UK mid-market demonstrates resilience as solid growth is maintained in Q3

Friday 17 October, 2025

UK mid-market demonstrates resilience as solid growth is maintained in Q3

Key findings:

- NatWest's Mid-market Growth Tracker marks more than four-and-a-half years of expanding output levels
- Business activity growth led by mid-market service providers in September
- Elevated growth expectations reported at mid-market firms, helped by easing input cost inflation
- SMEs experience another decline in business activity, but new orders fall to the smallest extent so far in 2025

Mid-market companies remained the growth engine of the UK private sector economy in September. according to the latest NatWest UK Business Growth Tracker data.

The Tracker – which surveyed mid-market businesses operating in the manufacturing and services sectors – fell from August's 13-month high of 56.4 to 51.6 in September. A modest upturn in mid-market business activity contrasted with stalling output across the UK private sector as a whole (50.1).

While some mid-market firms mentioned that a tentative pick-up in market conditions and new customer wins had supported growth, others noted subdued business investment and soft consumer demand as limiting factors. Mid-market growth continued to be centred on the services economy (index: 52.6), although the expansion here was the weakest in four months and only modest overall. Manufacturing output meanwhile fell at a solid pace that was the quickest in ten months (index: 46.4).

Although small and medium-sized enterprises (SMEs) continued to face a challenging business environment in September, the decline in new orders was the least marked seen across 2025 so far. The NatWest SME Business Activity Index – which surveyed SMEs in the construction, manufacturing and service sectors – fell slightly from 47.1 in August to 46.9 in September. SMEs in the construction and manufacturing sectors indicated the sharpest declines in output volumes during September, while service providers signalled only a moderate pace of contraction.

Sebastian Burnside, NatWest's Chief Economist, said:

"UK business confidence has been on a rollercoaster ride over the last three months, but mid-market firms rounded out the quarter in a solid position. With so much changing on both domestic and international fronts, it's no surprise to see activity vary substantially from month to month. But it's encouraging to see businesses reporting signs of cost pressures starting to ease, hopefully setting the scene for stronger growth into 2026."

Andy Gray, Managing Director of Commercial Mid-Market at NatWest said:

"The resilience and adaptability of the UK's mid-market firms is clearly demonstrated, as they continue to drive growth even as broader market conditions remain mixed.

"While challenges persist, particularly for SMEs, it's encouraging to see that mid-market businesses are showing elevated growth expectations and responding positively to easing cost pressures. At NatWest, we remain committed to supporting businesses as they navigate the evolving economic landscape and seize new opportunities for expansion."

Mid-market companies record marginal drop in new business

Total new business placed at small and medium-size firms decreased for the tenth successive month in September, but to the least marked extent since December 2024. Across the mid-market, the overall volume of new work fell in September, marking the second reduction in three months. The contraction was only slight and a reversal on August's solid upturn.

Employment falls more prominently across the mid-market than at SMEs

Related Sectors:

Business & Finance ::

Scan Me:

Employment numbers at SMEs decreased for the twelfth consecutive month in September. However, the degree of job losses remained less marked than across the UK private sector as a whole. The level of employment across the mid-market economy was solid and marked the sixth reduction in successive months in September.

Cost pressures soften for businesses of all sizes

Cost burdens faced by mid-market businesses continued to rise sharply at the end of the third quarter. That said, the overall rate of cost inflation fell to its lowest since November 2024 and was below the post-pandemic average. At SMEs, overall cost inflation was the second-lowest since December 2024, with construction, manufacturing and service providers all recording slower rates of cost inflation than in the first half of the year.

Optimism fades, but remains firmly in positive territory

SMEs remained confident about their own business prospects for the year ahead, although optimism levels slipped from August's 10-month high. All three sub-sectors saw confidence weaken in September. Mid-market companies were also generally upbeat in September. Although down from August's recent high, the Future Activity Index recovered back above its long-run average.

Ends

Company Contact:

_

Pressat Wire

E. support[@]pressat.co.uk

View Online

Newsroom: Visit our Newsroom for all the latest stories:
https://www.wire.pressat.co.uk