

Food Drink Ireland Business Monitor

Key retail, economic
and consumer trends

Q3 2023



Introduction

Jonathan McDade, Deputy Director,
Food Drink Ireland

Inflation Slow Down Ahead of Looming Labour Cost Spike

Food prices remain high, but month by month growth appears to have slowed in September, according to the Consumer Price Index. Commodity prices in general have stabilised in recent months. Elsewhere, energy prices increased over the summer months but overall, such prices are much lower than the previous year. However, in the new year, the food and beverage sector will face higher labour costs arising from the Budget 2024 announcement that the minimum wage will increase by €1.40 to €12.70 per hour. The minimum wage increase will have a significant impact on SME's, however the Budget 2024 announcement of a €250 million SME support is welcome. Over 95% of Irish food and drink companies are SMEs and the high levels of input cost inflation are impacting on margins, competitiveness, and investment decisions. FDI believes that this scheme must become operational as quickly as possible in order to manage its transition to a Living Wage, pensions auto-enrolment, and other significant labour market changes over the coming years.



Rising labour costs

Regulated labour costs will continue to grow across the economy in the coming years. The most significant of these changes are the introduction of the Living Wage and pensions auto-enrolment – both of which are due to be introduced in 2024.

Other measures have recently been implemented or are also in the pipeline which will add to business costs. These include Statutory Sick Pay, Pensions PRSI as outlined in Commission on Pensions and various other leaves (parents leave, etc.)

Food business snapshot

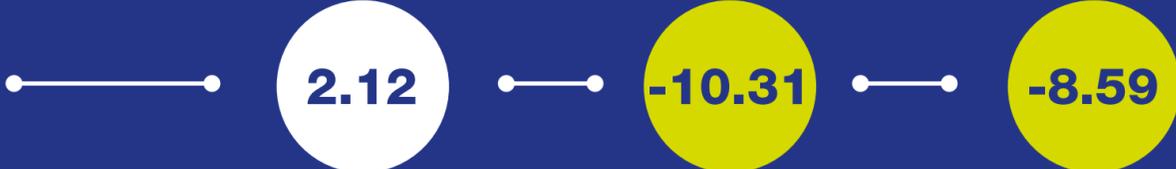


Irish food exports

YTD July 2023 vs YTD July 2022

July 23 vs June 23

July 23 vs July 22



FAO food commodity price index

YTD Aug 2023 vs YTD Aug 2022

Aug 23 vs July 23

Aug 23 vs Aug 22



Irish food prices



Irish core retail sales



Irish food retail sales



Food business snapshot



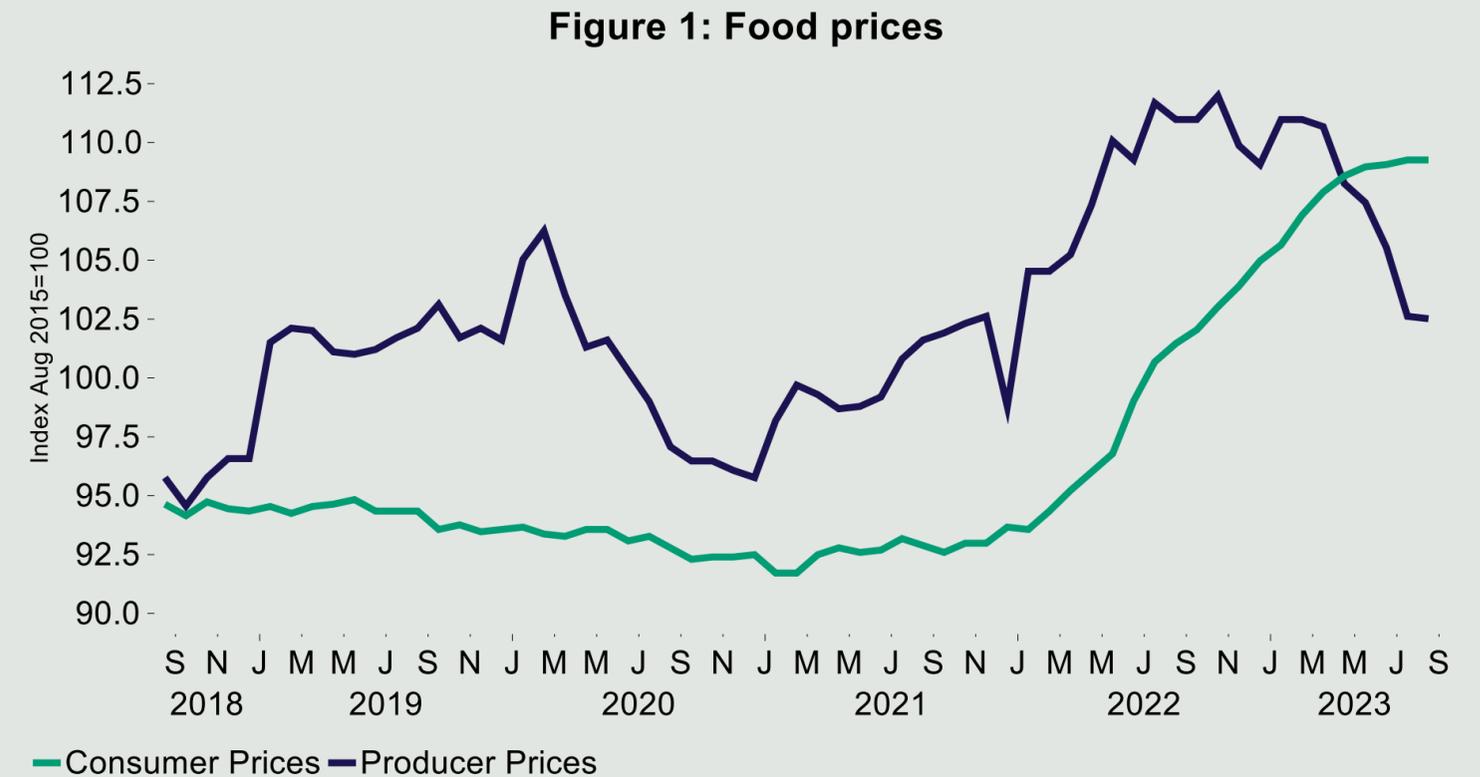
Domestic market



FD Food
Drink
Ireland
ibec

Food prices

Prices on average, as measured by the Consumer Price Index, were 6.4% higher in September 2023 compared with September 2022. In September 2023, prices on average as measured by CPI increased by 0.1% in the month. During the month of September last year, prices remained unchanged from August 2022. Food and Non-Alcoholic Beverages increased by 7.8% in the year and 0.4% in the month. These price increases are due to higher prices across a range of products such as vegetables, meat, bread, cereals, sugar, jam, honey, chocolate, confectionery, mineral waters, soft drinks, fruit and vegetable juices.

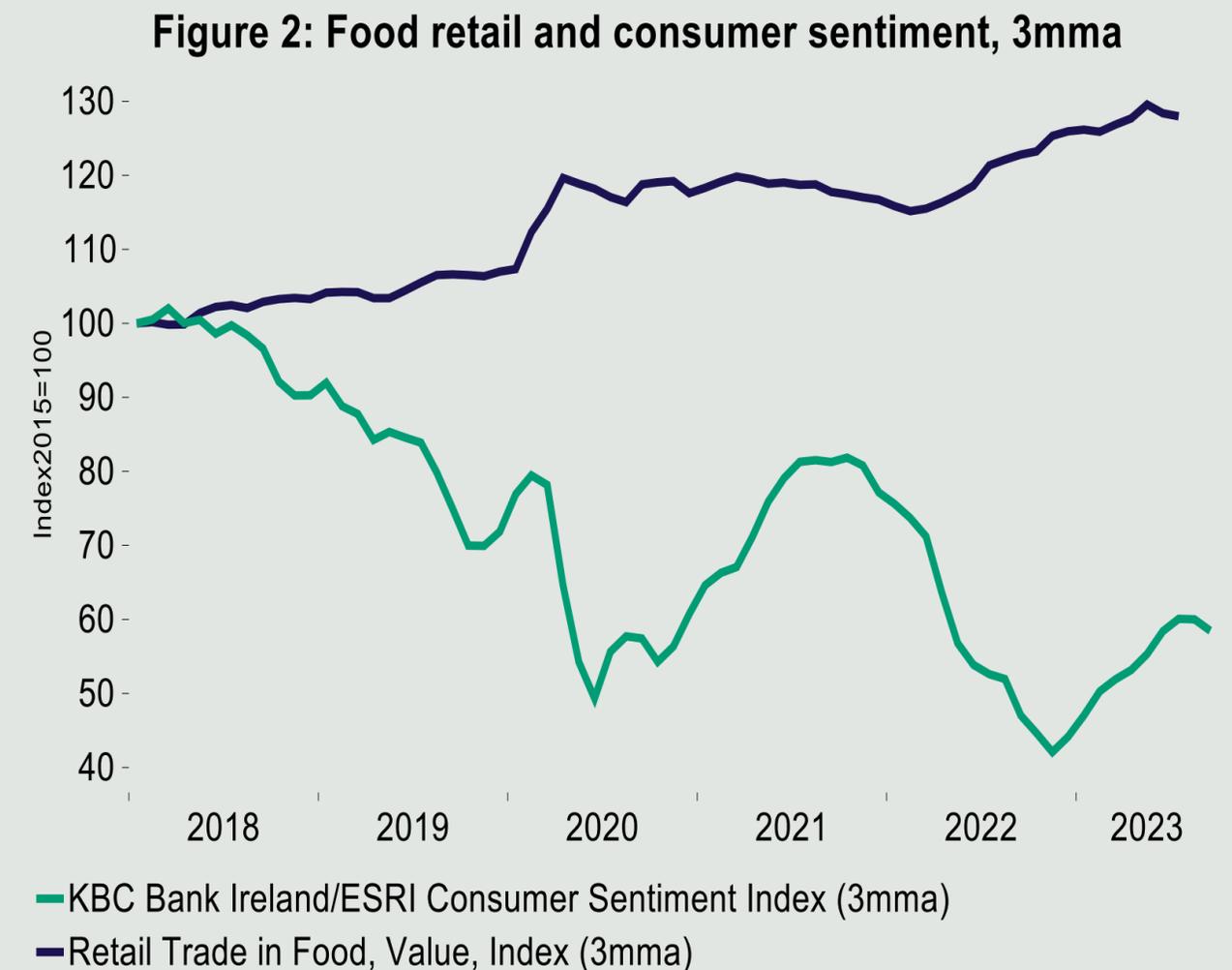


Source: <https://www.cso.ie/en/releasesandpublications/ep/p-cpi/consumerpriceindexseptember2023/>



Food retail/consumer sentiment

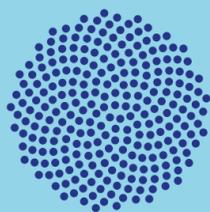
The volume of retail sales (ex. Bars & motor) increased 2.0% when looking at the three-month moving average (June, July, August 2023) versus the same months last year, with the value of sales increasing 3.4% over the same period. The Irish League of Credit Unions/ Core Research Consumer Sentiment Index dropped to 58.8 in September 2023 from 62.2 in August 2023. This drop in consumer sentiment is a six month low and is believed to be due to ‘back to school’ pressures, further interest rate hikes, the prospective increase in heating and costs associated with Christmas.



Sources: <https://www.cso.ie/en/releasesandpublications/ep/p-rsi/retailsalesindexaugust2023provisionalandjuly2023final/>
<https://www.creditunion.ie/news/latest-news/irish-consumer-sentiment-slides-in-september-on-in/>



Macro trends



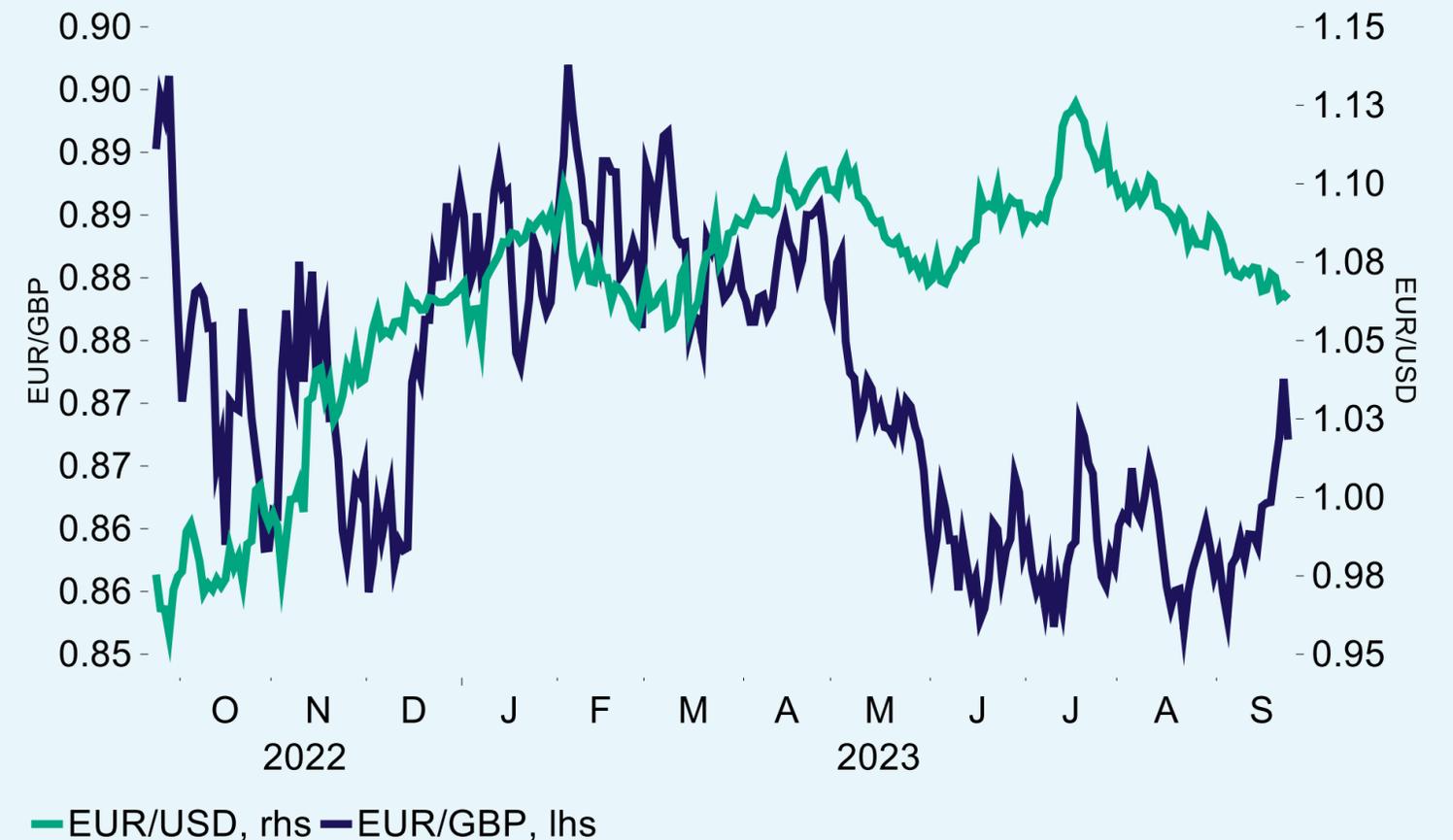
FD Food
Drink
Ireland
ibec

Sterling/dollar

The sterling has strengthened over the summer period moving from an 87-89p range at the beginning of the year down to an 85-87p range. This is due to resilient economy and Bank of England policy tightening.

The dollar's performance is supported by high rates and the strong US economy. In the past 3 months, the dollar has moved in a \$1.04 - \$1.12 range and in a narrower \$1.05 - \$1.08 corridor in the month of September 2023.

Figure 3: Sterling and dollar exchange rates



Wholesale prices

There was an increase in the price of wholesale electricity in September 2023 with prices 4.8% higher than the previous month. The price of electricity was 60.6% lower than in September 2022, while the price of gas oil increased by 2% annually. The overall Energy Products Index increased by 5.2% since August 2023 and decreased by 53% in the year to September 2023. Producer prices for food products decreased by 8.1% in the year to September 2023. Among the most significant changes in producer prices for food products were: Fruit & Vegetables (+13.4%) and Dairy Products (-25.6%).



Figure 4: Wholesale Price Index-Gas Oil



Source: <https://www.cso.ie/en/releasesandpublications/ep/p-wpi/wholesalepriceindexseptember2023/>

Food commodity indices

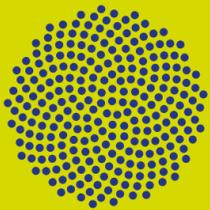
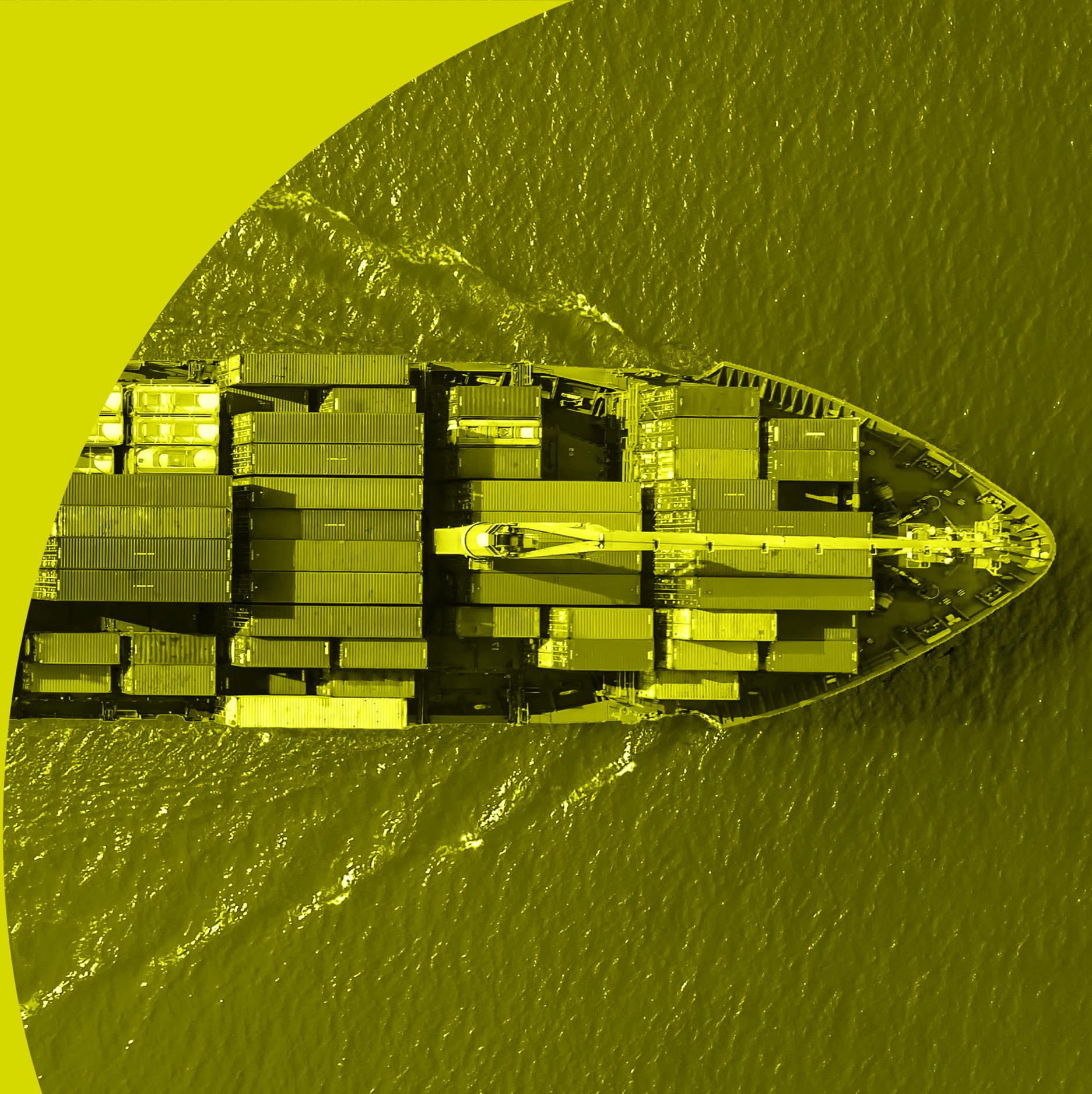
In September 2023 the FAO Food Price Index (FFPI) remained virtually unchanged from August 2023, averaging at 121.5 points. Decreases in meat, dairy and vegetable oils offset increases in cereals and sugar. This month's FFPI follows the continuing downward trend, averaging as much as 38.2 points below the peak it reached in March 2022.

Figure 5: Food commodity indices



Source: <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>

Trade

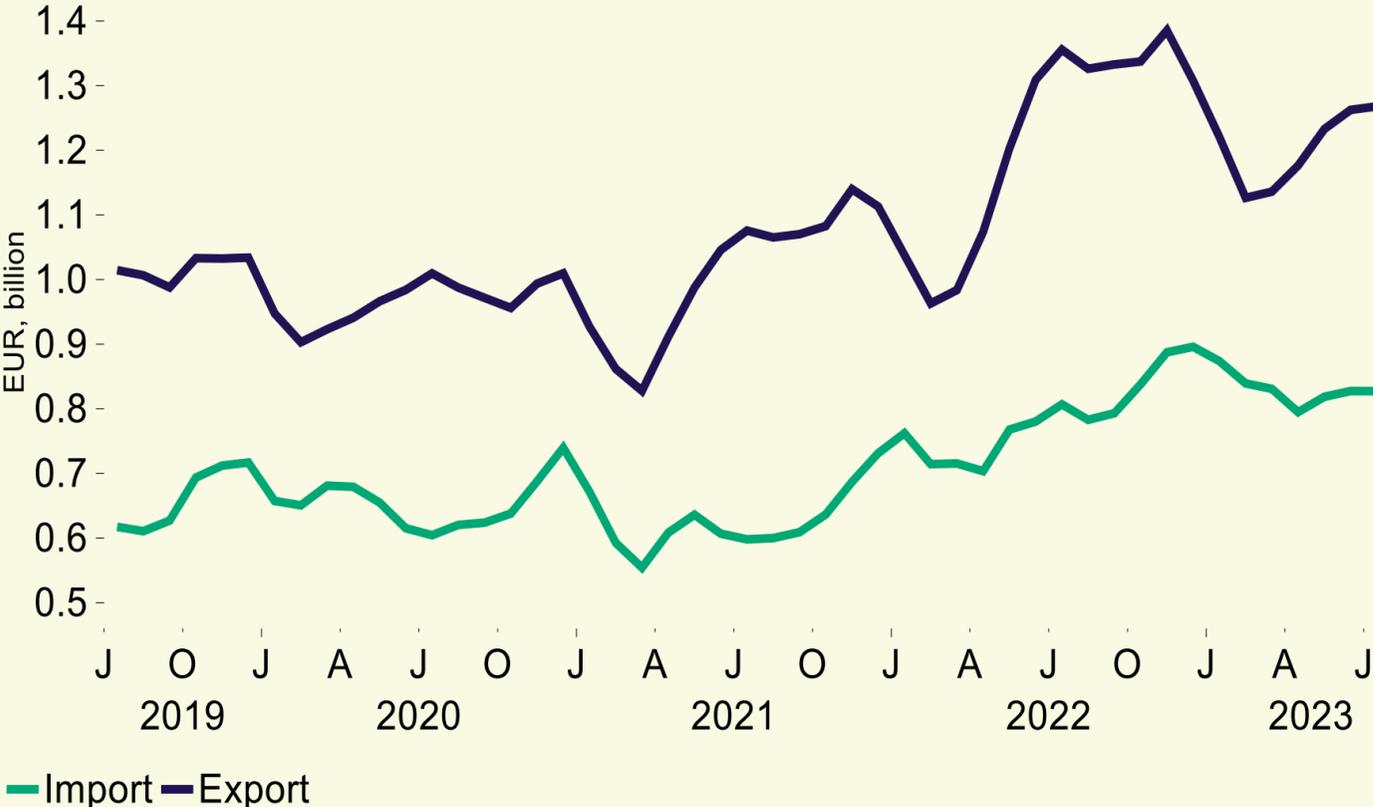


FD Food
Drink
Ireland
ibec

Irish monthly food trade

Exports of food and live animals decreased marginally by €24 million (-1.9%) to €1,210 million in August 2023, compared with August 2022. During this period, exports of meat and meat preparations decreased by €19 million (-4.75%) to €381 million, and Dairy products and birds' eggs decreased by €9 million (-2.3%) to €389 million.

Figure 6: Irish monthly food trade, 3 mma



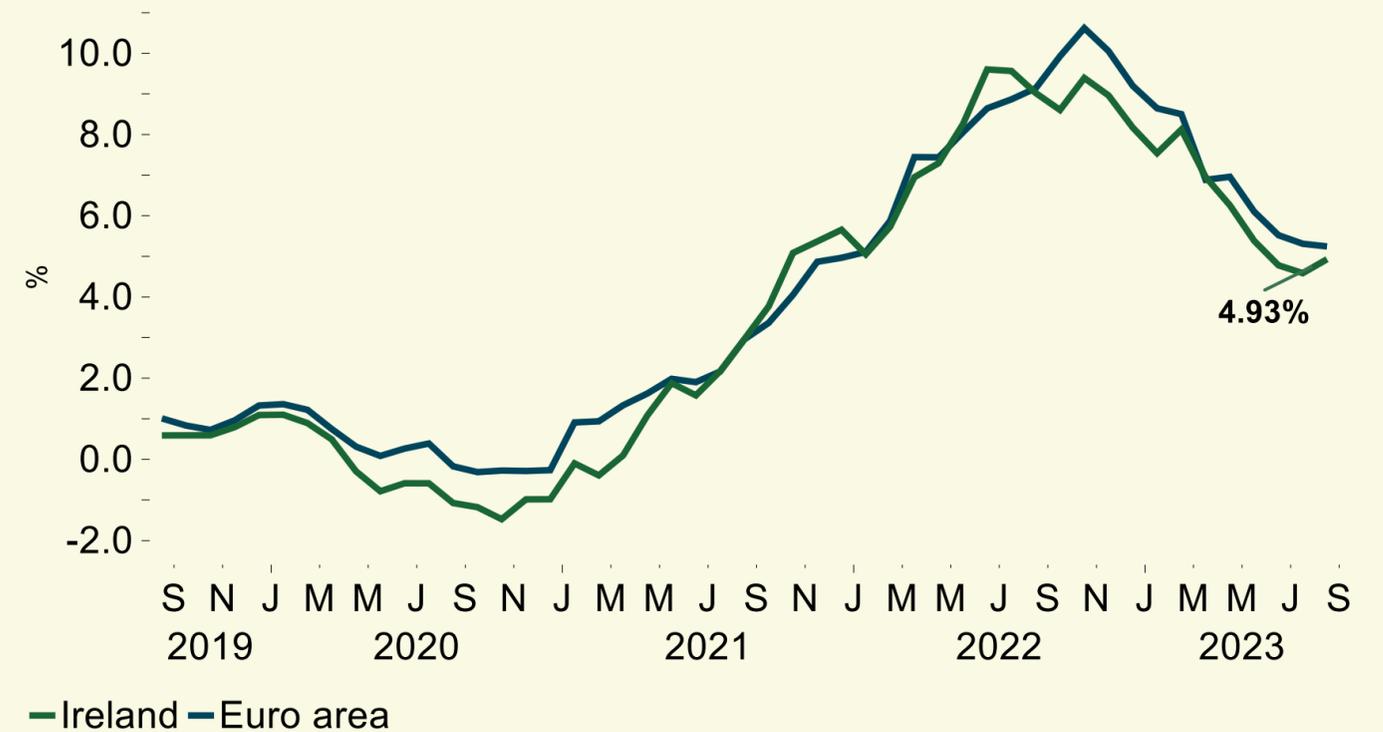
Source: <https://www.cso.ie/en/releasesandpublications/ep/p-gei/goodsexportsandimportsugust2023/>

Eurozone inflation

Prices on average in Ireland, as measured by the EU Harmonised Index of Consumer Prices (HICP), increased 5% in September 2023 compared with September 2022. This compares to an annual increase of 4.3% in the Eurozone.

The latest figures from the CSO show that this marked an increase of 0.1% on last month. Although the inflation surge is easing, prices in Ireland are still substantially higher than before the Covid-19 pandemic and Russia's invasion on Ukraine.

Figure 7: Inflation - Harmonised Index of Consumer Prices
(Year-on-year % change)



Sources: https://www.ecb.europa.eu/stats/ecb_statistics/escb/html/table.en.html?id=JDF_ICP_COICOP_ANR
<https://www.cso.ie/en/releasesandpublications/ep/p-cpi/consumerpriceindexseptember2023/>



Contact us

Jonathan McDade

Deputy Director
Food Drink Ireland
jonathan.mcdade@ibec.ie

Jenny Hansbury

Executive
Food Drink Ireland
jenny.hansbury@ibec.ie

www.fooddrinkireland.ie

 twitter.com/FoodDrink_Irl

 [linkedin.com/company/food-drink-ireland/](https://www.linkedin.com/company/food-drink-ireland/)

