12 August 2026

NatWest South West Growth Tracker

Business activity and new orders return to growth in July

NatWest

PMI® by S&P Global

12 August 2026

NatWest South West Growth Tracker

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Key findings

July 2026

Companies signal slight increases in output and sales

Employment falls at softer pace

Cost pressure ease but remain historically strong

The NatWest South West 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

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Business activity and new orders return to growth in July

The latest NatWest Growth Tracker data showed renewed growth in South West business activity in July, as new work rose for the first time since February.

Growth was only marginal in both cases, however, and remained slower than the long-run trends. Input prices increased at a slower but still sharp pace, prompting another marked rise in selling prices. Firms cut staff numbers again in July, largely to reduce costs, though the rate of job shedding eased notably and was only modest. Business confidence also remained relatively subdued, with inflation and geopolitical uncertainty weighing on projections at some firms.

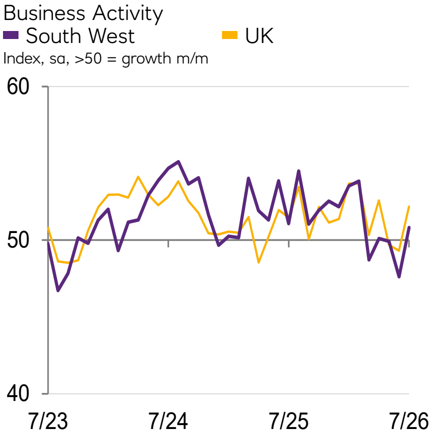
At 50.8 in July, the headline South West Business Activity Index – a seasonally adjusted index measuring changes in the region's output of goods and services – rose from 47.6 in June, signalling the first increase in output for three months. That said, growth was marginal and weaker than the UK-wide trend.

NatWest South West Business Activity Index July 2026

50.8

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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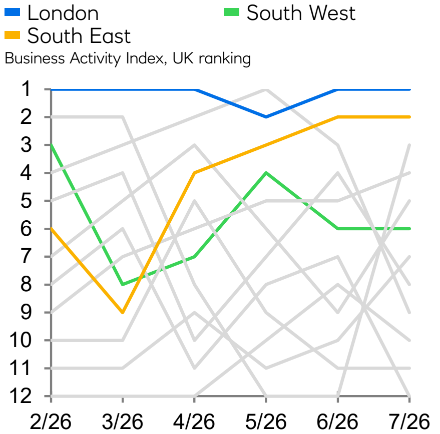

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Comment

Faye Long, Chair of the NatWest South West Regional Board, commented:

“The South West had an encouraging start to the second half of the year, with firms across the region signalling fresh increases in both business activity and new orders during July.

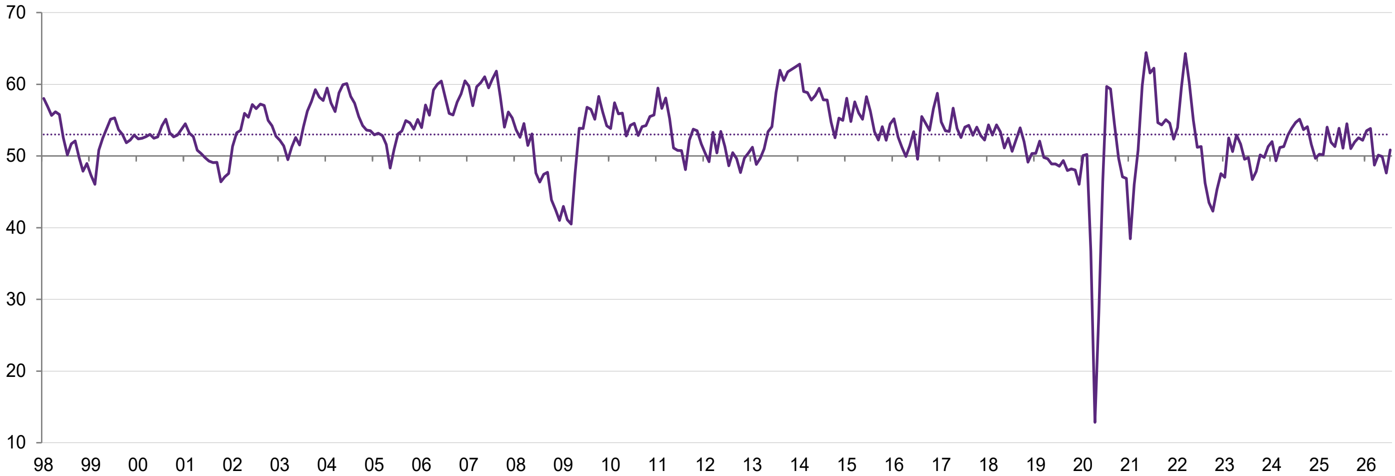
“At the same time, there were further positive signs in the labour market, as employment fell at a notably slower pace amid easing cost pressures and firmer demand conditions.

“Nevertheless, inflation remained a key challenge for businesses. Both the input cost and selling price indices stayed well above their historical trends, with firms often linking this to the impact of the conflict in the Middle East on supply chains and commodity prices.

“The improvement in performance helped to lift business confidence, although optimism remained relatively subdued as companies continued to highlight the impact of elevated costs and geopolitical uncertainty on spending and investment. Even so, there were hopes that cost pressures had passed their peak, which would help support growth in the months ahead.”

Business Activity

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



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Demand and outlook

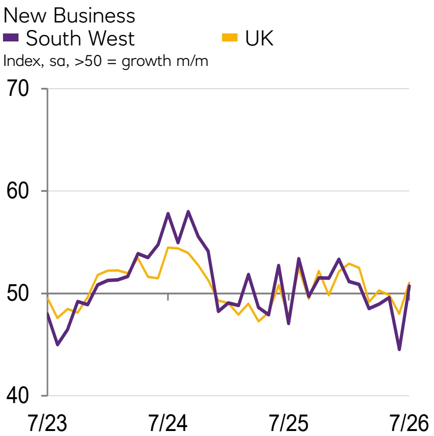
New orders expand for first time since February

The seasonally adjusted New Business Index posted above the neutral 50.0 value in July, to signal the first increase in overall new work received by South West private sector companies for five months. According to anecdotal evidence, new business development, increased investment and improved technology all supported the upturn in sales. The rate of growth was marginal, however, and similar to that recorded for the UK as a whole.

Firmer demand conditions helped to lift business confidence regarding the 12-month outlook for output in July. That said, the overall degree of optimism remained close to June's more than three-and-a-half-year low and was below both the long-run and UK averages.

Companies that anticipated business activity to rise over the next year often attributed this to greater investment, new products, growth across AI-related sectors, and improved customer spend both at home and overseas. However, firms continued to express concerns over inflation and geopolitical uncertainty.

"The South West had an encouraging start to the second half of the year, with firms across the region signalling fresh increases in both business activity and new orders during July"



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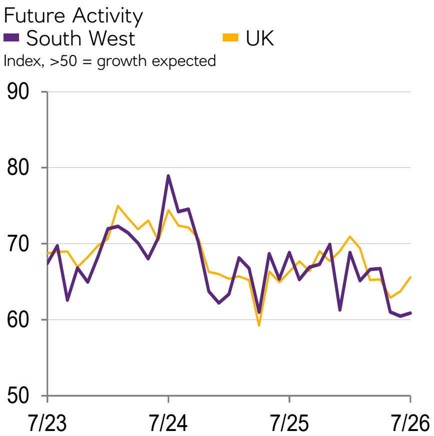

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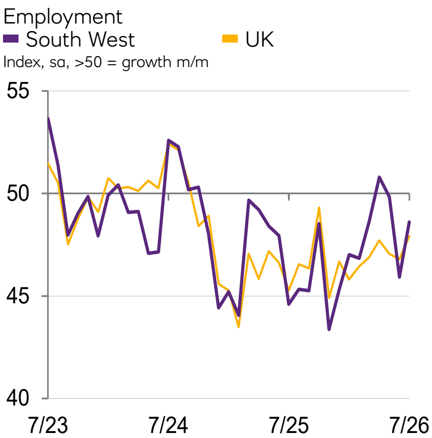
Jobs and capacity

Employment falls at softer pace in July

Companies operating in the South West signalled a reduction in staffing levels for the third straight month in July. Where lower payrolls were recorded, panellists commented on redundancies and decisions not to replace voluntary leavers, which in turn were driven by efforts to reduce costs. That said, the rate of job shedding eased notably from June and was modest overall. The reduction in headcounts was also not as quick as that seen across the UK as a whole.

At the same time, private sector firms across the South West signalled little pressure on capacity, as the level of outstanding business fell for the fourth successive month. There were some reports that firms were able to focus on reducing backlogs due to relatively subdued sales. The rate of depletion was modest, however, and the slowest in three months. A softer, but still solid, decline in unfinished work was meanwhile recorded at the national level.

> "...there were further positive signs in the labour market, as employment fell at a notably slower pace amid easing cost pressures and firmer demand conditions"



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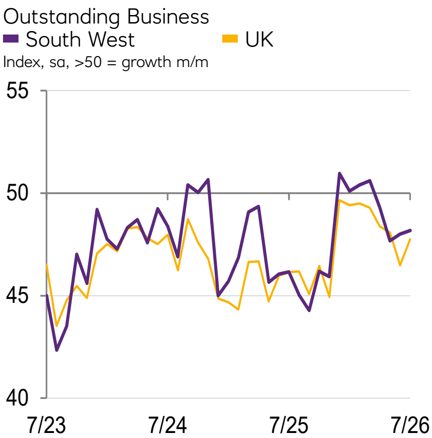

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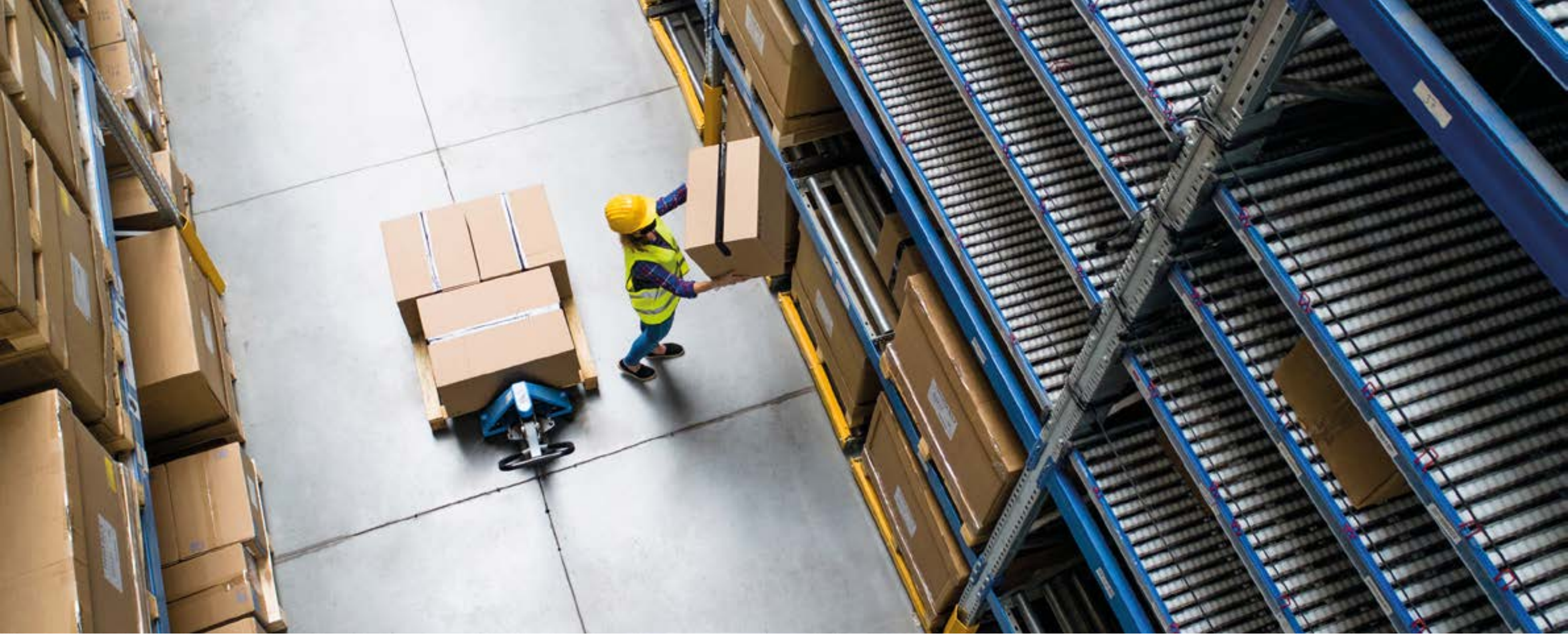


Inflation

Cost pressures ease but remain historically elevated

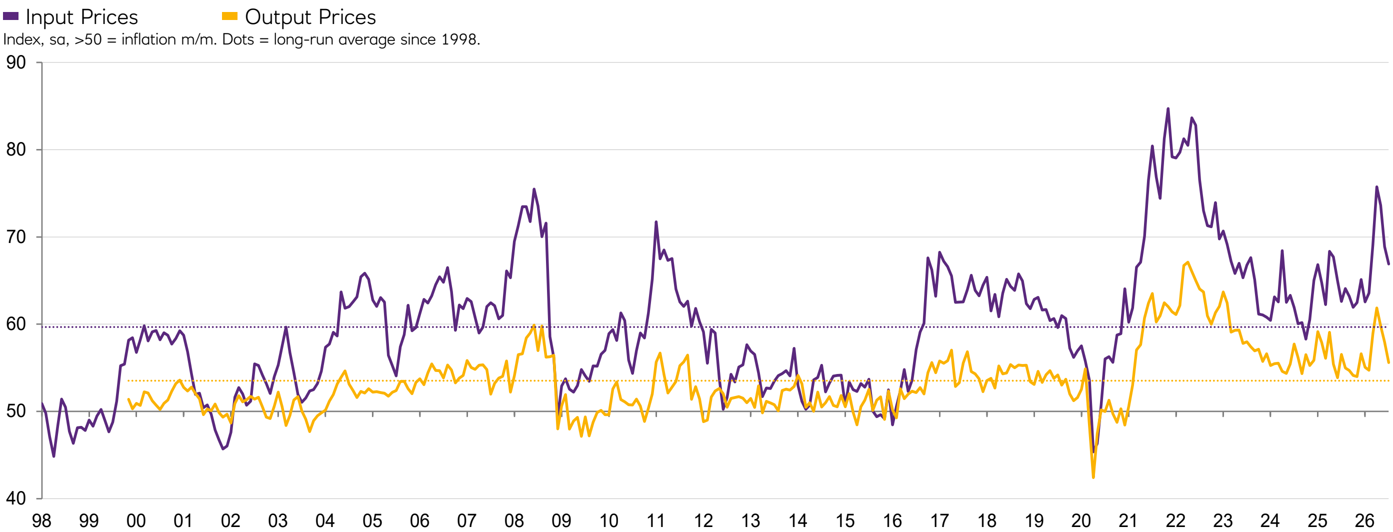
The latest survey pointed to a further sharp increase in average input prices faced by private sector companies in the South West in July. This was despite the rate of inflation easing to a five-month low. The upturn in expenses was also faster than the UK-wide trend.

According to anecdotal evidence, a variety of inputs had gone up in cost, often due to the war in the Middle East, with metals, paper, electronics and energy mentioned in particular. Higher labour costs were also widely cited.

A slower, but still marked, increase in prices charged for goods and services across the South West was also recorded in July. Notably, the rate of inflation was the softest seen since February and slower than the UK average.

Companies that raised their selling prices generally linked this to efforts to pass through higher input costs to customers.

"...there were hopes that cost pressures had passed their peak, which would help support growth in the months ahead"



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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

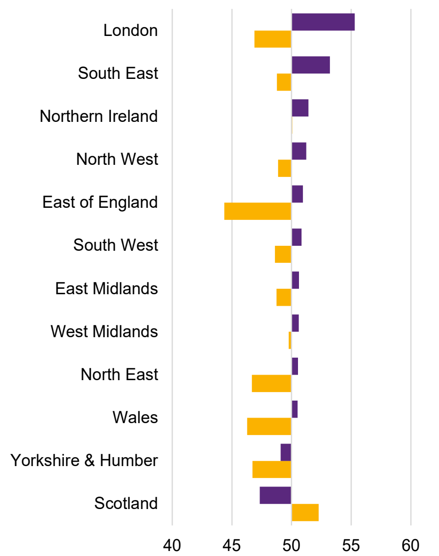
Labour market conditions remained subdued across most parts of the UK at the start of the third quarter. The majority of areas saw lower employment, with firms in the East of England recording the steepest decline. Scotland went against the trend and recorded an increase in workforce numbers, while Northern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

Business Activity Employment
Index, sa, >50 = growth m/m Jul '26

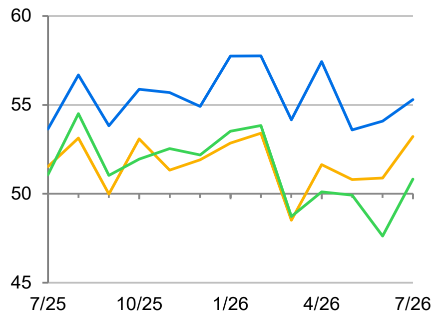


Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

Future Activity
Index, >50 = growth expected Jul '26

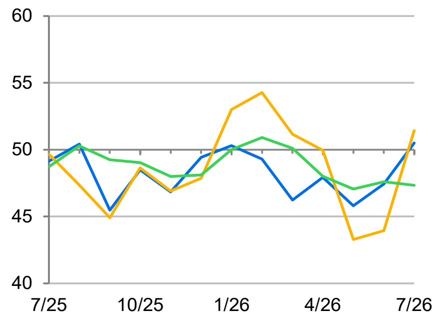
Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

London South West
South East
Business Activity Index, sa, >50 = growth m/m



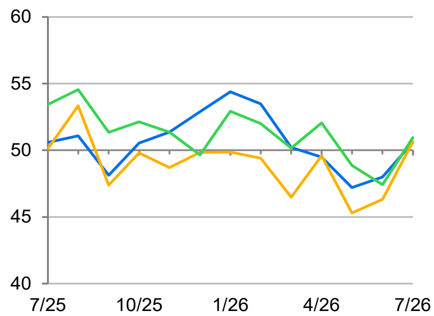
Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

Wales Scotland
Northern Ireland
Business Activity Index, sa, >50 = growth m/m



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

West Midlands East of England
East Midlands
Business Activity Index, sa, >50 = growth m/m



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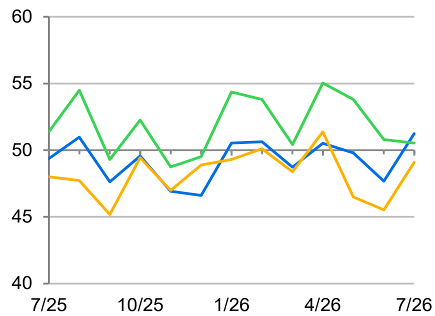
North West North East
Yorkshire & Humber
Business Activity Index, sa, >50 = growth m/m



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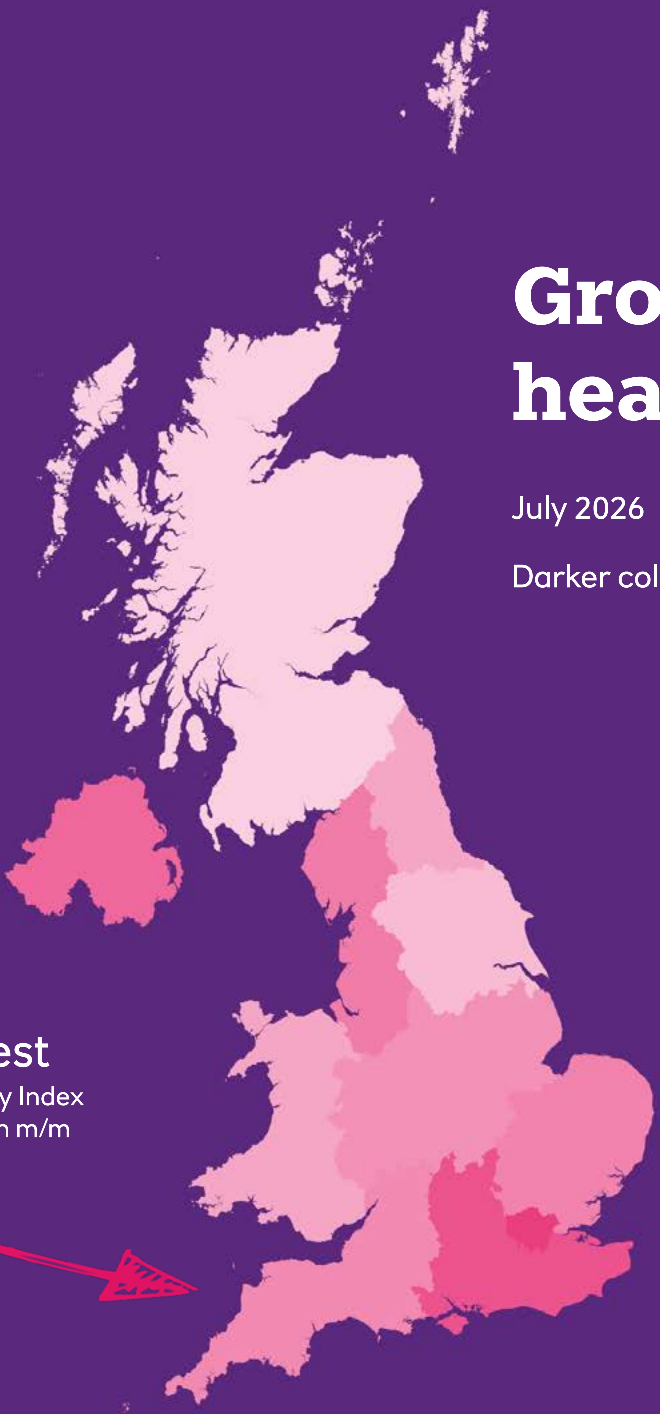
Growth Tracker heat map

July 2026

Darker colour = higher business growth



South West

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

50.8

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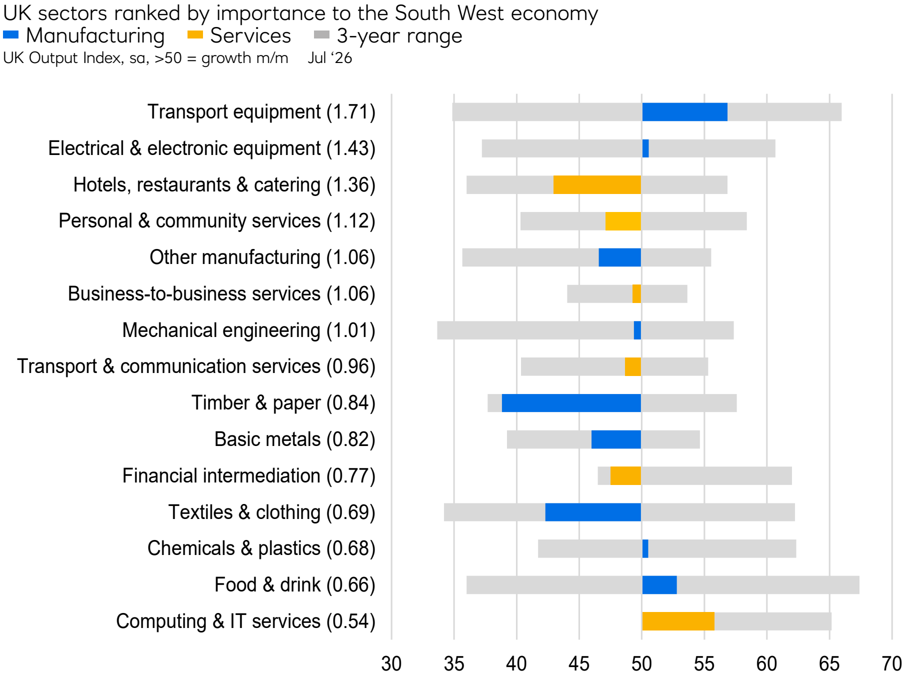
UK sectors

Sector specialisation: South West

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



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

Sector in focus: Financial intermediation

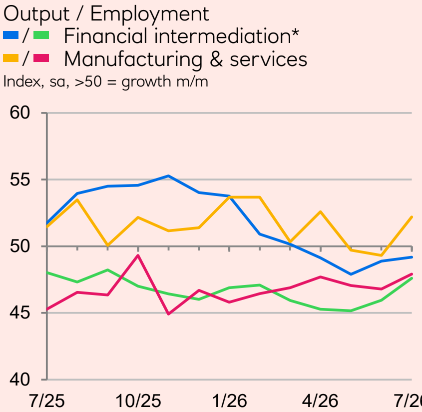
Business activity continued falling across the UK's financial intermediation sector in the three months to July, following on from the downward trend in activity recorded throughout the second quarter of the year. The pace of contraction was the weakest since the decline began and only marginal, however.

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).

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Methodology

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

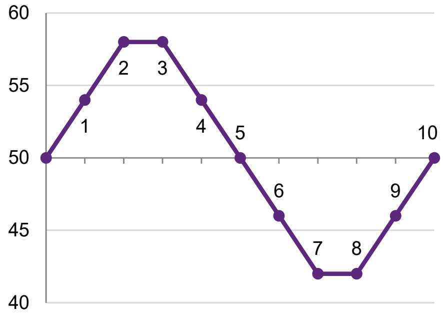
Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. 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 West 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 West 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	50.9	53.0	46.8	50.4	65.1	63.6	54.7
3/26	48.7	48.5	51.0	48.7	50.6	66.6	69.1	58.9
4/26	50.1	49.0	50.9	50.8	49.3	66.7	75.7	61.9
5/26	49.9	49.6	51.3	49.8	47.7	61.0	73.6	59.8
6/26	47.6	44.5	51.4	45.9	48.0	60.4	68.9	57.9
7/26	50.8	50.7		48.6	48.2	60.9	66.9	55.6

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www.natwest.com/business/insights/economics

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