

haysmacintyre

Hospitality Snapshot Survey

October 2022



Business confidence

How confident are you about the future prospects for your business?

Unsurprisingly given recent economic and geopolitical tension, there has been further decline in confidence about respondents' own businesses since our last survey in May 2022.

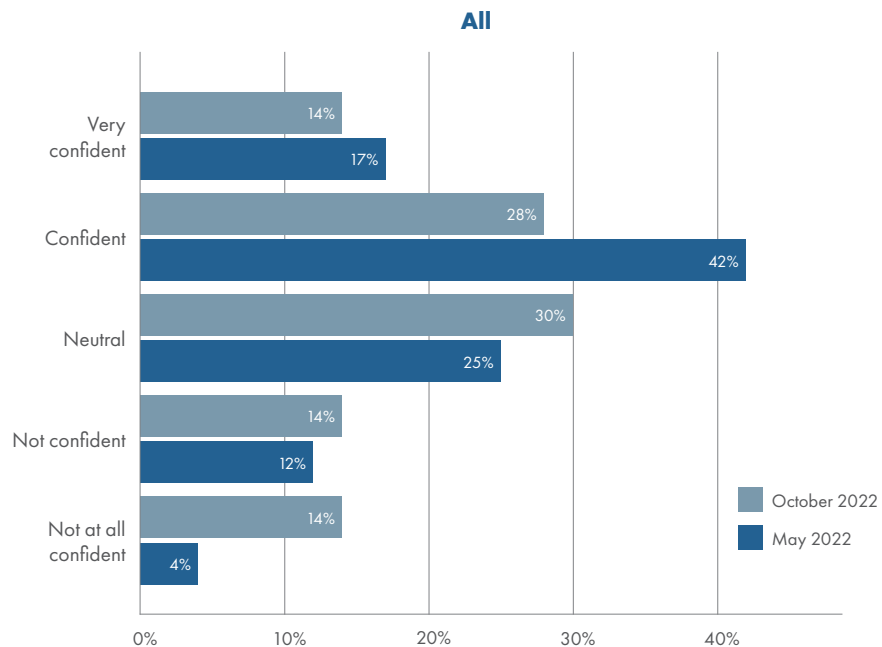
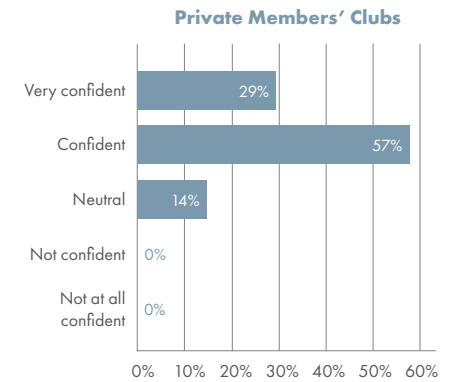
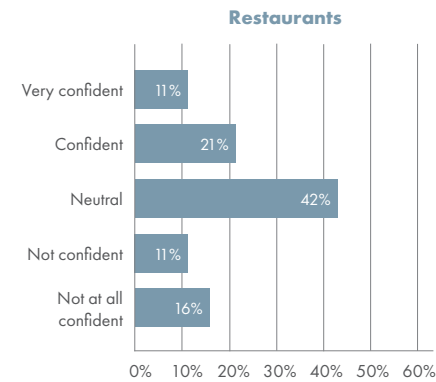
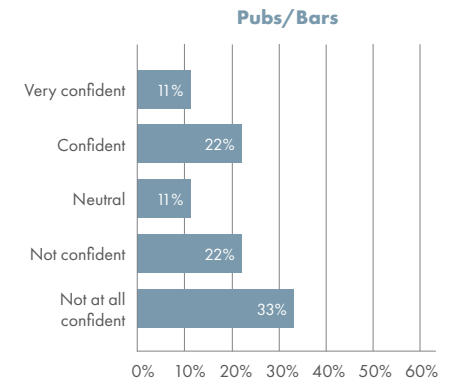
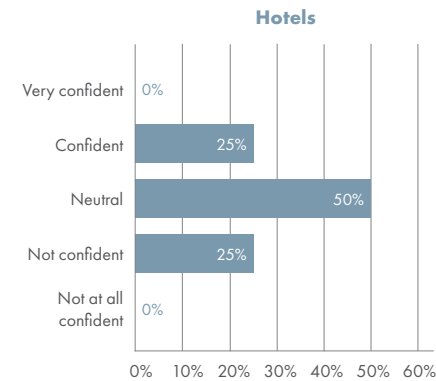
Only 42% of respondents are now either 'very confident' or 'confident' about their own prospects compared to 59% in May 2022 and 71% one year ago.

28% of respondents are either 'not confident' or 'not at all confident' about the prospects for their business compared to 16% earlier this year and only 7% one year ago.

The impact is felt across all sectors, with the exception of the private members' club sub-sector whose respondents demonstrate significant confidence in their business with 86% confident and the remaining 14% neutral.

Pubs/bars and restaurants all report a significant decline in confidence driven by rising costs and ongoing challenges in recruitment. One year ago, 79% of pubs/bars and 61% of restaurant respondents were either 'confident' or 'very confident' about the future of their businesses. Those figures have fallen to 33% and 32% respectively in the latest survey. This further reduction continues the trend seen in May 2022.

Hotel respondents, who have previously been more bullish in the assessment of their own business prospects, are also reporting a decline in optimism.



Outlook for the industry

What is your outlook for the hospitality industry over the next six months?

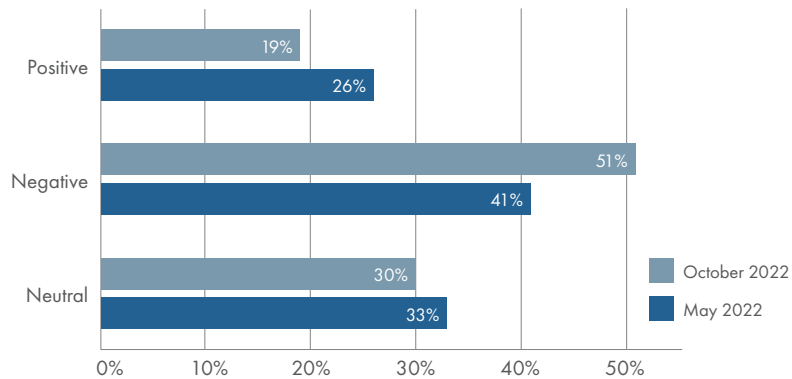
Unsurprisingly, the general view for the hospitality industry as a whole is also increasingly negative. 51% of respondents overall express a negative outlook for the industry (May 2022: 41%). Only 19% are positive (May 2022: 26%) with 30% neutral.

Pubs/bars and restaurants express a particularly negative outlook. 67% of pubs/bars and 63% of restaurant respondents take a pessimistic view, which is an increase from 44% and 48% respectively in May 2022.

Half of hotel respondents are now negative about the industry outlook compared to only 29% in May.

Again, private members' club respondents are more optimistic about the industry, due in part to their specific business model but also perhaps encouraged by reportedly good performance in the second half of the year. 29% are positive, with only 14% negative. 57% are neutral.

Outlook for hospitality sector



Current challenges

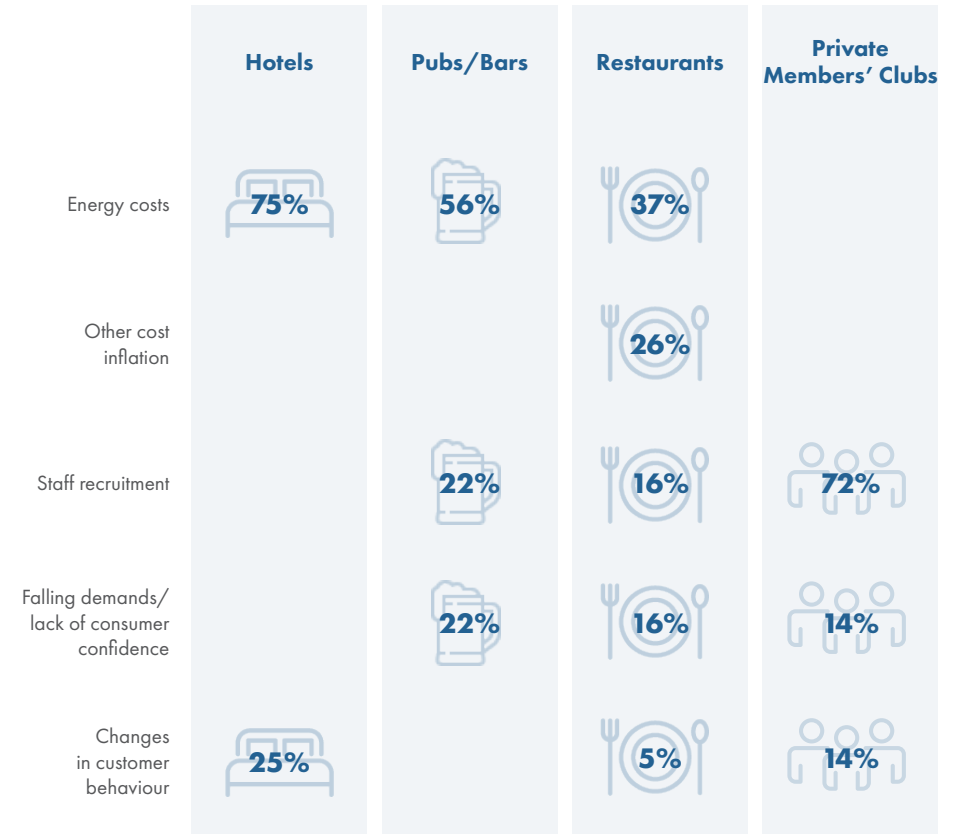
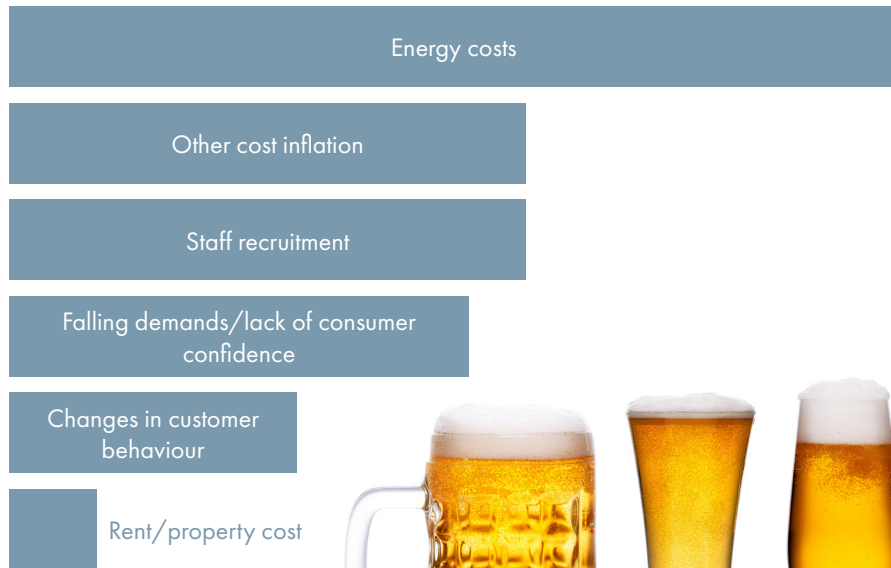
What do you consider to be your most significant challenge over the next six months?

Looking forward to the next six months, energy costs are now considered the most challenging issue facing most respondents, clearly overtaking staff recruitment in significance which, alongside other cost inflation, is the second biggest challenge reported.

A decline in consumer confidence and demand follows close behind, driven by concerns over the escalating cost of living crisis and economic and geopolitical uncertainty.

Hotels, pubs/bars and restaurants all report energy costs as the single most significant factor affecting their business over the next six months. Whilst the government has put a support package in place over the next six months, there is clear concern for the future thereafter, particularly given further recent uncertainty over public spending. Other cost inflation is also an obvious concern for restaurants and staff recruitment remains an issue for all these sub-sectors, particularly pubs/bars (see further analysis in the Staff Recruitment section on page 11).

For private members' club respondents, staff recruitment is the single most significant issue being faced by some margin (72%), well ahead of energy costs (14%) and other input cost inflation (14%).





Government support

Which government support measure would you like to see prioritised for the hospitality sector?

Over half of all respondents report that a VAT rate cut should be the highest priority for the Government to help support the hospitality sector through the current crisis. This has long been campaigned for by many in the sector, increasingly so following the successful impact of VAT reductions during the course of the COVID-19 pandemic.

Business rate relief is, overall, the second most popular measure that respondents believe the Government should focus on. Again, business rates reform has been a long standing priority for the sector.

Unsurprisingly the reported challenge of energy costs leads many respondents to urge the Government to extend the cap on energy costs beyond April 2022. Indeed 26% view this as the highest priority.

Business rates relief

Tax payments deferrals (HMRC 'time to pay' scheme)

VAT rate cut

Extension of cap on energy costs beyond 6 months

The strategic response

Which strategic changes are you making to combat the impact of inflation and the energy crisis?

In May 2022, 57% of all respondents reported that price increases were their key strategic response to the impact of energy and other cost inflation. In the latest survey 81% have reported that price increases were one of their responses to the current challenges. This includes 75% of hotel respondents, 89% of pubs/bars and 79% of restaurants.

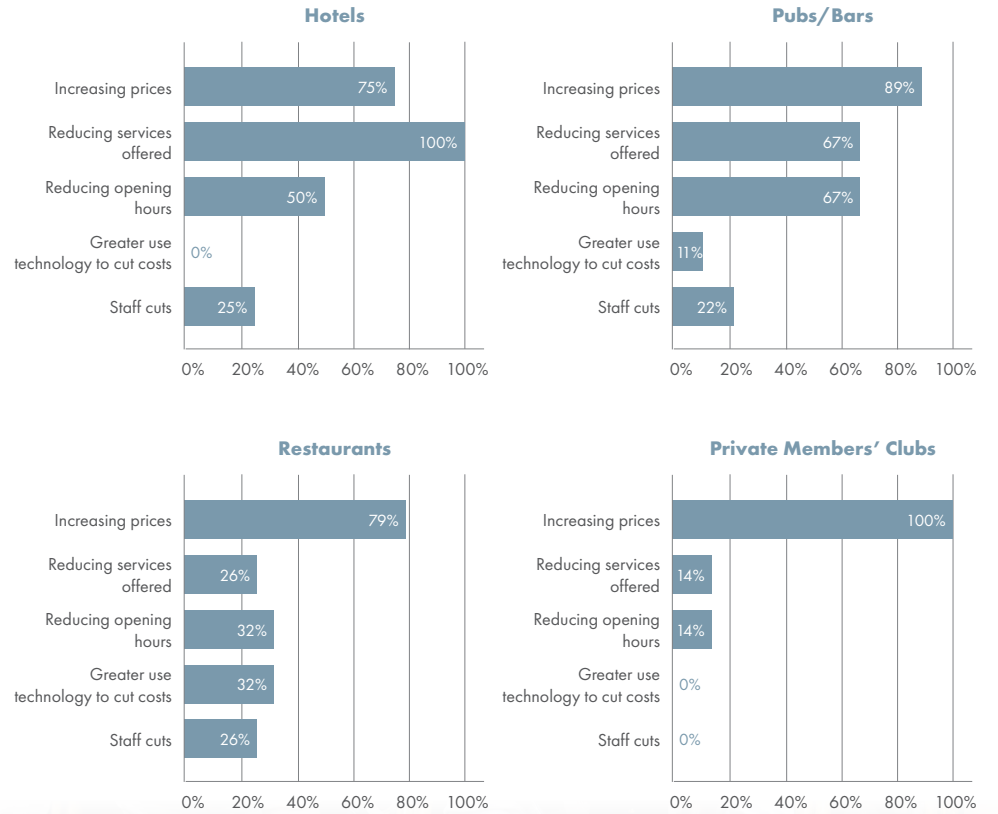
100% of private members' club respondents reported that their strategy is to increase prices to combat the impact of cost inflation and the energy crisis.

Other common strategies are less dominant, but some interesting trends are reported.

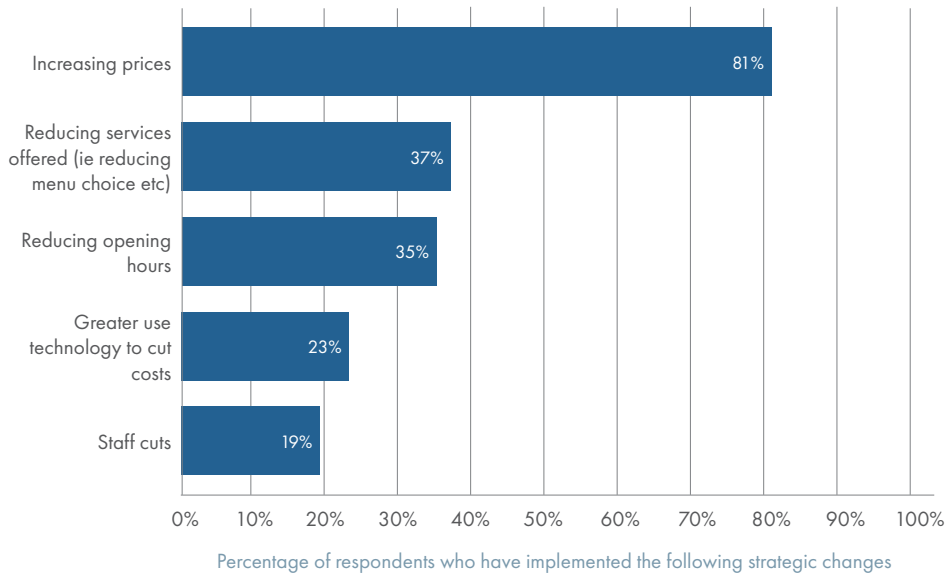
Approximately two thirds of pub/bar respondents have reduced opening hours and two thirds have also reduced the variety of their offering, such as menu options. This is in part driven by staff shortages, as reported above when considering the challenges of staff recruitment.

One third of restaurant respondents state that a greater use of technology forms a part of their strategy, a much more significant proportion than any other sub-sector.

Less than one in five of all respondents report that cutting staff is part of their strategy at the present time.



All



Staff recruitment

What has been your experience in staff recruitment over the past three months?

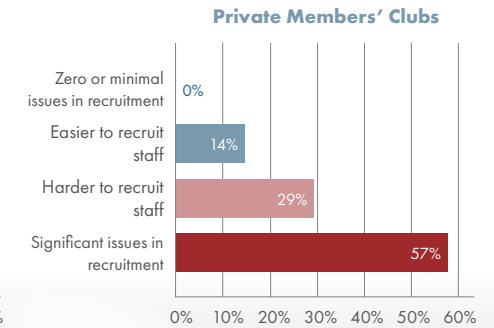
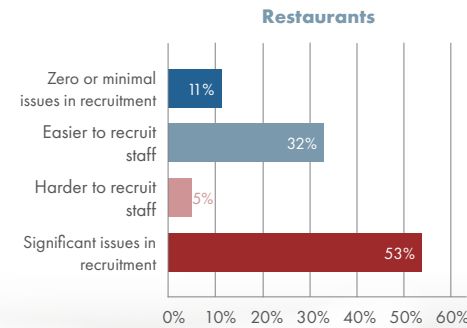
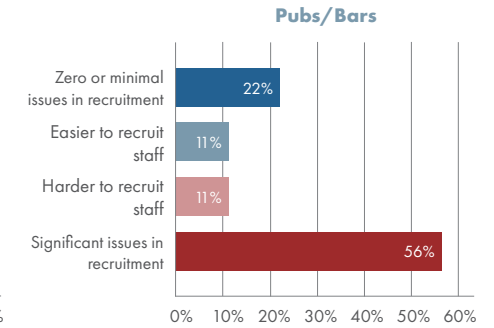
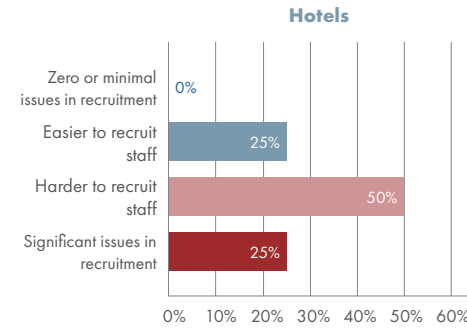
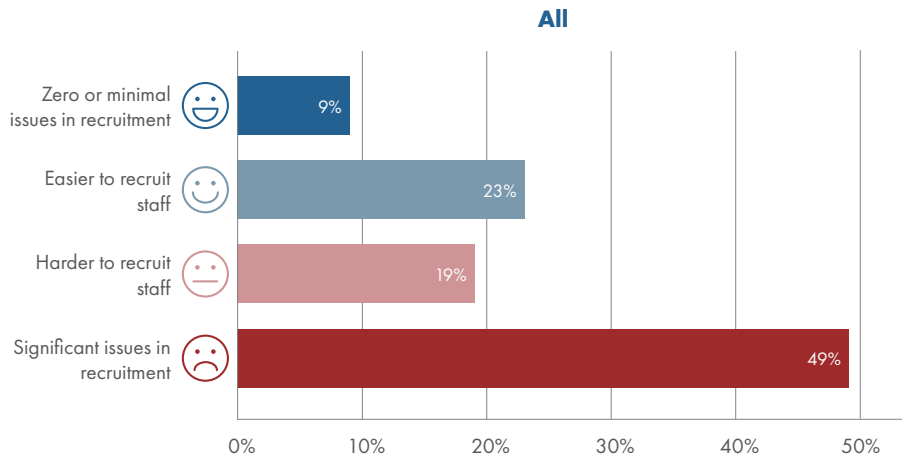
49% of all respondents report that they are continuing to have significant issues in recruiting the staff they need. A further 19% believe that it is getting harder to recruit staff. This represents approximately two thirds of all respondents reporting difficulties, a clear indication that, for most, the changing dynamic of the labour market experienced since Brexit and the COVID-19 pandemic continues to bite.

Pubs/bars in particular appear to be facing real challenges, and to a lesser extent, restaurants. That said, one third of restaurant respondents report that the situation is easing. Inevitably there will be some geographical variation in labour availability.

Private members' club respondents also report serious difficulties in recruitment with 57% continuing to face significant challenges and a further 29% finding that the situation is worsening.

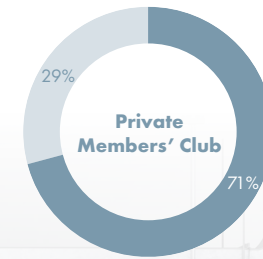
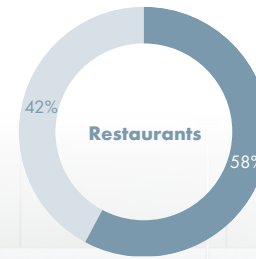
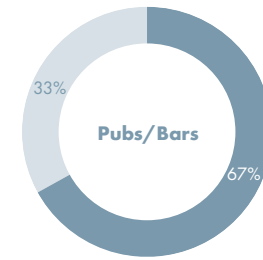
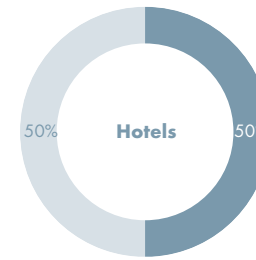
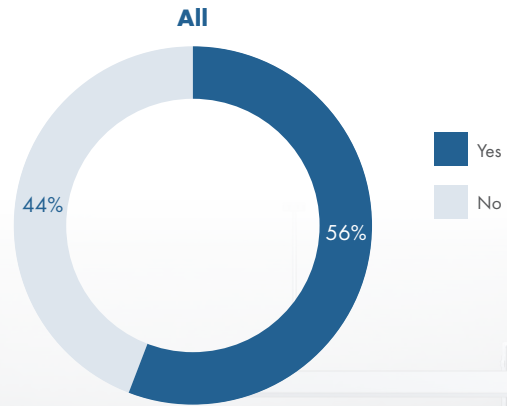
Respondents have commented that back of house staff, such as chefs and cleaners, are the most difficult to recruit.

Overall, 23% of respondents report that staff recruitment is becoming easier and a further 9% state that they continue to have zero or minimal issues in recruiting the staff they need.



Cost of living support

As a result of the cost of living crisis, have you implemented exceptional increases to wages/salaries to support staff?



■ Yes
■ No



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Methodology

The Hospitality Snapshot Survey research was conducted by haysmacintyre's hospitality team. The sample, comprising 43 respondents, represents a variety of sizes and types of hospitality businesses across the country including pubs/bars, restaurants, hotels and private members' clubs. The objective of the research was to understand the pressures and outlook of the sector.

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Shortlisted 2019 National Firm of the Year



Shortlisted 2019 Tax Team of the Year



Highly Commended Partner of the Year



2021: Best auditor
2020: Best outsourced
finance service



Winner: Audit Team of the Year



Top 15 auditor to quoted companies in Adviser Ranking Listing



An privateclient top accountancy firm 2021