14 October 2026

NatWest South West Growth Tracker

South West businesses keep growing despite rising costs





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14 October 2026

NatWest South West Growth Tracker

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Key findings

September 2026

Output and new business increase for a third consecutive month

Employment rises for a second successive month

Export conditions improve at fastest rate in more than four years

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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South West businesses keep growing despite rising costs

Business activity and new orders continued to expand across the South West private sector in September, but at slower rates than in August, according to the latest NatWest Regional Growth Tracker data. Inflationary pressures meanwhile intensified, with both input costs and output charges rising at faster rates.

The headline South West Business Activity Index – which measures changes in the region's output of goods and services – fell from 53.0 in August to 51.5 in September. This signalled a third successive monthly rise in business activity, albeit one that was modest overall. Moreover, the rate of growth was slightly slower than the UK-wide trend.

Efforts to clear backlogs, client retention, new project starts and greater intakes of new work all supported the latest upturn. However, subdued market confidence amid global uncertainty and rising costs had reportedly dampened overall growth.

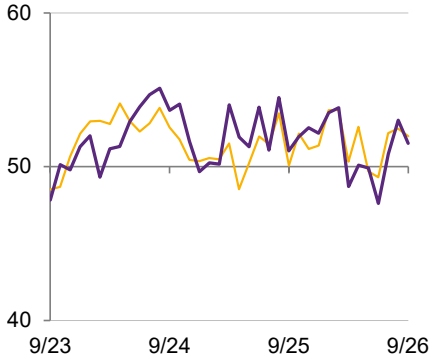
NatWest South West Business Activity Index September 2026

51.5

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.

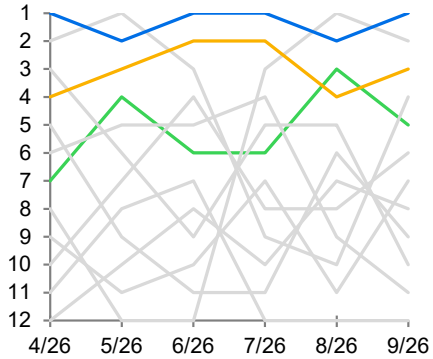
Data compiled 10-28 September

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



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

London South West
South East
Business Activity Index, UK ranking



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

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Comment

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

"South West businesses enter the final quarter of the year from a position of resilience. While growth softened compared with the stronger pace we saw during the summer, firms continue to win new work, expand activity and create jobs.

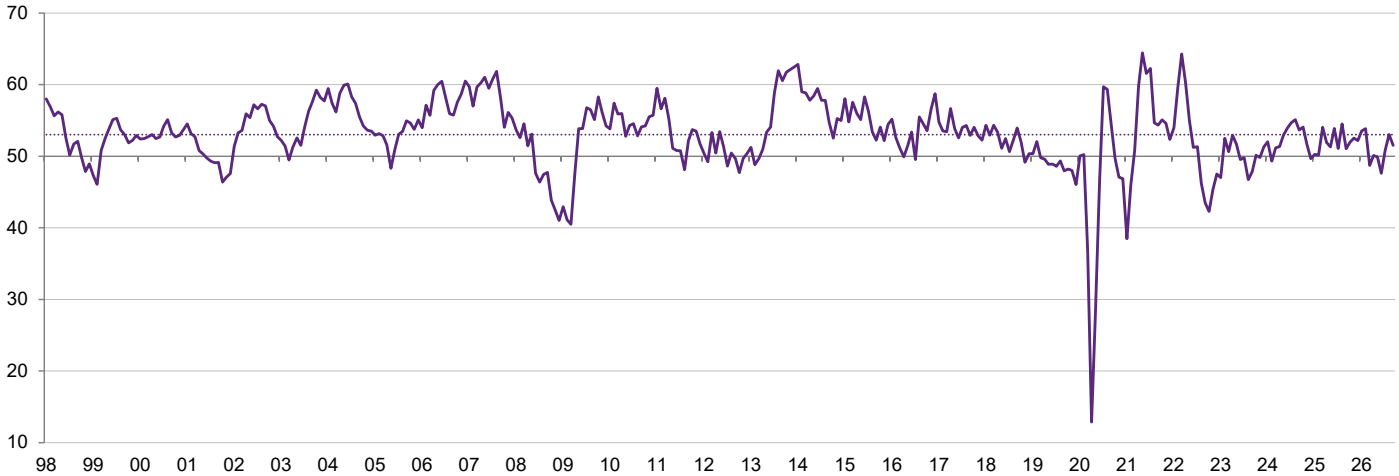
"It's particularly encouraging to see employment rising for a second consecutive month and export conditions improving, underlining the strength and adaptability of businesses across the region.

"There is no doubt that higher costs and ongoing global uncertainty continue to create challenges. However, businesses are continuing to grow, invest in customer relationships and build opportunities, putting them in a good position as we head into the final months of the year."



Business Activity

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



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

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Demand and outlook

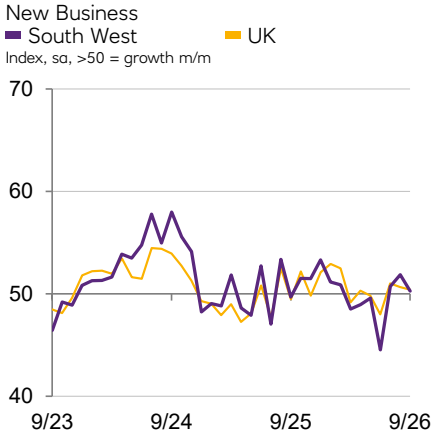
New orders increase only slightly in September

Latest data signalled a third successive monthly rise in the amount of new work placed with private sector companies across the South West during September. According to panel members, improved spending, particularly among overseas clients and in areas such as AI and defence, helped to support the latest rise in sales. That said, the rate of growth eased to a marginal pace that was the slowest in the aforementioned period, with some firms commenting on the impact of subdued business confidence and project delays on overall sales. New orders rose at a similarly marginal pace across the UK as a whole.

Firms were generally confident that business activity would rise over the next 12 months. Upbeat projections were often linked to hopes of stronger economic conditions, greater expenditure in AI- and defence-related sectors and export opportunities. The degree of optimism weakened from August, however, and was below the historical average. Geopolitical uncertainty and rising costs weighed on overall sentiment.

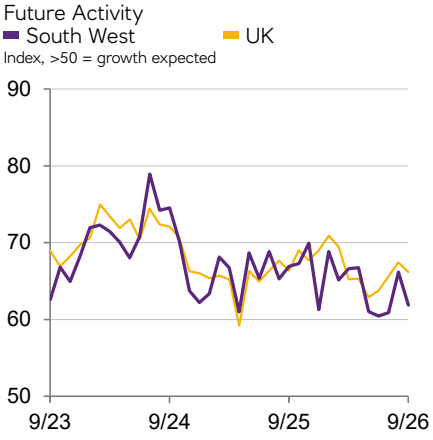
"... firms continue to win new work, expand activity and create jobs."

New Business



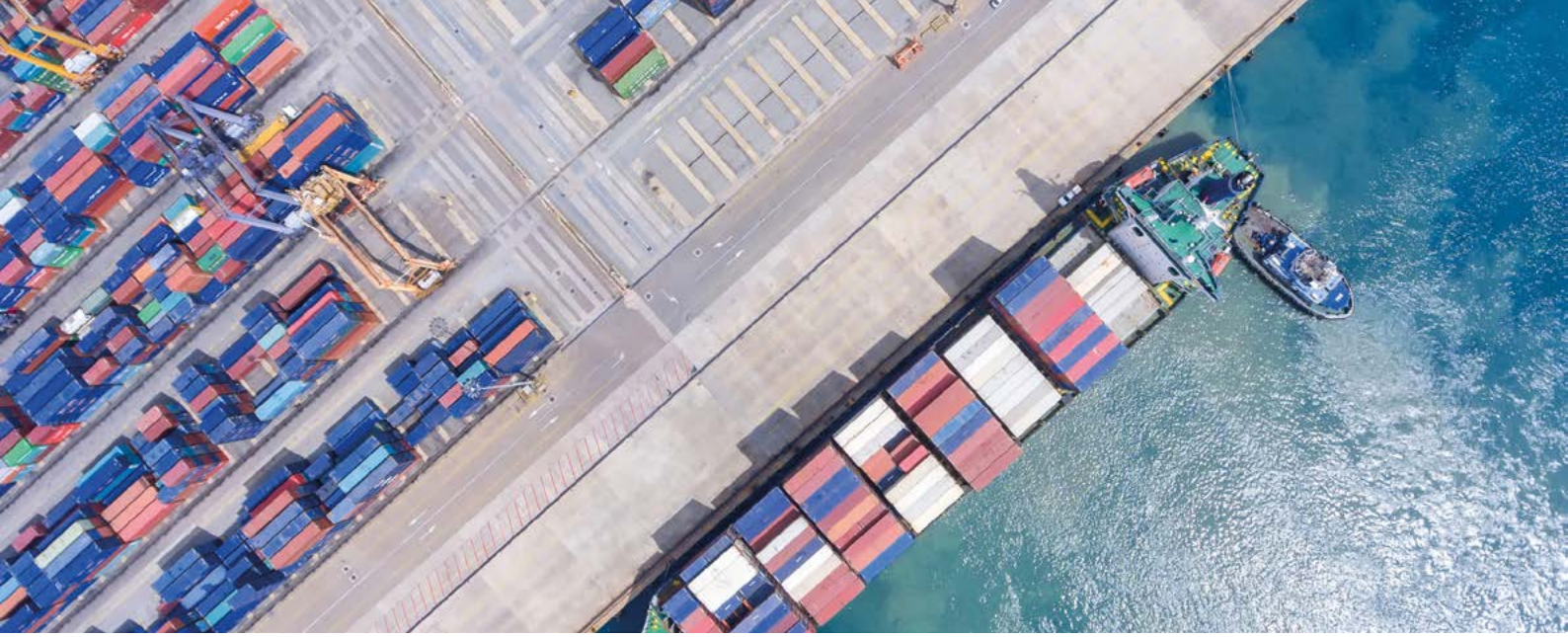
Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

Future Activity



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

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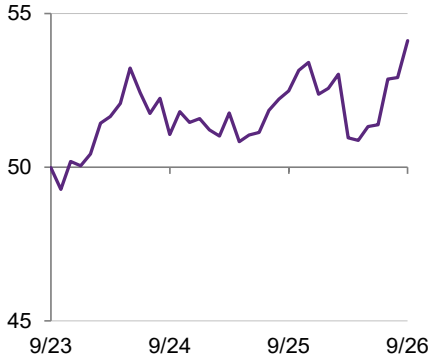
Export markets

Export conditions improve at quickest rate since May 2022

At 54.1 in September, the South West Export Climate Index climbed from 52.9 in August and pointed to a solid improvement in the health of the region's export markets. Furthermore, the rate of expansion was the strongest since May 2022.

The US - the region's largest export market - recorded the steepest rise in output for over five years, while accelerated rates of growth were also reported in Germany and Singapore. A renewed upturn in activity was seen in France, while output fell slightly in Hong Kong.

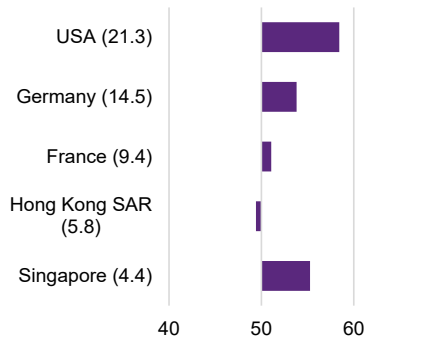
Export Conditions
Index, sa, >50 = growth m/m



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

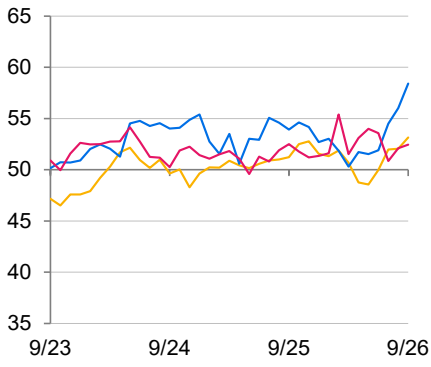
The South West Export Climate Index (ECI) is an indicator for the economic health of the region's export markets. It is calculated by combining national PMI output data, weighted according to each nation's share of manufacturing exports of the South West. A reading above 50 signals an improvement in export conditions, and below 50 a deterioration.

Top export markets, South West
% share of exports shown in brackets
Output Index, sa, >50 = growth m/m Sep '26



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

Output
Eurozone US China
Index, sa, >50 = growth m/m



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

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Jobs and capacity

Staffing levels rise for second month in a row

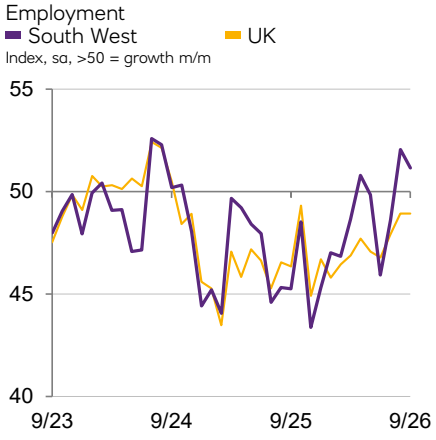
Employment across the South West private sector rose in September, as signalled by the respective seasonally adjusted index posting above the crucial 50.0 mark for the second successive month. Though modest and slower than that seen in August, the rate of job creation remained faster than the historical average. Companies that added to their headcounts generally attributed this to efforts to expand capacity in line with greater customer demand.

The South West was one of only five of 12 monitored UK regions and nations to record jobs growth, with employment falling modestly at the national level.

Firms continued to make inroads into their backlogs of work in September, which fell for the sixth month in a row. The rate of depletion eased from August, however, and was the weakest since April. Where lower levels of unfinished business were reported, companies often linked this to softer-than-anticipated sales growth.

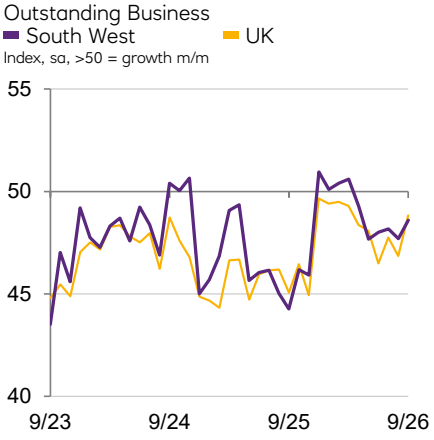
"It's particularly encouraging to see employment rising for a second consecutive month and export conditions improving, underlining the strength and adaptability of businesses across the region."

Employment



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Outstanding Business



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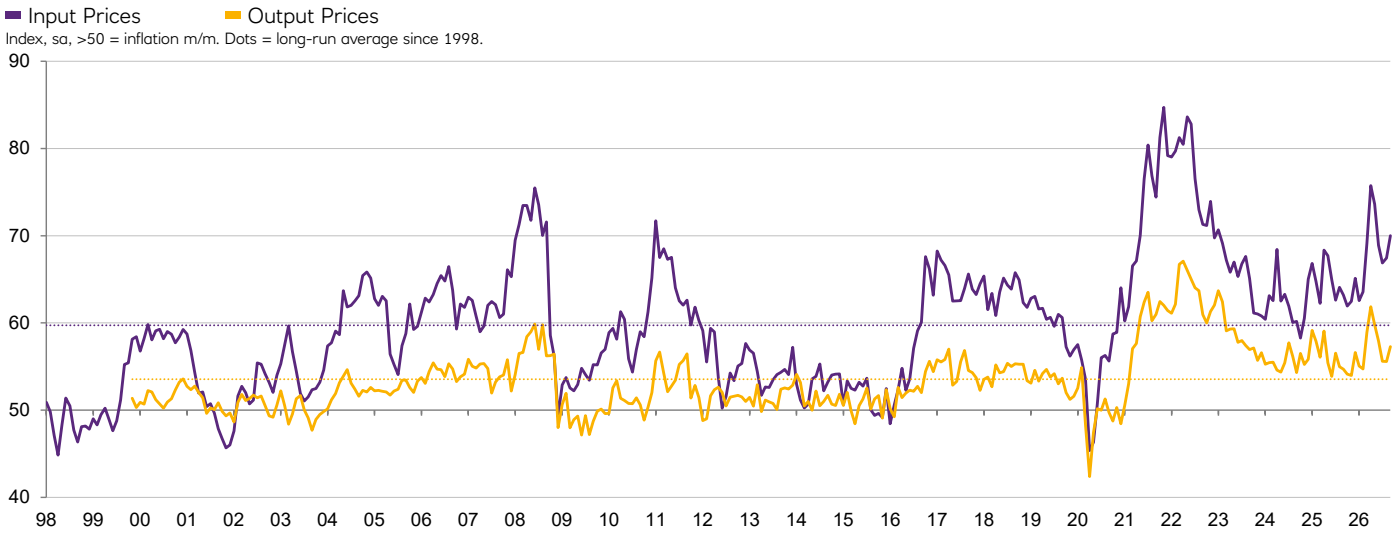
Inflation

Selling prices increase at faster pace amid stronger rise in costs

Operating expenses continued to increase at private sector companies in the South West during September. Furthermore, the rate of inflation accelerated to a rapid pace that was the sharpest in four months. There were frequent reports that higher prices for raw materials, fuel and energy, often due to the disruption to supply chains stemming from the Middle East conflict, had pushed up expenses. There were also reports of higher labour and food costs. The local increase in input prices was stronger than the national average.

Companies in the region responded to steeper cost pressures by raising their own selling prices at a quicker pace at the end of the third quarter. The rate of charge inflation was the fastest recorded since June, albeit slightly slower than the UK-wide trend.

"There is no doubt that higher costs and ongoing global uncertainty continue to create challenges."



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

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UK Regional Growth Tracker

Business Activity

The majority of the 12 UK nations and regions monitored by the Growth Tracker saw an increase in business activity in September. London saw the steepest expansion, while the North East, West Midlands and East Midlands each recorded renewed increases in output. Scotland and the North West both recorded modest falls in activity.

Employment

Employment rose across more areas in September, the number rising from just two in August to five at the end of the third quarter – the most since November 2024. Scotland maintained the fastest rate of job creation, as has been the case in each of the past four months. At the other end of the scale, the West Midlands meanwhile saw the steepest reduction in workforce numbers.

Future Activity

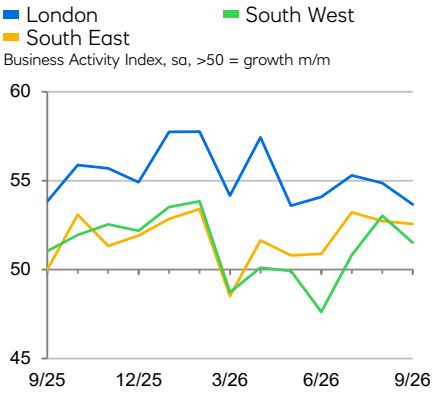
There was once again widespread optimism towards the outlook for activity over the next 12 months. Expectations did, however, ease in the majority of cases. One exception was the South East, which recorded the highest overall degree of optimism, while Wales registered the most marked improvement in confidence from the month before.



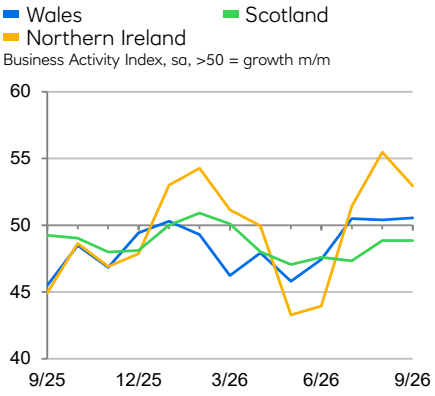
Sources: NatWest, S&P Global PMI. ©2026 S&P Global.



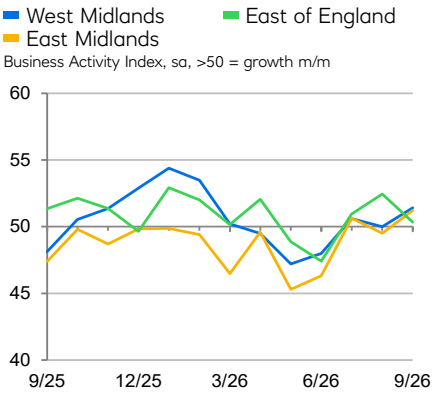
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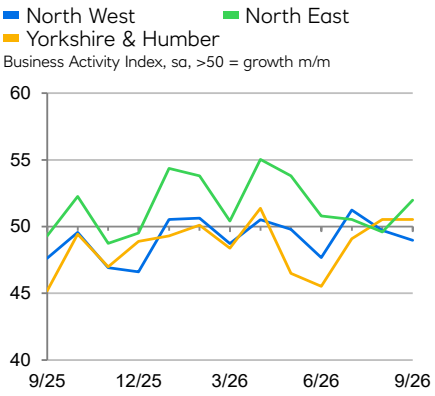
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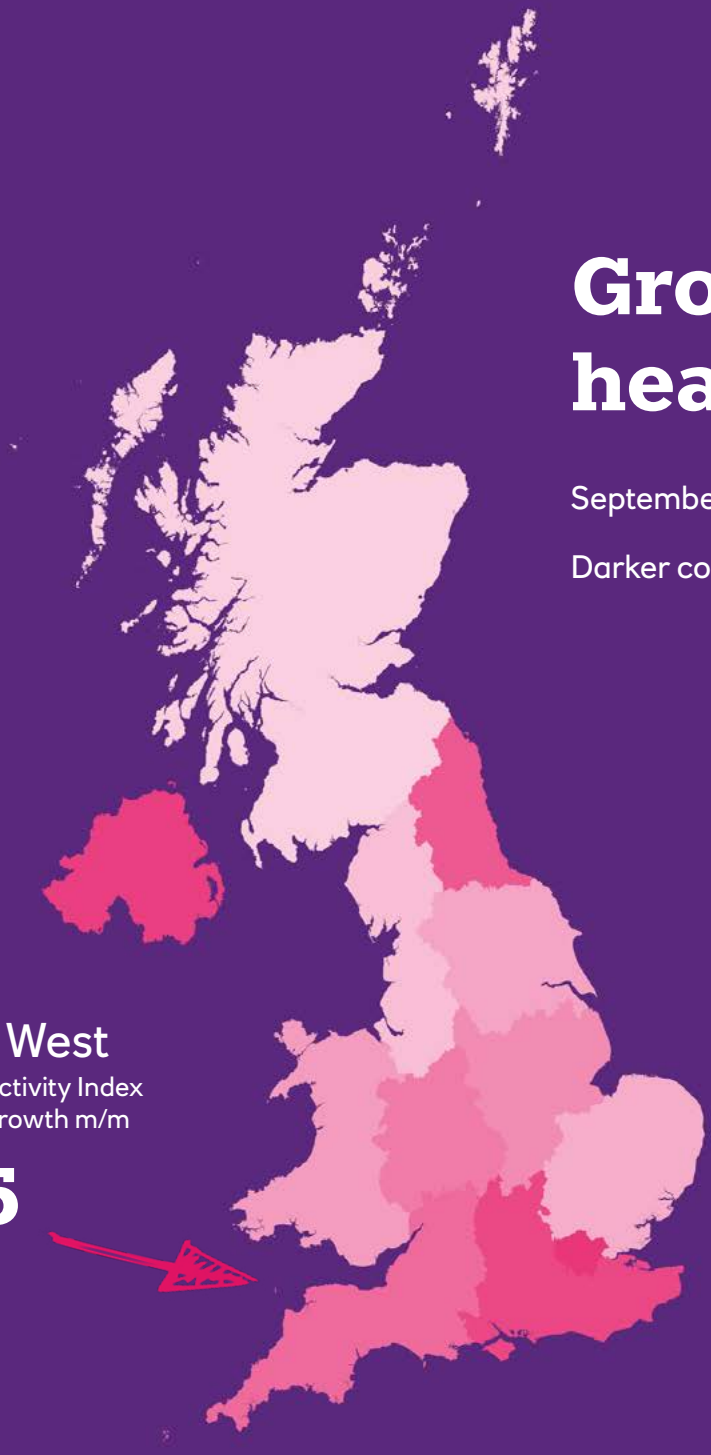
Sources: NatWest, S&P Global PMI. ©2026 S&P Global.

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Growth Tracker heat map

September 2026

Darker colour = higher business growth



South West

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

51.5



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

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UK sectors

Sector specialisation: South West

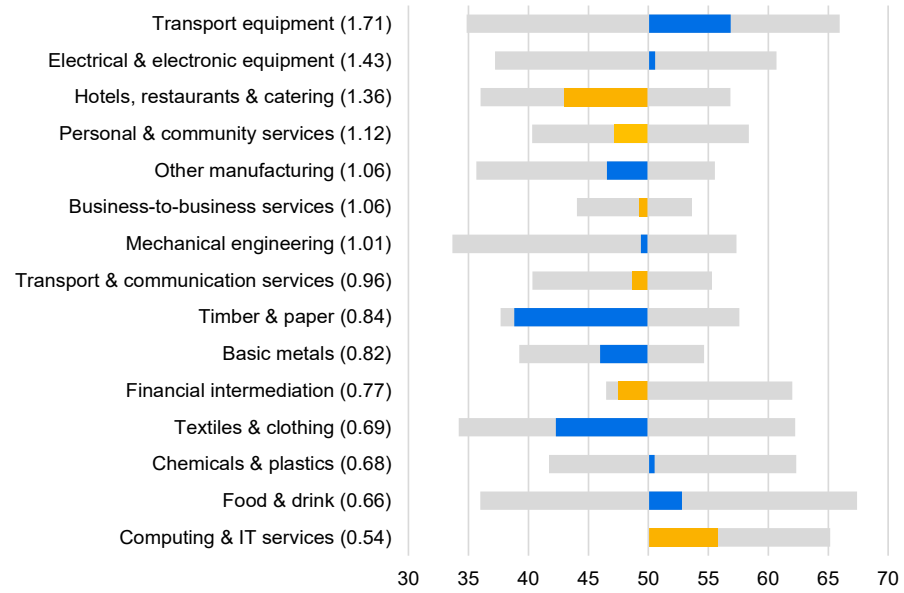
The chart shows UK output indices by sector, ranked by location quotients for the South West. Location quotients (LQs) are ratios derived by comparing the share of sector output (or gross value added) in regions with the national share of output in the same sector.

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

Manufacturing Services 3-year range

UK Output Index, sa, >50 = growth m/m Sep '26



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: Business-to-business services

Output levels came close to stabilising across the business-to-business services sector in the third quarter of the year, recording only a marginal contraction that was the weakest since mid-2025. This reflected more stable underlying demand conditions, with inflows of new business falling only modestly and at the softest rate for nearly two years.

A sustained sharp decline in backlogs of work across the sector pointed to underutilised capacity. As such, job numbers were cut further in the three months to September, maintaining a sequence of decline seen since early last year. After accelerating in the second quarter to the fastest seen since the initial phase of the pandemic, the pace of job shedding showed an easing trend, tallying with a partial recovery in business confidence.

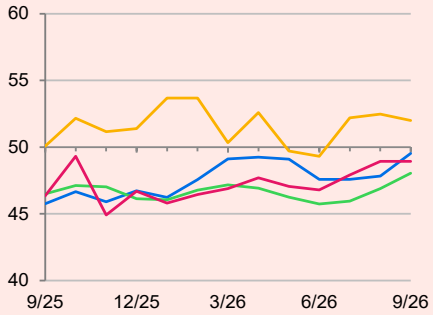
As for prices, rates of both input cost and output charge inflation were running below the highs seen in the second quarter, but they remained elevated by historical standards.

Output / Employment

/ Business-to-business services*

/ Manufacturing & services

Index, sa, >50 = growth m/m



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.

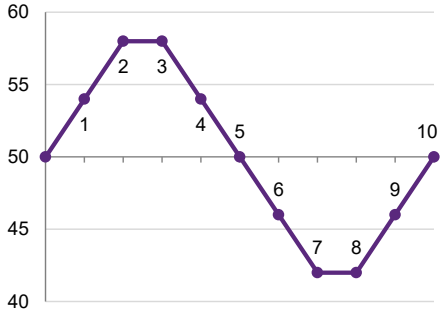
The headline figure is the Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity (at service providers) or output (at manufacturers) compared with one month previously. The South West Business Activity Index is comparable 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
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	52.9	48.6	48.2	60.9	66.9	55.6
8/26	53.0	51.9	52.9	52.0	47.7	66.2	67.4	55.6
9/26	51.5	50.3	54.1	51.1	48.6	61.9	70.0	57.3

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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.

www.natwest.com/business/insights/economics

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