New Startup Index 2026

Business and Venture Creation in the UK in 2025

NatWest Group | BeauhurstInsights

Contents

Foreword

NatWest Group

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The latest Index presents a picture of UK entrepreneurship that is evolving, resilient, and full of potential. While the headline number of business formations dipped slightly in 2025 - driven in part by the impact of strengthened Companies House rules - there are still clear reasons for optimism. Most notably, the number of active businesses reached a record high of 5.66m by the end of the year. Despite the challenges many new businesses face, more are surviving, sustaining themselves, and contributing to the UK economy than ever before. And there is further encouragement with the Index projecting that the number of active companies is on track to reach 5.71m by early 2027.

Small businesses play a vital role in driving economic growth across the UK. While London remains the largest centre for new company formations, the strongest growth came from the North East, North West and Scotland. This regional vibrancy highlights the talent and ambition found in every nation and region.

As the biggest bank for businesses in Great Britain, NatWest has a deep understanding of both the obstacles and opportunities facing founders. Our role is far more than providing finance, we aim to be a trusted partner, creating the right conditions for small businesses to start, scale and thrive. Through NatWest Accelerator, we are doing exactly that. This year we are expanding our community five-fold to 50,000 members. The results speak for themselves: businesses that come through our Accelerator have higher survival rates, stronger turnover growth and attract more investment than their peers.

We are also increasing our scale and impact. By working with universities such as Manchester, Oxford, York and Brighton, and with plans to develop hubs at up to ten universities, we are bringing together academic research, innovation, and commercial know how. This investment is to ensure that the entrepreneurs of today and tomorrow have access to the networks, insights and expertise they need to turn ideas into scalable businesses.

Our commitment spans the full lifecycle of a business, from our Accelerator to our digital business banking app Mettle, through to scale up expertise for high growth firms. Whatever stage an entrepreneur is at, we will help them take the next step. NatWest is proud to champion entrepreneurs, and prouder still of the thousands of founders who continue to build, innovate and create opportunities in every corner of the UK.

Executive summary

BeauhurstInsights

In 2025, the rate of new company incorporations in the UK declined slightly, with 832k companies registered over the year — down 1.65% from 2024. However, despite this moderation, incorporation levels remained above those recorded in 2021 and 2022, suggesting a stabilisation following the exceptionally strong formation activity seen in recent years.

By year end, the total number of active companies in the UK rose to 5.66m, an increase of 0.82% compared with 2024 and the highest level recorded in the past eight years. This indicates that, on aggregate, new company creation continued to outpace business attrition across the year.

Incorporation activity followed an atypical seasonal pattern in 2025. Rather than peaking in Q1, volumes rose through the year to a high of 219k in Q3. The subsequent fall in Q4 was sharper than in previous years, likely reflecting changes to the timing of incorporation ahead of mandatory director identity verification.

Regionally, incorporation trends were mixed. Five of the UK's 12 regions and nations recorded year-on-year growth, led by the North East, Scotland and the North West. By contrast, Northern Ireland and Wales experienced the largest declines, 35.6% and 18.9% respectively, following particularly strong incorporation levels in recent years. London remained the UK's largest hub for new businesses, with 279k incorporations.

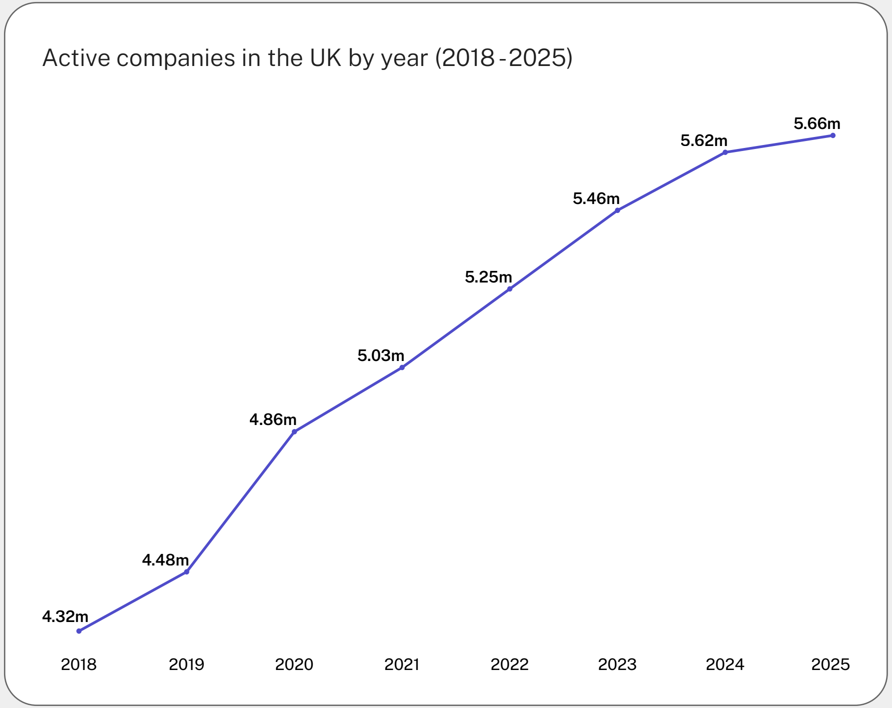
At a sectoral-level, real estate-related activities remained prominent, with incorporations under "Other letting and operating of own or leased real estate" and "Buying and selling of own real estate" both increasing year-on-year. Technology-led activity also performed strongly, with "Business and domestic software development" recording the fastest growth, up 38.4% to 24.8k incorporations. Across regions and sectors, more stringent compliance checks following Companies House reforms may have influenced incorporation volumes, reflecting increased scrutiny at the point of registration rather than weaker underlying demand.

5.66m
active companies at the end of 2025
▲ +0.82%

832k
companies incorporated in 2025
▼ -1.65%

279k
companies incorporated in London in 2025
▼ -2.36%

Summary of active companies



Despite the continuing decline in business formations in 2025, the overall number of active companies in the UK edged higher, ending the year at an eight-year high of 5.66m — up 0.82% from 2024. Were this growth rate to continue, the UK would have 5.71m active companies at the start of 2027.

Overall, the continued growth in the UK's active company base suggests that, on aggregate, new company creation continued to outpace business attrition across the year.

However, early-stage attrition remains evident in newly formed companies. Among companies incorporated in 2025, 2.43% (approximately 20.2k) were dissolved within the same calendar year, with 19.96k dissolutions representing the top-entity in their legal structure.

Attrition is also visible in the 2024 cohort: 27.98% of the 846k entities incorporated in 2024 have since been dissolved. This reflects the speed at which early-stage entities are tested in current market conditions shaped by higher interest rates, constrained access to finance, and ongoing cost pressures.

45,848

increase in the number of active companies compared to 2024

5.71m

projected active companies by the start of 2027[1]

[1] Based on continuation of the 2025 growth rate.

Annual incorporations

While the UK's active company base continued to expand in 2025, the pace of new company formation moderated over the year. In total, 832k companies were incorporated in 2025, a slight decrease of 1.65% from 846k in 2024.

Although incorporations have declined since 2023, 2025 volumes remained above 2021 and 2022 levels, 7.88% higher than in 2021. This is consistent with a stabilisation in business formation following the Covid-affected period and the subsequent rebound in 2023, rather than a sustained downturn.

At the same time, macroeconomic pressures persisted throughout 2025 and are likely to have contributed to a more selective incorporation environment, including continued uncertainty around tax policy, inflation-driven cost pressures, and rising wage bills. Regulatory changes may have also shaped formation activity. The continued implementation of the Economic Crime and Corporate Transparency Act, including the rollout of identity-verification requirements, has increased the administrative burden of incorporation.

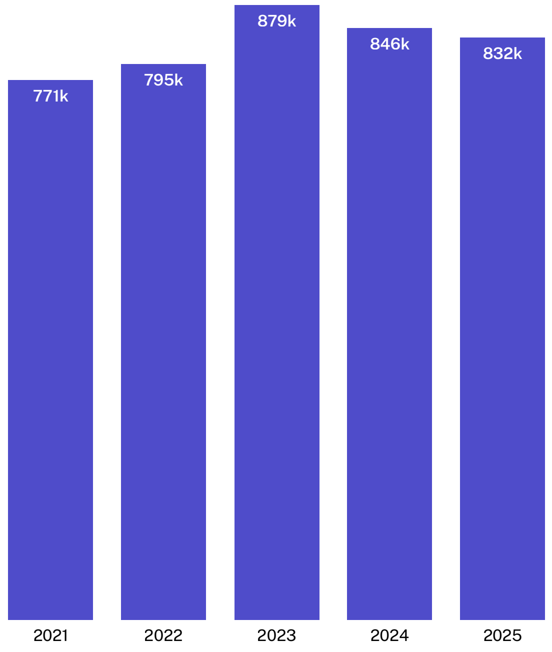
Interestingly, incorporation activity peaked in the third quarter of the year, with 219k new companies registering, contrary to the usual seasonal pattern in which volumes are highest in Q1 before cooling through the year. In line with the usual end-of-year slowdown, the number of incorporations fell back in Q4 to 187k. However, the introduction of mandatory director identification during the quarter is likely to have dampened activity by increasing friction in the company registration process.

831,979

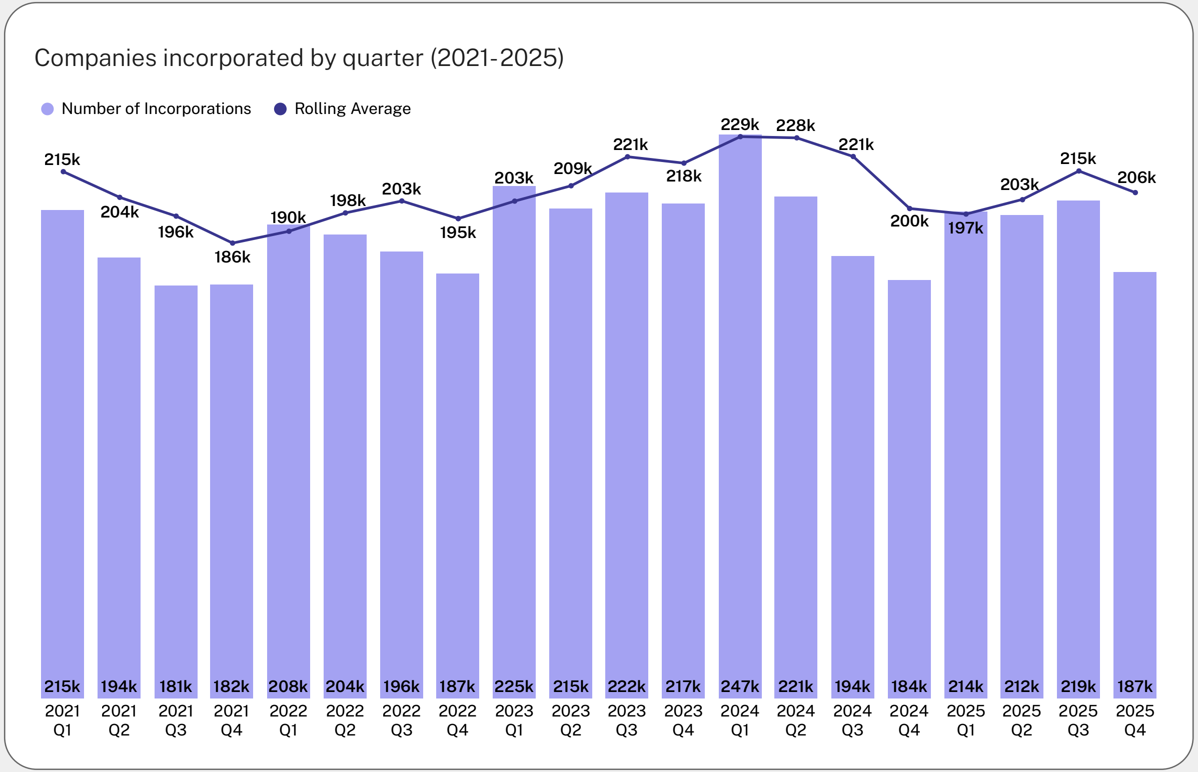
companies incorporated in 2025

It is important to note that incorporation does not necessarily equate to the creation of a new business. A new legal entity can represent strategic business reorganisation or future business planning. For instance, in 2025, 35.9k incorporations (4.31%) were subsidiaries created within existing legal structures.

Companies incorporated by year (2021-2025)



Quarterly incorporations



Incorporations in Q1 2025 followed the typical seasonal rebound from the previous Q4, with 214k new companies formed. However, this was the weakest Q1 since 2022, which may have resulted from a shift in incorporation strategies following the policy changes announced in the Autumn Budget 2024.

206k

rolling quarterly average at the end of 2025

Quarterly volumes broadly followed the overall trend of incorporations across 2021-2025. In most quarters, 2025 outperformed 2021 and 2022, but remained below the elevated levels seen in 2023 and 2024. Unlike 2024, incorporation activity in 2025 was relatively stable from Q1 to Q3, peaking at 219k in Q3, before falling sharply in Q4. While Q4 declines are typical, the 14.3% drop from Q3 was larger than in previous years, likely due to founders adjusting the timing of incorporations in response to forthcoming identity verification requirements, alongside broader political uncertainty ahead of the Budget in November 2025.

Regional incorporation analysis

Across the UK regions in 2025, the business formation landscape was mixed, with year-on-year incorporation rates rising in five of the 12 regions and nations.

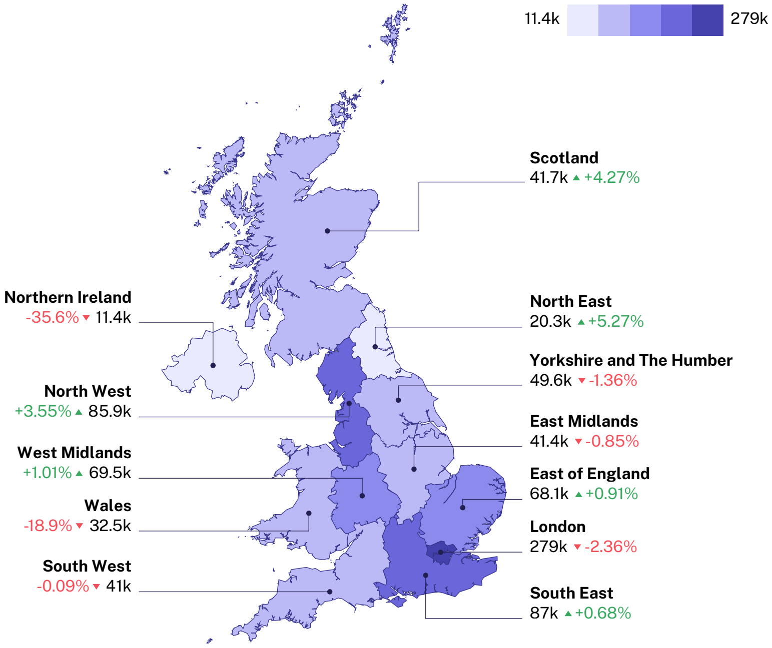
The strongest-performing regions compared with 2024 were the North East, Scotland, and the North West, with business formations up by 5.27%, 4.27%, and 3.55%, respectively. More modest growth was also recorded in the West Midlands (1.01%), East of England (0.91%), and South East (0.68%).

By contrast, Northern Ireland and Wales recorded the largest declines, with new incorporations down by 35.6% and 18.9%, respectively. The decline in Northern Ireland follows strong incorporation levels in 2023 and 2024 (14.0k and 17.7k incorporations, respectively), and suggests a return to the levels of new business formation seen prior to 2023.

As expected, London recorded the largest number of business formations, with 279k new incorporations in 2025, and continues to dominate the landscape due to its large population and high volume of business activity.

However, despite this scale, London recorded a relatively small year-on-year decline of 2.36%. Similarly, small decreases were observed in the South West, East Midlands, Yorkshire and the Humber. These changes may, in part, reflect the introduction of more stringent compliance checks following reforms to Companies House rules and could indicate a healthier business ecosystem with fewer fraudulent incorporations.

Regional distribution of 2025 figures, annual change from 2024



Local authority incorporation analysis

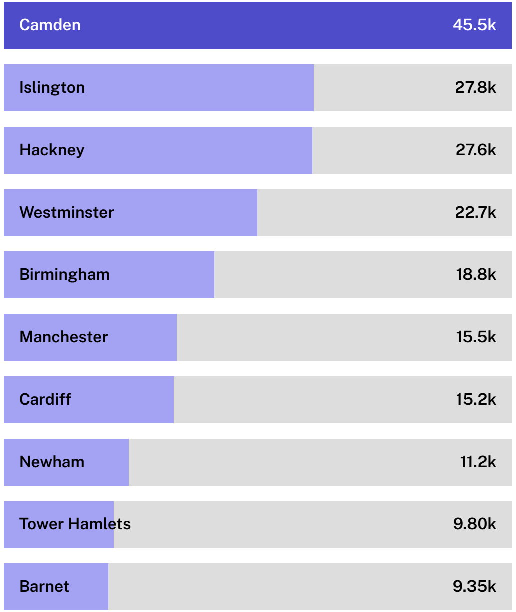
In 2025, local authorities in London accounted for seven of the top ten areas for new company formations across the UK. Camden remained the leading local authority by volume, with 45.5k incorporations, an uptick of 4.13% from 2024.

Outside the capital, Birmingham recorded the highest number of incorporations, with 18.8k new businesses formed in 2025. Despite a 4.27% decline year-on-year, Birmingham overtook Cardiff to become the highest-ranked local authority outside London, placing fifth overall.

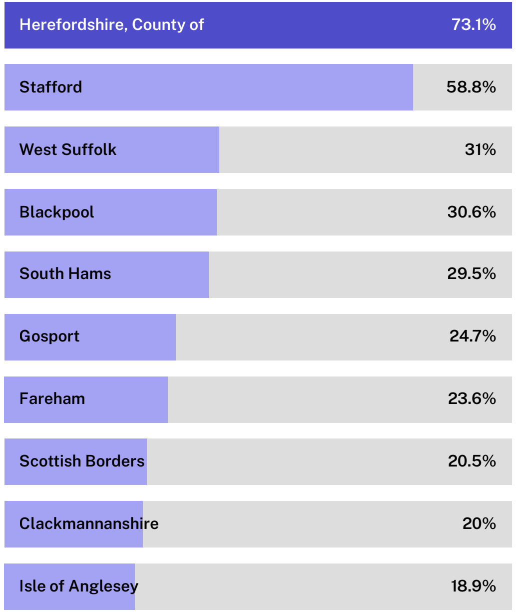
In Scotland, Glasgow City and the City of Edinburgh recorded the highest incorporation volumes, while the Scottish Borders and Clackmannanshire saw the fastest growth at 20.5% and 20% respectively, indicating a broadening base for new business creation.

Overall, the County of Herefordshire recorded the fastest growth rate in 2025 (73.1%), followed by Stafford (58.8%), with both authorities significantly outpacing other areas.

Top local authorities by number of company incorporations (2025)



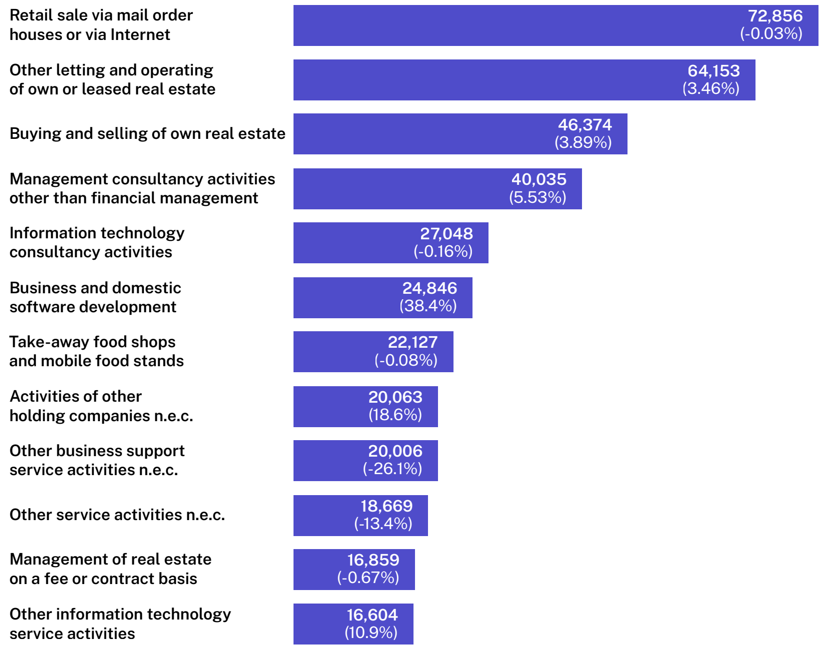
Fastest growing local authorities in 2025, annual change from 2024[2]



[2] Local authorities with at least 15 companies incorporated in 2025.

Sectoral incorporation analysis

Fastest growing SIC codes in 2025, annual change from 2024[3]



Real estate-related SIC codes continued to show strong growth in 2025, with “Other letting and operating of own or leased real estate” and “Buying and selling of own real estate” again ranking in the top three sectors by new company formations. Incorporations under these SIC codes also increased year-on-year, rising by 3.46% and 3.89%, respectively.

The fastest growth rate was recorded for “Business and domestic software development,” with incorporations increasing by 38.4% in 2025 to 24.8k. This is consistent with broader growth in the UK’s AI sector: since 2022, the number of AI companies in regions such as the West Midlands, North West, East Midlands, Wales, and Yorkshire and Humber has at least doubled.[4]

Incorporations under “Retail sale via mail order houses or via Internet” continue to highlight the prominence of online shopping among consumers. Despite a slight decline in 2025 (-0.03% compared to 2024), this SIC code remained the most common among newly incorporated companies.

Regulatory developments may have also influenced sectoral incorporation patterns. The ongoing rollout of reforms under the Economic Crime and Corporate Transparency Act 2023 has expanded Companies House’s role in verifying company information, increasing scrutiny at the point of incorporation. This may have contributed to fewer incorporations in certain SIC codes, although any resulting decline may indicate a healthier and more robust business ecosystem.

[3] “n.e.c.” denotes “not elsewhere classified”. Full SIC definitions and explanatory notes are available via the UK Standard Industrial Classification of Economic Activities (ONS).
[4] The rise of artificial intelligence: What next for the UK economy?, Economics Observatory (November 19, 2025), accessed February 4, 2026.

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 2021 to 2025.

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 2025, 11,266 companies were assigned this default address and are therefore included within the Cardiff and Wales figures in this report.

SIC code analysis

- **Self-nomination of SIC codes:** Companies self-report their Standard Industrial Classification (SIC) codes during the incorporation process with Companies House. These codes indicate the company's intended primary business activities, though activities can change over time. Individuals may also not necessarily select the SIC code that most reflects their planned activities.
- **Dynamic nature of SIC Codes:** Companies may change their operational focus or expand into new sectors, leading to changes in SIC codes post-incorporation. The report captures the state of SIC codes at the time of incorporation.
- **Multiple SIC codes:** When incorporating a new company, individuals must select at least one SIC code; however, it is possible to select more than one. For this reason, companies will be counted multiple times in the SIC code analysis presented in this report.

About us

Beauhurst Insights deliver analysis, interpretation and commentary on the UK's economy to our clients across the public and private sectors. We specialise in 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.

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To find out more about NatWest's Accelerator, visit the website.

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