

A photograph of a woman with dark hair, wearing a bright yellow cable-knit sweater, laughing joyfully. She is seated at a bar or restaurant table. In the foreground, several wine glasses filled with red wine are visible. To her left, a server wearing a black apron over a light-colored shirt is leaning forward, holding a small notebook and a blue pen, appearing to take notes. The background is softly blurred, showing a chalkboard menu and warm, ambient lighting from a hanging light fixture.

haysmacintyre

# Hospitality Snapshot Survey

November 2021

# Business confidence

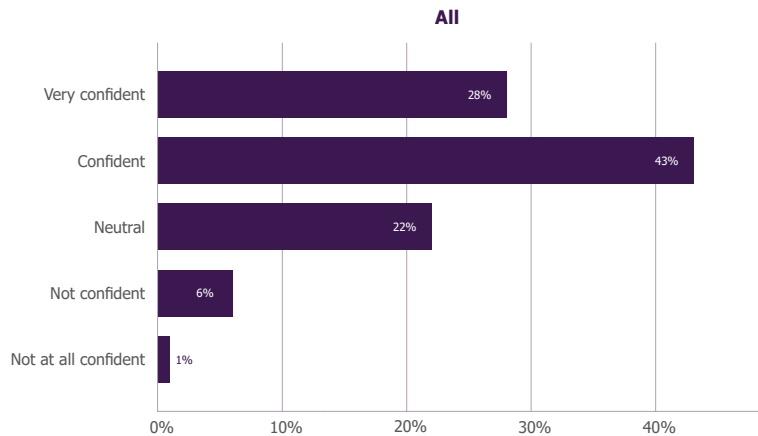
How confident are you about the future prospects for your business?

The overall mood from operators mirrors that from the last survey in July 2021, with 71% of operators either 'confident' or 'very confident' (70% in July 2021) and only 7% expressing a lack of confidence (9% in July 2021). This is likely to reflect the positive trading over the last three months, whilst recognising that there are challenges ahead and an uncertain Christmas at the time of responding to this survey.

Hotels continue to remain the most optimistic for future prospects, although confidence has dipped since summer with 17% of respondents 'very confident', compared to 36% in July 2021. The majority of respondents remain 'confident' (66% in November versus 45% in July), however, locations, particularly inner-city, are reliant on the return of tourism and corporate trade to achieve pre-COVID-19 levels of trading.

Whilst there was a notable increase in optimism between our March and July surveys, pub and bar operators' confidence has dipped as we head into winter. Comparing November's survey to July, both showed that 79% of respondents were either 'confident' or 'very confident', however, operators feeling 'very confident' have fallen from 41% to 25% with 'confident' operators seeing the converse movement. A similar shift can be seen with those operators 'neutral' or 'not confident', with a subtle reduction down the confidence scale.

Restaurant operators also demonstrated small shifts down the confidence scale, however, the overall picture remains positive. Whilst the last survey was taken near 'freedom day', on the 19 July 2021, the lifting of all restrictions and return to pre-COVID-19 trading levels has perhaps been slower to fruition than initially anticipated which has led to this reduction in confidence.



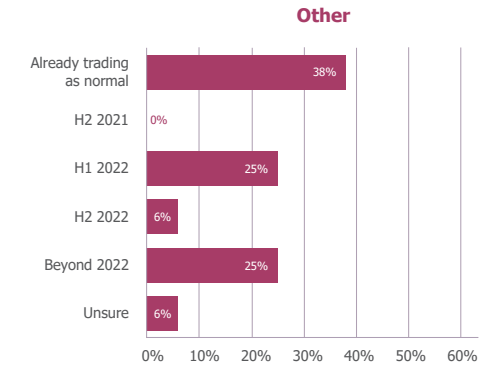
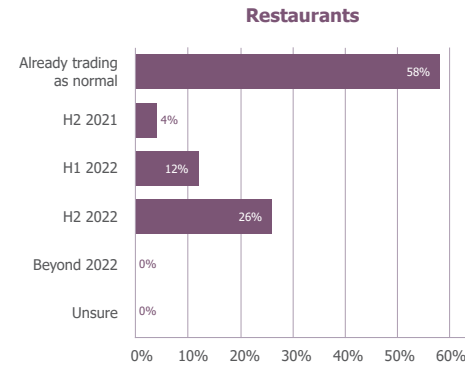
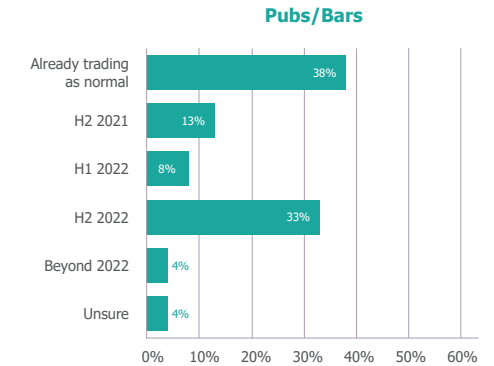
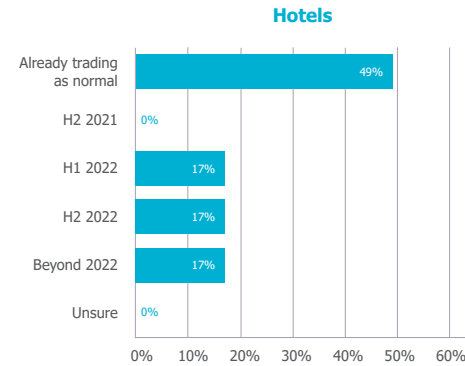
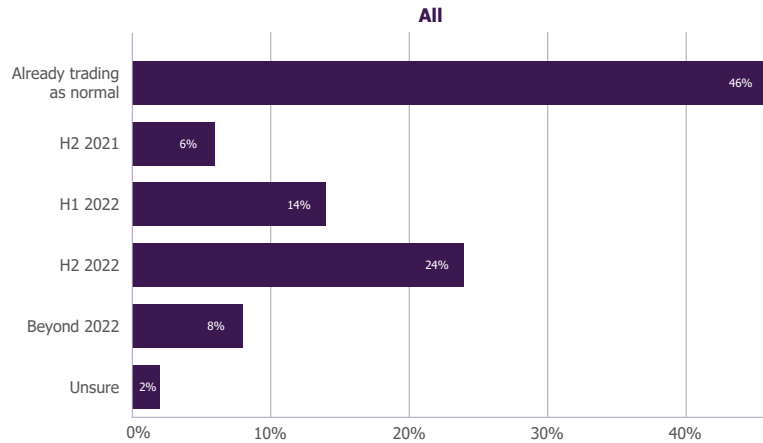
# The return to normal trading

What is your best estimate for when your business will return to a normalised level of trading?

There has been a notably positive shift in those operators who have returned to a normalised level of trading, with 46% of respondents this survey, compared to 13% in July 2021. In addition, a similar optimism remains with only 8% of respondents noting that they see the return to normalised trading in 2023 or beyond, compared to 11% in July, with the remainder of respondents citing 2022 as the year in which trading is likely to return to normal. We are yet to see what the new normal looks like, however despite uncertainty surrounding new consumer habits, some operators, particularly those in more neighbourhood areas have seen sales returning to, or exceeding, pre-COVID-19 levels.

Hoteliers have shown the most positive shift in estimated normalised trading with 49% of respondents indicating that they are already trading as normal, compared to just 9% in July. 34% of the remaining respondents expect trade to return to normal during 2022, compared to 55% in July's survey. This is likely due to the expectation that tourism and corporate bookings will return to pre-COVID-19 levels during 2022.

Across pubs/bars and restaurants, we see just under half of operators (48%) noting a return to normalised trading compared to 15% in July 2021. Whilst we have seen inner-city locations, particularly London, struggle to return to pre-COVID-19 levels of trading, those operators located in neighbourhood areas have seen increasing levels of trade over the summer months. The remaining respondents all consider that trade will return to normalised levels over the course of 2022. Comparing this to the survey results in July, where we noted that 9% of respondents considered normalised trade to return during 2023 or beyond, there is certainly an increase in market confidence. The roll out of the vaccine and perception that there will not be further lockdowns seems to have increased consumer confidence which has led to the increases we see in operators' confidence.



# Current challenges

What is the most and least significant challenge facing your business?

The sector is certainly facing a number of challenges, however, the survey highlighted that the most significant challenge faced by operators is staff recruitment, with 61% of respondents highlighting this as their biggest challenge versus 57% from the July 2021 survey. This was also highlighted within the lasting impact of the pandemic and is discussed in more detail within the next section of this report.

Supply issues and costs were noted as the second most challenging area with 14% of operators highlighting this as a significant challenge, versus just 2% in July. This highlights the increasing challenges from the perfect storm of Brexit and the pandemic.

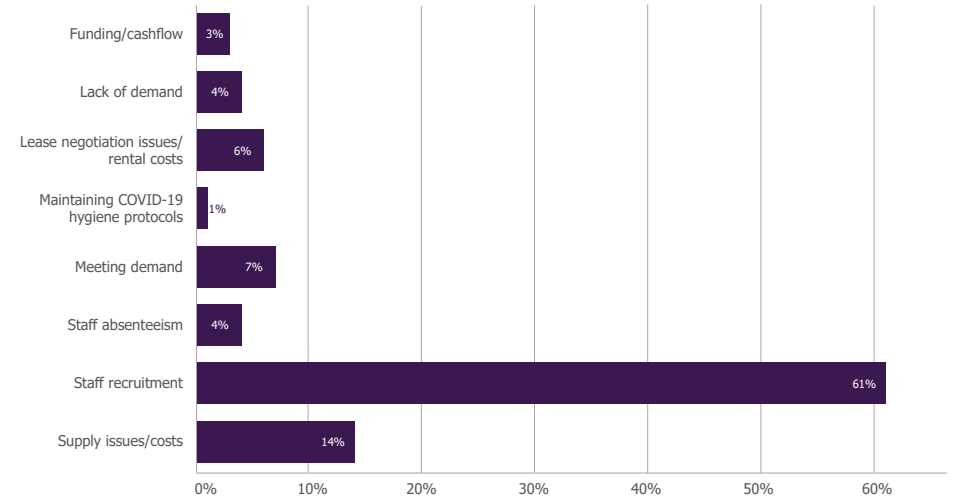
Encouragingly, a lack of demand was previously highlighted by 11% of respondents within the July survey, which has decreased to just 4% within the current survey.

Maintaining COVID-19 hygiene protocols, lease negotiations and funding were all noted as the least challenging areas, indicating that businesses have largely managed to overcome challenges which have previously been considered significant.

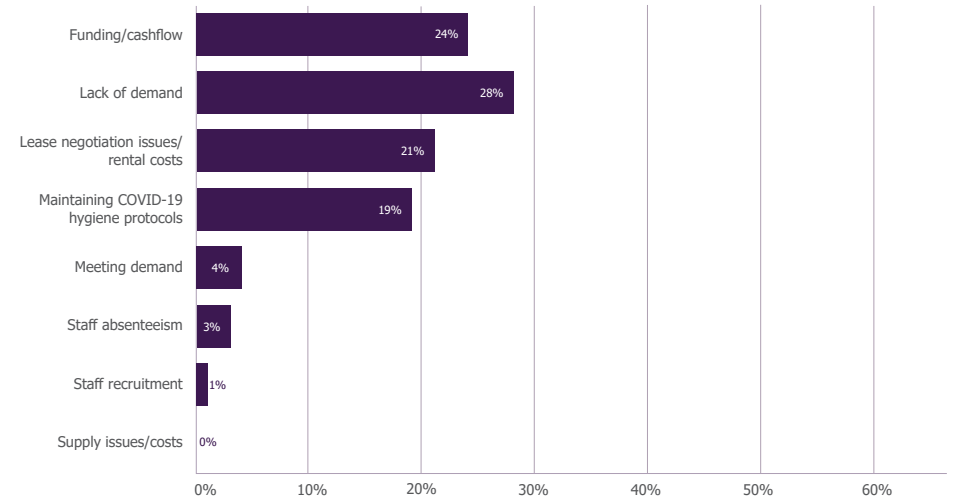
However, operators are conscious that there are a number of new challenges facing them from 1 April 2022. These include the end of the rent moratorium, the increase of VAT rate from 12.5% to 20% and further increases to the National Living Wage. The latter challengers will put further pressure on already reducing gross profit margins. In addition, 50% of business rates will be payable for operators under the £110k cap, with a higher percentage payable for those over the capped limit.



Most significant challenge



Least significant challenge



# Lasting impact of the pandemic

Looking to the future, what do you believe will be the most and least significant lasting impact of the pandemic on the sector?

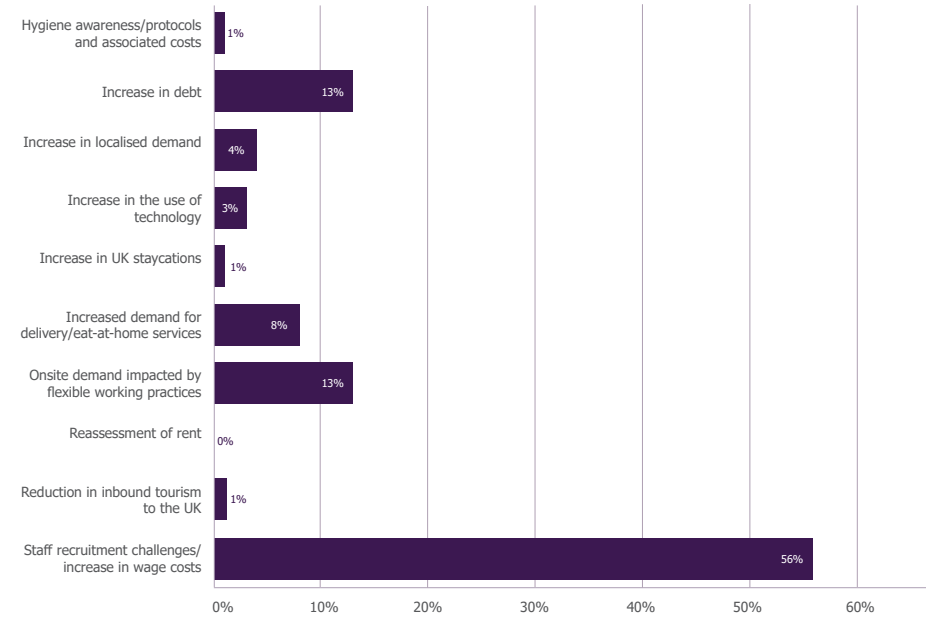
Over half of the respondents (56%) highlighted that staff recruitment challenges and increasing wage costs will have the most significant lasting impact of the pandemic on the sector. With the pandemic striking just two months after Brexit, the number of European Union workers leaving the UK, coupled with a significant number of UK workers leaving the hospitality industry during the last 20 months, has meant that operators have been forced to increase their offering to retain and recruit in a very competitive, candidate-driven market. The lasting impact of Brexit and the pandemic is unclear, however with increases in the National Living Wage and an increased focus on employee wellbeing, it is difficult to see wage costs reducing in the short or medium term.

Further impact areas highlighted were the increase in debt taken on by operators in order to survive (13%) and whether onsite demand will be impacted by flexible working practices (13%). With interest rates at historically low levels, it is hoped that operators will be able to manage the levels of debt taken on, and so far, we have seen the support from banks and HMRC to the industry. However, with the rent moratorium ending on 31 March 2022 we are yet to see if landlords will continue to support over rent deferrals which have been issued over the pandemic.

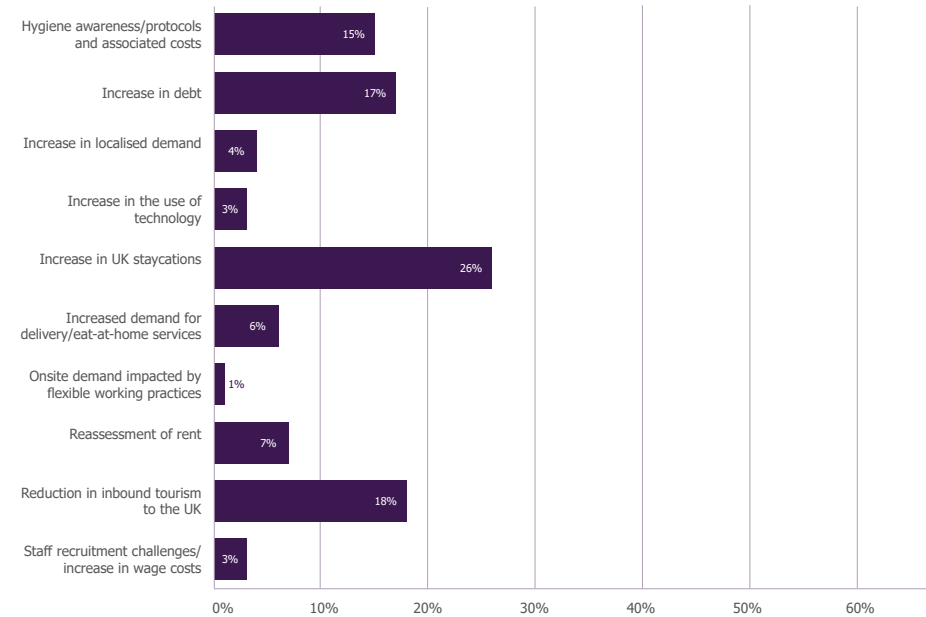
The survey highlighted that operators considered the lack of international travel and tourism to be a short-term issue, with 44% of respondents noting that a reduction in inbound tourism and increase in UK staycations would have the least lasting impact. This is somewhat dependant on the worldwide vaccination of individuals and impact of virus variants, however it is widely considered that international travel will return, certainly in the medium term.



Most significant lasting impact



Least significant lasting impact



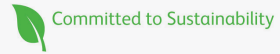
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## Methodology

The Hospitality Snapshot Survey research was conducted by haysmacintyre's hospitality team. The sample, comprising 72 respondents, represents a variety of sizes and types of hospitality businesses across the country. The objective of the research was to understand the pressures and future outlook of the sector beyond the COVID-19 pandemic.

A member of



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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



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