New Startup Index H1 2026

Business and Venture Creation in the UK

NatWest Group | BeauhurstInsights

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Foreword

Entrepreneurship has long been a defining strength of the UK economy. Amid economic adjustment, technological transformation and evolving market conditions, the latest NatWest and Beauhurst New Startup Index presents an encouraging picture of a business community continuing to adapt, innovate and create opportunity.

While the pace of new company formation has moderated compared with recent years, the UK's entrepreneurial ecosystem remains resilient. More than 400,000 businesses launched in the first half of 2026, taking the active company population to a record 5.66 million. Entrepreneurs nationwide continue to identify opportunities to start and build companies despite a changing economic landscape.

Growth is also widely distributed. Entrepreneurial activity is evident across the UK, with Scotland recording the strongest increase in startup formation and regions nationwide nurturing ambitious founders and innovative businesses. This reinforces entrepreneurship's role in economic growth, local regeneration, investment and job creation. Strong founder communities sit at the heart of this success, creating environments where ideas, expertise and opportunities can be shared and scaled.

Technology is increasingly shaping the UK economy. Application software is now the most active startup category, reflecting digital innovation and opportunities created by artificial intelligence, automation and other emerging technologies. These advances are lowering barriers and helping founders scale faster. As the UK seeks stronger productivity, competitiveness and long-term growth, these sectors will become increasingly important.

The findings also suggest a maturing entrepreneurial landscape. While incorporations have eased, the expanding active business base indicates that business creation remains robust and founders are building with greater intent and longer-term ambition. This points to a healthier, more sustainable ecosystem focused on growth, innovation and lasting economic value.

At NatWest, we see the determination and creativity of entrepreneurs across the UK every day. We support participation at every stage through regional Accelerator hubs, university partnerships and public- and private-sector collaborations. Through funding, expertise, networks and tailored programmes, we help founders start, scale and succeed. By bringing together entrepreneurs, mentors, investors and partners, we connect founders with opportunities that accelerate growth. We are also combining our regional Accelerator community with digital delivery to reach more entrepreneurs wherever they are based. Their success strengthens individual businesses and the wider UK economy.

This report shows how entrepreneurship is evolving nationwide. The shape of startup activity may be changing, but the UK's entrepreneurial spirit remains strong. By combining innovation, technology, vibrant regional ecosystems and collaborative support, we can help the next generation of founders create lasting economic and social impact.

NatWest Group

Darren Pirie,
Head of Accelerator & Partnerships,
NatWest Group

Executive summary

BeauhurstInsights

Company formation slowed during the first half of 2026, but Britain's business population continued to grow. 402k companies were incorporated in H1 2026, a 5.7% decrease from H1 2025, marking a second consecutive half-year decline. However, the active company base grew to 5.66m, indicating a resilient underlying business environment.

Quarterly data tells a similar story of adjustment rather than retreat. Incorporations peaked at 219k in Q3 2025, the highest quarterly total since Q2 2024, before easing through the seasonal cycle to 195k in Q2 2026, leaving the rolling quarterly average at 196k. Two regulatory changes may have influenced these figures: mandatory identity verification for directors and persons with significant control, introduced in November 2025 under the Economic Crime and Corporate Transparency Act 2023 ("ECCT"), and the doubling of Companies House incorporation fees from February 2026. Identity verification is likely to have contributed more significantly to the slowdown than higher incorporation fees. Whilst both may cause friction in the short term, in the longer term, these changes are intended to raise the bar for incorporation, filtering out low-intent fraudulent registrations in favour of companies with greater longevity.

Regionally, activity moderated across the UK, but the differences were striking. Scotland recorded the fastest growth from H2 2025 at 3.73%, followed by the East Midlands at 3.30%, and London remained the dominant hub with 136k new companies.

Overall, our findings suggest the business population is adjusting to a changing regulatory environment rather than experiencing a sustained slowdown.

5.66m

active companies at the end of H1 2026

402k

companies incorporated in H1 2026

136k

companies incorporated in London in H1 2026

"Britain's start-up economy is adjusting, not retreating. While incorporations eased in the first half of 2026, the active company base has continued to grow, showing the underlying resilience of UK entrepreneurs against a turbulent backdrop. The shift towards software and digital businesses is especially striking, and speaks to the economy's changing centre of gravity as technology transforms what we do and how we do it. This underlines the importance of backing the founders who are driving those opportunities wherever they are, connecting them to the right support, and helping turn ambition into long-term growth."

Seb Burnside,
Chief Economist,
NatWest Group

New company formations

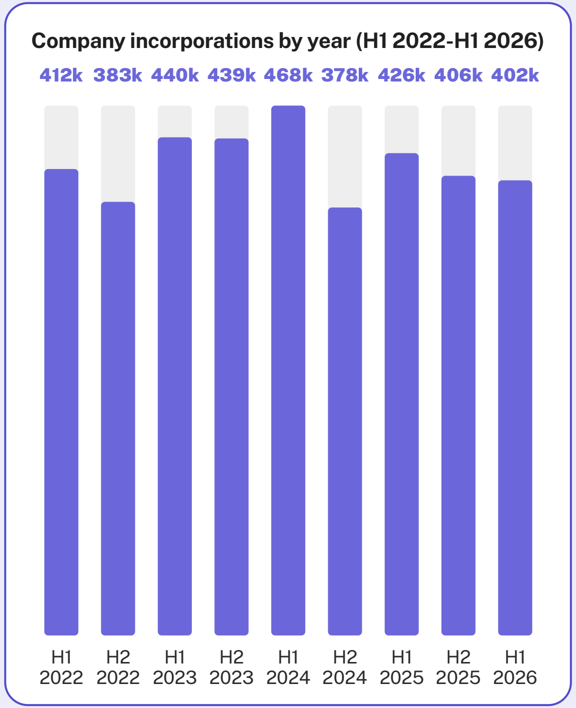
Company formation slowed to 402k incorporations in H1 2026, the lowest first-half total in five years. The number of incorporations fell from 426k in H1 2025 to 406k in H2 2025 and 402k in H1 2026, the second consecutive half-year decline and a fall of 5.7% from H1 2025 alone.

The broader seasonal pattern still holds, with H1 typically outperforming the H2 that follows, as seen in 2022, 2024 and again in 2025. The exception was 2023, when H1 (440k) and H2 (439k) were almost identical. The change within each year can be substantial; in 2024, incorporation volumes fell by 19.2% from 468k in H1 to 378k in H2. Against this backdrop, the 5.7% year-on-year fall between H1 2025 and H1 2026 is comparatively modest.

The slowdown also coincided with a changing industry profile of new company incorporations. Application software rose 40% year-on-year to 28.1k, overtaking restaurants and property development to become the UK's most common industry for new companies. Meanwhile, the broader Digital and technologies industry grew 38% to 28.9k incorporations, alongside increased investment in AI and technology. By contrast, incorporations in more traditional consumer-facing industries declined, with clothing down 26% year-on-year and restaurants, pubs, cafés and takeaways falling by 10%, likely reflecting sustained cost pressures from rising business rates and employer National Insurance contributions relative to digitally native sectors such as software.

The overall decline may in part reflect the introduction of mandatory identity verification under the ECCT. While this adds administrative rigour to the incorporation process, it is also designed to improve the quality and reliability of the company register in favour of companies with greater longevity.

It is too early to determine whether this is a temporary adjustment or a more sustained trend. It is also unclear whether lower incorporation numbers reflect fewer businesses being created or more entrepreneurs, including solopreneurs, choosing not to incorporate.

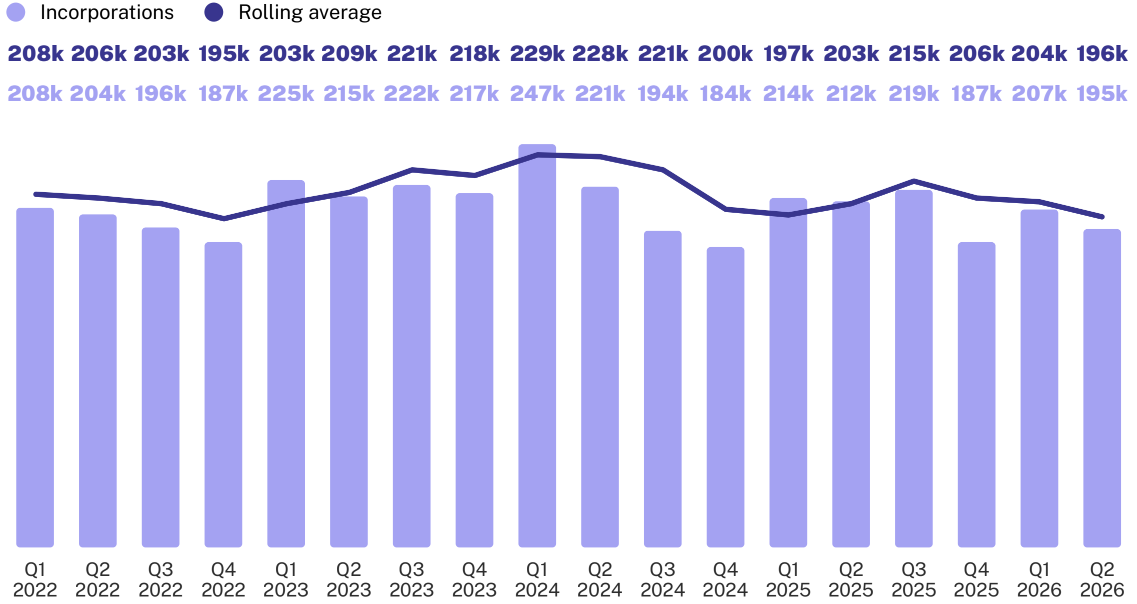


Quarterly incorporations

Incorporation volumes climbed to 219k in Q3 2025, the highest quarterly total since Q2 2024, before falling back sharply to 187k in Q4, a 14.3% quarter-on-quarter decline. Q1 2026 saw the usual seasonal rebound, rising to 207k, consistent with the pattern seen in most years across this series. Yet this recovery proved short-lived, as incorporations slowed again to 195k in Q2 2026, pulling the rolling quarterly average down to 196k, its lowest reading since Q4 2022. This figure remains broadly in line with historical trends. However, it does mark a fourth consecutive quarterly decline in the rolling average.

The rising cost of running a company may also have discouraged some sole traders from incorporating. A higher dividend tax rate from April 2026 narrowed the tax advantage of the company structure, while the April 2026 increase in the National Living Wage, on top of 2025's rise in employer National Insurance, added to the cost of incorporating a business that employs staff.

Companies incorporated by quarter (Q1 2022-Q2 2026)



Regional incorporation analysis

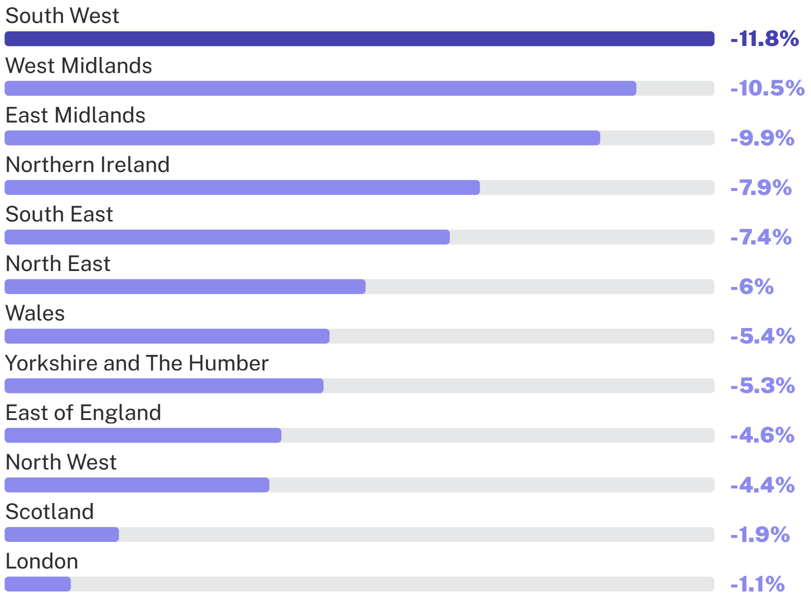
Incorporation activity in H1 2026 fell below recent historical norms across every UK region, although the scale of the decline varied considerably. London and Scotland remained closest to their median H1 incorporation levels over 2022–2025, but the South West, West Midlands and East Midlands recorded the largest shortfalls.

Despite these weaker-than-usual H1 results, recent incorporation trends suggest some regions have begun to recover. London maintained its lead with 136k new businesses incorporated in H1 2026, while Scotland recorded the strongest growth from H2 2025 at 3.73%, followed by the East Midlands at 3.30%. Scotland's growth was concentrated in Glasgow and Edinburgh, which account for over a third of incorporations and also host hubs within the Scottish government's Techscaler programme. This may reflect sustained government investment in entrepreneurship, including a record £45m budget package for 2026–27 and continued support for startup programmes. Scotland's business rates relief from April 2026 may also have supported small, premises-based businesses, particularly in retail and hospitality, during a period of rising operating costs. Growth elsewhere was more modest, with the East of England up 2.69% and the South East 0.99%.

Scotland

recorded the fastest growth rate at 3.73%

H1 2026 incorporations vs. H1 2022-25 median by region

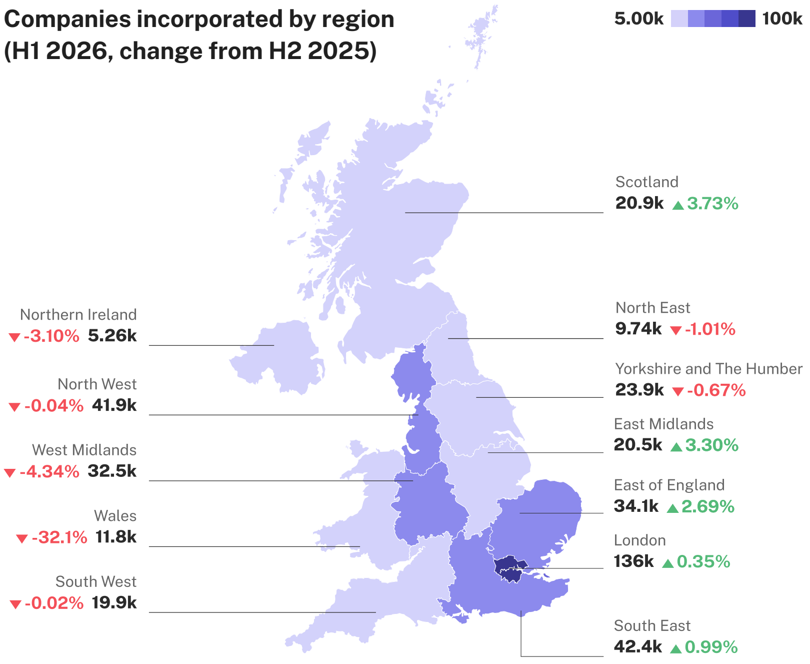


This contrast suggests that regions closest to their longer-term H1 norms are not necessarily those experiencing the fastest recent growth. While London and Scotland both performed relatively well against their historical baselines, the East Midlands combined one of the largest historical shortfalls with one of the strongest increases from H2 2025, indicating that recent momentum has not yet been sufficient to offset a weaker first half relative to previous years.

An exception is Wales, where incorporations fell by 32.1% to 11.8k. However, this decline may be overstated due to the ECCT reforms. Companies with an invalid or missing registered address can be reassigned to one of two default Companies House addresses in Cardiff, potentially inflating the number of companies attributed to Wales. Because these reassignments occur after incorporation, older cohorts are more affected than recent ones. 7.3k companies incorporated in H2 2025 are likely to have been reassigned, compared with 1.6k in H1 2026. As a result, part of the apparent decline likely reflects reassignments still to come rather than a genuine fall in company formation.

> "The East Midlands combined one of the largest historical shortfalls with one of the strongest increases from H2 2025."

Companies incorporated by region (H1 2026, change from H2 2025)



Company spotlight

Pounce Padel was launched seven months ago by Georgie Rennie. She designs and manufactures high-performance padel rackets tailored specifically for women, with a mission to help more women move, play and enjoy the sport.

Georgie won the Royal Bank of Scotland Accelerator Pitch competition in April 2026 at the opening of the bank's Accelerator hub in Edinburgh.

Georgie Rennie, Pounce Padel Founder, said:

"I'm seven months into launching Pounce Padel, so the pace of the last year still surprises me. But the biggest surprise as a startup has been the support I've received from strangers and friends alike.

"As a solo entrepreneur, you're doing everything, marketing, sales, accounts, website, user experience, data, all of it. So, access to funding, coaching and networks meant I could learn faster, pick the brains of people who'd done it before, and be part of a collaborative network. Without that, I couldn't have grown as quickly.

"The Royal Bank of Scotland Accelerator pitch was the turning point. It didn't just bring funding, it gave me the credibility and exposure to move at a completely different speed. Doors opened that would normally take years to get through, and I found myself collaborating with brands like Sweaty Betty on activations I hadn't expected to reach this early.

"The challenges? Manufacturing and shipping timelines. Selling out was an incredible place to be, but what I want is to have stock ready to meet demand, and lead times are far longer than you'd expect. When you're building something new in a market no one else is really doing, it's hard to predict demand. By the time rackets are back in stock, I'm already planning the next collection, so the juggle between having enough stock and not overcommitting has been hard.

"I'm proud to have been able to set up my business in Scotland. Scotland has a real entrepreneurial energy. Founders are prepared to think big, but they are also generous with their experience and connections. With continued access to finance, expert coaching and networks, Scotland based entrepreneurs can continue to build businesses that are successful beyond the domestic market."

Methodology

Data source

Beauhurst data is the primary data source for this report. Data on new company incorporations is derived from the official public records from Companies House. The dataset encompasses new company incorporations in the UK over a five-year period from 2022 to 2026.

Data integrity and limitations

- **Accuracy of self-reported data:** The report's findings are based on the accuracy of the information provided by companies to Companies House. Discrepancies or inaccuracies in self-reporting may influence the data analysis.
- **Treatment of registered office address:** From May 2024, Companies House began assigning a default registered office address in Cardiff to companies with missing or invalid addresses. In H1 2026, 1,568 newly incorporated companies were assigned this default address and are therefore included within the Wales figures in this report

This report data is accurate as of the 17th July 2026.

BeauhurstInsights

Beauhurst Insights deliver analysis, interpretation and commentary on the UK's economy to our clients across the public and private sectors, transforming high-quality data into economic understanding.

We work on thought leadership, strategic consulting, and economic evaluation engagements. Anyone wanting to better understand the UK's economy should work with us. Our methodologies and outputs can be tailored to geographies, sectors, and business types.

insights@beauhurst.com
www.beauhurst.com

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stephanie.melrose@natwest.com
www.natwest.com

Editor Henry Whorwood
Production Freya Morten, Tom Sharpe
Design Evangeline Luckhurst

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