



THE CURRENT STATE OF THE HOSPITALITY SECTOR

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In the latest in our series of trade articles, Kieron Franks, Assistant Head of Risk Underwriting, examines the current state of the hospitality sector.

2021 was hard for hospitality businesses - with some sub sectors doing better in the latter half of the year than others. But how will the sector fare as it moves forward?

In the early half of 2021, signs of business recovery and adaptation were looking hopeful, with HMRC data showing a 27% drop in the number of businesses having to temporarily close due to lockdowns in early 2021, than had closed in spring 2020's lockdown. Recovery continued in 2021, with many hospitality businesses hoping that they might hit pre-pandemic sales figures by year-end. But moving into 2022 this is still not the case for many.

Sub sectors that have been particularly struck hard include bars and clubs, where turnover in 2021 was 39% lower than in May 2019.

Current trends in the hospitality sector

When restrictions eased mid-way through the year, consumer spending across the hospitality sector increased to its highest level since summer 2020 when the 'Eat Out to Help Out' scheme was introduced, but still around 70% of pre-pandemic levels.

Christmas and New Year looked set to be a bumper time for hospitality venues, with high numbers of advance bookings and consumers determined to make up for the restrictions of Christmas 2020.

But the advent of the Omicron variant in November, and the speed and breadth of its spread, left consumers retreating to their homes and the mass cancelling of group reservations. Venues remained open, but trade slowed in pubs, clubs and restaurants, particularly those in the centre of major cities. Hospitality UK reported that many businesses lost 40-60% of their December trade, often their most profitable month, with the cost to the sector estimated at £4bn.

Businesses warned they would crumble without help and the Chancellor on 21 December announced £1bn in [support for businesses impacted by Omicron](#), with hospitality and leisure venues eligible for one-off grants of up to £6,000 per premises.

The festive season is the lifeblood of a large number of hospitality businesses, and hopes for recovery in 2022 may be too late for many. It is clear that businesses in this sector will need to plan to better protect themselves from future credit risk.

Concerned about your cash flow?

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