

Q2 2021

Food & Drink Business Confidence Report

Key Findings

- The latest FDF Business Confidence Survey shows that **net business confidence rose by 10%** in Q2 2021, turning positive for the first time since last summer, as a result of the UK Government's successful vaccination programme and the reopening of the economy.
- Businesses experienced **increased domestic sales in Q2**, driven by high levels of domestic hospitality and food service sales.
- **Half of those surveyed** saw increased output and domestic sales in Q2.
- Businesses are **optimistic about UK economic conditions** in the second half of 2021, with almost half expecting business confidence and output to increase. Nonetheless, 9 in 10 businesses have highlighted concerns regarding consumer price inflation, which is expected to rise in the upcoming months.
- **Key opportunities in 2021, include:** increased domestic demand (retail, hospitality and food service), investments in new product launches and innovation, as well as favourable exchange rates.
- **Key barriers in 2021, include:** increased costs, changes in the supply chain, access to skilled labour and border/custom issues.

Q2 2021 Confidence Snapshot

FDF NET CONFIDENCE TRACKER*



Net business confidence is measured as the difference between the proportion of respondents who expressed a positive and negative sentence. Improved confidence means that businesses are more likely to perform well and invest.

Business confidence improved in Q2 2021, and for the first time since Q3 2020 became positive. Businesses felt optimistic about the UK's vaccination programme and the reopening of the hospitality sector, which pushed domestic demand up after more than a year of restrictions due to Covid-19. Nonetheless, businesses are still experiencing struggles surrounding the end of the EU Exit transition period and increased costs.

* Net confidence represents the difference between the proportion of respondents who expressed a positive and negative sentiment. For example, if 70% of respondents were unconfident, and 20% were confident, net confidence would be -50%.

Q2 2021 Key Impacts on the Industry

What impacts has your business experienced in the last quarter?¹



increased domestic hospitality and food service sales



decreased exports



increased average wages



decreased labour supply



reduced product margins



unchanged expenditure on R&D



increased output



unchanged availability of warehousing

Key: Sales impacts Labour impacts Economic impacts Productivity impacts

¹ - Results here are expressed as a percentage of respondents, and do not represent the scale of increase for each category. Response rates can vary from question to question.

Q2 2021 Top 5 Opportunities and Barriers

Members ranked the top factors they consider to be opportunities and barriers to the success of their business:

Opportunities

1. Demand
2. New product launches
3. Investments in innovation
4. Exchange rates
5. International trade

Barriers

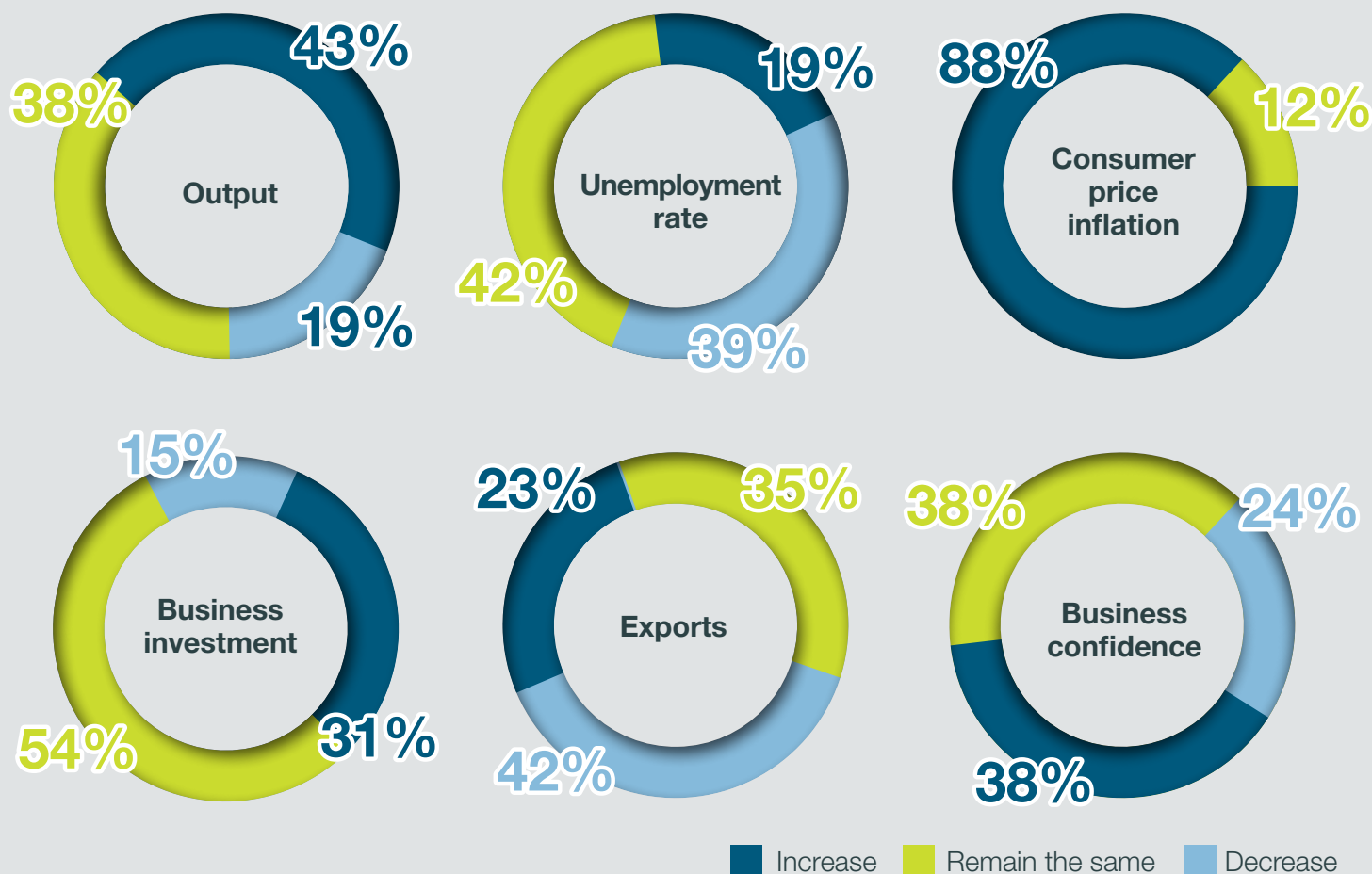
1. Increased costs
2. Changes in the supply chain
3. Access to skilled labour
4. Border/custom issues
5. Government regulations

2021 UK Outlook

- The UK's economy is finally recovering from a year and a half of restrictions, and GDP increased by 4.8% in the second quarter of 2021.
- Businesses are optimistic about UK economic conditions in the second half 2021, with three quarters expecting business confidence and output to either increase or remain the same. Nonetheless, businesses have highlighted concerns regarding consumer price inflation and the labour supply, with more than three quarters expecting prices to increase and labour supply to decrease in the next quarter.
- The main triggers for higher consumer price inflation were identified as increased raw material prices (92%), employment costs (77%) and energy costs (73%).
- Increased domestic sales really pushed business confidence up, but exports are still recovering from the effects of Covid-19 and the end of the EU Exit transition period. The latest data show that exports were down 6% in the first half of 2021 compared to 2020, and down 9% compared to 2019.

2021 Views on the Wider Economy

Does your business expect the following to increase, remain the same, decrease in Q3 2021?¹



Survey Background

The FDF conducted its twelfth consecutive quarterly business confidence survey between 23 July - 9 August 2021. We received responses from 27 members (accounting for 100+ brands) with a combined turnover exceeding £3bn², situated across the UK. Over half of responses were from small and medium-sized enterprises (SMEs).

Footnotes

1 - Results here are expressed as a percentage of respondents, and do not represent the scale of increase for each category. Response rates can vary from question to question.

2 - This is an estimate calculated using mid-points of turnover brackets and as such is likely to be a lower-bound estimate.