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NatWest UK Business Growth Tracker - Embargoed to 00:01 BST Friday 24th April 2026

UK businesses show resilience amid heightened global uncertainty, as cost pressures intensify

Key findings:

- **Robust upturn in mid-market business activity, although new order growth softened**
- **SME business activity fell only slightly, and to lesser extent than at the end of 2025**
- **Middle East conflict contributes to softer output growth projections amongst UK businesses for the year ahead**
- **Input price inflation jumped to its highest since January 2023 amid escalating fuel costs**

A sustained expansion of UK private sector output in the first quarter of 2026 was supported by a solid growth performance among mid-market businesses, according to the latest survey data from the NatWest UK Business Growth Tracker. However, confidence towards the future eased in March as the Middle East conflict and sharply rising input prices, which together weighed on business optimism.

NatWest's Tracker – which is based on the Purchasing Managers' Index™ and surveyed mid-market businesses operating in the manufacturing and services sectors – posted 53.0 in March, which extended the current period of growth to just over five years. Any reading above 50.0 signals growth, and the further above the 50.0 threshold the faster the rate of growth signalled. The index was down from 54.8 in February but remained well above the equivalent reading for the UK as a whole in March (50.3).

The Tracker revealed that the upturn in mid-market activity was led by the service sector (index: 54.2) in March. In contrast, production volumes softened in the manufacturing sector (index: 46.5). Service providers commented on resilient demand conditions, successful long-term business expansion strategies and, in some cases, the impact of new technology investments. Manufacturers reported challenges from rising price pressures, softer export sales, and supply chain disruptions.

UK small and medium-sized enterprises (SMEs) recorded a marginal downturn in business activity in the first quarter of 2026, but the reduction in output was less marked than seen at the end of 2025. Job losses were also modest and eased in comparison to those seen in the final quarter of last year.

March data highlighted softer demand patterns for both SMEs and the mid-market segment, especially across export markets. In February, UK businesses had been more upbeat about their overseas growth prospects, with 36% of respondents expecting stronger export sales and only 13% forecasting a reduction. By March, firms widely reported that recent geopolitical developments had weighed on

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business and consumer confidence, contributing to weaker export demand across both manufacturing and services.

Escalating fuel and transportation costs, alongside sharply rising oil prices, drove a renewed increase in cost pressures in March. Overall, input price inflation was the highest since January 2023 at both SMEs and mid-market businesses. Manufacturers also recorded the greatest lengthening of suppliers' delivery times for nearly four years amid widespread international shipping delays.

There remains concern about the impact of rising geopolitical tensions and higher inflation which contributed to a fall in business optimism in March. While UK businesses continue to anticipate growth over the year ahead, confidence fell to an eight-month low among mid-market firms and to its lowest level since April 2025 for SMEs.

Sebastian Burnside, NatWest's Chief Economist, said: "UK businesses have continued to show resilience against the backdrop of a more challenging operating environment. Cost pressures have risen sharply again, especially for fuel and transport expenses, meaning input price inflation is at its highest level in over three years. Nonetheless it is encouraging to see firms are still planning for growth over the year ahead, especially with an eye on longer-term investment and adaptation."

Andy Gray, Managing Director of Commercial Mid-Market at NatWest, said: "Despite increased uncertainty and cost pressures, many mid-market businesses are continuing to adapt and invest where it makes strategic sense. The latest data show firms balancing short-term caution with longer-term growth ambitions, particularly in areas such as technology and efficiency. Supporting customers to manage risk, maintain momentum and plan with confidence remains a priority as businesses navigate a more volatile operating environment."

For further detail and supporting insight see Notes to Editors.

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Notes to editors

Demand softens amid external uncertainty

Total new work received by SMEs decreased at the fastest pace for six months in March. This signalled a setback for demand conditions after signs of stabilisation at the beginning of 2026. Mid-market businesses recorded only a marginal increase in new orders in March, but the rate of expansion was the slowest for six months.

Export demand also weakened across both SME and mid-market segments in March, with the latter reporting a decline for the first time since October 2025, reflecting softer confidence in international markets.

Slowdown in job losses

SMEs continued to reduce staffing levels in March, extending the trend seen since October 2024. However, job losses remained modest and less marked than the average recorded last year.

Mid-market firms reported more stable employment trends, with the latest decline in payroll numbers the slowest seen for five months.

Rapid acceleration in inflation

March data pointed to considerable challenges from intensifying input price inflation, largely driven by higher fuel and transportation costs. SMEs recorded the steepest overall increase in average cost burdens since January 2023. Similarly, mid-market businesses reported the fastest rate of cost price inflation for just over three years, led by a sharp rise in manufacturing sector input prices.

Supply chain disruption

Goods producers reported a marked downturn in supplier performance during March. Average wait times for the delivery of inputs lengthened to the greatest extent since mid-2022 in both the SME and mid-market segments. Many businesses cited international shipping disruptions and tighter supplies of some raw materials (especially petrochemicals) linked to the ongoing Middle East Conflict.

UK businesses remain optimistic about growth prospects, but less so than at start of 2026

Business activity expectations for the year ahead remain upbeat overall, although SMEs signalled a marked dip in confidence during March. At 60.8, the SME Future Activity Index was down from 65.9 in February and much lower than the 15-month high seen in January (67.0).

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The Mid-market Future Activity Index posted 71.6 in March, down from 72.6 in February and the lowest since July 2025. However, the latest reading was still well above the neutral 50.0 value and indicative of strong overall output growth projections.

UK business widely reported elevated concerns around the Middle East conflict, particularly the impact on customer demand, input costs and supply chains. Despite this, many firms continued to express confidence in their longer-term business development plans and investments in new technologies. Expansion into new export markets was also reported as a potential driver of growth in the year ahead.

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 trade conditions, with a special feature on the UK Trade Outlook.

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, new export orders, employment, input costs, prices charged, suppliers' delivery times and future activity.

The UK Business Growth Tracker data for March were collected 12 – 27 March 2026. Composite data are available from January 1998. Manufacturing data are available from January 1992 and Services data from July 1996.

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

About NatWest

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