

Record job creation in South West as UK staycation boom drives holidaymakers to region

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Companies across the West of England are continuing to hire staff at a record rate as demand for staycations in 2021 drives holidaymakers to the region.

Business activity in the South West grew at a steeper rate than any other UK region in the third quarter of the year, new data from NatWest shows.

The headline South West Business Activity Index – a seasonally adjusted index that measures the month-on-month change in the combined output of the region's manufacturing and service sectors – rose from 61.6 in June to 62.2 in July.

The rate of job creation accelerated at the fastest rate since data collection began in January 1997. A number of firms said rising customer demand was part of the reason for needing to recruit.

The increase in business activity followed the easing of Covid-19 restrictions and was among the quickest ever recorded by the survey.

Business leaders in the region also remained “strongly optimistic” about the year ahead, according to the survey, although there was some concern the current tourism boom could fizzle out.

According to the report, new orders received by South West private sector firms rose for the fifth month running last month, which was in part due to the tourism sector seeing an improved demand for domestic holidays.

However, there was a “sharp and accelerated” rise in the level of outstanding business at private sector firms in the West of England in July.

The rate of accumulation was the second-steepest since the series began in November 1999 (after May 2021), and outpaced the UK-wide average. New order inflows, limited capacity and material shortages were among the reasons for unfinished work.

Average input prices faced by companies rose again in July and the rate of inflation was the steepest seen since the series began. Anecdotal evidence indicated that greater costs for labour, materials and shipping drove up firms’ expenses. Across the 12 UK regions, only Northern Ireland posted a steeper increase in input costs last month.

The surge in costs led companies to raise prices again; these have now increased in each of the last seven months.