United Kingdom

1 COUNTRY PROFILE

TABLE 1. COUNTRY PROFILE

	2020	2022
Population	67,025,542	67,777,446
Currency	Pound sterling	Pound sterling
GDP per capita in PPS (2012, EU28 = 100)	102	99

Source: Eurostat and National Statistical offices.

2 HIGHLIGHTS UNITED KINGDOM

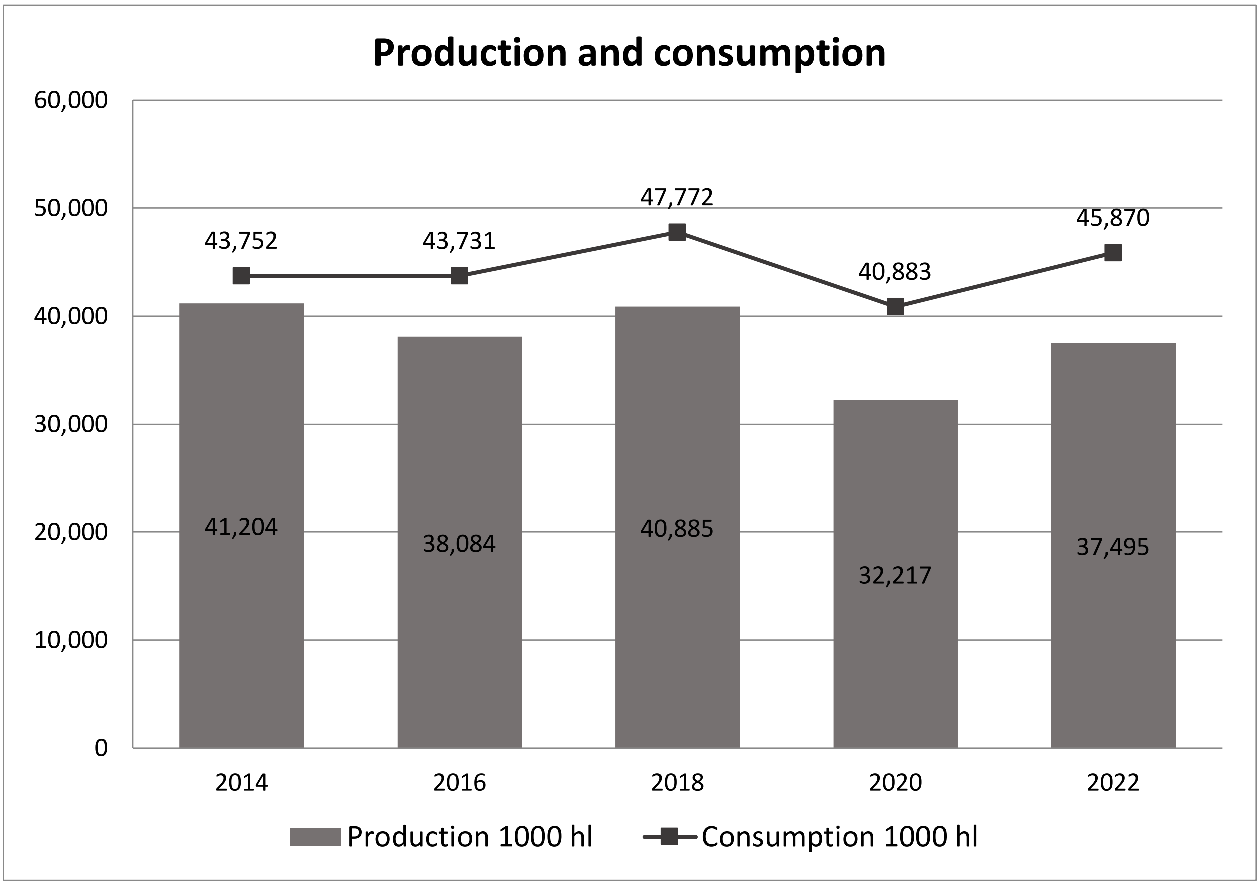
TABLE 2. SUMMARY OF BEER SECTOR'S ECONOMIC IMPACT (AND % CHANGE OVER THE PERIOD 2016-2022)

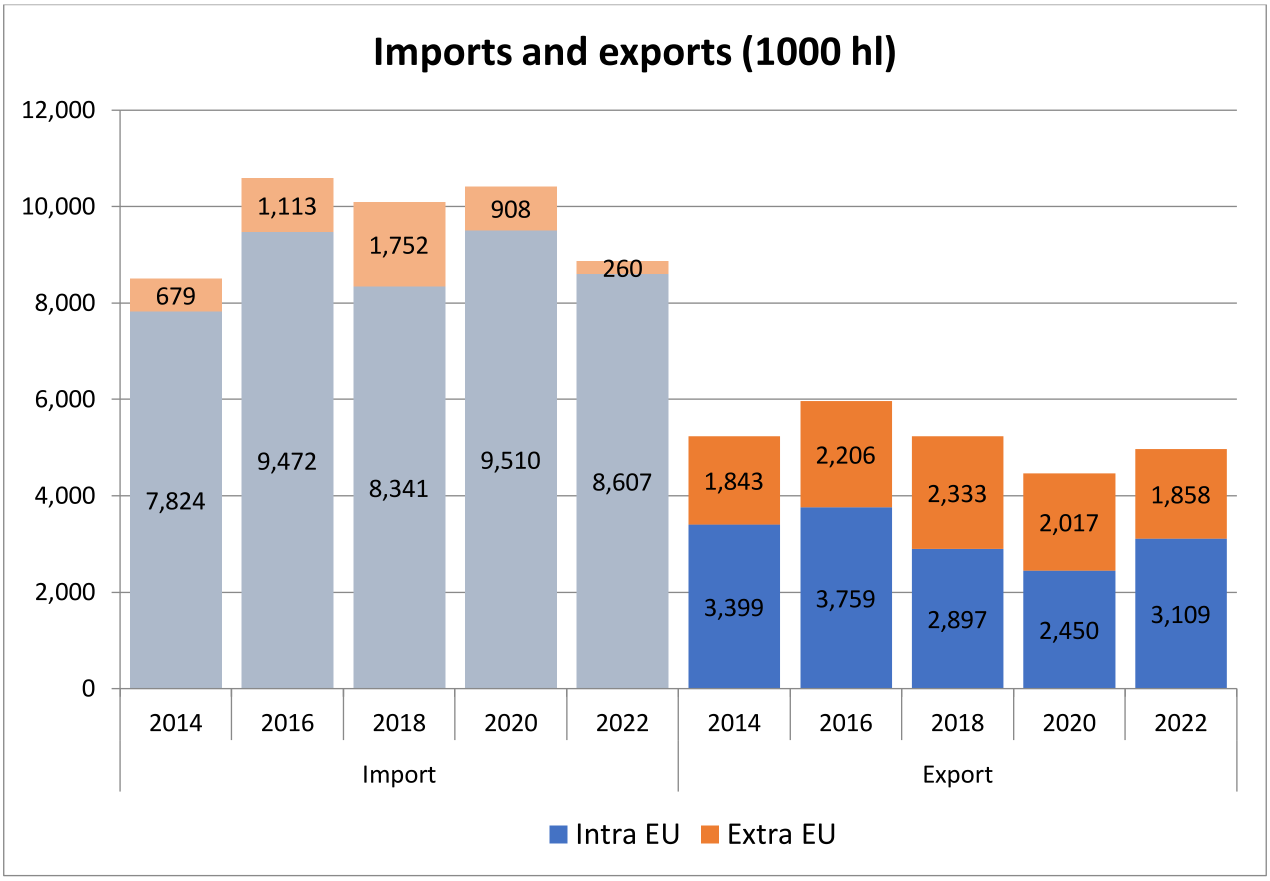
		2016	2018	2020	2022
Total number of jobs	[25.5%]	290,987	364,455	206,509	365,183
Value-added (mEuro)	[-7.1%]	10,331	9,993	6,068	9,599
Government revenues (mEuro)	[7.2%]	9,149	9,498	7,160	9,807

Source: Calculations - different sources.

In 2022, beer production was 37,495,000 hectolitres, while consumption reached 45,870,000 hectolitres; over this period consumption is consistently greater than production. This means that the UK shows a significant reliance on imports, with a notable portion coming from the European Union. Exports of British beer remain at around 10 per cent of production over this period, equally split between EU and non-EU countries.

FIGURE 1. EVOLUTION OF MAIN INDICATORS (2014-2022)





Source: National Associations.

3 A SNAPSHOT OF THE BREWING SECTOR

In recent years, total beer production in the UK saw significant fluctuations, with production dropping to 32.2 million hectolitres in 2020 due to the impact of the COVID-19 pandemic. However, by 2022, production had recovered to 37.5 million hectolitres. A notable trend in the UK brewing sector is the stable domestic consumption despite economic challenges, with consumption remaining around 45.9 million hectolitres in 2022. This reflects a resilient demand for beer in the UK market, even amidst external shocks like the pandemic.

TABLE 3. BASIC CHARACTERISTICS OF THE BEER SECTOR (2016-2022)

	2016	2018	2020	2022
Total production (in hectolitres)	38,084,000	40,885,000	32,217,000	37,495,000
Brewing companies	1,856	1,946	1,852	1,817
Breweries (including microbreweries)	1,870	2,030	1,870	1,830
Microbreweries	1,817	1,908	1,815	1,779

Source: National Associations.

4 LOOKING AT THE BEER MARKET

The UK beer market has shown resilience and adaptability in recent years. The majority of beer sold in the UK is domestically produced, but significant imports also help meet consumer demand. Despite a drop in consumption and production in 2020 due to the COVID-19 pandemic, the market rebounded in 2022 with consumption reaching almost 46 million hectolitres and per capita consumption rising to 68 litres.

Craft beer and low or no alcohol beer continue to see strong growth. Craft beer sales increased in 2022, contributing to a positive growth trend. The category's growth rate improved significantly from the previous years.[1] Additionally, there is a trend towards lower strength beers, with the average ABV of UK beer at an all-time low of 4.4%. The prices in both hospitality and retail sectors have steadily risen, reflecting the overall growth and diversification of the market.[2]

[1] https://www.just-drinks.com/news/uk-beer-sales-just-starting-to-recover-from-covid-volume-slump-globaldata/#:~:text=Craft%20beer*%20saw%20sales%20edge,2022%20to%202.7%25%20last%20year.

[2] https://assets.publishing.service.gov.uk/media/5eecc4e786650c2d245a0c45/Review_of_typical_ABV_levels_in_beer_cider_and_wine_purchased_for_the_in_home_market.pdf

TABLE 4. BASIC CHARACTERISTICS OF THE BEER MARKET (2016-2022)

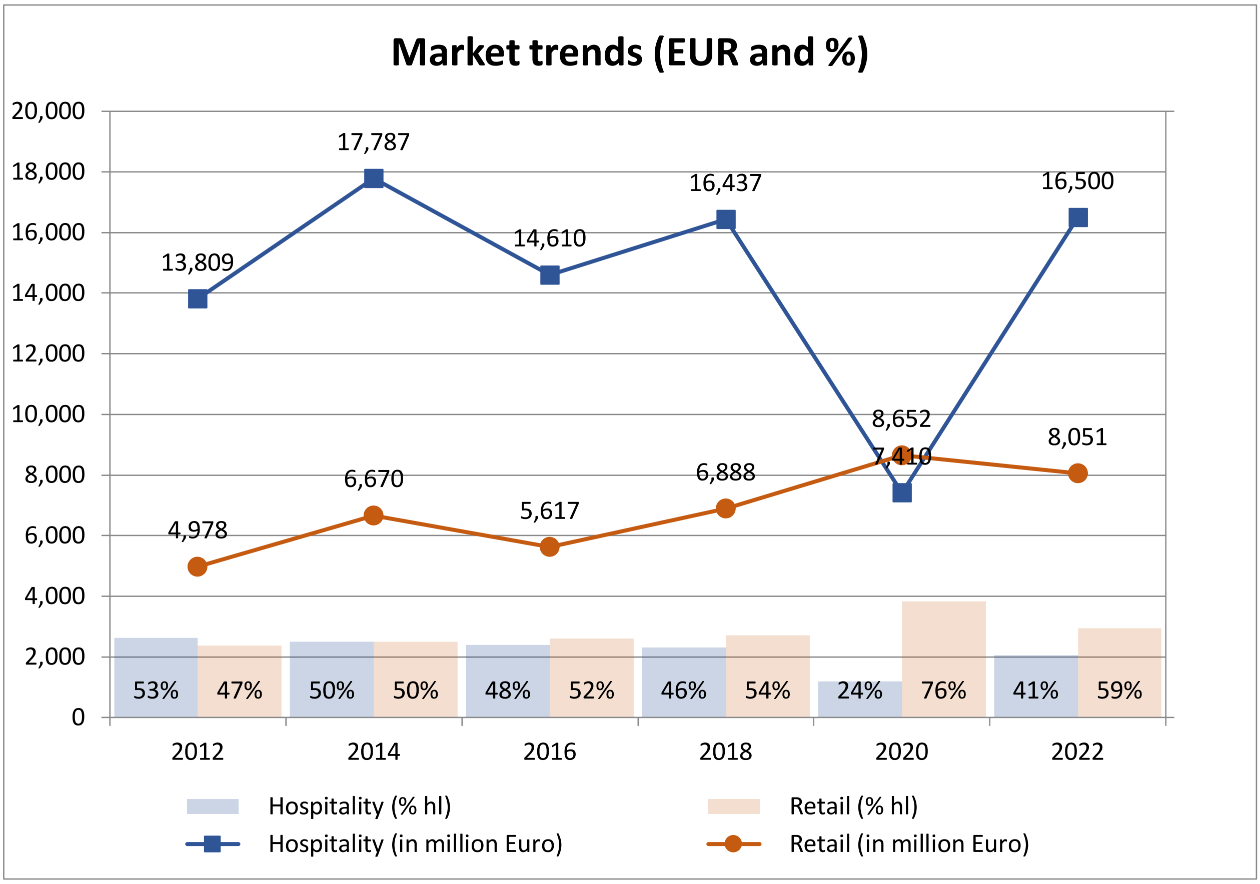
	2016	2018	2020	2022
Total consumption in hectolitres	43,731,000	47,772,000	40,883,000	45,870,000
Total consumer spending (in million Euro)	20,226	23,325	16,062	24,551
Consumption of beer per capita (in litres)	67	72	61	68
Beer consumption hospitality	48%	46%	24%	41%
Beer consumption retail	52%	54%	76%	59%
Consumer price hospitality (€ / litre)*	6.96	7.48	7.68	8.71
Consumer price retail (€ / litre)*	2.47	2.67	2.77	2.99

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

5 TRENDS AND DEVELOPMENTS

The market trends show a notable shift in the UK towards off-premises beer consumption. The 2020 drop in hospitality sector spending is attributed to a significant reduction in beer consumption in hospitality venues, which traditionally charge higher prices for beer. This shift is evident from the chart, where the proportion of beer consumed in hospitality settings dropped to 24% in 2020, likely due to COVID-19 restrictions, leading to a corresponding increase in retail consumption. Despite the pandemic's impact, the hospitality market recovered by 2022, nearing €16.5 billion, while retail spending also grew, highlighting the resilience and adaptability of the UK beer market.

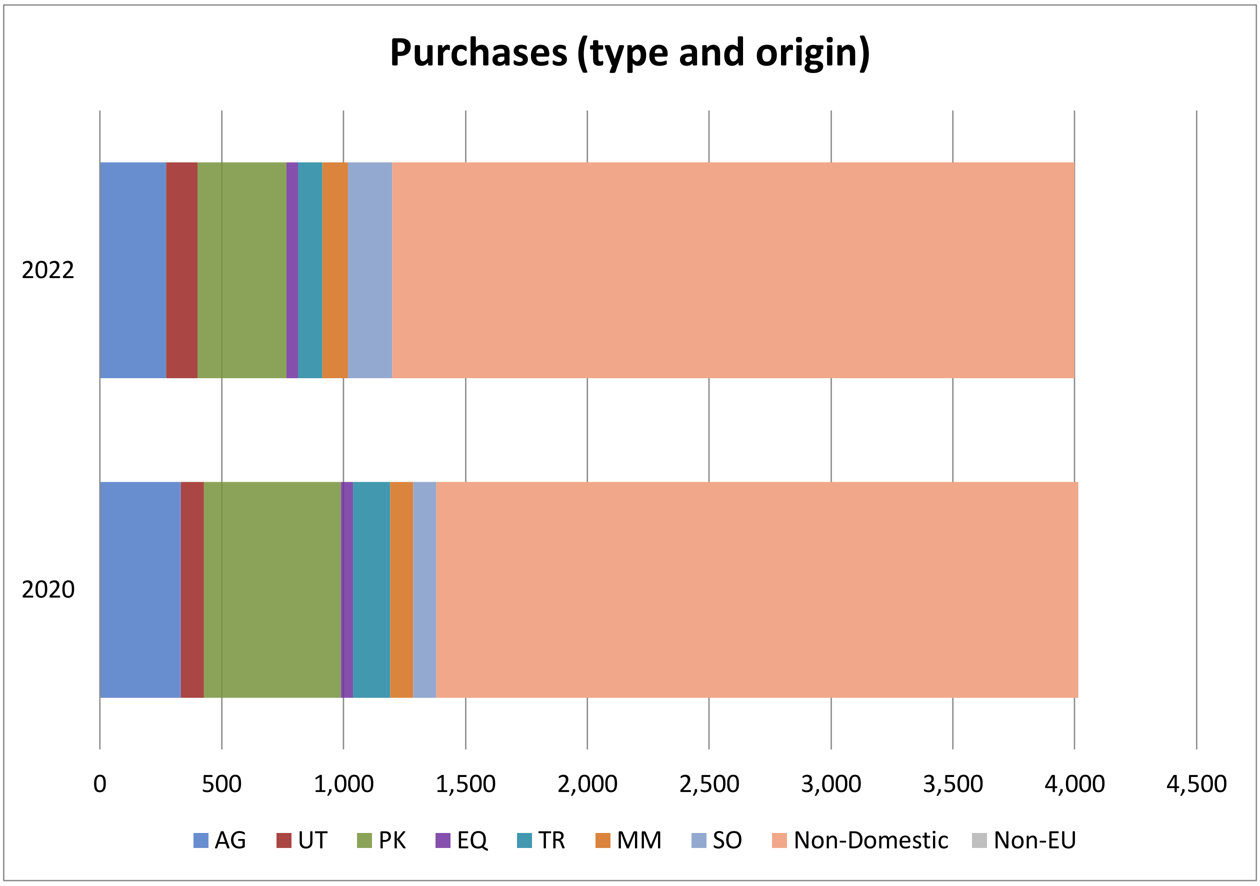
FIGURE 2: RECENT CONSUMPTION TRENDS (2012-2022)



Source: National Associations.

The importance of beer goes beyond the brewing sector itself, extending into various sectors through the purchase of inputs. In recent years, there has been a notable trend of high proportions of non-domestic purchases. As shown in the chart, the share of imported goods in the upstream supply chain is significant, and has grown from 2020 to 2022. This growth in non-domestic purchases has replaced domestic supply chain spending; the overall supply chain purchases have not changed in this period.

FIGURE 3: SPLIT OF BEER SECTOR'S SUPPLY CHAIN PURCHASES



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.

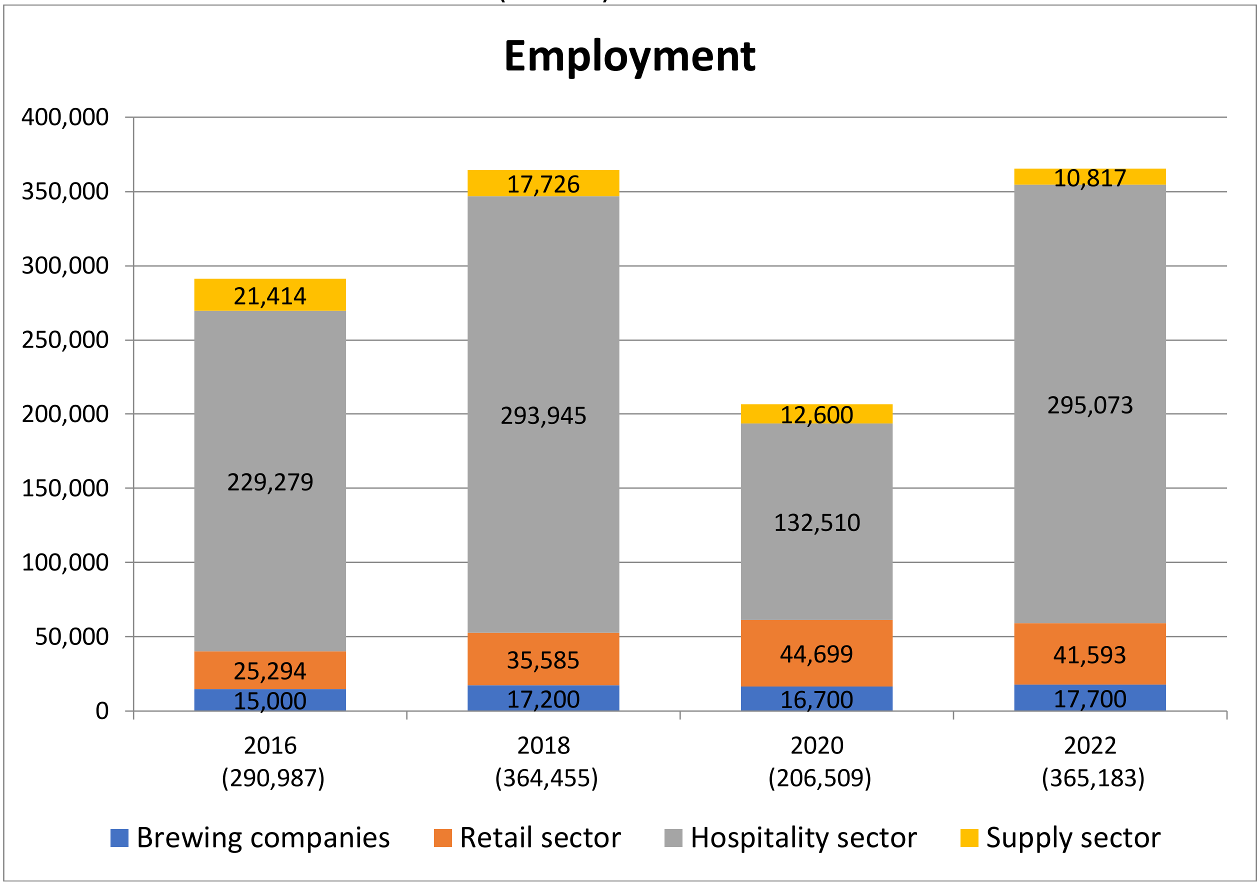
6 THE IMPACTS BEYOND THE SECTOR: RELATED JOBS AND VALUE ADDED

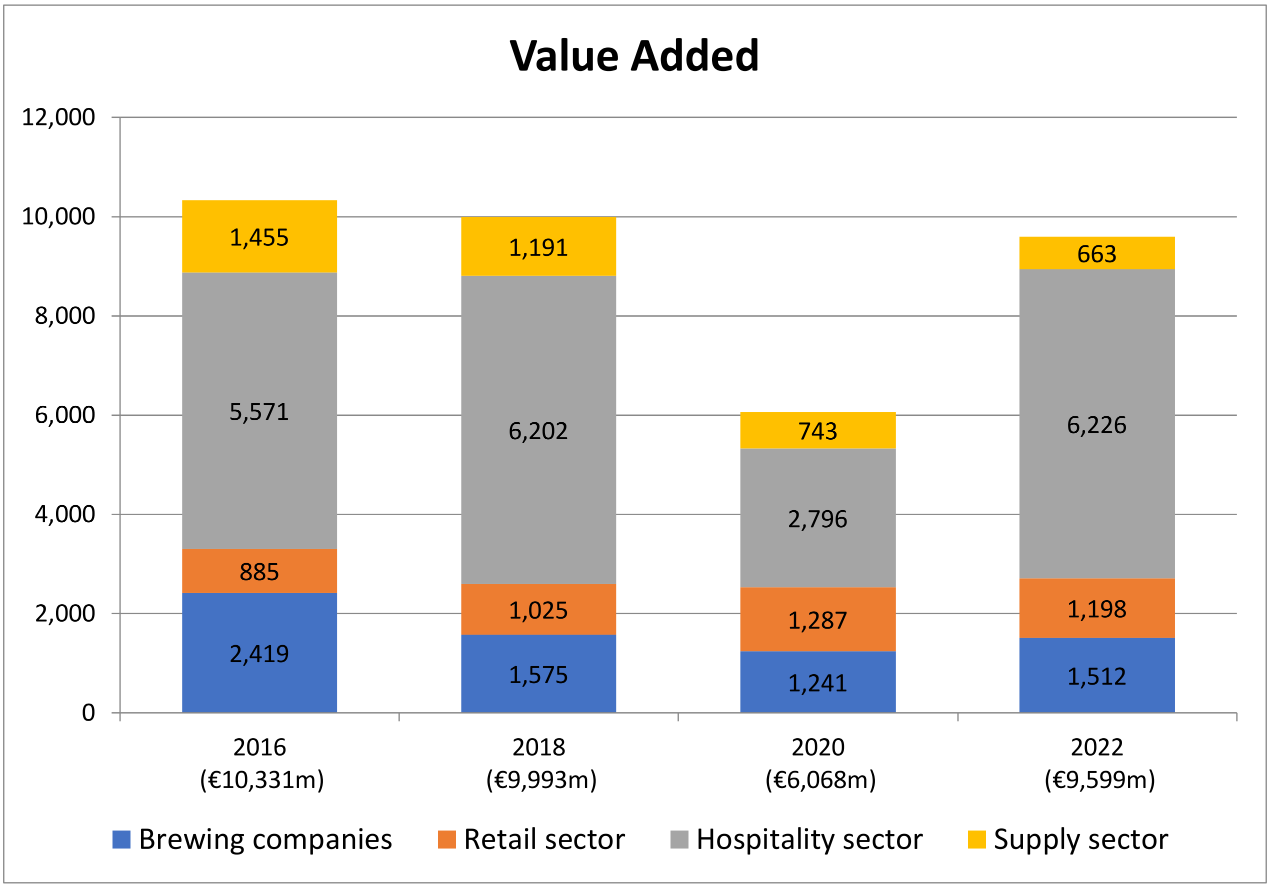
The influence of beer extends upstream to its supply sectors and downstream to the hospitality and retail sectors, impacting employment and value added significantly across the entire value chain. In 2020, the COVID-19 pandemic led to a notable decrease in both employment and value added due to the sharp decline in on-premises consumption and production disruptions.

Despite these challenges, the sector showed resilience and began to recover by 2022. Employment in the beer industry and related sectors rebounded as production levels increased and hospitality venues reopened. The value added by the beer sector also improved, reflecting recovery in both domestic consumption and export activities. Although the hospitality sector was hit hard during the pandemic, it started to regain its footing in 2022. The retail sector, which had seen a significant increase in its share of beer consumption during the pandemic, continued to play a crucial role in the market.

The overall pattern in value added has been somewhat erratic, reflecting fluctuations in production and consumption observed over the past few years. Nevertheless, the impacts, whether in terms of jobs or value added, are felt across the entire chain of production and delivery, emphasizing the beer sector's integral role in the broader economy.

FIGURE 4: CHANGE IN EMPLOYMENT AND VALUE ADDED (2016-2022).





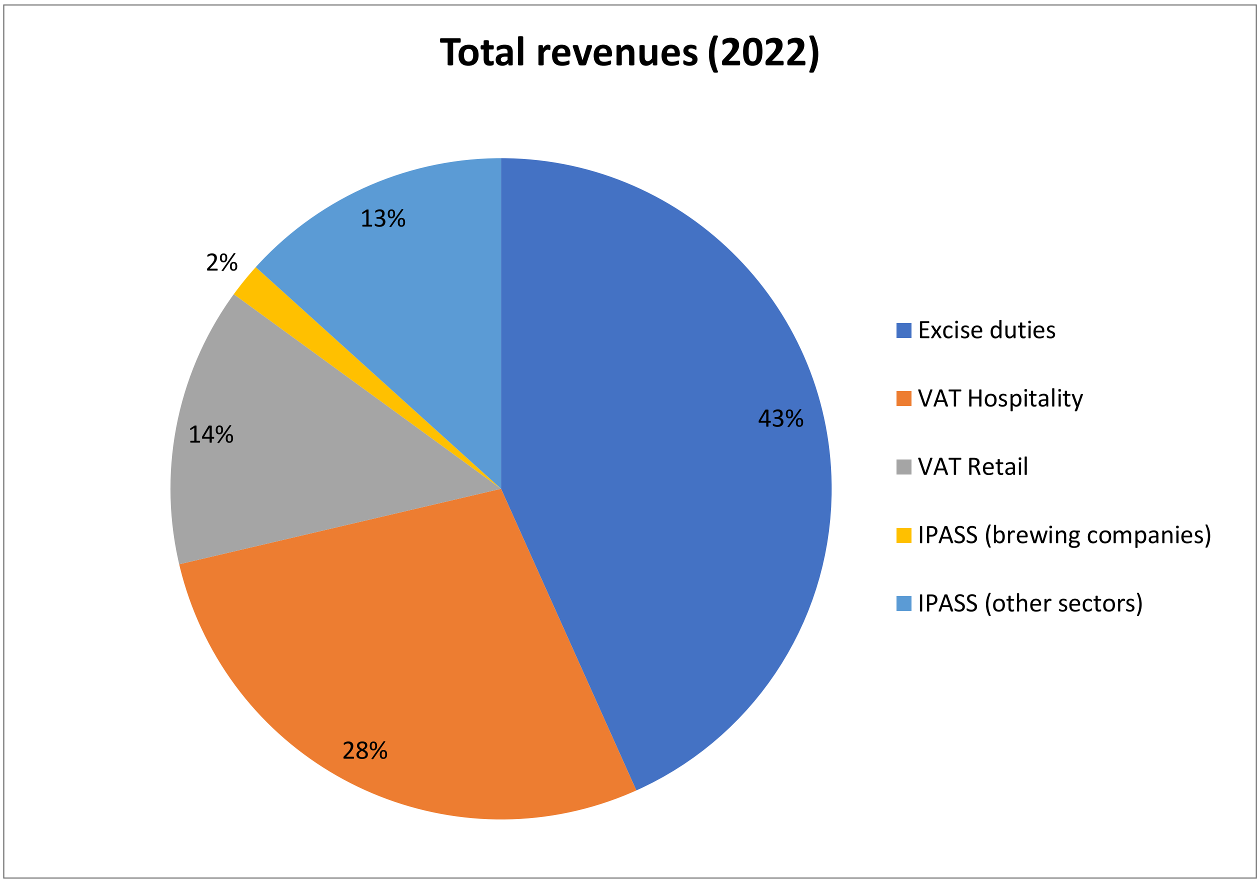
Note: The figures in the employment chart are to be considered as estimates.

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

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 RELATED TO THE PRODUCTION AND SALE OF BEER IN 2022: (BILLION EURO)



Note: IPASS - Income, payroll tax and social security

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

The total government revenue attributed to beer have seen some fluctuations across recent years. After a drop in 2020, in 2022 they stand at 9.8 billion Euros, most of it coming from taxes related to its consumption, which are excise and VAT.

TABLE 5. GOVERNMENT REVENUES, €M (2016-2022)

	2016	2018	2020	2022
Excise duties	4,039	4,097	3,542	4,245
VAT Hospitality	2,435	2,740	1,235	2,750
VAT Retail	936	1,148	1,442	1,342
IPASS (brewing companies)	154	101	165	165
IPASS (other sectors)	1,174	1,348	776	1,305
Total government revenues	**9,149**	**9,498**	**7,160**	**9,807**

Note: IPASS - Income, payroll tax and social security

Source: Calculations - different sources.