Sector profile: Tourism and Hospitality in Leicester and Leicestershire

Produces **£1.2bn of GVA**....and accounts for **48,300 jobs**

Productivity of £25,700 per job

Underpinned by **4,405 businesses**...76% of which are 'micro'-sized

Since 2010, has created an additional **5,100 jobs**

Leicestershire welcomed **34.9 million visitors** in 2018, an **18.6% increase** on 2009

Has the potential to **deliver £390m of growth** by 2030

Source(s): See *Economic and growth indicators*.

Defining Tourism and Hospitality

Tourism refers to traveling to a destination - either within a person's own country or outside his or her own country - for business or leisure purposes. Specifically, the World Tourism Organization defines the word "tourism" as the practice of "traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure and not less than 24 hours, business and other purposes." As an industry, tourism consists of businesses that sell products or services to these travellers, who are also known as "tourists." **Hospitality is the provision of services that help to service tourists**, and includes restaurants, cafes, hotels, bed and breakfasts, clubs, and event planning.

Market and economic outlook

Global market

The World Travel and Tourism Council (WTTC) estimates **that prior to the pandemic, Travel & Tourism (including its direct, indirect and induced impacts) accounted for 1 in 4 of all new jobs created across the world**, 10.6% of all jobs (334 million), and 10.4% of global GDP (US$9.2 trillion). Meanwhile, international visitor spending amounted to US$1.7 trillion in 2019 (6.8% of total exports, 27.4% of global services exports).

Prior to the pandemic, according to the United Nations World Tourism Organization**, tourism has experienced continued growth and deepening diversification** to become one of the fastest growing economic sectors in the world. Modern tourism is closely linked to development and encompasses a growing number of new destinations. These dynamics have turned tourism into a key driver for socio-economic progress.

UK market

According to Visit Britain, the national tourism agency, inbound tourism (from international visitors) in 2019 was setting new records with inbound visitors spending £28.4 billion, up 7% on inbound spending in 2018. Visits were also up (1%) in 2019, with 40.9 million visits to the UK recorded — just short of the record-holder in 2017. In 2019, British residents took 99.1 million overnight trips in England, totalling 290 million nights away from home and a domestic tourism expenditure of £19.4 billion, with an average trip length of 3 nights. 46.4 million holiday trips were taken in England in 2019. The number of holiday trips taken was 3% higher than in 2018.

Business impacts of Covid-19 and Brexit

The impact of Covid-19 has been significant, closing borders and international transport links, restricting international visitors and the opening of accommodation, hospitality venues, and attractions and limiting household travel and domestic tourism during 2020 and 2021.

The WTTC's latest annual research shows that the Travel & Tourism sector suffered a 49.1% fall in GDP in 2020 when compared to 2019 – representing loss of US$4.7 trillion, relative to a 3.7% GDP decline of the global economy in 2020. In 2019, the Travel & Tourism sector contributed 10.4% to global GDP; a share which decreased to 5.5% in 2020 due to ongoing restrictions to mobility. In 2020, 62 million jobs were lost, representing a drop of 18.5%, leaving 272 million employed across the sector globally, compared to 334 million in 2019. The threat of job losses persists as many jobs are currently supported by government retention schemes and reduced hours, which without a full recovery of Travel & Tourism could be lost. Domestic visitor spending decreased by 45%, while international visitor spending declined by an unprecedented 69.4%.

In their analysis of the impact of pandemic, Visit Britain estimates that the UK received 11.1 million inbound visits in 2020, a 73% decline from the visit levels seen in 2019. The majority (63%) of the visits to the UK were in Q1 (Jan-March). Visits in Q1 were down 16%, Q2 96%, Q3 80% and Q4 87%, compared to 2019. In 2020 inbound visitors to the UK spent a total of £6.2 billion, a decline of 78% on 2019 results.

Visit Britain's revised central scenario for inbound tourism in 2021 is for 11.3 million visits, up 2% on 2020 but only 28% of the 2019 level; and £6.2 billion to be spent by inbound tourists, the same as 2020 but only 22% of the 2019 level. This is a slight downgrade from the previous forecast, run in January.

Visit Britain have also forecast estimates for £34.0 billion in domestic tourism spending in 2020, down 63% compared to 2019 when spending by domestic tourists in Britain was £91.6bn. This comprises £9.8bn from overnight tourism, down from £24.7bn in 2019, and £24.2bn from day trips, down from £67.0bn in 2019. In total, this represents a loss of £57.6bn (£14.9bn from overnights and £42.7bn from leisure day trips). The 2020 forecast is for a decline of 60% for overnights and 64% for leisure day trips, although with different patterns throughout the year and by journey purpose.

In 2019, before the pandemic, Visit Britain forecast that the tourism industry would be worth over £257 billion by 2025 – just under 10% of UK GDP and supporting almost 3.8 million jobs, which is around 11% of the total UK number. However, Covid-19 has clearly impacted foreign and domestic tourism visits, and the recovery period is likely to take years.

Analysis of the impacts of Covid-19 within Leicester and Leicestershire has revealed that:

- Overall, the steady growth in visitors, visitor days, overnight stays and expenditure was brought to a halt by the pandemic in 2020
- Leicester City was placed under additional lockdown conditions when the rest of the UK began to ease restrictions from July 2020 – equivalent to an additional three months of lockdown
- At the start of July 2020, retail and recreation activity in Leicester City (derived from Google mobility data) was 75% below the baseline from 01 February compared to the UK average of 36% below baseline
- Comparing visitor numbers and expenditure in 2019 and 2020 within Leicester and Leicestershire shows:
  - 35.37 million visitors in 2019; 11.89 million in 2020
  - 42.32 million visitor days in 2019; 14.37 million in 2020
  - 3.98 million visitor days overnight in paid accommodation in 2019; 1.48 million in 2020
  - Estimated £1.475 billon in visitor expenditure in 2019; £528 million in 2020

Activities and key organisations in Leicester and Leicestershire

Hailed as the birthplace of popular tourism thanks to the entrepreneurial activities of local travel pioneer Thomas Cook, Leicester and Leicestershire attracted 34.9 million visitors in 2018 – 3.8 million of which stayed overnight for at least one night. The value of the sector was estimated at £1.9 billion. The benefits of a thriving tourism industry extend to existing residents and businesses – helping to make the area a more attractive place to live, study and do business in.

Leicester and Leicestershire benefits from a rich heritage, beautiful natural landscapes and world-class visitor attractions. The opening of the King Richard III Visitor Centre in 2014, just two years after the initial discovery, along with the multi-award-winning Bosworth Battlefield heritage centre, gave the area a focus to share its remarkable, and truly unique, story with the world. This stimulated a host of new developments; including the popular Story of Leicester heritage programme, an on-street and digital celebration of the City's 2,000 years of heritage. Several years on, the story continues to inspire exciting new initiatives, the latest being the Bosworth 1485 Sculpture Trail. Leicester City Football Club winning the English Premier League in 2016 also helped to raise awareness of the City.

Tourist attractions include the King Richard III Visitor Centre, National Space Centre, New Walk Museum, Great Central Railway, National Forest, Twycross Zoo, Bosworth Battlefield, Stony Cove National Dive Centre, Triumph Visitor Centre, and Belvoir Castle.

The new Leicester & Leicestershire Tourism Growth Plan provides a framework for the city and county's efforts to attract an increasing number of both leisure and business visitors to the area – while encouraging those visitors to stay longer and spend more. The Growth

Plan identifies seven key visitor key visitor "destinations" within Leicestershire, including: Leicester, National Forest & Ashby, Visit Harborough, Melton Mowbray, Explore Bosworth, The Charnwood Forest & Loughborough, Everards Meadows & the Fosse Park Visitor Hub.

Economic and growth indicators

Table 1: Summary of key economic and growth indicators for the Tourism and Hospitality sector in Leicester and Leicestershire

	Value, 2019	% of economy total	*% of economy total (UK average)*
GVA (£m)	1,243	5.1%	*7.4%*
Jobs	48,300	8.8%	*11.7%*
Businesses	4,405	8.9%	*10.5%*
Productivity (£)	25,700	57.8%	*63.0%*
	Value, 2010-19	**% change p.a.**	***% change p.a. (UK average)***
Real GVA growth (£m)	67	0.6%	*2.4%*
Jobs created	5,100	1.3%	*2.6%*
New businesses	850	23.9%	*18.0%*
Productivity growth	-	-0.6%	*-0.2%*

Source: ONS, Cambridge Econometrics.

Worth £1.2bn and accounting for 48,300 jobs (according to official statistics – see Table 1 above), Leicester and Leicestershire is home to a large and growing tourism and hospitality sector, which hosts a unique and increasingly recognised visitor offer.

Recent growth has been employment-led, with 5,100 additional jobs created since 2010. Accompanying productivity growth however has been subdued, contracting by 0.6% p.a. (3 times slower than the UK average), pulling down headline GVA growth (only +£70m).

Resultantly, productivity in the sector has dropped some 20% below the UK average, reaffirming the sectors long standing productivity gap relative to elsewhere in the country. If this gap was closed, the sector could be some £260m larger.

The sector is underpinned by over 4,400 local businesses, of which three-quarters are 'micro'-sized (employing <9 people). With high rates of enterprise and business churn, an additional 850 tourism and hospitality businesses have been established since 2010.

Additional evidence and research

Additional indicators and research on the sector in Leicester and Leicestershire show:

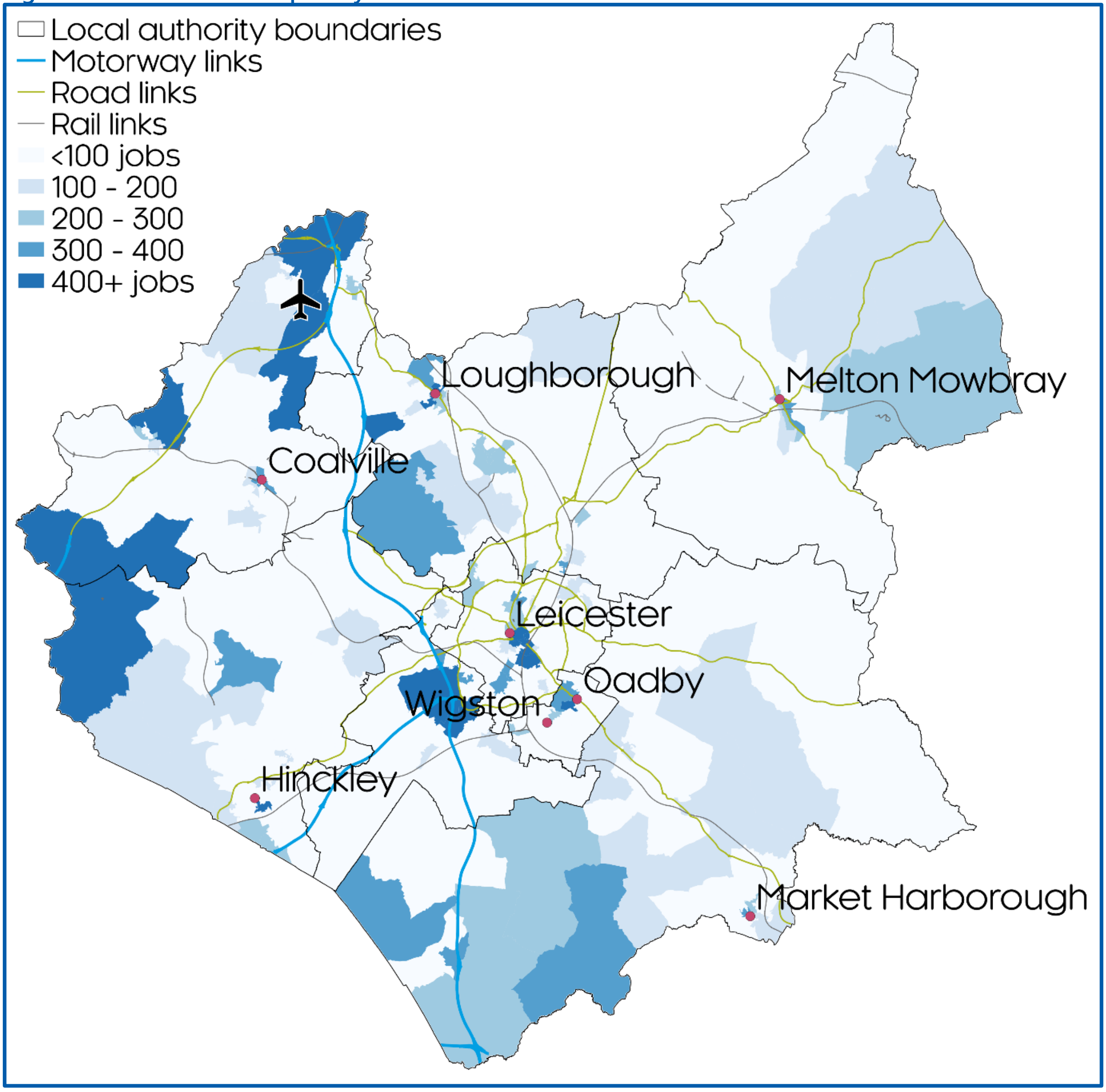
- Leicestershire's Tourism Growth Plan shows Leicestershire welcomed 34.9 million visitors in 2018, an 18.6% increase on 2009. The vast majority (89%, over 31 million) were day visitors

- The same report also found 3.76 million staying visitors, with domestic overnight trips increasing from 8.6 million in 2009 to 10.7 million in 2018. Whilst accounting for only 11% of visitor numbers, overnight trips account for 39% of the economic impact
- Finally, the report noted a high proportion (56%) of domestic overnight trips are to visit friends and family. A further 19% of domestic overnight trips are for business purposes, compared to the national average of 14%
- CAA data shows 4.7 million passengers travelled through East Midlands Airport during 2019, making it the Midlands second busiest passenger airport

Spatial structure and clusters

Tourism activity is well represented across Leicestershire, with a notably strong presence in both urban/semi-urban and rural areas, as Figure 1 below shows. Two of the most visited attractions in Leicestershire – Twycross Zoo, and the National Forest and Conkers – are evident to the west of the county, off the M/A42.

Figure 1: Tourism and Hospitality clusters in Leicester and Leicestershire



The nearby air travel cluster at East Midlands Airport is evident to the north. Market towns such as Melton, Harborough, Market Bosworth and Loughborough also retain pockets of activity, often capturing local attractions.

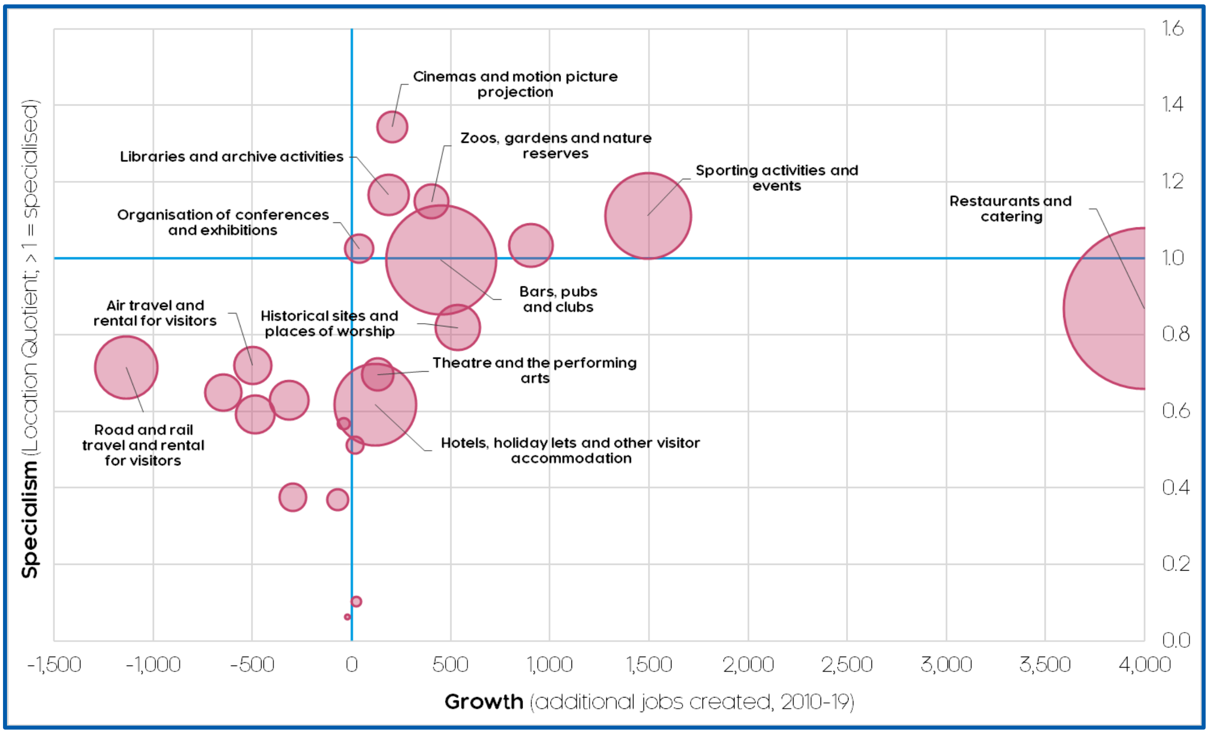
Clustering is most evident within Leicester, reflecting the city's diverse tourism offer. This includes nationally recognised attractions and assets including the King Richard III Visitor Centre, the National Space Centre, and Leicester City Football Club.

Industry structure and specialisms

Alongside strong and growing local hospitality offer (particularly around the 'night-time economy'), Leicester and Leicestershire also shows some broader visitor economy specialisms, especially relating to sport, recreation and culture, as Figure 2 below shows:

- **Sporting activities and events** - 4,900 jobs, £110m GVA; a large, specialised and growing activity, creating 1,500 additional jobs since 2010
- **Restaurants and catering** - 17,000 jobs, £340m GVA; the largest and fastest growing activity locally
- **Bars, pubs and clubs** - 7,900 jobs, £150m GVA; alongside restaurants and catering, part of Leicestershire increasing night-time economy offer
- **Zoos, private gardens and nature reserves** - 800 jobs
- **Cinema and motion picture projection** - 600 jobs; the most specialised activity
- **Hotels, holiday lets and other visitor accommodation** – 4,400 jobs; a large but comparatively underrepresented activity relative to the UK average

Figure 2: Local specialisms and growth within Tourism and Hospitality



Source: ONS, Cambridge Econometrics. Note: Size of bubbles relate to size of activity (in jobs terms). Bubbles above the blue horizontal indicate a specialism. Bubbles to the right of the blue vertical indicate growth (in jobs terms).

Sector prospects in Leicester and Leicestershire

Economic impact and recovery from Covid-19 and Brexit

The sector has been amongst the most impacted by 'lockdowns' and social distancing restrictions during the Covid-19 pandemic. Resultantly, GVA is expected to contract more than any other sector in Leicestershire - by approximately 25% (equating to losses of -£310m) through 2020. This contraction is however less severe than the UK average, as Table 2 below shows, despite the additional lockdown restrictions imposed on the city of Leicester.

Table 2: Covid-19 impacts and recovery prospects for the Tourism and Hospitality sector in Leicester and Leicestershire

Forecasted Covid-19 impact (2020)			
	Value, 2020	% change	*% change (UK average)*
GVA impact (£m)	-314	-25.3%	*-32.7%*
Jobs impact	-1,500	-3.0%	*-3.7%*
Productivity impact	-	-22.9%	*-30.1%*
Forecasted Covid-19 recovery (2021-30)			
	Value, 2021-30	% change p.a.	*% change p.a. (UK average)*
Real GVA growth (£m)	395	3.6%	*4.1%*
Jobs created	500	0.1%	*1.1%*
Productivity growth	-	3.5%	*3.0%*

Source: Cambridge Econometrics Spring 2021 Forecasts.

Once a recovery is underway though, the tourism and hospitality sector has the potential to rebound with £390m of growth by 2030, aided by a staycation boom and pent-up consumer demand. In fact, growth throughout the 2020's (3.7% p.a.) is expected to be the fastest of any sector, and almost twice the economy average (2.1% p.a.). Yet given the scale of the initial impact, it could still be 6-7 years until the sector recovers to pre-Covid levels.

Furlough and related support will dampen the employment impact, though there could still be 1,500 permanent job losses over 2020-21, which will disproportionately impact the young, low-paid and those on flexible contracts. Despite high-demand from employers post-pandemic, the jobs recovery could be uncertain given skills shortages (compounded by retention and attraction challenges) and reduced migrant labour.

Skills needs and challenges

The sector will continue to rely on softer, customer-centric skills, according to research by UCKES, especially given increased customer expectations and competitive, review-driven markets. Effective management skills are also critical, to drive improved performance through better planning and scheduling, the introduction of new technologies, and reducing staff turnover.

By 2024, UKCES expects two-fifths (40%) of the tourism and hospitality workforce in the East Midlands will require high-level (QCF4+) qualifications, almost twice that of a decade ago, though this could exacerbate already high underemployment/overqualification issues. The sector can also continue to provide good, well-paid opportunities for those without higher-level qualifications.

If the necessary supply is not forthcoming, already high skills shortages and gaps could be exacerbated in the sector; according to the 2019 UK Employer Skills Survey, 10% of tourism businesses in Leicester and Leicestershire experienced skills shortages, with almost a quarter (21%) of local vacancies in the sector hard-to-fill. These issues have intensified post-Covid.

Appendix A: Sector definition and sources

Data has primarily been sourced from Cambridge Econometrics LEFM. For a full and detailed overview of definitions, sources and forecasting methodology, please refer to the Technical Summary report accompanying this profile.

The sector has been defined using 5-digit Standard Industrial Classifications (SICs), detailed as follows. These have been informed by government and/or industry recommended definitions, and aim to capture as much of the sectors value chain as possible:

55100: Hotels and similar accommodation

55201: Holiday centres and villages

55202: Youth hostels

55209: Other holiday and other short-stay accommodation (not including holiday centres and villages or youth hostels) nec

55300: Camping grounds, recreational vehicle parks and trailer parks

55900: Other accommodation

56101: Licensed restaurants

56102: Unlicensed restaurants and cafes

56103: Take away food shops and mobile food stands

56210: Event catering activities

56290: Other food service activities

56301: Licensed clubs

56302: Public houses and bars

49100: Passenger rail transport, interurban

49320: Taxi operation

49390: Other passenger land transport nec

50100: Sea and coastal passenger water transport

50300: Inland passenger water transport

51101: Scheduled passenger air transport

51102: Non-scheduled passenger air transport

77110: Renting and leasing of cars and light motor vehicles

77341: Renting and leasing of passenger water transport equipment

77351: Renting and leasing of passenger air transport equipment

79110: Travel agency activities

79120: Tour operator activities

79901: Activities of tourist guides

79909: Other reservation service activities (not including activities of tourist guides)

82301: Activities of exhibition and fair organizers

82302: Activities of conference organizers

68202: Letting and operating of conference and exhibition centres

46431: Wholesale of gramophone records, audio tapes, compact discs and video tapes and of the equipment on which these are played

47630: Retail sale of music and video recordings in specialised stores

47781: Retail sale in commercial art galleries

47791: Retail sale of antiques including antique books, in stores

47640: Retail sale of sporting equipment in specialised stores

47650: Retail sale of games and toys in specialised stores

59140: Motion picture projection activities

77210: Renting and leasing of recreational and sports goods

77291: Renting and leasing of media entertainment equipment

78101: Motion picture, television and other theatrical casting

85520: Cultural education

85510: Sports and recreation education

90010: Performing arts

90020: Support activities to performing arts

90030: Artistic creation

90040: Operation of arts facilities

91011: Library activities

91012: Archive activities

91020: Museum activities

91030: Operation of historical sites and buildings and similar visitor attractions

91040: Botanical and zoological gardens and nature reserve activities

92000: Gambling and betting activities

93110: Operation of sports facilities

93191: Activities of racehorse owners

93199: Other sports activities (not including activities of racehorse owners) nec

93210: Activities of amusement parks and theme parks

93290: Other amusement and recreation activities

94910: Activities of religious organisations