THE ECONOMIC CONTRIBUTION OF THE UK HOSPITALITY INDUSTRY

The hospitality industry is the 3rd biggest employer in the UK, accounting for 3.5m jobs through direct employment in 2022, and a further 3.0m indirectly. The industry generated over £93bn of Gross Value Added directly to the UK economy, and a further £121bn indirectly. The industry has proven very resilient post-Covid, however cost pressures and labour supply shortages are taking their toll, with the most recent economic data showing lower levels of employment growth.

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UKHOSPITALITY

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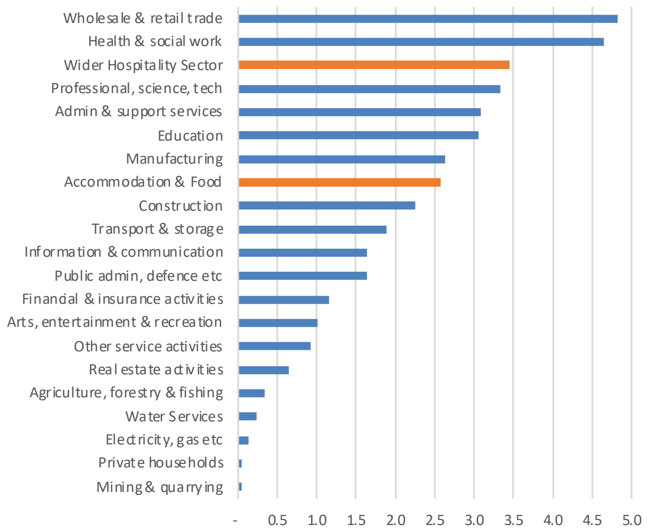
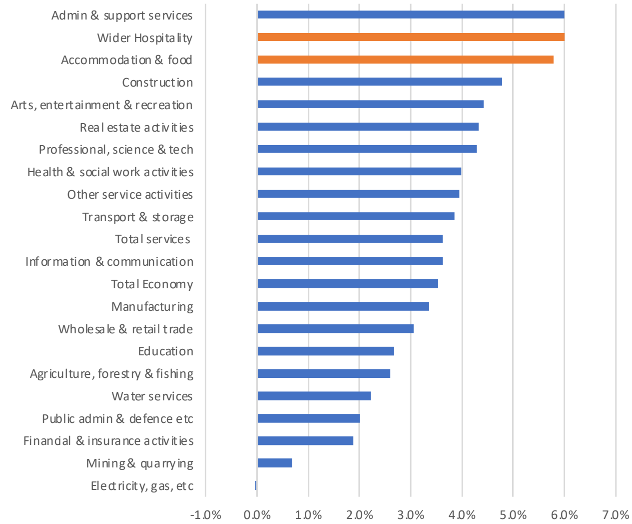
Fig 1: The wider hospitality industry is the 3rd largest employer in the UK (workforce jobs, millions) …



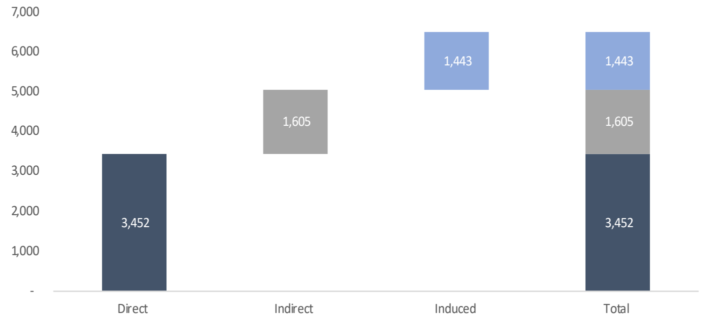
Source: ONS data, Ignite Economics analysis

Fig 2: … and has grown GVA faster than almost any other industry since the economic downturn (2009-19 CAGR)



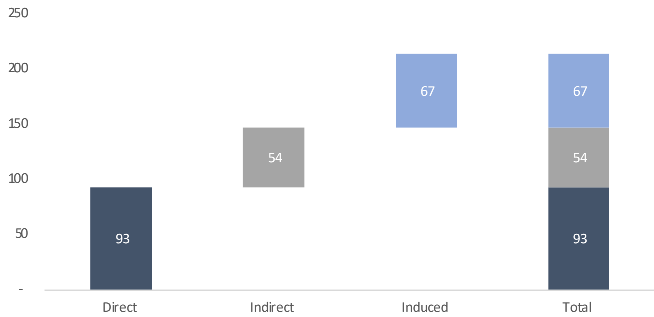
Source: ONS data, Ignite Economics analysis

Fig 3: Hospitality contributed to 3.5m jobs through direct employment in 2022, and a further 3.0m indirectly…



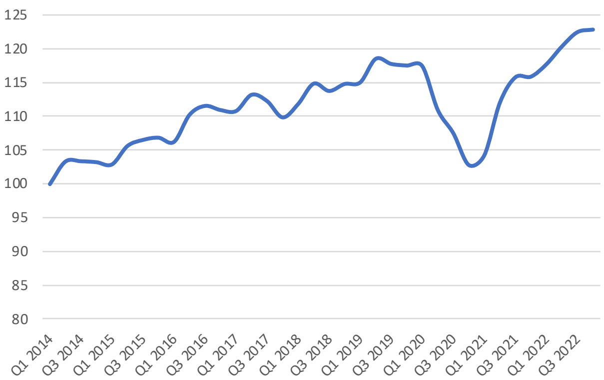
Source: ONS data, Ignite Economics analysis

Fig 4: … generating £93bn of GVA directly to the UK economy, and a further £121bn indirectly…



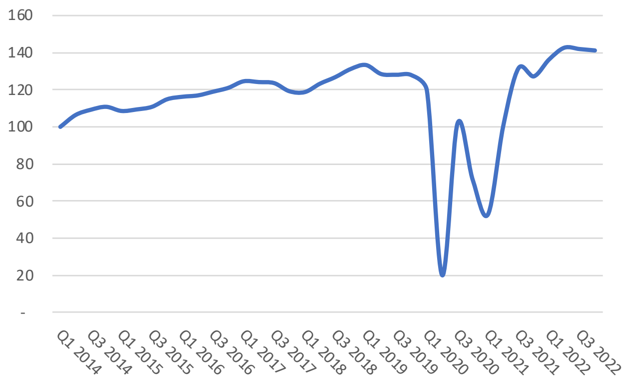
Source: ONS data, Ignite Economics analysis

Fig 5: However the latest quarterly data shows that employment has rebounded back above pre-pandemic levels…



Source: ONS data, Ignite Economics analysis

Fig 6: … in real terms, GVA is 10% higher in Q4 2022 than it was in Q4 2019, showing the resilience of the UK hospitality industry …



Source: ONS data, Ignite Economics analysis

Contents

Executive summary

Purpose of this report

This report provides an up-to-date assessment of the economic contribution of the hospitality industry to the UK economy, with a focus on employment and gross value added (GVA). The basis of the data for this report is taken from the Office of National Statistics (ONS), and where 2022 is not yet available, where possible we have extrapolated previous years' data to form 2022 estimates. In some cases, where 2022 data is not available, we have used 2019 data, due to the impact that Covid has had on 2020 and 2021 data for the industry.

The ONS' standard industrial classification (SIC) captures a narrower segment of the hospitality industry, which we have widened to encompass the whole sector – and this is referenced within the report.

Key conclusions

Employment and Gross Value Added (GVA)

- **UK hospitality employment continues to grow at c.1.0% year on year – ahead of that of the overall economy. Further increases in labour productivity means that GVA continues to grow at a faster rate than employment. However, growth in GVA is underperforming the UK economy as a whole.**

Figure 7: Hospitality sector growth rates vs UK economy

	Hospitality Sector			UK Economy		
	2022	2019	% CAGR	2022	2019	% CAGR
Employment ('000s)	3,452	3,355	1.0%	36,137	35,570	0.5%
GVA (£bn)	93	83	3.9%	2,370	2,000	5.8%

Source: ONS data, Ignite Economics estimates

- **The narrower standard industrial classification of 'Accommodation and Food Service Activities' accounted for 2.6m jobs in 2022, with the wider hospitality industry accounting for 3.5m jobs, making it the 3rd biggest sector in terms of employment in the UK**

- **When looking at the indirect and induced impact on the wider economy, this increased to almost 6.5m jobs, or c.18% of the total UK jobs**

- **The hospitality industry had grown GVA faster than almost any other industry between 2009-2019, however growth has been more subdued since the Covid pandemic**

- **The direct GVA contribution to the UK economy was estimated to be £93bn in 2022; including the indirect / induced impact, this rises to £214bn, or c.9% of the total UK economy**

Figure 8: Hospitality sector contribution to the UK economy

	SIC definition	Wider hospitality sector	UK economy	% of UK economy	Total inc. indirect / induced impact	% of UK economy
Employment ('000s)	2,577	3,452	36,137	9.6%	6,500	18.0%
GVA (£bn)	74	93	2,370	3.9%	214	9.0%

Source: ONS data, Ignite Economics estimates

Tax receipts, exports and investment

- **The hospitality sector contributed c.£54bn in gross tax receipts in 2022, £20bn in exports and £7bn in business investment**

Figure 9: Hospitality tax receipts, exports and investment

	2022 (£bn)	% of UK economy
Gross tax receipts	54	6.9%
Exports	20	4.3%
Business investment	7	1.8%

Source: ONS data, Ignite Economics estimates

Recent performance / Current trading

- **The UK hospitality industry is an important contributor to the UK economy – especially in terms of employment. However, recent cost pressures (minimum wage increases, business rates, underlying input cost inflation) and a reduction in the supply of labour has started to take its toll on the industry, leading to a significant slowdown in GVA growth.**

- **However, since the Covid pandemic, job growth has slowed (and started to do so in the year prior to the pandemic), with the industry particularly impacted by labour shortages.**

- **GVA has recovered above pre-pandemic levels. In nominal terms, GVA in Q4 2022 is 27% higher than in Q4 2019; in real terms GVA is 10% higher than in Q4 2019, showing the resilience of the industry. However, GVA in Q3 / Q4 2022 has turned ex-growth in real terms on a sequential basis.**

Future growth forecasts

- **The growth outlook of the industry is uncertain, given the pressures of underlying inflation, wage growth, high levels of Business Rates and a reduced labour supply following the UK's exit from the EU, amongst other things. This report forecasts future growth in the sector using a scenario analysis based on a bull case, base case and bear case growth for the sector**

- **Under the bull case, employment will grow by 15% by 2027e, and GVA will increase by 32%, whereas under the bear case, employment will decline by -1% and GVA will decline by -5% compared to 2012**

Figure 10: Hospitality GVA and Employment forecasts

	Employment ('000s) - 2027e	Growth vs 2022	GVA (£bn) - 2027e	Growth vs 2022
Bull case	3,964	15%	122	32%
Base case	3,786	10%	114	23%
Bear case	3,425	-1%	89	-5%

Source: ONS data, Ignite Economics forecasts

Introduction

The hospitality industry

Definition of the hospitality industry – wider than the SIC classification…

Government data is produced under Standard Industrial Classification (SIC), which from 2007 splits the economy into 20 broad sectors. The SIC under which hospitality is included is 'Accommodation and Food Service Activities', however this underrepresents the true scale of the hospitality industry.

Figure 11: Definition of the hospitality industry by SIC 2007 code

SIC 2007 code	Description	Hospitality sub-sector
5510	Hotels and similar accommodation	Hotel & related
5520	Holiday and other short stay accommodation	Hotel & related
5530	Camping grounds, recreational vehicle parks and trailer parks	Hotel & related
5590	Other accommodation	Hotel & related
56101	Licensed restaurants	Restaurant & related
56102	Unlicensed restaurants and cafes	Restaurant & related
56103	Take away food shops and mobile food stands	Restaurant & related
56301	Licensed clubs	Restaurant & related
56302	Public houses and bars	Restaurant & related
5621	Event catering activities	Catering
5629	Other food service activities	Catering
	In-house catering in sectors outside the core hospitality industry (estimated using occupational data)	Catering
8230	Convention and trade show organisers	Event Management
932	Amusement and recreations activities	Cultural & Recreational Activities
7810	Share of activities of employment placement agencies	All
7820	Share of temporary employment agency activities	All

Source: Office of National Statistics (ONS), Ignite Economics

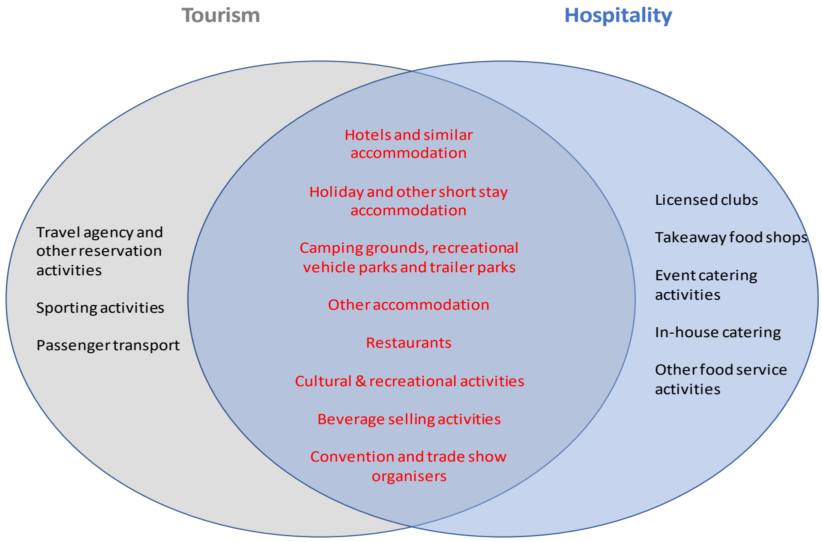
… and has a significant overlap with the tourism industry…

While often viewed interchangeably, hospitality and tourism are two distinct sectors. Hospitality covers the provision of accommodation, food and drinks outside of the home, to both overseas visitors and domestic UK residents. By contrast, the United Nations World Tourism Organisation defines tourism as:

"the activities of persons identified as visitors. A visitor is someone who is making a visit to a main destination outside his/her usual environment for less than a year for any main purpose [including] holidays, leisure and recreation, business, health, education or other purposes ….This scope is much wider than the traditional perception of tourists, which included only those travelling for leisure"

Regardless of the exact definition of hospitality or tourism, it is clear that a large part of these industries overlaps. This is demonstrated below.

Figure 12: Mapping of the tourism and hospitality industries



Source: ONS, Ignite Economics

The International Passenger Survey highlights the interdependence of the two industries

Highlighting the interrelation between the hospitality and tourism industries, the International Passenger Survey tracks inbound passengers to the UK.

For the first 9 months of 2022, inbound holiday passenger numbers were down 29% versus the same period in 2019, while inbound spend was down 11% over the same period. This slow recovery in inbound travel is having a negative impact on the UK hospitality industry.

Fig 13: International Passenger Survey – Summary Table – Q1-Q3 2022 vs Q1-Q3 2019

	Inbound Travel				
	All visits	**Holiday**	**Visiting friends or relatives**	**Business**	**Other**
Q1-Q3 2022 Visits ('000s)	21,159	8,340	7,916	3,425	1,478
% Change vs Q1-Q3 2019	**-29%**	**-33%**	**-12%**	**-44%**	**-30%**
Q1-Q3 2022 Spend (£m)	18,444	8,275	5,344	3,233	1,592
% Change vs Q1-Q3 2019	**-11%**	**-17%**	**13%**	**-22%**	**-15%**

Source: International Passenger Survey, ONS data

- Inbound holiday travel to the UK is down 33% in the first 9 months of 2022 compared to the same period in 2019
- Inbound holiday spend is down by 17% over the same period

Measures of economic impact

This report undertakes an economic impact analysis of the UK hospitality industry. The total economic impact is comprised of three areas:

- **Direct impacts** – employment, GVA, investment and tax revenues, etc, generated directly by the hospitality industry
- **Indirect impacts** – employment and other economic activity in the direct supply chain, as a result of the UK hospitality industry's purchasing goods and services from its UK suppliers
- **Induced impacts** – employment and other economic activity resulting from employees in the hospitality industry using a portion of their wages to purchase other goods and services at a household level

Direct impact

The direct economic impact of the hospitality sector is calculated using five key measures:

- **Employment** – direct employment by the hospitality industry
- **GVA** – the gross value added is the contribution of an individual industry to UK GDP. This report uses the `output measure' of GVA, which is the value of the industry's output less the cost of purchased inputs in the production process
- **Taxes** – covers all streams of tax revenue, including corporation tax, VAT, employee income tax, etc.
- **Exports** – the amount of overseas' visitor spend on goods and services
- **Investment** – the value of capital investment / spending by the hospitality industry

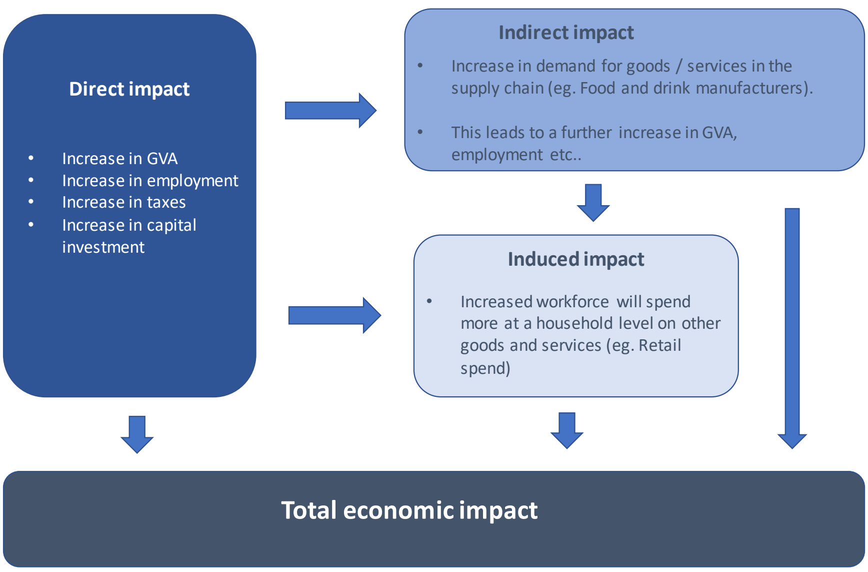
This report analyses the hospitality sector's impact on employment and GVA on both a national, and regional level.

Indirect and induced impacts

The indirect and induced impacts are calculated using the ONS input-output tables to calculate a multiplier effect that the hospitality industry has in generating further value in its supply chain, and the wider UK economy.

As the hospitality industry grows, it creates more direct employment and GVA, but also spends more along its supply chain. This generates a positive indirect economic impact, and the enlarged workforce will spend more on other items, generating a further positive induced impact.

Figure 14: Impact of a restaurant expanding its operations (direct, indirect and induced impacts)



Source: Ignite Economics

Direct economic contribution

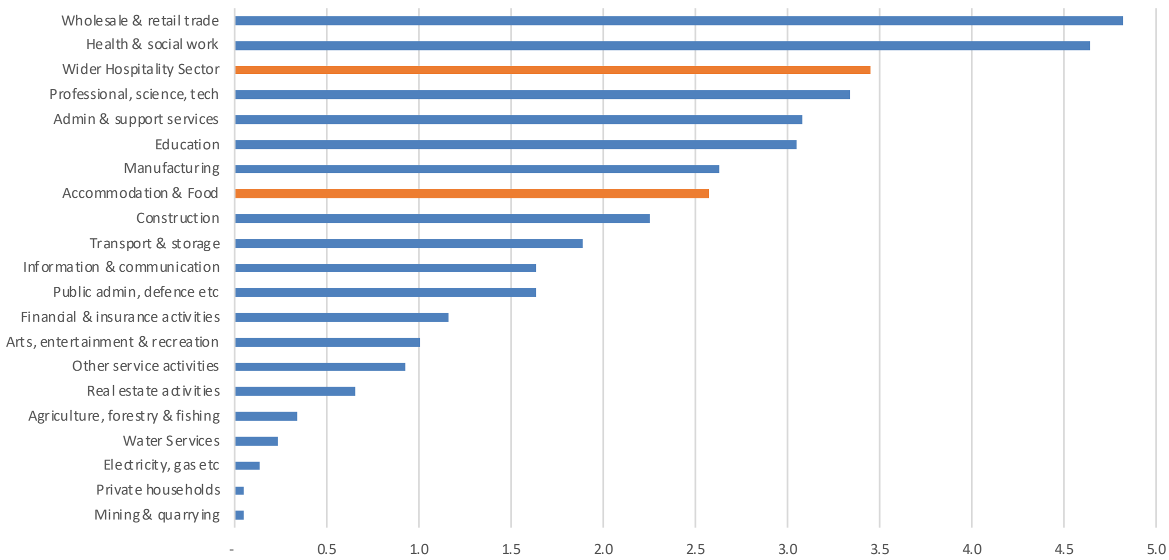
The hospitality industry makes a major direct contribution to the UK economy, particularly with regards to employment, given the labour-intensive nature of the businesses. The GVA contribution is proportionally lower than employment, given the relatively low labour productivity of the industry – although it should be noted that the hospitality sector has been one of the best performing industry in terms of labour productivity improvements since the 2008 / 2009 economic downturn. There is a high contribution of SMEs to the industry, which make up over 99% of the number of businesses, and over 50% of the total turnover and GVA of the industry. It should also be noted that hospitality is an important sector across every region in the UK, ranking as the second highest employer in some regions.

Employment

The third largest employer in the UK…

When including in-house catering and temporary employment estimates, the wider hospitality sector is the third largest industry in terms of employment out of the Standard Industrial Classification's 20 sectors.

Figure 15: The third largest employer in the UK (workforce jobs, millions)



Source: ONS data, Ignite Economics estimates

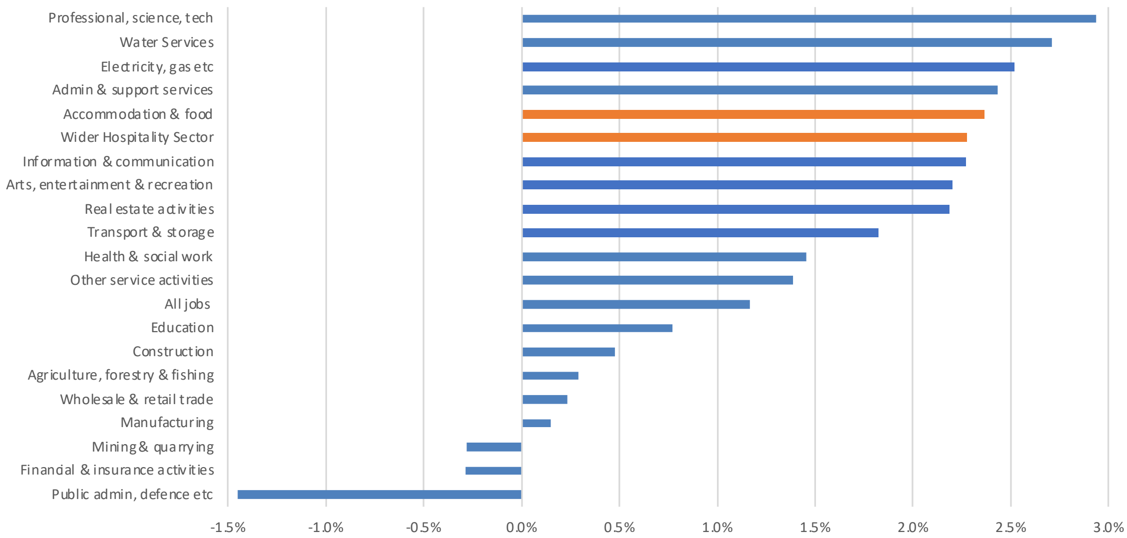
Expanding the narrow SIC definition provides a better representation of the scale of employment in the hospitality industry. However, this report notes that:

- The narrower SIC classification of Accommodation and Food Service Activities is the seventh largest sector
- Including estimates for temporary employment in other sectors, Education, Administrative & support service activities and Professional, scientific & technical services could all be larger than hospitality

… and one of the fastest growing…

In terms of job creation, the wider hospitality industry has accounted for c.17% of the overall UK employment growth between 2009 and 2019, placing it fifth out of 20 industries in terms of the total number of jobs created.

Figure 16: Growth in Jobs 2009-19 CAGR



Source: ONS data, Ignite Economics estimates

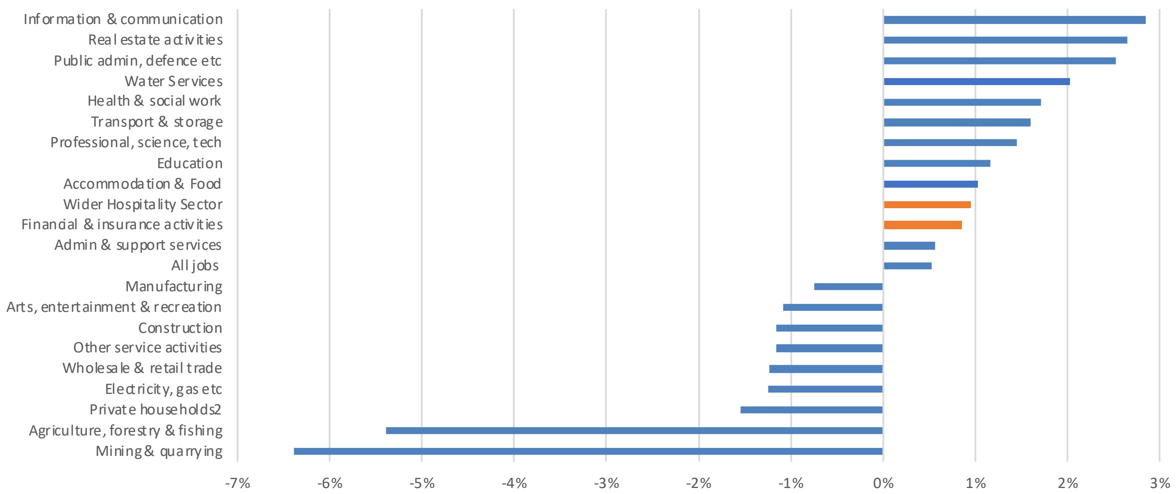
In terms of employment growth rates, it has outperformed both the economy overall, and the faster growing services sector.

Figure 18: Hospitality employment growth versus total economy – rebased to 100 in 2009

Source: ONS data, Ignite Economics analysis

However, since the Covid pandemic, job growth has slowed (and started to do so in the year prior to the pandemic), with the industry particularly impacted by labour shortages.

Figure 17: Growth in Jobs 2019-22 CAGR



Source: ONS data, Ignite Economics estimates

… important for every region of the UK…

Unlike some industries that have a significant regional bias, the hospitality industry is a major employer across every region of the UK. Hospitality ranks as a top 5 employer in every region of the UK, accounting for up to 11% of the regional workforce.

Figure 19: Hospitality employment on a regional level

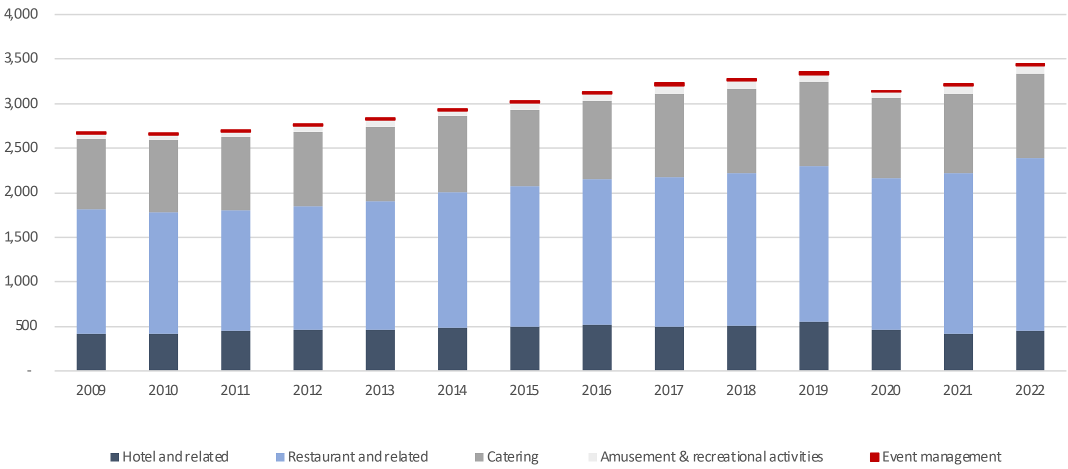
	2022 ('000s)	% of UK hospitality	% of regional employment	Rank amongst 18 broad industry groups
North East	133	4%	11%	3
North West	376	11%	10%	3
Yorks & Humber	251	7%	9%	5
East Midlands	207	6%	8%	4
West Midlands	259	8%	9%	3
East of England	283	8%	9%	4
London	593	17%	9%	2
South East	451	13%	9%	2
South West	370	11%	12%	2
Wales	165	5%	11%	2
Scotland	290	8%	10%	2
Northern Ireland	74	2%	8%	4
Total UK	**3,452**	**100%**	**10%**	**3**

Source: ONS data, Ignite Economics estimates

… with employment and employment growth driven by the restaurant sector

The `restaurant and related' sub-sector accounts for over half of the employment of the hospitality industry, and has returned the highest levels of employment growth. This includes pubs and nightclubs.

Figure 20: Employment by hospitality sub-sector (workforce jobs '000s)



Source: ONS data, Ignite Economics estimates

The restaurant & related sub-sector has accounted for almost all of the growth of the sector over the past 3 years, with only cultural & recreational activities also returning growth. By contrast, events and accommodation have declined substantially, and are yet to recover following the pandemic.

Figure 21: Detailed employment growth (workforce jobs '000s - 2016-2022)

	2019 ('000s)	2022 ('000s)	2022 % of total	Growth ('000s)	Growth (%)	2019-22 Growth (3 year CAGR %)	2016-19 Growth (3 year CAGR %)
Accommodation	**556**	**452**	**13%**	**-104**	**-19%**	**-7%**	**3%**
Hotels and similar accommodation	428	331	10%	-97	-23%	-8%	2%
Holiday and other short-stay accommodation	53	48	1%	-5	-9%	-3%	5%
Camping grounds / recreational vehicle parks	42	45	1%	3	8%	3%	2%
Other accommodation	12	11	0%	-1	-9%	-3%	6%
Temporary employment (estimate)	21	17	1%	-4	-19%	-7%	3%
Restaurant & related	**1,741**	**1,941**	**56%**	**200**	**12%**	**4%**	**2%**
Restaurants / mobile food service activities	1,123	1,233	36%	110	10%	3%	3%
Beverage serving activities	551	634	18%	82	15%	5%	0%
Temporary employment (estimate)	67	75	2%	8	12%	4%	2%
Catering	**954**	**940**	**27%**	**-14**	**-1%**	**0%**	**3%**
Event catering and other food service activities	291	275	8%	-15	-5%	-2%	2%
In-house catering	532	540	16%	8	1%	0%	3%
Temporary employment (estimate)	131	124	4%	-7	-5%	-2%	2%
Event management	**29**	**24**	**1%**	**-6**	**-19%**	**-7%**	**6%**
Organisation of conventions and trade shows	28	23	1%	-5	-19%	-7%	6%
Temporary employment (estimate)	1	1	0%	0	-19%	-7%	6%
Cultural & recreational activities	**75**	**96**	**3%**	**20**	**27%**	**8%**	**1%**
Amusement and recreation activities	73	92	3%	19	27%	8%	1%
Temporary employment (estimate)	3	4	0%	1	27%	8%	1%
Hospitality total	**3,355**	**3,452**	**100%**	**97**	**3%**	**1%**	**2%**

Source: ONS data, Ignite Economics estimates

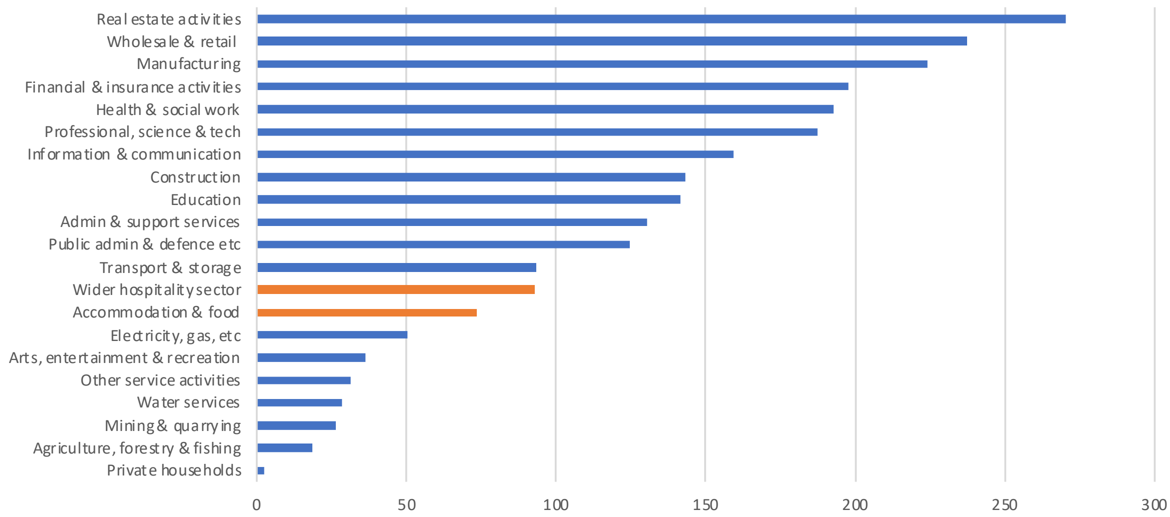
GVA contribution lower – but fastest growing

Given the labour-intensive nature of the hospitality industry, its relative GVA contribution is lower than that of employment. However, in terms of GVA growth since the economic downturn, it was one of the fastest growing industries in the UK, with a GVA CAGR of 5.9% almost double that of the economy as a whole.

Hospitality ranks 13 / 20 sectors in GVA contribution…

The hospitality industry ranks thirteenth out of the 20 broad industry sectors in terms of GVA contribution, and on a regional basis, hospitality accounts for between 2.9% and 5.9% of total regional GVA

Figure 22: GVA contribution to UK economy (2022 - £bn)



Source: ONS data, Ignite Economics estimates

Figure 23: Regional GVA contribution of the UK hospitality industry

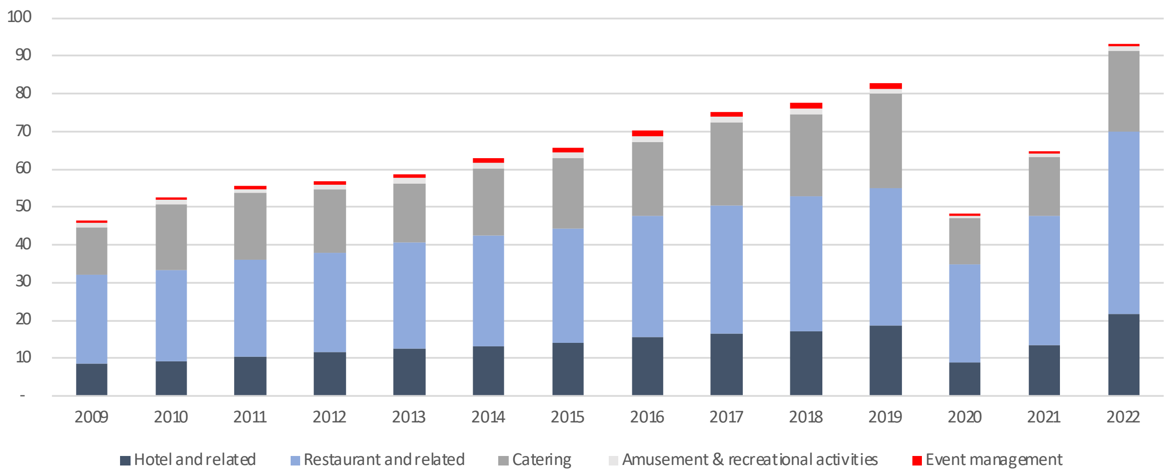
	GVA 2022 (£bn)	GVA 2019 (£bn)	2019-22 Growth (%)	% of UK Hospitality GVA	Hospitality as % of Regional GVA
North East	2.3	2.0	18.3%	2.5%	3.4%
North West	10.2	8.3	23.5%	11.0%	3.9%
Yorks & Humber	6.1	5.2	16.8%	6.5%	4.2%
East Midlands	5.0	4.4	14.2%	5.4%	4.0%
West Midlands	6.7	5.7	16.1%	7.2%	3.8%
East of England	6.5	5.6	15.2%	6.9%	2.9%
London	22.2	20.8	6.2%	23.8%	4.0%
South East	11.8	11.0	7.9%	12.7%	3.2%
South West	8.8	7.4	17.7%	9.4%	5.5%
Wales	4.0	3.7	7.9%	4.3%	5.9%
Scotland	7.6	7.0	8.3%	8.2%	4.5%
Northern Ireland	1.9	1.7	11.6%	2.1%	3.8%
Total UK	**93.1**	**82.9**	**12.2%**	**100.0%**	**3.9%**

Source: ONS data, Ignite Economics estimates

…with the restaurants / pubs / clubs the largest contributor to GVA…

The restaurant and related sub-sector (which includes pubs and clubs) generates over 50% of the hospitality industry's total GVA

Figure 24: Hospitality GVA contribution by sub-sector (£bn)

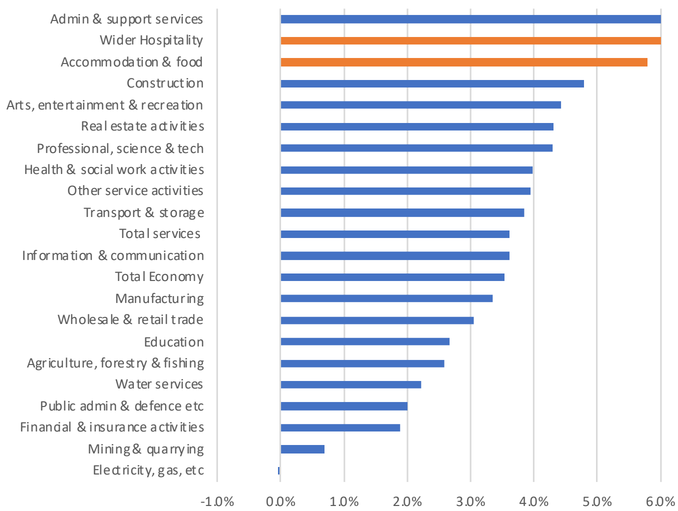


Source: ONS data, Ignite Economics estimates

… but the hospitality industry has grown GVA faster than any almost any other industry since 2009

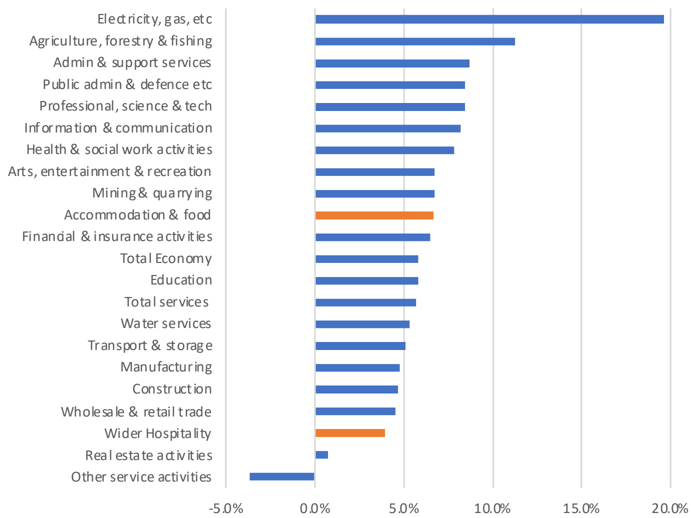
The hospitality industry has returned the second highest level of GVA growth of any industry since the economic downturn, up until the Covid pandemic. The industry's 6.0% 10-year growth CAGR is almost double that of the overall UK economy. While the accommodation & food segment has recovered well, the wider hospitality industry has seen a lower level of growth as the catering, events and recreational sub-sectors are yet to see GVA return back to 2019 levels.

Figure 25: GVA growth by industry (2009-19 CAGR)



Source: ONS data, Ignite Economics analysis

Figure 26: GVA growth by industry (2019-22 CAGR)



Source: ONS data, Ignite Economics analysis

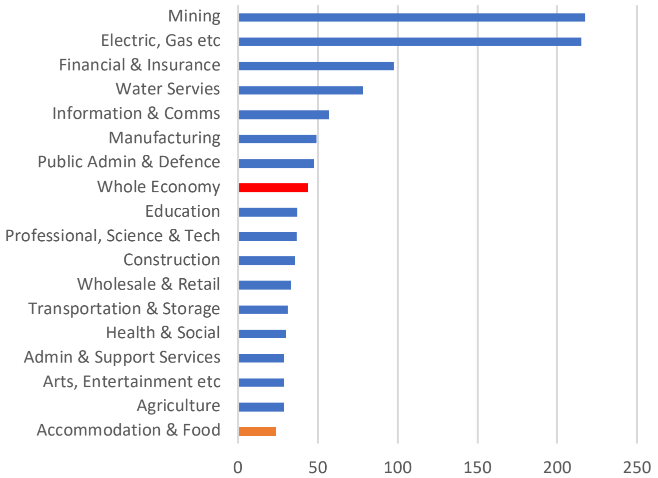
Labour productivity

The hospitality industry has the lowest levels of labour productivity in the economy. However, since the economic downturn, it has returned one of the highest level of labour productivity growth of any industry.

Labour productivity is low, but has returned above average growth

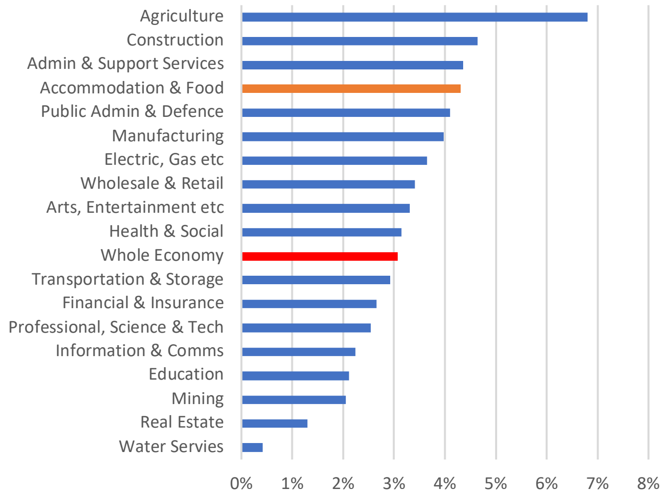
Recently released ONS data on labour productivity (output per hour worked) splits the economy into 18 broad industries. Calculating labour productivity on a per hour worked basis takes into account part time workers, which are more prevalent in the hospitality sector. The 'hotels & catering' sector has the lowest GVA per hour worked, due to the labour-intensive nature of the industry. However, since the economic downturn, the hotels & catering sector has returned the fourth highest level of labour productivity growth of any industry, increasing GVA per hour worked almost 50% faster than the economy as a whole.

Figure 27a: GVA per hour worked (2022)



Source: ONS data, Ignite Economics analysis

Figure 27b: Growth in GVA per hour worked (2009-22 CAGR)



Source: ONS data, Ignite Economics analysis

The restaurant / catering sub-sectors have the second lowest labour productivity of the hospitality industry, behind amusement / recreational activities. However it should be noted that in both of these cases, this is partially a reflection of the high levels of part-time employment, and on a GVA per hour worked basis it could compare more favourably. However, data on average hours worked is not broken down into the individual sub-sectors of the hospitality industry.

Figure 28: Hospitality GVA and Productivity

2022	Employment ('000s)	GVA (£bn)	Productivity (£) [GVA / Employee]	Turnover (£bn)
Hotel and related	452	22	47,813	42
Restaurant and related	1,941	48	24,893	91
Catering (including in-house)	940	21	22,710	42
Event management	24	1	25,972	2
Amusement / recreational activities	96	1	12,360	3
Hospitality total	**3,452**	**93**	**26,959**	**179**
Whole economy	36,137	2,370	65,576	
Hospitality as % of whole economy	**9.6%**	**3.9%**		

Source: ONS data, Ignite Economics estimates

Tax and Investment

Hospitality raised £54bn in taxation in 2022…

The hospitality sector raised an estimated £54bn in gross tax receipts for the UK exchequer in 2022, with the majority of this coming from VAT on sales.

Figure 29: Hospitality sector tax receipts

2022	Tax Revenue (£bn)	% of Total
VAT on sales	31	57%
Excise duty	6	10%
Corporation tax	2	4%
Income tax and NC	10	19%
Other tax	6	10%
Hospitality Total	**54**	**100%**

Source: ONS data, Ignite Economics estimates

The relatively low contribution from corporation tax reflects the industry's low profit margin. In 2019, Accommodation and Food Service Activities accounted for 3.0% of the economy's output, but only 2.1% of total net trading profits. Given the higher proportion of employee compensation in the industry and underlying cost inflation, this has likely worsened over the past three years.

… as well as £7.3bn in business investments…

In 2019, business investment by the hospitality industry is estimated at c.£7.3bn, which is c.3.2% of the total UK business investment. The hospitality sector is a relatively low capital-intensive business, and its reduction in the capital output ratio shows that it is using capital more efficiently.

… supporting SMEs, which generated £46bn of GVA in 2022

This report notes the high contribution of SMEs to the industry, which make up over 99% of the number of businesses, and 50% of the total turnover and GVA of the industry.

Figure 30: SME contribution to GVA

2022	GVA (£bn)	% of industry GVA
Micro business (1-9 employees)	14	16%
Small business (10-49 employees)	19	21%
Medium business (50-249 employees)	13	14%
Total SMEs	**46**	**50%**
Large businesses	**47**	**50%**

Source: ONS data, Ignite Economics estimates

Exports

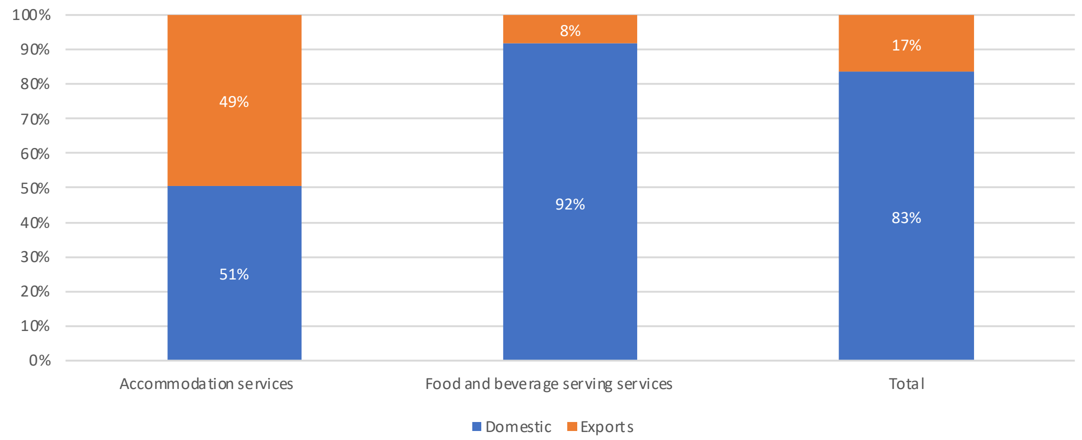
Hospitality accounts for the majority of overseas visitor spend in the UK…

It is estimated that the hospitality industry accounted for £20bn of exports of goods and services to foreign visitors in 2022, equating to c.4.3% of total UK exports, and c.17% of total hospitality GVA. Total overseas visitor spend in the UK in 2022 is estimated at £28.4bn; spending on the hospitality industry therefore accounted for c.69% of total in-bound spend.

… but is largely a domestic facing industry

UK household spend accounted for 88% of the industry GVA in 2019, with exports accounting for 17% of GVA; however, exports are considerably higher for accommodation services, compared to food and beverage which is predominantly a domestic-facing segment.

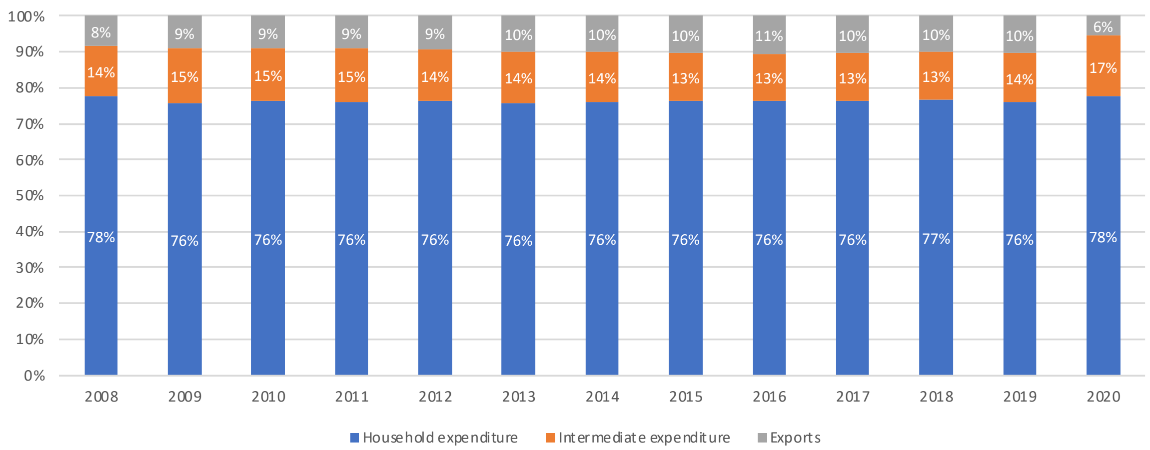
Figure 31: Contribution to the Accommodation and Food Service industry GVA (2019)



Source: ONS data, Ignite Economics estimates

In terms of the industry's output, 76% of it is consumed by UK households, 14% is intermediate expenditure (consumed by other industries within the UK economy), and 10% of it is exports – although exports fell materially in 2020 due to the Covid pandemic.

Figure 32: Consumption of the Accommodation and Food Service industry output



Source: ONS data, Ignite Economics estimates

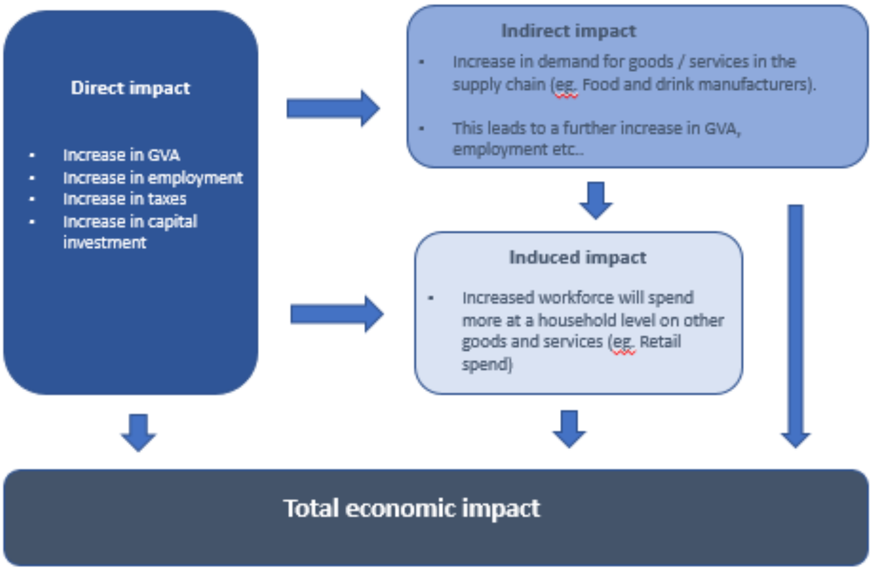
Indirect and induced contribution

When including the indirect and induced impact on the wider economy, employment related to the hospitality industry increases from 3.5m jobs to c.6.5m jobs, or c.18% of the total UK workforce. The direct GVA contribution to the UK economy was estimated to be £93bn in 2022; including the indirect / induced impact, this rises to £214bn, or c.9% of the total UK economy.

Indirect / induced impact

The indirect and induced impacts are calculated using the ONS input-output tables to calculate a multiplier effect that the hospitality industry has in generating further value in its supply chain, and the wider UK economy.

Figure 34: Impact of a restaurant expanding its operations (direct, indirect and induced impacts)



Source: Ignite Economics

As the hospitality industry grows, it creates more direct employment and GVA, but also spends more along its supply chain. This generates a positive indirect economic impact, and the enlarged workforce will spend more on other items, generating a further positive induced impact.

Figure 35: Hospitality sector contribution to the UK economy

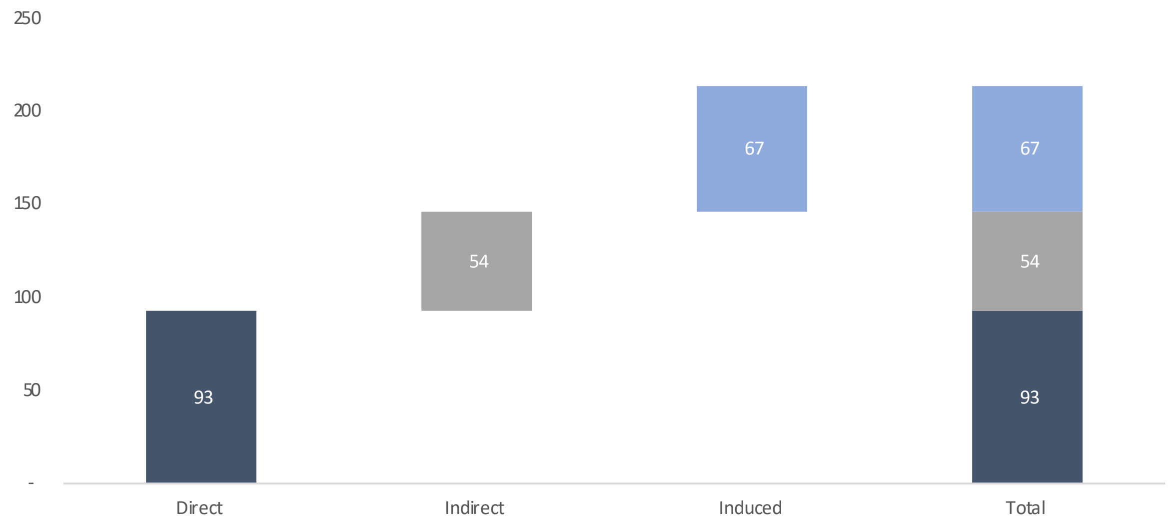
	SIC definition	Wider hospitality sector	UK economy	% of UK economy	Total inc. indirect / induced impact	% of UK economy
Employment ('000s)	2,577	3,452	36,137	9.6%	6,500	18.0%
GVA (£bn)	74	93	2,370	3.9%	214	9.0%

Source: ONS data, Ignite Economics estimates

Multiplier effect

For every £1 that the UK hospitality industry directly contributes to GDP, it creates a further 58p indirectly, and a further £1.30 when including the induced impact. This means that the hospitality industry has a Type I (indirect) multiplier of 1.58, and a Type II (indirect and induced) multiplier of 2.30

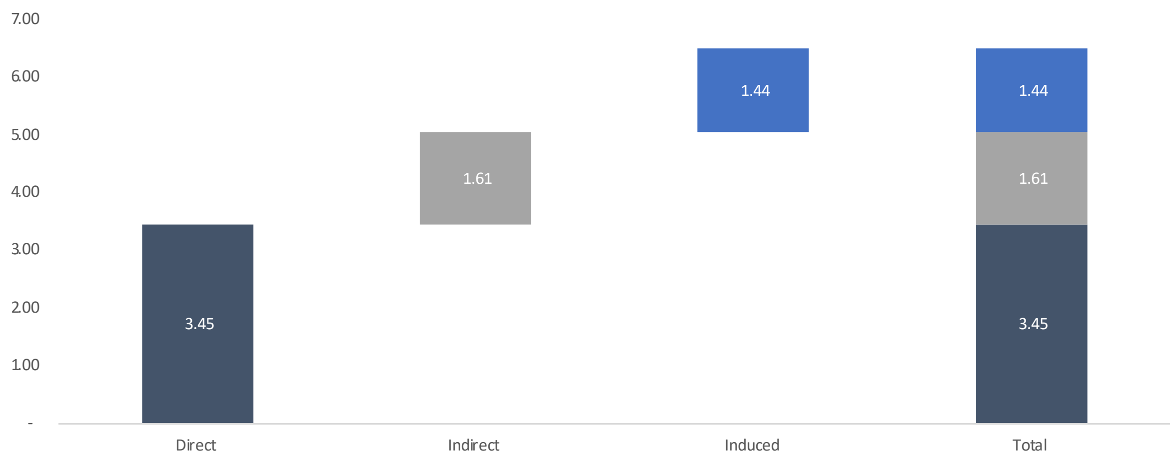
Figure 36: The hospitality industry generates over £93bn of GVA directly to the UK economy, and a further £54bn indirectly [GVA (£bn)]



Source: ONS data, Ignite Economics estimates

For every 10 jobs that the UK hospitality industry creates directly, a further 4.7 are created elsewhere. This means that the hospitality industry has an employment multiplier of 1.47

Figure 37: Hospitality contributed to 3.45m jobs through direct employment in 2022, and a further 1.61m indirectly [Workforce Jobs (millions)]



Source: ONS data, Ignite Economics estimates

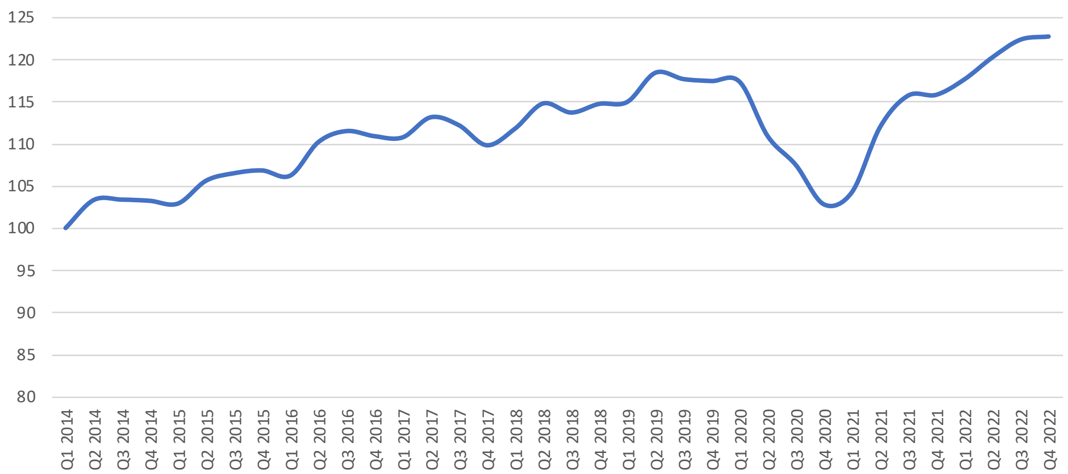
'Current trading' of the industry

Prior to the pandemic, growth in employment slowed as a a reduction in the supply of labour has started to take its toll on the industry. Furthermore, recent cost pressures (minimum wage increases, business rates, energy costs and underlying input cost inflation) has led to a slowdown in real GVA growth.

Employment recovered above pre-pandemic levels, but lower growth:

The most recent quarterly employment data has shown that employment has surpassed pre-pandemic levels, although this is driven by restaurants, with the accommodation sector still under pressure – and growth is lower than that seen prior to 2019.

Figure 38: Accommodation & food service activities employment – rebased to 100 Q1 2014

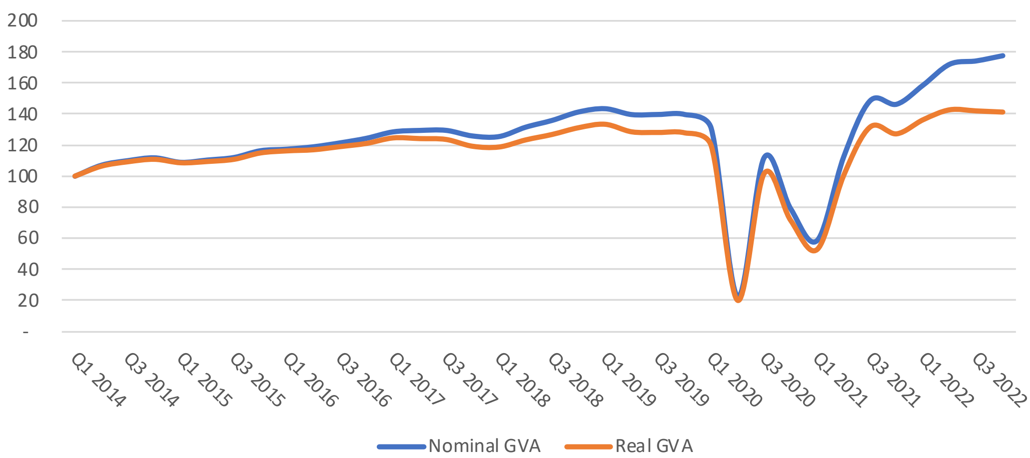


Source: ONS data, Ignite Economics estimates

GVA remains positive, but flattered by inflation:

GVA has recovered above pre-pandemic levels. In nominal terms, GVA in Q4 2022 is 27% higher than in Q4 2019; in real terms GVA is 10% higher than in Q4 2019, showing the resilience of the industry. However, GVA in Q3 / Q4 2022 has turned ex-growth in real terms on a sequential basis.

Figure 39: Accommodation & food service activities nominal vs real GVA – rebased to 100 Q1 2014



Source: ONS data, Ignite Economics estimates

Future growth scenarios

This report uses scenario analysis to forecast a bull case, base case and bear case for the UK hospitality industry's future employment and GVA. For each of these, the variables are employment growth and labour productivity, which leads to a resultant GVA forecast.

Bull case

The bull case assumes:

- Employment growth averages 2.8% CAGR over the next five years
- Labour productivity growth continues to outperform, increasing at 2.8% per annum

Base case

The base case assumes:

- Employment growth remains below pre-pandemic levels, increasing at a five year CAGR of 1.9%
- Labour productivity growth remains at the level seen prior to the pandemic (+2.3% per annum)

Bear case

The bear case assumes:

- Employment declines at a -0.2% CAGR over the next five years
- Labour productivity reverses, declining at -0.8% per annum

GVA and Employment forecasts

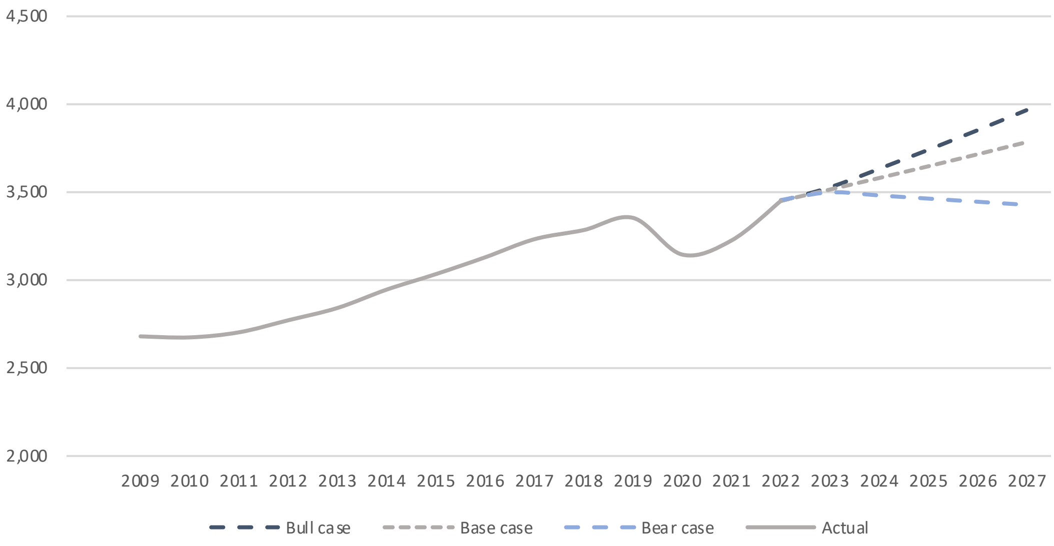
Under the bull case scenario, the UK hospitality employment would reach 4.0m by 2027, whereas this would fall to 3.4m under the bear case. GVA is forecast to grow to £122bn by 2022 under the bull case scenario, but fall to £89bn under the bear case scenario

Figure 40: Hospitality GVA and Employment forecasts

	Employment ('000s) - 2027e	Growth vs 2022	GVA (£bn) - 2027e	Growth vs 2022
Bull case	3,964	15%	122	32%
Base case	3,786	10%	114	23%
Bear case	3,425	-1%	89	-5%

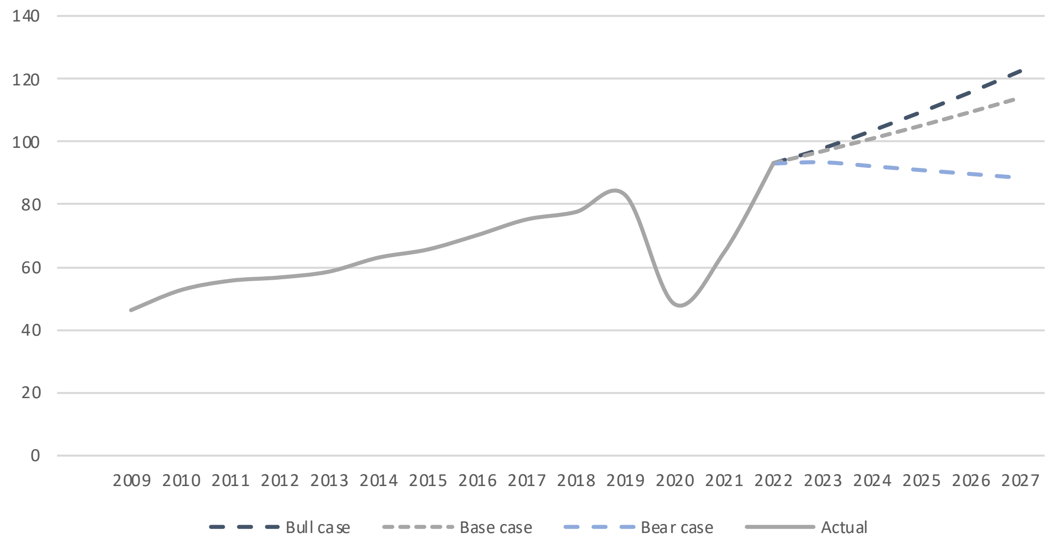
Source: ONS data, Ignite Economics forecasts

Figure 41: Hospitality employment forecasts ('000s)



Source: ONS data, Ignite Economics forecasts

Figure 42: Hospitality GVA forecasts (£bn)



Source: ONS data, Ignite Economics forecasts

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