

State of Industry Findings Q4 2024



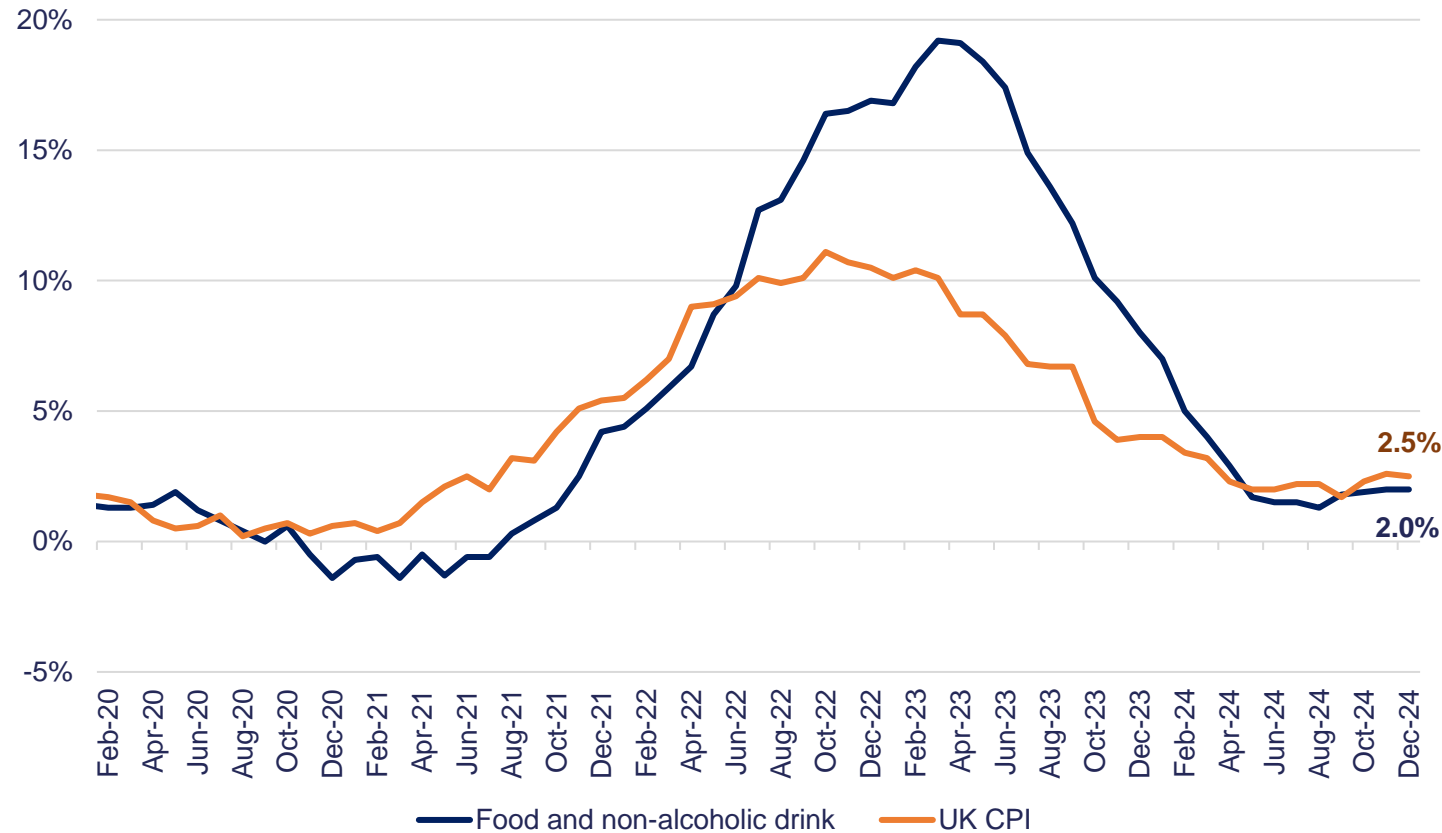
Agenda

- Economic overview of the industry
- FDF State of Industry Q4 Survey findings
- Q&As

Economic developments in the industry

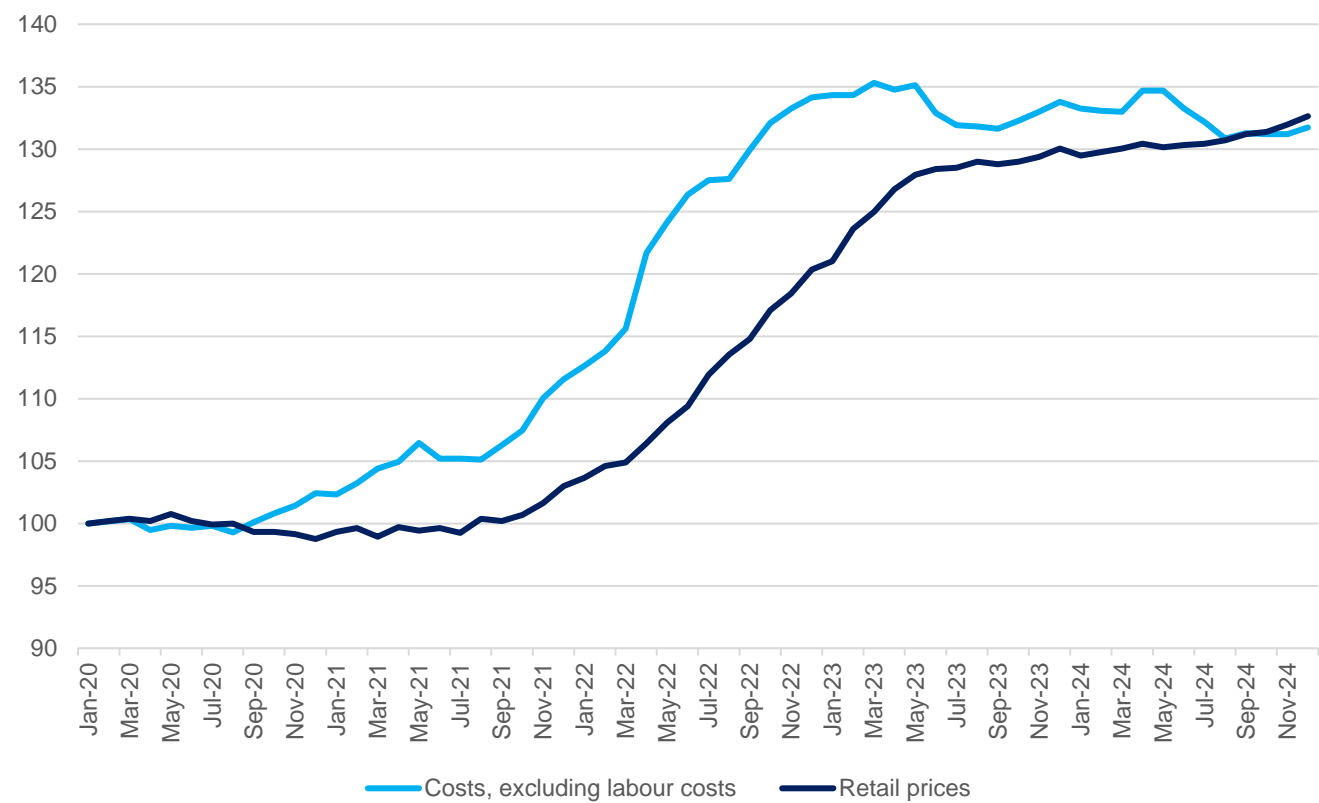
Food and non-alcoholic drink inflation is inching up

Reaching 2.0% in December and November



Squeezed margins

While fresh price pressures are looming



Year-on-year changes

	Costs, excluding labour costs	Retail prices
2020	0.8%	0.7%
2021	5.7%	0.3%
2022	17.8%	11.0%
2023	6.8%	14.5%
2024	-0.7%	2.7%
Cumulative change between Jan-20 and Dec-24	31.8%	32.6%

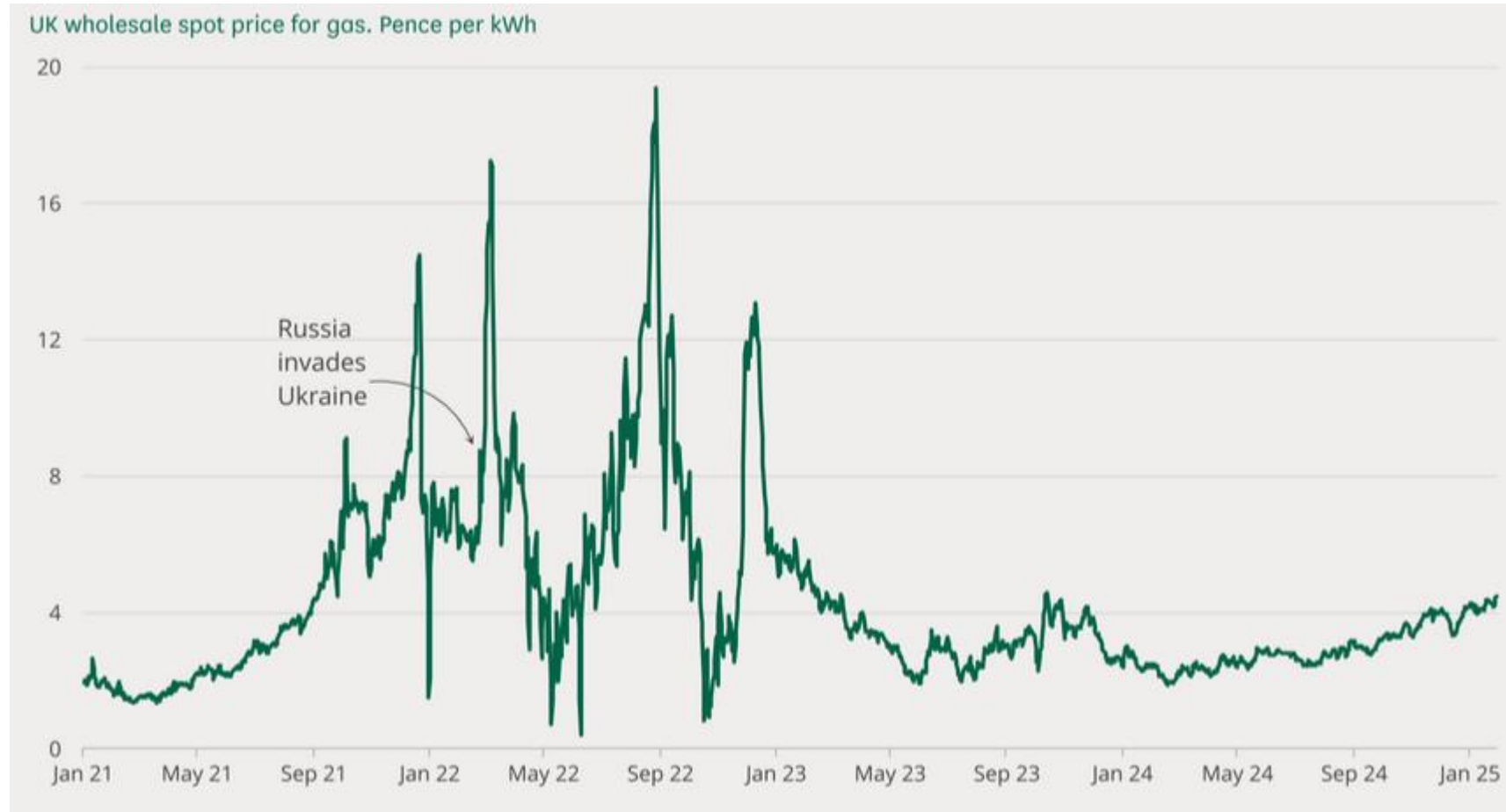
Note: These are costs food and drink manufacturing, excluding labour costs and the Climate Change Levy. Prices are for food and non-alcoholic drinks.

Source: ONS

**Inflationary pressures have been
building up**

Wholesale gas prices fell in early 2023 and rose steadily for much of 2024

And it's expected prices will continue to rise for the next six months

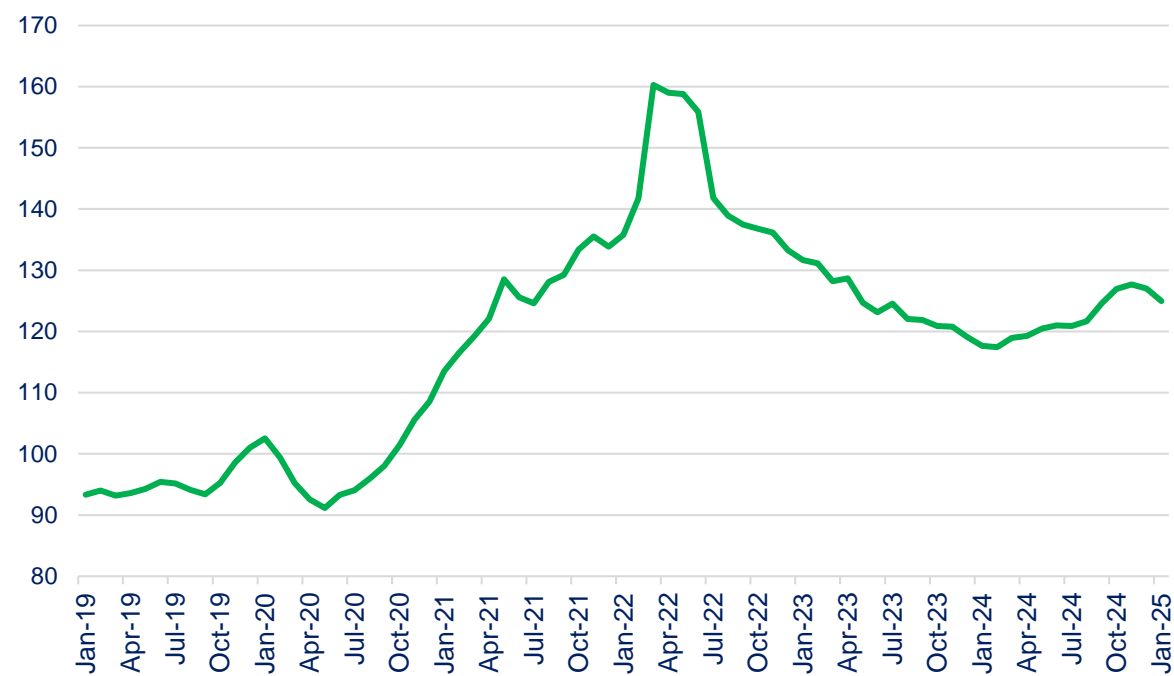


Source: National Gas Transmission, SAP Prices.

Global agricultural commodities have seen rising prices for eight months last year

Reaching their highest level in 19 months

UN FAO price index



Changes in the UN FAO prices

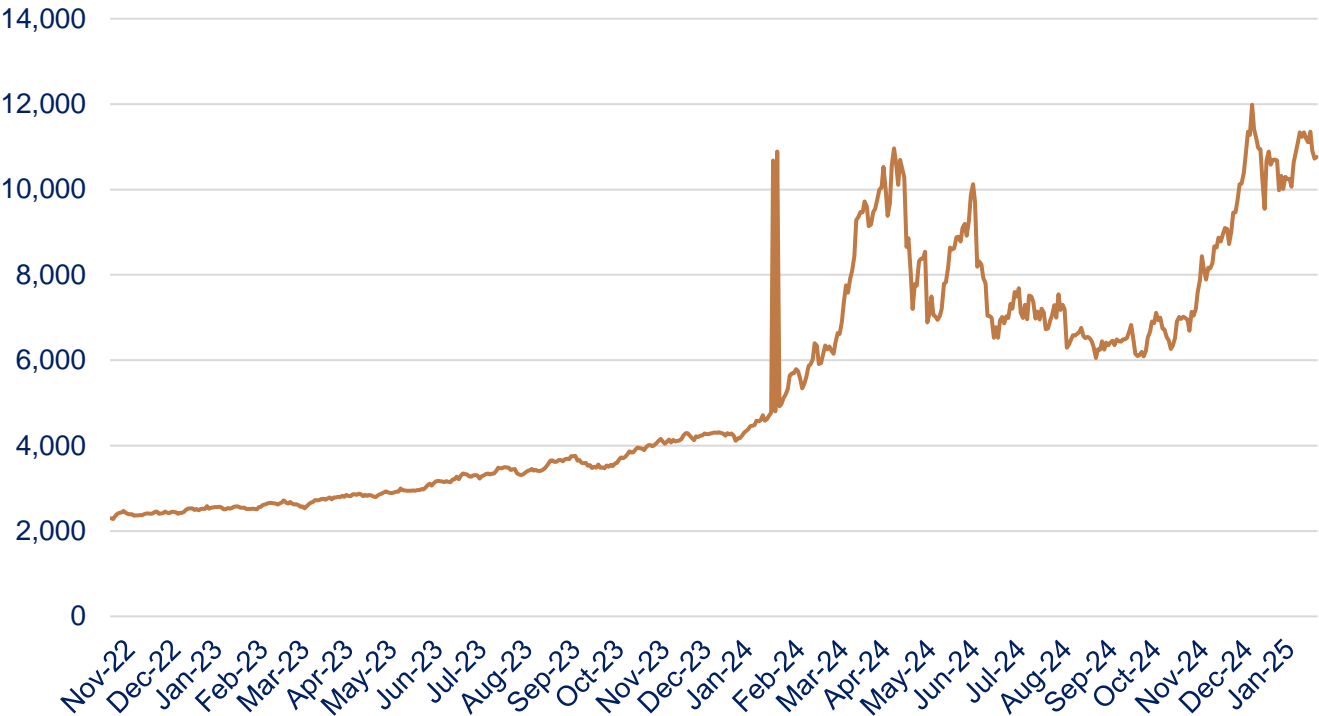
	2024 compared to 2023	2024 compared to 2020
Food Price Index	-2%	28%
Meat	3%	18%
Dairy	5%	26%
Cereals	-13%	17%
Oils	9%	66%
Sugar	-13%	60%

Source: UN FAO Prices

Cocoa prices at historic highs

As global output is at a 60-year low

Daily cocoa price



Average cocoa prices and changes

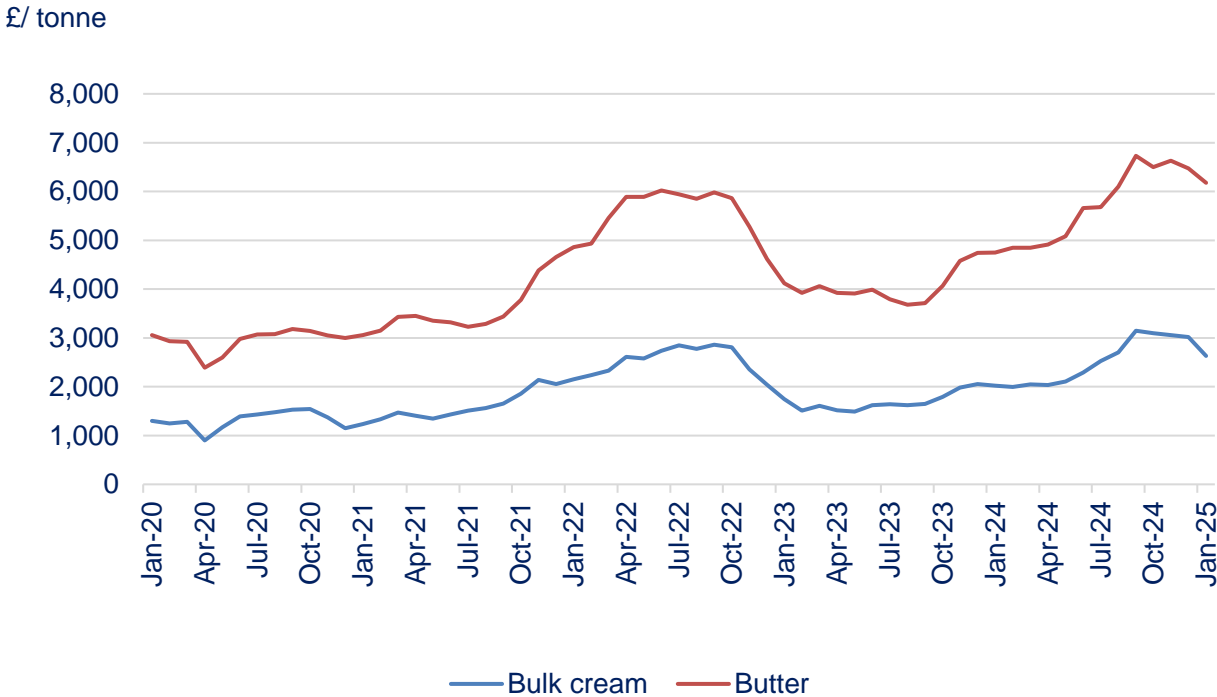
	Average daily price (USD/tonne)	Year-on-year growth
2020	2,367	
2021	2,427	3%
2022	2,368	-2%
2023	3,253	37%
2024	7,398	127%
Jan-25	10,709	
		Growth between 2020 and 2022
		212%

Source: International Cocoa Organisation, Daily cocoa price, USD/ tonne

Wholesale butter seem to have reached their peak

Nonetheless, they remain 67% higher than in Sep-23, when they started rising

UK wholesale prices, Jan 2025



Changes in UK wholesale prices, Jan 2025

	Jan-25 on Jan-24	Jan-25 on Sep-23
Bulk cream	30%	30%
Butter	60%	67%

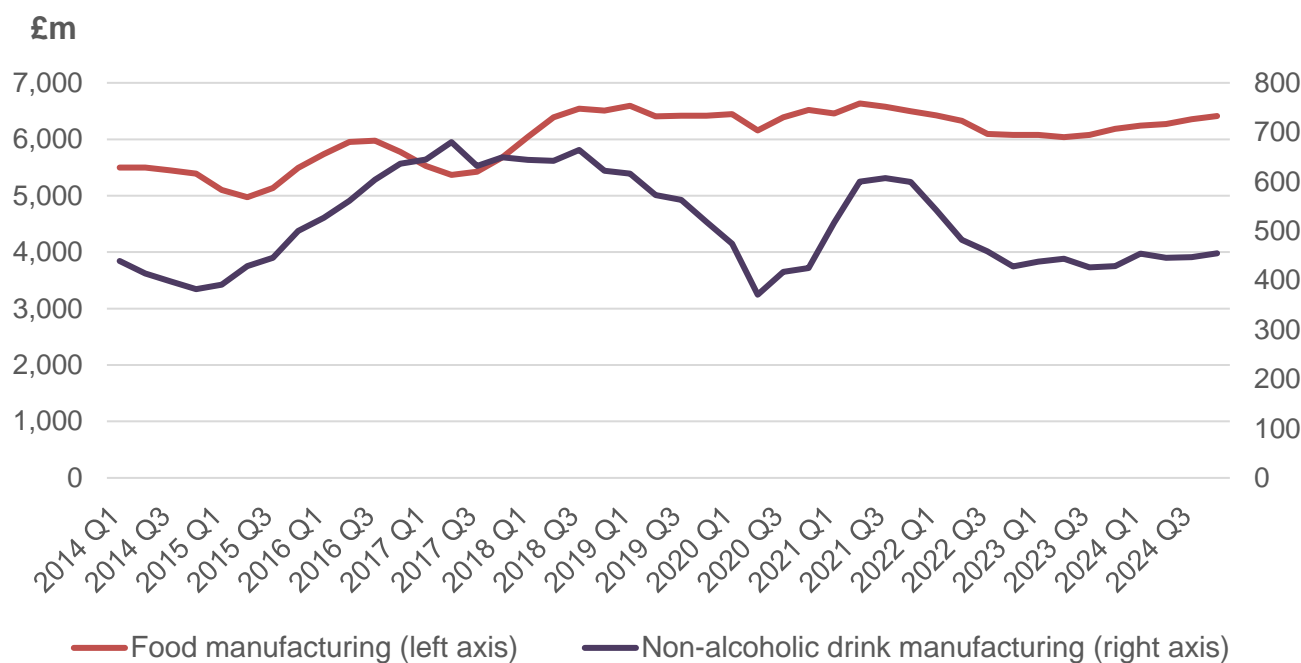
Source: ADHB

Demand is yet to recover

Output performance? – mixed evidence

ONS GVA data points to an expansion...

Output (GVA)



Growth by subsector

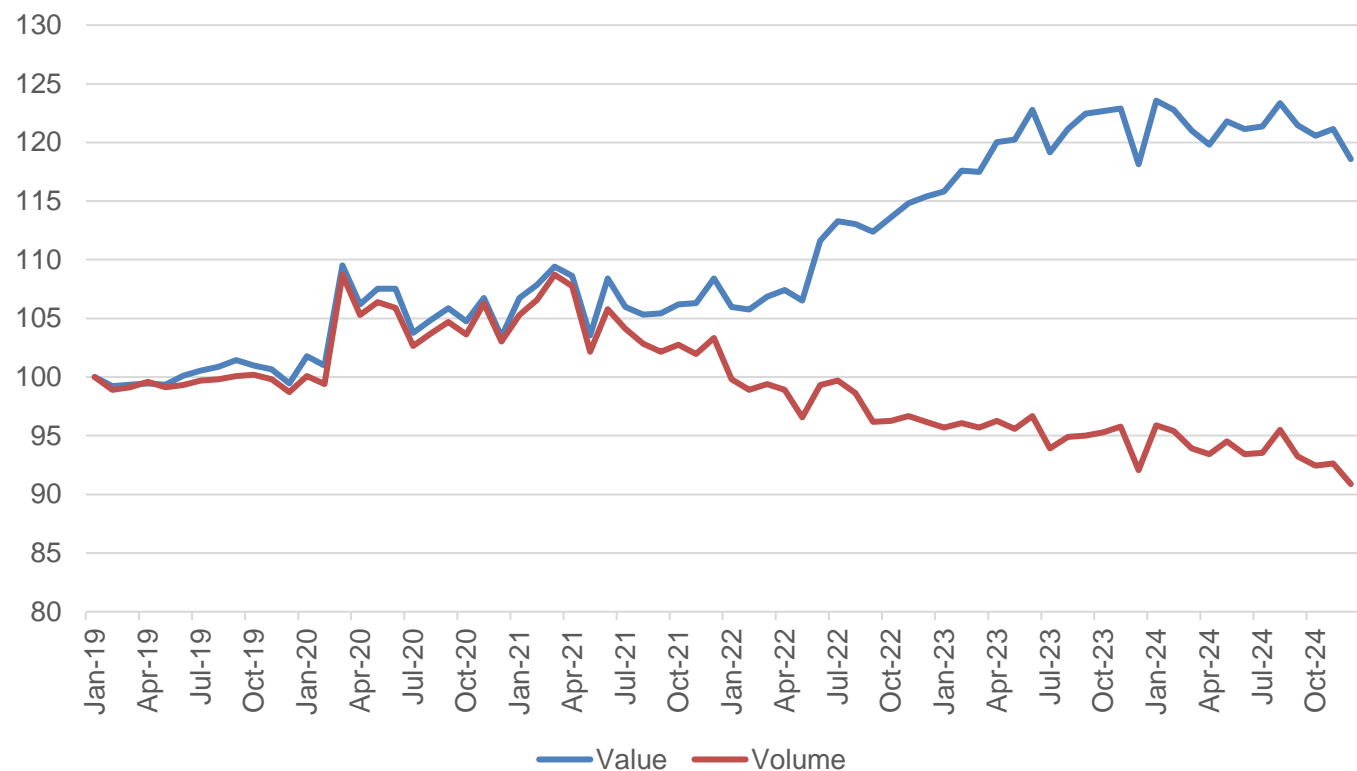
	2024 compared to 2023	2024 compared to 2019
Food manufacturing	3.7%	-2.1%
Meat	3.5%	9.1%
Fish, fruit and vegetables	1.8%	-8.1%
Oils and fats	7.1%	-11.8%
Dairy	2.4%	-41.9%
Grain mill and starches	-1.5%	-27.4%
Bakery	4.6%	14.0%
Other food products	5.2%	9.4%
Non-alcoholic drink manufacturing	3.7%	-20.6%

Source: ONS, Gross Value Added, Chained Volume Measures, in £ million

Output performance? – mixed evidence

...but retail sales and exports show a picture of shrinking volumes

Food and drink retail sales



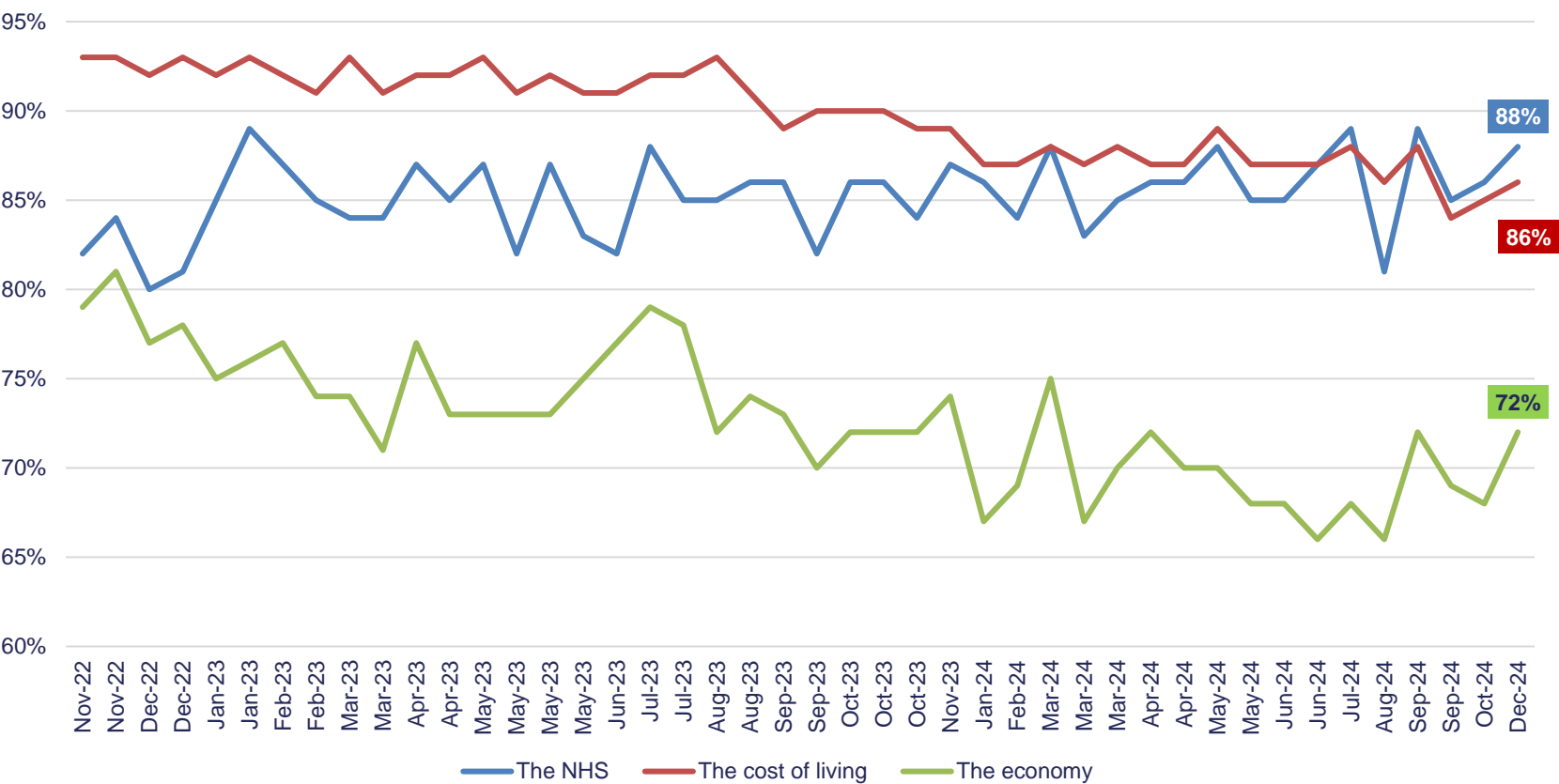
Growth

	2024 compared to 2023	2024 compared to 2019
Value	1.1%	21.2%
Volume	-1.4%	-5.8%

Source: ONS, Retail sales in predominantly food stores, January 2019 = 100.

The cost of living crisis remains an issue for over three quarters of the public

With 30% struggling with rent/ mortgage payments and 32% with their energy bills



Source: ONS, Public Opinions and Lifestyle Survey, Dec 2024

Consumer sentiment survey also points to a pessimistic mood amongst consumers

With the GfK sentiment dropping 5 points in January

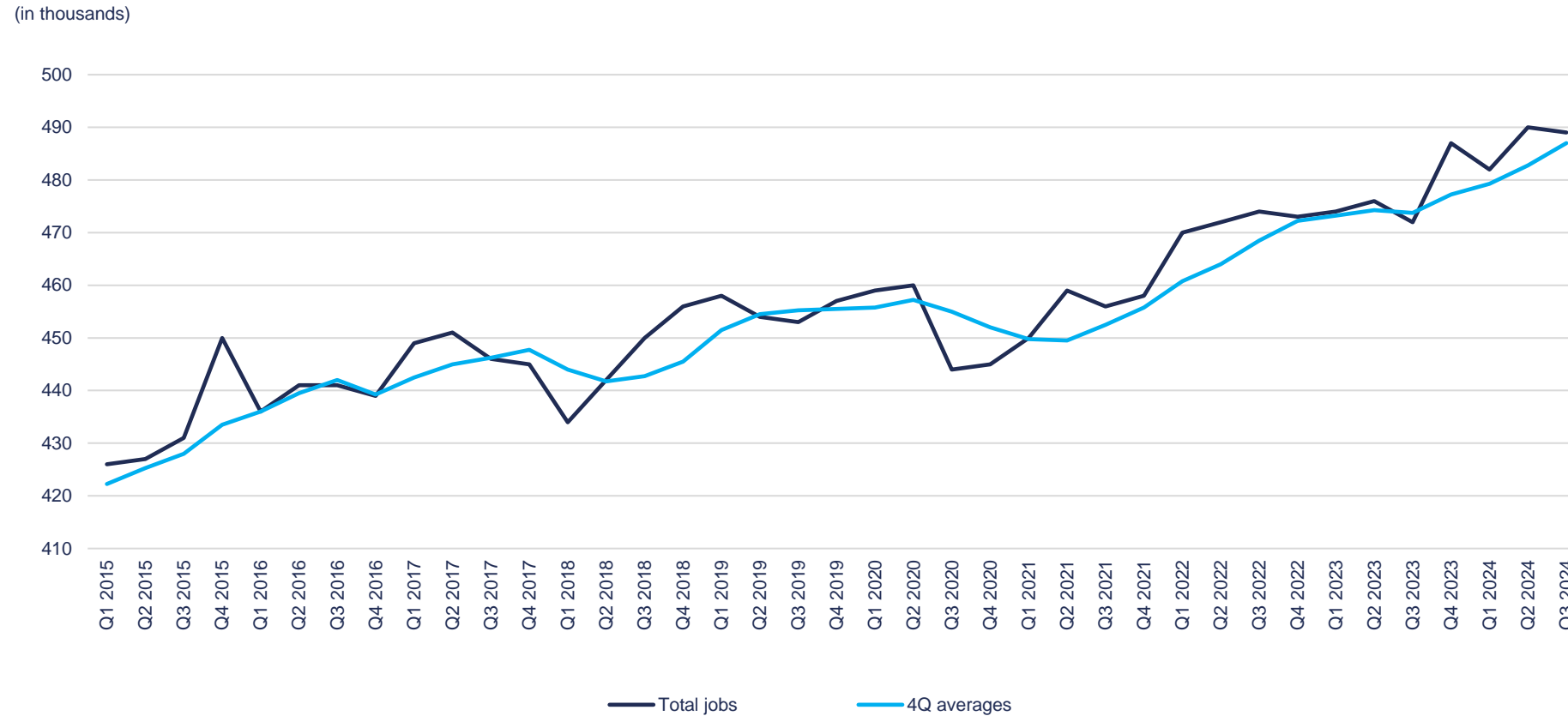


Source: GfK Consumer Confidence Barometer powered by NIM (January 2025)

Source: Nielsen IQ, GfK

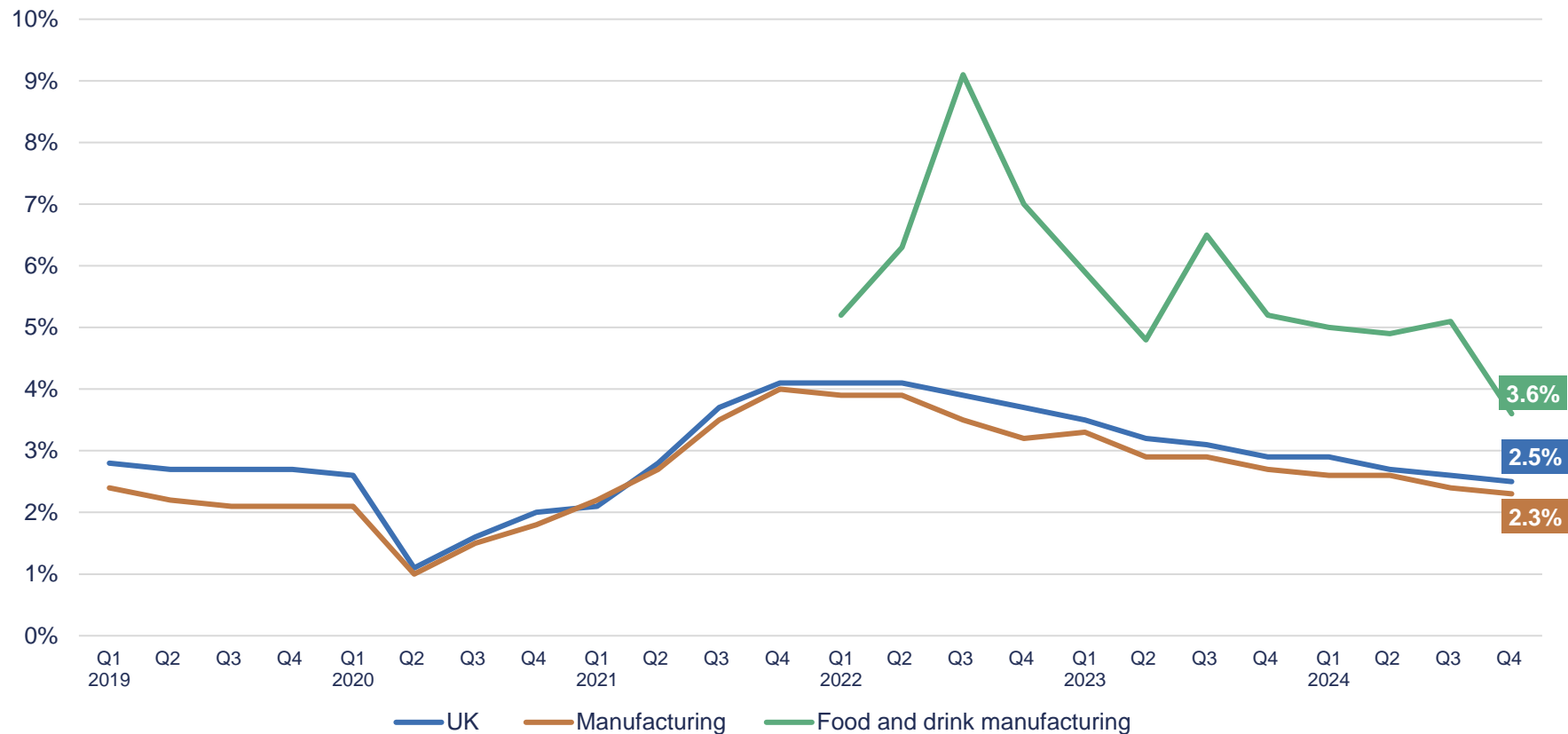
Employment has seen a persistent rise in the industry

With the number of jobs reaching 487,000 in Q3



But the rise in employment might pause

Industry's vacancies fell to 3.6% in Q4 from 5.1% in Q3



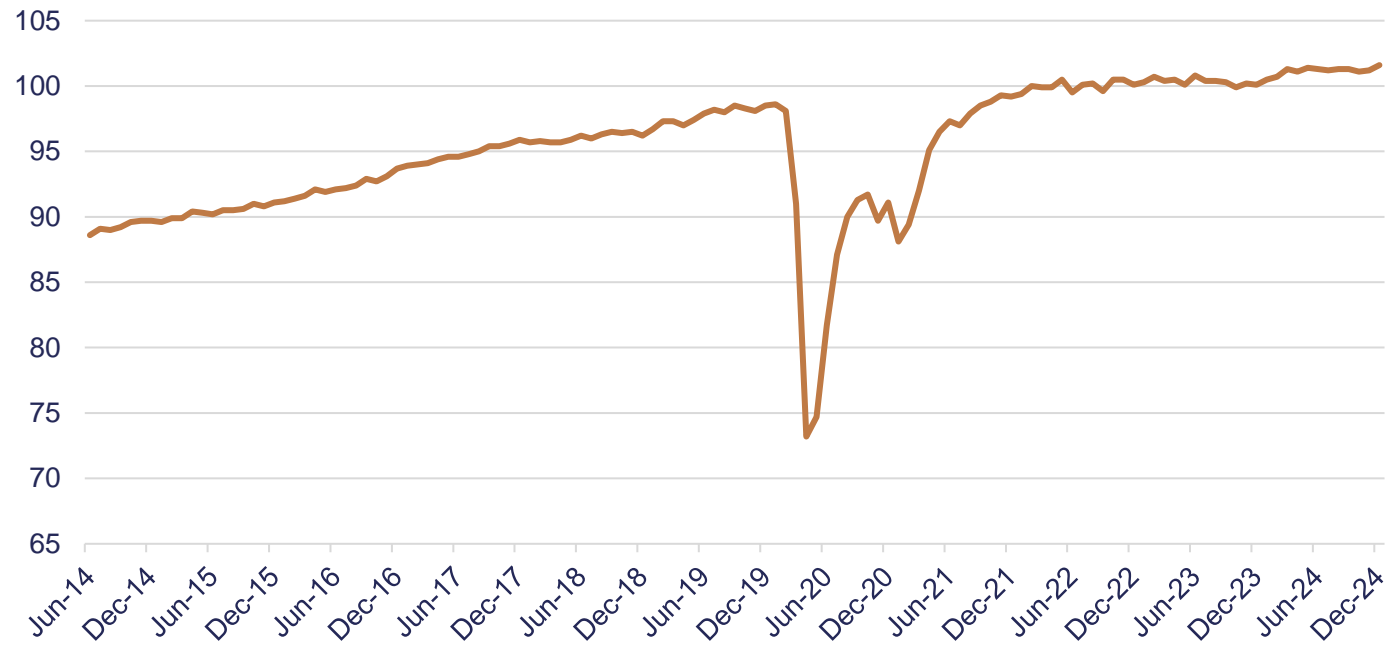
In short: 2025 starts on a rather pessimistic tone

- Inflationary pressures are gathering pace
 - Higher commodity and energy prices
 - Increased labour costs: NIC's, Employment Rights Bill
 - Other regulatory pressures: EPR, DRS, new EU trade measures on imports
- Manufacturers have not yet made up for the lost margins of the past few years
- Demand recovery would help, but that hasn't happened yet and outlook is not positive either
- Geopolitical uncertainty: tariffs, regional conflicts, impacts on supply chains, energy costs
- Unpredictable weather remains a big risk

The wider economy

The UK economy narrowly avoided a recession in 2024

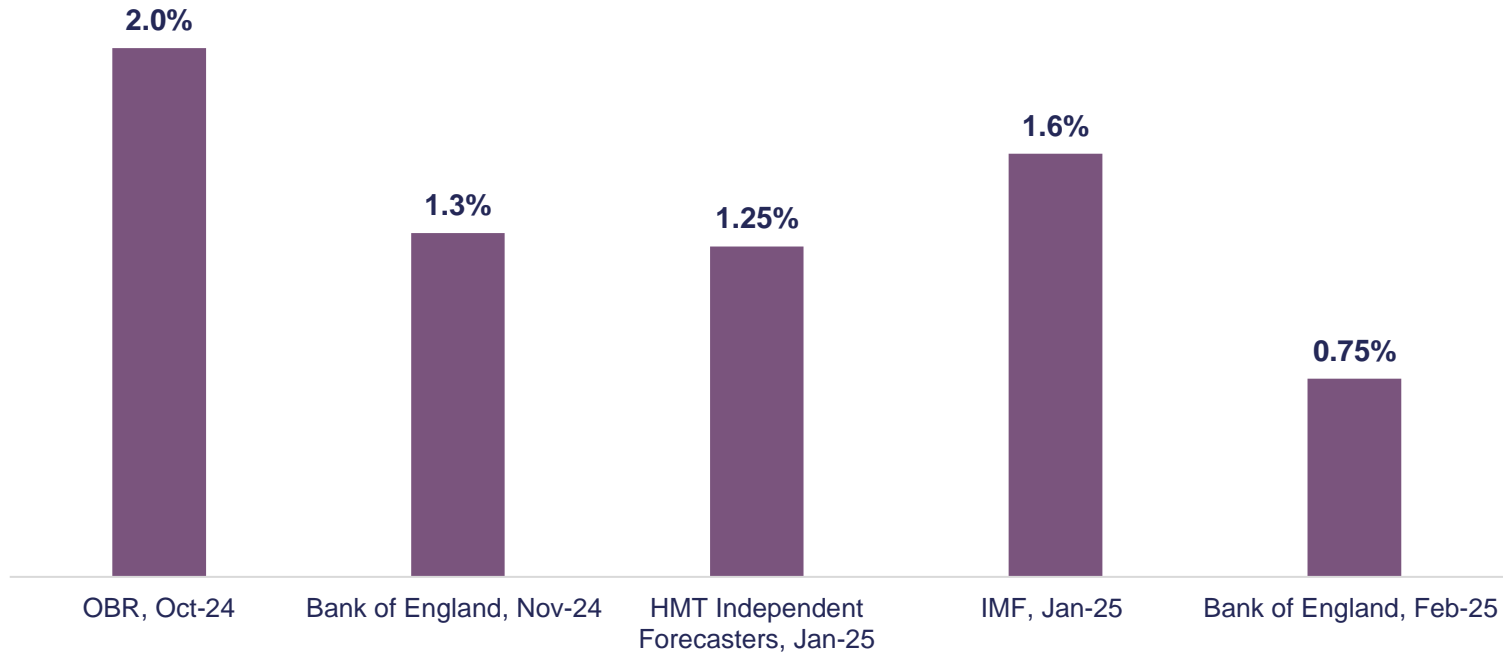
With output growth at 0.4% in December, services providing a boost



Growth prospects?

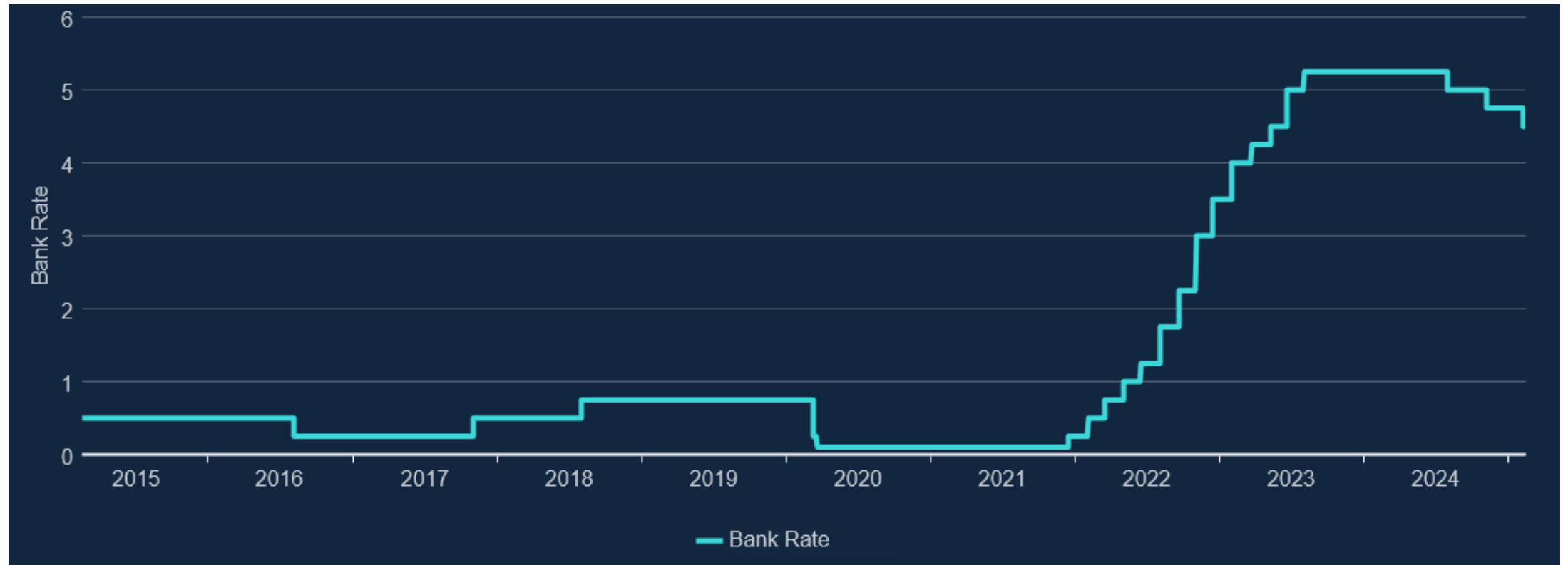
OBR's 2.0% growth projection for 2025 seems quite unrealistic

Growth projections for the UK economy in 2025



The Bank of England cut interest rates to 4.50%

With markets expecting three other cuts this year



Outlook for the UK economy: highly uncertain

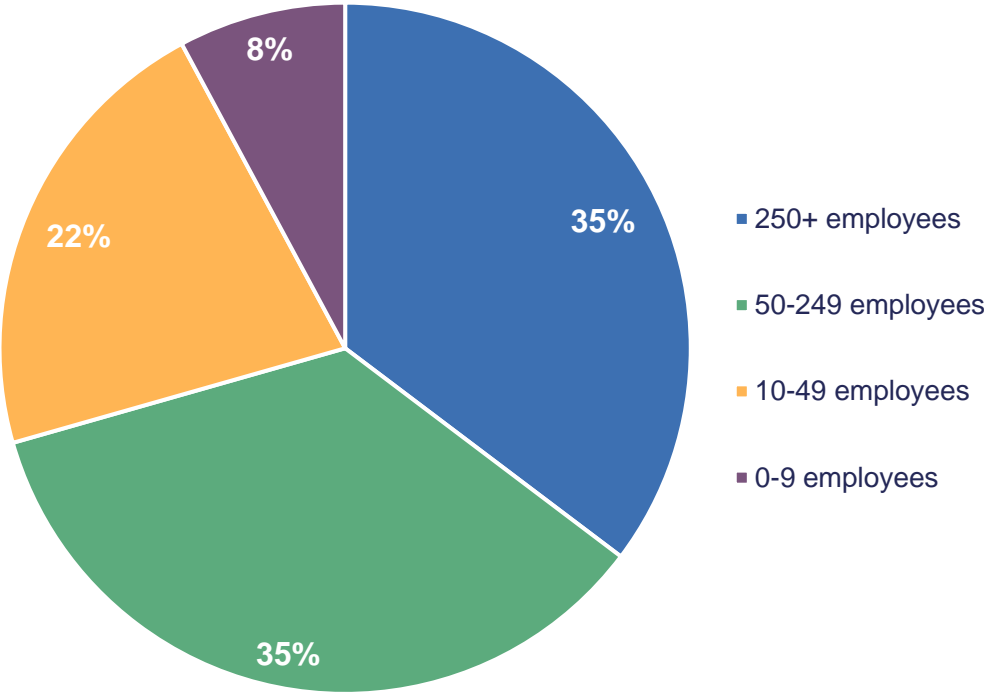
- A positive scenario: the budget measures coming into effect in April will mean a demand stimulus and, in turn, an investment stimulus.
- The exchange rate depreciation seen over the last year makes UK exports more competitive
- Domestic uncertainty: will the government need to cut spending and/ or increases taxes in the Spring as the fiscal headroom dissipated?
- Global uncertainty: what do trade restrictions and the reshaping of global supply chains mean for the UK?

FDF State of Industry Q4 Survey Findings

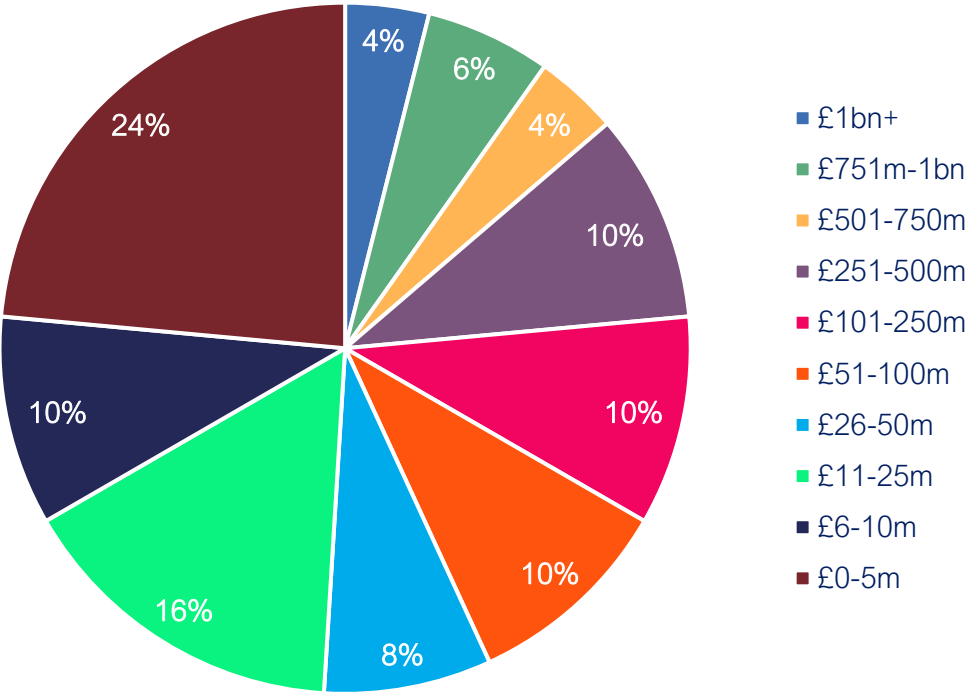
Who responded?

Businesses of all sizes responded

Employment



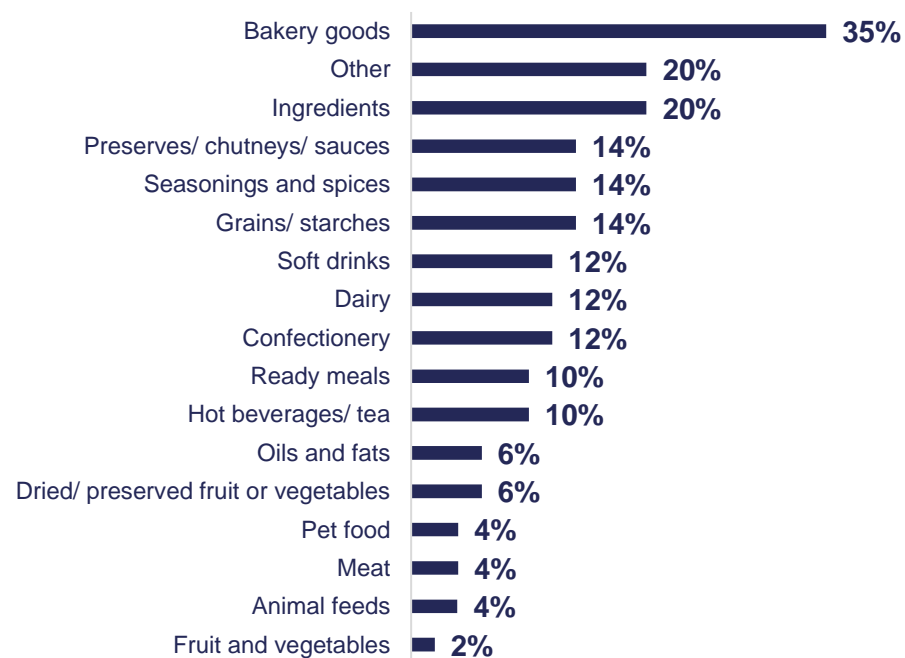
Turnover



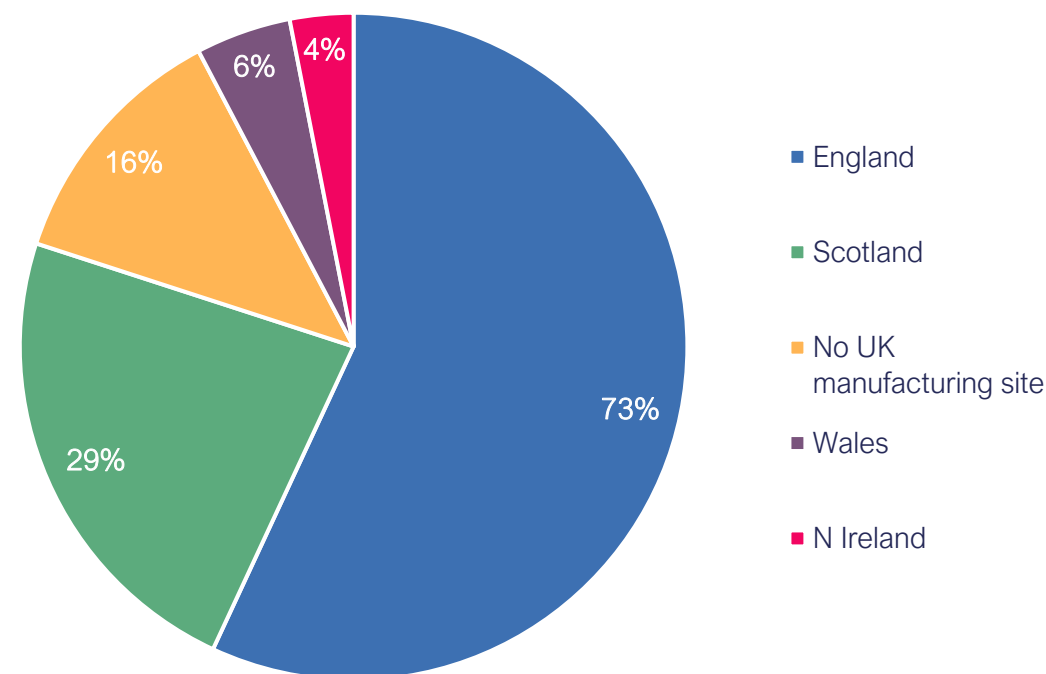
Representation from a wide range of sectors

With sites in each nation

Sectors



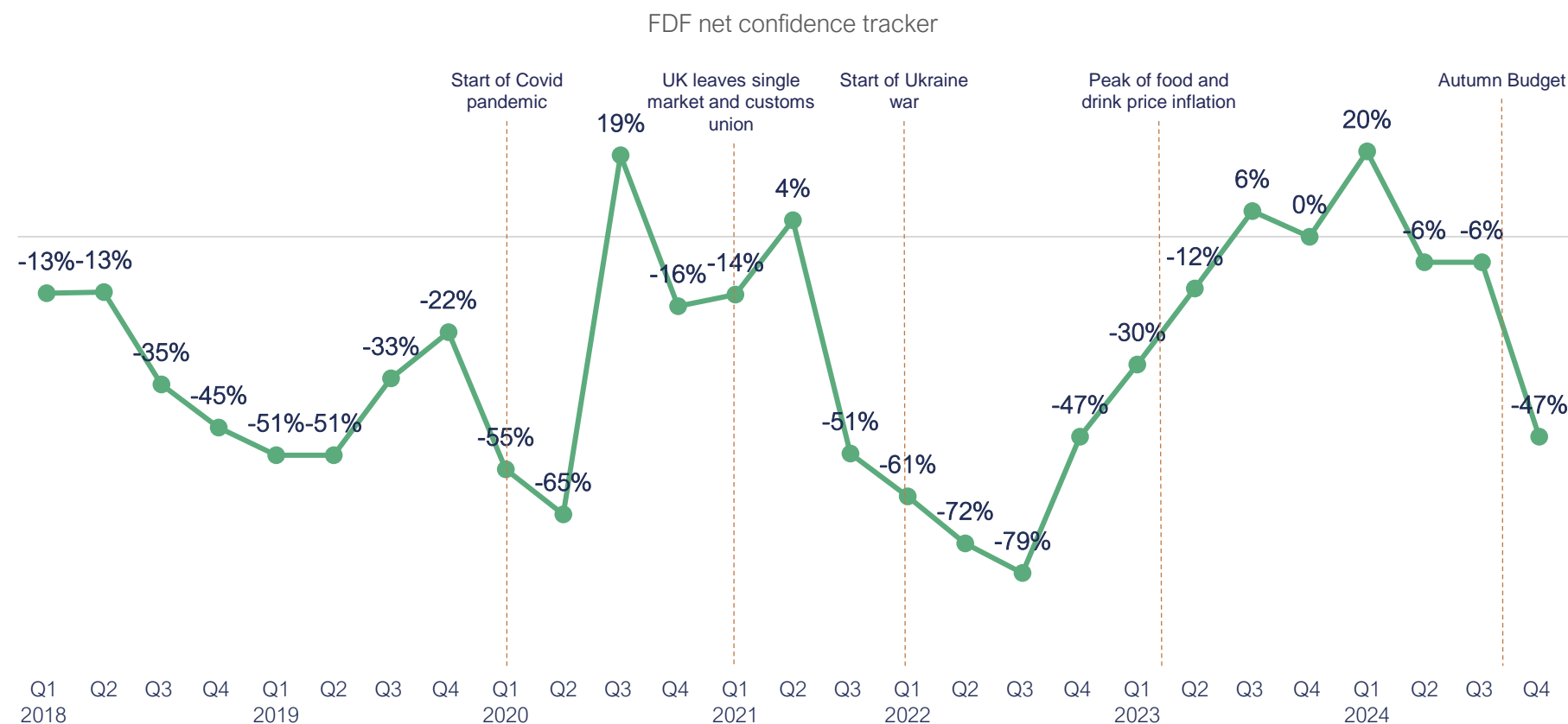
Location



Business confidence plummets going into 2025

Net confidence plummets to -47%, with over half of manufacturers feeling that conditions deteriorated

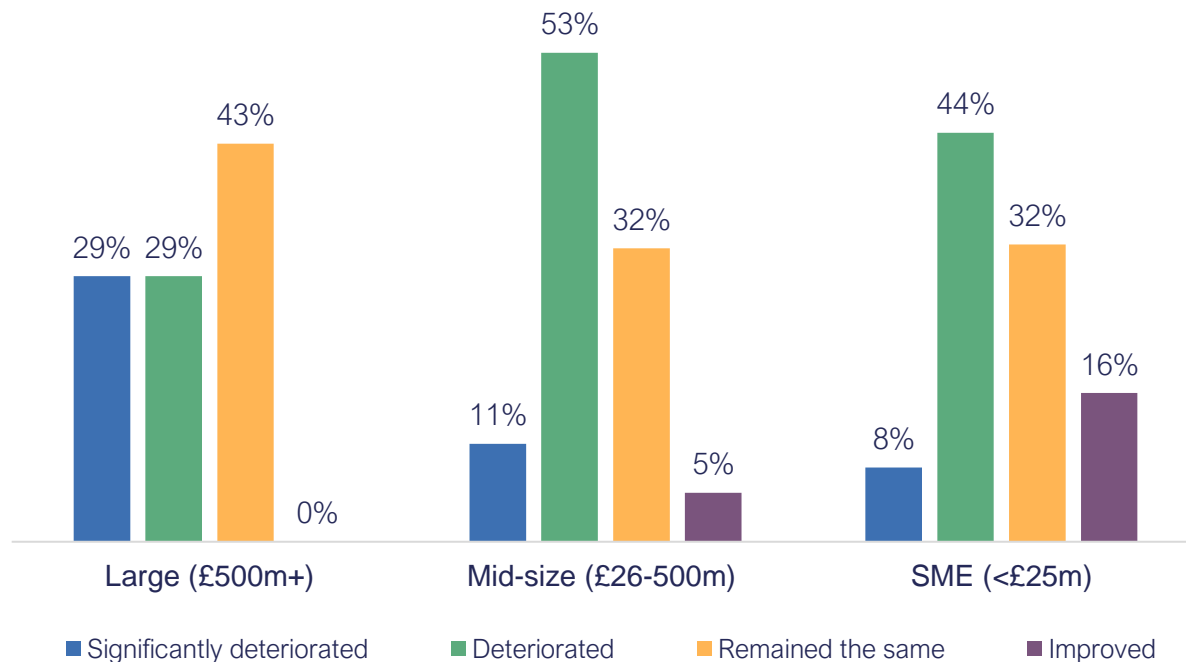
Net confidence = conditions improved – conditions deteriorated



Mid-size businesses have a -58% net confidence score, down from -7% in Q3

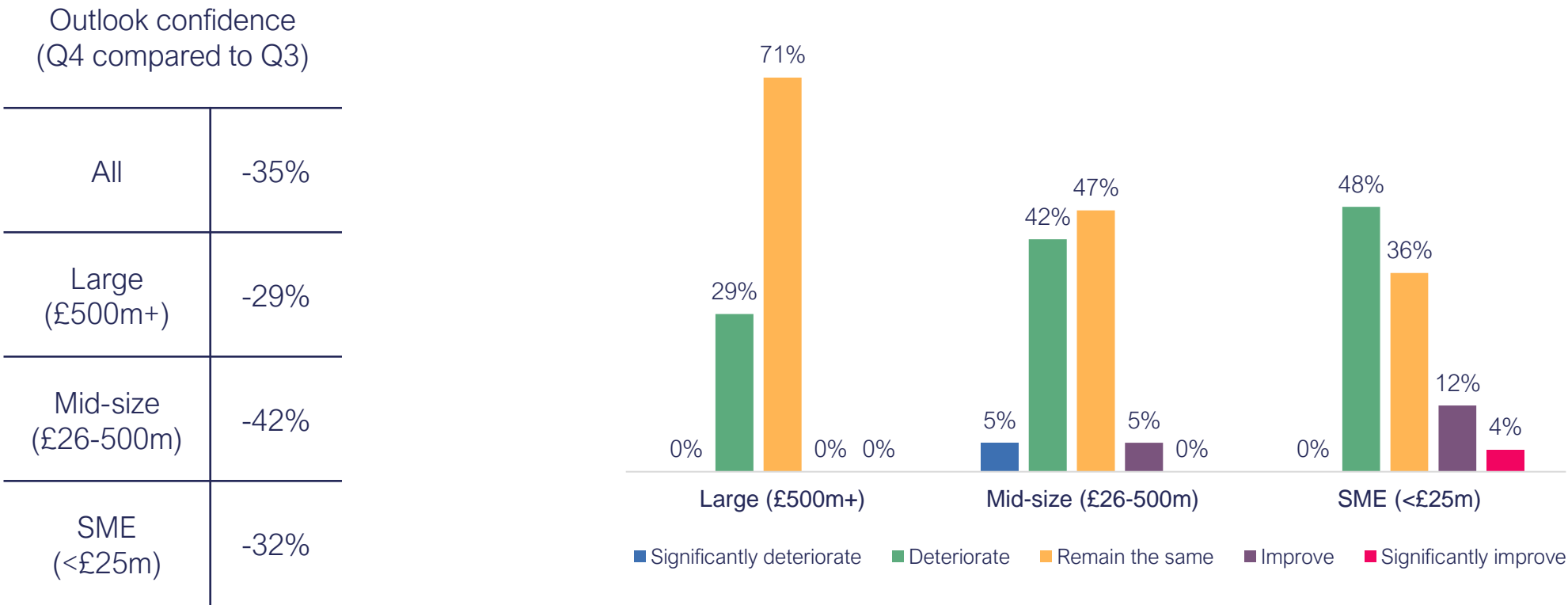
Almost half of large businesses felt conditions remained the same as in Q3

Net confidence (conditions in Q4 2024 compared to Q3 2024)	
All	-47%
Large (£500m+)	-57%
Mid-size (£26-500m)	-58%
SME (<£25m)	-36%



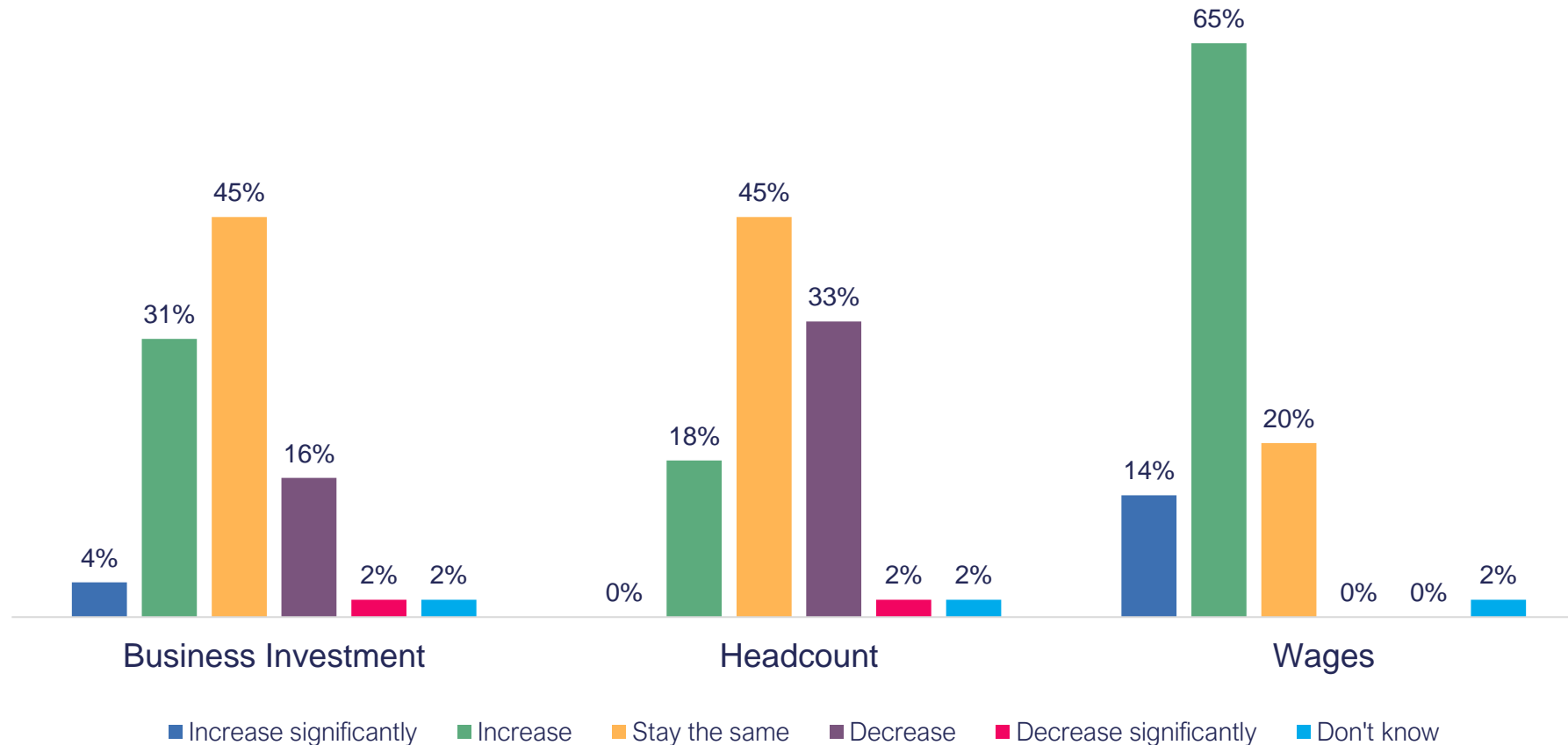
Outlook confidence for Q1 2025 is at -35%, down from the pre-budget score of 29% for Q4 2024

48% of SMEs expect conditions to deteriorate through the first quarter of 2025



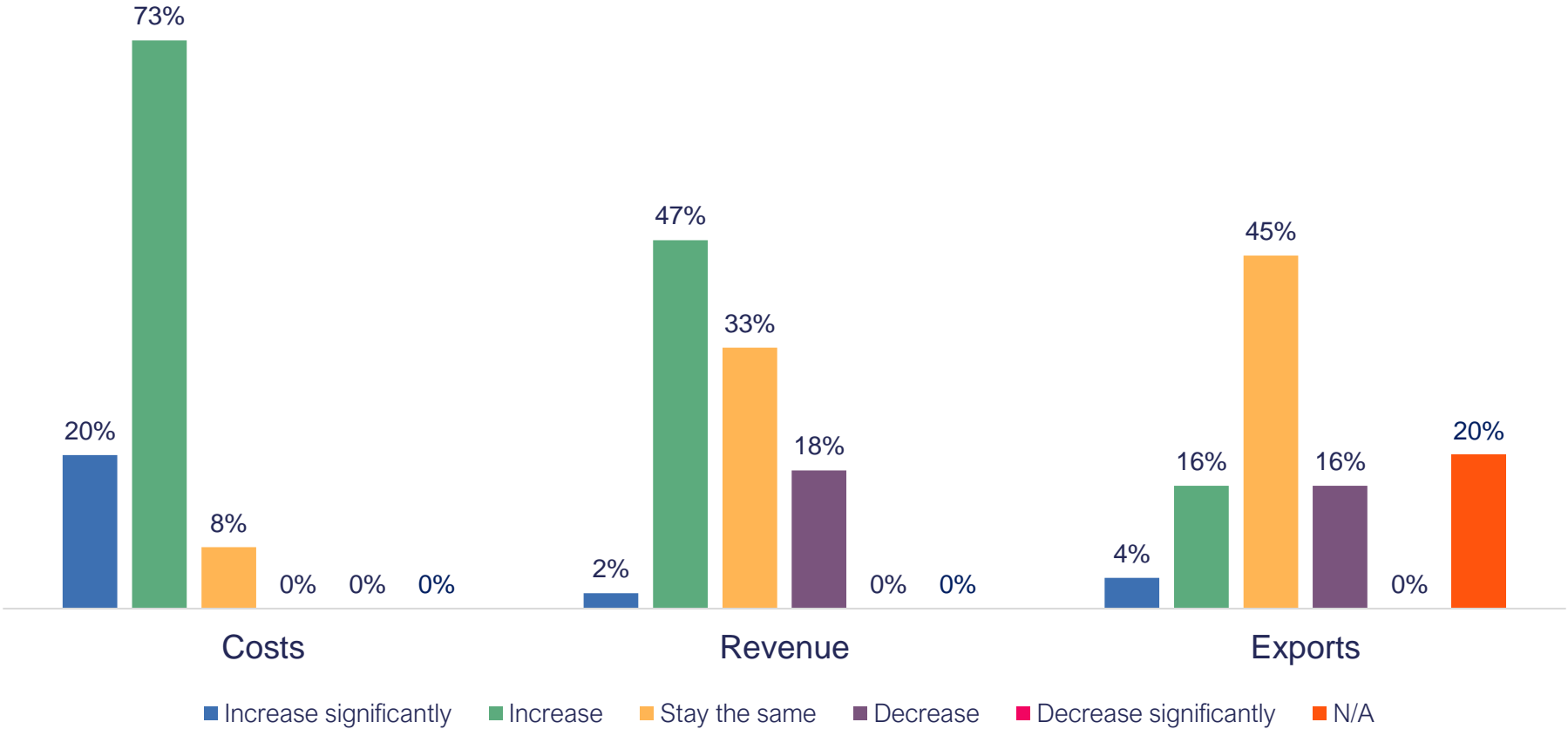
Business investment and wages are largely expected to increase or remain the same

How do you expect the outlook for your business to change over the next 12 months in terms of?



93% of businesses expect their costs to increase over the next year

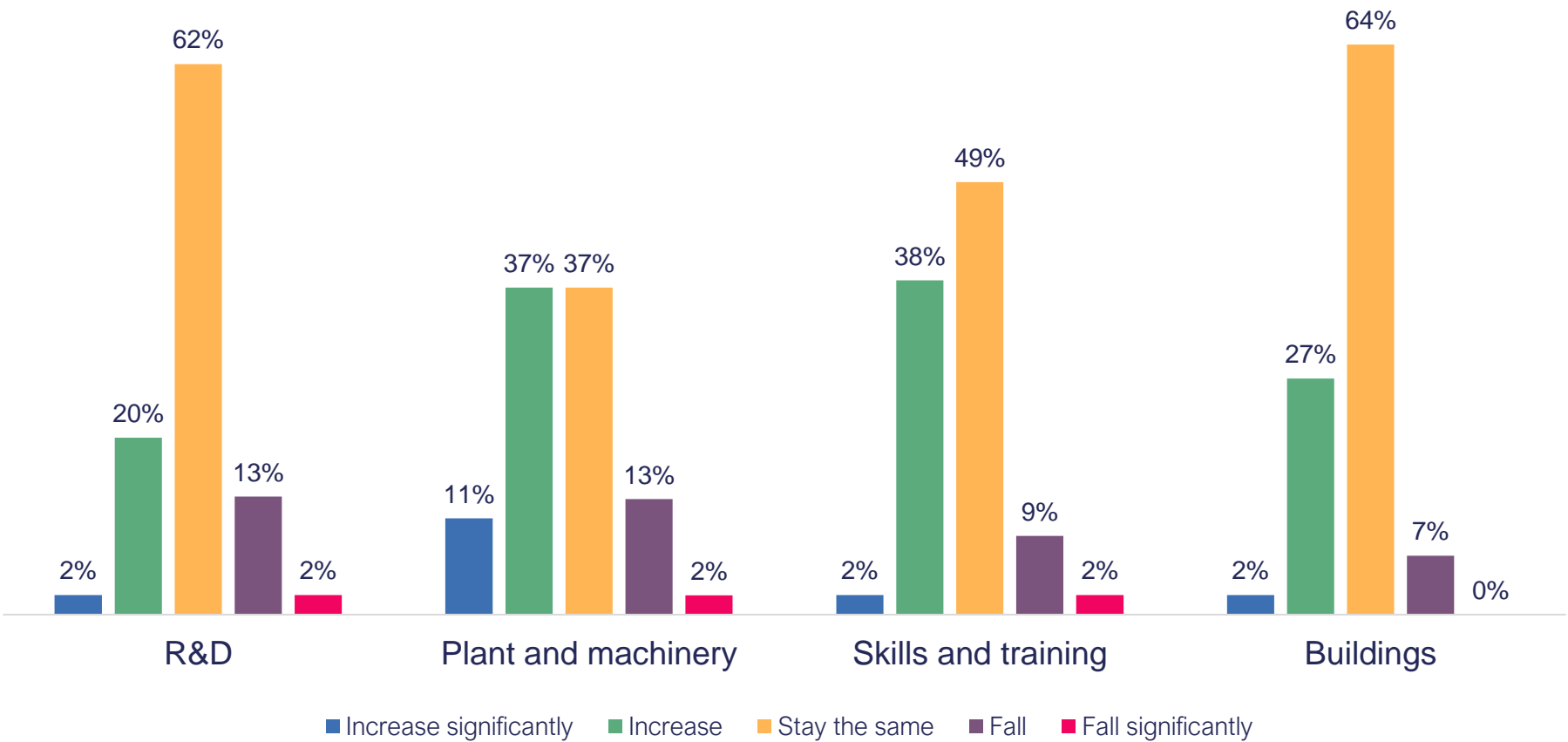
How do you expect the outlook for your business to change over the next 12 months in terms of?



**Taxation and upcoming
regulations will be an
obstacle for growth**

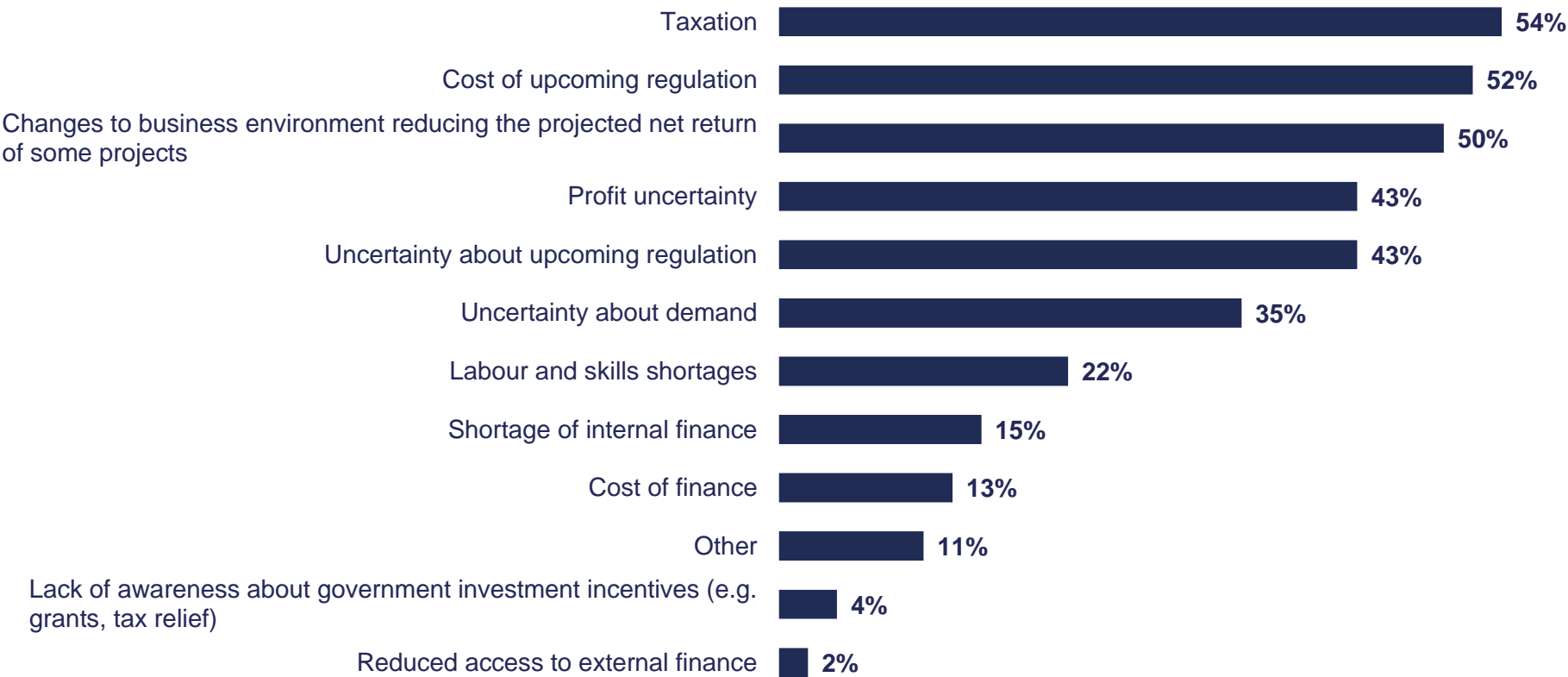
The plan is to sustain or increase investment over the year across the business

How do you expect your planned investment expenditure over the next 12 months to change compared to the previous 12 months?



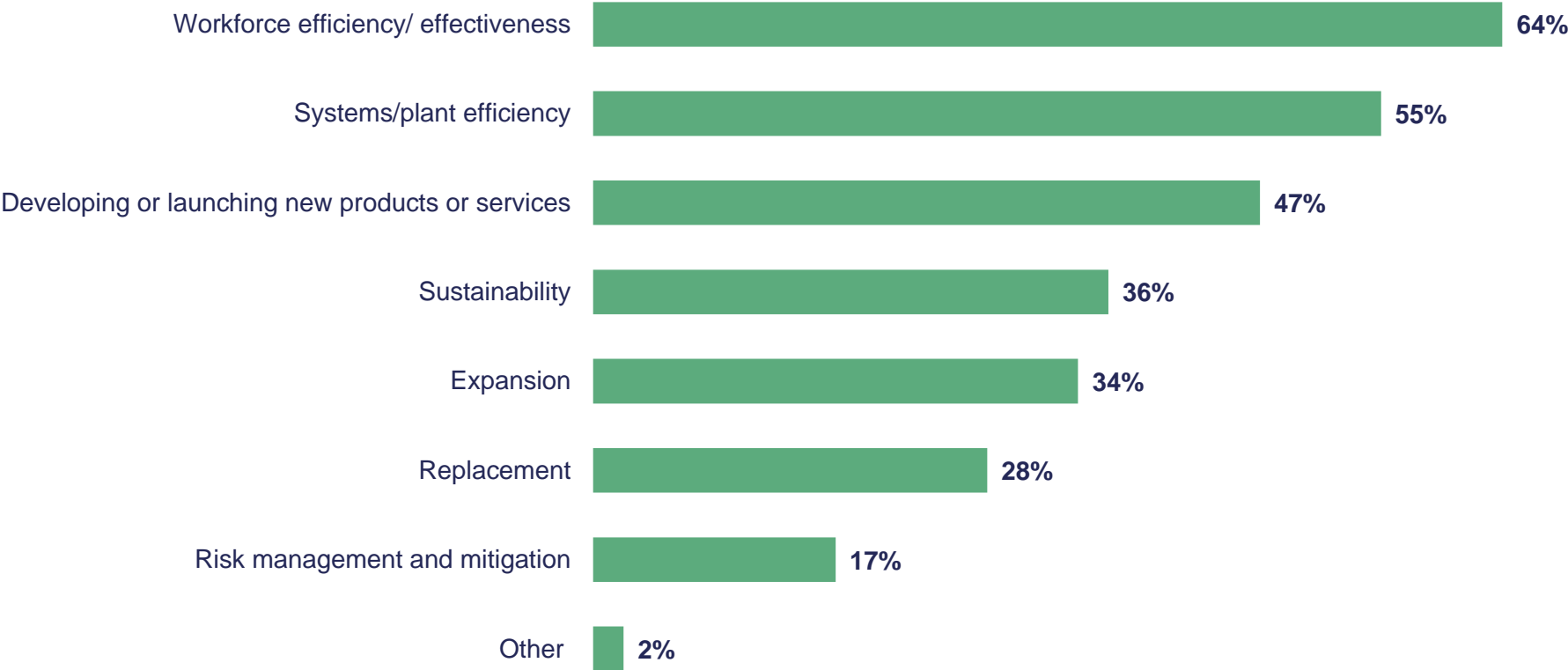
Over half of manufacturers are limited by taxation over the next year

What factors are likely to limit your capital investment expenditure over the next 12 months?



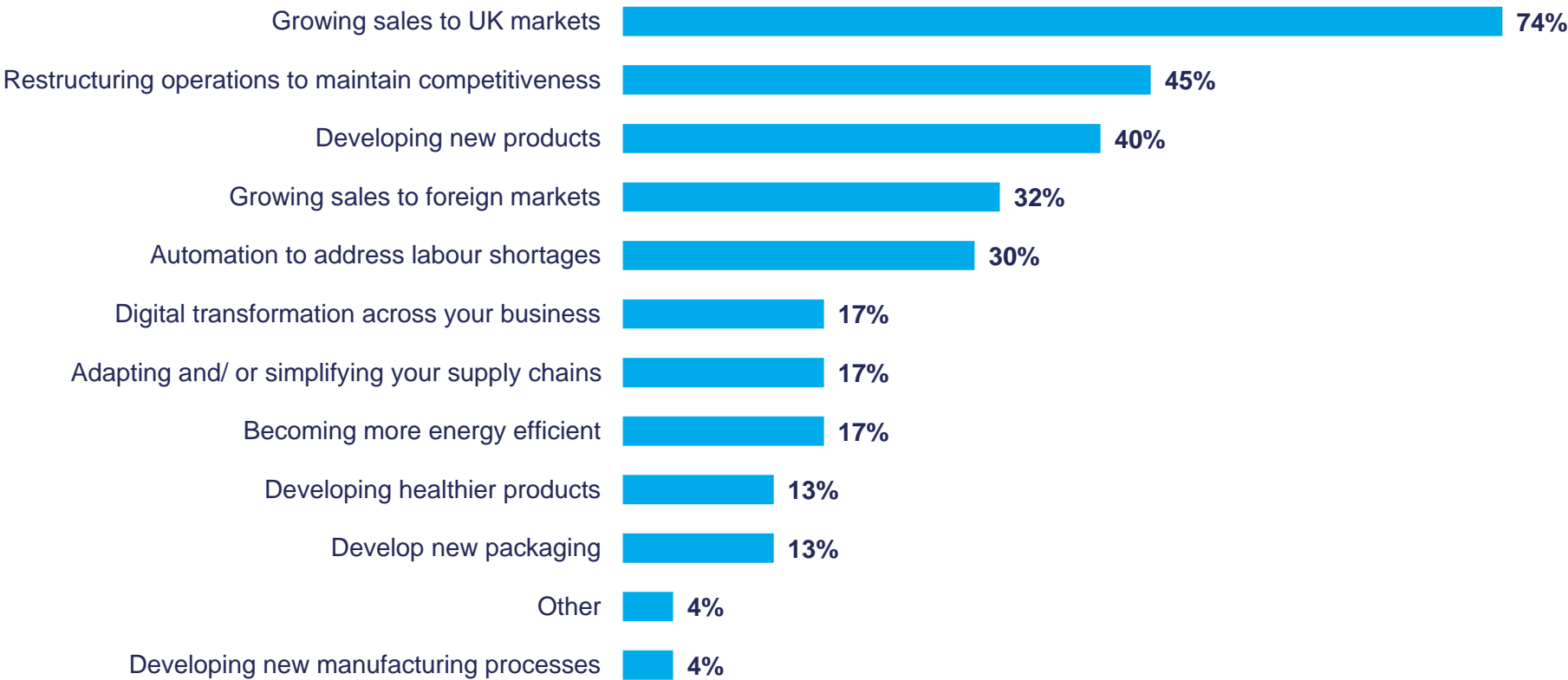
Efficiency is motivating investment plans, with workforce efficiency coming out at top with 64%

What is motivating your investment plans?



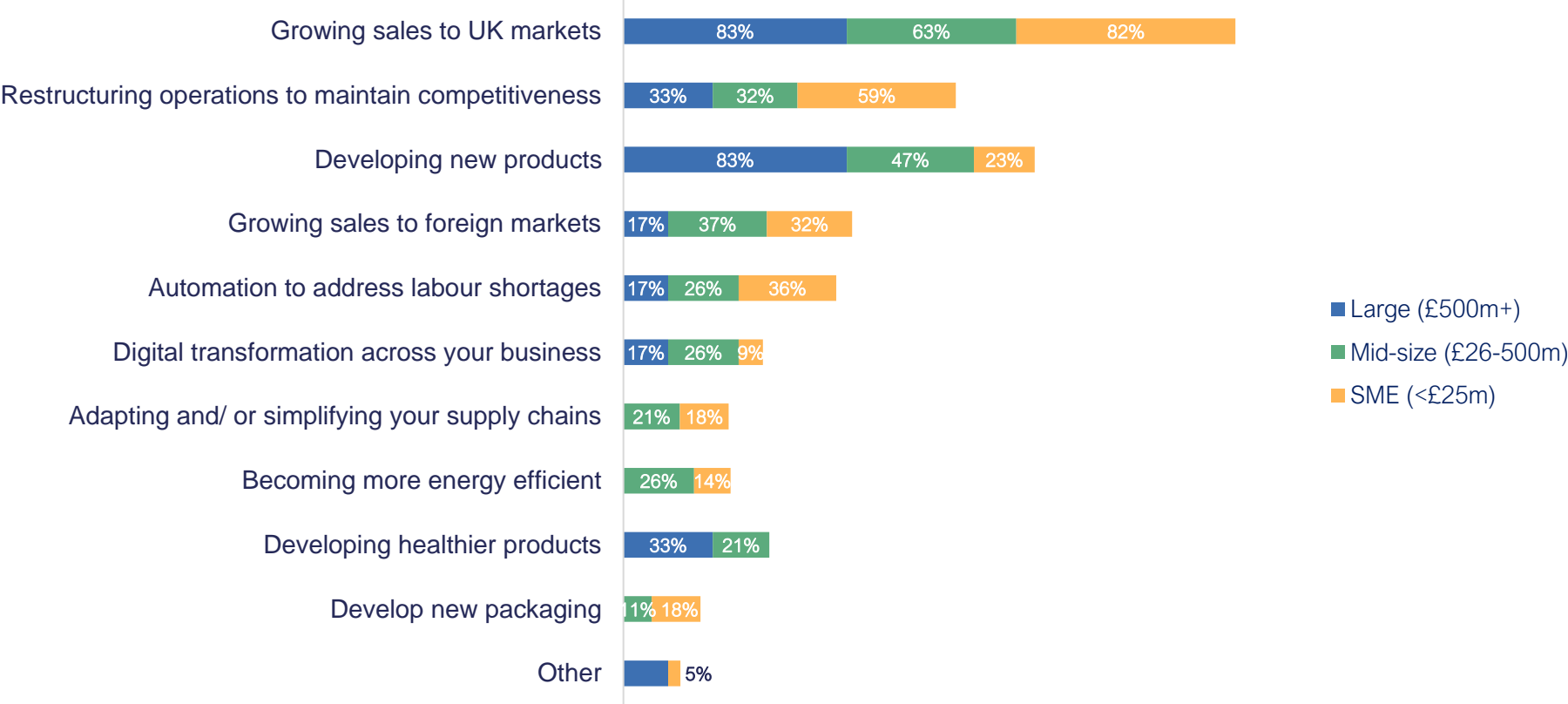
74% of respondents are prioritising growing sales to UK markets

What are the top three growth priorities for your business?



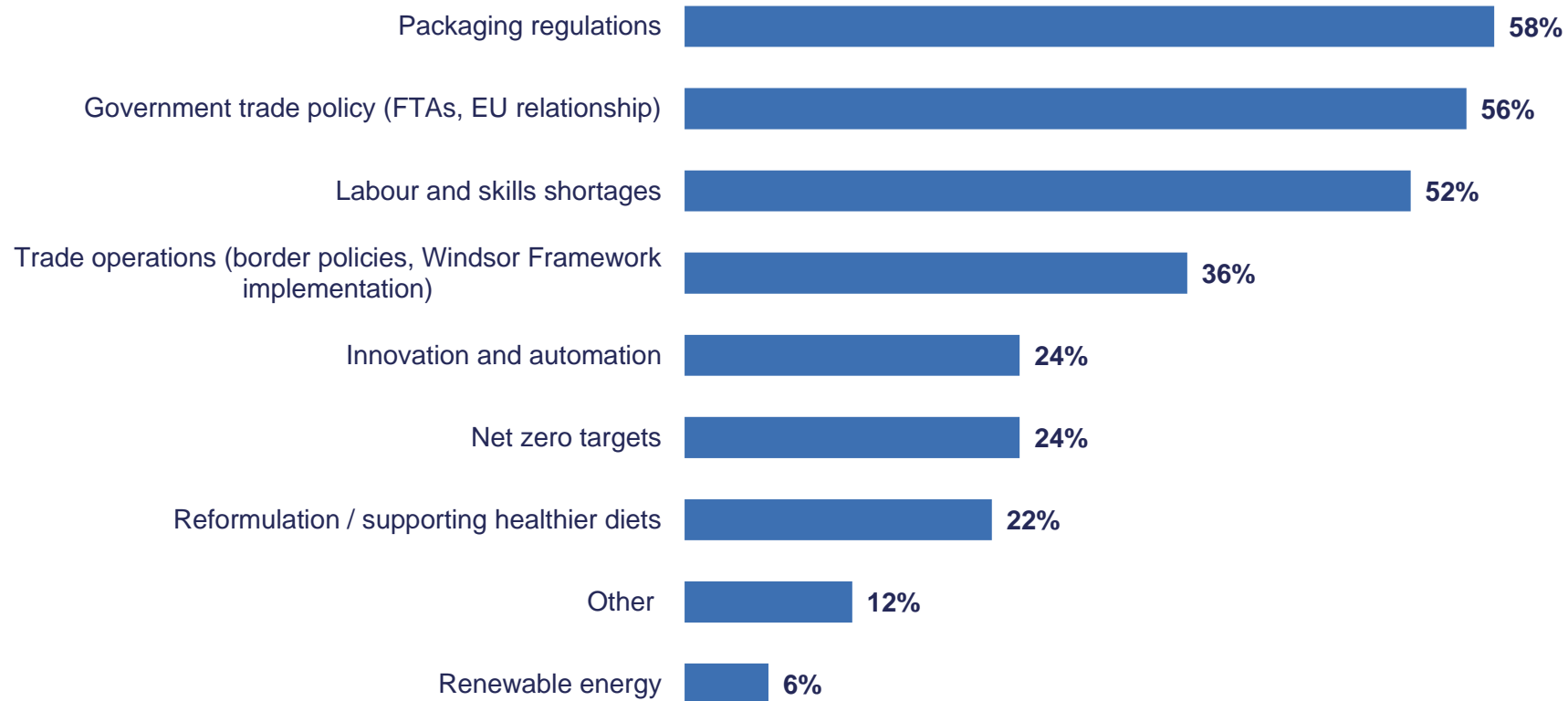
83% of large manufacturers are prioritising developing new products

With 59% of small businesses restructuring their operations to maintain competitiveness



Packaging regulations are the leading priority

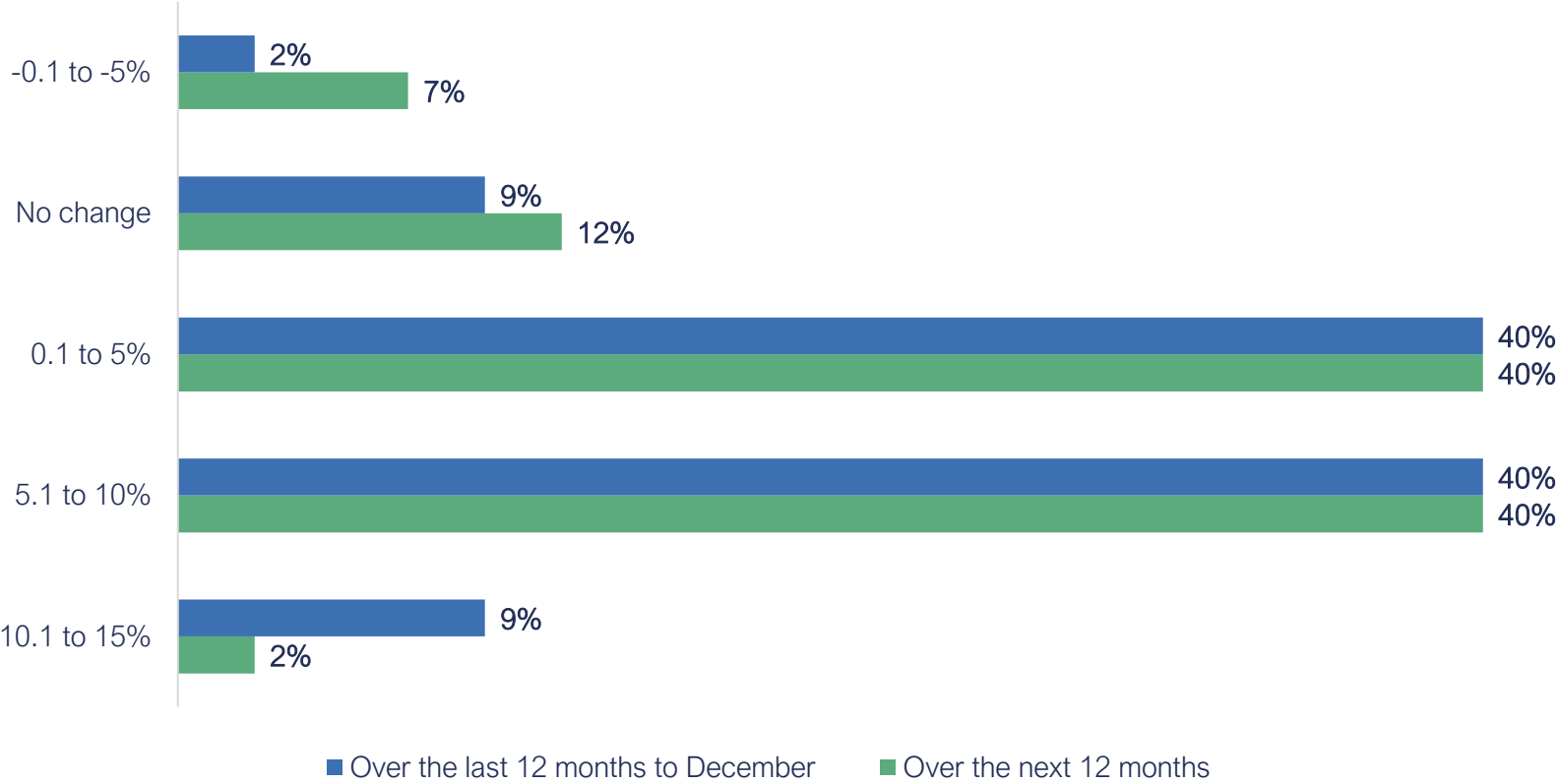
Which are the top three policy areas you think the FDF should prioritise in working with the new government?



Higher food inflation expected over 2025

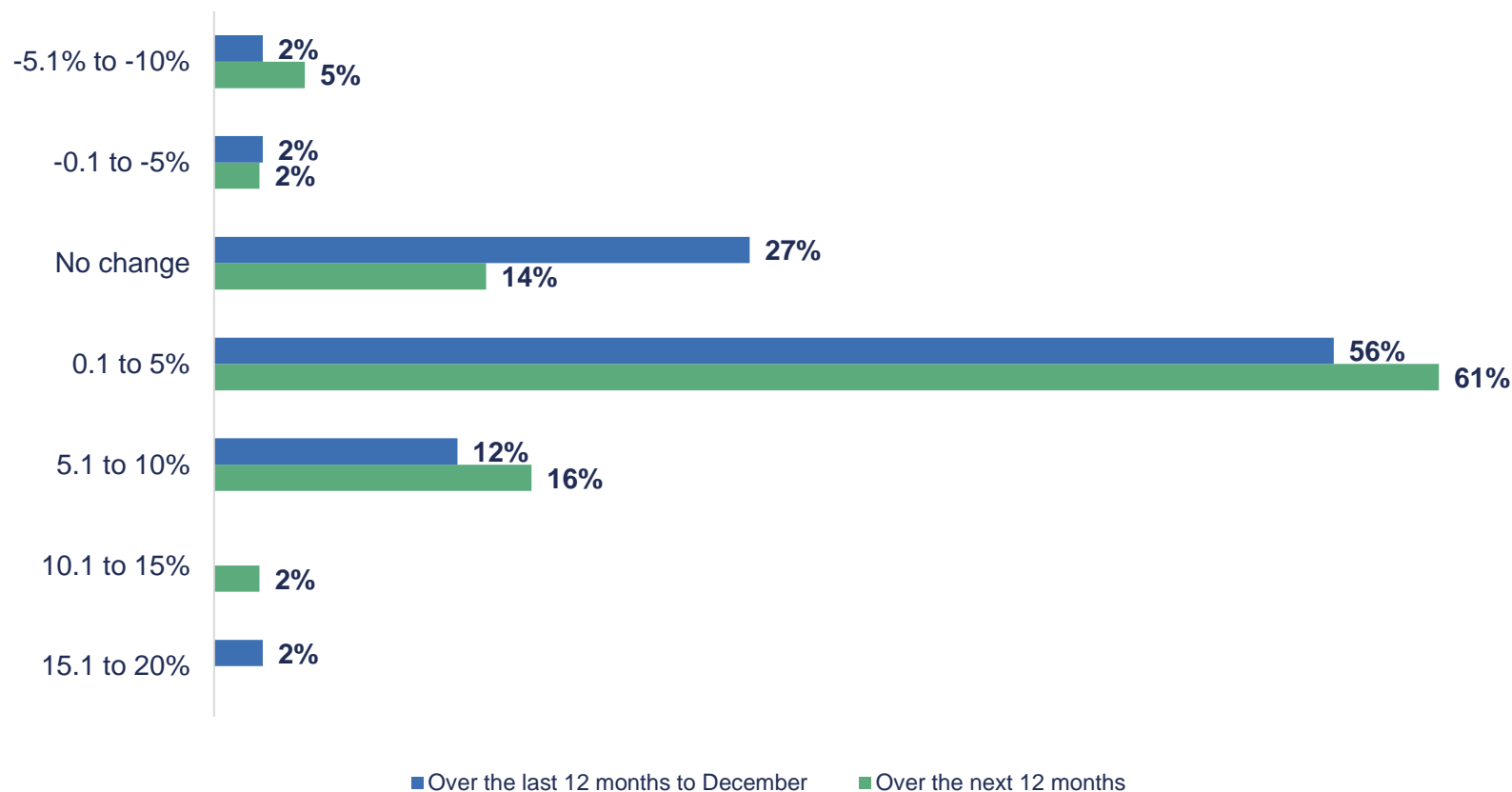
Total production costs increased by 4.9% on average over the last 12 months

They are expected to continue to increase by 3.8% on average over the next 12 months



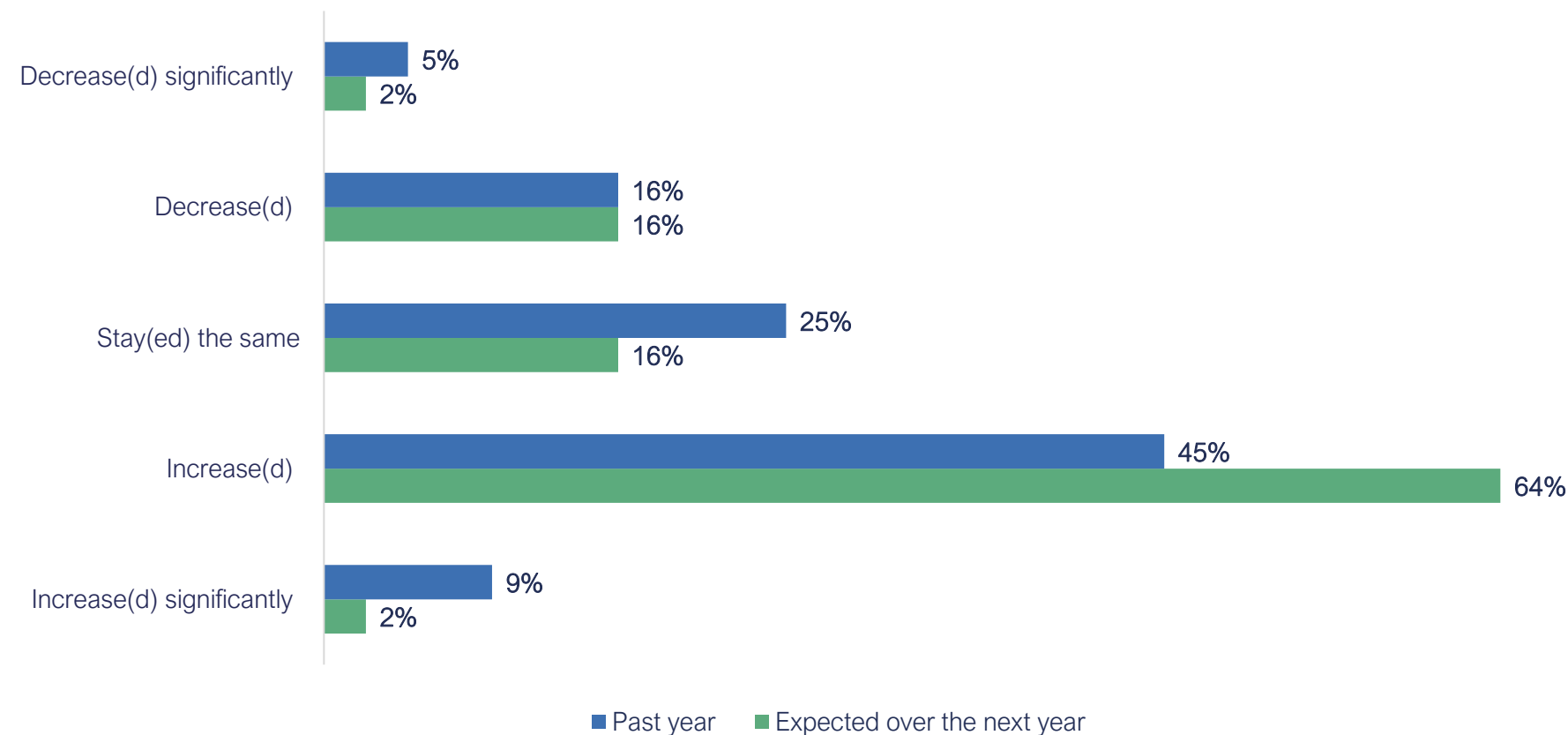
The average selling price rose by 1.9%

Over the next 12 months, it is expected to rise by 2.1%



54% of businesses increased their volume of output over the past year

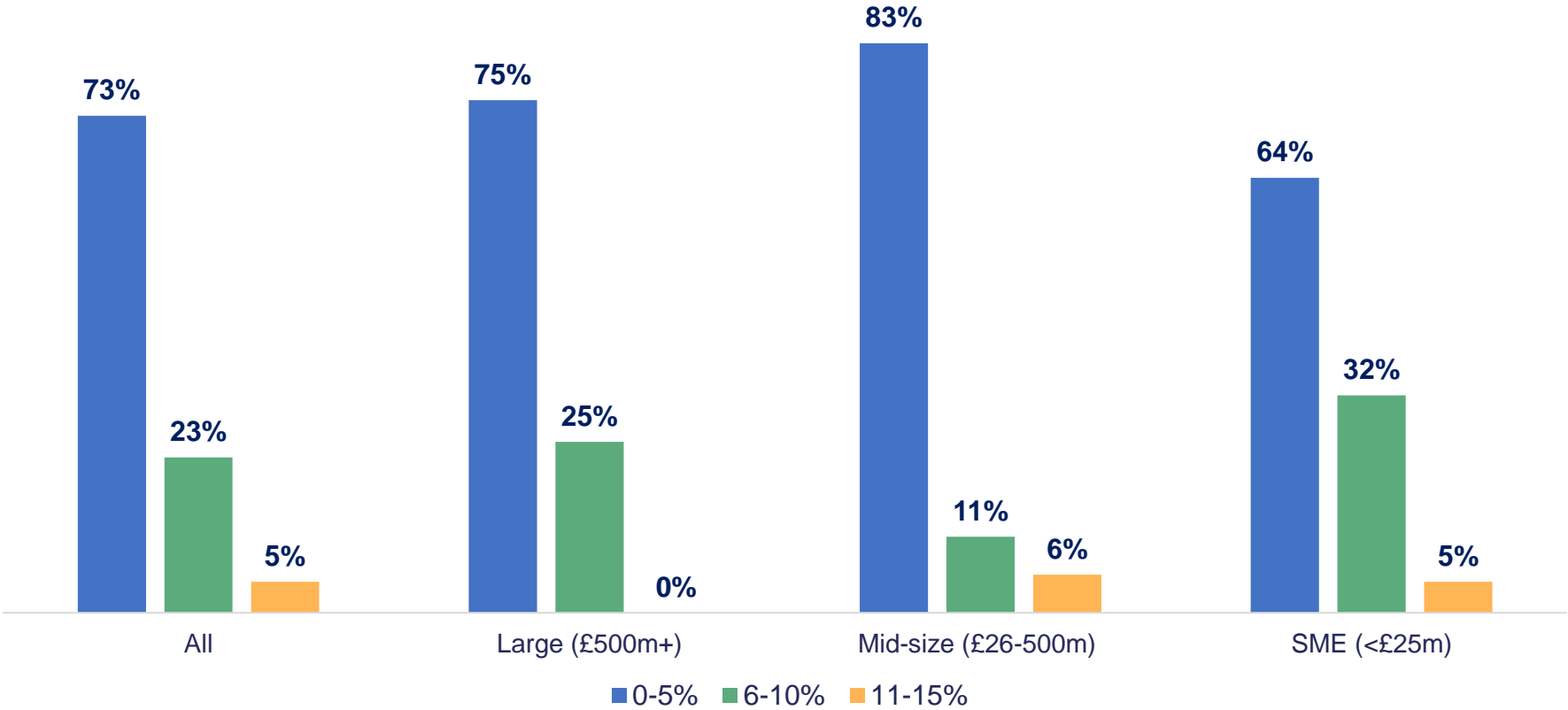
How has your volume of output changed over the last 12 months to December, and how do you expect it to change over the next 12 months?



**Labour shortages at their
lowest since we've started
tracking them**

Unfilled vacancies fall to 3.6% from 5.1% in Q3

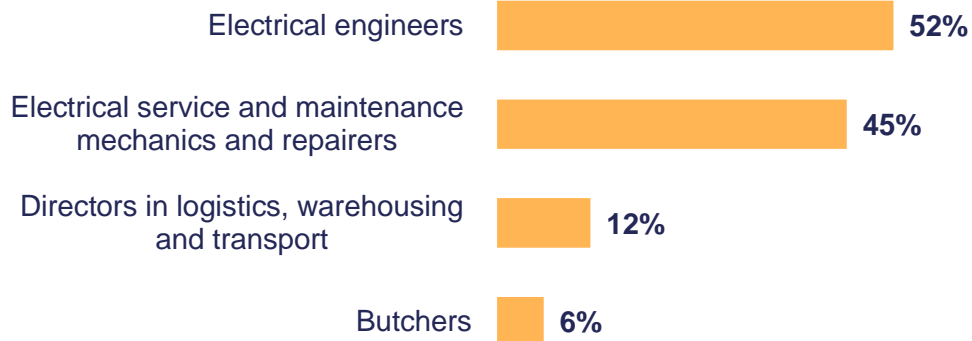
In Q4 2024, unfilled vacancies amounted to what percentage of your labour force?



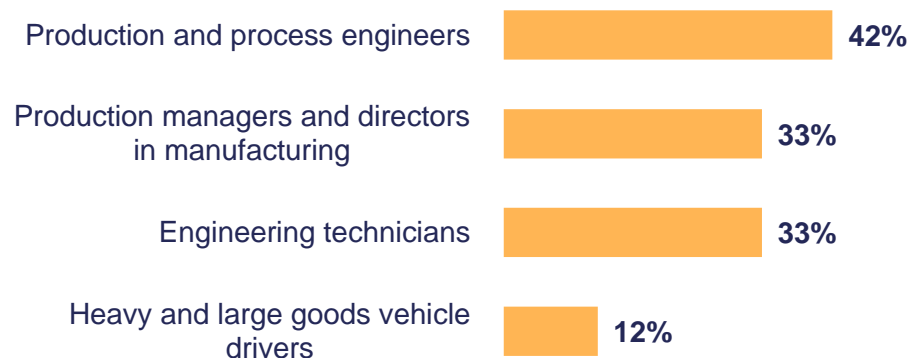
Vacancies are widespread across roles and skills

In which of these roles are you seeing shortages within your own business?

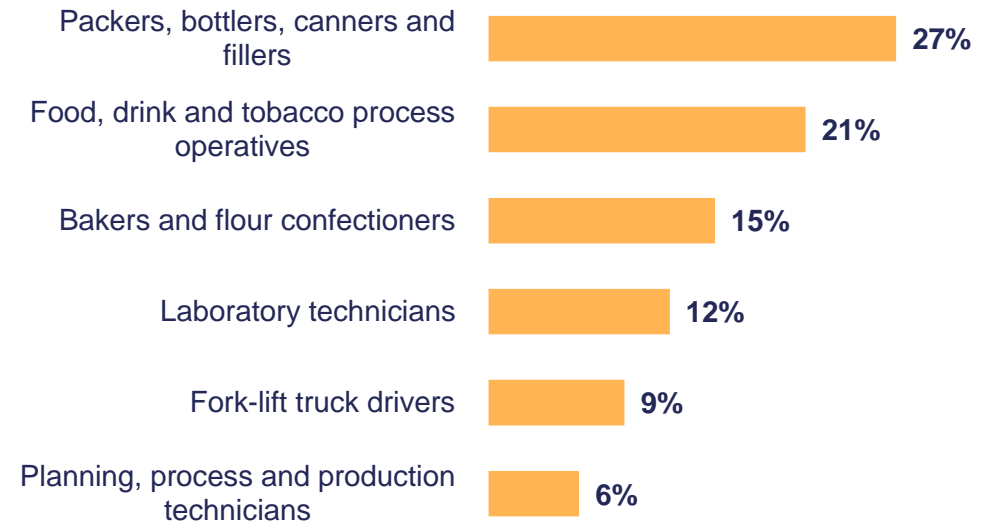
Critical demand



Elevated demand



Not in high demand



Key takeaways

Business confidence has plummeted to -47%, the lowest score since Q4 2022. Businesses are clearly impacted by conditions following the Autumn Budget in October, with 54% citing taxation as the leading factor constraining investment. Cost of upcoming regulation is also a concern.

Costs are on the way up, with 93% of manufacturers expecting theirs to increase over the next twelve months. Along with upcoming regulation and taxation, US tariffs could potentially add to inflationary pressures due to supply chain disruptions and exchange rate movements. The top policy priorities for manufacturers are packaging regulations (58%), with the first EPR fees coming in the Autumn of 2025, and government trade policy (56%), with manufacturers keen on increasing market access.

The industry still struggles with labour and skills shortages, with 52% of manufacturers believing that this is a policy area that should be prioritised. **Manufacturers are investing to consolidate their workforce and making sure they are maximizing their output and quality**, with workforce efficiency (64%) being the top motivation for investment. The vacancy rate is now at 3.6%, suggesting that manufacturers are closing vacancies and focusing on their current workforce.

Thank you!

Get in touch

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