The Contribution made by Beer to the European Economy

Portugal - January 2016

Europe Economics

The Brewers of Europe

PORTUGAL

1. COUNTRY PROFILE

	2014
Population	10,427,301
Currency	Euro
GDP per capita in PPS (2012, EU28 = 100)	78

Source: Eurostat and National Statistical offices.

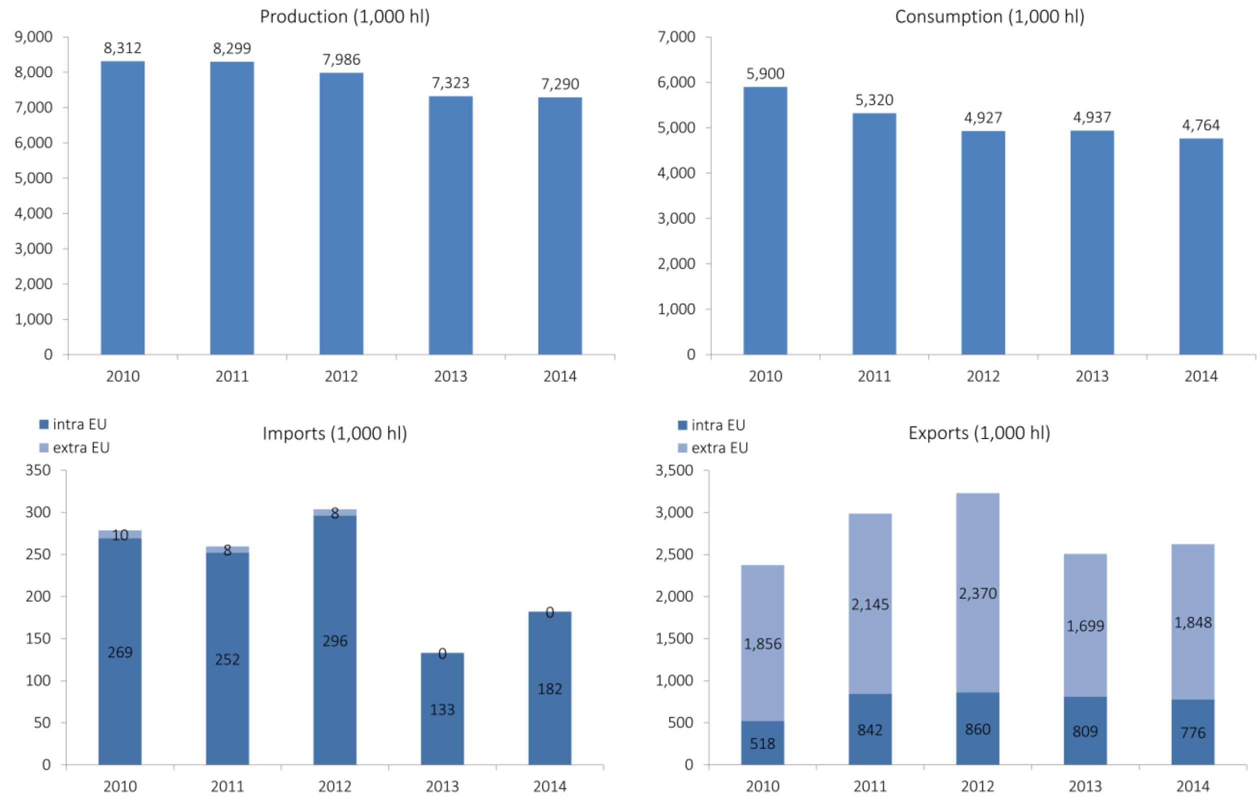
2. HIGHLIGHTS PORTUGAL

Table 1: Economic impact of beer in Portugal (2013-2014)

	2013	2014	% Change
Total number of jobs	83,869	82,816	-1.3 %
Value-added (million Euro)	1,007	993	-1.4 %
Government revenues (million Euro)	740	721	-2.5 %

Source: Calculations - different sources.

Figure 1: Development of production, consumption, imports and exports (2010-2014)



Source: National associations.

3. BREWING SECTOR

Total output from the Portuguese brewing sector declined slightly from 2013 to 2014. The number of brewing companies and the number of microbreweries increased, on the other hand, reflecting growth in the craft beer and specialty beer segment

Table 2: Basic characteristics of the Portugal brewing sector (2013-2014)

	2013	2014
Total production (in hectolitres)	7,323,000	7,290,000
Brewing companies	17	35
Breweries (including microbreweries)	18	35
Microbreweries	12	30

Source: National Associations.

4. BEER MARKET

Total consumption fell, like total production, along with total consumer spending (prices were stable). The on- and off-trade shares were also roughly stable with a slight shift to the off-trade, but from a high on-trade base.

Table 3: Basic characteristics beer market (2013-2014)

	2013	2014
Total consumption in hectolitres	4,937,000	4,764,000
Total consumer spending (in million Euro)	2,537	2,469
Consumption of beer per capita (in litres)	47	46
Beer consumption on-trade (hospitality)	63%	64%
Beer consumption off-trade (retail)	37%	36%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	7.07	7.06
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	1.85	1.85

Source: National Associations.

Note: Average consumer prices for 2014 have been calculated using 2013 prices and the national average inflation rate for 2014.

5. TRENDS AND DEVELOPMENTS

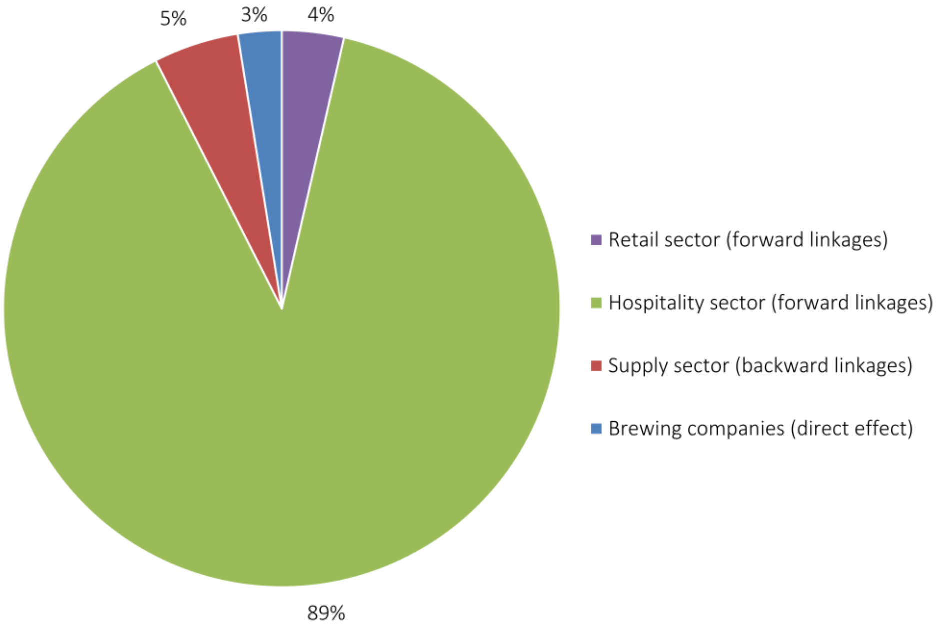
There has been a long-run shift towards consumption in the hotel, restaurant and café sector and a decline in overall beer consumption, partly related to a new policy restricting availability and consumption introduced in 2013. There are also shifts within the market: to greater consumption of craft beer and flavoured beers (e.g. Radlers).

Tourism and export markets both present opportunities for Portuguese brewers. In the domestic market. However, a tax differential with wine (which faces no excise duty and a lower VAT rate) makes it harder for the beer sector to compete, both in the relatively price-sensitive off-trade and in the on-trade where there is a higher VAT rate. Firms have responded by developing new products, catering to changing demand (e.g. Radlers).

6. EMPLOYMENT GENERATED BY THE BEER SECTOR

The high on-trade share in beer consumption in Portugal means that it dominates total employment, accounting for nearly 90 per cent of the total contribution to employment. This contribution has declined somewhat, but is broadly stable.

Figure 2: Total employment because of beer in 2014: 82,816 jobs



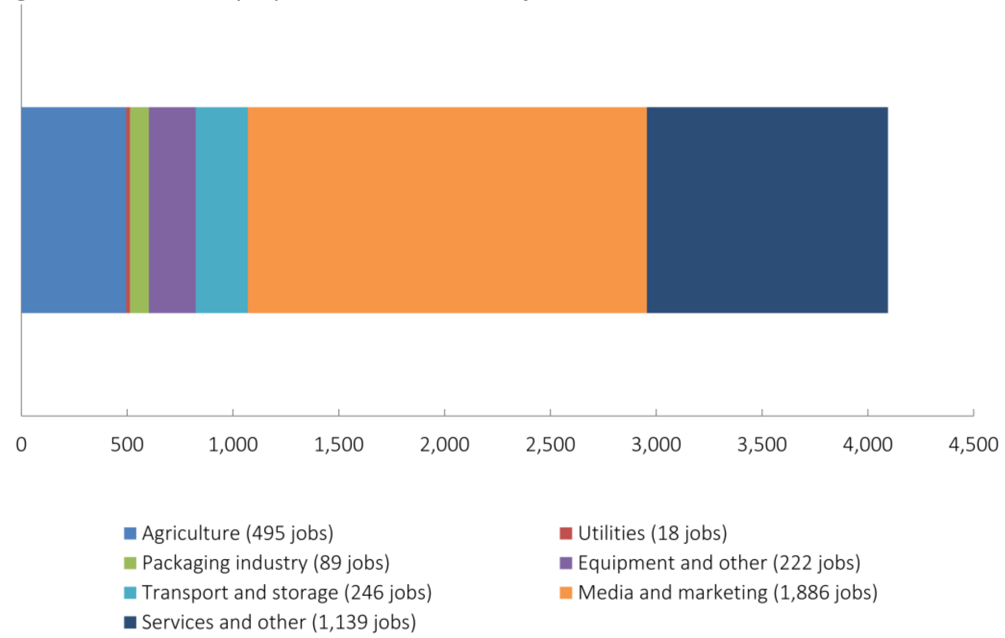
Source: Calculations - different sources.

Of the contributions to employment in supply sectors, that of agriculture is lower than in some other European countries, reflecting a relatively low share for domestic purchases of agricultural goods reported by the consulted breweries. The largest contributions to employment in supply sectors were in media and marketing and other services.

Figure 3: Change in employment (2013-2014): -1.3 %

Source: Calculations - different sources.

Figure 4: Indirect employment in 2014: 4,095 jobs

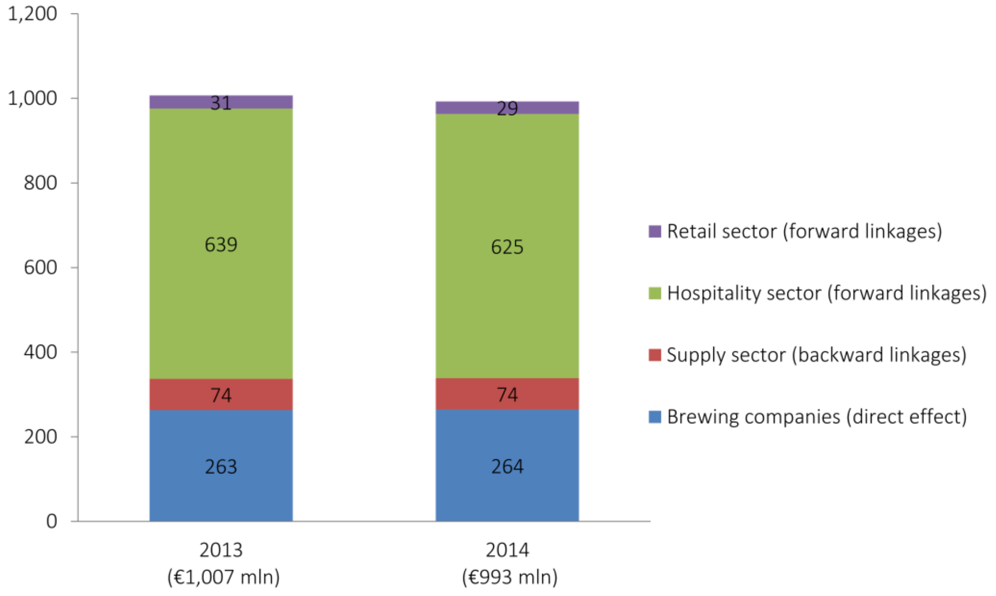


Source: Calculations - different sources.

7. VALUE ADDED GENERATED BY THE BEER SECTOR

The pattern in value added is similar to that in employment, with a large on-trade contribution and a small off-trade contribution, except for relatively productive brewing firms making a large contribution to value added relative to their contribution to employment.

Figure 5: Change in value added (2013-2014): -1.4 %

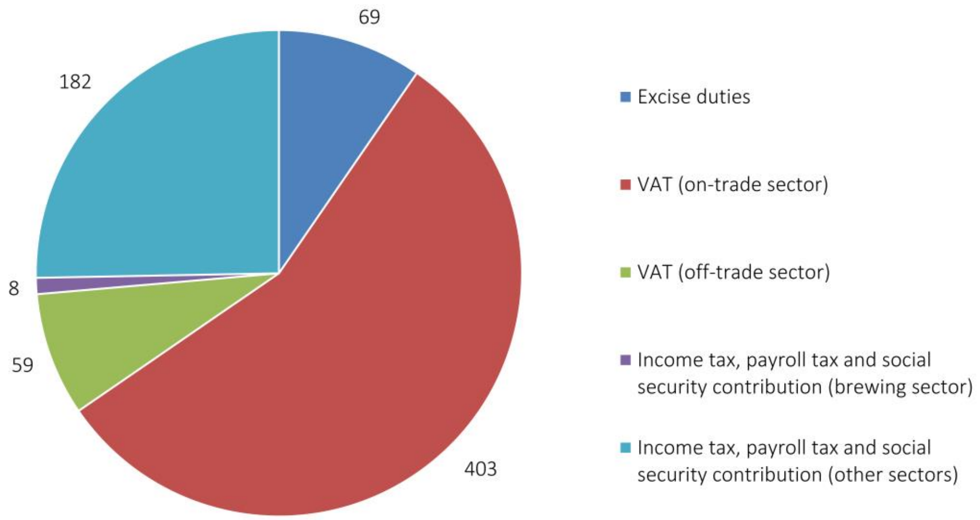


Source: Calculations - different sources.

8. GOVERNMENT REVENUES RELATED TO BEER

The largest contribution to government revenues relates to VAT in the on-trade. This reflects both Portugal's high VAT rate, relative to its excise duty rate, and the high share for on-trade consumption.

Figure 6: Government revenues generated by beer in 2014: 721 million Euro



Source: Calculations - different sources.

Table 4: Government revenues (2013-2014)

	2013	2014	% Change
Excise duties (million Euro)	71	69	-2.8 %
VAT (on-trade) (million Euro)	411	403	-2.1 %
VAT (off-trade) (million Euro)	63	59	-6.3 %
Income tax, payroll tax and social security revenues (brewing companies) (million Euro)	8	8	0.5 %
Income tax, payroll tax and social security revenues (other sectors) (million Euro)	186	182	-2.1 %
Total government revenues (million Euro)	740	721	-2.5 %

Source: Calculations - different sources.

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