The Contribution made by Beer to the European Economy

United Kingdom - January 2016

Europe Economics

The Brewers of Europe

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UNITED KINGDOM

1. COUNTRY PROFILE

	2014
Population	64,233,248
Currency	Pound sterling
GDP per capita in PPS (2012, EU28 = 100)	108

Source: Eurostat and National Statistical offices.

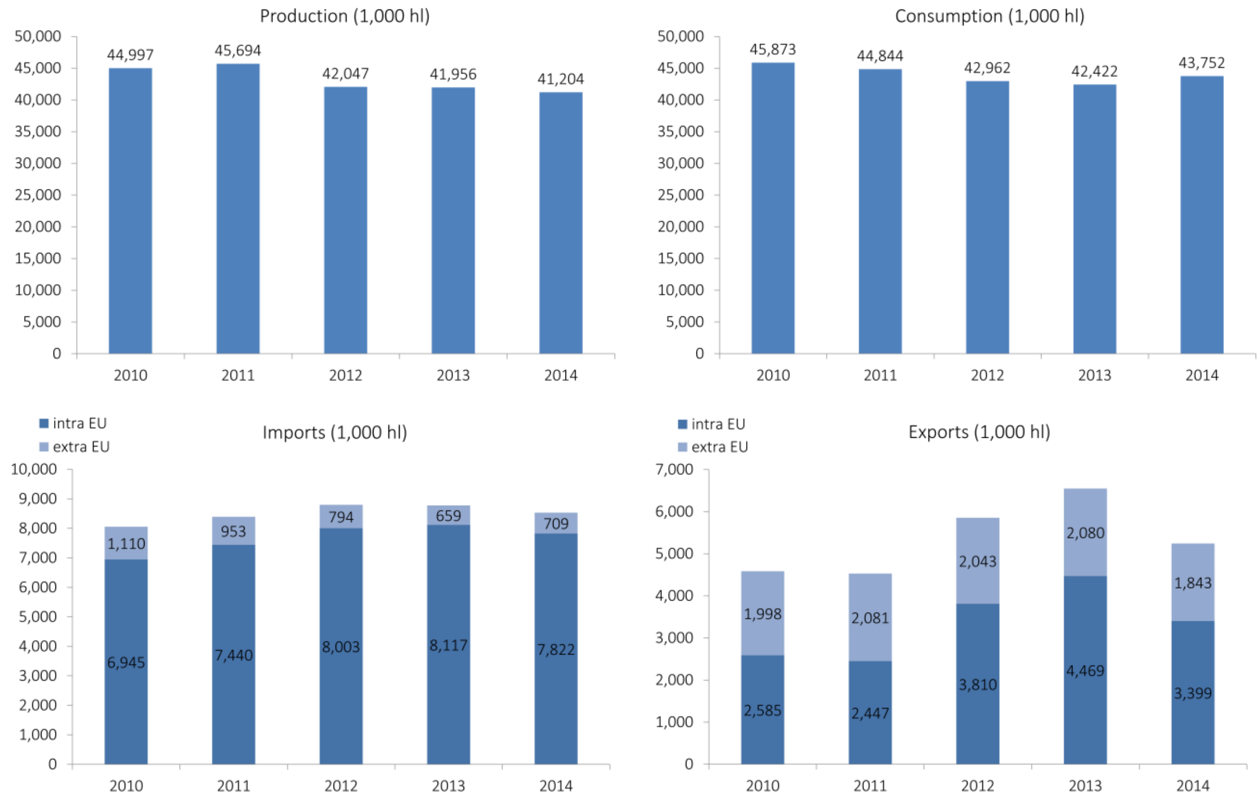
2. HIGHLIGHTS UNITED KINGDOM

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

	2013	2014	% Change
Total number of jobs	300,998	324,582	7.8 %
Value-added (million Euro)	7,963	8,686	9.1 %
Government revenues (million Euro)	8,311	9,063	9 %

Source: Calculations - different sources.

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



Source: National associations.

3. BREWING SECTOR

Total production is broadly stable and the number of breweries and brewing companies has increased considerably. That increase in diversity is less concentrated among microbreweries, which were already a large share of the total, than in other European countries where a similar increase has occurred. Instead it represents an increase in diversity in the conventional brewery sector.

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

	2013	2014
Total production (in hectolitres)	41,956,000	41,204,000
Brewing companies	1,479	1,700
Breweries (including microbreweries)	1,490	1,700
Microbreweries	1,440	1,414

Source: National Associations.

4. BEER MARKET

Total consumption has increased significantly along with consumer spending (as prices have risen, as well). The off-trade share of the market has also risen somewhat, from a 49 to a 50 per cent share of the market.

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

	2013	2014
Total consumption in hectolitres	42,422,000	43,752,000
Total consumer spending (in million Euro)	19,527	21,539
Consumption of beer per capita (in litres)	66	68
Beer consumption on-trade (hospitality)	51%	50%
Beer consumption off-trade (retail)	49%	50%
Average consumer price in on-trade (1 litre, including taxes) (in Euro)	6.57	7.17
Average consumer price in off-trade (1 litre, including taxes) (in Euro)	2.56	2.68

Source: National Associations.

5. TRENDS AND DEVELOPMENTS

Unlike in many other European countries, volume increased in the UK in 2014, reflecting the cuts in excise duty (though taxes remain high overall and excise duty is up strongly over the medium-term) which have significantly increased employment and investment. The market has also benefited from event-driven sales (connected to the Diamond Jubilee, Euro 2012 and the Olympic Games, among other events).

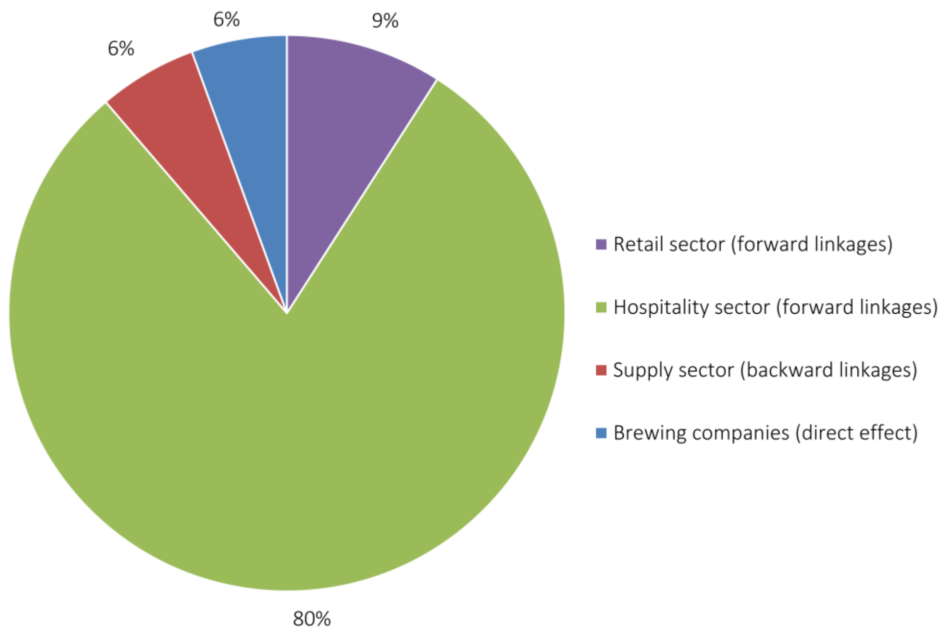
At the same time, there have been changes in the structure of the industry, with a growth in the number of microbreweries (most of which are remaining small, rather than growing). Firms are responding to market pressure by launching new products, including:

- radler low and no alcohol products; and
- non-alcoholic products (beers 0.0%).

6. EMPLOYMENT GENERATED BY THE BEER SECTOR

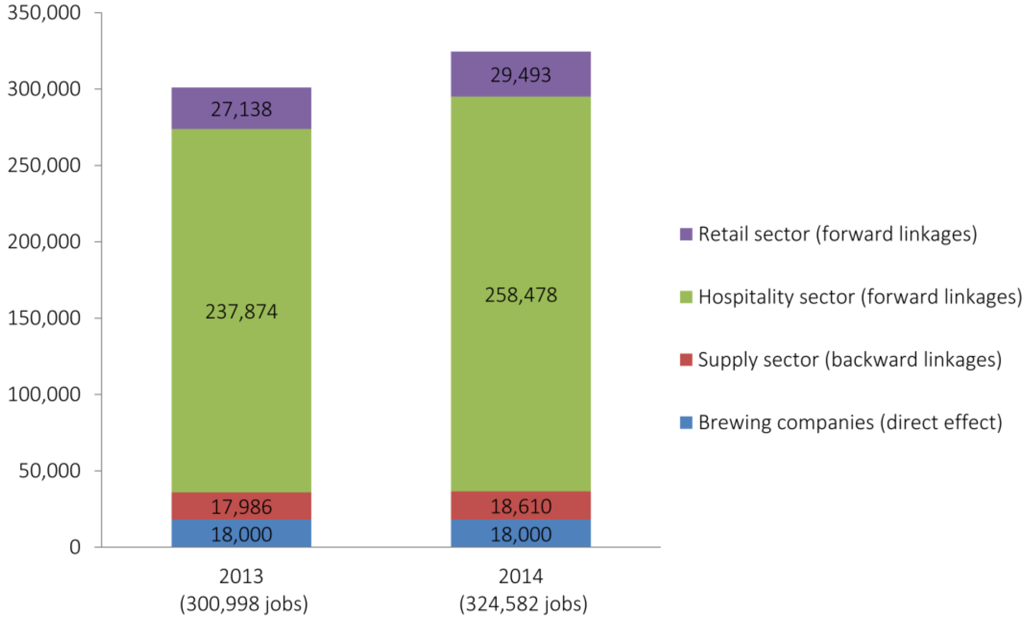
Employment is concentrated, even more than for the average European country, in the on-trade. This reflects both the high and (at least this year) rising share employed in the on-trade and its relative labour-intensity. The rise in the overall value of the trade means that the beer-related contribution to employment is also rising in the retail sector.

Figure 2: Total employment because of beer in 2014: 324,582 jobs



Source: Calculations - different sources.

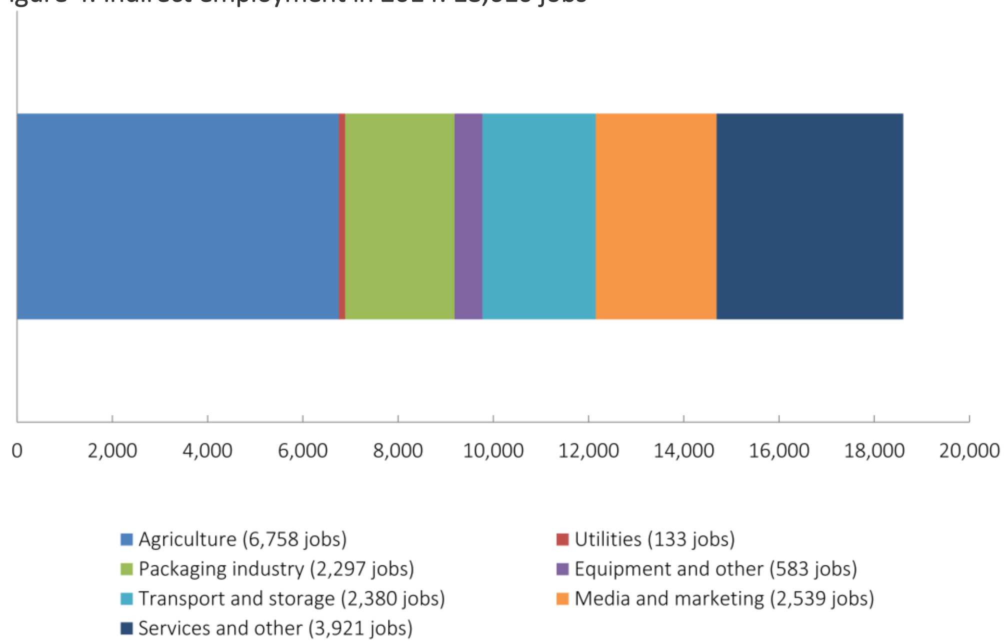
Figure 3: Change in employment (2013-2014): 7.8 %



Source: Calculations - different sources.

The largest contribution to employment in the supplying sectors is in agriculture. This reflects that agricultural products are generally bought domestically and the sector is labour-intensive.

Figure 4: Indirect employment in 2014: 18,610 jobs

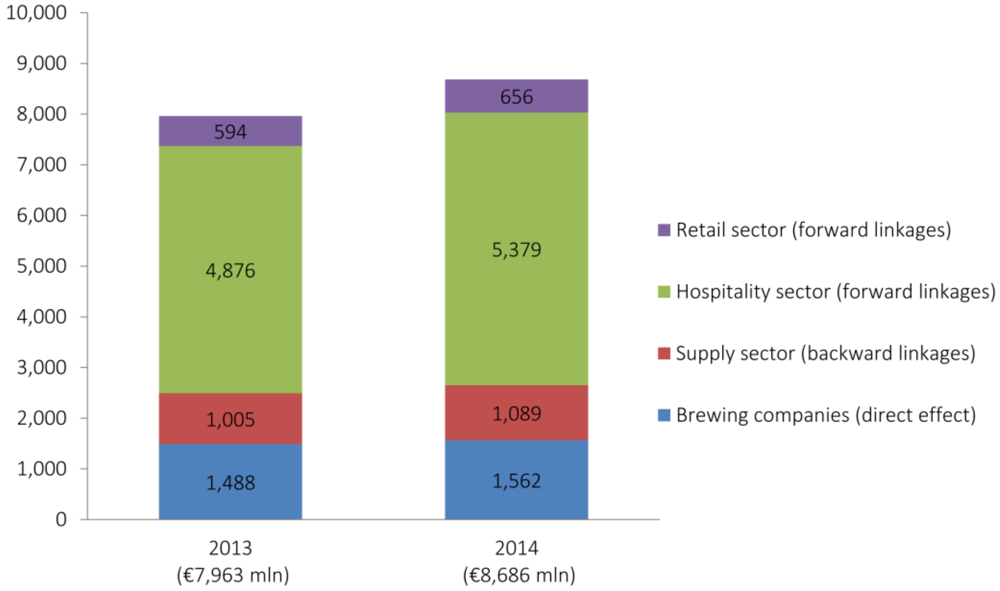


Source: Calculations - different sources.

7. VALUE ADDED GENERATED BY THE BEER SECTOR

The pattern in value added is broadly similar to that in employment, dominated by the on-trade (i.e. pubs). The brewery sector is less distinctive than in some other economies, while retail is a particularly small share of value added.

Figure 5: Change in value added (2013-2014): 9.1 %

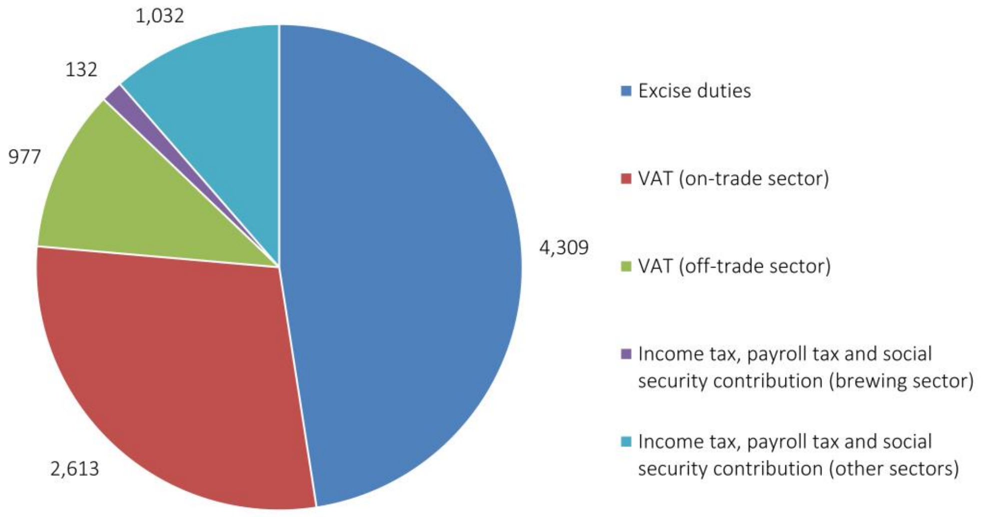


Source: Calculations - different sources.

8. GOVERNMENT REVENUES RELATED TO BEER

Government revenues in the UK are dominated by excise duties, which have risen in 2014 (also expressed in local currency: £3,302 in 2013 to £3,361 in 2014). The UK still has one of the highest excise duty rates and the cuts have been found to have increased activity, increasing the size of the tax base. VAT revenues are also substantial, perhaps in part due to excise duty rates increasing the price of beer and therefore the amount of VAT due.

Figure 6: Government revenues generated by beer in 2014: 9,063 million Euro



Source: Calculations - different sources.

Table 4: Government revenues (2013-2014)

	2013	2014	% Change
Excise duties (million Euro)	3,976	4,309	8.4 %
VAT (on-trade) (million Euro)	2,369	2,613	10.3 %
VAT (off-trade) (million Euro)	885	977	10.3 %
Income tax, payroll tax and social security revenues (brewing companies) (million Euro)	139	132	-4.7 %
Income tax, payroll tax and social security revenues (other sectors) (million Euro)	942	1,032	9.6 %
Total government revenues (million Euro)	8,311	9,063	9 %

Source: Calculations - different sources.

Note: Excise duty percentage is calculated on the basis of local currency converted to Euro, as used in the European Commission's (DG Taxud) database. For percentage change in local currency, please consult the same database.

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