

Q1 2018 Food & Drink Business Confidence Survey

FDF conducted the first of its new quarterly business confidence surveys between 4-19 April 2018 to gauge **confidence levels in the food and drink manufacturing sector in Q1 2018**.

We received responses from businesses with a combined UK turnover of **over 10% of food and soft drink manufacturing**. 60% of responses came from small and medium-sized enterprises (SMEs).

Key Findings

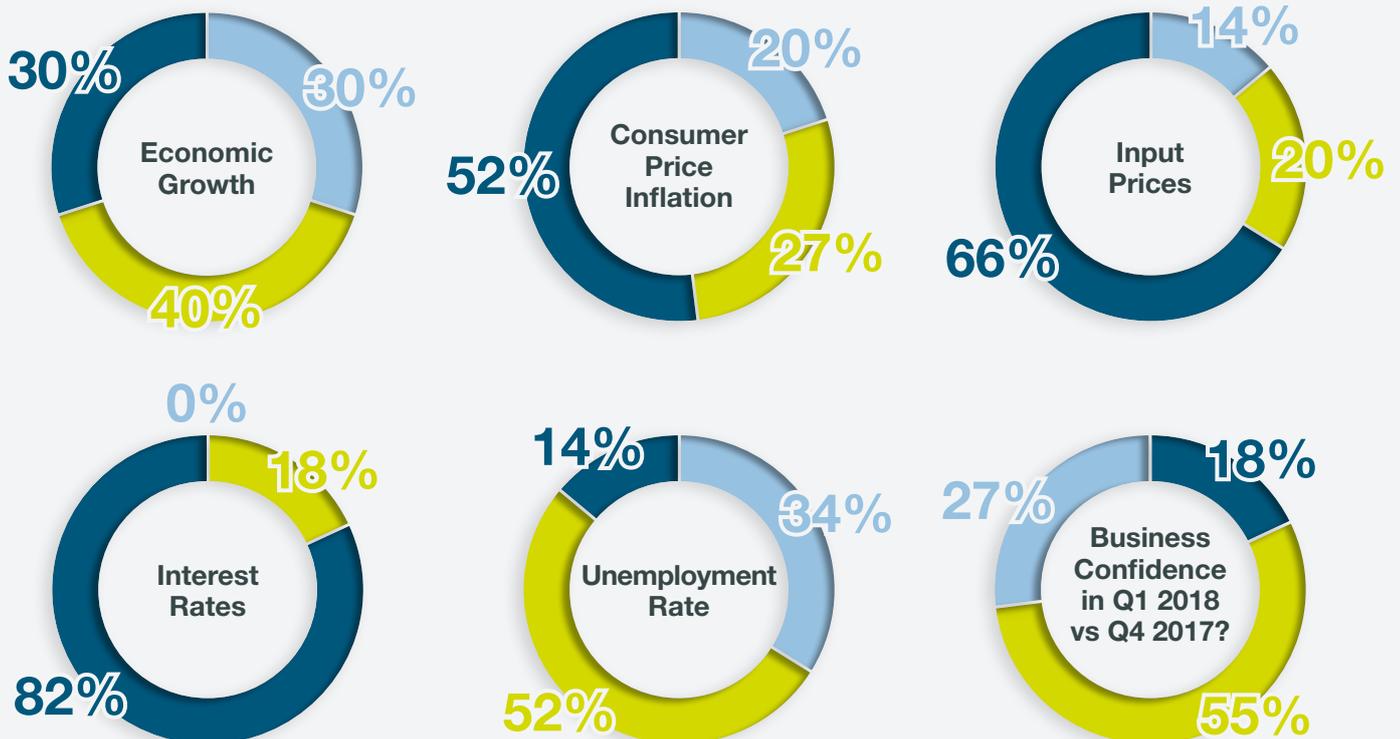
The latest FDF Food and Drink Business Confidence Survey shows that over half of respondents believe **the general business conditions** have remained the same in Q1 2018 compared to Q4 2017, over a quarter believe conditions have **deteriorated**, while fewer than 1 in 5 reported an improvement.

The top 3 opportunities that companies identified for 2018 are increased domestic demand, planned investment in new product launches and increased demand for healthy food products.

The top 3 barriers that companies believe will impact the success of their business during 2018 are increased ingredients costs, exchange rate volatility and uncertainty over the UK's relationship with the EU.

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

- Over half of respondents believe the general business conditions have remained the same in Q1 2018 compared to Q4 2017, while more than a quarter believe conditions have **deteriorated**.
- Businesses reported ingredients, energy, label changes and packaging cost **increases** in Q1 2018.
- Productivity **increases** were reported by over a half of businesses in Q1 2018, with similar numbers also reporting increased average wages.
- However, over half of businesses saw product margins **decrease** in Q1 2018.
- Looking at the wider economy, food and drink manufacturers are split over their expectations for UK economic growth over 2018.
- Around two-thirds expect input prices to increase in 2018, with heightened ingredient costs highlighted as the top barrier to the success of the food and drink industry.
- Manufacturers highlighted the top opportunities that exist in the health food sector. More broadly, businesses anticipate increased demand for their products in the UK and investment in new product launches.

Key impacts on food & drink businesses in Q1 2018



Top 3 opportunities & risks for 2018

OPPORTUNITIES

- **Increased domestic demand**
- **Planned investment in new product launches**
- **Increased demand for healthy food products**

RISKS

- **Increased ingredients costs**
- **Exchange rate volatility**
- **Uncertainty over the UK's relationship with the EU**

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