The economic value of the uk's fashion industry in 2015

Introduction:
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Chair of steering committee

The latest report from Oxford Economics reveals that the Fashion Industry is worth £28 billion to the UK economy

These figures relate to the most recent data available, building upon previous estimates from 2009 (£21 billion) and 2013 (£26 billion).

Research by Oxford Economics gives insights into the sector's impact, measured in terms of value added, jobs created and its contribution to tax revenue.

In spite of a challenging economic environment, the UK's fashion industry continues to thrive. Such dynamism principally reflects the voracious appetite of the UK consumer. Oxford Economics estimate that household spending on fashion products rose to £82.3 billion in 2015 – an all-time high.

Though retail remains king, the analysis also points to a nascent revival of UK fashion manufacturing and strong growth in wholesale businesses over the past two years. All in all, the good news continues to flow for one of the UK's primary creative industries.

On top of this, fashion's wider contribution to the economy by influencing spending in other industries ranging from IT to tourism (known as the indirect, induced and 'spillover' effects) is calculated as more than £22.5 billion.

This means that, including direct, indirect, induced and 'spillover' effects, the fashion industry's total contribution to the UK economy is estimated to stand at over £50 billion.

The report shows that the fashion industry in the UK directly employs 880,000 people across a wide range of jobs and is the largest employer of all the creative industries. (Industry jobs have grown by 5% per year since 2013; over twice as fast as the economy average during this period).

The fashion industry is responsible for £26.8 billion raised in tax.
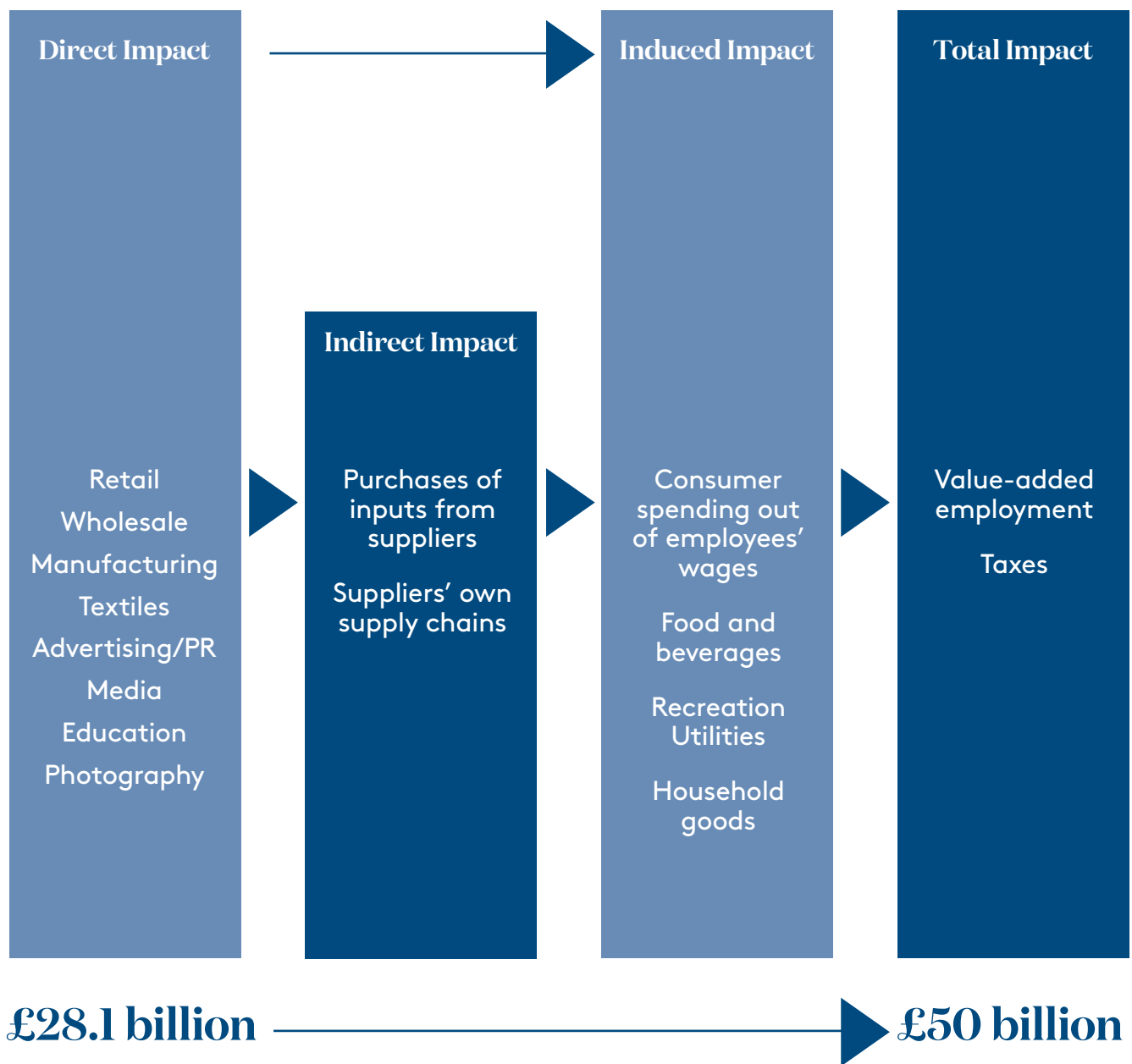
Events such as London Fashion Week, London Fashion Week Men's and The Fashion Awards support the international reputation for British Fashion as being a leader in creativity, innovation and, as these figures show, great business also.

CEO, British Fashion Council

Fashion's direct contribution to GDP is £28.1 billion

The economic impact framework

Direct Impact		Induced Impact	Total Impact

Direct Impact → **Induced Impact**

Total Impact

Indirect Impact

Retail
Wholesale
Manufacturing
Textiles
Advertising/PR
Media
Education
Photography

Purchases of inputs from suppliers

Suppliers' own supply chains

Consumer spending out of employees' wages

Food and beverages

Recreation Utilities

Household goods

Value-added employment

Taxes

£28.1 billion ⟶ **£50 billion**

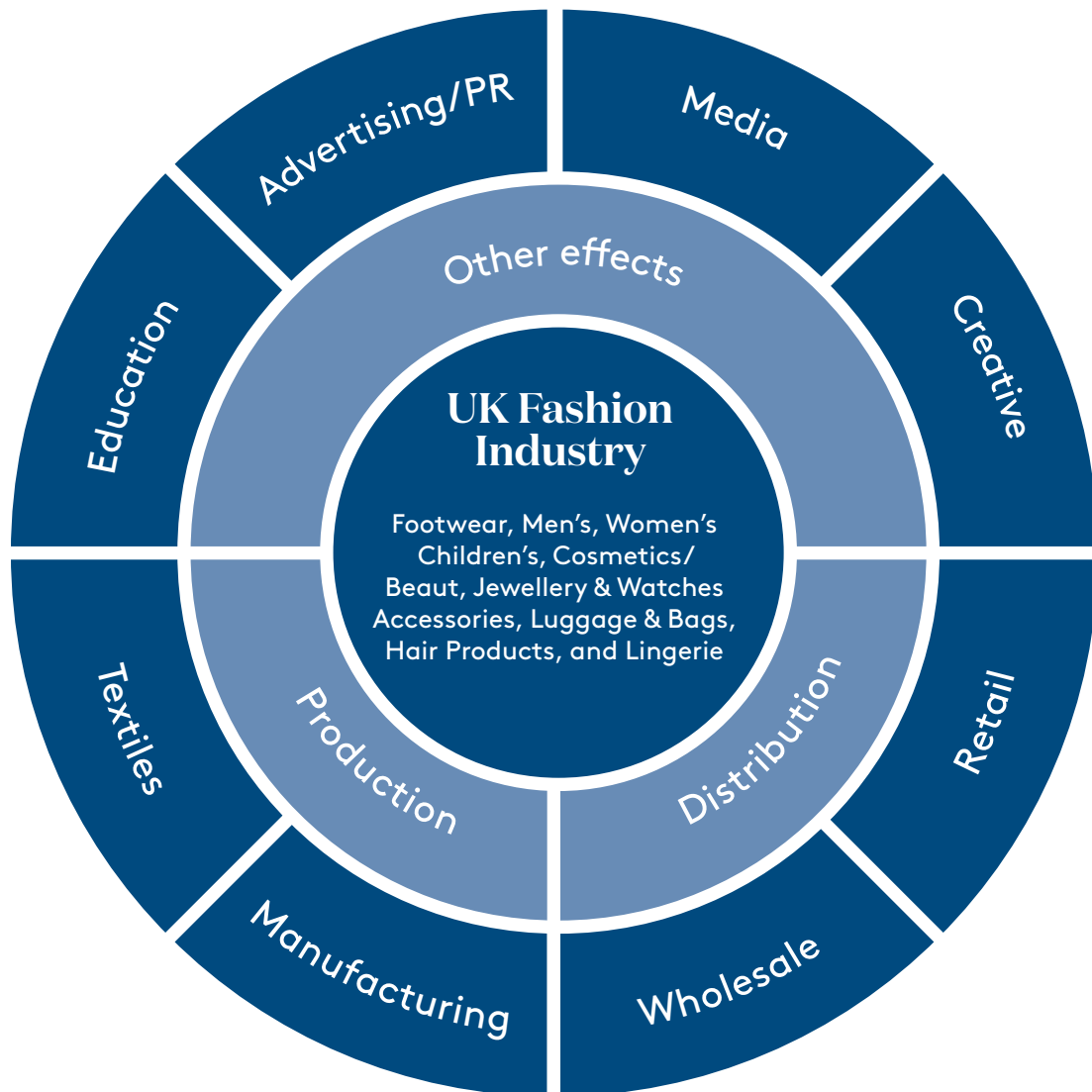Source: Oxford Economics

Fashion's total contribution to GDP tops £50 billion

- A further £22.6 billion sustained via indirect and induced effects

- Total contribution equal to 2.7% of UK GDP
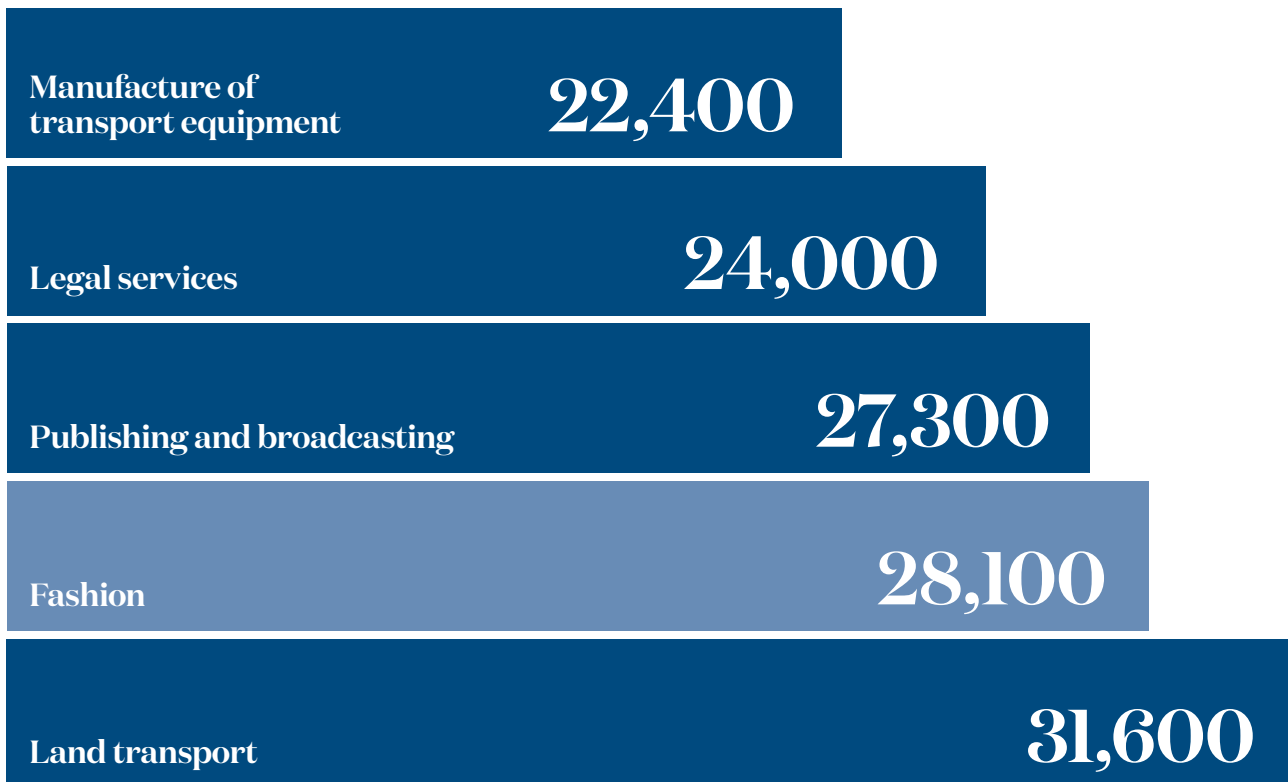
Fashion industry definition

This definition was created by a survey of fashion industry stakeholders. Participants were asked "what sectors should be included in the definition of the fashion industry?" Categories included were those selected by at least 3/4 of respondents.

Fashion directly contributed £28.1 billion to UK GDP in 2015

- Equivalent to 1.5% of UK GDP

- Fashion's contribution is on a par with major economic sectors

2015 GVA (£ millions)

| Sector	2015 GVA (£ millions)
Manufacture of transport equipment	22,400
Legal services	24,000
Publishing and broadcasting	27,300
Fashion	28,100
Land transport	31,600

Source: Oxford Economics

Manufacturing has recently witnessed a strong revival

- Manufacturing value has increased by 18% since 2013
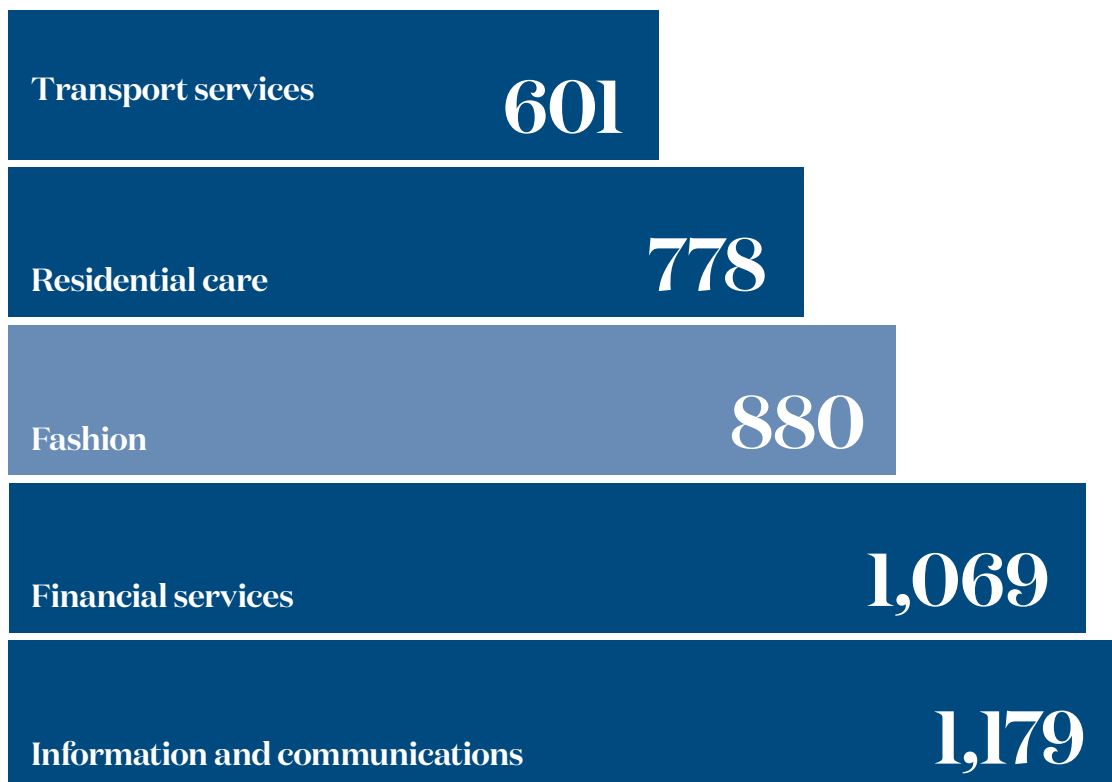- Rebound is led by clothing and footwear production

Fashion manufacturing GVA (£ millions, 2015 prices)

	Clothing and footwear	Other products
2015	1240	960
2013	920	940
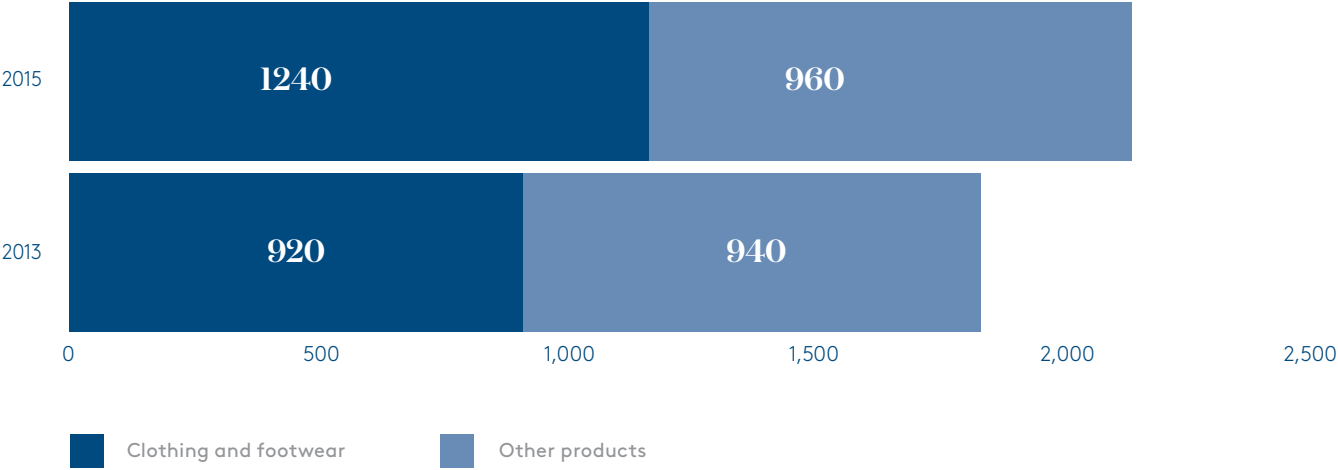
Fashion is a major UK employer

- 880,000 jobs supported across the industry

- 2.6% of UK headcount employment

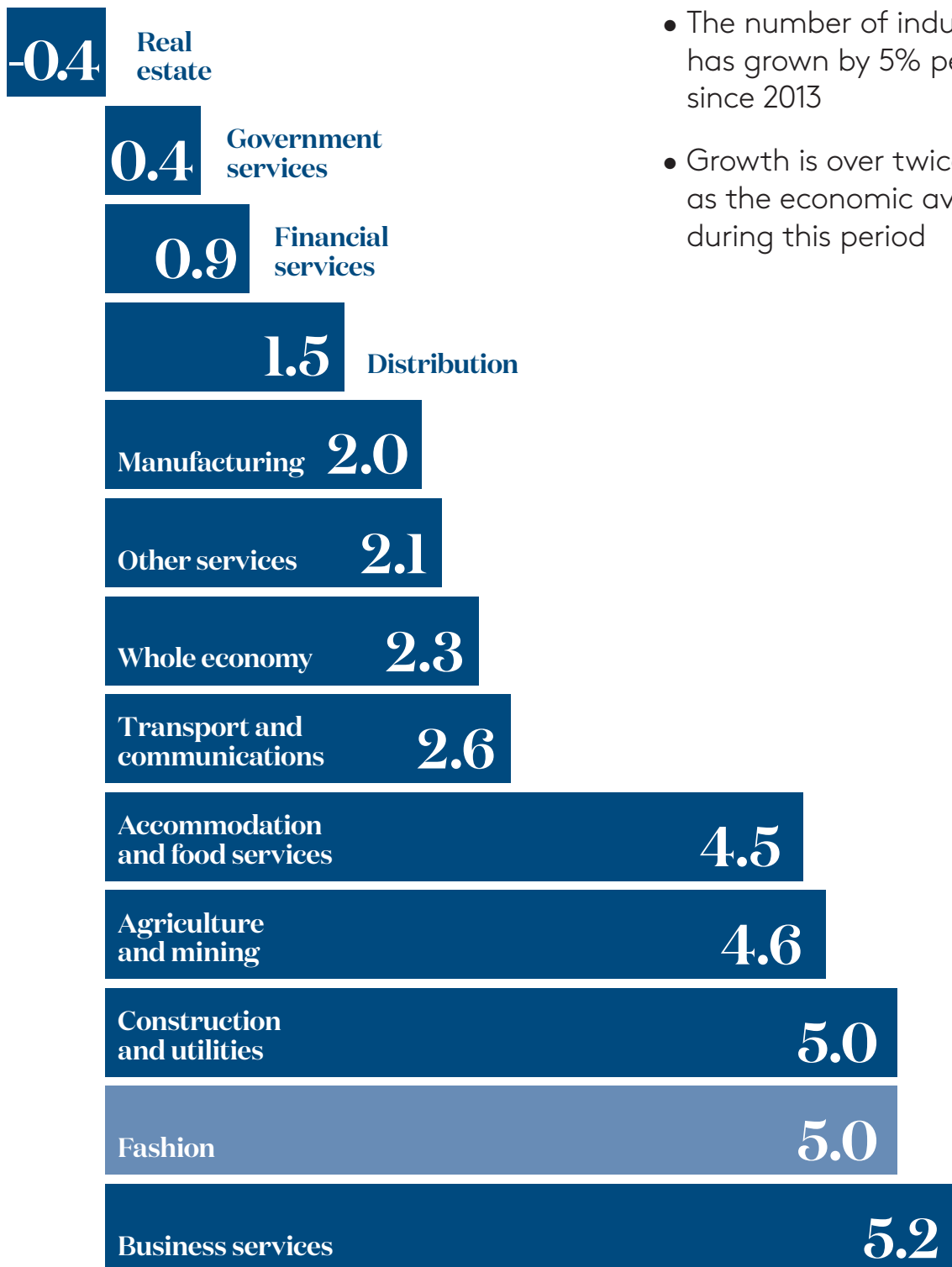- Almost 50% more than work in the entire transport services sector

Employment ('000s)

Sector	Employment
Transport services	601
Residential care	778
Fashion	880
Financial services	1,069
Information and communications	1,179

Source: Oxford Economics

Contribution to employment

Fashion has been an important source of jobs growth

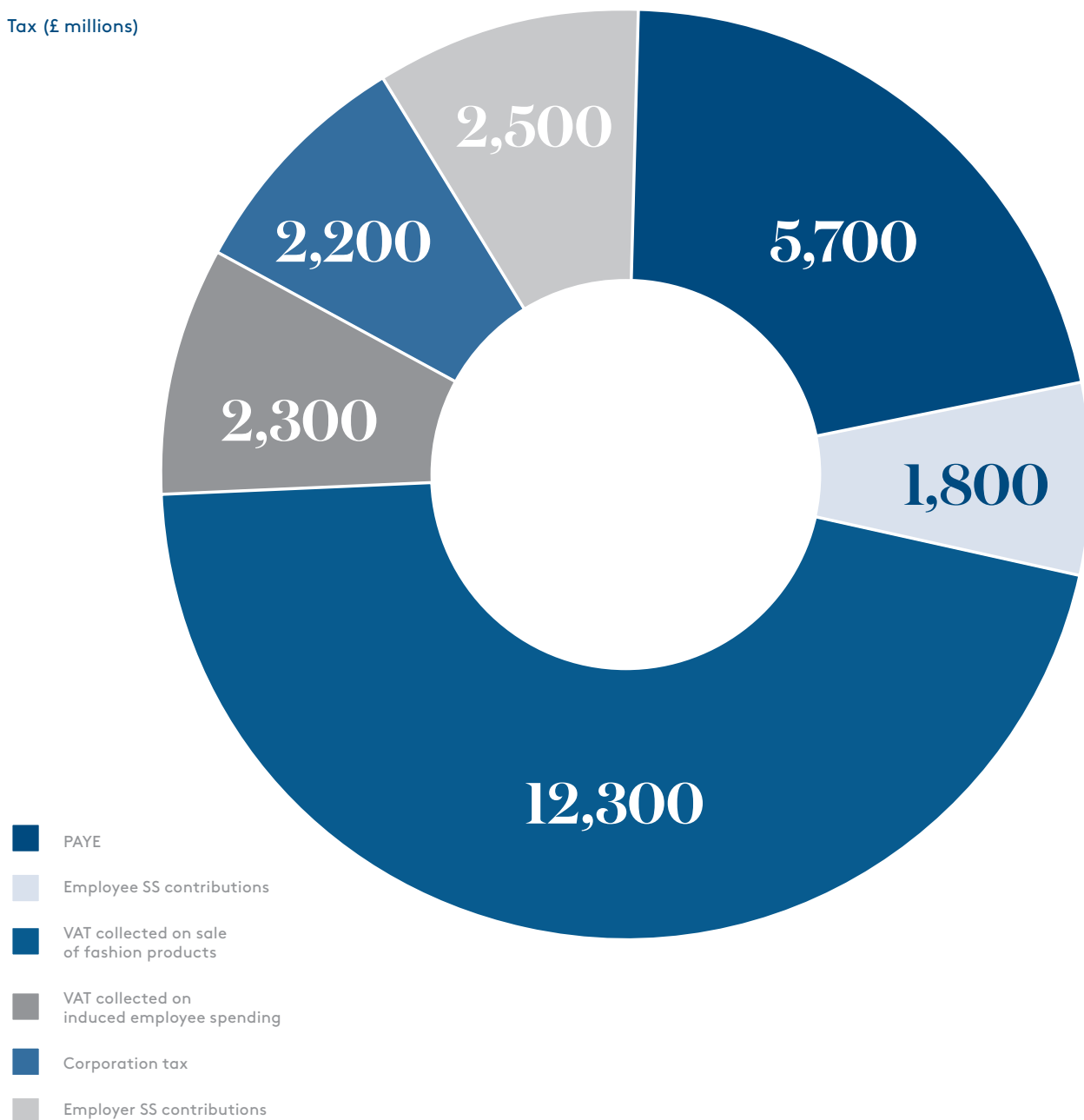| Category	Value
Real estate	-0.4
Government services	0.4
Financial services	0.9
Distribution	1.5
Manufacturing	2.0
Other services	2.1
Whole economy	2.3
Transport and communications	2.6
Accommodation and food services	4.5
Agriculture and mining	4.6
Construction and utilities	5.0
Fashion	5.0
Business services	5.2

Annual average headcount growth, 2013–2015

- The number of industry jobs has grown by 5% per year since 2013
- Growth is over twice as fast as the economic average during this period

Source: Oxford Economics

In total £26.8 billion raised in tax

- 3.9% of total government revenue

- Enough to cover over 2/3 of the entire defence budget

Tax (£ millions)

Legend:
- PAYE
- Employee SS contributions
- VAT collected on sale of fashion products
- VAT collected on induced employee spending
- Corporation tax
- Employer SS contributions

Chart values: 5,700 · 1,800 · 12,300 · 2,300 · 2,200 · 2,500

Source: Oxford Economics

Estimation of core fashion value added (1)
Distribution of fashion products

The starting point to estimating the direct economic value of the fashion industry was to estimate the activity supported by the distribution of fashion products (so-defined).

To this end, an estimate of consumer expenditure on fashion products was derived. Detailed information on the breakdown of household expenditure by product is contained in the Family Expenditure Survey. This was reinforced up using more aggregated figures from the ONS's Consumer Trends publications, which contain more timely and comprehensive information on household spending.

The retailing and wholesaling of these fashion items adds to UK GDP and supports UK jobs irrespective of whether the product is made in the UK or abroad. This impact was estimated by combining the expenditure data from the previous step with Annual Business Survey (ABS) data showing the amount of GDP retailers and wholesalers of various types add to the UK economy per pound spent at point of sale. At the time of modelling, the latest available data was for 2014, but analysis of the historical data suggests that this ratio is relatively stable.

Estimation of core fashion value added (2)
Production, advertising and PR

For production, advertising and PR ABS data was used as the principle source for estimating the direct value added by UK fashion manufacturers. At the time of modelling, the latest figures available were for 2014. Projected growth is based on the relevant trend in industrial production.

The economic contribution of the fashion textiles sector was then assessed by analysing data showing how much the retailers, wholesalers and manufacturers of fashion goods buy from UK-based textiles companies. Such information is contained within the UK's analytical Input-Output tables – latest version 2010.

An analogous approach was also adopted for estimating the associated activity contributed by fashion advertising and public relations.

Quantifying the multiplier effects
Indirect and induced impacts

To quantify the associated indirect and induced impact, an I-O model was developed based on the latest (2010) I-O tables published by the ONS.

For each product and sub-sector (retail, manufacturing etc.) the composition of intermediate consumption was estimated based on information in the I-O table. Inputs were adjusted to ensure the avoidance of double-counting, since part of each sector's conventional supply chain was captured in our bespoke definition of the fashion industry.

The outputs from the I-O model measure the level of gross expenditure that circulates throughout the economy via supply chain and wage expenditure effects. For each sector this expenditure figure was translated into an equivalent level of value added based on the relationship implied by data in the I-O table.

The overall size of the induced effect was scaled down to reflect additional leakage that occurs as a result of taxes paid on wage income and household savings.

Estimating employment effects
Direct, indirect and induced impacts

Employment effects were estimated based on an assumed level of productivity (GVA per worker) in each sector. For the direct impact, productivity by sector and product group in 2015 were estimated using ABS data for 2014. This was projected forward on the basis of observed sectoral productivity growth during 2015 (e.g. in retail, wholesale, manufacturing etc).

For indirect and induced effects productivity by sector in 2015 was calculated using GVA data from the national accounts and employment data from the Business Register and Employment Survey (BRES).

All employment figures reported are on a headcount rather than a Full-Time Equivalent (FTE) basis.

Modelling tax receipts
Direct, indirect and induced impacts

VAT receipts collected as a result of consumer expenditure on fashion products were estimated by applying the headline rate of VAT (20% in 2015) to total spending. This was done for all categories except for children's wear, due to the zero rating status of young children's clothing.

Other tax receipts generated as a result of this economic activity were estimated using a tax model. This applied economy-wide effective tax rates to relevant output variables such as GVA, employee compensation and corporate profits. Effective tax rates were calculated using data on government receipts by tax type from HMRC, and data on the economy-wide level of the relevant output variable (e.g. employee compensation).

Estimating the impact of creative design

Creative activities associated with the UK fashion industry (but not included in the estimates of value added above) include the work of fashion photographers, creative directors and stylists. Unfortunately, the value of these activities is difficult to quantify due to the fact that the data is insufficiently disaggregated to accurately identify the volume of work undertaken by fashion photographers.

However, some indication of the value of this work is provided by the number of Association of Photographers (AOP) members with portfolios recorded under the title "Fashion and Beauty." 178 photographers are currently recorded under this category by the AOP.

The ONS's Annual Survey of Hours and Earnings (ASHE) indicates that the average gross salary for all photographers and audiovisual equipment operators in 2015 was £24,776. We applied this average wage to our estimate of headcount employment to form a conservative estimate of the sector's GVA.
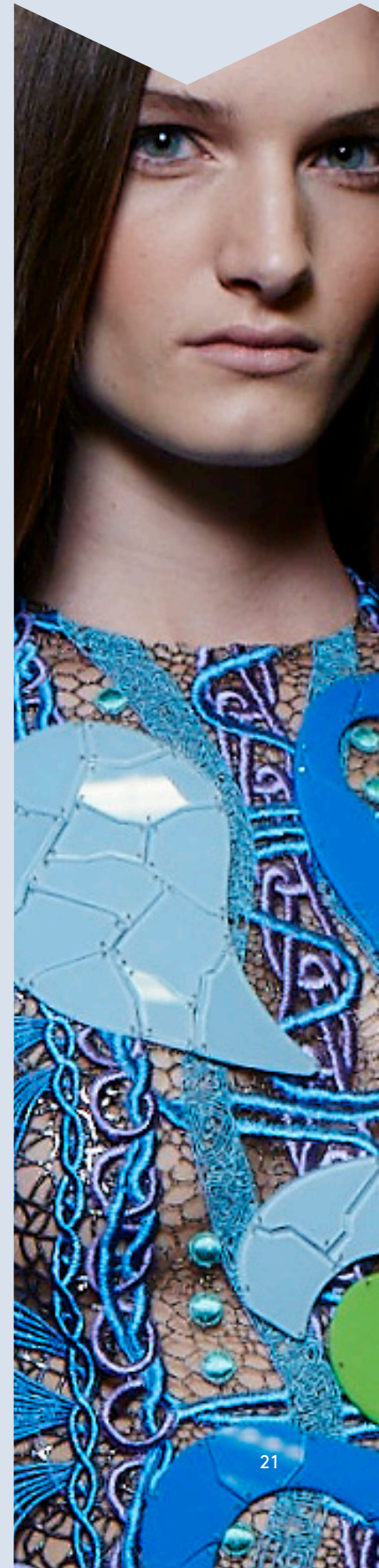
Estimating the impact of fashion education

Data provided by the Higher Education Statistics Agency (HESA) indicates that some 64,420 students undertook design studies ("Joint Academic Coding" or JACS code W2) in 2014-15.

Not all design studies relate to fashion, however, as this subject grouping includes those studying areas such as furniture, ceramics and multimedia design. A closer examination of disaggregated HESA data indicates that 13,710 students were studying clothing/fashion design (JACS code 230) in 2014-15, although some studying fashion design may also have been classified under a broader "other design studies" category. Unfortunately we were unable to locate sufficiently disaggregated data to create similar estimates for fashion journalism, and buying and merchandising courses.

According to HESA, the student : teacher ratio for art and design in 2014 was 16 : 7. This would imply that 821 teachers were employed in fashion and design studies. Applying this to the estimated average salary of fashion and design academics yields a conservative estimate for the GVA of fashion education of £34 million.

Estimating the impact of fashion media (1)

Although the definition of what constitutes a "fashion magazine" is inevitably somewhat subjective, a list of fashion journalists working for major hard copy and online fashion magazines was obtained from Gorkana. This list was then further refined by only including those magazines for which the term "fashion" was included as a database descriptor of magazine type.

Fashion magazines earn most of their revenue from advertising and circulation. Circulation details for many (though not all) magazines were provided by Gorkana. However, advertising revenue is not generally not publicly available on a comprehensive per magazine basis. Assessment of the total revenue was therefore based on:

- an estimate of the circulation split between news stand purchases, subscription purchases and other sales (e.g. bulk sales and free distribution);
- analysis of the cover price per issue and subscriber price per issue; and
- an assumed share of advertising from total revenue of 36% for magazines and 48% for newspapers. See this report.

Estimating the impact of fashion media (2)

In many cases circulation details were not available from Gorkana and so it was not possible to estimate a magazine's revenue figure. In other cases, insufficient details on magazine pricing did not allow for such estimates. In a few cases, where magazines within major newspapers were included, an estimate of fashion's share of revenue was derived by applying the ratio of fashion journalists to total journalists to total revenue.

Likewise, no assessment was made for revenue earned by online magazines, this is generally derived from advertising and no comprehensive,publicly available source exists for such online advertising revenue. However, for print publications that are issued free-of-charge, and hence have no circulation revenue, we assumed that advertising revenue was generated in proportion to circulation.

An estimate of GVA was derived from this revenue estimate by applying an appropriate value added to output ratio according to the ABS. Finally, employment was estimated based on sectoral labour productivity, yielding a conservative estimate of the GVA of fashion education of £34 million.

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The modelling and results presented here are based on information provided by third parties, upon which Oxford Economics has relied in producing its report and forecasts in good faith. Any subsequent revision or update of those data will affect the assessments and projections shown.

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