



# Quarterly Business Bulletin

## Spring 2021



# Executive Summary



David Ralph  
HotSW LEP Chief Executive

Hello and welcome to our Spring 2021 business bulletin.

My theme in the last edition was one of uncertainty so I am pleased that the sentiment just a few months later is more what I would call cautious optimism. There remain considerable challenges for our area as a whole and more especially for particular places, sectors and groups so it is too early to say we are out of the woods yet, but there are certainly grounds for a more positive outlook.

Nationally and locally, output has seen modest growth in recent months and recovery prospects look good, with business confidence levels improving significantly. Unemployment in the south west has fallen quarter on quarter and at 3.9% is lower than the national average of 4.8%. Levels of vacancies and business investment have risen and many people and businesses have relatively large levels of savings and cash that they are expecting to spend in the coming months.

So a much more positive picture but there are still major concerns. Much of the immediate economic growth is a recovery of what has previously been lost; the economy is not expected to return to its pre-pandemic level until end 2021/ early 2022 and based on pre-pandemic growth rates will still be smaller at the end of 2023 than it would have been had the pandemic not occurred. This longer-term scarring is a major risk to the prosperity of people in our area and we have to ensure that growth is not just a short term bounce-back from what has been lost – more on the LEP's work in this area below.

Unemployment remains higher than it was pre-pandemic though is expected to peak at a lower level than previously feared. However, as I have previously mentioned, the sector mix in our area means certain

places and groups are more vulnerable, being both harder hit in the short term and with a slower recovery. This is especially true of the tourism and hospitality sectors whilst younger people have been disproportionately affected by unemployment. It means that inclusive growth – the opportunity for everyone to contribute to and benefit from economic growth – has to be an integral part of the future.

The March Budget was reasonably comprehensive with key measures such as the super deduction tax benefitting businesses with higher investment in plant and machinery. This certainly provides some short term stimulus but may just have pulled forward investment.

As I write this there is a live debate on how open the UK will be to overseas markets through new trade deals and the impact these may have on sectors such as farming. And over half of manufacturers report negative impacts when exporting products to EU customers and almost two thirds say supply chains have been negatively impacted as a result of the new trading relationship.

**There remain considerable challenges for our area especially for particular places, sectors and groups - it is too early to say we are out of the woods yet but there are certainly grounds for a more positive outlook**

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And of course fundamentally all is dependent on the pandemic being kept under control, the impact of new variants being relatively modest and associated public health restrictions being and remaining removed.

I remain concerned that Government focus continues to be on the north of England and larger urban areas, that moves to bolster the Union will absorb increasing amounts of time and resources and that therefore the issues and opportunities across the Heart of the South West area and wider south west remain relatively unseen by Ministers. Whilst welcoming the monies available under the Levelling Up and Community Renewal funds announced in the Budget, their design is leading to increased fragmentation across the area making it even more challenging to ensure investment is making a difference at the right scale.

## **The Build Back Better plan has been published, setting out programmes for transformational change around clean and inclusive growth**

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In addressing these challenges, the LEP has now published its plan to Build Back Better, endorsed by partners and setting out programmes for transformational change – opportunities to fundamentally rebuild the economy of the area for the better over the medium term, centred around clean and inclusive growth ([Build Back Better plan - Heart of the south west LEP \(heartofswlep.co.uk\)](#)). The programmes are firmly anchored in the unique opportunities our area offers and realising the potential of these as part of the recovery effort is the major priority of the LEP.

In terms of other policy moves, the previously intended white paper on local growth has now been merged with a forthcoming white paper on levelling up – date still to be announced. At the Budget, Government also announced a review of LEPs, led by the BEIS Minister for Small Business, Consumers and Labour Markets, Paul Scully MP. Government intends to publish the review before the summer recess and on 18th May, the Minister confirmed to the BEIS Select Committee that LEPs would remain the key drivers of local economies.

In other words then, cautious optimism; some major economic and policy challenges but also opportunities and a plan for a different future for the area.

Thank you once again to all those in our partner organisations who have helped us bring this bulletin together. These partners represent over 25,000 businesses across our patch and your contribution is very much appreciated.

## **I remain concerned that Government focus on the north of England, larger urban areas and moves to bolster the Union means that the issues and opportunities across our area remain unseen by Ministers**

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## Summaries and Extracts from Key Reports

NB We have used the most recent data available at the time of the production of this Bulletin and thus, some reports refer to different 'quarters'.

### Office for Budget Responsibility, Economic and Fiscal Outlook, March 2021 - Completed

[Economic and fiscal outlook - March 2021 - Office for Budget Responsibility \(obr.uk\)](#)

The Office for Budget Responsibility's (OBR) March 2021 forecasts, published in conjunction with the Government's Budget, provide some of the most up to date information we have on the anticipated future impact of the coronavirus pandemic on the UK economy. The OBR anticipates GDP to grow by 4% in 2021 and to regain its pre-pandemic level by the second quarter of 2022, six months earlier than forecast in November 2020. Similarly, whilst unemployment is anticipated to rise by a further 500,000 to reach a peak of 6.5% by the end of 2021, this expected peak remains 340,000 (1.5%) lower than the anticipated peak in November, largely due to the extension of the Coronavirus Job Retention Scheme.

Despite this more positive outlook, the OBR does anticipate that beyond March 2022 the economy will suffer a 'scarring' impact in supply capacity, with the pandemic lowering output in the medium term by 3% relative to its pre-pandemic path. In addition, the OBR notes that whilst extensive Government support has served to reduce redundancies and unemployment, those measures may have "delayed, rather than avoided, some of the higher unemployment and business insolvencies that will inevitably accompany the withdrawal of government support".

### ONS, GDP first quarterly estimate, UK: January to March 2021 & GDP monthly estimate, UK monthly estimate: March

[GDP first quarterly estimate, UK - Office for National Statistics \(ons.gov.uk\)](#)

[GDP monthly estimate, UK - Office for National Statistics \(ons.gov.uk\)](#)

- UK GDP contracted by 1.5% in Q1 2021 (January to March), following 1.3% growth in Q4 2020. The level of GDP output in the UK therefore remains 8.7% below where it was at the end of 2019.
- Services output decreased by 2% in Q1 2021, falling 8.7% below Q4 2019 pre-pandemic levels. This was primarily due to a large fall in education output due to mandated school closures. Similarly, Accommodation & Food industries, in addition to Retail & Wholesale, also saw declines in output due to public health restrictions.
- Manufacturing output decreased by 0.7% in Q1, with total output 3.4% below Q4 2019 levels. This fall was largely driven by a decrease in manufacturing of transport equipment, although this was partially offset by an increase in the manufacture of pharmaceuticals.
- In contrast to manufacturing and services, construction output increased by 2.6% in Q1 2021, although total output remains 3.4% below pre-pandemic levels. This quarterly increase was largely accounted for by new private commercial work, in addition to new work and repair and maintenance in private housing.
- More timely monthly GDP data has painted a more positive picture, with 2.1% growth estimated in March 2021, with the services sector growing as schools re-opened across England and Wales, and retail trade sales continuing to show strength.

## Labour Market Overview, UK: ONS May 2021

[Labour market overview, UK - Office for National Statistics \(ons.gov.uk\)](#)

Data source reporting periods and count dates for the Labour Market Overview vary slightly depending on the metrics reported. Reported below are some of the key metrics of pertinence which suggest small moves towards recovery:

- The estimated employment rate between January to March 2021 increased slightly on the previous quarter to 75.2% but remained 1.4 percentage points below its pre-pandemic level. The unemployment rate saw a small decrease of 0.3 percentage points to 4.8%, 0.8 percentage points higher than before the pandemic.
- The unemployment rate has remained relatively low to date, primarily due to the positive impact of Government support schemes, particularly the extension of the Coronavirus Job Retention Scheme. However, employment amongst young people (16-24) has fallen by 4.4% since the start of the pandemic to 60.8% whilst unemployment has risen from 10.5% pre-pandemic to 12% from Jan-Mar 2021. It is thought that more young people are staying in education rather than entering work.
- From January to March 2021, reports of redundancies in the three months prior to interview decreased by a record amount on the quarter, but still remain higher than pre-pandemic levels. These figures are reinforced by 'pay as you earn real time information' for April 2021, which showed total employee numbers rose for the fifth consecutive month in a row, though remain 772,000 below pre-pandemic levels.

## Vacancies and jobs in the UK: May 2021

[Vacancies and jobs in the UK - Office for National Statistics \(ons.gov.uk\)](#)

Whilst the Coronavirus pandemic has impacted economic activity across the board, not all industries have been affected to the same extent. Vacancies and jobs data from February to April 2021 serve to highlight some of the disparities:

- For February to April 2021, there were an estimated 657,000 vacancies, representing 8% growth (48,400 vacancies) compared with last quarter, with most industries displaying increases in overall posting activity.
- 14 out of 18 ONS industry classifications saw strong quarterly growth. The most notable growth was in the accommodation and food services industry, which was up 99.6%, reflecting the easing of public health restrictions.
- Another notable increase was in electricity, gas, steam and air conditioning supply, which was up 42.1%, leaving the industry with the highest ratio of vacancies to employee jobs.
- Despite this more recent growth, most industries have seen a fall in the number of vacancies since before the pandemic in January to March 2020. These falls have been most pronounced in the arts, entertainment, and recreation industry (down 66.5%) accommodation and food (down 46.9%) and wholesale & retail (down 38%).

## Bank of England, Monetary Policy Report – May 2021

[Bank of England Monetary Policy Report May 2021](#)

The Bank of England's Monetary Policy Report published on the 6th of May 2021 outlined a series of positive projections for the UK economy as public health restrictions continue to be lifted throughout 2021. The Bank stressed however that prospects for the pace of recovery are largely reliant on the continued suppression of COVID-19.

UK GDP is anticipated to rise sharply in Q2 by around 4.25%, although GDP would remain 5% below its level in 2019 Q4. Growth is projected to remain strong throughout 2021 as consumer spending remains strong, with the Bank estimating that around 10% of the additional savings accumulated over the course of the pandemic being spent on activities that were previously restricted. This spending is bolstered by increased business investment as sales recover and uncertainty declines. The Bank expects GDP to surpass its 2019 Q4 level in Q4 of 2021.

In addition, by the Government extending the CJRS and other Government support measures to a point at which economic activity is anticipated to be nearing pre-pandemic levels, the unemployment rate is now expected to peak at 5.5% in Q3 of 2021, notably lower than the 7.75% the Bank predicted in its February report.

By the end of 2023 the UK economy is still expected to be 1.25% smaller than it would have been absent the impact of COVID-19, primarily due to reduced investment. However, this scarring effect is lower than anticipated in February, and with unemployment now expected to remain lower, better match-ups in the labour market between vacancies and candidates with the requisite skills are likely to be maintained, further reducing the extent of scarring.

## Bank of England Agents' Summary of Business Conditions – 2021 Q1

[Agents' summary of business conditions – 2021 Q1 | Bank of England](#)

The Bank of England's (BoE) 'agents summary of business conditions' summarising intelligence gathered by the Bank's agents between mid-January and late February demonstrated increases in activity compared to the lows in early 2020, although many agents' scores remained low, highlighting continued uncertainty.

**Consumer Demand:** In-store sales for non-essential retailing continued to be affected by public health restrictions, although online sales continued to grow. Clothing and car sales remained weak.

Consumer services sales in February remained markedly weaker than a year ago, although domestic holiday bookings were strong.

**Manufacturing:** Output levels continued to be significantly reduced in industries supplying the food services sector, petrochemicals, civil aviation and utilities.

Reports were also present of output growth being affected by non-tariff barriers to trading with the EU, with smaller firms reporting more severe disruption.

**Construction:** Output continued to be a lower than a year ago partly due to subdued demand from sectors affected by COVID-19, such as within office, hospitality, and leisure developments. By contrast, logistics and warehousing developments were strong.

**Corporate finance:** Credit demand among small and medium-sized companies was reported to have increased in some cases as COVID-related restrictions came into effect. Contacts thought credit demand could rise further in the coming quarters as deferred payments such as rent and tax come into effect in the first six months of 2021.

**Investment:** Investment intentions picked up modestly but remained weak overall, with plans mostly conditional on demand recovering over the coming months.

**Employment & Pay:** Employment intentions remained weak but are improving, although pay growth was subdued. Heavily impacted industries such as hospitality, leisure and non-essential retail remained concerned about the need for large-scale redundancies upon the phasing out of the CJRS.

A majority of contacts expected headcount to stabilise however, having already implemented job cuts. There were some reports of shortages of experienced professionals and specialist skills, in part due to a reluctance of employees to change jobs in an uncertain environment.

## Output continued to be a lower than a year ago partly due to subdued demand from sectors affected by COVID-19

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## SWMAS, National Manufacturing Barometer Q3 2020-21

[Q3 2020 Manufacturing Barometer - National report 0.pdf \(swmas.co.uk\)](#)

This survey, covering Q3 2020 (October, November and December) collected responses from SME manufacturing businesses between 11th and 22nd January 2021. The quarter's report demonstrates that many businesses are still dealing with challenges pertaining to the COVID pandemic, as well as adjusting to new EU trading rules. Despite this, a higher degree of optimism has been expressed in relation to future business performance vis-à-vis recent survey releases.

- **Sales turnover had decreased for 52% of respondents over the past six months. 44% of respondents expected sales turnover to increase over the next six months, whilst 29% anticipated a decrease in sales.**
- **Profits had decreased for 53% of respondents over the past six months - 30% of respondents anticipated this decrease in profits to continue over the next six months - compared to 36% who anticipated an increase in profits.**
- **41% of respondents stated staff numbers had declined over the past six months, whilst 20% reporting increases. Importantly, a marginal 15% of respondents expected staff numbers to decrease further over the next six months, compared to 32% anticipating an increase.**
- **Regarding Britain's new trading relationship with the European Union, 34% of businesses said the new relationship will not affect recovery trajectories, whilst 33% said the new relationship would hinder recovery.**
- **54% of respondents suggested they had faced negative impacts when exporting products to EU customers, with 56% also citing difficulties with importing products from the EU. A significant 65% of respondents also stated prices within supply chains had been negatively impacted as a result of the new trading relationship.**

## ICAEW, UK Business Confidence Monitor, National Q1 2021

[UK Business Confidence Monitor: National | ICAEW](#)

ICAEW's report, utilising data gathered from the 19th October 2020 to the 15th of January 2021 found overall business confidence to have moved into positive territory, although output remains weak overall. Companies expect to see strong recoveries in sales in 2021, especially in the domestic market, leading to higher employment levels and modest increases in investment.

The expected recovery in 2021 is likely to only partially offset declines seen in 2020, with sales anticipated to remain below pre-pandemic levels. In addition, companies are experiencing high levels of inventory and significant spare capacity, with many also experiencing issues with late payments from customers. Companies have also increasingly cited transport difficulties as an issue due to a rise in demand. Despite this, companies within Transport and Storage, and Construction, are the most optimistic about their prospects for recovery moving through 2021.

## British Chambers of Commerce, Quarterly Economic Survey Q1 2021

[BCC QES summary report Q1 2021.pdf \(britishchambers.org.uk\)](#)

Utilising data gathered between 15th February and March 11th 2021, the British Chambers of Commerce's Quarterly Economic Survey (QES) highlighted a challenging first quarter for British businesses in 2021, as the impacts of COVID-19 lockdowns and new trade frictions with the European Union dampened economic activity. The report notes that consumer-focused services reliant on physical interaction have been heavily impacted by reduced activity.

### Key findings from the services sector included:

- The percentage of firms reporting increased domestic sales stood at -18%, an improvement from -24% in Q4 2020.
- The percentage of firms reporting increased export sales stood at -26%, a worsening from -22% in Q4 2020.
- The percentage of firms reporting increased investment in training stood at -6%, an improvement from -17% in Q4 2020.
- The percentage of firms reporting improved cash flow stood at -26%, an improvement from -28% in Q4 2020.
- Confidence that turnover will increase in the next 12 months has improved markedly to 24% in Q1 2021, compared to -2% in Q4 2020.



**Key finding from the manufacturing sector included:**

- The percentage of firms reporting increased domestic sales stood at -6%, a slight improvement from the -9% reported in Q4 2020.
- The percentage of firms reporting increased export sales stood at -9%, largely unchanged on the -8% reported in Q4 2020.
- The percentage of firms reporting increased investment in training stood at -3%, an improvement on the -10% reported in Q4 2020.
- The percentage of firms reporting improved cash flow stood at -17% compared to -15% in Q4 2020.
- Confidence that turnover will increase in the next 12 months stood at a substantial 46%, a significant jump from 27% reported in Q4 2020, and notably better than service sector confidence.

**British Chambers of Commerce, Quarterly Recruitment Outlook, Q1 2021**

[New Figures Show Workforce Growth Expected but Some Sectors Yet to See Signs of Revival \(britishchambers.org.uk\)](https://www.britishchambers.org.uk)

The BCC's report on Q1 recruitment conditions based on a survey of over 5,900 respondents framed a mixed recruitment outlook, with an increase in the number of firms expecting to see workforce growth but continued volatility in industries most vulnerable to public health restrictions:

- The number of firms attempting to recruit in Q1 remained low (40%) relative to the pre-pandemic average (55%). Increases in attempted recruitment were focused on the construction and manufacturing sectors.

- This lack of recruitment activity was largely focused around those industries forced to temporarily pause trading, with only 20% of hotel & catering businesses attempting to recruit, and 34% within retail.
- 63% of businesses attempting to recruit cited difficulties in finding staff. These difficulties were most pronounced in the construction sector (71%, versus 58% in Q4 2020).
- Despite these low figures regarding current recruitment, the percentage of firms expecting their workforce to grow in the next three months stood at 27% in Q1, an increase from 19% in Q4 2020, and similar to pre-pandemic levels.
- The construction sector had the highest proportion of businesses expecting their workforce to grow in the next 3 months (34%). In retail the picture was somewhat less optimistic (22%), and so too within hotel and catering (26%).
- The industries most impacted by COVID-19 restrictions, such as retail and accommodation and food, have experienced significant volatility in their recruitment intentions. In addition, the impact on these sectors has served to reduce entry-level employment opportunities, working to create a challenging environment for young people and others who are looking to enter the labour market.

## Labour market in the regions of the UK: May 2021

### [Labour market in the regions of the UK - Office for National Statistics](#)

- Throughout the COVID-19 pandemic, all regions' counts of pay rolled employees followed a similar pattern of a rapid decline initially before improvement/recovery in recent months.
- In the South West, estimates for April 2021 state there were 2,361,849 pay rolled employees, a drop from 2,405,707 in March 2020 (-1.82%).
- The overall employment rate in the South West stands at 76.7%, a fall of 2 percentage points from January to March 2020 but largely unchanged on the previous quarter. This employment rate is higher than the UK average of 75.2%.
- The unemployment rate stands at 3.9% in the South West, below the UK average of 4.8% but 0.7 percentage points higher than the South West rate posted from January to March 2020. The South West unemployment rate has improved by 0.6 percentage points on the previous quarter.
- The economic inactivity rate in the South West stands at 20%, 1.5 percentage points higher than the January to March 2020 rate, but lower than the national average of 21%. The South West economic inactivity rate increased by 0.6 percentage points on the previous quarter, possibly due to an increase in young people choosing to remain in education and not actively seek work.

## FSB, South West Quarterly Small Business Index, Q1 2021

The South West Small Business Index (SWSBI) published in April 2021 shows how small firms in the region are now beginning to report increased levels of confidence regarding future business performance, with South West figures higher than the national average.

- **Business Confidence:** Business confidence in the South West has reached 39% in Q1 of 2021, a substantial, positive swing from the -40% recorded in Q4 of 2020. This is the first-time business sentiment has been positive in the South West since Q2 of 2020.
- **Business Conditions:** In Q1 2021, over half (51%) of small businesses in the South West reported a decrease in revenue over the last three months, primarily due to the extreme reduction in demand fostered by the national lockdown implemented in January. Sentiment toward revenue over the next three months however is positive, with 52% of businesses expecting an increase in revenue.
- **Employment:** Regarding staffing levels, 15% of South West businesses reported decreasing staff levels in Q1, whilst 10% had increased employment levels. Importantly, 69% of businesses reported staffing levels remaining at the same level despite the challenges of the pandemic.
- **Growth & Investment:** Encouragingly, 49% of businesses in the South West reported that their growth aspirations over the next 12 months were to grow either rapidly (increase turnover by over 20%) or moderately (an increase in turnover up to 20%). In addition, investment intentions for SME's in the South West has increased significantly vis-à-vis Q4 of 2020, 33% of businesses expecting to increase investment in the next 3 months.
- **Business Challenges:** The greatest reported challenges to business growth in the South West were reported as being 'general economic conditions' as the UK recovers from the pandemic (63%), consumer demand (35%) and acquiring appropriately skilled staff (33%).

## SWMAS, South West Manufacturing Barometer, Q3 2020-2021

[South West Survey of SME Manufacturers | SWMAS](#)

This survey, covering Q3 2020 (October, November and December) collected responses from SME manufacturing businesses based in the South West between 11th and 22nd January 2021. The report demonstrates that whilst many businesses retain a positive outlook for business performance in the coming six months, the challenges of the pandemic and Britain's new trading relationship with the EU continue to represent significant issues.

**Turnover & Profits:** 42% of businesses reported an increase in sales turnover over the preceding six months, with a further 50% of businesses expecting their sales turnover to improve in the coming six months. By contrast, profits returned more mixed results, with 40% of businesses reporting a decrease in profits over the preceding six months, whilst 44% expected to see profits increase in the coming six months.

**Capital Investment:** A significant 40% of businesses reported an increase in capital investment over the past six months, compared to only 17% of businesses who had reduced capital investment. 42% of businesses anticipated an increase in capital investment over the next six months, whilst only 10% anticipated a decrease in investment.

**Employment:** 38% of businesses reported a decrease in staff numbers over the past six months, contrasted to 41% of respondents who anticipate staff numbers to increase in the coming six months.

**Britain's new trading relationship with the European Union:** 40% of respondents stated Britain's new trading relationship with the EU would not hinder their economic recovery, whilst 11% of respondents said the new relationship would actively help recovery. Despite this, 53% of respondents stated importing products from the EU had been negatively impacted, with a further 61% reporting negative price changes within supply chains.

## NatWest, South West Purchasing Managers' Index (PMI), April 2021

[natwestbusinesshub.com](https://natwestbusinesshub.com)

The NatWest PMI reports various aspects of business sentiment from surveys carried out in the second half of each month from both service and manufacturing businesses.

Regional PMI data for the South West published on the 17th of May showed a sharp and accelerated rise in business activity in the private sector supported by a strong rise in the number of new businesses. Firms registered the quickest rise in business activity for over seven years as virus-related restrictions have begun to ease. This increase in activity has led to a high-level of optimism concerning future business activity over the course of the coming year. In addition, employment across the South West rose for the second consecutive month in April, posting the fastest rise in staff numbers since May 2015. Despite these positive indicators however, it is important to note that at the industry level results are more mixed. For example, within the 'hotels, restaurants and catering' sub-sector, overall business activity remained suppressed in April, in addition to the 'manufacture of transport equipment' sub-sector also seeing reductions in activity.

## Regional Chambers of Commerce Perspectives

### Somerset

The Somerset Chamber of Commerce is continuing to support the Department for Work and Pensions by acting as an official gateway to help small businesses get involved in the Kickstart Scheme. The Chamber has already had almost 450 job vacancies approved by the DWP and almost 100 young people have been given placements.

### Devon & Plymouth

Businesses have faced one of the toughest and most unsettling times in living history having to deal with the 'double whammy' of Brexit and Covid. But as businesses always do they have adapted to change and seized the opportunities that have presented themselves.

Those that embraced truly digital ways of working not only survived but indeed thrived as customers were forced to change their spending habits or seek new suppliers. Undoubtedly our region has been hit harder than most with our reliance on the leisure, hospitality and tourism sector, supported by a broad supply chain of food and drink businesses.

However, as we emerge from the pandemic and foreign travel is still not easy, those sectors have the opportunity to bounce back quickly. This will be further fuelled but the number of people who are seeking to relocate to this part of the world. Many businesses too have realised that it is possible to operate from anywhere and are looking with envious eyes at the south west and all it has to offer.

So there are opportunities for our region, but in the short term challenges still remain. Despite unemployment figures rising we have a shortage of skills and many industries are finding it difficult to recruit, which is stifling our opportunities for growth. Additional bureaucracy and costs caused by Brexit also frustrate those firms that trade internationally.

Overall though, our strong manufacturing base, unique physical assets and wealth of expertise in the blue/green economy put the south west in a position to recover quickly and realise the potential our region.

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## ICAEW, Regional Business Confidence Monitor, Q1 2021, South West

### South West | ICAEW

Business sentiment in the South West has improved this quarter, despite companies continuing to endure a challenging trading environment. News of continued positive vaccine distribution has contributed strongly towards this increased uptick in positive sentiment.

Domestic sales have contracted by 2% year-on-year as of Q1 2021, the largest fall in the South West since the survey began. This is largely due to the damage incurred by the hospitality sector, which has borne the brunt of repeated public health restrictions. In response to this challenging environment, businesses have reduced total headcounts, with total employment numbers being reduced principally within the hospitality sector.

35% of South West businesses cite customer demand as the most pressing growing challenge for businesses. In addition, the number of businesses citing transport issues in relation to servicing markets is up sharply from a year ago. Despite these challenges, businesses expect domestic sales and exports will expand sharply in 2021, leading to an increase in profits, and planned increases in overall employment numbers.

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## With thanks

again to the wider business community in the HotSW area, for providing feedback.

