

Q2 2018 Food & Drink Business Confidence Survey

FDF conducted the second of its new quarterly business confidence surveys between 29 June - 17 July 2018 to **gauge confidence levels across the food and drink manufacturing sector in Q2 2018.**

We received responses from businesses with a combined UK turnover of **approximately £12 billion.** Over half of the responses came from small and medium-sized enterprises (SMEs).

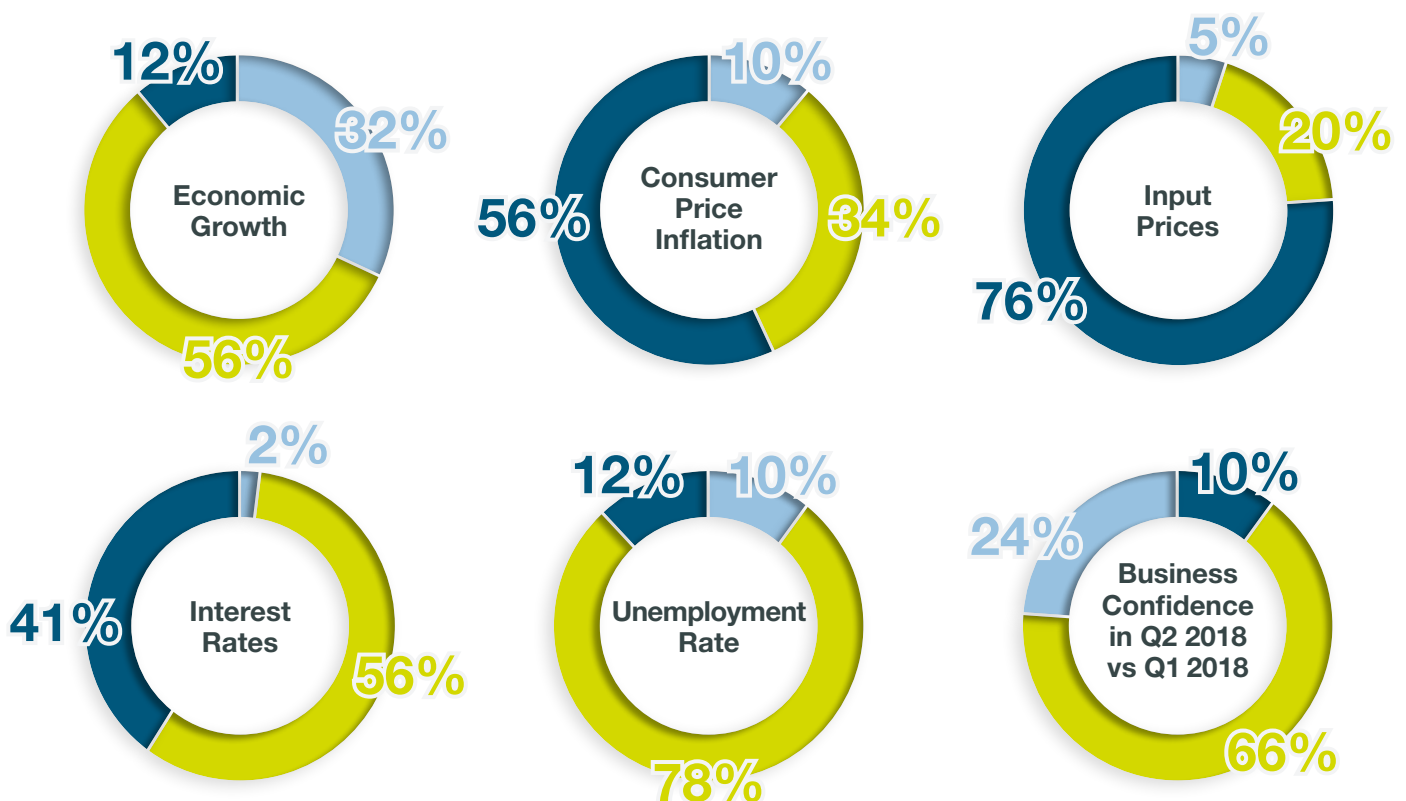
Economic Background

Official economic indicators for the food and drink sector over the first two quarters of 2018 have shown a mixed picture, with **output, GVA and inflation weakening while exports continued to perform well.**

Our latest survey shows that the majority of food and drink manufacturers felt **general business conditions have remained the same over the last two quarters,** with increased packaging, ingredient and energy costs weighing on budgets. **On a positive note, businesses reported increased domestic volume sales, launches in new products and average wages.**

Views on the wider economy

Does your business expect the following to **increase/remain unchanged/decrease** in the wider economy over 2018?

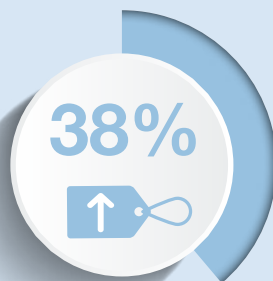


Key ■ Increase ■ Remain the same ■ Decrease

2018 Outlook

- A large number of food and drink manufacturers expect unemployment to remain at similar **record low levels across 2018**.
- While the majority of businesses expect **input prices to continue to increase over the year**.
- **Increased ingredient costs and exchange rate** volatility remain a concern for food and drink businesses over 2018.
- Planned investment in new machinery and product launches were highlighted as **areas of opportunity in the second half of the year**.

Key Impacts on food and drink businesses in Q2*



*percentages here represent the share of respondents to our survey and not the scale of increase for each category.

Top 3 opportunities & risks for 2018

OPPORTUNITIES

- Increased domestic demand
- Planned investment in new product launches
- Planned investment in new machinery

RISKS

- Increased ingredients costs
- Exchange rate volatility
- Uncertainty over the UK's relationship with the EU, the transition period, as well as potential need to employ contingency measures

Contingency Plans around Brexit

- Manufacturers see the uncertainty around Brexit and the transition period, as well as the potential need to employ **contingency measures as barriers to the success** of their business.
- Overall, around 45% of businesses said that they had put in place contingency plans due to a lack of certainty around trade arrangements from March 2019. But, **over 70% of SMEs said they hadn't**.

Key Brexit Issues for Food & Drink Manufacturers

