

# Business confidence in the South West recovers slightly, but remains fragile

Business confidence in the South West has returned to positive territory but is lagging behind the UK average with companies experiencing some challenges more acutely than in other regions, a new survey has found.

The Institute of Chartered Accountants in England and Wales (ICAEW), Business Confidence Monitor for the South West found sentiment at 2.1, below the UK average of 2.5. Domestic sales growth was the slowest in the UK, rising at 3.7% a year, although ICAEW said it is expected to increase in line with the national average of 4.9% over the next year.

The [South West](#) was one of only two areas of the UK where labour market challenges worsened in the last quarter with almost a third of businesses reporting the availability of non-management skills as a problem. It was also the only region where staff turnover worsened, this was cited by almost four in 10 businesses.

In addition ICAEW found a fifth of businesses in the South West reported [access to capital as a growing problem](#), which was the highest of any UK nation or region and almost double its historical average.

**Read more:** [South West business confidence high despite labour market and inflation issues](#)

ICAEW said that to [build on the confidence reading](#), the government must form an ambitious plan to inject resilience into the UK economy to boost business confidence and deliver long-term economic growth.

Beverley Waters, ICAEW regional director, South and South West, said: "It's encouraging to see confidence return to positive territory, but companies clearly remain cautious given the many challenges they face. As well as grappling with high inflation and energy costs, South West businesses have reported the slowest domestic sales growth in the UK, intensifying labour market challenges, problems with access to capital, and the weakest growth in employment and salaries of any UK nation or region.

"While employment growth and profits are expected to pick up over the next 12 months, these findings show that we still have a way to go."

[Employment in the South West](#) also saw the weakest growth across the UK, however it is expected to pick up again over the next year, according to the survey. ICAEW showed that at 3.5%, salaries in the South West were joint with London in seeing the slowest growth. However, the firm said that they are rising at a "much faster rate" than previous norms due to high inflation.

A slightly slower rise of 3.3% is planned in the year ahead, which will be the second slowest rise in the UK above only London.

Businesses in the South West saw profits grow by 2.8%, which was the second weakest in the UK behind Wales. However, an improvement is expected, according to the survey, with a 4.1% rise predicted in the year ahead.

The report also found that investment growth weakened in the region. Capital investment experienced the second-lowest rise behind the East of England, and research and development budgets experienced the second-lowest growth behind Wales.

In a statement ICAEW said: "The outlook for next year remains weak, with only the East Midlands expecting a smaller rise in capital investment. The South West is also expected to achieve

the lowest growth in research and development budgets of any UK nation or region.

“Nationally, business confidence returned to positive territory for the first time in a year but remains fragile amid a backdrop of economic volatility, with sentiment at 2.5 on the index.”

**Read next:**

- [Portishead robotics firm completes £1.8m wire harness project](#)
- [Late payments are a worry for three quarters of smaller firms, survey finds](#)
- [Bristol-based finance firm reports growth in SME lending](#)
- [Broadband supplier Truespeed boosts Bath network with £6m investment](#)

**Like this story? Why not [sign up](#) to get the latest South West business news straight to your inbox.**