heart of the south west
local enterprise partnership

Business Bulletin

Autumn 2022

Executive Summary

David Ralph
HotSW LEP Chief Executive

Growth, growth, growth. The phrase has been bandied about as if it's a new mantra but it's a sentiment that it's hard to disagree with.

Welcome to the autumn edition of our Business Bulletin which provides a digest of the latest hard data and sentiment both nationally and locally. Alongside this Bulletin, a full suite of data on the Heart of the South West's economy can be found on our dashboards at [Our dashboards - Heart of the south west LEP (heartofswlep.co.uk)]

So, growth is the new number 1 priority but despite the phantoms of "anti-growth coalition" haunting some places, I think that alongside headline numbers, the debate has always been about what type of growth is to be aimed for. On their own, low taxes and deregulation are not in themselves either an automatic recipe for growth or for what might be termed "good growth"; who would want an unregulated nuclear industry leading growth of the economy? Responsible businesses around the globe, large and small, recognise and welcome sensible regulation which enables them to plan and innovate with certainty.

Climate change and the imperative for social justice only grow in importance over time and these have to be the twin pillars to frame a full growth strategy. And alongside having the right number of people with the right skills, the right support to encourage innovation, export, business start up and growth etc etc, a clear sense of place and the opportunities in a place are essential. So I was delighted that Government have recognised the Great South West and the potential for clean growth that the south west offers – we will be working closely with Ministers and officials over the next few months to ensure Great SW hits the ground running in the spring.

In the meantime, as this bulletin makes clear, the headwinds remain strong and numerous. Although around half to one third of businesses continue to report increased sales or profits, this is a decrease on previous quarters and the ever so important indicators of sentiment have been heading downwards in recent months. Inflation driven largely by energy prices but also supply issues, continues to drag on growth. This has obviously not been helped with the turbulence from the Chancellor's mini-budget in September with weaker currency adding further inflationary pressure and the rapid changes in policy and their effects are causing instability which makes it very hard for businesses to plan and invest with confidence.

The UK's and the local labour markets continue to be very tight as fewer people are seeking work following the pandemic, and firms struggle to fill vacancies, though we are starting to perhaps see a little softening in the very latest data. In the meantime, businesses are raising wages to compensate and to attract applicants and help with staff retention.

Responsible businesses around the globe, large and small, recognise and welcome sensible regulation which enables them to plan and innovate with certainty

All of this means that whilst the publications included in this bulletin provided the most up-to-date view of the UK's economic position at the time of their release, many of the forward-looking contributions may be subject to significant change against the background of economic uncertainty.

The immediate challenges are indeed severe but this fantastic part of the country retains its fundamental advantages from which to capitalise on the opportunities in the new economy. We must continue to champion this place and its unique characteristics and ensure that decision and policymakers have this clearly in their minds over the coming months.

I would like to thank once again our partner organisations, representing over 25,000 businesses across the HotSW area for their help and support in developing this Bulletin and without whom this wouldn't be possible.

The immediate challenges are indeed severe but this fantastic part of the country retains its fundamental advantages from which to capitalise on the opportunities in the new economy

With acute challenges in the short to medium term, it is important that we continue to plan and invest for the future where growth is likely to be stronger, particularly in digitalisation and emerging green technologies

The National Picture

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'.

ONS, GDP quarterly national accounts, UK: April to June 2022

ONS, GDP monthly estimate, UK: July 2022

GDP quarterly national accounts, UK - Office for National Statistics (ons.gov.uk)

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

UK GDP is estimated to have increased by 0.2% in Q2 2022, having been revised from a first quarterly estimate of a 0.1% fall. The level of real quarterly GDP is now 0.2% below where it was before the pandemic (Q4 2019). In other words, although the economy did better over the early summer than previously thought, the impact of the pandemic was more severe than previous data indicated.

Services output increased by 0.2% in Q2 2022, and is now 0.9% below its pre-pandemic level. Overall, output in Information and Communication activities, and professional, scientific and Technical activities weakened from Q1 2022, however positive contributions were seen from Human Health and Social Work activities, and Financial and Insurance Service activities.

Production output decreased by 0.2% in Q2 2022, having been revised from a previously recorded 0.5% increase. The fall in output was driven by a 1.1% decrease in Manufacturing output, and a 1.0% decrease in Mining and Quarrying output.

Construction output increased by 1.1% in Q2 2022, with seven of the nine sectors seeing an increase over the quarter. The rise was primarily driven by Work, Repair and Maintenance activities, whilst New Orders fell by 10.4% in Q2.

Increases in both household and government consumption led to a 0.2% rise in expenditure in Q2 2022. Real household expenditure rose by 0.1% over the quarter, and is estimated to be 2.7% below its pre-pandemic level (Q4 2019). Real government consumption decreased by 1.5% over Q2, and is now 3.3% above its pre-pandemic level.

The above figures for Q2 2022 were released by the ONS in September 2022. The figures for Q3 (July to September 2022) are due to be released by the ONS in November. The release date for the August monthly estimate figures has yet to be announced.

ONS, Labour Market Overview, UK: October 2022

ONS, Vacancies and jobs in the UK: October 2022

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

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

Estimates indicate that in September 2022, there were a record 29.7 million payrolled employees in the UK, showing an increase of 69,000 from August 2022, and 730,000 from its pre-pandemic level (February 2020).

The latest Labour Force Survey estimates for June to August 2022 showed a 0.3 percentage point decrease in the employment rate from the previous quarter, to 75.5%. The unemployment rate had similarly decreased by 0.3 percentage points on the quarter, to 3.5%.

Meanwhile, the economic inactivity rate rose over the same period by 0.6 percentage points to 21.7%, 1.4 percentage points higher than before the pandemic (December to February 2020).

The number of job vacancies was 1,246,000 in July to September 2022, having fallen by 46,000 from the previous quarter. This is the third consecutive quarterly fall in numbers. The rate of growth varies across industries, with the lowest rate of growth seen in Information and communication (-16.6%), and the highest growth rate experienced by Public admin & defence; compulsory social security (+4.1%). Overall, the number of vacancies fell over the quarter in 13 of the 18 industry sectors.

Office for Budget Responsibility, Economic and fiscal outlook – March 2022

Office for Budget Responsibility, Fiscal risks and sustainability – July 2022

Economic and fiscal outlook - March 2022 - Office for Budget Responsibility (obr.uk)

Fiscal risks and sustainability – July 2022 - Office for Budget Responsibility (obr.uk)

The Office for Budget Responsibility (OBR) publish their Economic and fiscal outlook twice a year, the most recent having been published in March 2022. The most recent Fiscal risks and sustainability report was published in July 2022, and considers amongst other topics, the fiscal implications of higher energy prices, and reflects on the predictions made in the March forecast.

In March 2022, the OBR projected that rising global energy prices would greatly impact the UK economy, with energy bills expected to increase by around 40% by October, and inflation reaching 8.7% in the fourth quarter of 2022. Since this was forecast, the OBR have revealed that gas price outturns have been lower than anticipated, with the latest data from June 2022 suggesting that gas prices would average around £1.90 per therm in Q2 2022, compared to the £2.90 predicted in March. Despite this however, future prices are now expected to be higher than forecast in March, peaking at £3.20 per therm in Q4 2022, £0.20 higher than previously assumed. Oil prices similarly are now expected to peak at a higher price in the second and third quarters of 2022, compared to assumptions made in March.

Building on the predictions outlined in the March forecast, the OBR set out updated projections in the Fiscal risks and sustainability report. As fuel costs rose, real incomes were expected to erode. It is now expected that, if nominal wages are raised in response, then firms will experience lower profits or have to raise prices as a result. However, if nominal wages are not increased, private household consumption will reduce. Both scenarios result in real GDP becoming lower.

If a sharp, temporary increase in fossil fuel prices is experienced in Q2 2023; one prediction set forth in the Fiscal risks and sustainability report, then CPI inflation is expected to stay above 5% for longer than previously thought. It would be expected to peak at 11.1% in Q3 2023, 7.8 percentage points higher than predicted in the March 2022 forecast. Meanwhile, real GDP would shrink by 1.1% over 2023-24, as the economy falls into a recession, although no long-term scarring is expected, and nominal GDP is likely to return to the same level as set out in the March forecast in the medium-term.

The OBR are due to release their next outlook for the UK economy in November 2022 along with the Government's autumn budget. In light of the significant fiscal policy changes announced within the government's September 'mini-budget', OBR forecasts are likely to change.

Bank of England, Monetary Policy Report – August 2022

Monetary Policy Report - August 2022 | Bank of England

The Bank of England's latest 'monetary policy report' was published on the 4th of August 2022, and outlines projections for the UK economy.

In June, prices rose by an estimated 9.4% compared to a year prior, a figure much higher than the Bank's previous 2% target. The rapidly rising price of gas in recent months is expected to push inflation to around 13% towards the end of 2022, where it is likely to remain over 2023, before falling to the Bank's 2% target from 2024.

GDP growth has slowed recently, and the UK economy is predicted to enter recession from Q4 2022, with output expected to fall in each quarter to Q4 2023. Companies continue to experience elevated recruitment challenges, as fewer people are seeking work than before the pandemic, leading to employers having to offer higher wages to attract applicants. The labour market is likely to remain tight through 2023.

In August, the Bank raised their interest rate to 1.75%, a significant increase from the 0.1% rate recorded in December 2021, in order to help inflation return to the 2% target. Bank rate was increased further in September 2022 by a further 0.5 percentage points, to 2.25%. Higher interest rates encourage people to save, and leads to reduced spending on goods and services, which should place downward pressure on prices.

In addition to raising Bank rate, the Monetary Policy Committee voted to reduce the Bank's stock of UK government bonds, in line with targets set in the Monetary Policy meeting in August. However, in response to the fiscal plans revealed by the Chancellor in the 'mini-budget' on the 23rd September 2022, the Bank announced that it would instead buy bonds, in a bid to raise their prices and stabilise the currency. The Bank stated that if they were not to intervene, there would be a 'material risk to UK financial stability'. The period for buying bonds runs until the 14th October 2022, and there remains significant uncertainty as to how the markets will respond beyond this date, if the recent tax-cutting plans are not revised.

Bank of England, Agents' Summary of Business Conditions – 2022 Q2

Agents' summary of business conditions - 2022 Q2 | Bank of England

The Bank of England's latest 'Agents' Summary of Business Conditions' report summarises intelligence gathered between mid-April and late May 2022.

Consumer demand: Retail sales fell over the reporting period, as growing pressures on real incomes are reflected in demand for goods. Demand for consumer services was strong however, with hospitality and leisure companies reporting revenues similar to pre-pandemic levels, and positive signs from summer bookings.

Manufacturing: Materials and components have been reported to be in short supply, worsened since the invasion of Ukraine and Covid lockdowns in China. Similarly, labour shortages are still being seen, which is leading to rising backlogs and longer delivery times. Supply-chain disruptions are expected to continue into 2023, and possibly longer.

Construction: Whilst delays and cancellations have been reported for commercial projects and housebuilding activities, construction of public and private infrastructure, including office spaces, has been less disrupted. It is expected that the number of new projects will slow in the coming year however, as rising costs will impact demand.

Investment: Overall, intentions remained positive, as companies look to improve their IT resources, and the energy efficiency of their equipment. Other investment intentions have been constrained however, due to labour and material shortages, high levels of uncertainty, and wider rising costs.

Corporate financing conditions: Credit demand reportedly continued to increase, as demand for working capital and asset finance was strong. Demand for longer payment terms reportedly increased, reflecting companies' desire to delay payments and preserve cash.

Employment and pay: Intentions for hiring remained positive, however acute difficulties with recruitment are still being seen. A large proportion of companies have reported vacancies they are struggling to fill, and having to offer higher wages in order to retain existing staff. Pay settlements are reportedly much higher than a year ago, and the treat of strike action within some unionised firms as led to more challenging pay negotiations.

SWMAS, National Manufacturing Barometer Q1 2022/23

National Manufacturing Barometer - July 2022 (Q1 2022) | SWMAS

The latest Manufacturing Barometer, published in July 2022, surveyed small and medium-sized manufacturing businesses in the UK over April, May and June 2022.

Overall, the proportion of respondents reporting positive situations and outlooks is at the lowest level since this time last year.

- **45% of respondents reported that sales turnover had increased over the previous six months, whilst 52% expected to see their profits increase over the coming six months.**
- **53% of businesses had seen their profits fall over the past six months, whilst 36% expected to see profits rise in the coming six months.**
- **28% of respondents had seen an increase in staff numbers over the past six months, compared to 35% expecting to increase staff numbers over the next six months; a much lower proportion than the average of 50% expecting increases that has been recorded over the past year.**
- **36% of businesses had increased their capital investment over the past six months, and 42% planned to increase investment in the coming six months.**

Overall, the proportion of respondents reporting positive situations and outlooks is at the lowest level since this time last year.

The number of businesses reporting increased trade compared to before the pandemic dropped by 7% this quarter, to 46%. The key challenges facing businesses over the past year continue to be seen, with 98% of respondents negatively impacted by supply chain price increases, 96% affected by inflation, 94% struggling with rising energy costs, and 91% of respondents negatively impacted by long lead times.

When asked about the best support to help with future business growth, the most commonly mentioned measure was Net Zero support (34% of respondents agreed), followed by better access to long term finance, and digital technology support.

ICAEW, UK Business Confidence Monitor: National – Q3 2022

UK Business Confidence Monitor: National | ICAEW

The ICAEW's latest Business Confidence Monitor utilised data gathered between the 25th April and the 15th July 2022. Overall, across sectors and regions, business confidence fell into negative territory, reversing the increases seen following the pandemic.

Whilst many businesses have reported a recovery in demand, as rising costs are inevitably passed onto customers, expectations for sales in the coming year are weakening. Other challenges such as skills shortages, staff retention and transportation issues continue to be seen, particularly within the Construction, Manufacturing, Transportation and Retail sectors.

Over the period of data collection for this report, the growth in export sales was weaker than in domestic sales, with Brexit cited as a likely cause. Brexit has also reportedly added to the challenges businesses are facing around supply chains, with custom controls at ports causing long delays.

Overall, UK businesses expect more challenging economic conditions over the coming year than they experienced over the past 12 months, despite having faced Covid-related restrictions and lockdowns during this period.

British Chambers of Commerce, Quarterly Economic Survey – Q2 2022

PowerPoint Presentation (britishchambers.org.uk)

The British Chambers of Commerce's latest Quarterly Economic Survey for Q2 2022 is based on data collected between the 16th May and the 9th June 2022. The report noted that overall, businesses are facing inflationary pressures at levels never before seen in the 33 years the survey has been conducted.

41% of respondents reported an increase in domestic sales over Q2, a slightly lower figure than in Q1 2022 (41%). Marketing and media businesses were most likely to have reported an increase (51%), whilst firms in the wholesale and retail sector were the least likely (33%).

The proportion of businesses that increased investment in machinery and technology over the quarter fell to 25%, from 27% in Q1 2022. The balance of firms in the manufacturing sector that reported increased investment was +11% in Q2 2022, the lowest since Q1 2021. The balance of firms in the services sector remained unchanged on the quarter at +11% as well.

The balance of firms in the manufacturing sector that expect a turnover increase over the next year was +38%, and the balance in the services sector was +37%. Both of these figures are the lowest recorded since Q1 2021. Overall, the proportion of firms expecting to see their turnover increase has fallen from the previous quarter, from 63% to 54% in Q2 2022.

When considering whether to raise prices for customers, the percentage balance for the manufacturing sector stood at +76%, while the services sector stood at +59%. Both figures represent the highest respective levels on record.

41% of respondents reported an increase in domestic sales over Q2, a slightly lower figure than in Q1 2022 (41%). Marketing and media businesses were most likely to have reported an increase (51%), whilst firms in the wholesale and retail sector were the least likely (33%)

The sector most likely to report difficulties was the construction sector, with 83% of firms facing severe challenges

British Chambers of Commerce, Quarterly Recruitment Outlook – Q2 2022

Rapid reform needed to tackle crippling staff shortages - Quarterly Recruitment Outlook (britishchambers.org.uk)

The results from the BCC's latest Quarterly Recruitment Outlook survey for Q2 2022 shows that recruitment struggles experienced by firms remain at record high levels.

61% of businesses surveyed reported attempting to find new staff in Q2, similar to the previous quarter 60%. However, 76% of firms continued to report difficulties with recruitment, just two percentage points lower than the previous quarter.

The sector most likely to report difficulties was the construction sector, with 83% of firms facing severe challenges. This is followed by the production and manufacturing and logistics sectors, each at 79%, and the hospitality sector at 78%.

ONS, Labour market in the regions of the UK: October 2022

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

The employment rate in the South West for the three months ending August 2022 was 78.6%, the second highest recorded rate in the UK over this period, and well above the UK average of 75.5%. The South West figure represented a 0.6 percentage point decrease on the quarter however, but a 0.9 percentage point increase from the previous year.

The South West recorded the lowest unemployment rate in the UK at 2.7% over June-August 2022, compared to the national average of 3.5%. The rate in the South West had dropped by 0.1 percentage points since the previous quarter, only slightly more than the UK average, which had dropped by 0.3 percentage points.

The inactivity rate in the South West was 19.1% in June-August 2022, representing a 0.7 percentage point increase on the quarter, but no change from the same time in 2021. By comparison, the UK average was 21.7%, having risen by just 0.6 percentage points on the quarter, and 0.5 percentage points over the year.

The report notes that business confidence was at its lowest level since late 2020, having fallen to -39%, from -1%

FSB, South West Quarterly Small Business Index – Q2 2022

[South West Small Business Index Q2, 2022 | FSB, The Federation of Small Businesses]

The Federation of Small Businesses (FSB) published their latest quarterly Small Business Index in July 2022. The report notes that business confidence was at its lowest level since late 2020, having fallen to -39%, from -1% recorded the previous quarter. Small businesses in the South West report lower confidence than is average across the UK, and the region has one of the lowest confidence scores in the country.

In Q2 2022, the overall net balance for revenue for small businesses in the South West was negative (net -11%), a large reduction from Q1, when the net balance was +10%. The South West also remained below the UK net average in terms of revenue over Q2 2022, which was recorded at -6% for the quarter. Further declines are predicted in the South West, with small businesses expecting revenue to fall by net -13% over Q3 2022. Overall, 41% of small businesses surveyed expected to see a decrease in revenue in the coming months, whilst just 28% were expecting an increase.

Employment amongst small businesses in the South West remained net negative in Q2, as 16% had decreased staff numbers and 10% had increased numbers, resulting in a net decrease of -6% over the quarter. 12% of small businesses reported their intention to increase employment over Q3 2022, whilst 11% expected to reduce staff numbers; the majority of businesses meanwhile reported no intention to alter their workforce in the coming months.

Across the South West, just under two thirds (65%) of small businesses increased their average salaries over the 12 months prior to survey, 59% of which reporting a wage increase of 2% or more. Similar proportions of businesses are expecting to increase wages in the coming year, with 64% expecting to see increases, 56% of which note the likely increases will be more than 2%.

The report noted that 41% of small businesses in the South West had aspirations for growth in the coming year, a lower proportion than the UK average of 47% recorded at the same time. Across all quarters in 2021, the average proportion of businesses in the South West expecting growth in the coming 12 months was 49%, and therefore the percentage recorded in Q2 2022 suggests a less optimistic business landscape in the region compared to last year.

The net balance of small businesses in the South West expecting to increase their investment in the coming year was -3% in Q2 2022, leaving the region behind the UK average of 3%. Meanwhile, 17% of small businesses surveyed in the South West expressed their intention to either downsize, sell, or close the businesses over the next 12 months, a considerable increase from the previous quarter, when 6% reported the same intent.

Across the South West, just under two thirds (65%) of small businesses increased their average salaries over the 12 months

SWMAS, South West manufacturing Barometer – Q1 2022/23

South West Manufacturing Barometer Report - July 2022.pdf (swmas.co.uk)

The latest South West Manufacturing Barometer for Q1 2022/23 reported data collected from SME manufacturing businesses between April and June 2022.

Turnover: 46% of respondents reported seeing an increase in sales turnover over the past six months, whilst 40% saw a decrease in turnover over the past six months, compared with 21% the previous quarter. 46% of manufacturers also reported that they expected to see sales turnover increase over the coming six months, compared to 68% the previous quarter. Meanwhile, 30% expected to see turnover decrease in the coming six months, compared to 11% recorded in the previous quarter.

Profits: 30% of manufacturing businesses saw an increase in profits over the past six months, whilst more than half (54%) experienced a decrease; a large rise in number from the 38% recorded last quarter. Over the coming six months, 31% of respondents expect to see profit increases, whilst 39% expect decreases in profit (compared with 47% and 27% recorded respectively in the previous quarter).

Employment: 36% of respondents saw an increase in staff numbers over the past six months, a similar proportion to the previous quarter (37%). 31% meanwhile had reduced their staff numbers over the same period. By comparison, 40% of manufacturers expected to see staff numbers increase over the next six months, whilst 16% though their staff numbers would reduce, a considerable rise from the previous quarter when only 7% expected a decrease.

Capital Investment: 43% of businesses had increased their investment over the previous six months, compared to 16% who reduced their investment levels. Unchanged from the previous quarter, 44% of respondents expected to increase their investment over the next six months, however 19% expected investment to decrease, compared with 14% last quarter.

Challenges: Manufacturing Barometer reports over the past year have highlighted continued challenges businesses have been facing. Significantly, 98% of respondents reported supply chain price changes have had a negative impact on their business, whilst 98% cited inflation as a key challenge, and 94% mentioned energy costs as having a negative impact. Long lead times, availability of skilled staff and struggles in passing price increases onto customers were also reported as considerable challenges for 89%, 80% and 79% of manufacturing businesses respectively.

Overall, 45% of manufacturing businesses reported that they were trading at increased levels compared to their pre-pandemic position. This figure represents a decrease of 9% from the previous quarter, and is the lowest level seen since July 2021. 31% of businesses meanwhile reported trading at reduced levels compared with before the pandemic, 64% of which expect recovery to take more than 12 months.

Overall, 45% of manufacturing businesses reported that they were trading at increased levels compared to their pre-pandemic position.

NatWest, South West Purchasing Managers' Index (PMI) – August 2022

NatWest UK regional PMI report for August 2022 | NatWest Business

The latest NatWest PMI survey collected data from businesses in the South West over the second half of August 2022. The report noted that the Business Activity Index, which measures the month-on-month change in output from manufacturing and service sectors in the region, fell to 46.2 in August, from 51.3 in July 2022. This score represents the first decrease in business activity in the South West for a year-and-a-half.

Private sector firms in the South West reported a reduction in overall new work for the second successive month in August. Additionally, whilst overall business outlook for output in the coming year was positive, the degree of positive sentiment dropped for the fourth successive month, and is at the lowest level seen in the ten-year history of this report. Optimism in the South West was also lower than seen in the UK as a whole, and concerns were noted that the economic downturn and rising inflation will impact prospects for future growth.

Regional Chambers of Commerce Perspectives: Somerset Chamber of Commerce

Some 56% of Somerset businesses surveyed by Somerset Chamber of Commerce are currently operating below capacity as supply chain issues, recruitment woes and price increases continue to bite.

Concerns about inflation remain the main concern for Somerset businesses, with 85% saying it is of more concern now than it was three months ago, an increase of 4% on the previous quarter. Some 42% of respondents said interest rates were more of a concern and 22% cited tax.

Almost 60% had attempted to recruit staff, with 60% of those experiencing difficulty filling vacancies – almost half of those were for skilled manual/technical roles and around 45% were for professional/managerial roles.

Business confidence remains rocky, with almost a third believing turnover will worsen in the next 12 months, while 43% think it will improve. Just under a third believe profitability will improve (32%) and 73% of respondents expect to raise prices in the next three months.

The findings are from the second quarter of the British Chambers of Commerce Quarterly Economic Survey (QES), which is organised in Somerset by the Somerset Chamber of Commerce.

It is the largest private sector survey of business sentiment in the UK and the local results feed into the national survey which are closely watched by key policymakers, including the Treasury and the Bank of England. It is the first QES since lockdown and the global Coronavirus pandemic.

Emma Rawlings, Chief Executive of Somerset Chamber of Commerce, said the results clearly pointed to a weakening economic outlook amid unprecedented cost pressures and falling business confidence.

She said: “Inflation remains by far and away the top concern, with the overall survey results going beyond anything we’ve seen before in the history of the data.

“Businesses face an unprecedented convergence of cost pressures, with the main drivers coming from raw materials, fuel, utilities, taxes, and labour.

Business confidence remains rocky, with almost a third believing turnover will worsen in the next 12 months, while 43% think it will improve

The continuing supply chain crisis, exacerbated by conflict in Ukraine and lockdowns in China, has further compounded this.

“Some sectors are far more impacted than others. Manufacturers, retailers, and hospitality firms have been sounding the alarm on inflation for 18 months.

“Against this backdrop, it is no surprise that business confidence for the months ahead is waning as we enter a period of heightened economic uncertainty.”

The Chamber network is lobbying the Government for action to help put the economy on a more stable footing.

“A cut in VAT on energy bills to 5%, and other steps to relieve the tax burden on firms to encourage investment are crucial.

“Better infrastructure, a plan to address labour shortages and a unified long-term economic strategy to give businesses more certainty are also needed,” Mrs Rawlings said.

ICAEW Business Confidence Monitor (BCM): South West – Q4 2021

South West | ICAEW

The latest ICAEW Business Confidence Monitor for Q3 2022 collected data between the 25th April and the 15th July 2022. Overall, business sentiment was negative in the South West, as in the UK as a whole, as inflationary pressures and labour market challenges became more prominent.

Despite business sentiment weakening, domestic sales had increased by 7.6% over the 12 months to Q3 2022, a record growth rate in the South West, and higher than all other regions in the UK. Growth in export output was the slowest in the UK however, rising 1.4% year-on-year in Q3. Domestic sales growth is expected to fall slightly to 4.2%, whilst export growth is predicted to increase to 3.7%, similar to pre-pandemic levels.

Despite business sentiment weakening, domestic sales had increased by 7.6% over the 12 months to Q3 2022, a record growth rate in the South West, and higher than all other regions in the UK

The most widespread challenges amongst businesses in August 2022 was the availability of non-management skills, cited by 49% of businesses in the survey. The tax burden was similarly a growing challenge for businesses in the South West, reported by 28% of respondents. Both of these figures are at the highest level since the survey began in 2004.

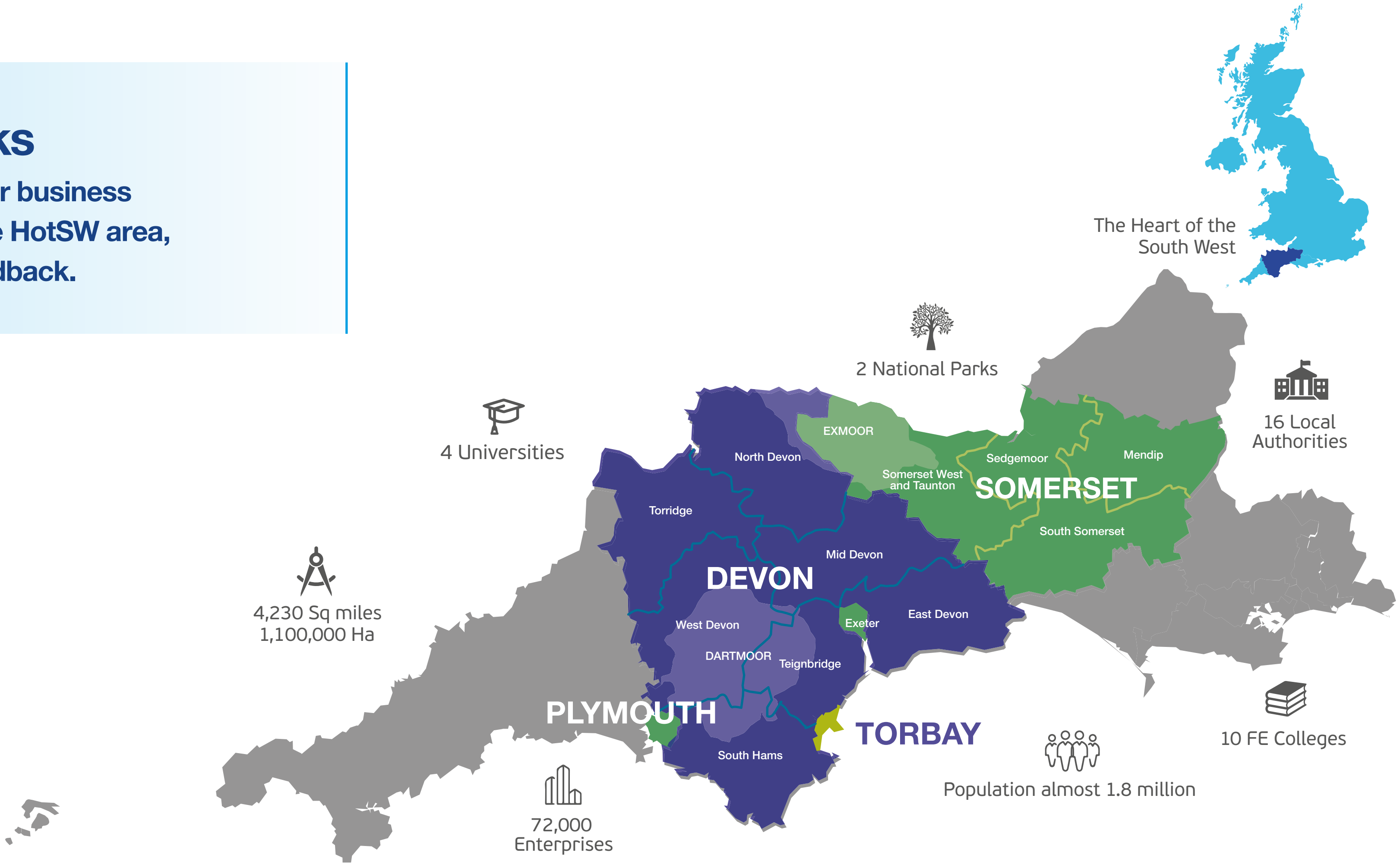
The most widespread challenges amongst businesses in August 2022 was the availability of non-management skills, cited by 49% of businesses in the survey

Business in the South West reportedly increased average wages by 3.7% in the year to Q3 2022, as a way to combat the recruitment and retention issues being seen. This is the fastest rate rise seen in 15 years. In the coming 12 months, a further 3.3% rise is expected across the region.

The Heart of the South West

With thanks

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



£34 BILLION ECONOMY
as big as Birmingham or Liverpool