

News release



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NatWest UK Business Growth Tracker - Embargoed to 00:01, Tuesday 20th January 2026

Rising mid-market confidence underpins positive business activity expectations for 2026

Key findings:

- Mid-market businesses report a solid expansion in output in December, linked to improved order numbers
- Business confidence - led by mid-market companies – remains strong for 2026
- SMEs business activity continues to fall, but the decline is slowing
- Cost pressures at their highest level since last April for SMEs as higher food, staff and raw material costs exert pressure on margins

The UK private sector was buoyed by a sharp expansion in output among mid-market businesses at the end of 2025, which has helped to fuel optimism for 2026, the latest NatWest UK Business Growth Tracker data revealed. Planned recruitment, stronger sales pipelines and expectations that the UK economy will pick up were reportedly behind firms' upbeat forecasts.

The data reflects figures published by the Office for National Statistics last week which showed that the UK economy recorded growth of 0.3% in November – with the improvement in output led by the services sector. NatWest's Tracker – which is based on the Purchasing Managers' Index and surveyed mid-market businesses operating in the manufacturing and services sectors – rose to 55.3 in December, up from 54.3 in November. Any reading above 50.0 signals growth, and the further above the 50.0 threshold the faster the rate of growth signalled.

NatWest's tracker found the upturn in mid-market was broad-based across the manufacturing (index: 51.1) and service sectors (index: 56.0) in December, though the latter was the growth engine. Mid-market firms principally linked higher activity to improved order numbers, with some mentions of increased workloads due to the launch of new products and services and an influx of new customers.

In contrast, UK small and medium-sized enterprises (SMEs) continued to experience challenging business conditions in the closing months of 2025. SMEs reported that heightened economic uncertainty, exacerbated by the late November Budget, contributed to them delaying decisions around new business and hiring. Cutbacks to employment numbers at SMEs persisted in December, which extended the current period of job losses to 15 months.

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Increased wage burdens, as well as higher fuel and food costs, also exerted pressure on firms margins in December. The overall rate of input price inflation was the fastest since last April. In response, businesses sought to alleviate margin pressures by raising their prices – which led to the strongest rise in output charges for five months among SMEs, and for four months among mid-market businesses.

Sebastian Burnside, NatWest’s Chief Economist, said: “The latest data reveals business owners are heading into 2026 with greater certainty, hopeful that market confidence will improve and optimistic that will lead to stronger inflows of work this year.

“Mid-market businesses are feeling notably brighter about their prospects than they were at the end of 2024. Growth in the private sector continues to hinge on their performance, and they closed the year with a strong surge in sales. These businesses scale and agility meant they were able to maintain solid momentum, despite the uncertainty raised by a late November Budget.

“SMEs are positive about the year ahead but continue to find the business environment challenging. Many pointed to the Budget as a factor which delayed decision-making among their customers and led to reduced demand. Costs – particularly for staff and raw materials – remain elevated, but there is reason to hope that inflation will fall over the course of the year and reduce this burden.”

Andy Gray, Managing Director of Commercial Mid-Market at NatWest, said: “This data shows that mid-market businesses are a powerful engine of the UK economy, and an important source of economic growth. NatWest’s [Critical Middle](#) research found that just 1% growth in this segment could add £35 billion in gross value add to the UK economy by 2030. That’s why we established the Mid-Market Growth Council last year, supported by the UK government. With the one-year anniversary of the Council fast approaching, we continue to work with business and industry leaders to advocate for tailored support to unlock the full potential of these businesses.”

New orders rise at mid-market firms, but fall at SMEs

December survey data signalled a further rise in new business placed at mid-market companies, confirming a full quarter of growth. However, the latest data indicated another decrease in total new orders received by SMEs, which continued the trend seen since December 2024. That said, the rate of contraction moderated since November and remained much less marked than on average in the first half of 2025.

Lower employment for businesses of all sizes

Cutbacks to employment numbers at SMEs persisted in December, which extended the current period of job losses to 15 months. The rate of job cuts was softer than in November, however. Although mid-market businesses made further reductions to their staffing numbers in December, the rate of contraction was only modest overall and eased since November.

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Inflationary pressures intensify across the board

Average cost burdens faced by SMEs increased at a sharp and accelerated pace in December. Here, the rate of input price inflation was the fastest since last April. Across the mid-market, average input costs continued to increase at a substantial rate at the end of 2025. The rate of inflation picked up to a seven-month high. Efforts to alleviate squeezed margins led to the strongest rise in SME output charges for five months, while mid-market firms increased their selling prices to the greatest extent since last August.

Business expectations improve for 2026

SMEs indicated positive expectations for business activity over the course of 2026. While confidence levels improved across the manufacturing and construction sectors, service providers indicated that business optimism slipped to an eight-month low in December. Meanwhile, the level of confidence across the mid-market improved from November, pushing further above the UK-wide trend, but still below October's one-year high.

Ends

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Notes to editors

About the NatWest UK Business Growth Tracker

The NatWest UK Business Growth Tracker is a quarterly report, designed to monitor business performance at UK small and medium-sized enterprises (1-249 employees) and mid-market corporates (100-2,500 employees). Results are compiled from responses to S&P Global UK Purchasing Managers' Index™ (PMI®) surveys. We also track sustainability actions across five main categories.

The panel of around 850 small and medium-sized enterprises and 330 mid-market enterprises is stratified by detailed sector, based on contributions to GDP.

Survey responses are collected by S&P Global 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 UK Business Growth Tracker 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. Indices are compiled for a range of survey variables, including business activity, new orders, employment, input costs, prices charged, suppliers' delivery times and future activity.

The UK Business Growth Tracker data for March were collected 4 – 22 December 2025. Composite data are available from January 1998. Manufacturing data are available from January 1992, Services data from July 1996 and Construction data from April 1997.

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

About NatWest

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Alongside a wide range of banking services, NatWest offers businesses specialist sector knowledge in areas such as manufacturing and technology, as well as access to specialist entrepreneurial support.

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