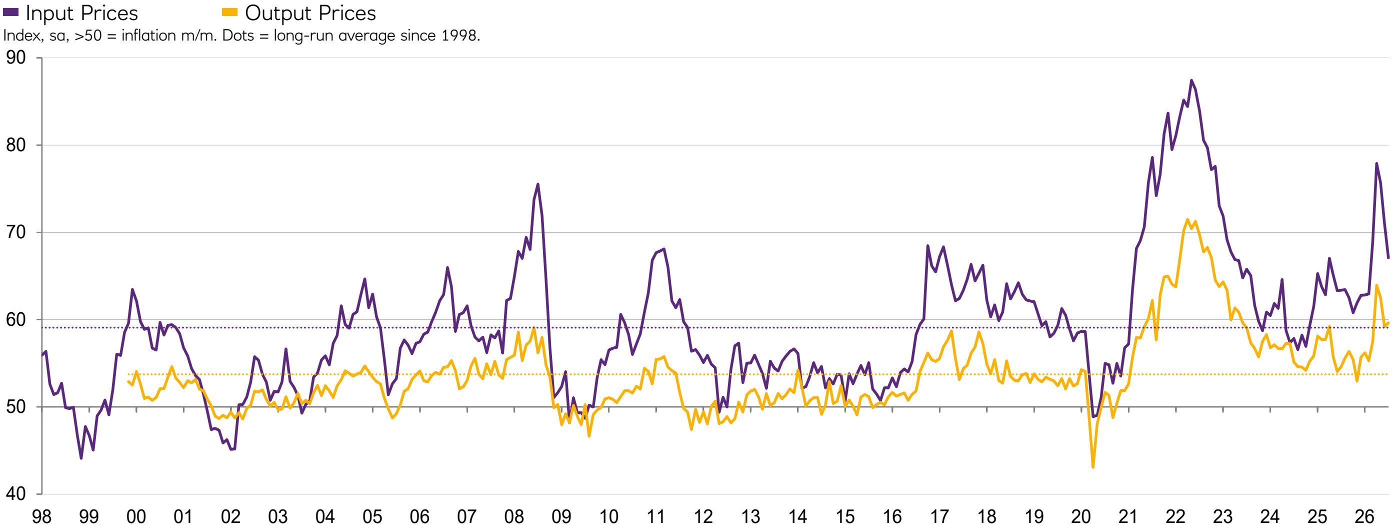
Rate of cost inflation recedes to lowest in five months in July

Operating expenses faced by firms in the South East rose again at the start of the third quarter, reflective of higher raw material, wage, freight, fuel, transport and energy costs.

The rate of inflation was steep and among the strongest of the 12 UK areas, behind only the West Midlands, Yorkshire & Humber and Northern Ireland. The respective seasonally adjusted index dropped for the third month running, however, to signal the weakest cost pressure since February.

There was a slight pick-up in the rate of charge inflation in July. The South East ranked third of the 12 UK areas monitored, with only Northern Ireland and the West Midlands posting stronger hikes in selling prices.

"Cost pressures continued to trend downwards in July, with the uplift in new work allowing for greater pass-through of cost burden to customers."



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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.

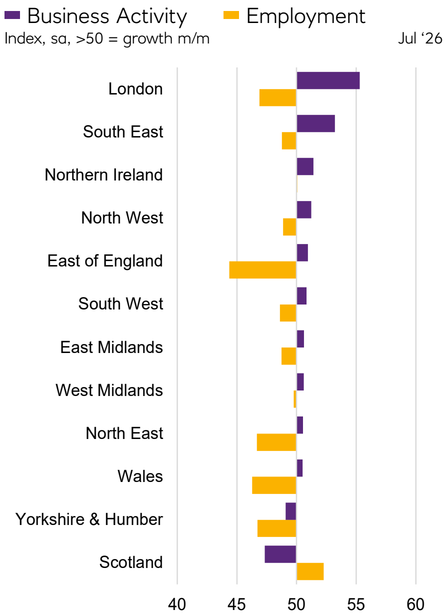
Employment

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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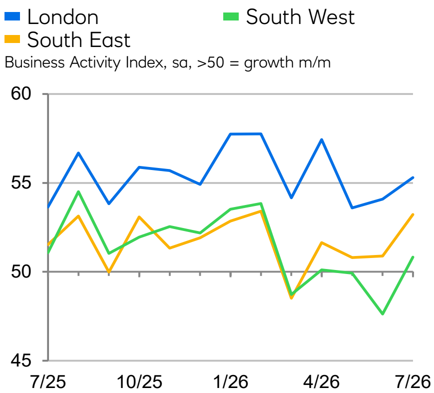

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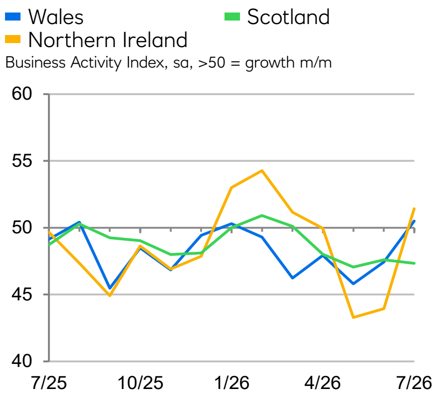

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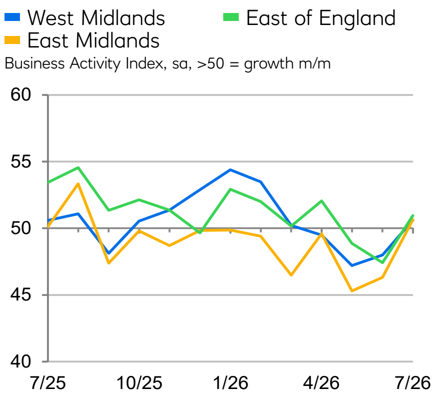

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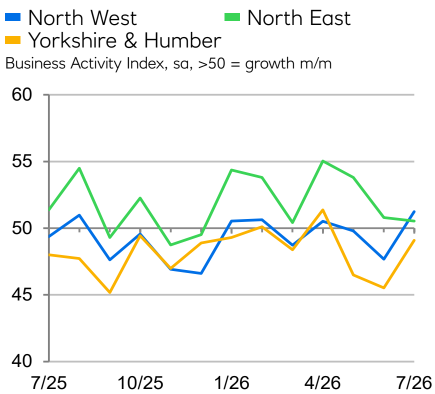
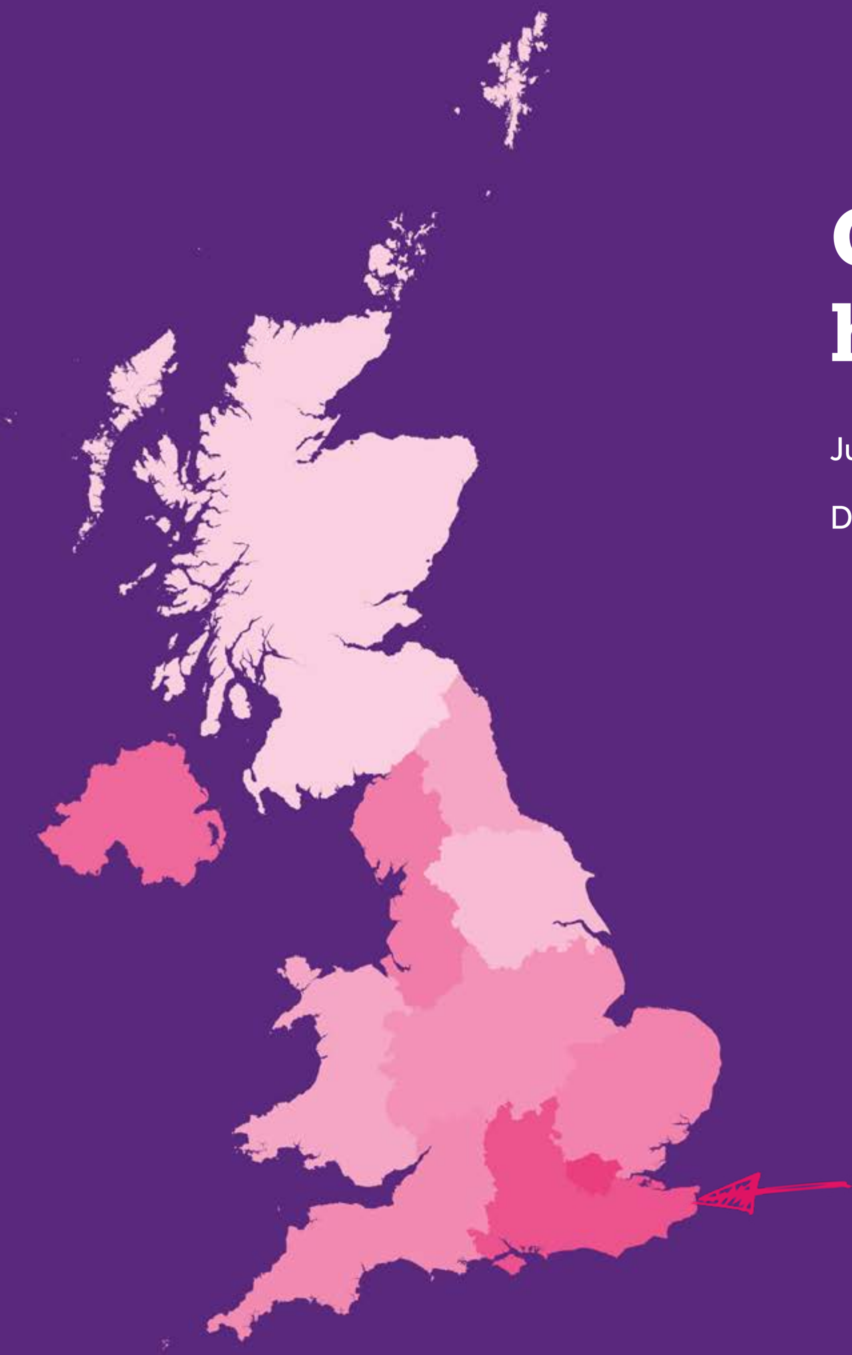


Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

Growth Tracker heat map

July 2026

Darker colour = higher business growth



South East

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

53.2

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

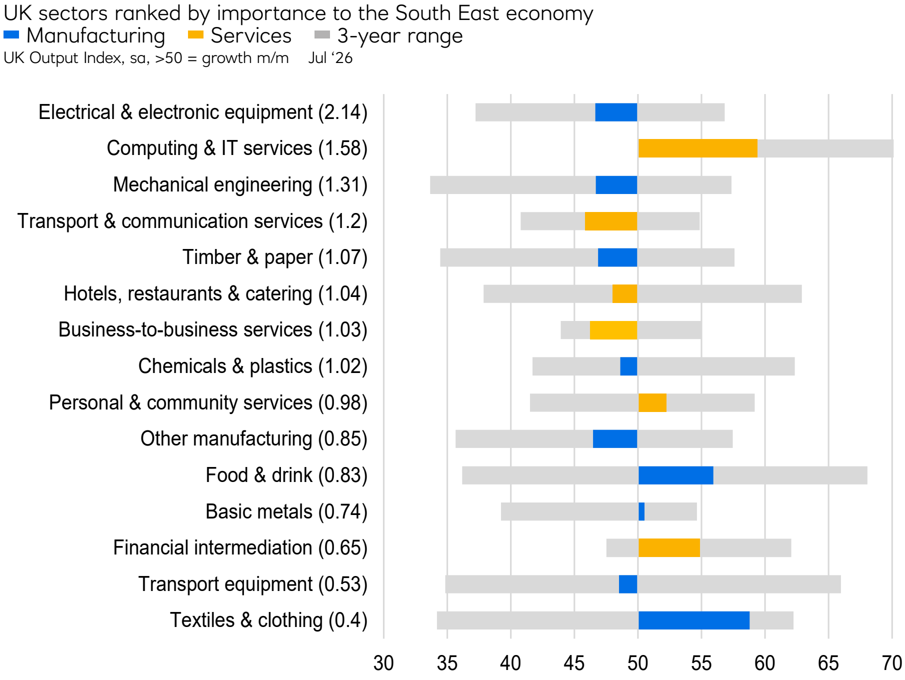
UK sectors

Sector specialisation: South East

The chart shows UK output indices by sector, ranked by location quotients for the South 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 South East economy



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

Sector in focus: Financial intermediation

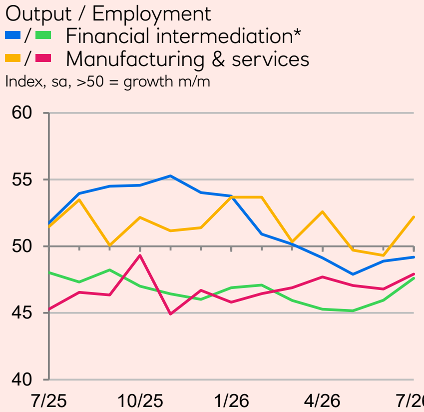
Business activity continued falling across the UK's financial intermediation sector in the three months to July, following on from the downward trend in activity recorded throughout the second quarter of the year. The pace of contraction was the weakest since the decline began and only marginal, however.

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 (3mma).

Methodology

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

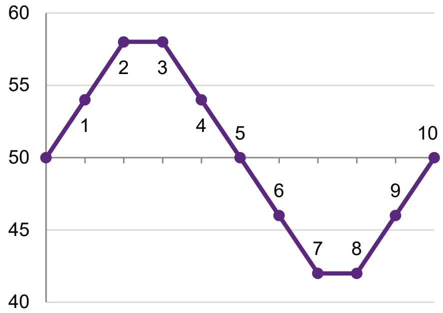
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.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

South 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	53.4	54.3	52.7	48.3	48.6	71.9	62.9	55.3
3/26	48.5	48.7	51.1	49.3	48.7	67.4	68.9	57.5
4/26	51.6	48.8	51.0	50.7	47.9	64.3	77.9	63.9
5/26	50.8	49.7	51.4	50.6	47.9	62.6	75.7	62.5
6/26	50.9	49.2	51.6	49.7	45.6	64.5	71.0	59.2
7/26	53.2	52.0		48.8	48.5	63.2	67.1	59.6

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