

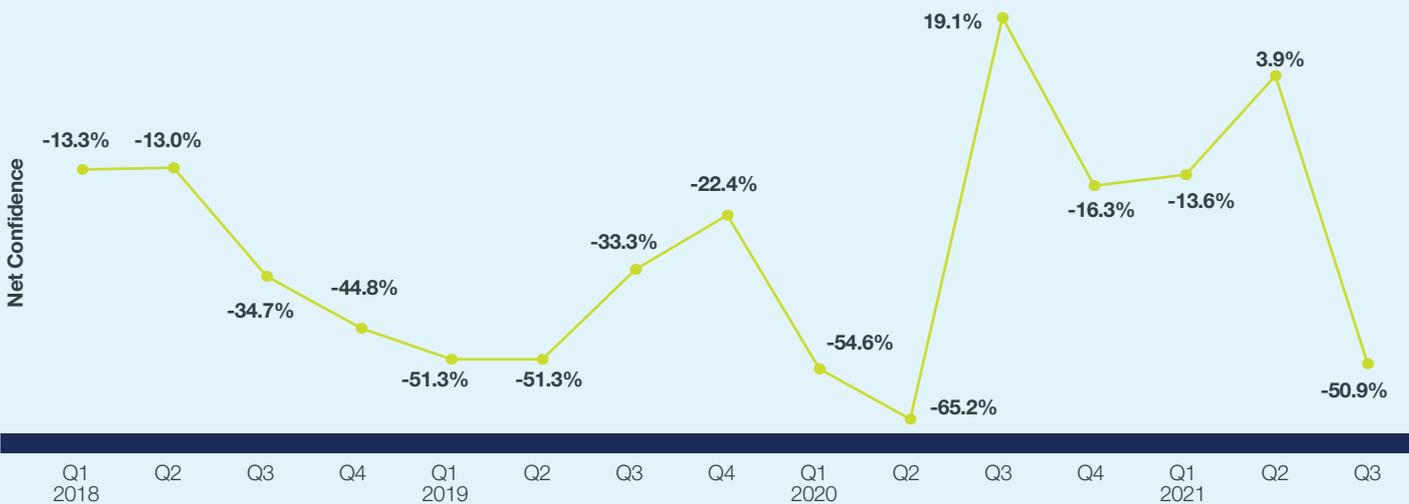
Food & Drink Business Confidence Report

Key Findings

- The latest FDF Business Confidence Survey shows that **net business confidence fell by 55%** in Q3 2021, dropping to -51% as a result of the ongoing labour shortages and associated issues that are impacting food and drink supply chains. This is the lowest net confidence rate since Q2 2020 (-65.2%) and the biggest drop in confidence since the FDF began reporting on business confidence in 2018.
- **Severe supply chain disruption was the biggest cause for concern**, particularly the transportation of goods with 93% experiencing delayed or missed outbound deliveries and 75% reporting delayed or missed inbound deliveries.
- **Labour supply issues are not likely to resolve soon**, half of respondents are expecting the permanent supply to decrease and 54% expect the temporary supply to decrease in Q4 2021. **Labour shortages also continue to remain across a range of roles in the food supply chain.** The most common shortages were HGV drivers, temporary agency workers and process, plant and machine operatives.
- **Product margins are squeezed**, driven by wide-ranging supply chain disruption and rising production costs.
- An overwhelming majority of businesses anticipate continued price rises, **with 97% of respondents expecting consumer price inflation to increase in Q4 2021.**
- **Businesses are full of pessimism and a further decline in business confidence is anticipated.** Around half of respondents expect a further decrease in business confidence in the final quarter of 2021.

Q3 2021 Confidence Snapshot

FDF NET CONFIDENCE TRACKER*



Business confidence declined significantly in Q3 2021, with net confidence returning to negative after the positive outlook in Q2 2021. Businesses felt pessimistic about the impact of ongoing labour shortages, rising consumer price inflation and the tightening of product margins.

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.

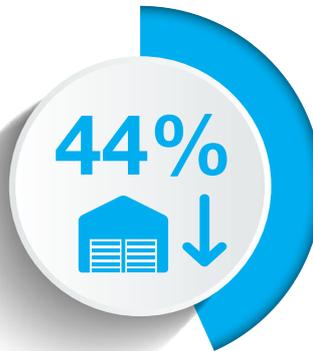
* Net confidence represents the difference between the proportion of respondents who expressed a positive and negative sentiment. For example, if 70% of respondents were unconfident, and 20% were confident, net confidence would be -50%.

Q2 2021 Key Impacts on the Industry

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



decreased product margins



decreased availability of warehousing



shortage of HGV drivers



shortage of process, plant and machine operatives



delayed/missed outbound deliveries



delayed/missed inbound deliveries



reduced output/closure of production lines



increased production costs



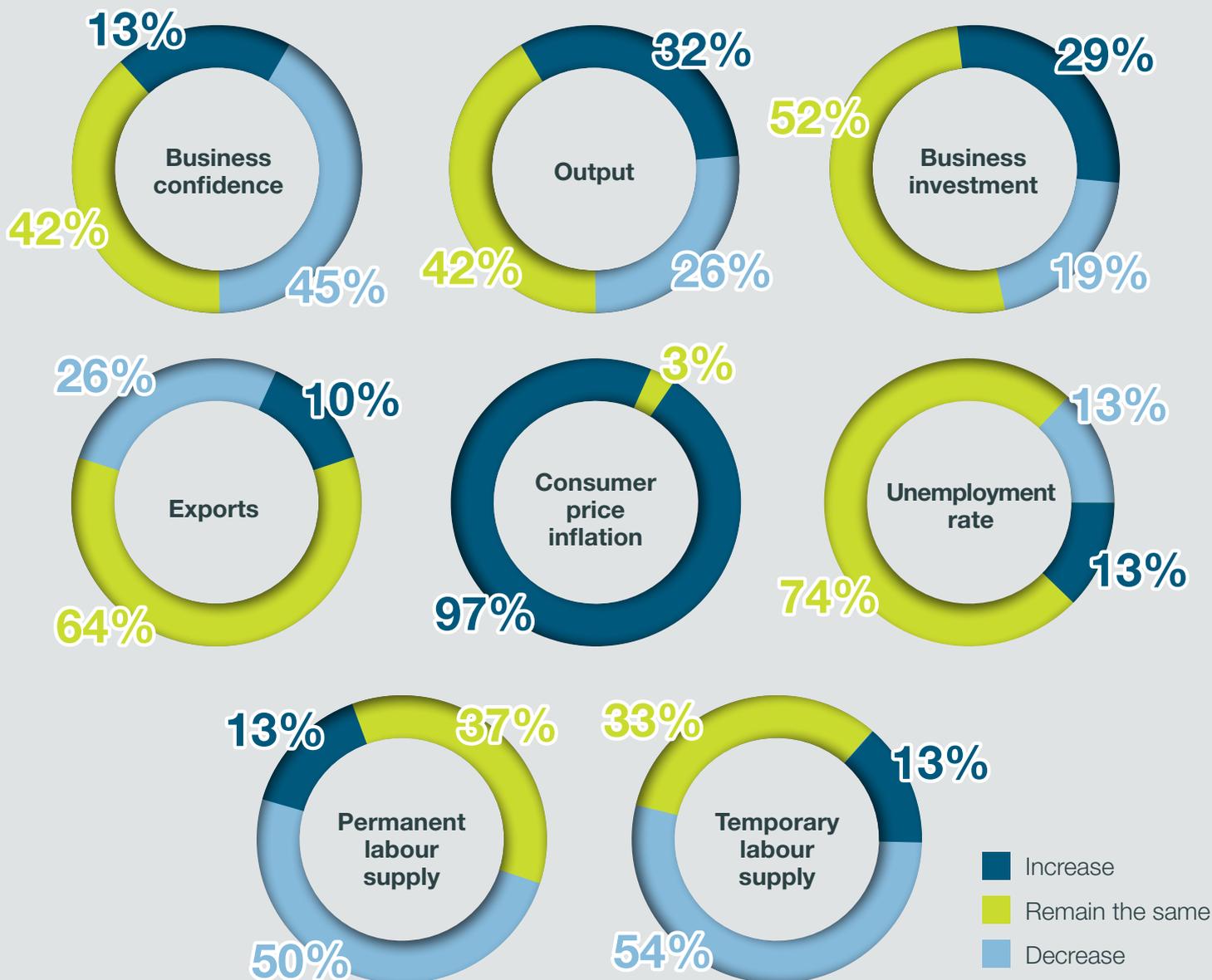
average increase in energy prices

2021 UK Outlook

- The UK economy is recovering from 18 months of coronavirus restrictions. Following the 4.8 per cent increase in the second quarter of 2021, GDP increased by a further 1.2 per cent in Q3 2021.
- However, the ongoing economic uncertainty means that many businesses remain **pessimistic about UK economic conditions** in the final quarter of 2021, with almost half expecting business confidence to decrease.
- Half of businesses also expect **temporary labour supplies to decrease** further, while 97% of businesses are now anticipating **consumer price inflation to increase**.

2021 Views on the Wider Economy

Does your business expect the following to increase, remain the same, decrease in Q4 2021?¹



Survey Background

The FDF conducted its thirteenth consecutive quarterly business confidence survey between 21 October – 11 November 2021. We received responses from 34 members (accounting for 150+ brands) with a combined turnover exceeding £6.8bn², located in all regions of the UK. Over half of responses were from small and medium-sized enterprises (SMEs).

Endnotes

- 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.