

NatWest UK Regional Growth Tracker

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Momentum slows in March as business costs spike across UK

Key Findings

- Business activity rises in six regions, down from ten in February
- London tops rankings for output growth but sees pace of expansion ease
- Business costs rise sharply in all areas - though longer term confidence remains stable/positive
- Private sector shows resilience as firms continue to grow and adapt despite heightened levels of economic uncertainty
- Employment growth confined to Northern Ireland, Scotland and North East

Following a more positive start to the year March saw momentum slow across the UK's nations and regions.

The Tracker's headline figure is the Business Activity Index. Any reading above 50.0 signals growth, and the further above the 50.0 threshold it is, the faster the rate of signalled growth.

March saw a widespread loss of momentum across the UK's nations and regions, amid a surge in cost pressures and heightened uncertainty linked to war in the Middle East, the latest Royal Bank of Scotland Regional Growth Tracker showed.

Higher activity was recorded in six out of the 12 areas monitored, down from ten in February, with rates of growth slowing in each case.

London topped the regions rankings with a solid pace of expansion, ahead of Northern Ireland. Business activity growth was notably slower in the North East, West Midlands, East of England and Scotland.

Output fell elsewhere, with Wales and the East Midlands recording the most marked declines.

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Commenting on the Tracker's findings, **Sebastian Burnside, NatWest Chief Economist, said:** "Following a positive start to the year, business activity softened in March, with geopolitical uncertainty contributing to slower growth or declines across regions.

"Firms all across the UK faced a jump in costs in March linked to the rising price of fuel, transport and raw materials, which have added to persistent wage pressures. The data show the widespread customer impact of higher costs via hikes in prices charged for goods and services, which point to inflationary pressures filtering through to the broader economy.

"However, business confidence generally remained positive, but companies in most regions revised down their growth expectations in light of the generally more uncertain outlook and the spike in price pressures.

"There was a mixed picture for recruitment across the UK. Encouragingly, we saw employment tick up in three areas in March – which was the joint-most in over a year – though hiring remains subdued in most regions and will be steered by developments in business activity and costs in the coming months."

-ENDS-

Demand

Just three areas of the UK saw a rise in inflows of new business in March, the fewest for six months. Northern Ireland recorded the most resilient trend in demand, seeing inflows of new work increase solidly and for the third month running. At the other end of the scale, Wales saw an accelerated decline in new business that was the steepest since September last year.

Employment

Employment fell in most parts of the UK in March, led by declines in the North West and Wales. Northern Ireland, Scotland and the North East went against the general trend, however, and recorded slight increases in workforce numbers. For both Northern Ireland and the North East, job creation was recorded for the first time since last October, while the increase in Scotland was the second in as many months.

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Capacity

Five out of the 12 UK nations and regions monitored recorded a rise in backlogs of work in March, the third month in a row in which this has been the case. Firms in the North East posted the most pronounced increase in outstanding business, followed by those in the South West. Capacity pressures were weakest in Scotland, where work-in-hand fell at the fastest rate since July 2024.

Inflation

Firms in all parts of the UK faced an increase in cost pressures at the end of the first quarter, with rates of input price inflation accelerating universally. Companies in Northern Ireland recorded the steepest overall rise in operating expenses – the rate of inflation there reaching its highest for almost three-and-a-half years. The East of England recorded the softest increase, although one that was still much stronger than the long-run average.

March saw steeper increases in average charges for goods and services across all 12 UK nations and regions in March, as firms generally looked to pass on higher costs to customers. Northern Ireland topped the rankings for output price inflation, recording its fastest rate of increase since October 2022, while Scotland registered the slowest rise.

Outlook

Although business confidence towards future activity remained positive across the board in March, growth expectations were revised down from the month before in most cases. Only the South West and Yorkshire & Humber recorded increased optimism, while firms in London remained the most upbeat about the outlook.

Continued...

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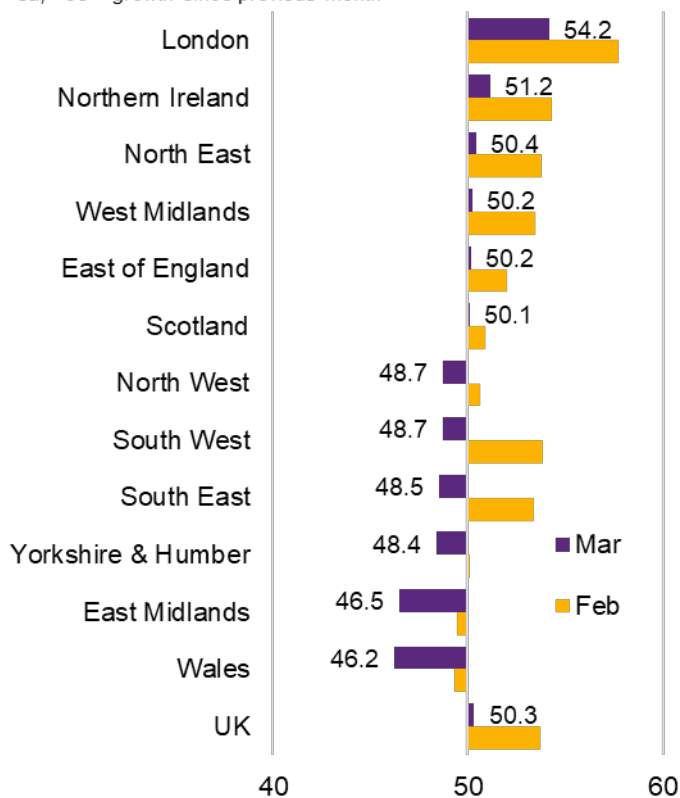
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Business Activity Index

sa, >50 = growth since previous month



Sources: NatWest, S&P Global PMI.

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Notes to editors

Methodology

The NatWest UK Regional Growth Tracker data are compiled by S&P Global from responses to questionnaires sent to companies that participate in S&P Global's UK PMI surveys. S&P Global compiles data for Scotland, Wales, Northern Ireland and nine English regions*.

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 for each region 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 Business Activity Index is comparable to the UK Composite Output Index.

The survey data for March were collected 12-27 March 2026.

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

*International Territorial Level 1 definitions.

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