

NTIA | NIGHT TIME
INDUSTRIES ASSOCIATION

NIGHT TIME ECONOMY REPORT 2023

An insight into the Economic, Cultural and Community
Value of the Night Time Economy and the contribution
of the night time cultural economy within the UK

Supported by



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FOREWORD



Michael Kill
CEO Night Time Industries Association

"This benchmark report defines the true journey this industry has been on over the last few years, and the profound impact on the entire nightlife ecosystem across the UK. There is now little doubt that the Night Time Cultural Economy, SMEs and independent businesses were amongst the hardest hit during the pandemic, and beyond.

These businesses make up over 70% of our industry, and are so important to economic and cultural recovery, as well as social cohesion, mental health and wellbeing, nightlife tourism and the survival of high streets within towns and cities across the country.

This past year has been incredibly tough for the vast majority of hospitality and night time economy businesses. The legacy of the pandemic and the current cost inflation impact, with businesses seeing an increase in operating costs of up to 40%, coupled with consumers having less disposable income, and market limitations to increasing prices.

As we head further into a cost of living crisis, despite the bounce back in jobs and firm numbers, consumer spend, sector income, productivity and profitability, continue to struggle.

My hope is that this report will be closely considered by policymakers as they continue to chart the UK economy's recovery from multiple crises. After the 2008 economic crisis, it was hospitality and night time economy businesses that led the recovery. The same can be true of the current economic crisis, where the night time economy will once again need to be at the heart of the recovery."



Jeff Smith MP
Co-Chair of the All-Party Parliamentary Group for the Night Time Economy

"At the time of writing, it's been three years since rumours of a virus moving west to Europe and the UK started to circulate. Within a few months, Covid had profoundly impacted our way of life, with far reaching and devastating effects. The night-time economy (NTE), one of the country's greatest assets and one of the UK's most significant global cultural exports, was particularly hard hit.

The complete and partial closures that affected this sector laid bare just how much the NTE contributes socially, culturally and economically to our way of life. It is a sector that delivers - night in, night out - on both economic and social wellbeing. In 2021/22 we were still at the beginning of a long term recovery for the NTE, but we now also face the most serious cost-of-living crisis in generations.

As the data in this year's NTIA NTE Report shows, in some ways the industry did recover quickly from the pandemic, particularly in re-hiring staff and starting new ventures. That's no surprise to me: the NTE is an industry defined by its exceptional creativity, energy, and can-do attitude. It is full of people with big ideas for great night-time venues and grand artistic visions, but it is also an industry with some of the best technicians the country has to offer.

But as the research also shows, the sector has also struggled more than the economy generally to return to the levels of income generation pre-pandemic. The reasons for this are complex, but one critical factor is that the NTE was the sector most impacted by restrictions. The data doesn't yet show what effect the cost-of-living crisis is having on the NTE, but we can't wait around to find out. We need policymakers, both locally and nationally, to understand and support the sector – it is the lifeblood of our towns and city centres, our high streets, our tourism industry, and most importantly, of our social wellbeing and cultural identity."



Alistair Turnham & Ashley Cairns
MAKE Associates / CGA Neilson

"As the old saying goes, 'If you can't measure, you can't manage'. Yes, it's a cliché, but like any cliché it's based on truth. But it's not enough to just measure, it's how you manage using the data you've produced that matters. Our hope for this second Study of the Night-time Economy is that it supports those advocating for our world class night-time cultural industries to make the case for more support, more understanding and more regulatory flexibility. Only with this support will our sector survive but also thrive after the pandemic, Brexit and the cost of living crisis.

CONTENTS

Executive Summary	5
1. Background to the report	8
2. FINDINGS	9
2.1 Background.....	9
2.2 Demand: consumer spend and GDP	10
2.2.1 About the Out of Home Leisure Economy	10
2.2.2 Consumer Spend	12
2.2.2 GDP	12
2.3 Jobs, firms, GVA and the supply chain.....	15
2.3.1 Jobs	16
2.3.2 Firms	19
2.3.3 Gross Value Added.....	21
2.3.4 Supply Chain	22
3. Conclusions.....	25

Executive Summary

About the study

- This is the second Study of Night Time Economy. It has been commissioned by the NTIA to fully understand the economic contribution and significance of the night time cultural economy (NTCE) to the UK economy. It also situates the NTCE within the wider UK night-time economy (NTE) and the overall 'out of home' leisure economy (OHLE).
- The definition used here for the NTE includes all those sub-sectors within the OHLE that primarily serve the evening or night time consumer, i.e., 6pm to 6am.
- The NTCE focuses on those elements of the NTE that are driven by cultural and leisure activities - with less dependence upon retailing food and drink than the wider OHLE.
- As sectors that were amongst the worst affected by the Covid 19 pandemic (and are still recovering), the NTIA argues that the NTCE and NTE are still not accorded the importance economically (or indeed socially and culturally) that they deserve.
- The leading leisure consultants CGA and night time economy specialists MAKE Associates were asked to re-model the data and update the baseline figures set out in the first Study of Night Time Economy, in order to build a picture of how the industry is recovering from the pandemic.
- It is too early to understand the statistical impact of the current cost of living crisis on our industry: this will be the subject of the next iteration of this study.

Findings

- Over the decade prior to the pandemic the UK NTCE had shown a steady and sustained contribution to the UK's gross domestic product (GDP), generating 1.64% or £36.9bn in 2019. However, this fell to £29.4bn in 2020 and to £24.1bn in 2021.
- This is significant. Whilst both the OHLE and the NTE sectors were also significantly affected in 2020, they recovered modestly in 2021. This was not the case for the NTCE. Here, consumer spending and share of GDP fell further. This must be monitored before the next iteration of this report.
- In 2021 the wider UK NTE contributed 4.1% and £93.7bn to the UK economy. This was down from 5.1% and £116.1bn in 2019 respectively.

- In 2021 the entire OHLE contributed 6.3% and £143.5bn of income to the UK economy. This was down from 7.8% and £173.6bn in 2019 respectively.
- Despite the challenges, the NTCE remains a significant employment sector to the UK economy. The first NTE report showed that it supported approximately 425k UK jobs and 38k businesses in 2018. This fell to 392k jobs and 34k firms in 2021. However, estimates for 2022 suggest that there has been a robust recovery with 424k jobs and 35.5k firms.
- The UK OHLE provided 2.92m of the country's 32.75m jobs in 2018. In 2020 it fell to 2.69m albeit it bounced back to almost 2.87m in 2021. However, despite this, the industry still suffers from significant staff shortages and high vacancy rates, suggesting that growth is being held back despite the new jobs created in the past year.
- In 2018 the Gross Value Added (GVA)* of the UK NTE was £46.4bn and the GVA of the UK NTCE was £11.6bn. The GVA of the OHLE was £73.4bn. However, in 2021 GVA in the NTCE had fallen to £8.5bn, in the NTE to £34.5bn and in the OHLE to £58bn.

*GVA is the key HM Treasury measure of how much value a sector or region contributes to the economy over and above its inputs.

- These GVA trends are similarly reflected in Supply Chain Spending by NTCE / NTE / OHLE businesses, which are also shown in the report. Simply put, business that are still operating in these sectors have hugely reduced their spending as part of their survival strategy. But (careful and strategic) spending is important to any industry to invest for the future (e.g., venue refits, marketing, and PR to drive new audiences, lighting and sound installations, staff training etc).

Conclusion

- Whilst other structural changes in the OHLE, NTE and NTCE cannot be ruled out, the pandemic appears to have set back the economic contribution of these vital industries to 'UK plc' by about 6 or 7 years.
- Whilst consumer spend recovery has happened - to some extent - in the OHLE and NTE sectors, the NTCE has further lost consumer spend in 2021. This is highly concerning. It is likely the result of the extended shuttering and slower recovery of NTCE businesses that rely on mass audience participation – nightclub, live music, theatre, cinema, and performance, all of which are the driving force of the NTCE.
- In terms of firm numbers and jobs for all our sectors, whilst these did dip modestly during and immediately after the pandemic, they have recovered to

pre-pandemic levels. Indeed, jobs are at an all-time high in some sectors. This is one potential positive to emerge out of the latest research.

- However, as we head further into a cost of living crisis despite the bounce back in jobs and firm numbers, consumer spend, sector income, productivity and profitability, continue to struggle. This suggests that the industry is operating on ever smaller margins and a large proportion of firms are in 'survive' rather than 'thrive' mode – employing staff to operate but having to exist with much lower income and low (or no) margins.

Whilst this is a deliberately narrow economic study, it is vital to recognise that the NTCE has significant impact beyond its pure economic outputs. It is vital to social cohesion, self-identity, mental health and well-being and in creating a positive image for the UK on a global scale.



Sacha Lord

Chair of the NTIA / Night Time Economy Advisor Greater Manchester /Co Founder Parklife & WHP

"The Government has failed Independent business operators and the cultural sector across the UK. The report produced by the NTIA shows how hard these sectors have been hit over the last few years, delivering a stark reality of the challenges faced by the industry. The Government needs to do everything possible to protect these vitally important businesses, that deliver way beyond economic impact, but are considered vital to social cohesion, nightlife tourism and the mental health and well being of the UK."

1. Background to the report

Welcome to the second Study of the UK Night-time Economy. In 2021 we published the first edition of this report which set a benchmark for the scale, performance and change over time of the industry that we exist to support. This report builds on that first study and helps us understand the impact the pandemic has had on consumer spend, jobs, firms and the value that the NTE brings to the UK economy.

In particular, the Night Time Industries Association (NTIA) had wanted to collect in one place the data that showed where the UK Night Time Cultural Economy (NTCE) lay within the UK Out of Home Leisure Economy and the UK economy more generally.

The Night Time Industries Association believes that the NTCE offers a different perspective than the wider NTE or the overarching sector of the Out of Home Leisure Economy. The NTCE is distinctive by its direct association to the creative and performing arts. It is these creative activities that the NTCE excels in and which provide the real point of difference in the night-time economy. The NTCE plays a vital role in driving footfall and spend to our high streets, towns and cities in the evening and at night. But crucially the NTCE also brings identity, pride and a unique sense of purpose to places.

Night Time Industries Association wanted to investigate these sectors' scale and performance over the past ten years. The expectation was to establish that the Night Time Cultural Economy has increased disproportionately. Furthermore, Night Time Industries Association wished to show how much the Night Time Cultural Economy has been increasing in importance and contribution to the national economy overall.

2. FINDINGS

2.1 Background

The following section shows the findings of the research divided into two sections. The first is the demand-led side of the night-time economy – how much is being spent by consumers in the various subsectors that are of interest to the NTIA.

The data is shown by three sectors:

The Out of Home (OoH) Leisure Economy (all expenditure in the relevant sectors that contribute to the night-time economy and at all times of day). This is the largest category and used mainly for context.

The Night-time Economy / NTE (this is the broader night-time economy of activities and businesses that are driven by their night-time trade between 6pm and 6am). The Night-time Cultural Economy / NTCE is those parts of the NTE that are driven by cultural, artistic and event activity, and where alcohol, food etc., are secondary.

The second section is more focused on the supply side. i.e., the number of jobs, firms, value added and supply chain value generated by firms in these sectors in support of the wider economy.

The researchers have worked with the NTIA to develop a unique model that apportions activity levels throughout the day and night using known spending and trading patterns by industry and subsector across a 24hr period.

Some data, particularly that from the ONS and government sources, is available only until 2021 and even sometimes this remains an ONS estimate. So where possible, provisional figures have been developed using data from multiple sources to create synthetic estimates for the purposes of this year's report. It will be possible to validate these when this study is repeated.

2.2 Demand: consumer spend and GDP

2.2.1 About the Out of Home Leisure Economy

Figure 1. The Out of Home Leisure Economy by operational channel segments

Out of Home Leisure Market							
On Trade				Unlicensed Out of Home	Recreation & Leisure Out of Home		
Nightclubs, Casino, Bingo & Other Proprietary Clubs	Licensed Restaurants	Performance (Cinema & Theatre)	Guest Boarding House	Takeaway & Food on the Go	Admissions and Subscriptions	Events & Live Performances	Gambling Payments (Excl. Bingo)
Public Houses			Hotels	Canteens		Miscellaneous Entertainments	
Sports & Social Clubs				Unlicensed Restaurants		Museums, Theme Parks & Visitor Attractions	

The Out of Home Leisure Economy is widely recognised as having become one of the most significant sectors in the UK economy. It is diverse and complex in its construction. It contains several distinct segments with an overarching commonality that is consumer leisure spending and behaviour.

It had been growing steadily from 2000 and, based on the Blue Book 2022 (the UK's National Accounts), had been consistently the third largest market channel by consumer spend.

Using a unique definition developed for the NTIA for this study (which includes further cultural, recreational and leisure services – from attractions to casinos and bingo) - we have valued the Out of Home Leisure Economy, in 2021, at £143.5bn. This is a significant fall on previous years (see below).

The graph below shows the headline figures for consumer spending in the Out of Home Leisure Economy and each of the categories within this. Of particular focus for the NTIA is the Night-time Cultural Economy (NTCE) where most of its members trade.



Julie Tippins

Head of Compliance DHP Family

"Our sector has always been one of passion, creativity (business as well as cultural) and reinventing ourselves in the face of adversity. And we've needed to be all of those things in the past few years – challenges from the pandemic, Brexit, over taxation and unsympathetic regulation leaves some of the sector down but not yet out.

Although the pandemic brought most of our industry to a standstill, some were able to stay above water due to government support, some were not so lucky. We showed how we can survive in the most difficult of times, using all our creativity to open as much as possible and serve our customers with some very different offerings to normal – but our customers stayed with us and showed everyone how much they valued what we do to create spaces for them to socialise and have fun.

Post pandemic, customer behaviours have changed – we see young people making up for lost time, but some of the older audiences have not yet returned to their spaces or events. We don't yet know all the reasons for this – but it seems to be a sort of COVID hangover. The recovery across the country is also not uniform, London has bounced back quicker and higher, yet some regional economies are really struggling.

Coupled with changes in the audiences, we now face maybe the biggest challenge – the cost of living crisis with a staggering rise in costs for our businesses. Profits are (or certainly) will be eroded by these rising prices and that threatens not just some businesses viability but also investment – both by operators and new entrants.

I think our sector can survive but we need better taxation and regulatory environments to support our sector or the shrinking outlined in the report will certainly go on."

2.2.2 Consumer Spend

Figure 2. UK Consumer spend (£M) by category



Key points

Out of Home Leisure Economy

- The value of the OoH Leisure Economy to the UK was £143.5bn in 2021.
- The OoH Leisure Economy, having grown consistently (and outperformed the UK economy) since the 2008 financial crisis saw a drop in consumer spending from £173.6bn 2019 to £122.7bn in 2020. This is a fall in spending of £50.9bn.
- This put spending back at the level it was a decade before in 2011.
- In 2021 there was a partial recovery in consumer spending in the OoH Leisure Economy of £20.8bn, taking the value of the sector back to £143.5bn, around the same level as 2014.

NTE

- The value of consumer spending in the NTE in 2021 was £93.7bn.
- The NTE saw a drop in consumer spending from £116.1bn in 2019 to £77.2bn in 2020. This is a fall of £38.9bn.
- This put spending back at the level it was well before our analysis begins. The crucial factor here is that the decline in spending in the Night-time Economy part of the OoH Leisure Economy was significantly more severe than the decline in spending during the Daytime segment of the OoH Leisure Economy.

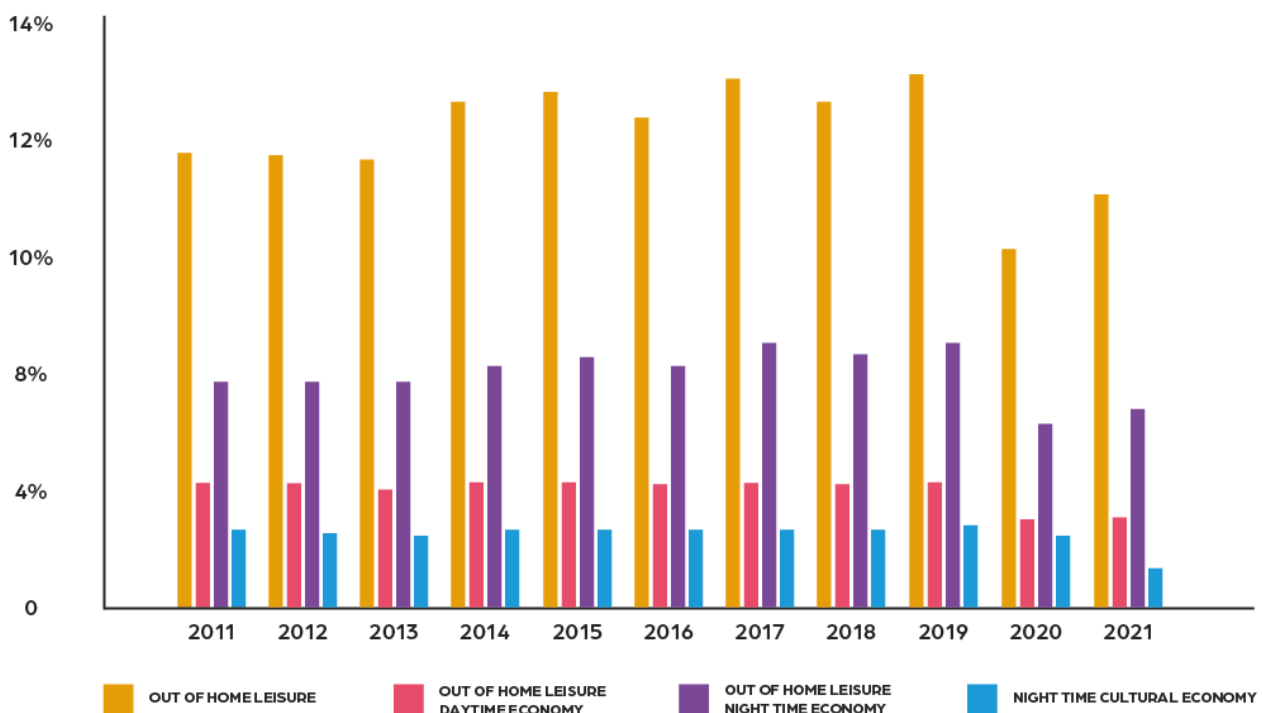
- In 2021 there was a recovery in consumer spending in the NTE of £16.5bn, taking the value of the sector to £93.7bn, around the same level as 2015. The recovery - once core elements of the NTE were allowed to open post-pandemic - was stronger than the OoH Leisure Economy more generally, reflecting a strong desire amongst consumers to 'experience the night' again.

NTCE

- In 2021 the NTCE was worth £24.1bn.
- The NTCE saw a drop in consumer spending from £36.9bn in 2019 to £29.4bn in 2020. This is a fall of £7.5bn.
- This put spending back in the NTCE at the level of 2014.
- The most significant difference is to the OoH and NTE sectors, is that in 2021 the NTCE did not recover, and spending fell a further £5.3bn to £24.1bn.
- It is impossible to be precise about the factors that underpin this, but given the NTCE is highly dependent on its core elements of nightclubs, live music, theatre, cinema and performance, the fact that restrictions on these venues were not lifted until well in to 2021 will be significant to the extended downturn. Further, there was a reluctance for consumers to return to key NTCE subsectors, for example in cinema and to a lesser extent theatre and live music.

The graph below shows the percentage that each category comprises of total UK consumer spend.

Figure 3. Share of UK consumer spend change (%) by category



Out of Home Leisure Economy

- The OoHLE has, over the past decade, made up around 12-12.5% of all UK consumer spending. This fell two percentage points to around 10% in 2020. It has recovered slightly in 2021.

NTE

- The NTE has, over the past decade, made up around 8% of all UK consumer spending. This fell two percentage points to just over 6% in 2020. This fall was proportionately larger than the fall in the OoHLE, highlighting the likely disproportionate impact of the pandemic restrictions on after dark businesses.
- The NTE has recovered slightly in 2021 to around 7% of UK consumer spend.

NTCE

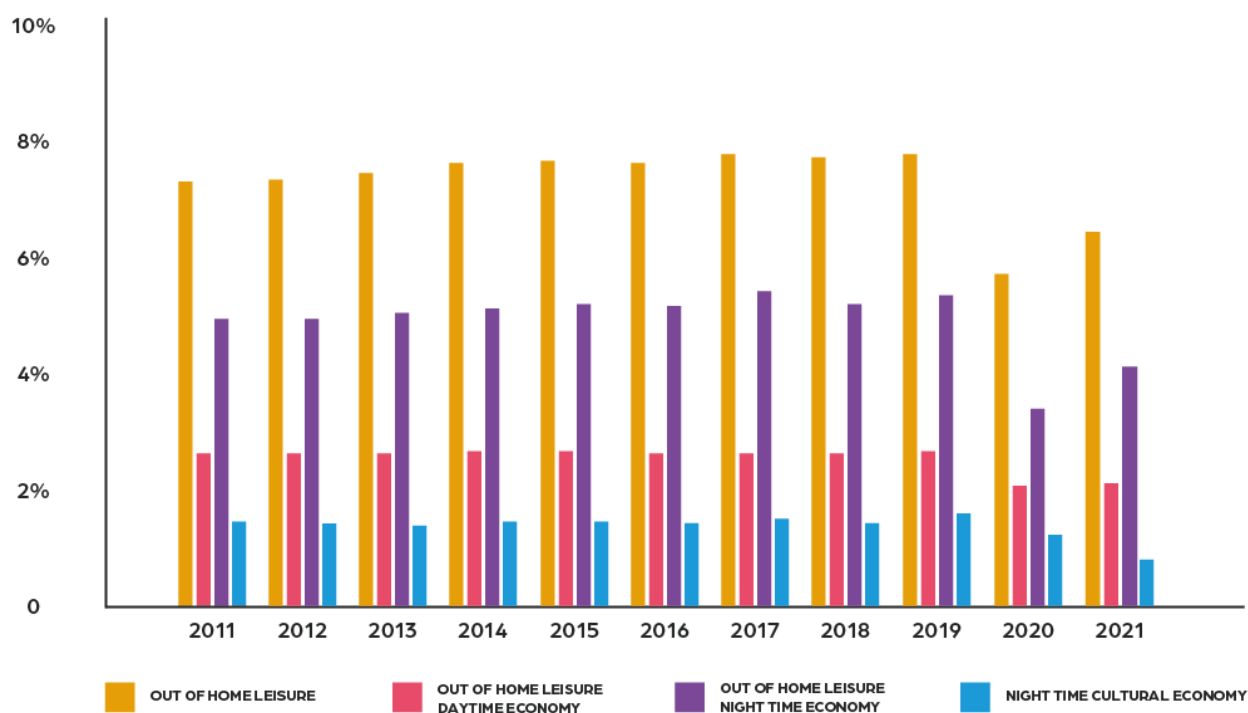
- The NTCE has, over the past decade, made up around 2.5% of all UK consumer spending. It has not historically shown the same consistent growth that the wider NTE has.
- Initially the NTCE was less impacted in 2020 than the wider NTE, but there is a clear lag here because in 2021 it declined further rather than recovering.
- The NTCE now makes up the lowest proportion of UK consumer spend in our timeline, at 1.8% in 2021. It will be vital to examine 2022's figures as soon as they are available to understand if there has been further decline or at least some recovery.

2.2.2 GDP

The following table shows the proportion that each of our sectors of interest contributes to the wider GDP (gross domestic product) of the UK.

GDP, simply put, is the monetary value of all the goods and services that are bought by the 'final user', and which are produced in a country in a given period of time. It is a useful contextual exercise to help us understand the relative importance of an industry or sector to the UK's national income.

Figure 4. Share of UK GDP (%) over time by category



Out of Home Leisure Economy

- The OoHLE has, over the past decade, made up around 7.5% of UK GDP. This fell to below 6% in 2020. It has recovered slightly in 2021.

NTE

- The NTE has, over the past decade, made up around 5% of all UK GDP. This fell 1.5 percentage points to just over 3.5% in 2020.
- The NTE has recovered slightly in 2021 to around 4% of UK GDP.

NTCE

- The NTCE has, over the past decade, made up around 1.5% of all UK GDP.
- The NTCE's contribution to UK GDP has declined further in 2021, rather than recovering and now makes up around 1%.

2.3 Jobs, firms, GVA and the supply chain

This section highlights the impact of the pandemic and the recovery. It is important to note that not all the negative impacts below can be causally associated with the pandemic (there may be other structural changes taking place). But it is reasonable to assume that the large majority of 2020's changes will be due to both the

restrictions on trading in that year and 2021's results being impacted by the speed at which customers have come back to the various components of the NTE.

2.3.1 Jobs

Background

The employment data below comes from the UK Government's BRES research (Business Register and Employment Survey). This is a survey of a stratified representative sample of around 80,000 UK businesses by size and sector and asks businesses about their staffing and recruitment. BRES is generally considered to be more accurate for this purpose than the Labour Force Survey of workers.

The researchers have built a composite model for the proportions of OoHLE, NTE and NTCE based on modelling of spend and turnover at varying times of the day and by type of business. This modelling more closely resembles the real-world conditions of how business in our industries actually trade around the clock.



Peter Marks

Chairman Rekom UK

"The Night Time Economy is extremely important in the minds of young adults.

We are extremely important to the recovery of the UK economy, through secondary and tertiary purchase in the local economy, contributing billions to the treasury in taxes, but also as one of biggest employers of under 30's in the UK. Cultural spaces, where people dance and enjoy music have been around in one form or another for over 100 years, and there is no reason they cannot adapt and thrive for another 100."

Key points

Out of Home Leisure Economy

The Out of Home Leisure Economy is the widest definition in this study and represents what most people would think of as the leisure economy, day and night. It is slightly different to definitions used by other studies undertaken by government departments, UKH, the UK tourism industry bodies etc. so the overall figures will be slightly different.

Figure 5. Jobs in OoH Leisure Economy

Subsector	Year (000s)										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total OoH Leisure Industry	2502.7	2512.5	2508.4	2571.4	2652.3	2812.0	2845.7	2866.3	2920.3	2689.1	2869.5

Employee Change 2019–20			Employee Change 2019–21		
2020	000s	%	2021	000s	%
2689.1	-231.2	-7.9%	2869.5	-50.8	-1.7%

- The OoH Leisure Economy employed 2.92m people in 2019. In 2020 this was 2.69m, a loss of approximately 231k jobs. This was a fall of 7.9%.
- In 2021 the sector bounced back - to some degree - and created 180k new roles, leaving it around 51k jobs short of its high water mark in 2019.
- It is worth noting that the OoH Leisure Economy had been increasing the number of jobs it provided the UK economy year-on-year over the last decade.

NTE

Figure 6. Jobs in NTE

Subsector	Year (000s)										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total NTE	1668.1	1668.2	1664.1	1709.9	1766.8	1871.9	1893.1	1902.6	1945.6	1790.8	1899.5

Employee Change 2019–20			Employee Change 2019–21		
2020	000s	%	2021	000s	%
1790.8	-154.8	-8.0%	1899.5	-46.2	-2.4%

- The NTE employed 1.95m people in 2019. In 2020 this was 1.79m, a loss of approximately 155k jobs. This was a fall of 8%.

- In 2021 there was an uptick in NTE employment, with around 109k new jobs taking the total back to near 1.9m, but this was still 46k roles short of the pre-pandemic picture in 2019.
- It is important to note that while the fall in job numbers was of a similar percentage between the OoH Leisure Economy and the NTE (around 8%) the recovery in job numbers in the broader OoH Leisure Economy has been slightly stronger.

NTCE

Figure 7. Jobs in NTCE

Subsector	Year (000s)											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
Total NTCE	375.2	381.1	379.3	382.3	397.6	415.2	425.5	422.0	425.4	391.6	424.1	

Employee Change 2019–20			Employee Change 2019–21		
2020	000s	%	2021	000s	%
391.6	-33.8	-8.0%	424.1	-1.3	-0.3%

- The NTCE provided 425k jobs in 2019. In 2020 this was 391k, a loss of approximately 34k jobs. This was a fall of 8%, and in line with the other subsectors.
- However, in 2021 the NTCE returned to providing almost the same number of jobs it did pre-pandemic in 2019, with around 33k new jobs in 2021, taking the total number of roles to 424k.
- The reason the NTCE industry has performed better than the NTE and the OoHLE in providing jobs (in relative not absolute terms) is predominantly due to it being composed more heavily of those venue types that we have classified as ‘drink-led’ such as pubs, bars and nightclubs. As the table below shows, of all the business subsectors in the leisure and hospitality sector, it is the drink-led (and to a lesser extent the food-led subsector) that has driven jobs growth post-pandemic.

Jobs by subcategory

The table below breaks down the employment picture within the subsectors that make up the overall Out of Home Leisure Economy (which includes the NTE and NTCE).

Figure 8. Jobs in the OoH Leisure Economy by category

Subsector	Year (000s)									Employee Change 2019-20			Employee Change 2019-21		
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	000s	%	2021	000s	%
Food-led OoHL	954.2	972.6	951.0	977.7	1031.7	1106.4	1132.3	1195.8	1195.9	1107.9	-88.8	-7.4%	1237.4	41.5	3.5%
Drink-led OoHL	497.0	484.6	485.4	511.3	520.6	537.6	546.7	517.8	526.7	526.2	-0.5	-0.1%	580.3	53.6	10.2%
Culture and the arts OoHL	172.0	179.8	168.5	178.8	173.7	184.4	175.5	179.7	198.5	168.0	-30.5	-15.4%	181.4	-17.1	-8.6%
Casinos/Bingo/Betting OoHL	97.1	98.7	96.5	93.2	92.6	92.6	92.2	91.0	85.1	78.5	-6.6	-7.8%	76.6	-8.5	-10.0%
Sports and fitness OoHL	344.3	338.5	349.3	360.7	358.6	394.7	402.6	380.9	389.3	374.3	-15.0	-3.9%	369.2	-20.1	-5.2%
Amusement and rec OoHLA	52.8	60.2	71.7	56.9	72.8	67.9	83.8	83.5	68.7	60.6	-8.1	-11.8%	83.8	15.1	22.0%
Accommodation OoHL	385.3	378.1	386.0	392.8	402.3	428.4	412.6	417.6	456.1	374.4	-81.7	-17.9%	340.8	-115.3	-25.3%

- The key finding here is that in 2021 food-led, amusement and recreation and drink-led businesses (which includes those businesses that are the mainstay of the NTE) have bounced back in employment terms and created a substantial number of new jobs.
- However, there are significant concerns about other key sectors such as culture and the arts, gambling and gaming, and accommodation where job numbers are still substantially down on their 2019 pre-pandemic position. Whilst it is likely that accommodation sector jobs will come back as international tourists return to the UK, culture and the arts may have seen a structural shift because it is a sector much more reliant on public sector funding which is increasingly in short supply.

Summary

- Overall, the industry was hit hard during the pandemic, but managed to keep many people employed. Those jobs it lost have been mostly created again (we are back to a picture of somewhere like 2018) and the NTCE has recruited more new employees (in relative terms) than the wider hospitality sector. In some subsectors employment in 2021 is actually up on 2019 figures but other sectors are down. The leisure and hospitality and NTE jobs market is a nuanced picture, and this is taking place in the context of broader staff shortages and the impact of the cost of living crises which has not yet been seen in the figures.

2.3.2 Firms

Background

Firm count is taken from the government's Interdepartmental Business Register (IDBR) and ONS datasets.

Out of Home Leisure Economy

Figure 9. Total firms in the OoH Leisure Economy 2011-2022

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Firm numbers OoH Leisure	182,854	181,017	184,072	185,458	191,016	206,537	212,899	217,462	219,797	224,365	223,035	232,320
% change from previous	0.0%	-1.0%	1.7%	0.8%	3.0%	8.1%	3.1%	2.1%	1.1%	2.1%	-0.6%	4.2%

Key points

- Since the last NTE report (which included data to 2019) there has been a slight increase in OoH Leisure Economy firms between 2019 and 2020 (from approximately 220k to just over 224k).
- The rise in 2020's firms in the OoH Leisure Economy figures may appear surprising at first given this was the year most affected by the pandemic, but the figures are published in March so in reality represent business numbers a few months before this. Given the pandemic did not precipitate the first lockdown until March 2020 the impact of forced closure on business is likely to lag many months and, in reality, a number of years.
- For example, it is worth noting that firm numbers in this sector only start to rise again in 2012 again after the 2008 financial crisis.
- The pandemic impact is better represented by 2021's figures which showed a small 0.6% drop in total OoH Leisure Economy firms. (NB Again there are other reasons which may also have affected this number beyond the pandemic).
- 2021 shows some recovery and a new high in the numbers of OoH Leisure Economy firms, rising to over 230,000 businesses for the first time.

NTE

- In 2022 we estimate the number of firms in the wider NTE to be 143,178. This was a rise from 137,374 in 2021 (when the impact of the pandemic would have been most felt in the figures). In the March 2020 data, there had been slightly more firms than 2021, at 138,194.

NTCE

- In 2022 we estimate the number of firms in the NTCE to be 35,476. This was a rise from 34,321 in 2021. In the March 2020 data, there had been slightly more NTCE firms, at 34,685.

2.3.3 Gross Value Added

Gross value added is the UK Government's key measure of the UK economy and its sectors. It is preferred to the traditional measure of gross domestic product (GDP) because, as the name suggests, it measures 'value added' to the raw inputs rather than the overall income. In simple terms it is used because it is a better measure of the productivity and efficiency of the UK economy compared to other nations and of one sector to another.

Figure 10. Gross value added of the OoH Leisure Economy, NTE and NTCE 2011 to 2021

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 est
GVA OoH	49,952	52,493	56,687	63,278	66,413	65,283	69,481	73,351	75,391	49,571	58,009
GVA NTE	31,550	33,378	34,391	38,125	39,979	41,864	43,973	46,368	46,803	29,494	34,515
GVA NTCE	8,047	8,436	9,579	10,584	11,104	10,437	11,059	11,571	11,450	7,260	8,496

 Note: 2021 figures are an estimate based on other settled data sets

Key points

OoH Leisure

- Since the last NTE report in 2020, the OoH Leisure Economy fell from £75.4bn of GVA pre-pandemic in 2019 to £49.6bn in 2020. This was a contraction of 34.2%.
- GVA in the OoH Leisure Economy recovered somewhat in 2021 to an est. £58bn. But this was still 23.1% behind where it was in 2019.
- Between 2019 and 2021 the UK's GVA (all sectors) - whilst impacted by the pandemic in 2020 - recovered to just 3% below its pre-pandemic levels by 2021. This is a much faster recovery than in the OoH Leisure Economy, the NTE or the NTCE.

NTE

- The GVA of the NTE was approximately £29.5bn in 2020. This was a fall of 37% on the pre-pandemic situation in 2019 when it contributed £46.8bn of added value to the country's finances.
- Whilst the GVA produced by the NTE in 2021 recovered to £35.5bn, it remained 26.3% down on 2019.
- This recovery is slightly slower than the out of home Leisure Economy, probably because the NTE's core components (clubs, live music venues bars and pubs) were shuttered longer than most other industries during the pandemic. Some NTE subsectors such as cinema and theatres are struggling particularly badly to bring customers back.

NTCE

- The GVA produced by the night-time cultural economy was £11.5bn in 2019. This slipped to £7.3bn in 2020 with a small recovery to £8.5bn in 2021.

Summary

In GVA terms, the legacy of the pandemic is still felt more strongly in the hospitality and leisure sectors than most other sectors of the economy which have recovered more quickly. This shows whilst the headline figures in other indicators such as jobs and firm numbers recovered well after the pandemic, the actual value being generated by the industry on its inputs is still below where it was in 2019.

However, our sector is still an important industry to UK plc. For example, compared to other sectors in 2021 the OoH Leisure Economy's GVA contribution of £58.0bn was somewhere between the UK energy sector (£36.6bn) and the transport and storage industry (£77.4bn).

2.3.4 Supply Chain

The value of the supply chain is (simply put) calculated by grossing up the goods and services purchased by companies in a particular industry, region, or country. It is similar to the fixed and variable overheads of an individual business (but minus expenditures such as tax, dividends and wages).

The supply chain is important because the leisure and hospitality sector, and particularly the night-time cultural economy within it, are all consumer facing. As such, the more visitors these sectors can get through the door, the more businesses can support what is a highly interdependent supply chain, e.g., food and drink suppliers, sound and lighting installers, marketing and PR, artists and DJs, security services etc.

Many of the suppliers to the leisure and hospitality and NTE sectors are highly dependent on this one sector being healthy and able to trade as freely as possible.

Figure 11. Supply chain spend by the OoH Leisure Economy, NTE and NTCE 2011 to 2021

Supply chain spend	£000s											
	Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 est
Supply chain OoH		115,275	128,381	130,903	125,655	114,749	124,100	129,332	125,268	119,235	71,587	83,772
Supply chain NTE		49,524	53,191	53,722	52,955	50,560	54,857	58,342	58,823	58,346	36,705	42,953
Supply chain NTCE		24,389	27,511	28,570	26,928	24,328	26,202	26,904	26,206	24,381	13,204	15,452

Note. 2021 figures are an estimate based on other settled data sets

Key points

OoH Leisure

- Overall OoH Leisure Economy spend fell from almost £120bn a year to £72bn a year in 2020. This is a 40% reduction in purchasing in the main year of the pandemic. This is unsurprising as cutting stock and non-essential purchases was key to survival.
- Spending rose to £83.8bn in 2021. This was still down 29.7% on 2019.

NTE

- Night-time economy businesses were spending over £58bn in 2019 and this fell around 37% to £36.7bn in 2020.
- Again, there was a recovery in spending in 2021 but this was still 26.4% down on 2019.
- This is (relatively) slightly weaker than the bounce in supply chain spending by OoH Leisure Economy and may indicate that key components in the sector that traders mostly 'after dark', e.g., nightclubs, cinemas, theatres etc., are still not operating at levels they were before the pandemic.

NTCE

- Spending by firms in the NTCE was most significantly affected. It was down from £24.4bn in 2019 to £13.2bn in 2020 (a contraction in spending of 46%).
- Post-2020 this had recovered a little (from £13.2bn in 2020 to £15.5bn in 2021) but in relative terms it had not bounced back as much as the wider NTE or the OoH Leisure Economy (it was still also 37% down on pre-pandemic spending).

It is important to note that spending on its own is not necessarily a sign of a healthy industry (for example businesses may be throwing money at problems or pursuing aggressive expansion which would not be sustainable in the longer term). However, in the case of the NTCE, because it is not a cash rich sector, these figures hint that businesses were being extremely cautious in their spending during the recovery. This may be a double edged sword: yes it reduces exposure, but it also means funds to underpin growth may not be as forthcoming.



Lisa Lashes

DJ & Producer – Lisa Lashes School of Music

“The Night Time Economy is such an aspirational industry, with many young adults working towards careers in music & culture. These businesses are the platform for education, presenting safe spaces to be creative and engage within the community.

The loss of so many businesses will mean that many of these youngsters will be left to fend for themselves on the street, not have the ability to engage and build life skills which will see them develop in the future.”



Carly Heath

Night Time Economy Advisor Bristol

“We are proud of the contribution that Bristol’s night time, cultural and visitor economies make to the city. We have supported businesses throughout the pandemic, and will continue to support the sector to rebuild and thrive throughout this recovery period. As a city with a huge independent business sector, we recognise the particular pressures that cost of living and high inflation are having on employers and the workforce. Whilst the night time economy is a resilient sector, and we are confident in their ability to recover from these multiple crises, this report highlights the need for ongoing specialised support from central government if the sector is to continue to deliver the economic and social value that supports urban areas to flourish.”

3. Conclusions

Overall, the pandemic has had a considerable negative impact on the Out of Home Leisure Economy, the NTE and the NTCE within that.

The impact on these sectors has been greater than that of the economy more generally. This is unsurprising given the level of restrictions placed upon them, particularly on the NTCE.

However, it is a nuanced picture.

For example, we did not lose quite as many businesses in these sectors in 2020 as we predicted in the last report and, in 2021, the number of businesses in all three sectors grew and are now above the high point of 2019. This has demonstrated resilience, risk taking and confidence in the future. However, the vast majority of these businesses will be significantly more stressed than they were in 2019.

Job numbers have generally recovered across OHLE, NTE and the NTCE and are no more than 2% down on 2019. The NTCE has created new jobs faster than the other two sectors. This is one of the green shoots of recovery. This positive news is notwithstanding the well-known wider challenges in the hospitality and leisure sector around recruitment and high vacancy rates.

However, it's important not to overweight the importance of job numbers. They are not as strong an indicator of sector health as other metrics.

Absolutely key is how much consumers are spending. As sectors at the forefront of the consumer economy, businesses need consumers to be spending. Overall, consumer spending was down in 2020 and recovered only modestly in 2021.

However, it is of particular concern that there was a continued decline in spending in the NTCE in 2021 where the OHLE and NTE have seen an uptick.

Another concern is that the fall in GVA across all three sectors in 2020/21 was significant; and greater than falls seen in the UK economy. GVA is a strong indicator of how productive and resilient an industry is. Return to pre-pandemic levels of GVA in the NTCE seems a long way off, particularly given the cost of living crisis.

Likewise, the spending by OHLE/NTE/NTCE firms on their supply chains has reduced significantly. Cutting costs is crucial when you can't open your doors!

But in turn this affects the viability of all those small businesses and freelancers who play such an important role in the NTCE. Once they are gone, their knowledge and expertise is gone too.

The latest figures in the report are, at first reading, unsurprising and remain difficult to swallow, particularly given the yet unmeasured impact of the cost of living crisis. However, there are green shoots – the rise in firm numbers and the number of jobs being created in the last year. However, perhaps most important, has been the incredible resistance of the mostly small businesses and institutions that make up the NTCE to survive this far. They will continue to need significant support.

“Whilst this important NTIA report highlights the stubborn resilience of the creative community in the aftermath of the pandemic’s devastating impact on our precious Night Time Economy, it is nonetheless very concerning that the late night cultural sector remains hardest hit and worst affected.

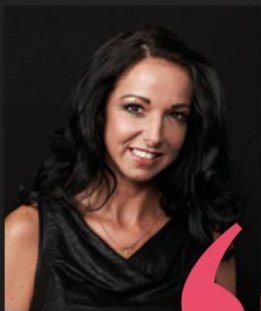
The reality of this in our towns and cities is a worrying reduction in cultural activity, particularly in independent venues. This is keenly felt across Scotland where even less sectoral support is available and where our calls for parity with the rest of the UK on rates relief in particular have been ignored.

Reduced economic activity impacts grass roots businesses most severely stifling the opportunities available to young, diverse and breakthrough talent, so vital to the health and well being of our creative communities across the live and electronic music scenes.”



Mike Grieve

NTIA Scotland Chair, MD Sub Club



Jenni Cochrane

Founder & CEO Getahead

“This brilliant and much needed report highlights the catastrophic impact the pandemic has had on our industry– jobs lost, businesses decimated, and mental health issues amongst workers within the sector at an all time high as a result. It’s very simple, if the government don’t start taking the nighttime industry seriously and step in and offer immediate financial help, the ripple effect will continue for years to come and our industry will continue to shrink.”

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