The Contribution made by Beer to the European Economy

United Kingdom - March 2020

Europe Economics

The Brewers of Europe

United Kingdom

1 | Country profile

Table 1. Country profile

	2018
Population	66,273,576
Currency	Pound sterling
GDP per capita in PPS (2012, EU28 = 100)	105

Source: Eurostat and National Statistical offices.

2 | Highlights United Kingdom

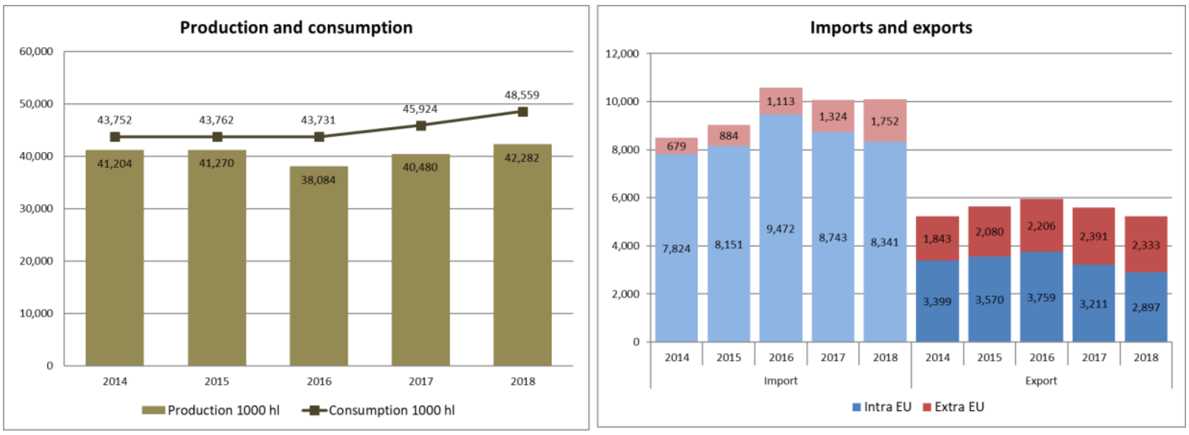
Table 2. Economic impact summary (and % change over the period)

		2015	2016	2017	2018
Total number of jobs	[31.3%]	296,083	290,987	364,995	388,830
Value-added (mEuro)	[-3%]	11,310	10,331	10,472	10,966
Government revenues (mEuro)	[3%]	9,221	9,149	8,955	9,498

Source: Calculations - different sources.

The recent evolution in the UK is characterised by a sustained increase in the beer-hectolitres consumed and a high dependence of imports (most of them coming from the EU).

Figure 1. Evolution of main indicators (2014-2018)



Source: National associations.

3 | A snapshot of the brewing sector

Following a number of years of decline, total production has levelled out and increased again in the UK, with annual volumes over 42 million hectolitres in 2018. The trends seem to indicate a small but sustainable growth over the next years. However, the most striking feature of this country is the explosion in the number of microbreweries. The UK has added one third of the microbreweries it had in 2015, moving from around 1,500 in 2015 to close to 2,000, showing an increase in diversity in the conventional brewery sector.

Table 3. Basic characteristics beer sector (2015-2018)

	2015	2016	2017	2018
Total production (in hectolitres)	41,270,000	38,084,000	40,480,000	42,282,000
Brewing companies	1,566	1,856	1,916	2,016
Breweries (including microbreweries)	1,580	1,870	1,930	2,030
Microbreweries	1,527	1,817	1,878	1,978

Source: National Associations.

4 | Looking at the beer market

The majority of beer sold in UK is produced there, but there is also a significant amount of imports to satisfy its consumers' demand. Total sales which consistently stood above 40 million hectolitres, reached values close to 50 million in the last year. The growth is partly due to more consumers drinking beer but also to an increase in per capita consumption (this has reached 73 litres in 2018).The eruption of sales of new beer products and most noticeably craft beer and no and low alcohol beer continues to show strong year on year growth. There has also been a recent trend towards lower strength beer with HMRC data suggesting the average ABV of UK beer is now 3.9 per cent, which represents an all-time low.

Zenith estimates that craft beer currently accounts for 5% of beer volume sales, a percentage that could raise sharply. This is also reflected in the different delivery channels: supermarkets are adapting to the increased craft beer demand by allocating additional shelf-space, and on-trade outlets are also embracing the new trends by offering a larger selection of craft beers.[1] The prices have steadily risen in both the hospitality and retail sectors (around a 7% increase in both markets over the period).

Table 4. Basic characteristics beer market (2015-2018)

	2015	2016	2017	2018
Total consumption in hectolitres	43,762,000	43,731,000	45,924,000	48,559,000
Total consumer spending (in million Euro)	20,556	20,226	21,887	23,709
Consumption of beer per capita (in litres)	67	67	70	73
Beer consumption hospitality	49%	48%	47%	46%
Beer consumption retail	51%	52%	53%	54%
Consumer price hospitality (€ / litre)*	6.98	6.96	7.31	7.48
Consumer price retail (€ / litre)*	2.50	2.47	2.51	2.67

Note: * Prices are averages inclusive of taxes and duties.

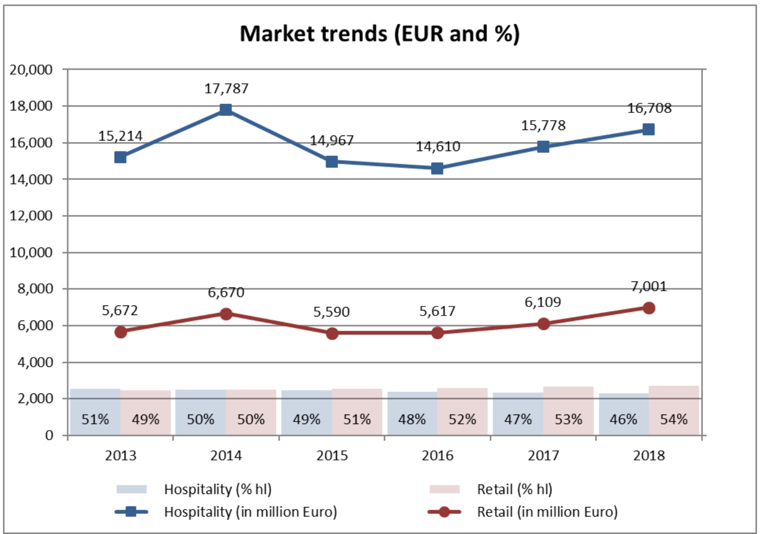
Source: National Associations.

5 Trends and developments

[1] Zenith: Craft beer in Europe.

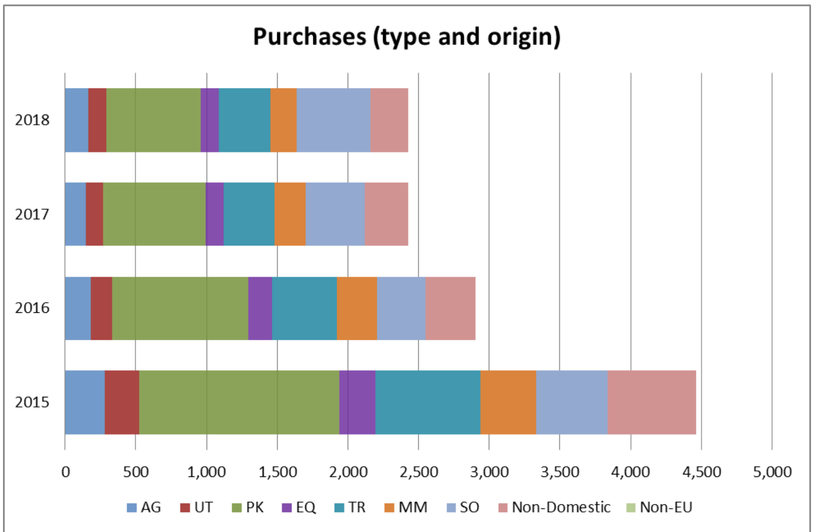
As in many other European countries, the UK is slowly shifting towards the consumption of beer off premises. The years 2015 to 2018 have seen a definitive shift into the retail purchases, showing for the first time that the greater share of beer is now being consumed (in volumes) from supermarkets and retail stores. In terms of value, the consumption is still much higher in the hospitality sectors, showing the higher prices being charged for the beer consumed on the premises.

Figure 2. Recent consumption trends (2013-2018)



The importance of the beer goes beyond the brewing sector itself. As a manufacturer, the industry buys inputs from other sectors. In recent years, it is remarkable to see a decrease in the total amounts of purchased goods, and also a decrease in the share of non-domestic purchases. The extent to which this share ends up as redirected to domestic purchases or non-EU will depend on the trade agreements and situation of the UK after its departure from the EU.

Figure 3. Importance up the chain



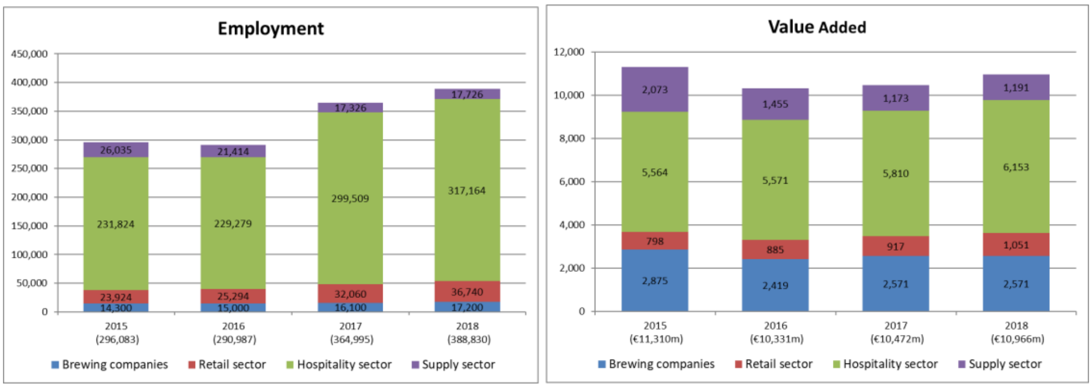
Note: AG – Agriculture; UT – Utilities; PK – Packaging; EQ – Equipment; TR – Transport; MM – Media / marketing; SO – Other services.
Source: Calculations based on data from Eurostat, and the Individual Brewers Questionnaire.

6 | The impacts beyond the sector: related jobs and value added

The influence of beer up-stream its supply sectors and down-stream to the hospitality and retail sectors can be seen below. Most of this impact can be seen in the hospitality sector, and this has been increasing following recent consumption trends.

The overall pattern in value added has been more erratic, reflecting differences in the production observed in the past years. However, it is clear that the impacts, whether in terms of jobs or value added can be felt across the whole chain of production and delivery.

Figure 4. Change in employment and value added (2015-2018).



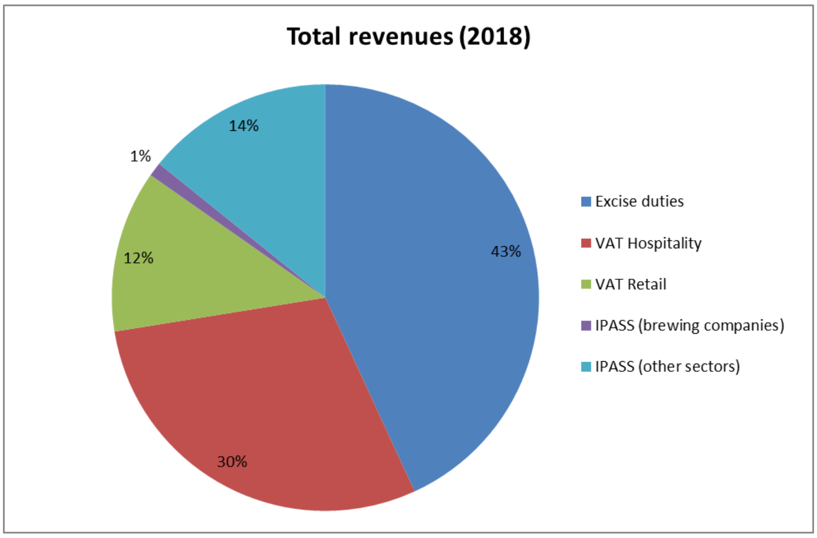
Source: Calculations based on data from Eurostat, National Associations, and the Individual Brewers Questionnaire.

The employment in the supply sector can be broken down using the estimates from the responses to the survey to brewers. These imply a job breakdown of: 2,993 jobs in agriculture, 3,751 jobs in packaging, 3,390 jobs in transport, 2,430 jobs in media and marketing (the remaining corresponding to utilities, equipment, other).

7 | Government revenues related to beer

Government revenues in the UK are dominated by excise duties and the VAT from hospitality and retail sectors. In comparison to those taxes, the contributions made by employees are a lot smaller.

Figure 5. Government revenues generated by beer in 2018



Source: Calculations based on data from Eurostat, and the National Associations.

The total taxes attributed to beer have seen some fluctuations across recent years. In 2018 they stand at 9.5 billion Euros, most of it coming from taxes related to its consumption (excise and VAT).

Table 5. Government revenues (2008-2012)

	2015	2016	2017	2018
Excise duties	4,449	4,449	3,940	4,097
VAT Hospitality	2,494	2,435	2,630	2,785
VAT Retail	932	936	1,018	1,167
IPASS (brewing companies)	196	154	101	101
IPASS (other sectors)	1,150	1,174	1,266	1,348
Total government revenues	**9,221**	**9,149**	**8,955**	**9,498**

Source: Calculations - different sources.

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