

# Industry trends

## Food and beverages

### Global demand for non-essential food products shrinks amid squeeze on household incomes



#### Global overview

The world's challenging economic conditions are all too evident in the output results for the food and beverages industry.

This year, with the sole exception of Asia-Pacific, we expect to see a slowdown in food and beverages output on a global scale. Output will increase by just 1.4% and sector investment will grow by 4.3%, down from 6.5% in 2022.

There are several factors keeping prices high and leading consumers to cut back on non-essential food items. Primary among these are supply challenges, much of which have been impacted by the war in Ukraine. With the non-extension of the Russia-Ukraine grain deal, the impact of the war on the global food industry remains severe. Ukraine accounts for 4% of global wheat supply, 13% of corn, and more than a third of the global sunflower oil trade.

Fertiliser shortages are also a challenge. High gas prices in 2022 hampered production in Europe, while Russian fertiliser exports decreased sharply due to sanctions. Farmers and food producers in developing countries are especially affected by the lagged effect of the 2022 fertiliser price spike.

#### Industry performance forecast

Europe		Asia and Oceania		Americas	
Austria	Netherlands	Australia	New Zealand	Brazil	<b>Excellent</b> The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend.  <b>Good</b> The credit risk situation in the sector is benign / business performance in the sector is above its long-term trend.  <b>Fair</b> The credit risk situation in the sector is average / business performance in the sector is stable.  <b>Poor</b> The credit risk in the sector is relatively high / business performance in the sector is below its long-term trend.  <b>Bleak</b> The credit risk in the sector is poor / business performance in the sector is weak compared to its long-term trend.
Belgium	Poland	China	Phillipines	Canada	
Czech Republic	Portugal	Hong Kong	Singapore	Mexico	
Denmark	Slovakia	India	South Korea	USA	
France	Spain	Indonesia	Taiwan		
Germany	Sweden	Japan	Thailand		
Hungary	Switzerland	Malaysia	Vietnam		
Ireland	Turkey				
Italy	UK				

# Industry trends

## Food and beverages

Global: Key figures food and beverages	2022	2023*	2024*	2025*
Production index (real)	1.9	1.4	2.9	3.4
Gross output (sales), (real USD)	0.9	1.6	3.2	3.8
Investment (real USD)	6.5	4.3	3.2	4.4
Gross operating surplus (profits), (nominal USD)	5.4	7.5	2.1	6.7

Output per region	2022	2023*	2024*	2025*
Asia-Pacific	3.0	2.9	5.5	5.3
Eurozone and UK	1.3	0.8	1.3	2.0
North America	-0.4	-0.8	-0.8	0.8
South America	2.4	0.0	0.7	3.0

Year-on-year, % change /\*forecast – Source: Oxford Economics

### Strengths and growth drivers

**Structural resilience.** Demand is inelastic, due to the essential nature of food.

**Emerging markets growth.** Disposable incomes are increasing leading to growth in higher value-added goods.

**Changing consumer tastes.** Consumers are increasingly demanding foods with health benefits.

**New technologies.** Big data solutions are helping to improve efficiency; there is also growth in scientifically engineered ingredients and products.

### Constraints and downside risks

**Margin issues.** Profit margins for many food producers are structurally thin and under pressure.

**Susceptible to sudden crisis.** Price volatility, disease and extreme weather are difficult to predict.

**Critical consumers.** Consumers are increasingly demanding full transparency from producers.

**Sustainability.** Short-term investment is needed into clean energy, green supply chains, food waste reduction and eco-packaging.



# Food and beverages outlook Americas

Food and beverages output	2022	2023*	2024*	2025*
Brazil	2.9	1.7	0.0	3.3
Canada	2.7	-0.5	0.2	3.1
Mexico	2.2	-0.1	0.2	2.3
United States	-1.0	-0.9	-1.0	0.3

Year-on-year, % change /\*forecast – Source: Oxford Economics

## USA

**We expect US food and beverages output to contract again in 2023 and 2024.**

Despite the Fed’s work to curb persistent inflation, food prices remain elevated leading consumers to seek affordable options and retailers to strain profit margins in a bid to attract them with promotions. The sector is struggling with economic uncertainty. Adverse weather conditions and geopolitical issues are affecting the supply chain from source to consumer. The arrival of El Niño is likely to hamper US agricultural and food production in 2023 and 2024 with changes in temperatures and rainfall.

The effects of the war in Ukraine have driven up food prices. Labour, logistics and financing costs have also increased, weighing on profit margins along the length of the food supply chain.



## Brazil

**Food and beverages output is expected to increase by 1.7% in 2023 and to level off by 2024.**

The war in Ukraine has affected the sector in different ways. On the one hand it has helped to boost sales for many agri-food exporters. On the other hand, it has impacted production costs, in particular the current higher prices of fuel and fertilisers.












## Mexico

**Despite modest growth in 2023-2024, the outlook for the food and beverages sector remains fair.**

Easing prices will support consumer spending on food and non-alcoholic drinks. Food consumption will be focused on staples such as meat and poultry, although there will be opportunities for premium goods as consumers increase their budgets. The increase in disposable incomes will also help drive growth in the alcoholic beverage segment.



Industry performance forecast	
	<b>Brazil</b>
	<b>Canada</b>
	<b>Mexico</b>
	<b>USA</b>
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# Food and beverages outlook Asia Pacific

Food and beverages output	2022	2023*	2024*	2025*
China	3.3	4.5	7.9	6.3
India	-0.5	4.7	4.9	9.8
Indonesia	5.0	1.7	1.4	3.5
Japan	0.8	-2.5	1.1	1.2

Year-on-year, % change /\*forecast – Source: Oxford Economics

## China

**Food and beverages output in China is predicted to grow by 4.5% in 2023 and almost 8% in 2024.**

The war in Ukraine has only a limited impact on the industry. China produces the vast majority of corn and wheat it consumes domestically. However, it does rely on Ukraine for more than 60% of its sunflower oil and is the largest global importer of food, which poses a downside risk for the sector.



## India

**The outlook for food and beverages output growth in India is 4.7% in 2023.**

India relies on Ukrainian food imports (in particular sunflower oil). As a result, food price inflation depends heavily on the developments in Ukraine. Currently food prices are keeping inflation high. However, government measures (including export restrictions) should help to decrease food prices in the coming months. That said, there is a risk that drought caused by El Niño could raise food price pressures again in the coming months.






















## Japan

**The food and beverage sector's output growth in Japan is expected to contract by 2.5% in 2023.**

Grain shortages caused by reduced Ukrainian exports led to increased food prices in 2022, which we expect to decrease during the coming months. As the population is shrinking, food output will not make advances in the long-term.



Industry performance forecast	
	Australia
	China
	Hong Kong
	India
	Indonesia
	Japan
	Malaysia
	New Zealand
	Phillippines
	Singapore
	South Korea
	Taiwan
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# Food and beverages outlook

## Europe

Food and beverages output	2022	2023*	2024*	2025*
France	-1.0	-0.8	1.0	2.4
Germany	0.7	0.9	0.4	0.2
Italy	1.3	-0.2	2.3	2.2
United Kingdom	1.9	-0.3	0.2	0.6

Year-on-year, % change /\*forecast – Source: Oxford Economics

### Eurozone and UK

**Food output in the eurozone is forecast to grow by 1.3% in 2023. In the UK it is expected to decrease by 0.3%.**

In 2024, we expect food and beverages output to continue with modest growth. 1.6% in the eurozone and 0.2% in the UK. Food spending will take a larger share of household disposable income, at the expense of other consumer goods. However, the relative wealth of eurozone countries, along with the essential consumer need for food, means the current squeeze on household incomes will not translate into a severe impact on the food industry in this region.

### Food price inflation remains elevated.

While energy and agricultural commodity prices have fallen from their peaks in 2022, food price inflation will remain elevated in the near term in both the eurozone and the UK.

Fertiliser prices have decreased, but there is still the risk that prices of natural gas and agricultural commodities will increase towards the end of 2023. This would drive up input costs, and lead to rising food inflation. Additionally, adverse weather conditions such as the heatwaves that scorched southern Europe this summer, could impact agri-food output and price developments. This could negatively impact already strained household spending power.



Industry performance forecast	
	Austria
	Belgium
	Czech Republic
	Denmark
	France
	Germany
	Hungary
	Ireland
	Italy
	Netherlands
	Poland
	Portugal
	Slovakia
	Spain
	Sweden
	Switzerland
	Turkey
	UK
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