

Article

Coronavirus and its impact on UK hospitality: January 2020 to June 2021

Analysis of the hospitality sector during coronavirus (COVID-19) with a focus on the most recent easing of restrictions in spring 2021. Includes details of how the sector has performed and the future of employment in hospitality.

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Correction

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Due to a technical issue, the data download for figure 5 of this release was missing the May 2021 data-points. This has now been corrected. Figure 5 shown within the article and all other areas of the article were correct in the original release and remain unchanged. We apologise for any inconvenience caused.

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1 . Main points

- Hospitality has been hit hard by the coronavirus (COVID-19) pandemic and the impact has been uneven; bars and clubs have fared the worst, but campsites had a relatively better year than the rest of the sector.
- Consumer spending on hospitality started to increase in May 2021 but remains at less than 70% of pre-pandemic levels; a similar picture is seen in turnover - in May this remained one-quarter lower than 2019 levels.
- Spending by businesses in the hospitality sector has seen smaller increases compared with consumer spending in May 2021; payments to suppliers from food and drink businesses have remained around half of pre-pandemic levels.
- Confidence of business survival in the hospitality sector started to increase in May 2021 but remains below the all-sector level.
- Job vacancies in the hospitality sector have seen large increases and are higher than pre-pandemic levels; however, in June 2021, the number of employees within the sector remained 11% below February 2020 levels.

2 . State of the hospitality sector

Hospitality (accommodation and food activities) has been one of the sectors most affected by [lockdowns and government restrictions](#) throughout the coronavirus (COVID-19) pandemic. The sector may have also been affected by Brexit, but as the end of the transition period coincided with the start of the latest lockdown, it is hard to separate the effects of the two.

This article reviews the impact within the sector ahead of restrictions fully lifting in England on 19 July.

Data from HM Revenue and Customs (HMRC) show that in April 2020, just under 1,650,000 employees in the sector were on furlough as businesses paused trading, falling to just under 590,000 employees furloughed at the end of May 2021 (Figure 7). This represents 25% of all furloughed employees.

As we moved through the pandemic, the hospitality sector adapted to the changing restrictions, with the proportion of businesses temporarily closed falling from [81% in the spring 2020 lockdown to 54% in the early 2021 lockdown](#).

Business turnover (Figure 1) also reflected this change, showing higher revenue in early 2021 than in spring 2020. In May 2020, turnover was just over £1.2 billion, compared with £3.4 billion in March 2021. This rose further to £6.9 billion by May 2021 after restrictions were partially eased, the highest figure since August 2020. Although this is still around 25% lower than its 2019 level.

This revival was particularly strong for the restaurant and mobile food service activities sub-sector where turnover in May 2021 was £3.3 billion, five and a half times what it was in May 2020; this is likely to be because more restaurants were able to provide takeaway services and outdoor dining was permitted.

Figure 1: Hospitality sub-sectors saw large falls in turnover because of restrictions and are yet to recover

Monthly business turnover for accommodation and food and beverage serving activities sub-sectors, UK, January 2019 to May 2021

Notes:

1. Accommodation sector and food and beverage service activities sub-sectors combine to show the accommodation and food service activities sector.

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These trends reflect the wider consumer spending patterns we see in Revolut data. Following the easing of restrictions in spring 2021, consumer spending across the hospitality sector increased to its highest level since summer 2020, when the [Eat out to Help Out scheme](#) was in place (Figure 2).

Using Revolut's own sectoral breakdown, drinking places (which includes bars and pubs) saw a substantial increase in consumer spending in spring 2021, aligning with the [relaxing of restrictions](#) for outdoor and indoor hospitality in England. However, spending levels remained under 70% of pre-pandemic levels at the end of June.

Figure 2: Consumer spending has fallen and risen in line with lockdown restrictions

Total consumer expenditure on hospitality sub-sectors, February 2020 = 100, UK, November 2019 to June 2021

Notes:

1. Total (in-store and online) UK consumer spending for Revolut customers.
2. Indexed seven-day rolling average, adjusted for Revolut user growth.
3. Revolut customers tend to be younger and more metropolitan than average, therefore these data are not necessarily representative of overall UK consumer spending trends.
4. Hospitality sub-sectors are grouped by merchant type, based on the Merchant Category Code (MCC). "Eating places and restaurants" includes cafés, restaurants, and diners, and may also include take-away services offered by these merchants. "Drinking places" covers merchants who primarily sell alcoholic beverages for consumption on the premises, such as pubs and bars.

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Although consumer spending is beginning to increase now, the pandemic reduced consumer spending in businesses in the hospitality sector, with a knock-on effect in the supply chain.

Bulk payment transaction data from [Vocalink](#) for UK corporates (Figure 3) show that the recent increase in consumer spending and turnover in April and May 2021 has not yet fed through to suppliers. The total value of payments from food and drink businesses to their suppliers and contractors in May 2021 was only 51% of its pre-pandemic level in February 2020; for hotels and holiday accommodation businesses, the figure was 72%. Recipients of these payments could be [breweries](#), food producers, cleaners, and other contractors.

Payments out from businesses in hospitality to their suppliers and contractors fell as restrictions were put in place in spring 2020, and have not yet fully recovered to their pre-pandemic level. The value of payments to suppliers from the hotels and holiday accommodation sub-sector peaked in March 2021 at 13% above their pre-pandemic level, potentially in preparation for easing of restrictions over the summer. Businesses in the food and drink sub-sector have not experienced such a rebound in payments to other businesses. These fell to their lowest in February 2021, to around 40% of their pre-pandemic level.

Payments to suppliers have been less reactive to changes than consumer spending and turnover, holding up better while consumer spending was at its lowest and remaining suppressed when consumer spending and turnover increased.

[The UK Hospitality Suppliers alliance surveyed its members](#) and found that for 69% of respondents, 75% or more of their revenue came purely from hospitality businesses, highlighting the reliance of the supply chain on the performance of hospitality.

Figure 3: The value of payments from hospitality businesses to their suppliers and contractors has also fallen and is yet to recover fully

All non-wage payments from businesses in hospitality sub-sectors, February 2020 = 100, UK, January 2020 to May 2021

Notes:

1. Vocalink is a Mastercard company powering the UK's real-time payment, cheque image clearing and direct debit systems, as well as a network of nearly 55,000 UK ATMs.
2. All bulk payments from UK corporates (credits) excluding wages from businesses in the hospitality sector to other businesses.
3. In a typical year, Vocalink processes more than 90% of UK salaries, more than 70% of UK household bills and almost all UK state benefits.

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The increase in business activity has not fully been reflected in average hours worked by those employed in hospitality (Figure 4). Before the pandemic (January to March 2020), the [average hours worked](#) in the hospitality sector was 25 hours a week. Hours worked fell substantially as lockdown restrictions began in spring 2020, to 13 hours a week, and fell to similar levels once again in January to March 2021. This has since recovered slightly, to 19 in March to May 2021, but remains below pre-pandemic levels.

Figure 4: Hours worked are similar to early summer 2020 but behind the summer 2020 peak

Average hours worked in accommodation and food services, non-seasonally adjusted, UK, January 2019 to May 2021

Notes:

1. Average hours are calculated by dividing total hours by total employment in the reference week.
2. Hours of furloughed employees are included.
3. For people with two jobs, all hours are allocated to the sector of the main job.
4. Includes paid and unpaid overtime.
5. Estimates between January to March 2020 and February to April 2021 (marked with †) have been reweighted to new populations derived from HM Revenue and Customs (HMRC) Real Time Information (RTI).

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3 . Performance within the hospitality sector

The coronavirus (COVID-19) pandemic has highlighted and heightened differences across society and economy, and the hospitality sector is no exception. While the sector itself has been severely affected, some sub-sectors within have fared better than others. Overall, turnover for the hospitality sector has remained below its 2019 levels throughout the pandemic, with May 2021 25% lower than May 2019.

Looking at sub-sectors of hospitality, campsites have performed relatively better (Figure 5). Data from the Monthly Business Survey (MBS) show campsites and related activities was the only sub-sector to have had periods of growth during the pandemic, with turnover higher in summer and parts of winter 2020, compared with 2019 levels. This is likely because holiday makers followed [government advice to avoid foreign holidays](#) by switching to domestic holidays such as camping, and self-catered accommodation. Such holidays have also faced fewer restrictions and are more compatible with social distancing measures.

Pubs and nightclubs have been one of the worst affected sub-sectors; turnover in May 2021 was 39% lower than May 2019 and has consistently remained below 2019 levels since the pandemic began. In the case of pubs, this is likely a consequence of businesses being closed or disrupted for long stretches at a time. Pubs have been less able to offer a takeaway service when closed and have had partial restrictions, such as earlier closing times and substantial requirements around eating even when open. Nightclubs have remained closed by law since March 2020.

Figure 5: Rising demand for domestic holidays may have led to relatively strong turnover performance of camping grounds and similar accommodation

Monthly turnover change, UK, January 2020 to May 2021 compared to the same month in 2019

Notes:

1. The following sub-sectors of accommodation and food service activities have been excluded from the chart for visualisation purposes: "other accommodation," "event catering activities" and "other food service activities."

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As restrictions have begun to ease over the past few months, there has been an improvement in finances for the sub-sectors within the hospitality sector (Figure 6). However, all sub-sectors of hospitality had a higher proportion of businesses stating high falls in profits than all other sectors.

When asked how their profits compared with what is normally expected for the time of the year (in the Business Insights and Conditions Survey (BICS)), 48% of businesses in the accommodation sub-sector reported a decrease in profits of 20% or more in early June 2021 - the highest proportion of any hospitality sub-sector. Unlicensed restaurants, cafés and takeaways fared better throughout with 17% of these businesses reporting profit losses of 20% or more in June 2021; this is likely to be because of lighter restrictions on trading compared with accommodation.

Figure 6: Business losses are less severe in hospitality as coronavirus restrictions ease

Share of businesses reporting a drop in profits of 20% or more for this time of the year, selected hospitality sub-sectors, October 2020 to June 2021

Notes:

1. Final weighted results excluding imputations, Wave 17 to 33 of the Office for National Statistics' Business Insights and Conditions Survey (BICS), weighted by turnover.
2. The data do not include imputations and might differ from the final weighted BICS results.
3. The categories "Profits have decreased by between 20% and 50%" and "Profits have decreased by more than 50%" were combined into "Profits have decreased by 20% or more." all other responses have been excluded for visualisation purposes.
4. Caution should be taken when interpreting the results for the hospitality sector breakdowns because of a small sample size, sample variation and possible drop off from business closures.
5. The "All other sectors" category contains all businesses with SIC 2007 codes that fall outside of the "Accommodation and food service activities" sector.
6. The following industries are excluded from the survey: agriculture, public administration, and defence, public provision of education and health, finance and insurance.

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4 . Future of hospitality jobs

Most economic indicators point to the start of a recovery for businesses in the hospitality sector, with the labour market showing similar trends. Since early April 2021, furlough rates in the hospitality sector have been declining. The highest recorded level of furloughed staff was approximately 1.6 million in April 2020; this figure fell to its lowest point since furlough began - 0.6 million (Figure 7) in May 2021.

The furlough scheme has now started winding down, with the payment provided to employers reducing from 80% of employees' wages, to 70% in July 2021, falling further to 60% in August. This may lead to further [reductions in furloughed employees in the sector](#).

Figure 7: Furlough numbers in the hospitality sector continue to fall, as demand for labour increases

Number of employees on furlough in the accommodation and food service activities sector, UK, March 2020 to May 2021

Notes:

1. The series is not shown before 23 March 2020 because small counts were potentially disclosive.
2. Sector information is based on the Interdepartmental Business Register (IDBR) produced by the Office for National Statistics.

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Not only are existing payrolled employees coming back into the workplace from furlough, but [Real Time Information \(RTI\) data](#) show the total number of payrolled employees in the hospitality sector increased to over 1.8 million in June 2021, from a low of 1.7 million in March 2021 (Figure 8). However, payrolled employees remain below a pre-coronavirus (COVID-19) pandemic figure of over 2 million in February 2020.

Figure 8: The number of employees in hospitality has seen an increase in June 2021

Payrolled employees in the accommodation and food service activities, seasonally adjusted, UK, January 2019 to June 2021

Notes:

1. June 2021 data are early estimates and are more likely to be subject to revisions.
2. Experimental Statistics.
3. The number of payrolled employees is defined as the number of people receiving paid remuneration included in PAYE RTI within the reference period, including people who have not done work but are an employee, such as those on paid leave and furlough leave.
4. Values for the month are an average of employee counts in each day of the month.

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Indications that the number of employees may continue to rise also come from the number of job vacancies available in the sector. [Job vacancies](#) in hospitality have rapidly increased throughout 2021 (Figure 9) as businesses look to employ more staff to meet demand, with [reports of businesses struggling to employ the staff needed in hospitality](#).

In the period April to June 2021 there were an estimated 102,000 job vacancies in hospitality, nearly five and a half times higher than the 19,000 recorded in December to February 2021, and higher than pre-pandemic levels.

This increase may indicate the beginning of [a temporarily tight labour market or bottleneck](#), where hospitality businesses are looking to increase employment but currently cannot recruit the numbers necessary.

Figure 9: Job vacancies in accommodation and food service activities have bounced back to near pre-pandemic levels

Job vacancies, February to April 2020 = 100, UK

Notes:

1. Data for April to June 2021 is provisional and may be subject to change.

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When job vacancies in the sector increased and decreased during the pandemic, the median wage followed a similar trend. Increases in job vacancies throughout are also accompanied by a slight increase in growth of median pay (Figure 10). Median pay returned to pre-pandemic levels in June 2021 for the first time since September 2020.

Figure 10: Wages in hospitality are showing signs of increasing

Median pay in the accommodation and food services sector, seasonally adjusted, February 2020 = 100, UK, January 2020 to June 2021

Notes:

1. Experimental Statistics.
2. Only employees paid through PAYE included – does not cover other sources of income such as from pensions, self-employment or investments.

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While labour market statistics show encouraging signs for the hospitality sector, which looks to recruit and provide more goods and services to customers with fewer restrictions, confidence among businesses remains low. When asked "How much confidence does your business have that it will survive the next three months?", businesses in the hospitality sector reported weak confidence of survival (Figure 11).

All sub-sectors of hospitality have consistently reported lower confidence than the "all other sectors" average, reflecting the greater impact of the pandemic on hospitality. In early June 2021, only 14% of pubs and bars and only 15% of licensed restaurants reported that they had "high" confidence that they would survive the next three months. This is much lower than the 47% of businesses from all other sectors that had "high" confidence of survival in early June 2021, and lower than levels reported in April 2021.

However, there have been signs of improvement within the accommodation sub-sector, where the share of businesses that had "high" confidence in their own survival over the next three months grew from 39% in early April 2021 to 47% in early June.

Figure 11: Confidence in the hospitality sector remains low but has improved with easing restrictions

Share of businesses reporting “high” confidence in survival over the next three months, selected hospitality sub-sectors, weighted by count, October 2020 to June 2021

Notes:

1. Final weighted results Wave 17 to 33 of the Office for National Statistics' Business Insights and Conditions Survey (BICS), weighted by count.
2. The data do not include imputations and might differ from the final weighted BICS results.
3. Caution should be taken when interpreting the results for the hospitality sector because of small sample sizes, sample variation and possible drop off from business closures.
4. The "All other sectors" category contains all businesses with SIC 2007 codes that fall outside of the "Accommodation and food service activities" sector.
5. The following industries are excluded from the survey: agriculture, public administration, and defence, public provision of education and health, finance and insurance.

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5 . Hospitality sector data

[Monthly Business Survey](#)

Dataset | Released 9 July 2021

Monthly Business Survey services industries' total turnover - current price and non-seasonally adjusted, UK.

[Labour force survey \(ONS\)](#)

Dataset | Released 18 May 2021

The Labour Force Survey (LFS) is a study of the employment circumstances of the UK population. It is the largest household study in the UK and provides the official measures of employment and unemployment.

[Business insights and conditions survey](#)

Dataset | Released 1 July 2021

Weighted estimates from the voluntary fortnightly business survey (BICS) about financial performance, workforce, prices, trade, and business resilience.

[HMRC Coronavirus Job Retention Scheme statistics](#)

Dataset | Released 3 June 2021

Time series and statistics on the Coronavirus Job Retention Scheme, with analysis by scheme size, sector, geography, age, gender, and flexible furlough.

[Earnings and employment from Pay As You Earn Real Time Information, seasonally adjusted](#)

Dataset | Released 15 July 2021

Earnings and employment statistics from Pay as You Earn (PAYE) Real Time Information (RTI) (Experimental Statistics), seasonally adjusted.

[Vacancies by industry](#)

Dataset | Released 15 July 2021

Estimates of vacancies by industry (Standard Industrial Classification 2007).

6 . Glossary

Hospitality and its sub-sectors

This article primarily uses the accommodation and food services activities industry ([Standard Industrial Classification \(SIC\) Section I](#)) to represent hospitality, however, some data included from external providers use slightly different definitions. These can be found in [Section 7: Data sources and quality](#).

Drinking places (Revolut)

Revolut card spending data are classified by Merchant Category Code (MCC). Merchants in this category sell alcoholic beverages for consumption on the premises. Not directly comparable to the standard industrial classification (SIC) of accommodation and food service activities.

Eating places (Revolut)

Revolut card spending data are classified by Merchant Category Code (MCC). This category captures spending at cafés, restaurants, and diners, and may also include takeaway services offered by these merchants. Not directly comparable to the standard industrial classification (SIC) of accommodation and food service activities.

Vocalink

There are 16 low-level industry codes within the main hospitality sector. For ease of analysis and presentation, these have been grouped into the two core categories: hotels and holiday , and food and drink. Devised based on but not directly comparable to the [standard industrial classification \(SIC\)](#) of accommodation and food service activities.

Vacancies

Vacancies are defined as positions for which employers are actively seeking recruits from outside their business or organisation. The estimates are based on the Office for National Statistics' (ONS') Vacancy Survey; this is a survey of businesses designed to provide estimates of the stock of job vacancies across the economy.

Pay As You Earn (PAYE) Real Time Information (RTI)

Data from HM Revenue and Customs' (HMRC's) Pay As You Earn (PAYE) Real Time Information (RTI) system.

7 . Data sources and quality

This research primarily uses the accommodation and food services activities industry ([Standard Industrial Classification \(SIC\)](#) Section I) to represent hospitality. This is used across most of our data sources to measure hospitality and is split into the following sub-sectors:

Accommodation and food service activities

Accommodation (SIC 55)

Hotels and similar accommodation (SIC 55.10)

Holiday and other short stay accommodation (SIC 55.2)

- Holiday centres and villages (SIC 55.20/1)
- Youth hostels (SIC 55.20/2)
- Other holiday and other short stay accommodation (not including holiday centres and villages, or youth hostels) (SIC 55.20/9)

Camping grounds, recreational vehicle parks and trailer parks (SIC 55.30)

Other accommodation (SIC 55.90)

Food and beverage service activities (SIC 56)

Restaurants and mobile food services (SIC 56.10)

- Licensed restaurants (SIC 56.10/1)
- Unlicensed restaurants and cafes (SIC 56.10/2)
- Take away food shops and mobile food stands (SIC 56.10/3)

Event catering and other food service activities (SIC 56.2)

- Event catering activities (SIC 56.21)
- Other food service activities (SIC 56.29)

Beverage serving activities (SIC 56.30)

- Licensed clubs (SIC 56.30/1)
- Public houses and bars (SIC 56.30/2)

Monthly Business Survey

A sample of approximately 30,000 businesses contribute to this survey.

The Monthly Business Survey (MBS) collects turnover, new orders, and employment information from production industries (UK), and services industries (Great Britain). More information is available in the [Monthly Business Survey QMI](#).

Revolut

Revolut is a financial technology company offering licensed banking services. They are a relatively new card issuer, and their debit card users tend to be much younger and more urban-based than the typical UK consumer. Therefore, these data are not necessarily representative of overall UK consumer spending trends.

Vocalink

VocaLink is a Mastercard company. Vocalink's technology powers the UK's real-time payment, cheque image clearing and direct debit systems, as well as a network of nearly 55,000 UK ATMs. In a typical year, Vocalink processes more 90% of UK salaries, more than 70% of UK household bills and almost all UK state benefits.

Labour Force Survey

A study of the employment circumstances of the UK population. It is the largest household study in the UK and provides the official measures of employment and unemployment.

Made up of approximately 40,000 responding UK households and 100,000 individuals per quarter. The LFS is intended to be representative of the entire population of the UK.

[More information can be found in](#) the Labour Force Survey QMI.

Business Insights and Conditions Survey (BICS)

This article draws on data from the [Business Insights and Conditions Survey \(BICS\)](#), which captures businesses' views on financial performance, workforce, prices, trade, and business resilience in the UK. For analysis of BICS, we have used data from October 2020 to June 2021.

Caution should be taken when interpreting the results presented as the specific routing of some of the questions means that only a small number of businesses responded. Estimates from BICS are not official statistics.

HMRC Coronavirus Job Retention Scheme statistics

[Monthly Experimental Statistics](#) that provide estimates of the number and value of claims made to the Coronavirus Job Retention Scheme to HM Revenue and Customs (HMRC), broken down by:

- employer size
- sector of the economy
- geography
- employee age and gender

Pay As You Earn (PAYE) Real Time Information (RTI)

These data come from HMRC's Pay As You Earn (PAYE) Real Time Information (RTI) system. They cover the whole population rather than a sample of people or companies, and they will allow for more detailed estimates of the population. The release is classed as Experimental Statistics as the methodologies used to produce the statistics are still in their development phase. As a result, the series are subject to revisions.

A [more detailed glossary](#) is available.

Vacancies

These data show the number of vacancies by industry in the UK. The headline vacancy estimates are based on three-month averages that naturally involve some time lag. Insights into trends in June 2021 are provided by two experimental sources, single month vacancy estimates, in [Dataset x06](#), and AdzunaOnline job advert estimates.

8 . Related links

[Economies of ale: pubs in the time of COVID-19](#)

Article | Released 8 June 2021

Exploring the impact of the coronavirus pandemic on pubs

[Coronavirus: how people and businesses have adapted to lockdowns](#)

Article | Released 19 March 2021

Analysis comparing the effect of different lockdown periods on individuals and businesses.

[Labour market overview, UK: July 2021](#)

Bulletin | Released 15 July 2021

Estimates of employment, unemployment, economic inactivity, and other employment-related statistics for the UK.