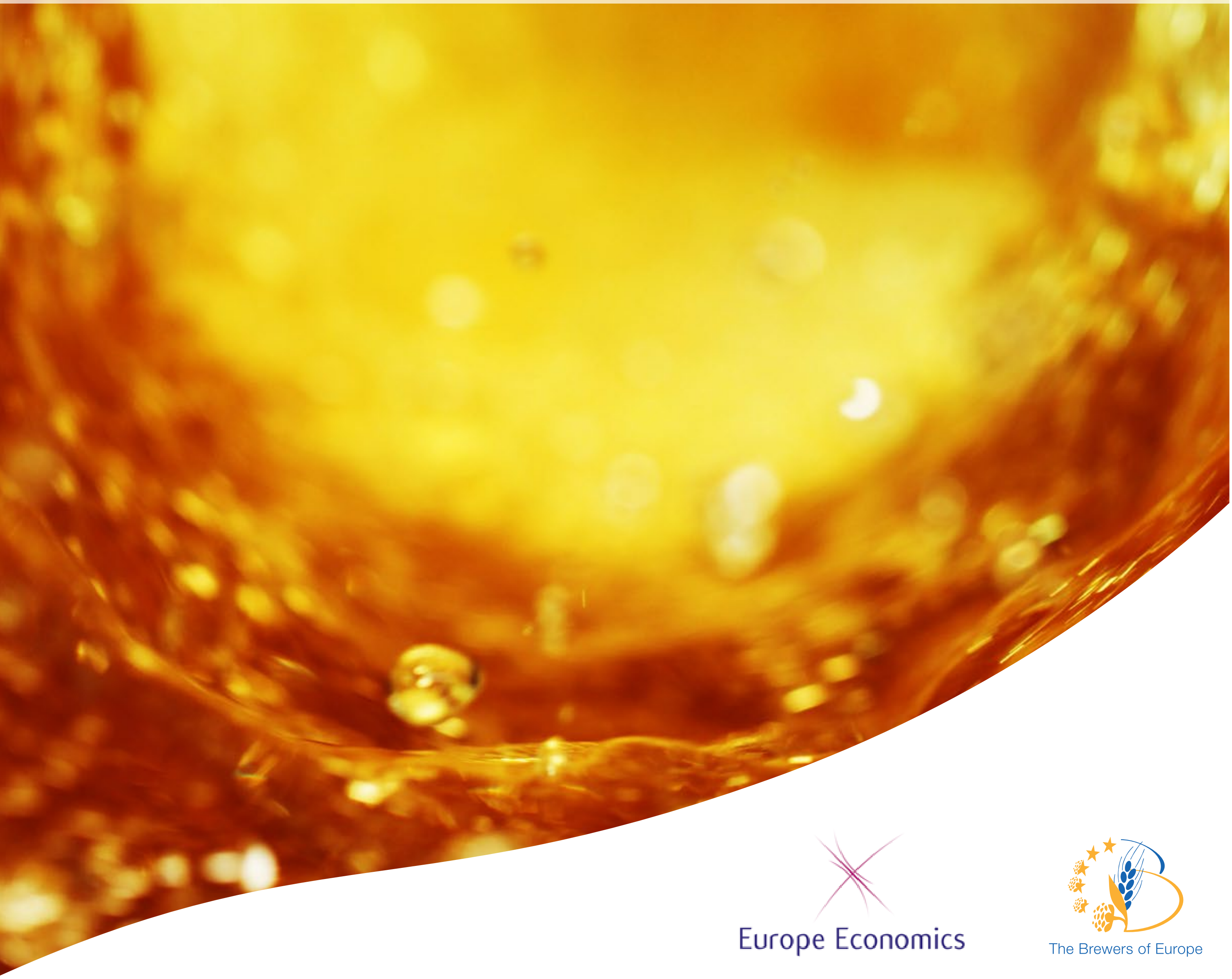
The Contribution made by Beer to the European Economy

Portugal - March 2020



Europe Economics

The Brewers of Europe

Portugal

1 | Country profile

Table 1. Country profile

	2018
Population	10,291,027
Currency	Euro
GDP per capita in PPS (2012, EU28 = 100)	77

Source: Eurostat and National Statistical offices.

2 | Highlights Portugal

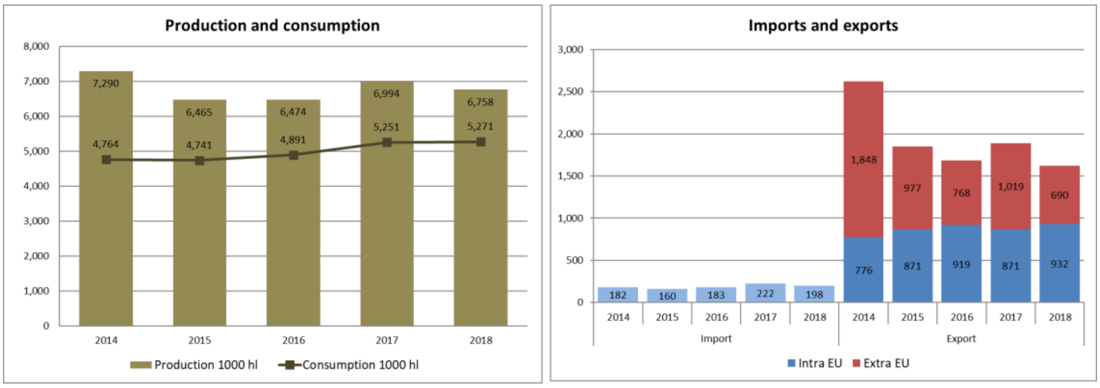
Table 2. Economic impact summary (and % change over the period)

		2015	2016	2017	2018
Total number of jobs	[17.1%]	77,997	83,042	89,516	91,302
Value-added (mEuro)	[41%]	1,020	1,198	1,419	1,438
Government revenues (mEuro)	[23.4%]	766	816	929	946

Source: Calculations - different sources.

Portugal produces more beer than it can drink meaning that is a beer-exporting country: of the approximately 7 million hectolitres it produces, around 1 is sold to other EU Member States, and another half is exported outside the EU (although significant extra EU export figures can be observed, these dropped considerably from under the 2 million reported previously in 2014).

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



Source: National associations.

3 | A snapshot of the brewing sector

Total production in Portugal has been broadly stable at under 7 million hectolitres, albeit with some increases in recent years (2017 added half a million to the production in 2015, whereas 2018 was only 300 thousand greater than that same year).

The increase in production has been outpaced by the growth in the number of brewing companies and microbreweries. Starting with 4 companies and 60 microbreweries, these figures almost doubled in 2018, meaning that the majority of brewing factories is now constituted by microbreweries (115 out of a total of 120 are microbreweries in that country). This increase reflects growth in the production of craft beer and speciality beer segment.

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

	2015	2016	2017	2018
Total production (in hectolitres)	6,465,000	6,474,000	6,994,000	6,758,000
Brewing companies	64	94	120	120
Breweries (including microbreweries)	64	94	120	120
Microbreweries	60	89	115	115

Source: National Associations.

4 | Looking at the beer market

Total consumption in Portugal is below its national production by approximately 1.5 or 1.7 million hectolitres (depending on the year), which are sold on the international markets. The per capita consumption in Portugal is low (and similar to other Mediterranean countries) but spending is increasing over the years.

Consumer prices increased only moderately in both the hospitality and retail sectors (slightly above 3% over the analysed period).

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

	2015	2016	2017	2018
Total consumption in hectolitres	4,741,000	4,891,000	5,251,000	5,271,000
Total consumer spending (in million Euro)	2,445	2,538	2,936	2,982
Consumption of beer per capita (in litres)	46	47	51	51
Beer consumption hospitality	63%	63%	69%	69%
Beer consumption retail	37%	37%	31%	31%
Consumer price hospitality (€ / litre)*	7.10	7.14	7.25	7.34
Consumer price retail (€ / litre)*	1.85	1.87	1.90	1.92

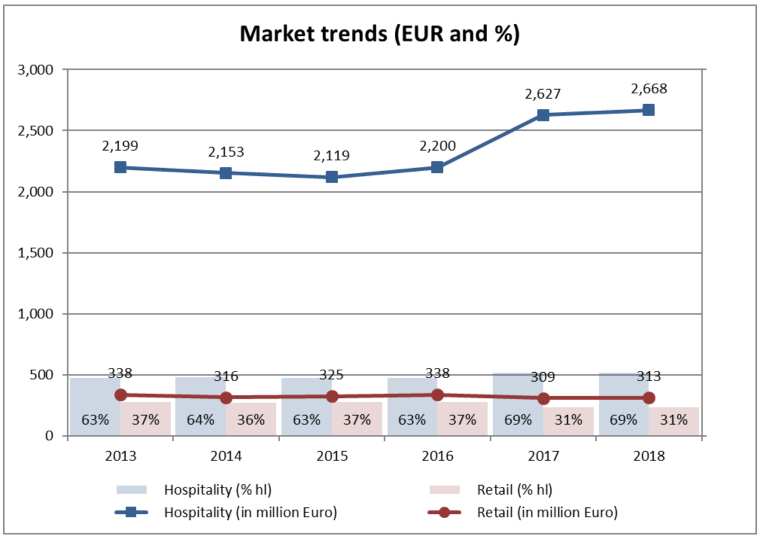
Note: * Prices are averages inclusive of taxes and duties.

Source: National Associations.

5 Trends and developments

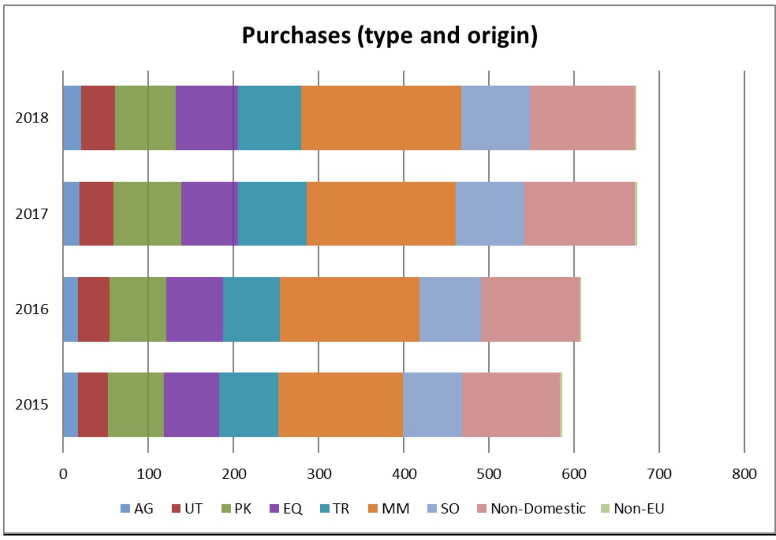
Despite the difference in the price between the beer in the on- and off-trade markets, consumption is taking place mainly in the premises, with a trend that seems to be increasing over time: compared to 63% in 2015, as much as 69% of hectolitres are being consumed in the hospitality sector in 2018. The total spending in retail markets is low (and constant across years) whereas the amounts in the hospitality sector are higher and with a significant shift being observed in 2017.

Figure 2. Recent consumption trends (2013-2018)



Portugal purchases different inputs for the production of its beer, and these have been increasing over the last years. About a fifth of total purchases comes from abroad with the figure in total value increasing from year to year (with a small drop in 2018). This is in line with the responses we received from individual brewers, mentioning an increase on non-EU purchases in recent years.

Figure 3. Importance up the chain



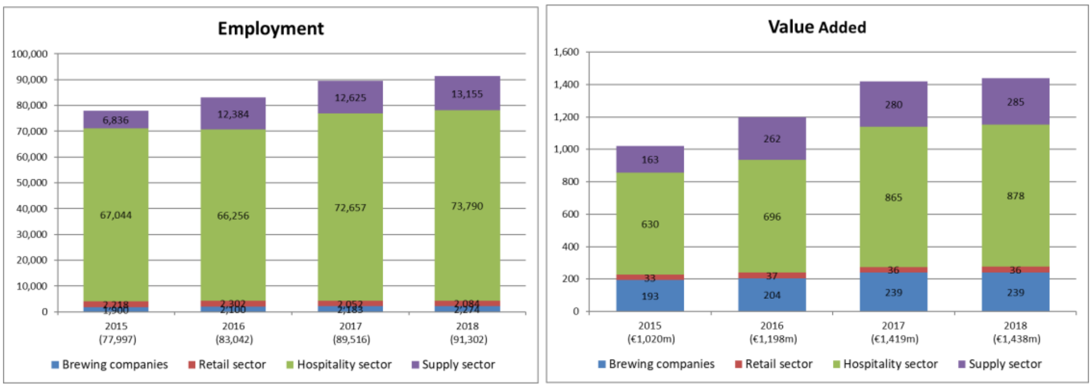
Note: AG – Agriculture; UT – Utilities; PK – Packaging; EQ – Equipment; TR – Transport; MM – Media / marketing; SO – Other services.
Source: Calculations based on data from Eurostat, and the Individual Brewers Questionnaire.

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

Employment in the Portuguese beer sector is concentrated, even more than for the average European country, in the on-trade (Hospitality) sector. This reflects both the high and 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.

The pattern in value added is broadly similar to that in employment, dominated by the on-trade (i.e. pubs). The brewery sector and the supply sector are in second place with very similar shares while retail sector has a small share of value added.

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



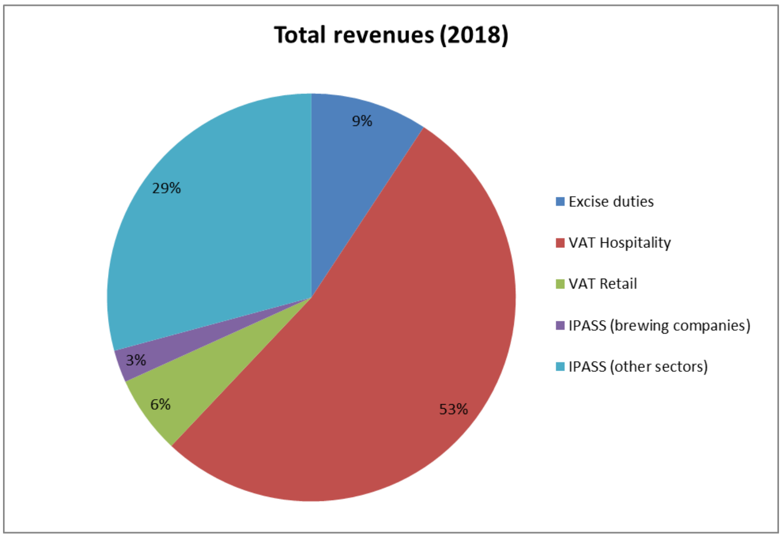
Source: Calculations based on data from Eurostat, National Associations, and the Individual Brewers Questionnaire.

The employment in the supply sector can be broken down using the estimates from the responses to the survey to brewers. These imply a job breakdown of: 1,573 jobs in agriculture, 859 jobs in packaging, 909 jobs in transport, 7,318 jobs in media and marketing (the remaining corresponding to utilities, equipment, other).

7 | Government revenues related to beer

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

Figure 5. Government revenues generated by beer in 2018



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

The beer represents under one billion of total government revenues generated though the supply chain in Portugal, and the estimates show a significant increase in relation to the 2015 figures (mainly due to changes in the contribution from Hospitality VAT and the IPASS contributions from other sectors).

Table 5. Government revenues, mEuro (2015-2018)

	2015	2016	2017	2018
Excise duties	71	75	84	88
VAT Hospitality	396	411	491	499
VAT Retail	61	63	58	59
IPASS (brewing companies)	25	26	24	24
IPASS (other sectors)	213	240	271	276
Total government revenues	**766**	**816**	**929**	**946**

Source: Calculations - different sources.

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