Viewpoint

Quarterly

Issue 3, October 2021

A harsh winter ahead?

Economics from IGD

What's in it for you?

The Benefits:
how this issue will help you

As food and consumer goods businesses in the UK look ahead to 2022 and the years beyond, it is clear that the commercial landscape has been transformed by COVID-19 and EU Exit, and further major changes lie ahead.

In this report, we provide the IGD view of the current landscape, considering a range of economic indicators, viewing them through the lens of the food and consumer goods industry and highlighting possible implications.

We connect you to original sources and to IGD's wider research, to help you build a fuller picture of what is happening now and what might come next.

The Aim:
about this series of reports

Our experts track and monitor multiple sources of information. Combined with our knowledge of the food and consumer goods industry, and rich shopper insights, this shapes our 'Viewpoint'.

We provide this analysis free-of-charge because we believe that it supports better planning and decision-making, to the benefit of the shoppers we serve and society as a whole.

We will continue to monitor closely the longer-term impact of COVID-19, EU Exit and other forces, keeping you up to date in future issues of this series.

Key messages

A harsh winter ahead?

Recovery from the pandemic continues – most restrictions on businesses have been relaxed and consumer demand seems strong. Foodservice in particular is proving popular. However, COVID-19 infection rates remain high and the government has published plans for managing risks over the winter, including the option of mandatory face coverings, if needed.

It is also clear that not everyone is benefitting from the economic recovery. Many remain financially cautious and IGD research shows that individual experiences continue to vary – in previous editions, we've explored the concept of a K-shaped recovery and this remains relevant.

Many employers report shortages of labour, a consequence of EU Exit and COVID-19, combined with longer-standing structural pressures. The shortage of HGV drivers in particular has created widespread operational problems.

Food and consumer goods businesses – the biggest private sector employers in the UK – are badly affected. This is manifesting in less choice and poorer availability at both retail and foodservice.

With demand for labour outstripping supply, wages are rising rapidly. The costs of other business inputs are also increasing and inflation is has strengthened sharply over recent weeks. An unexpected shortage of CO_2 and fuel has added to the pressure on businesses.

Looking ahead, the immediate operational challenge for food and consumer goods businesses is Christmas – a critical trading period.

Serving high demand may prove difficult in the face of labour challenges, rising cost and the uncertainty created by COVID. Winter looks like being tough for everyone!

In the New Year, businesses will have new challenges to deal with, especially as a result of a very busy policy landscape, including:

- Border developments impacting EU–GB trade, from January onwards
- Border developments impacting GB–NI trade, timing to be confirmed
- Development of a new government food strategy (England), expected in the New Year
- Introduction of a new tax on some plastic packaging, in April 2022
- Possible further measures on packaging, especially Extended Producer Responsibility, introduced via the Environment Bill (which is now almost complete)
- Introduction of a deposit-return scheme for drinks bottles in Scotland, in July 2022
- Changes to the marketing of high fat, salt and sugar (HFSS) foods, in October 2022

All these things are expected to increase pressure on management bandwidth as well as increasing costs, and in some cases, impacting sales.

In this issue

Meet our experts

Naomi Kissman
Strategy and Corporate Affairs Director

James Walton
Chief Economist

Michael Freedman
Senior Shopper Insight Manager

Context: what's happened since Issue 2?

COVID-19 remains widespread in the UK, although the link between cases, hospitalisations and deaths has weakened significantly. However, experts have noted the emergence of a new COVID surge in recent weeks and governments at every level (central and devolved) remain cautious, urging businesses and citizens to help manage risk.

Implementing EU Exit has proven difficult. The UK government has contacted the EU Commission to request a standstill on completion of the NI Protocol. The EU has agreed and talks are ongoing, but there is limited appetite on the EU side for re-negotiation. Final timings remain unclear.

Diplomatic relations between the UK and France in particular are at a low ebb, with disputes over management of illegal migration, fishing rights and defence policy.

The UK government has extended deadlines for introduction of some border measures for agri-foods arriving from the EU. This is in recognition of the extraordinary situation that businesses find themselves in.

Businesses must use the extra time provided to ensure full readiness as change is rolled out from January 2022 onwards (i.e. immediately after the busy Christmas period). Note that the extension applies mainly to sanitary/phyto-sanitary (SPS) measures – those affecting tax and duty remain largely unaltered.

Also, the EU will introduce some admin changes from January, mainly for Export Health Certificates (EHCs).

The UK government has begun to address the financial issues created by COVID-19 and other pressures. A new levy is to be introduced to pay for health and social care. Social care is a long-standing challenge, but this solution has been subject to criticism and any new tax on workers has implications for household income.

Is economic recovery on-track?

Big picture

Advanced nations continue to recover from the economic shock of COVID-19 and this is driving up prices for energy and materials in global commodity markets.

The UK economy grew through summer and into autumn, with economic output now approaching the pre-pandemic level. However, the Bank of England's Decision Makers' Panel shows that business leaders anticipate long-term commercial impacts from COVID-19.

Consumer demand remains the key driver of recovery, but confidence gains seen in the spring have fallen back in the summer and significantly deteriorated in the autumn. It is now clear that business ability to meet demand is constrained by lack of productive capacity (i.e. labour, energy, materials and transport), reflected in higher business costs. This situation has developed faster than was envisaged in Issue 2 of our Viewpoint series.

Capacity problems may constrain growth in the near future, as might deterioration in the situation regarding COVID-19 and perhaps fiscal measures to rebuild government finances.

Source: GDP monthly estimate – UK, ONS, October 2021, Index, 2019 = 100

Food and consumer goods

In the food and consumer goods sector, IGD's contacts report widely-varying experiences. Businesses have been impacted by patchy, but persistent, availability issues due to:

- Lack of HGV drivers
- Lack of other workers (especially in agriculture, primary processing and distribution)
- Lack of key inputs (most recently a shortage of CO_2, natural gas and electricity)

Foodservice performance was strong over the summer – demand was high, driven by a lack of international travel and a return to more normal working patterns for many. ONS data shows that foodservice sales in August 2021 exceeded the level seen in August 2019.

At retail, sales of food and consumer goods are contracting year-on-year, but this is mainly due to difficult comparables as sales in 2020 were extraordinarily high. Sales are still above the 2019 level.

Both parts of the industry have been affected by availability issues over the summer and into the autumn. There has also been extensive media coverage. IGD data shows that at least some shoppers have noticed this, and trust in availability of essential goods has been affected to some degree.

Government is evidently sensitive to food supply issues and their political impact. It has created a new Cabinet Committee and a new industry taskforce to drive action to alleviate problems with logistics and supply chains.

The Environment, Food and Rural Affairs Committee (EFRA) has also launched an inquiry into food and labour issues (evidence gathering is likely to be complete by the time this document is published).

Looking ahead, food and consumer goods supply chains must grapple with a number of issues as the critical Christmas trading period approaches:

- Strategic uncertainty – especially regarding the future path of COVID-19
- Preparation for border changes – the next phase now rescheduled for January 2022
- Sporadic supply shortages
- Labour challenges
- Negotiations over price change and deliveries
- Implementing new legislative changes (e.g. new rules on HFSS foods)

Implications for your business

Strategic uncertainty remains

The future path of COVID-19, globally and locally, remains the single biggest strategic uncertainty for food and consumer goods businesses. Government is clearly alert to ongoing risk and businesses should be too, particularly given the current labour constraints. In the best case, outbreaks among staff could disrupt individual businesses. In the worst case, return to full lockdown remains a possibility.

Either way, it is extremely difficult to make long-term plans at present – short planning cycles may help to maximise agility and limit risk.

Scrutiny increasing

It is clear that government has turned its attention to the food and consumer goods industry in recent weeks – availability and affordability of essentials is a welfare issue and, therefore, political.

Some changes have been made (e.g. concessions on HGV driver testing and new visa allocations) but it is not clear how responsive government will be in future. Further concessions may depend on businesses demonstrating that only government action can improve the situation for consumers.

Tough negotiations

In the short-term, increases in production cost for food and consumer goods are expected to continue, meaning that food and consumer goods businesses are negotiating hard over price changes.

Availability is another possible flash-point. It is likely that the consequences of change will play-out in asymmetrical fashion, with some businesses more vulnerable than others.

Collaboration, not conflict

Although negotiations between suppliers and buyers are likely to be tough, both parties will be looking ahead to Christmas 2021 – close co-operation will be needed to maximise this opportunity.

Co-operation and joint planning will also be needed for the supply chain to negotiate challenges anticipated in the New Year, especially border changes and new restrictions to the marketing of HFSS foods.

Where did all the workers go?

Big picture

With economic recovery continuing, the labour market in the UK remains strong, with 1,102,000 unfilled job vacancies in August 2021, an all-time record.

According to new ONS research, 13% of UK employers are experiencing unusual difficulty in filling job vacancies over August-September 2021. CIPD surveys suggest an even higher number, with 39% of employers struggling to fill at least some posts.

The unemployment rate is currently around 4.5%, so there are few potential recruits available – note that the CJRS (furlough) programme was wound-up at the end of September.

EU Exit has made it much harder for UK businesses to recruit from overseas and COVID-19 appears to have caused many established EU workers to leave the UK. This net departure is a new factor and it is not clear whether these workers will return.

As many as 10% may have left the UK in the last 12–18 months. Many have secured the right to return via the EU Settlement Scheme, but they may need a strong incentive to do so. Fortunately, it seems that losses have slowed and the number of EU workers has stabilised, for now.

Pay trends

The rate of pay growth for the economy as a whole is hard to calculate due to changes in the structure of the working population.

However, IGD calculations, accounting for both inflation and sample effects, suggest that 'real' pay growth in the UK was 2.5% in August 2021.

Real pay growth has slowed slightly in recent weeks, but it remains high by historical standards. Real pay has been fairly flat for some time – suggesting that pressures in the labour market must be especially acute at present.

Food and consumer goods

IGD has explored the labour situation in the food and consumer goods industry specifically in a special edition Viewpoint.

It is clear that labour availability challenges are widespread, though not universal. Problems are serious enough that availability for consumers is being affected, with impacts on businesses.

There are specific issues around technical/skilled roles (e.g. HGV drivers, IT workers, mechanical fitters, vets) but also a shortage of general workers. Shortage of general workers is a relatively new issue, likely associated with EU Exit since many of these roles were previously filled by EU nationals.

From in-depth interviews with experts, we have learned that labour availability in the industry has been affected by the same short-term issues that affect UK businesses as a group (i.e. EU Exit aggravated by COVID-19).

However, the industry had been facing labour difficulties for some time, due to more specific issues, including:

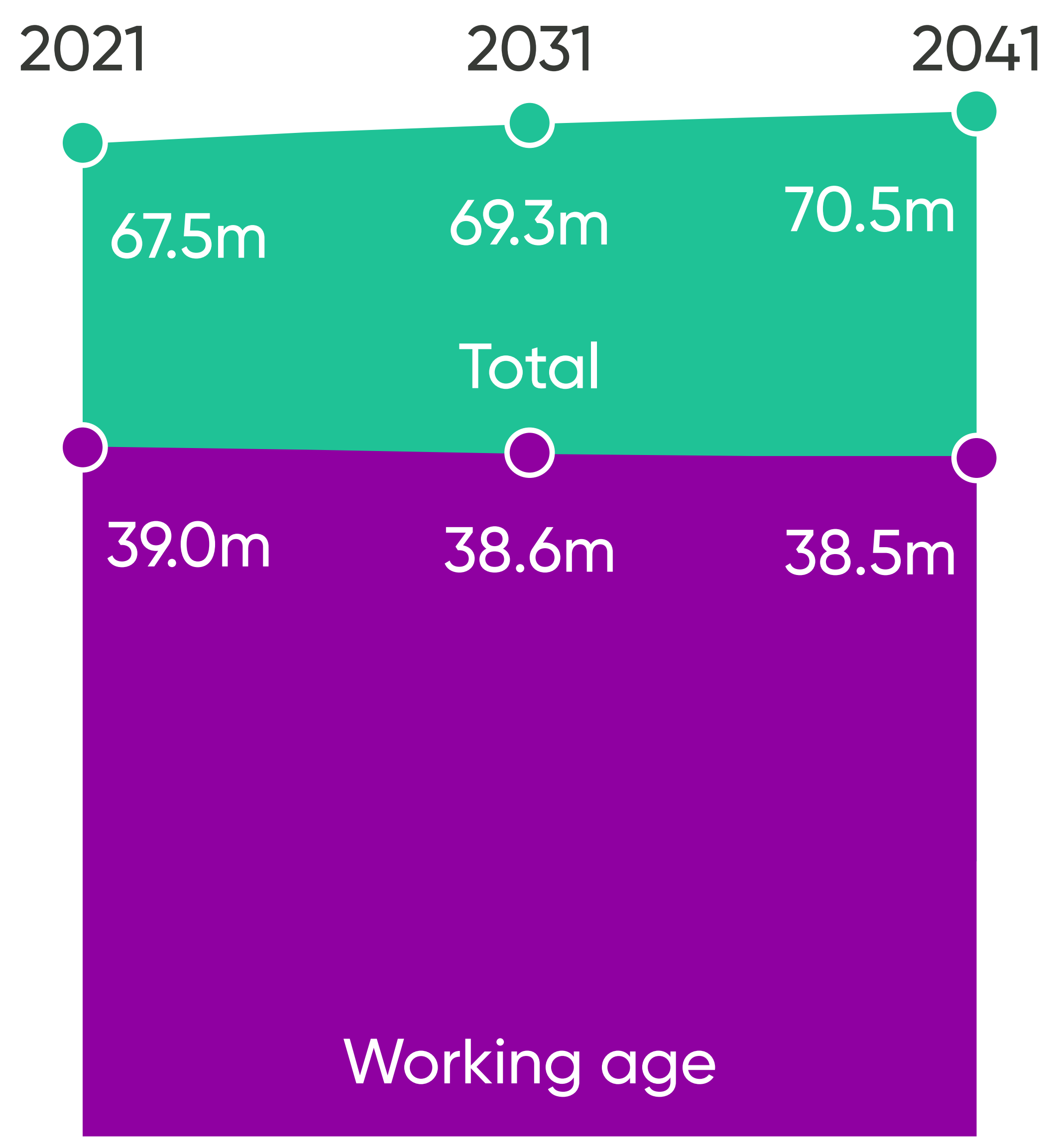
- Growing population, requiring that more food be produced and distributed
- Low profile/low desirability of work in the industry
- Low/static pay over an extended period
- Market evolution, increasing labour demand (e.g. more home delivery)
- Price competition, making it very difficult to increase pay
- Weak productivity growth
- Unfavourable demographics – the UK workforce is not expected to grow after 2021

Changes associated with COVID-19 may be expected to dissipate, but EU Exit and the other factors will likely remain in-place.

The impact of demographics, in particular, may be expected to worsen over time, albeit slowly but (probably) permanently.

Data at a glance

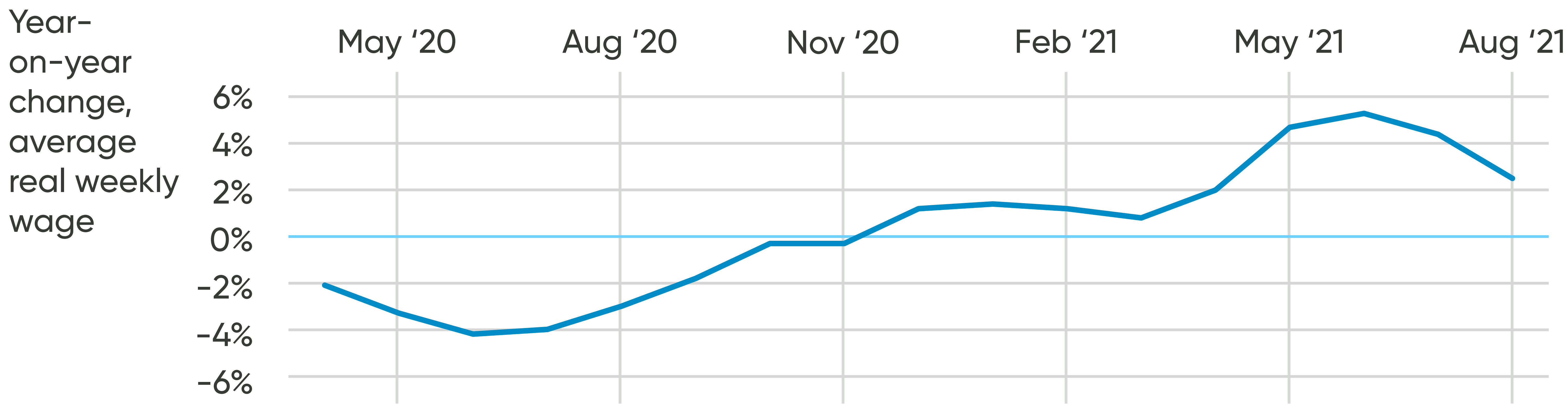
Size of UK population: total vs working age



Source: ONS, October 2021; latest available projection

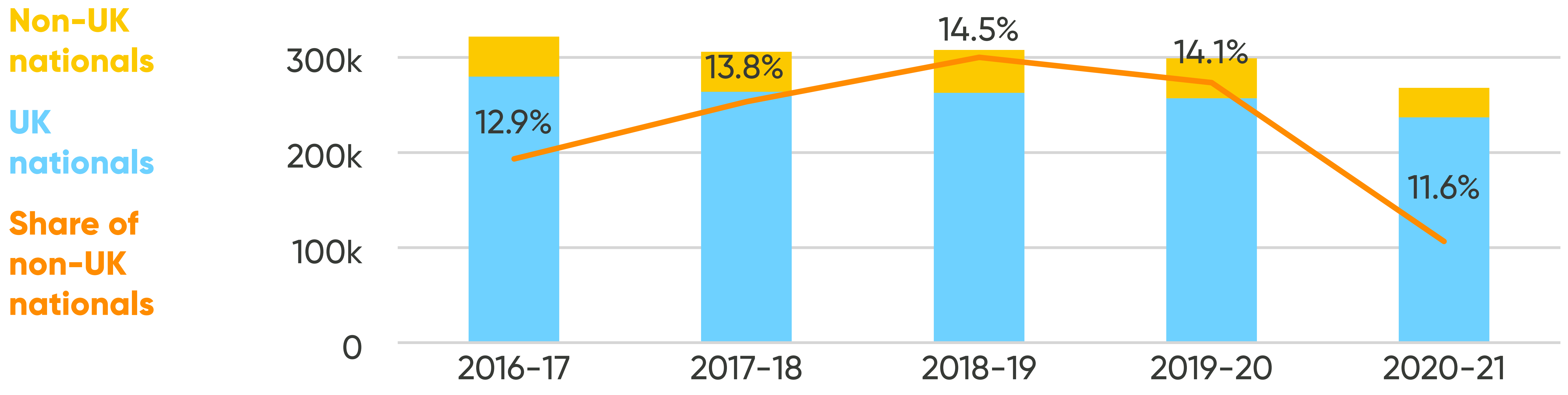
UK average real annual pay growth

Source: Labour Market Overview, ONS and IGD calculations, October 2021
Note: data is three month rolling average



UK HGV driver numbers

Source: ONS, October 2021; yearly figures from July–June



Implications for your business

Growing dependency

The total UK population is expected to continue growing until at least mid-century, driven mainly by extended lifespans. However, the size of the working age population is believed to have peaked and it may shrink slowly over time (source: ONS, IGD calculations).

This implies that 'dependency' will increase slowly. For governments, this will mean fewer workers supporting a growing number of non-workers. For businesses, it means that fewer people will be available to work. For both, labour productivity must rise.

Growing vulnerability

Long-standing pressure on labour supply for food and consumer goods businesses is likely to worsen in future, increasing vulnerability to both shock events (e.g. new disease outbreaks) or development of new negative trends (e.g. UK nationals leaving the labour market). This suggests that the likelihood and frequency of labour problems is likely to grow in future and that problems, when they occur, will be worse.

Fortunately, this strategic deterioration is expected to be fairly slow, giving businesses time to respond, if they choose to do so.

Finding solutions is imperative

Our discussions with experts identified a range of possible solutions to the labour issues, including:

- Develop the profile and reputation of the industry
- Expand the scope of recruitment, taking advantage of the full range of talent available
- Improve pay and conditions
- Invest in automation and IT, replacing labour with capital
- Invest in skills
- Rework supply chains, to increase control (e.g. using in-house drivers instead of agencies)

IGD's role in building a workforce fit for the future

Attract

Over 65,000 young people have improved their employability through IGD work experience and workshops. More

Develop

Providing free learning to people that already work in the industry. More

Thrive

Helping businesses to improve inclusion and diversity through mentoring and benchmarking. More

What lies behind inflation pressure?

Big picture

Broad recovery from COVID-19 (at least in advanced economies) has driven an upturn in demand, and therefore a recovery of pricing in multiple commodity markets. As less advanced economies also begin to recover, demand may rise higher still – current commodity price increases may have much further to run.

In addition, costs for international freight are currently at unusually high levels.

Most recently, rising international prices for fuel have made headlines, due to the widespread and complex effects on other industries.

UK

ONS shows that input costs for manufacturers overall (i.e. energy and materials) hit record levels in summer 2021. Output prices are also rising, but not at the same rate as inputs, suggesting that manufacturing margins are under pressure. This is fairly typical – input costs are generally more volatile than output prices.

Input costs for food and drink manufacturers specifically have fallen very slightly over the summer – perhaps because of improving harvest conditions – but they remain historically high.

As in other manufacturing, output prices tend to lag behind input costs, but they are higher now than in 2020. Conversation with experts suggests that most operating costs are increasing simultaneously, which is unusual.

No equivalent ONS data is available for food wholesale, retail or foodservice, but operating costs here are also rising, especially for transport, energy and labour.

UK businesses therefore face steep increases in cost across a broad range of key inputs and at least some of this is being passed on to consumers in the form of higher prices.

Household experiences

Inflation remains elevated, with pressure occurring across a broad range of goods and services.

'All items' inflation for September was +3.1% year-on-year, when measured using the CPI method – this is slightly above the target range set for the Bank of England's Monetary Policy Committee (MPC). The data suggests a very slight slowdown in inflation since August, when the equivalent value was +3.2%.

However, this may be a little misleading – inflation for foodservice was unusually high in August 2021, because prices that month were compared with prices during the government's Eat-Out-To-Help-Out scheme of 2020. With foodservice excluded, inflation is generally strengthening.

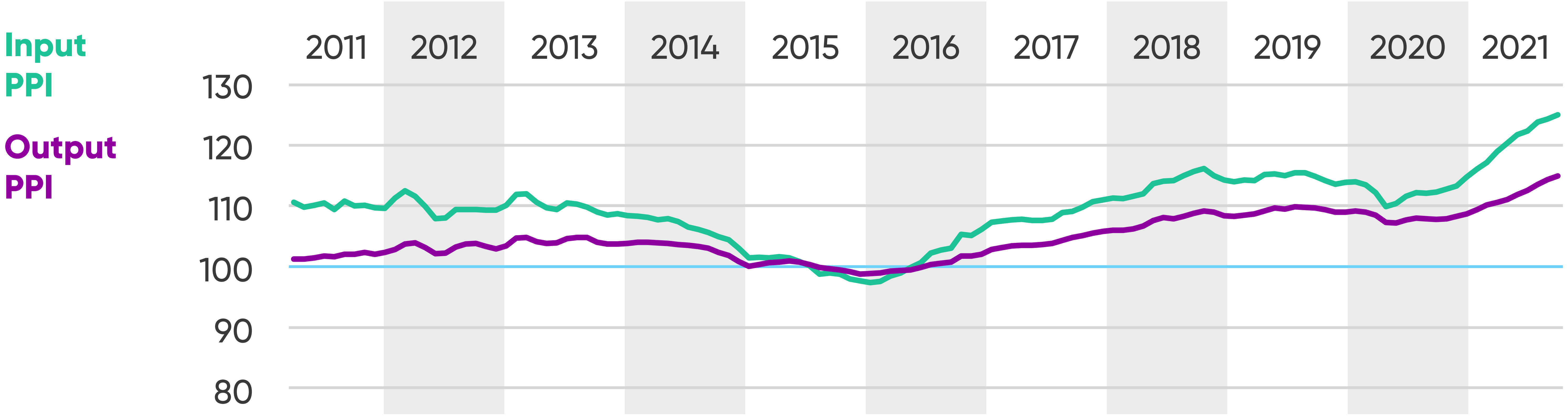
Major drivers were the cost of motor fuel and household energy, both of which have become significantly more expensive in 2021. Further increases are expected, especially for domestic gas. Note that the energy price cap was revised upwards from October 2021.

CPI inflation for food and non-alcoholic drink was much lower at +0.8% year-on-year, but this measure has now been positive for the last two months, so rising business costs may now be being passed on to consumers.

Data at a glance

UK manufacturer prices

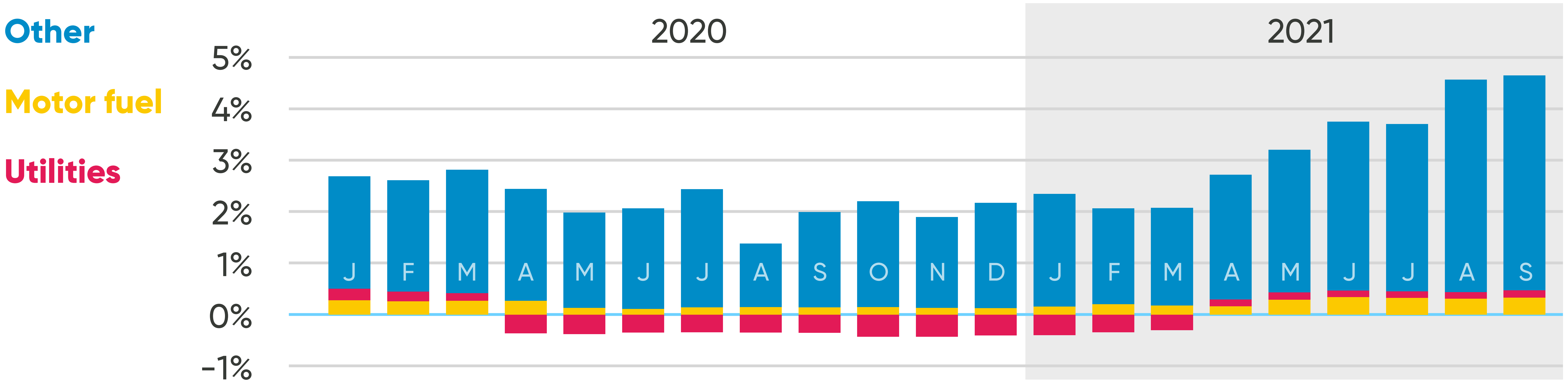
Source: ONS, October 2021; Index 2015 = 100



UK household inflation experiences

Estimated contribution to annual RPI (%)

Source: ONS and IGD calculations, October 2021



Implications for your business

Bank may act soon

The Monetary Policy Committee (MPC) has maintained low interest rates and loose monetary policy since the Credit Crunch more than a decade ago. However, it is the MPC's role to manage inflation, with a target of +2.0% for annual CPI (plus or minus 1%). Strengthening inflation will make it harder to maintain the current position.

Any increase in interest rates would have implications for the finances of both businesses, private households and government, especially those with high debt.

Perception counts

Inflation (or perceived inflation) has a powerful effect on the consumer mindset, especially where it applies to essentials such as food and fuel.

'ShopperVista from IGD' data shows that concern over future food pricing is increasing, undermining overall shopper confidence. The least well-off shoppers are most sensitive.

Both suppliers and retailers will need to reassure shoppers that they are offering value and protecting the interests of shoppers.

What is happening with incomes?

Wages

As the UK economy recovers from COVID, demand for labour is returning strongly. ONS data shows low unemployment, a very high number of vacancies and strong wage growth.

As noted previously, IGD calculations suggest that real wages were up 2.5% in August, which is historically high. Clearly, something unusual is happening.

In September, the Prime Minister used a TV interview with GB News to welcome rising wages – it is government policy to encourage the creation of well-paid jobs.

Higher wages create many social benefits, especially after a very long period of flat (or declining) pay. However, higher wages create pressure on employers and usually lead to inflation for consumers. Also, not all workers are seeing the same wage growth – during the COVID-19 outbreak in 2020, private sector wages fell, whilst public sector wages continued to grow. In 2021, the situation has been reversed.

Other souces of income

Many households obtain income from non-work sources, especially pensions and benefits.

For state pensioners, income has been protected since 2010 by the ‘triple lock’ – payments rise each year by either the CPI, the change in average wages or 2.5%, whichever is greater. The recent rapid growth of average wages has threatened this policy.

Secretary of State for Work and Pensions, Thérèse Coffey, has stated that the triple lock will be suspended in 2022-23 – instead, pensions will rise by either inflation or 2.5%. The lock will be restored after this, lasting until the end of the current Parliament.

Treatment of Universal Credit (UC) continues to be controversial. UC was supplemented by an extra £20 per week during the pandemic, but this ended in October, despite pressure to continue it. Working Tax Credit will also be re-adjusted.

Some financial impact on vulnerable households seems inevitable, although a special package of grants for the least well-off may cushion this.

Future

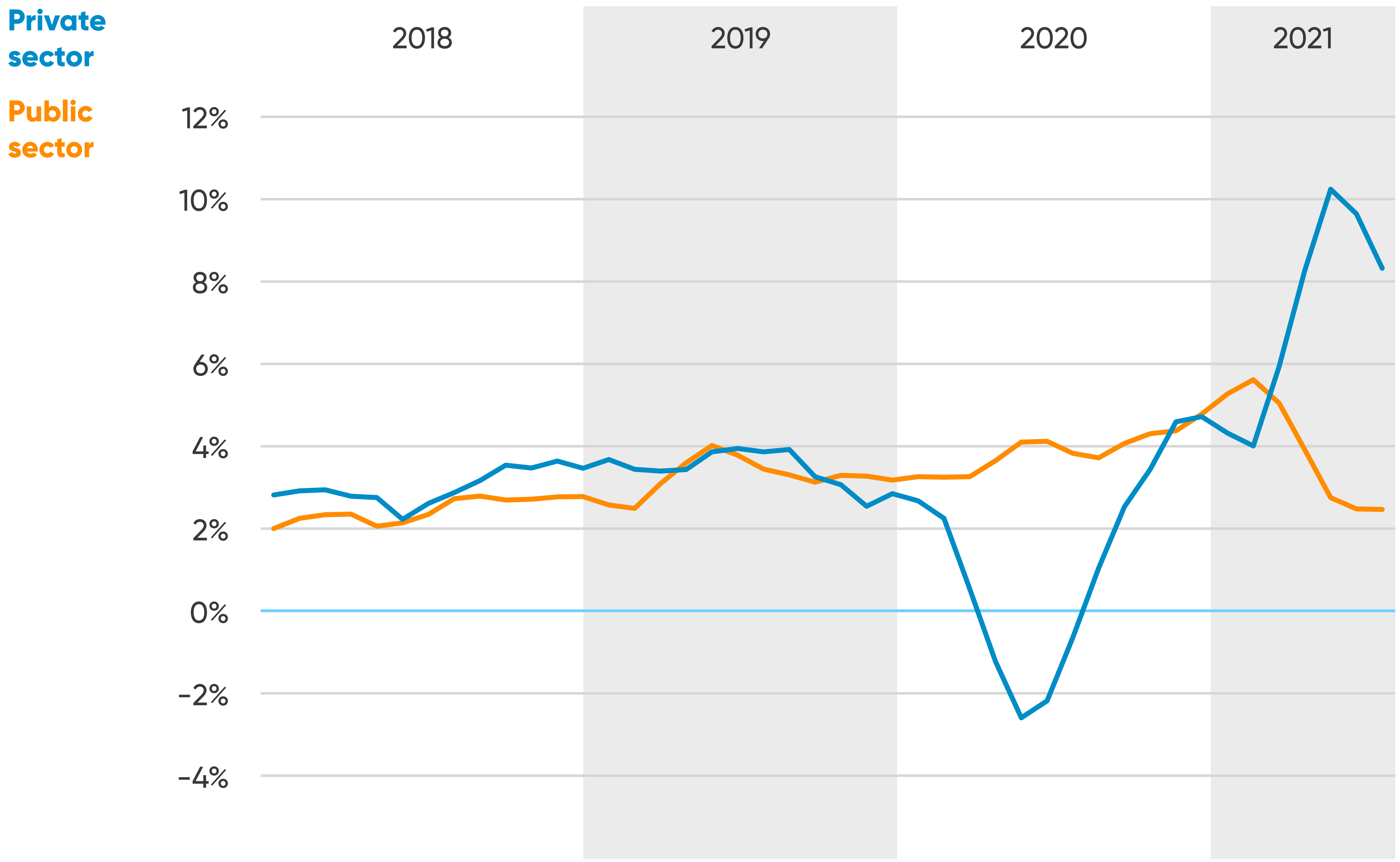
From 2022, the government will introduce a 1.25% increase in National Insurance (NI), intended to provide increased investment in health and social care. This will later be replaced by a dedicated Health and Social Care Levy, again amounting to 1.25% of income. NI will return to normal.

Both employers and employees will be expected to pay these new taxes, although there will be exemptions for very low earners and small businesses.

Data at a glance

Comparison of annual wage growth

Source: ONS, October 2021
Note: data is three month rolling average



Implications for your business

Prosperity threatened

The current surge in income enjoyed by many workers is welcome, since it increases confidence and creates opportunities for businesses. However, it may be short-lived. Gathering inflationary forces, coupled with changes in taxes and benefits may erode the benefit of higher wages in 2022, with consequences for businesses.

Business Secretary Kwasi Kwarteng used a BBC interview in September to warn that some households will face a very difficult winter.

Labour intensity counts

IGD research suggests that there is broad wage growth across the UK food and consumer goods industry, but this does not necessarily mean that all businesses experience the same impact.

Retail businesses with low labour intensity (e.g. discount retailers) are likely to enjoy a competitive advantage over rivals (e.g. mainstream supermarkets).

However, at least some supermarkets have reformed their labour models in recent years, making this differential less marked than it might otherwise have been.

What is the shopper view?

Changing spending priorities

Over the course of the summer, as COVID-19 restrictions eased, shoppers' spending priorities continued to change. Around three in four (73%) shoppers started to spend more in August, up from 69% in June.

Spending priorities differ by shopper groups. While lower income groups were more likely to have spent more on food and groceries in August, higher income groups prioritised spending more on foodservice.

For some shoppers, focus is expected to shift even further in the next few months to foodservice, holidays and travel, home improvements and theatre/cinema. This will further challenge spend on food and groceries.

Shopper confidence

Coming out of the summer, shopper confidence declined sharply to -9 in September, according to [IGD's Shopper Confidence Index](). It is now at its lowest level in a year following its largest monthly recorded decline.

Confidence has been dented by the rising cost of living, and shortages of petrol and some food items in September. With confidence declining throughout September, it is likely that it will remain subdued in the near future.

The following supporting measures are contributing to the downward shift in shopper sentiment:

- Declining financial confidence
- Rising fears of inflation
- Increased focus on saving money
- Concerns about availability

Declining financial confidence

Results from our latest Shopper Confidence Index reveal that financial confidence has declined across all income groups, and particularly for lower affluence groups. 42% of lower affluence shoppers expect to be worse off in the next 12 months, compared to 26% in August.

This is in part because, despite economic growth this year, data from the ONS has shown that the least well-off were most likely to report income decline due to COVID-19.

This may also reflect changes to taxes and benefits.

Rising fears of inflation

When asked for the main reasons for feeling worse off, the lowest affluence households are most likely to cite rising food, energy and petrol prices.

With food price inflation increasing, more shoppers believe that food and grocery prices are higher than the previous month. 57% perceived that food and grocery prices had increased month-on-month, up significantly from the start of the year when 38% thought prices had risen.

85% now expect food and grocery prices to increase in the year ahead compared to 79% in August.

Saving money focus

Shoppers are increasingly focusing more on saving money rather than quality. 21% expect to focus more on saving money next year compared to 15% in August.

Many shoppers are adopting a range of 'savvy shopping' tactics to contend with rising living costs. Shoppers are increasingly prioritising buying private label products to save money.

This is particularly important to lower income households. In contrast, fewer shoppers are claiming to buy on special offer. Shoppers are increasingly prioritising reducing the amount of food that is wasted.

Withdrawal of the enhanced Universal Credit in October and any possible increase in interest rates could further weaken confidence among lower income groups. Given the news agenda about shortages of labour and gas supplies, expect shoppers to become even more sensitive to price increases and to adopt savvy shopping tactics.

Availability concerns

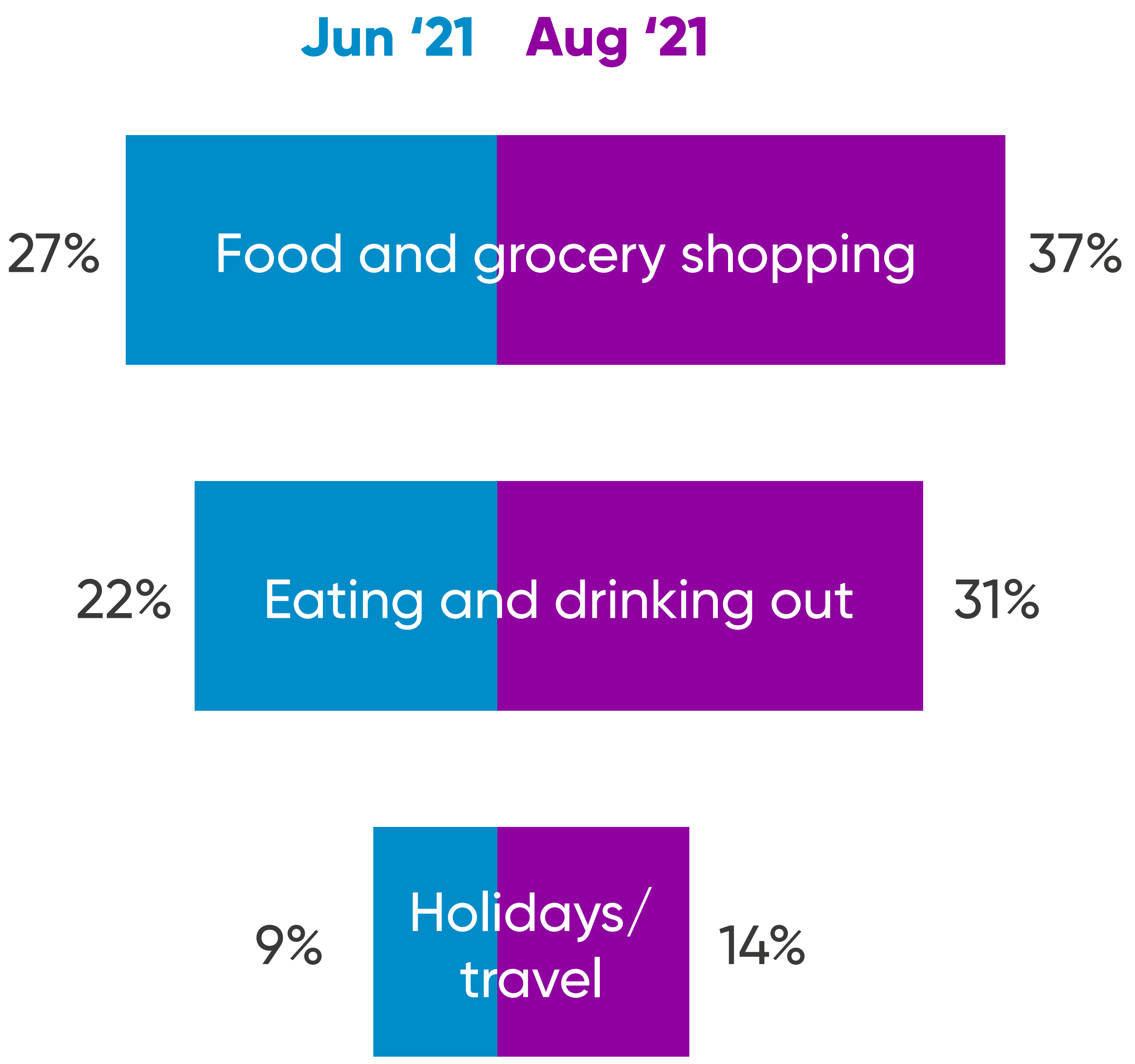
Concerns around availability are also impacting shopper confidence. With operational labour and HGV driver shortages continuing to create challenges for supply chains, 63% claim to have experienced shortages of some food and groceries in-store or online recently according to shopper research conducted for IGD 22–24 October 2021.

Despite this, so far relatively few adults (35%) have recently felt the need to stock up or purchase more than they normally do. It will be important to monitor this as supply chains are expected to come under increasing pressure during the Christmas trading period.

Data at a glance

Spent more on in last month

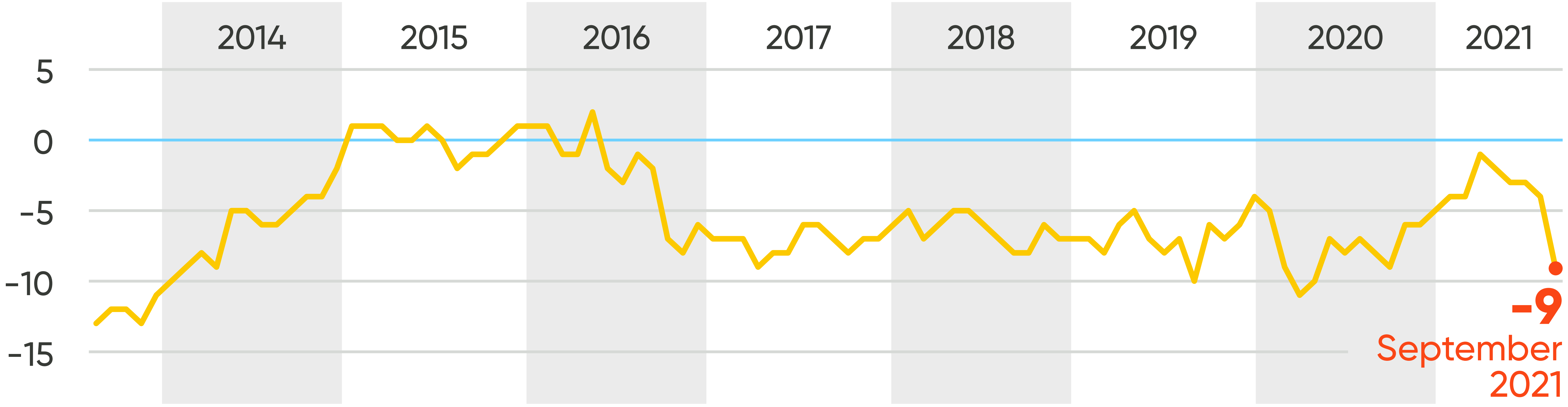
Share of respondents



Source: ShopperVista from IGD research, August 2021
Base: >1,000 GB shoppers per month, balanced sample

Shopper Confidence Index

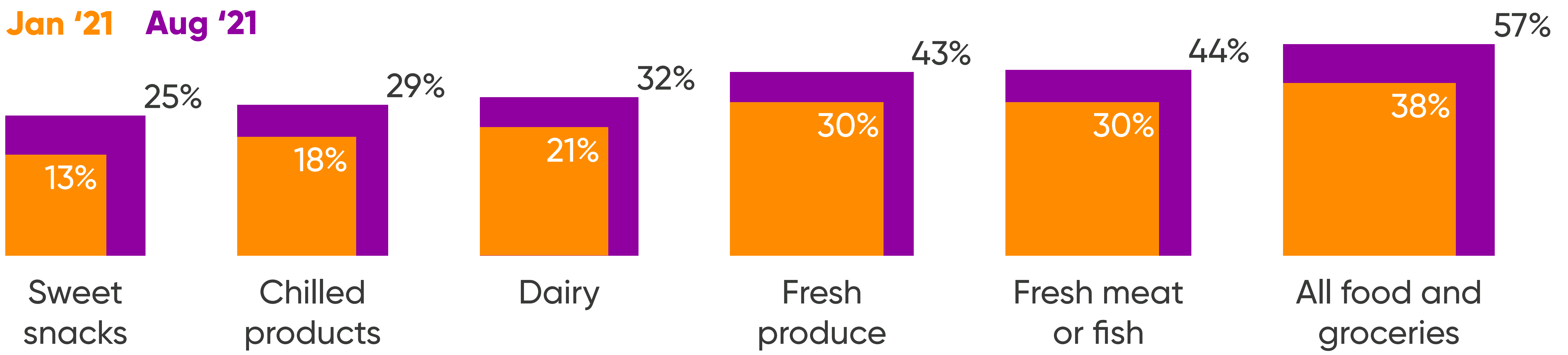
Source: ShopperVista from IGD research, September 2021



Food seen as more expensive in last month

Net percentage of respondents

Source: ShopperVista from IGD research, August 2021



Implications for your business

Changing shopper tactics

IGD followed shoppers through the last economic 'shock', which was accompanied by an inflation surge. The effect was to shake some shoppers out of established habits. They became less loyal, seeking out value, shopping around and switching brands, and between brand and private label.

It is reasonable to assume similar changes in shopper behaviour if food prices continue to rise or if household budgets come under pressure for some other reason.

Shifting priorities

Some shoppers are shifting their spending priorities towards foodservice and holidays/travel.

Increasing the volume of sales may be a challenge for retailers in this environment, and loyalty schemes may be key to unlocking further spend on food and consumer goods.

Fortunately, this shift is expected to be fairly slow, giving businesses time to respond, if they choose to do so.

Christmas shopping

With Christmas celebrations curtailed last year, and with COVID-19 restrictions easing, many shoppers will be looking for opportunities to come together for larger celebrations, making up for lost time. Expect more shoppers to seek out ways to trade-up for higher quality products.

The biggest challenge for retail looks set to be meeting increased demand from shoppers at a time when supply chains are under severe strain.

What is on the government agenda?

Short term

The UK government moved quickly to respond to shortages of industrial CO_2, offering a limited package of financial support to an operator of fertiliser factories which produces the vital gas as a by-product. It has also offered limited measures to support road transport businesses and meat processors.

A new industry taskforce, led by the Chancellor of the Duchy of Lancaster will continue to drive action to alleviate current problems with logistics and supply chains. This may create some breathing space for long term solutions to be developed, but further work is likely to be needed by both government and businesses.

Upcoming legislative change

A raft of upcoming legislation will have significant implications for the food and consumer goods industry.

The rollout of regulations on the marketing and promotion of foods High in Fat, Salt and Sugar (HFSS) in October 2022 will require major changes in store layouts and promotional strategies. IGD is helping businesses to plan for the changes and to understand the potential impact on shoppers.

Another major change is expected in 2023 with the introduction of Extended Producer Responsibility (EPR) – provided for by the Environment Bill 2021. Although It is not clear exactly how this will be executed – it may vary between UK nations – it is likely to significantly increase the financial and administrative burden on some businesses and may lead to change in packaging use, in favour of materials that are more easily recycled.

Further change ahead

In early 2022 we are expecting government to publish its food strategy. This will build on current areas of policy and respond to the recommendations set out in Henry Dimbleby's recent report.

Borders and trade will continue to be high on the agenda, including re-negotiation of the Northern Ireland Protocol (if possible).

COP26 in November is also a key moment for government to drive forward the global efforts to address climate change. With food being responsible for around one-third of global emissions, there will no doubt be further legislative changes required to meet the government target of Net Zero greenhouse gas emissions by 2050.

The government's new Net Zero strategy, published in October, suggests a broad approach, which will overlap with food and consumer goods businesses in several areas.

Levelling up

Levelling-up is a major policy theme for this government – it appears in the Conservative manifesto for 2019 – and research from the Institute for Fiscal Studies (IFS) suggests that economic disparities are especially pronounced in the UK.

Michael Gove (formerly Chancellor of the Duchy of Lancaster and Cabinet Minister) has recently been appointed Secretary of State for Levelling Up, Housing and Communities – a new post.

A white paper on levelling-up has been promised later this year but at the time of writing, little is known of what it might contain.

Implications for your business

A decade of disruption?

UK food and consumer goods businesses have already experienced significant shocks – EU Exit, COVID-19, economic recession, etc. Future shock events seem inevitable – new disease outbreaks and, in particular, climate change present a risk to the industry in the years ahead.

Addressing climate change and delivering better health outcomes will continue to drive a very busy policy agenda and it is clear that the government has a strong desire to drive reform through legislation. At the same time, increasing expectations of investors, employees and consumers is driving changes in business culture with a greater focus on social and environmental performance.

As noted in our recent special edition of Viewpoint (focus on labour shortages), the competition for people will continue as many countries face the prospect of a shrinking working age population.

Overall, it is reasonable to believe that recent events mark the start of what could be a long period of business disruption – business as usual will not be restored any time soon (perhaps never).

Operational complexity and costs are likely to rise and so the economics of food and consumer goods could change radically.

Levelling-up

The current levelling-up agenda is quite ill-defined and whatever is suggested is likely to take a long time to create significant benefits. However, businesses may be able to take advantage of measures already enacted, such as the development of freeport facilities or infrastructure development.

There may also be room for food and consumer goods businesses to position themselves as part of the levelling-up agenda, by stressing their role as vehicles for personal social mobility (e.g. structured careers, good pay, training).

Next steps

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1

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2

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