



# The Hospitality Sector in Europe

An assessment of the economic contribution of the hospitality sector across 31 countries

September 2013





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# Romania



## Key Statistics

Average annual GDP growth rate, 2000 - 2010 (nominal)	<b>12.5%</b>
Hospitality sector annual growth rate, 2000 - 2010 (nominal)	<b>14.5%</b>

Total economic contribution of hospitality (incl. direct, indirect and induced impacts):

Output	<b>€6.1bn</b> (4.9% of the total)
GDP	<b>€2.5bn</b> (2.1% of the total)
Employment	<b>429,000</b> (5% of the total)

Total tax contribution of hospitality

VAT	<b>€451m</b> (83.0% of the total)
Employment	<b>€95m</b> (17.0% of the total)

For every **€1** spent in the hospitality sector, an additional **€1.63** is spent in the wider economy.

## Key Messages

- Between 2004 and 2008 the Romanian hospitality sector performed particularly strongly, benefiting from relatively low levels of VAT and accession to the EU in 2007.
- Falling disposable incomes and dropping tourist numbers as a result of the economic downturn resulted in a fall in hospitality sector turnover of 22% from 2008 to 2010.
- A reduction of seven percentage points in the on-trade share of beer sales is symptomatic of the challenges facing the sector. The effect of the VAT rise in 2010 has not been fully captured but is likely to have negatively impact consumer spending.

## Summary

The Romanian economy had the largest nominal average annual growth rate in GDP in Europe (12.5%) following particularly strong growth between 2004 and 2008 (23%). However this is tempered by high rates of inflation in the country over the period. The Romanian economy entered into recession in 2009 with a fall of 15% in GDP (nominal). The Euro-crisis and government austerity measures have dampened demand in some of Romania's key export markets and reduced domestic incomes.

The Romanian hospitality sector is currently subject to the standard rate of VAT in Romania (24%), which was increased from 19% in 2010 significantly impacting prices in the hospitality sector as well as consumers' wider purchasing power. A reduced rate of 9% is applied to accommodation.

The hospitality sector grew to a peak of just under €3bn of turnover in 2008, followed by a 22% fall by the end of 2010, finishing the period at €2.3bn. Restaurants accounted for almost 40% of turnover in the sector, while employing 43% of the hospitality sector's workforce (over 60,700 in 2010). The number of restaurants was higher in 2010 (at 8,200) than in 2008 (8,000), showing a particular resilience to a corresponding fall in turnover of 9%.

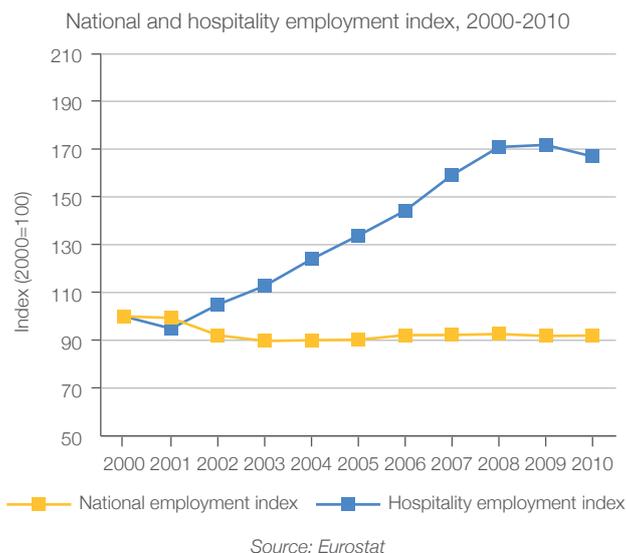
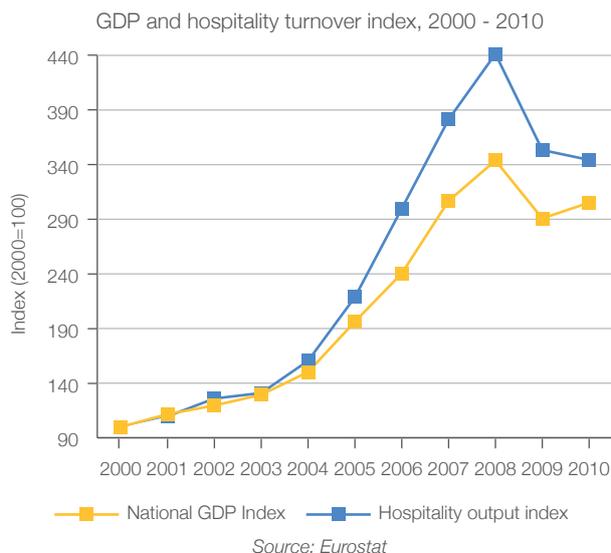
Hotels are the second largest sub-sector in turnover terms, accounting for 31% of the total in 2010, and employing around 35,500 people. Bars have been particularly impacted by tax (increases in VAT and excise duties) and regulatory changes (e.g. smoking ban), with a 7% reduction in enterprises in 2010 (net closure of over seven bars per week). The trading environment in the hospitality sector has become more challenging since 2010 due to declining consumer confidence and spending power, increasing VAT rates, regulatory changes (such as the smoking ban) and increasing levels of off trade sales.

## Economy Overview

The Romanian economy had the largest nominal average annual growth rate in GDP in Europe (12.5%) following rapid growth between 2004 and 2008 (23%). However this is tempered by high rates of inflation in the country over the period.

The Romanian economy entered into recession in 2009, due to the impact of the global economic downturn on exports and on domestic demand. GDP made a modest recovery in 2010 before an export led boost in 2011, with a 2.5% increase in GDP over the year.

More recently, the recovery in Romania has slowed, with weak external demand as a result of the Eurozone crisis, and depressed domestic demand due to high levels of unemployment, and the impact of government austerity measures. In the short term, consumer demand is likely to remain weak, resulting in continued challenging trading conditions for the hospitality sector.



Romania has the largest nominal average growth rate in GDP in Europe (12.5%), with particularly high growth from 2004 (23%) to a peak in 2008. The hospitality sector followed a similar trend to GDP, experiencing an average annual growth rate of 14.5% across the period and 27.8% average annual growth rate between 2004 and 2008.

The decline in 2008 is driven by the global economic crisis, leading to weak external demand and suppressed household consumption.

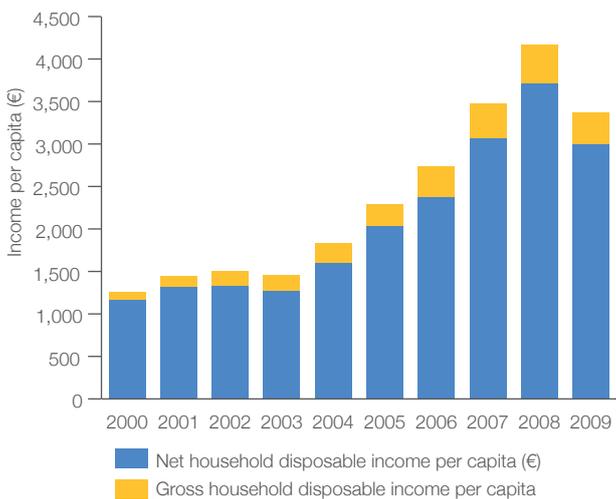
Inflation in Romania over the 2000 to 2010 period has grown at an average annual growth rate of 21.3%. Adjusting for inflation, average GDP growth over the period was -0.3%, and growth in the hospitality sector was 1.1%.

Over the period, employment in the hospitality sector grew at a much faster rate than employment in the economy as a whole, with employment in the sector growing by over 50%. In contrast, national employment in Romania declined in 2002 and remained relatively flat for the rest of the period.

Unemployment in Romania is currently high, with employment being negatively impacted by the recession and the austerity measures. Recent changes to the Labour Code increased flexibility in the labour market by sanctioning the use of short term contracts, creating more flexible working hours, and introducing the employer's right to shed excess labour.

The changes to the Labour Code are thought to have led to some increases in unemployment in the short term. However, as the economy recovers, more flexibility in the labour market should encourage managers to hire, thus boosting employment in the medium to long term.

Real Net and Gross disposable income per capita EUR, 2000-2009



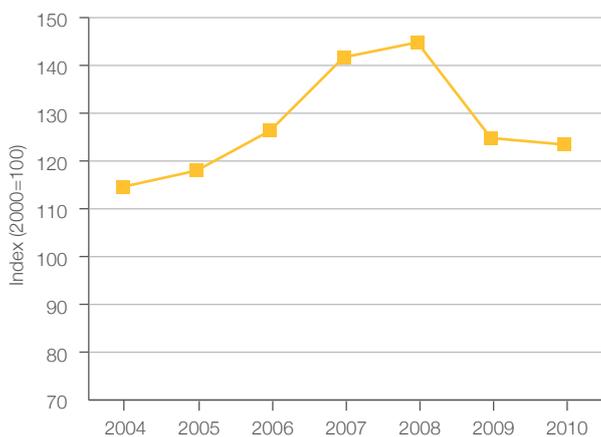
Source: Eurostat

Real net disposable incomes have grown significantly in Romania since 2000, reaching a peak of over €4,000 in 2008, following particularly high increases post 2004. A sharp decline in 2009 significantly undermined consumer spending power.

Consumer spending in the short term is likely to remain weak in Romania, due to tight credit conditions, high levels of unemployment and the impact of fiscal austerity measures on households and public sector jobs. The tax burden in Romania is relatively high, and has increased in recent years with a sharp increase in VAT in 2010.

A cap on public sector pay will also act to suppress income growth in the short term, given the importance of the public sector as an employer in Romania.

Tourism index, 2004-2010



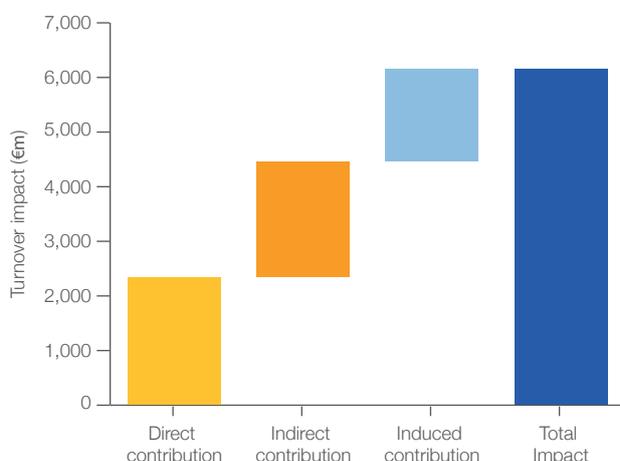
Source: Eurostat

Romania experienced fast growth in tourism from 2005 to 2008, which was mainly driven by its accession to the EU in 2007; entering the EU enabled Romania to gain European funding for agro-tourism and tourism infrastructure such as ski slopes, access roads and national heritage establishments. The fall in tourism in 2009 and 2010 (around 20% over the two years) reflects a wider trend across Europe and in new member states in particular.

## Economic Contribution of the hospitality sector

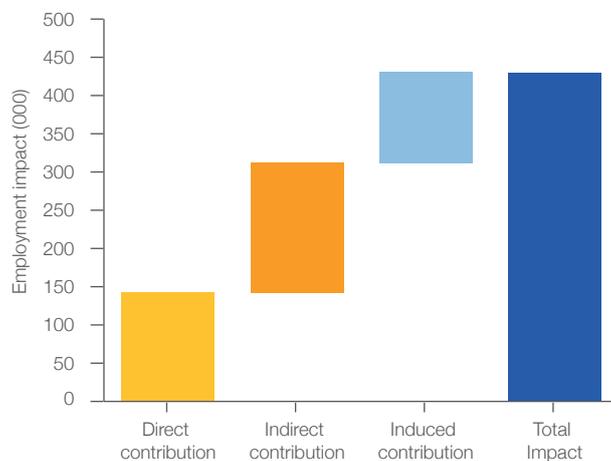
In 2010, the Romanian hospitality sector contributed turnover of €6.1bn to the economy, equivalent to approximately 4.9% of total output. This equates to €2.5bn of value added to the economy, or 2.1% of total GDP, and supports approximately 429,000 employees in total, almost 5% of the total workforce. For every €1 spent by the sector, an additional €1.63 is spent in the supply chain and via employees' consumption (i.e. the 'direct' plus the 'indirect' and 'induced' effects).

Turnover of the hospitality sector, 2010



Source: Eurostat, EY calculations

Employment impact of the hospitality sector, 2010



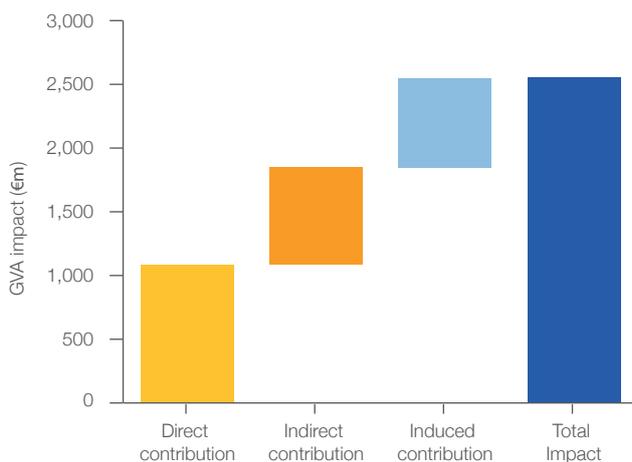
Source: Eurostat, EY calculations

The total turnover supported by the hospitality sector was €6.1bn in 2010, which is equivalent to 4.9% of output. This is one of the lowest proportions in Europe.

The indirect turnover multiplier (which calculates the impact on the supply chain only, thus not including the 'induced effect') in Romania is 1.90, so for every €1 spent by the sector, an additional €0.90 is spent in the supply chain. The indirect multiplier is relatively high in Romania, suggesting that the hospitality sector uses a high proportion of domestically sourced inputs in its supply chain.

In 2010, the Romanian hospitality sector directly employed 141,000 individuals. Including both the indirect and induced impacts, the total contribution of the hospitality sector to Romanian employment is an estimated 429,000 jobs. This is equivalent to almost 5% of total Romanian employment.

GDP impact of hospitality sector, 2010



Source: Eurostat, EY calculations

The Romanian hospitality sector generates a total of €2.5bn in value added for the Romanian economy, which is equivalent to 2.1% of GDP. Of this, approximately €1.07bn relates to the direct impact of the sector, with €1.4bn representing supply chain (indirect) and consumption (induced) impacts.

## Regulation / Taxation

The Romanian hospitality sector is currently subject to the standard rate of VAT in Romania (24%), which was increased from 19% in 2009, significantly impacting prices in the hospitality sector as well as consumers' wider purchasing power. A reduced rate of 9% is applied to accommodation. Excise duties are applied to beer and spirits, whilst wine is zero rated.

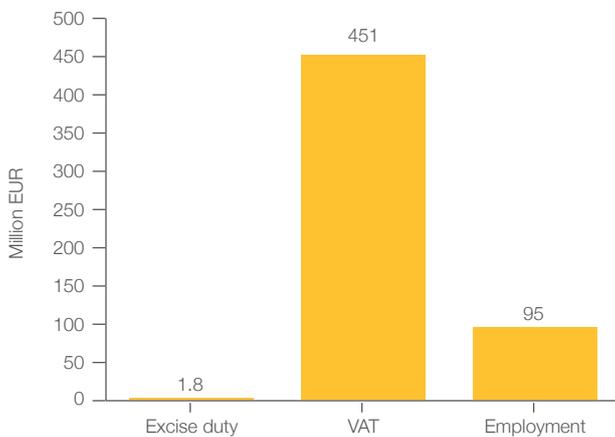
In Romania, a tourist accommodation tax exists for tourists aged 18 and over. The tax ranges from 0.5% to 5% of the room rate, and is decided by each municipality, regardless of hotel grade. From 1 January 2012, these taxes became more standardised across municipalities. Following a new regulation in Romania's Fiscal code, the hotel tax was to be equalised nationally, to a rate of 1% for the whole country.

### Tax Receipts

The Romanian hospitality sector is estimated to have contributed €548m to the Exchequer in 2010 from excise duty, VAT and income tax and employee related contributions.

Of this, €451m was raised in gross VAT receipts (deducted VAT has not been accounted for).

Tax receipts, by type, 2010



Source: EY calculations

Taxes related to employees working in the hospitality sector are made up of income taxes and employer and employee social security contributions. Added together, these raised an estimated €95m in revenue in 2010.

### Excise Duty

There were no changes in excise duty on alcohol between 2008 and 2012. In 2013, duty on beer increased by 10% to €0.82 per °Plato / hl. Duty applied to spirits is €750 / hl pure alcohol whilst wine remains zero rated.

Any rise in beer duty has a larger impact upon the bar and café sub-sectors which sell a higher proportion of beer than wine or spirits.

### VAT and Reduced rates

Between 2000 and 2009, the standard rate of VAT in Romania was 19%. This rose by 5 percentage points to 24% in 2010 as part of a series of government austerity measures, aimed at curbing the country's deficit and guaranteeing an IMF loan.

Romania also has a reduced rate of 9% which was introduced in 2008 and only applies to hotels in the hospitality sector.

### Other taxes

In Romania, a tourist accommodation tax exists for tourists aged 18 and over.

The tax ranges from 0.5% to 5%, and is decided by each municipality, regardless of hotel grade. In general, city municipalities charge a levy per night and resort municipalities levy the tax on the first night only. In 2011, Bucharest scrapped its 3% tax in an attempt to stimulate the tourism industry. From 01 January 2012, the hotel tax situation in Romania changed, becoming standardised. Following a new regulation in Romania's Fiscal code, the hotel tax was to be equalised nationally, falling to 1% for the whole country.

In January 2010, the Romanian Government announced the possibility of introducing a tax that would apply to food high in fat, salt, sugar and additives. To date, the initiative has not yet been implemented.



## Hospitality sector in focus

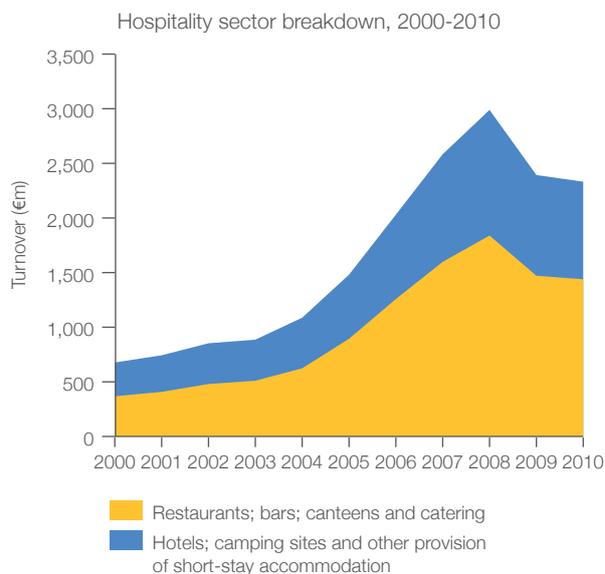
Over the period, turnover in the hospitality sector in Romania grew at an average annual growth rate of 14.5% (nominal). However this growth is offset by high rates of inflation over the period. The rapid growth of the sector, particularly before 2008, can be attributable to strong increases in disposable incomes and a heightened investment in tourism infrastructure following Romania's accession to the EU in 2007.

The hospitality sector grew to a peak of just under €3bn of turnover in 2008, followed by a 22% fall by the end of 2010, finishing the period at €2.3bn. Restaurants accounted for almost 40% of turnover in the sector, while employing 43% of the hospitality sector's workforce (over 60,700 in 2010). The number of restaurants was higher in 2010 (at 8,200) than in 2008 (8,000), showing a particular resilience to a corresponding fall in turnover of 9%.

Hotels are the second largest sub-sector in turnover terms, accounting for 31% of the total in 2010, and employing around 35,500 people. Bars have been particularly impacted by tax (increases in VAT) and regulatory changes (e.g. smoking ban), with a 7% reduction in enterprises in 2010 (net closure of over seven bars per week).

The trading environment in the hospitality sector has become more challenging since the peak in turnover in 2008, due to declining consumer confidence and spending power linked to broader macro-economic conditions in the country. Romania has seen a recent shift from on-trade to off-trade for beer sales, driven primarily by changing consumer trends, with only 12% of the urban population going out at least once a week. A sharp increase in VAT in 2010, has further suppressed individuals' purchasing power, which is likely to impact spending considered more discretionary, such as eating or drinking out.

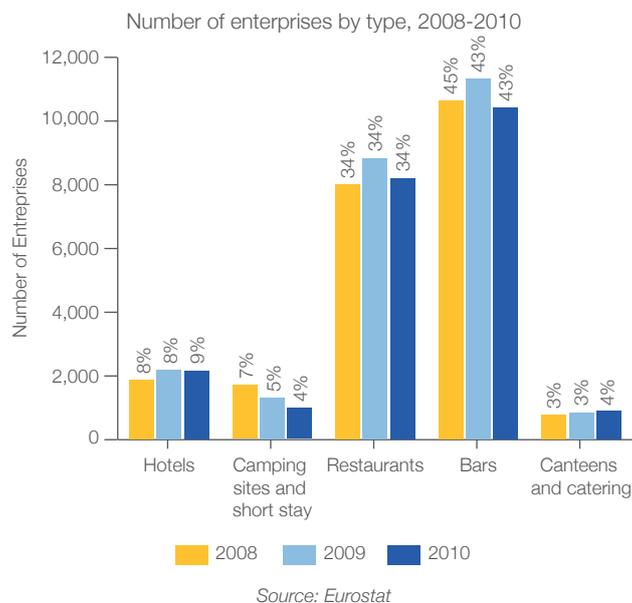
### Turnover in the hospitality sector



The hospitality sector peaked in 2008, with turnover of almost €3bn, and finished 2010 with turnover of just over €2.3bn (a fall of 22% across the two years).

Since 2000, the food and beverage sub-sector has increased its share of the hospitality sector from 54% to 62% (2010). This is owing to higher average growth across the period (16.1%) than the accommodation sub-sector (12.3%).

### Enterprises in the hospitality sector

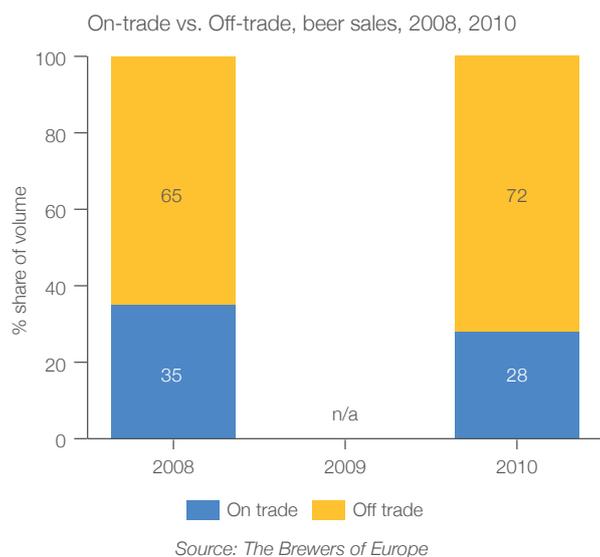


Note: Percentage figures represent the proportion of the total number of enterprises in the hospitality sector which are made up of enterprises in each sub-sector. When added, percentages may not total 100% due to the omission of Other enterprises.

Bars make up the majority of enterprises in the hospitality sector in Romania, representing 43% of the total in 2010. Hotels represent a relatively small proportion of all enterprises in Romania, with only 9% of all establishments. However the sub-sector makes the second largest contribution to turnover, accounting for 31% of hospitality sector turnover in 2010.

The number of restaurants was higher in 2010 (at 8,200) than in 2008 (8,000), showing a particular resilience to a corresponding fall in turnover of 19%.

## On-trade vs. Off-trade



There has been a significant recent shift from on-trade to off-trade for beer sales in Romania. Between 2008 and 2010, the proportion of on-trade sales has fallen by 7 percentage points.

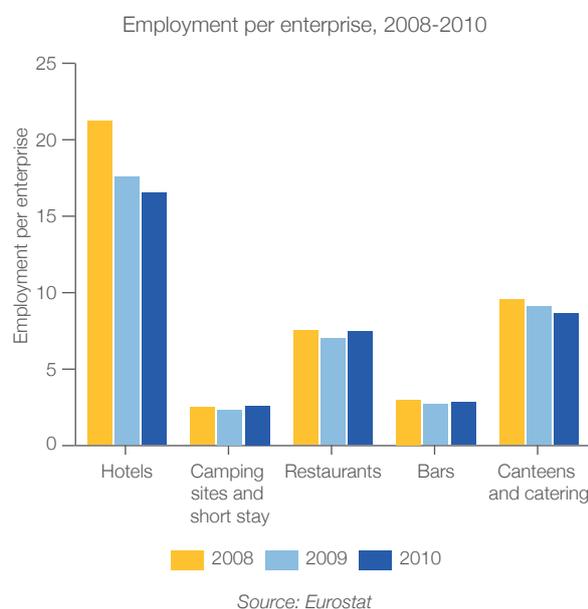
The economic crisis has led to lower disposable incomes for consumers. Consequently, consumers are downgrading to lower segments of products in the same category or shifting from on-trade to off-trade; only 12% of the urban population is going out at least once a week according to ISRA<sup>1</sup>.

On top of this, the Romanian government introduced a smoking ban in 2009 that prohibits smoking in public areas including bars and restaurants, except if the bar is less than 100 square metres. In larger restaurants and bars it is mandatory to provide an area with special ventilation for smoking customers. The introduction of this regulation may have made the purchase of beer from on-trade establishments less attractive to consumers.

The impact of changing consumer demand and the introduction of the smoking ban in 2009 impacted the bar sub-sector in particular, with the turnover falling by 32% by the end of 2010.

## Employment in the hospitality sector

Despite the relatively flat growth in the number of hotels operating between 2008 and 2010, employment per enterprise in hotels fell by 22% from 21.2 in 2008 to 16.5 in 2010. This suggests that, post-economic crisis, hotels are remaining open but cutting down on costs by employing fewer individuals. The other sub-sectors of the hospitality sector continued to employ similar numbers of individuals between 2008 and 2010.



## Enterprise Focus

### BARS

Romania has an established bar culture, with over 10,000 enterprises operating in 2010, generating a total of €382m in revenue. In recent years, there has been a shift away from on-trade sales of beers, driven by a decrease in consumers' income following the economic crisis. On top of this, smoking bans and local restrictions have discouraged consumers from drinking outside of the home.

Consumers in Romania are becoming increasingly sophisticated, demanding more from the bars they visit, particularly when they have less disposable income to spend. In addition, the ageing population means a higher proportion of consumers are less likely to visit bars and nightclubs than in previous years. It is therefore necessary for the sub-sector to respond to these changing tastes.

Reflecting the trends highlighted above, in 2010 there was a net closure of seven bars a week.

With a difficult financial market, establishments are experiencing limited access to loans for investment which may hamper growth, although there has been a recent increase in foreign investment, suggesting a more positive outlook for the sector in the medium term.

<sup>1</sup> Regional Centre for Road Traffic Safety, Romania

## RESTAURANTS

In Romania, restaurants contribute almost 40% of turnover in the sector, while employing 43% of the hospitality sector's workforce (60,763 in 2010). The number of restaurant enterprises operating in Romania in 2009 was 8,800 before falling by 7% to 8,200 in 2010.

Turnover in the restaurant sub-sector also fell by approximately 19% between 2008 and 2010 to finish the period at €898m (41% of the total hospitality sector). Pressures on consumer spending and the 2010 increase in VAT may have contributed to this decline in performance.

Increases in the cost of inputs are likely to continue to put pressure on the profit margins of restaurant operators, with food inflation expected to continue to be relatively high. This restricts the ability of operators to absorb the increases in VAT through efficiencies in production.

## HOTELS

Hotels are the second largest sub-sector in the hospitality sector in turnover terms, representing approximately 31% of hospitality sector turnover in Romania. The number of hotels enterprises in Romania has increased since 2008, rising from 1,850 to over 2,000 in 2010. However this has been coupled with a significant decline in turnover over the same period, with hotel revenues dropping by around 25% to finish the period at €730m.

Despite the decline in performance since 2008, there have been some encouraging signs for the sub-sector going forward. International hotel chains have increased competition and the standard of hotels in the local Romanian market, driving growth and innovation in the sub-sector. Romania has also secured European funding for agro-tourism and tourism infrastructure such as ski slopes and access roads, which will increase the demand for hotels in newly accessible locations.

# Annexes

# A. Methodology

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EY was appointed by The Brewers of Europe to quantify the degree to which hospitality sector adds value to the economy and supports employment opportunities in each of the countries covered; and to identify policy drivers that could support future growth and job creation.

## Countries included within the analysis

The analysis includes 31 countries in total, including all of the EU28 countries as well as Norway, Switzerland and Turkey.

## Sources of information

In order to ensure comparability of data across the maximum number of jurisdictions, the analysis presented in this report is largely based upon sector level data from Eurostat. At the time of writing, hospitality level data is available up to, and including, 2010.

Sector level data and insight have also been collected from national and institutional statistics' websites and through a consultation exercise with key stakeholders in each country. These stakeholders include national members of sectoral representative bodies, The Brewers of Europe and HOTREC. Wider economic statistics have been collected from a range of sources, including Global Insight, Oxford Economics and the OECD. Where these have been used they are clearly labelled and care has been taken to ensure consistency with other datasets and definitions, where comparisons are drawn across countries.

## Establishing the context

For each country in this report we review a range of economic measures which help to explain the performance of the hospitality sector from a more general perspective. These include national GDP, employment, disposable income and tourism trends. As well as the wider trends, a review of key regulatory and tax items is included. This provides a more sector specific assessment of how the operating environment has changed over time and the degree to which external changes have presented an opportunity or challenge to performance. In particular the report focuses upon VAT, excise duty, tourist tax, sugar tax and fat tax levels and movements.

## Defining the hospitality sector

By nature, the hospitality sector is broad and could include a wide range of operations, which, arguably, provide hospitality services as their primary offering, or as part of a wider service provision (for example, food and beverages provided on an aircraft). To enable a consistent comparison, and to focus on the primary contributors to the sector, the following sub-sectors have been defined and included:<sup>1</sup>

Accommodation:	Food and beverages
Hotels	Restaurants
Camping sites and short stay	Bars (inc. pubs or cafés)
Camping sites, including caravan sites	Canteens and catering
Other provision of lodgings	Canteens
	Catering

## Identifying the economic impact of hospitality

Benefits to the economy can be encapsulated in a number of ways, including; the total output generated through turnover (which increases the total number of transactions and economic activity), the direct value-added delivered to the economy (through profits), revenues generated for government (through direct and indirect taxes) and the employment opportunities provided.

<sup>1</sup> These sub-sectors are consistent with the Eurostat categories

As already discussed, the impact of the sector is not limited to its own direct outputs. The economic activity it supports in its own supply chains as well as the wider consumption in other sectors should also be accounted for. These effects are defined as:

- Direct Impact: Turnover and employees directly relating to hospitality enterprises;
- Indirect Impact: The turnover and employees supported in the hospitality sector supply chain; and
- Induced Impact: The turnover and employees supported by employees spending their salaries on other goods and services.

Taking account of the Direct, Indirect and Induced Impacts, the following key metrics have been calculated for each country and for the wider European economy:

- Impact upon economic output: Measure of the total output (as turnover) related to the sector;
- Contribution to GDP: Measured as the Gross Value Added (GVA), reflecting profitability related to the sector; and
- Employees supported: Total employment supported by the sector.

## Approach to calculating the overall sector contribution

In calculating the measures identified above, EY developed economic multipliers for each country in scope. We use input/output tables, published by Eurostat, for each of the countries covered in the study, to calculate a set of indirect and induced economic multipliers on a sectoral basis. These multipliers capture economic interdependencies within the hospitality sector supply chain and the wider economy, and thus enable an estimation of the indirect and induced impact on GDP.

Input-output tables are a national accounting tool that capture the flow of goods and services between industries within an economy as well as imports and exports and the contribution of capital and labour to economic activities. Input-output tables can therefore be used to map an industry's supply chain through the calculation of input coefficients. Such coefficients capture what share of the value of production in each industry is accounted for by inputs acquired from other industries.

Using such coefficients, output multipliers can be calculated that capture the additional demand generated in each industry in the economy if the production is increased by one unit of currency in a specific industry. The mathematical process through which multipliers are obtained is known as the Leontief Inverse Matrix.

Similar multipliers are also derived for GVA and employment, by accounting for, amongst other things, the role of imports in the supply chain and the level of disposable income (i.e. that income available after taxes etc) in each country.

## B. Glossary of terms

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Definitions and key terms used in the report are set out below:

### ACCOMMODATION

Accommodation, Eurostat NACE Rev.2 code I55, includes hotels and similar accommodation, holiday and other short-stay accommodation, camping grounds, recreational vehicle parks and trailer parks and other accommodation.

### BARS

Bars are defined as beverage serving activities under Eurostat NACE Rev.2 code I56.30. This captures all establishments (bars, night clubs etc.) whose primary activity is a drinking establishment.

### CAMPING SITES AND SHORT STAY

Camping sites and short stay are defined enterprises whose principal activity is the provision of accommodation via camping sites and short stay under Eurostat NACE Rev.2 code I55.2.

### CANTEENS AND CATERING

Canteens and catering are defined as enterprises whose principal activity is the provision of food via canteens and catering services under Eurostat NACE Rev.2 code I56.2.

### COMPOUND ANNUAL GROWTH RATE

Compound Annual Growth Rate (CAGR) is the year-over-year growth rate of a value over a specified period of time.

### ENTERPRISE

An enterprise, as defined by Eurostat in the Structural business statistics (SBS), carries out one or more activities at one or more locations and may comprise one or more legal units. When an enterprise is active in more than one economic activity, then the value added and turnover that it generates, the persons it employs, and the values of all other variables will be classified under the enterprise's principal activity; the principal activity is normally the one that generated the largest amount of value added<sup>1</sup>.

### EU28

The 28 Member States of the European Union, as at 1 July 2013:

Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and United Kingdom

### EUROPE

For the purposes of the analysis in this report, and unless otherwise stated, references to "Europe", including aggregate statistics relating to economic contribution (European turnover, European employment etc) will relate to the 28 Member States of the European Union, as at 1 July 2013.

### EXCISE DUTY

Excise duties are indirect taxes on the consumption or the use of certain products. In contrast to VAT, they are mainly specific taxes, in other words, expressed as a monetary amount per quantity of the product.<sup>2</sup> The most commonly applied excise duties are those on alcoholic beverages, manufactured tobacco products and energy products.

### FOOD AND BEVERAGE SERVICE ACTIVITIES

Food and beverage service activities, Eurostat NACE Rev.2 code I56, includes restaurants and mobile food service activities, event catering and other food service activities and beverage serving activities<sup>3</sup>. Only enterprises for which the provision of food or beverages is the principal activity are covered by this code.

### GROSS DOMESTIC PRODUCT (GDP)

GDP is a basic measure of a country's overall economic health. As an aggregate measure of production, GDP is equal to the sum of the gross value added of all residential units (i.e. industries) engaged in production, plus any taxes, and minus any subsidies, on products not included in the value of their outputs<sup>4</sup>.

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1 Structural Business Statistics, Eurostat

2 General Overview, Excise duties on alcohol, tobacco and energy, Taxation and Customs Union, European Commission

3 Ibid

4 Glossary: Gross domestic product (GDP), Eurostat, European Commission

## GROSS VALUE ADDED (GVA)

Gross Value Added is a measure of the additional economic contribution generated by the hospitality sector to the overall economy

## GROSS VALUE ADDED AT MARKET PRICES

GVA at market prices is output at market prices minus intermediate consumption at purchaser prices<sup>1</sup>.

## HECTOLITRE (HL)

A hectolitre is a metric unit of volume or capacity where one hectolitre equals 100 litres.

## HOSPITALITY SECTOR

The hospitality sector can be defined as NACE Rev. 2 code I – Accommodation and Food Service Activities from Eurostat's statistical classification of economic activities. Code I55 – Accommodation, includes hotels and similar accommodation, holiday and other short-stay accommodation, camping grounds, recreational vehicle parks and trailer parks and other accommodation. Food and beverage service activities, code I56, includes restaurants and mobile food service activities, event catering and other food service activities and beverage serving activities<sup>2</sup>.

## HOTELS

Enterprises whose principal activity is providing accommodation services via a hotel are defined as hotels under Eurostat NACE Rev.2 code I55.1.

## INDEX/INDICES

The indices used in this report base the first year of analysis at 100. Subsequent changes over time can be measured by the relation of the new value to 100.

## NATIONAL DISPOSABLE INCOME

National disposable income is the sum of the disposable income of all resident institutional units / sectors. Gross (or net) national disposable income measures the income available to the nation for final consumption and gross (or net) of saving. It equals gross (or net) national income (at market prices) minus current transfers in cash (taxes on income and wealth, social contributions, social benefits other than social transfers in kind, and other current transfers) payable to non-resident units, plus transfers receivable by resident units from the rest of the world<sup>3</sup>.

## NOMINAL

A value expressed in monetary terms for a specific year or years, without adjusting for inflation.

## ON-TRADE

Sales through (licensed) pubs, clubs, bars, restaurants et cetera, also called the hospitality sector<sup>4</sup>.

## OFF-TRADE

Sales through wholesale and retail (shops, supermarkets and other outlets)<sup>5</sup>.

## PLATO

Plato is a hydrometer scale used to measure the density of beer in terms of percentage of extract by weight<sup>6</sup>.

## REAL

A value expressed in monetary terms for a specific year or years, adjusting for inflation.

## RESTAURANTS

Restaurants are defined as enterprises whose principal activity is the provision of food in a restaurant under Eurostat NACE Rev.2 code I56.1.

## SOCIAL CONTRIBUTIONS

Social contributions are paid on a compulsory or voluntary basis by employers, employees and self- and non-employed persons<sup>7</sup>.

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1 Glossary: Gross value added at market prices, Eurostat, European Commission

2 Eurostat statistical classification of economic activities

3 Glossary: National disposable income, Eurostat, European Commission

4 The Brewers of Europe, The Contribution made by Beer to the European Economy, September 2011

5 Ibid.

6 Beer Dictionary & Glossary of Terms, [www.craftbeer.com](http://www.craftbeer.com)

7 Glossary: Social contributions, Eurostat, European Commission

#### TURNOVER OR GROSS PREMIUMS WRITTEN

Turnover comprises the total invoiced by the observation unit during the reference period, and this corresponds to the total value of market sales of goods and services to third parties. Gross premiums written is sometimes used as a proxy for turnover in some sectors of the economy, such as insurance.

#### VAT

Value added tax (VAT) is a general, broadly based consumption tax assessed on the value added to goods and services. VAT is charged as a percentage of price, meaning that the actual tax burden is visible at each stage in the production and distribution chain<sup>1</sup>. Member states can apply reduced rates of VAT to certain goods and services, including sub-sectors of the hospitality sector.

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<sup>1</sup> Glossary: Value added tax (VAT), Eurostat, European Commission

## C. About EY

### Assurance | Tax | Transactions | Advisory

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#### About EY

EY is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 167,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

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The economic downturn and its impact on profits is increasing the pressure on tax directors. Rapid globalization has brought increasing interconnectivity between businesses, and permanent shifts in the flow of capital. Tax departments are bearing the responsibility of more corporate risk than ever. Tax now has a higher profile, not only with company management but also with shareholders, regulators, the media and other industry observers.

Developing a tax policy that resolves impediments to business needs a team that can work with government to explain issues, clarify objectives, and achieve a successful outcome for everyone. EY's global tax policy network has extensive experience of helping develop and implement policy initiatives, both as external advisers to governments and companies, and as advisers inside government. Our dedicated teams of tax policy professionals and business modellers help address your specific business environment and improve the chance of a successful outcome.

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