The Contribution made by Beer to the European Economy

Luxembourg - March 2020

Europe Economics

The Brewers of Europe

Luxembourg

1 | Country profile

Table 1. Country profile

	2018
Population	602,005
Currency	Euro
GDP per capita in PPS (2012, EU28 = 100)	261

Source: Eurostat and National Statistical offices.

2 | Highlights Luxembourg

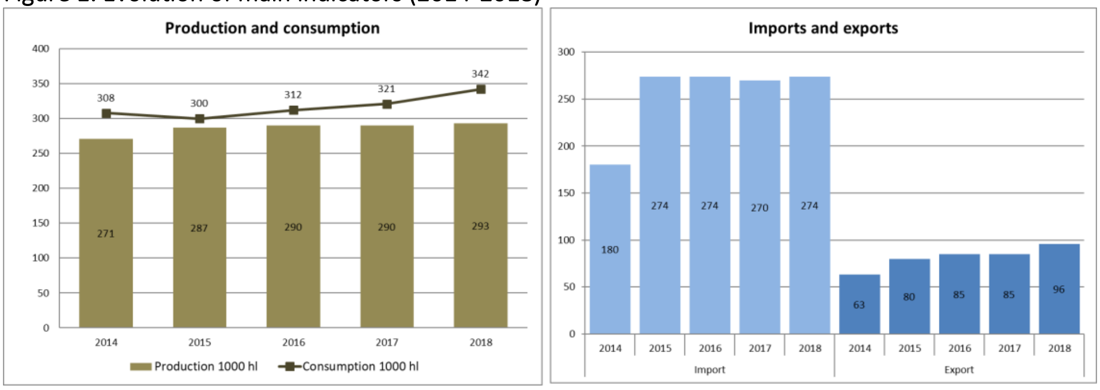
Table 2. Economic impact summary (and % change over the period)

		2015	2016	2017	2018
Total number of jobs	[-1.5%]	1,685	1,624	1,602	1,660
Value-added (mEuro)	[8.8%]	57	58	60	62
Government revenues (mEuro)	[8.4%]	43	44	45	46

Source: Calculations - different sources.

Luxembourg's beer industry has been recently characterised by a sustained increase in the hectolitres of beer consumed and a sustained higher level of beer imports relative to exports. Exports are increasing steadily, however.

Figure 1. Evolution of main indicators (2014-2018)



Source: National associations.

3 | A snapshot of the brewing sector

Total production in Luxembourg has slightly increased from 287,000 to 293,000 (production increased in all years except 2017). This trend suggests that the production of beer will continue to grow in the next few years. In any case, the most striking feature of Luxembourg is the expansion in the number of microbreweries. Luxembourg has more than doubled the number of microbreweries since 2015, moving from 15 in 2015 to 31, showing an increase in diversity in the conventional brewery sector.

Table 3. Basic characteristics of the beer market (2015-2018)

	2015	2016	2017	2018
Total production (in hectolitres)	287,000	290,000	290,000	293,000
Brewing companies	7	27	29	33
Breweries (including microbreweries)	7	30	32	34
Microbreweries	15	22	29	31

Source: National Associations.

4 | Looking at the beer market

Luxembourg relies on imports to satisfy consumers' demand, which has gradually increased from 300,000 hectolitres in 2015 to 342,000 hectolitres in the last year. This shift can be explained by an increase number of consumers, as the consumption of beer per capita has decreased from 76 to 72 litres in the last four years. Prices of beer have stayed relatively stable in both the hospitality and retail sectors.

Table 4. Basic characteristics of the beer market (2015-2018)

	2015	2016	2017	2018
Total consumption in hectolitres	300,000	312,000	321,000	342,000
Total consumer spending (in million Euro)	151	156	158	167
Consumption of beer per capita (in litres)	76	74	76	72
Beer consumption hospitality	49%	48%	47%	45%
Beer consumption retail	51%	52%	53%	55%
Consumer price hospitality (€ / litre)*	7.65	7.60	7.60	7.72
Consumer price retail (€ / litre)*	2.55	2.60	2.56	2.57

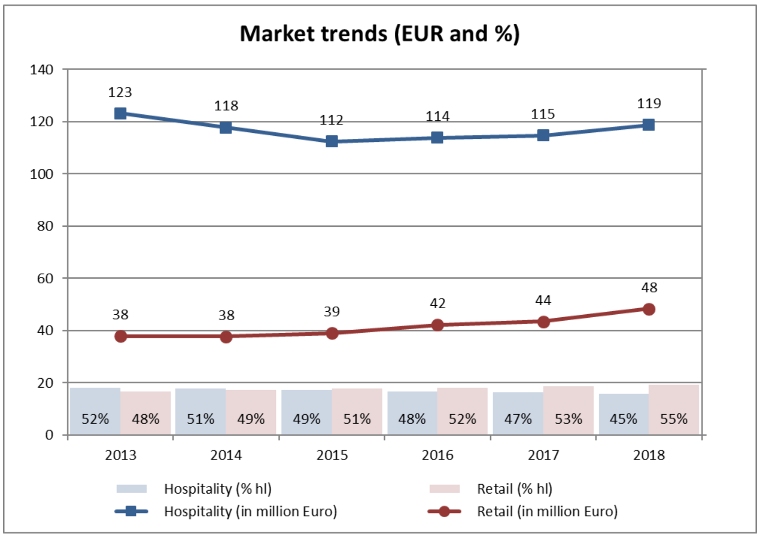
Note: * Prices are averages inclusive of taxes and duties.

Source: National Associations.

5 Trends and developments

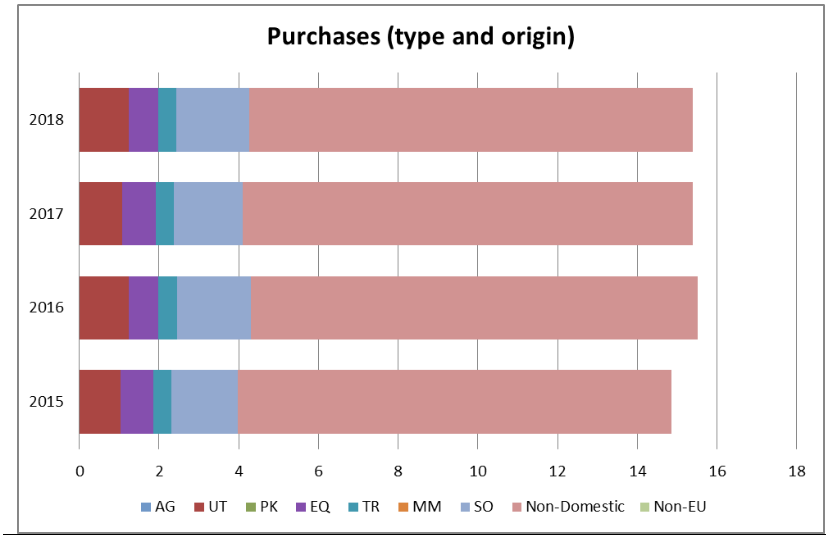
The retail sector is seeing an increase in the proportion of beer consumed —55 per cent of total litreage consumed in 2018— as people in Luxembourg are shifting from consuming beer in pubs and restaurants to consuming it at home. This trend is reflected in the value of the retail sector, which has steadily climbed above €40 million over the period and shows no sign of abating waning.

Figure 2. Recent consumption trends (2013-2018)



Although the importance of the beer can go beyond the brewing sector itself domestically, this is less the case in Luxembourg as most of the inputs used in beer production are imported. Surrounded by large EU countries, it is not surprising that Luxembourg's imports originate in other EU countries. Luxembourg's beer sector therefore contributes positively to these sectors abroad. The largest share of inputs purchased domestically is owed to agriculture.

Figure 3. Importance up the chain



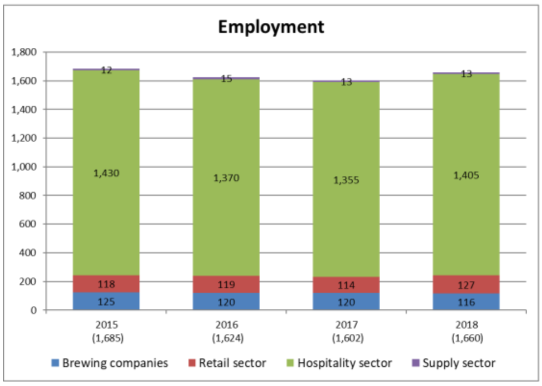
Note: AG – Agriculture; UT – Utilities; PK – Packaging; EQ – Equipment; TR – Transport; MM – Media / marketing; SO – Other services.
Source: Calculations based on data from Eurostat, and the Individual Brewers Questionnaire.

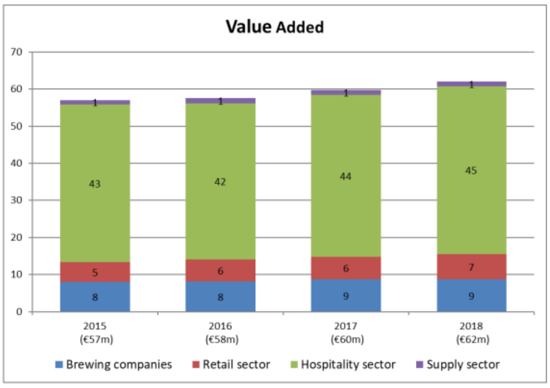
6 | The impacts beyond the sector: related jobs and value added

The hospitality sector provides the overwhelming majority of jobs related to beer. Brewing companies and the retail sector account for a much smaller but significant share of employment while the supply sector has no significant contribution to employment given the small share of domestic purchases. Total employment in the domestic beer supply chain has remained stable.

The pattern in value added is broadly similar to that in employment, being dominated by the hospitality sector followed by the brewing companies and the retail sector. Despite accounting for a small amount of purchases, workers in the domestic supplier sectors appear to produce a disproportionate amount of added value.

Figure 4. Change in employment and value added (2015-2018).



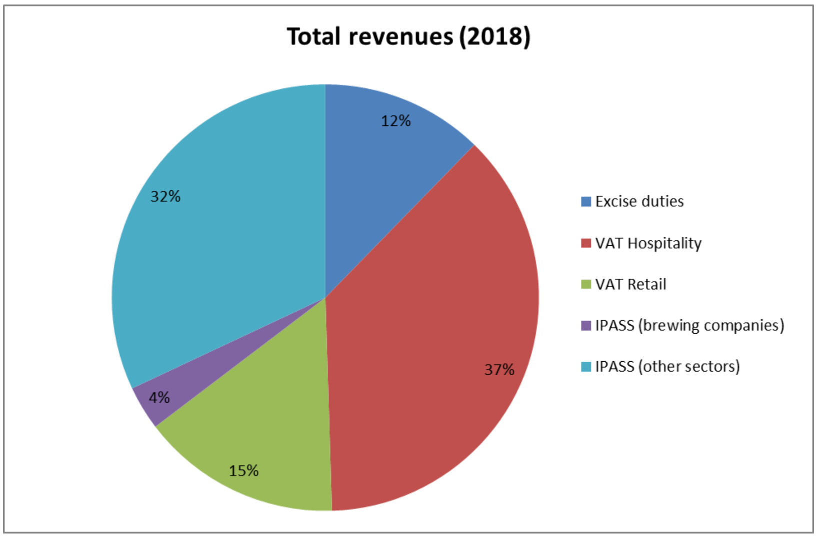


Source: Calculations based on data from Eurostat, National Associations, and the Individual Brewers Questionnaire.

7 | Government revenues related to beer

In contrast to many other countries in Europe, the contribution made by beer is mainly dominated by the IPASS of other sectors, as well as VAT in hospitality. The large proportion of VAT revenue collected from the hospitality sector reflects the continued importance of the sale of beer in pubs and restaurants for fiscal balances.

Figure 5. Government revenues generated by beer in 2018



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

The beer economy contributed €46m to government revenues in 2018 (this is slightly higher than the €43m contribution it had in 2015). VAT hospitality and IPASS (other sectors) account for more than 70 per cent of the total government revenues generated in the beer sector.

Table 5. Government revenues, mEuro (2008-2012)

	2015	2016	2017	2018
Excise duties	5	6	6	6
VAT Hospitality	16	17	17	17
VAT Retail	6	6	6	7
IPASS (brewing companies)	2	2	2	2
IPASS (other sectors)	14	14	14	15
Total government revenues	**43**	**44**	**45**	**46**

Source: Calculations - different sources.

The Brewers of Europe

Rue Caroly 23 - 25
1050 Brussels - Belgium

T + 32 (0)2 551 18 10

www.brewersofeurope.org
info@brewersofeurope.org

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