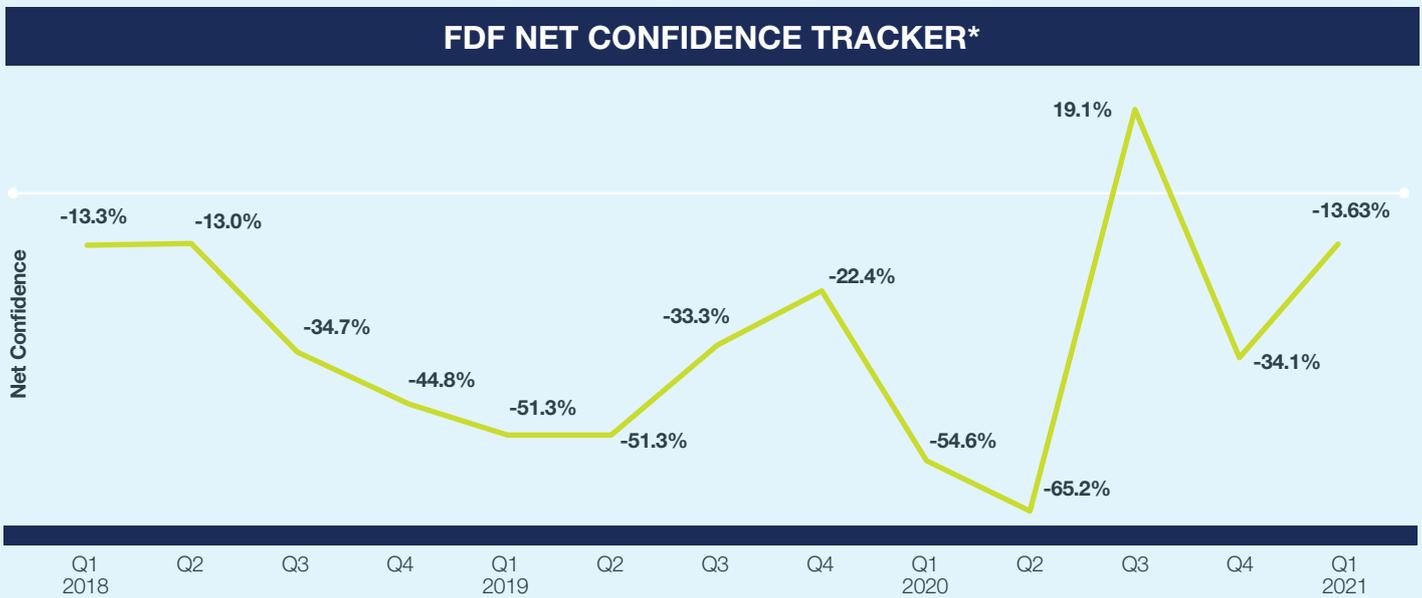


Food & Drink Business Confidence Report

Key Findings

- The latest FDF Business Confidence survey shows that **net business confidence rose in Q1 2021, reaching -14%**, as a result of the UK government's vaccine rollout and the easing of lockdown restrictions.
- **Businesses continued to experience decreased domestic sales** in Q1, driven by low levels of domestic hospitality and food service sales.
- Over a third of respondents saw **increased output, productivity and domestic retail sales** in Q4 2020.
- Businesses are relatively optimistic about UK economic conditions in 2021, with **three quarters expecting business output to increase** and **two thirds expecting business confidence to increase**. Nonetheless, businesses have highlighted concerns regarding the unemployment rate and consumer price inflation, with more than half expecting them to rise in the upcoming months.
- **Key opportunities in 2021 include:** increased domestic demand (retail, hospitality and food service), planned investment in new product launches and international trade opportunities.
- **Key barriers in 2021 include:** border and customs issues, cost of ingredients and cash flow issues.

Q1 2021 Confidence Snapshot



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

Business confidence improved in Q1 2021, but remained negative. Businesses felt positive about the vaccination rollout and the prospect of the reopening of hospitality in Q2, which indicates a light at the end of the tunnel after more than one year of restrictions due to COVID-19. Nonetheless, the optimism did not offset struggles surrounding the end of the EU Exit transition period and low level of sales.

* 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%.

Q1 2021 Key Impacts on the Industry

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



decreased domestic hospitality and food service sales



unchanged domestic retail sales



increased expenditure on staff training



unchanged labour supply



reduced cash flow



reduced product margins



increased investments



decreased stockpiling



unchanged new product launches

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 Opportunities and Barriers

Members ranked the top three factors they consider to be opportunities and barriers to the success of their business. The most common factors to be ranked in the top three are listed in order below:

↑ Opportunities

1. Increased demand
2. New product launches
3. International trade opportunities
4. Stronger sterling
5. Innovation

⊖ Barriers

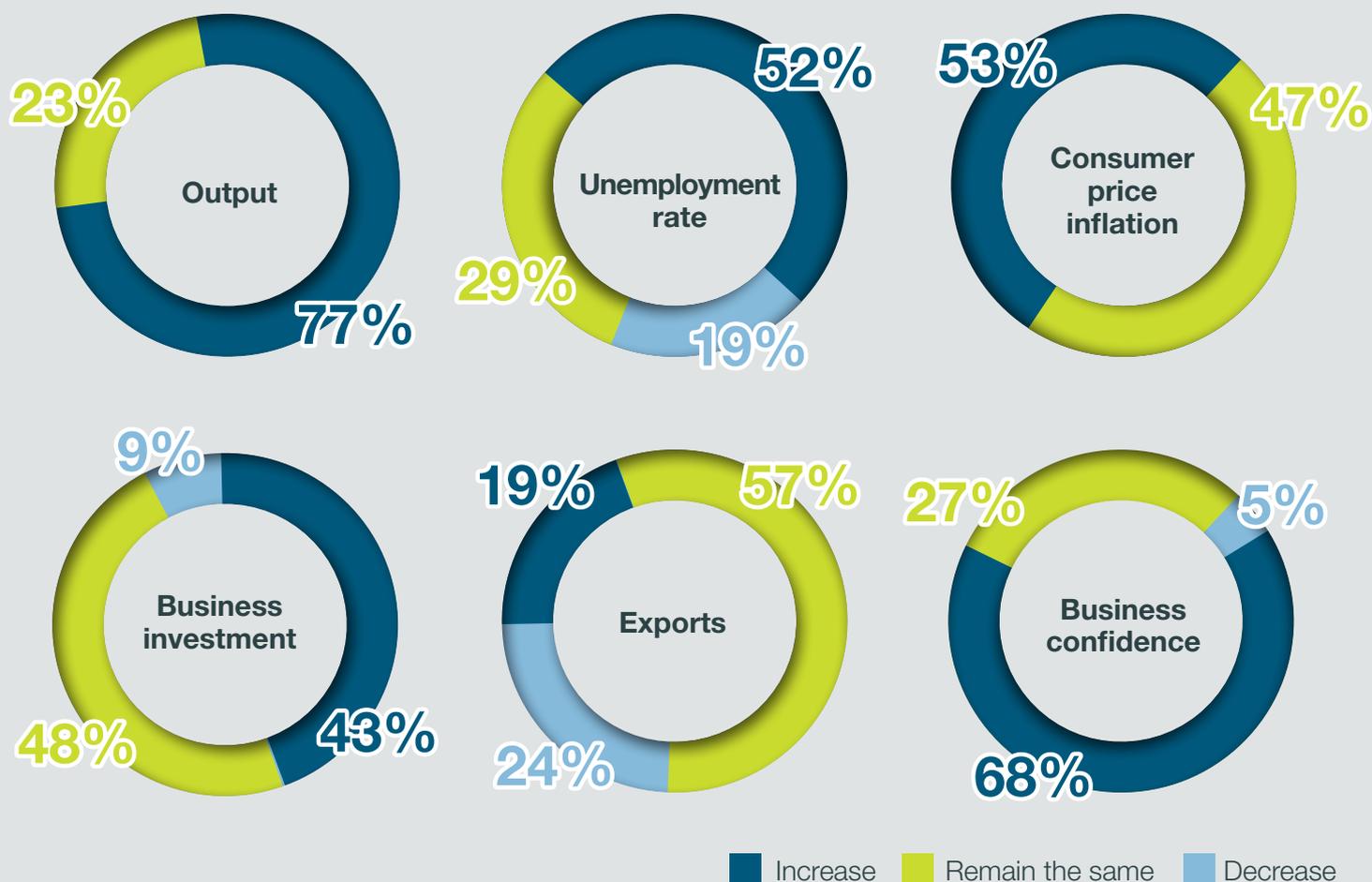
1. Increased costs
2. Border/custom issues
3. Changes in the supply chain
4. Cash flow issues
5. Threat of further government regulation

2021 UK Outlook

- In February 2021, overall output was still significantly below the pre-pandemic level, although output for manufacturing was almost back to the initial recovery peak of October 2020.
- Businesses are relatively optimistic about UK economic conditions in 2021, with three quarters expecting output to increase and two thirds expecting business confidence to increase. Nonetheless, businesses have highlighted concerns regarding the unemployment rate and consumer price inflation, with more than half expecting them to rise in the upcoming months.
- The main triggers for higher consumer price inflation were identified as increased raw material prices (80%), government regulation and energy costs (55%) and imported inflation (50%).
- Between January and March 2021, UK businesses were adapting to changes in trading arrangements following the end of the transition period. The latest data shows that overall exports were down 21.3% in February, with exports to the EU down by 40.9%.

2021 Views on the Wider Economy

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



Survey Background

The FDF conducted its twelfth consecutive quarterly business confidence survey between 9 – 30 April 2021. We received responses from 22 members (accounting for 100+ brands) with a combined approximate turnover exceeding £5bn², 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.