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**ECONOMIC
REPORT**

to assess the impact
of Covid-19 on
the brewing sector
in Europe in 2020

-
April 2021



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Glossary

EU	European Union.
EU19 = Euro area	19 Eurozone members: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, Spain.
Europe 28	EU + UK.
EUROSTAT	European Statistical System.
GDP	Gross domestic product.
hl (hectolitre)	Metric unit of volume or capacity. One hectolitre equals 100 litres.
Hospitality	See On-trade definition below.
IMF	International Monetary Fund.
IPASS	Income, payroll and social security contributions.
On-trade	Sales through (licensed) pubs, clubs, bars, restaurants, etc., also called the hospitality sector.
Off-trade	Sales through wholesale and retail (shops, supermarkets and other outlets).
Prodcom	Statistics on the production of manufactured goods. the term comes from the French "PRODUCTION COMMUNAUTAIRE" (Community Production).
Production value	Calculated using manufacturer selling price (MSP), i.e. sales at ex-factory price, therefore minus sales tax, VAT retailer and wholesaler mark-ups (as per Euromonitor International's definition).

Executive summary

Covid-19 measures taken by governments in 2020 have disproportionately impacted bars and restaurants, eliminating 42% of beer hospitality sales volumes in Europe and decimating the significant, positive contribution made by the beer value chain to the wider economy. This drop in consumption, provoked 860,000 job losses, a 25% decline in beer's overall value-added to the European economy and a 23% decline in government tax revenues from beer, principally due to €7 billion in lost VAT receipts usually collected through beer hospitality. A further €4 billion in government revenues were lost because of the income and social security contributions usually paid by the hundreds of thousands who lost their jobs.

Covid-19 restrictions imposed by governments

In response to the Covid-19 pandemic, governments have implemented extraordinary measures to try and combat the transmission of the disease. These measures had a significant negative effect on the European economy during 2020 and continuing into 2021.

In most European countries, since March 2020, the hospitality sector has either been fully closed, or partially open with significant restrictions. The most common policies impacting beer sales have included:

- A complete shutdown of all hospitality venues, with only takeaway permitted.
- A shutdown of all indoor hospitality spaces, with only outside terraces permitted.
- Bans on alcohol consumption without a meal in hospitality.
- The exclusion of alcoholic beverages from takeaway allowances.
- Early closing time for hospitality venues.
- Seated dining / consumption only.
- Restrictions on the number of patrons in total, per table or per square metre.
- Physical separation barriers between tables.
- A full ban on all large-scale and medium-scale events (festivals, concerts, weddings etc.).
- Alcohol sales bans or restrictions on sales times.
- Bans on private gatherings beyond a certain number of people, or excluding guests from outside the household.
- Full lockdowns and general night-time curfews.

The impact of the restrictions on the beer sector has been affected by the scale and length of restrictions, and the support measures put in place by governments.

Impact of the beer contribution to the European economy and jobs

Due to the important contribution made by beer to the European economy and the far-reaching connections throughout the beer value chain, the shutdowns of the hospitality and events sector have had a dramatic impact not just on those sectors, but also on brewing and its capacity to create jobs, value and government revenues throughout the beer chain.

Covid-19 impact on Beer sales and production

- In 2020 beer sold in the on-trade dropped 42% from 126 million hectolitres in 2019 to 73 million hectolitres;
- This was offset slightly by an 8% increase (20 million hectolitres) in off-trade beer sales;

- The net effect was a 9% (34 million hectolitres) fall in the total volume of beer sold in Europe in 2020;
- This directly wiped over €3 billion off the value of beer production in a single year, which in turn fed through to suppliers to the beer sector, who saw an 8% (€2 billion) fall in beer-related purchases.

Covid-19 impact on Employment

- It is difficult to be sure of the precise impact on jobs usually created by beer, as many governments implemented schemes to support job retention. However, modelling suggests the number of jobs created by beer fell from 2.6 million people in 2019 to approximately 1.8 million in 2020, a fall of 33% or around 860,000;
- The hospitality sector was hit hardest, with more than 4 in 10 beer-generated jobs being wiped out, or almost 43% of employees losing their jobs (or dependent on temporary unemployment benefits);
- A further 7.5% fall was seen in the number of jobs generated amongst suppliers to the beer sector;
- These huge job losses in some sectors were marginally offset by the creation of 21,000 new jobs in the retail off-trade, a 9% increase in the number of jobs indirectly created by beer in that sector.

Covid-19 impact on Value-added

- The value added by the beer sector reduced by over €15 billion, or 25%, from €60 billion in 2019 to €47 billion in 2020;
- Again, the on-trade hospitality sector represents the highest proportion of this fall in value added, generating 45% less value in 2020 compared to 2019 – a loss of €13 billion in the value usually added by beer hospitality.

Covid-19 impact on Government Revenues

- Total taxes paid by the beer sector in Europe amounted to €36 billion in 2020, down by €11 billion, or a 23% decline, from €47 billion in 2019;
- €7 billion of this was loss of VAT usually collected through the on-trade, a further €1.1 billion was lost in excise duties and €4 billion of the drop was from lower Income, Payroll and Social Security Contributions.

Some high-level conclusions

In addition, our findings can be used to show the following:

“Hospitality and tourism have been hit – so has the brewing sector”. Responding to prohibitions on mobility and social gathering, hospitality and tourism have been the most severely affected sectors. In contrast, retail benefited from fewer restrictions. The spike in the summer months and subsequent fall in hospitality is the result of the easing and subsequent reintroduction of different restrictions in the sector.

“Clarify any potential misunderstanding that the brewing sector profits from the crisis, with alcohol sales up”. The performance of the beer sector has shown very different performance for different routes to market: In the on-trade sector the impact has been dramatic: after years of steady, but continued growth in consumption there was a 42% reduction in 2020. The off-trade has, in contrast, shown a stepped increase, albeit modest in magnitude: an 8% increase. On balance, an overall loss of almost 34 million hectolitres can be seen in 2020 in comparison with 2019. The Covid-19 crisis has therefore had important repercussions for the brewing sector overall in terms of both volumes and particularly value, due to the most significant losses being in the on-trade.

“Economic impact for the brewing sector of Covid-19 on: jobs, value added, government revenue, on on-trade and other parts of the supply chain”. The economic impacts for 2020 have affected differently the different segments of the supply chain. As much as 2.6 million jobs were related to beer in 2019 compared to 1.8 million in 2020. Value added generated, directly and indirectly by the beer sector in Europe has also dropped. The overall value reduced due to Covid-19 restrictions is over €15 billion,

representing a fall of almost 25 per cent. The total taxes paid to governments in Europe was reduced by 23 per cent, and was mainly driven by the sharp drop of €7 billion in on-trade value added tax receipts, a fall that is not surprising given the restrictions imposed across Europe in response to the pandemic.

Outlook for the future

In the short term, the European economy may start its recovery in the summer 2021, if reduced Covid-19 cases and progress in vaccinations allow for a gradual unfreezing of restrictions. However, the situation remains very delicate as in many European countries external borders are still closed to tourists. Any recovery will undoubtedly be uneven, gradual and staggered.

Depending on the country and the policies imposed by governments, but also consumer confidence, sales of on-trade beer could experience some improvements in summer 2021, but will undoubtedly remain below 2019 levels. It remains unclear whether the pandemic will trigger, or accelerate, more fundamental shifts in policies, in business practises and, most importantly, consumption patterns in the medium to long term.

1 Introduction

The Brewers of Europe commissioned a report to understand the impact of Covid-19 on the brewing sector, and through its different links, to the wider economy. The study provides an overview of the measures taken by governments to stop the spread of Covid-19 and their impact on the European economic environment.

1.1 Background

Prior to 2020 and the Covid-19 outbreak, the beer sector had experienced successive years of growth in production, consumption, exports, job creation, value added and revenue generation. Pre-Covid top-line figures were as follows¹:

- 11,000 active breweries in Europe 28 (EU+UK);
- 40 billion litres of beer brewed annually;
- 36.8 billion litres of beer consumed annually;
- One third of the beer consumed in the hospitality sector (in some countries this can reach to up to 70%);
- 2.6 million jobs created by beer directly and indirectly, (including 2.2 million jobs generated in hospitality);
- €60 billion of value added created by beer, (with half of that generated by beer sales in hospitality);
- €47 billion in government revenues generated by beer sales, (€16.5 billion from VAT in hospitality).

The pandemic in 2020 has had a devastating effect on the European economy, but it is perhaps in the hospitality and tourism sectors where these effects have been particularly severe. As a key sector in delivering food and drinks (including beer) this has severely affected the beer sector. The drop in sales and value generated through the on-trade sector, as a result of Governments' interventions through lock-downs and social distancing measures, has been inevitable. Although the future might be brighter than a few months ago thanks to recent scientific progress, whilst the population is not fully protected against the virus (with a vaccine) or a fully-effective remedy is not found, it is likely that such effects continue in the near future.

It is worth noting that some consumption (of beer and other food and beverage items) has been diverted away from on-trade outlets such as hotels, restaurants, cafes and bars towards other channels (notably supermarkets, retail and online selling). However, the shift in consumption has not compensated for the drop in on-trade consumption, neither in terms of volumes nor certainly in terms of the impact on wider economic indicators. As a result, there has been a severe impact on jobs supported directly or indirectly by the brewing sector (from jobs relating to purchases in the agriculture and transport sectors, to waiters, bar-staff, checkout assistants and managers). In addition, as a consequence of such reduced activity, revenues, value added and tax receipts have also fallen.

1.2 Aims of the study

The Brewers of Europe asked Europe Economics to investigate three different “checkpoints” which highlight different aspects of the crisis and their repercussions on the beer sector:

- **“Checkpoint 1: Hospitality and tourism have been hit – so has the brewing sector”**: the changes in the social and economic environment created as a result of the virus have been critical. This can be illustrated by showing the effects in the wider economy, and emphasising the specific impacts in

¹ Information provided by The Brewers of Europe.

hospitality, retail and other relevant sectors. It is important to understand the impacts on the overall economy of the different governmental restrictions (lock-downs, social distancing, etc.).

- **“Checkpoint 2: Clarify any potential misunderstanding that the brewing sector profits from the crisis, with alcohol sales up”**: the performance of the brewing sector has shown significant decreases on different relevant metrics. Whilst there has been an increase in the volume of retail purchases, this has not compensated for the significant reduction in sales through the hospitality sector. The Covid-19 crisis therefore has important negative repercussions for the brewing sector overall.
- **“Checkpoint 3: Economic impact. Assess the impact for the brewing sector of Covid-19 on: jobs, value added, government revenue, on-trade and other parts of the supply chain”**. The economic impacts for 2020 are likely to have affected different variables and segments of the supply chain.

The report uses information provided by The Brewers of Europe, and complements it with data from Eurostat, Euromonitor International² and our own estimates and calculations. It covers the 27 members of the European Union (Austria; Belgium; Bulgaria; Croatia; Cyprus; Czech Republic; Denmark; Estonia; Finland; France; Germany; Greece; Hungary; Ireland; Italy; Latvia; Lithuania; Luxembourg; Malta; Netherlands; Poland; Portugal; Romania; Slovakia; Slovenia; Spain; Sweden) and the United Kingdom.

² While every attempt has been made to ensure accuracy and reliability of the data, Euromonitor International cannot be held responsible for omissions or errors of historic figures or analyses. Euromonitor International values for the year 2020 are forecast data.

2 The coronavirus shock

The rapid expansion of the coronavirus pandemic has posed an unprecedented challenge to the health and well-being of people living in Europe. In January and February 2020, the first cases of coronavirus were confirmed in France, Italy and Spain. Since then, all European countries have experienced cases of infection.

Governments have responded with a wide range of measures. The number and severity of the restrictions placed on the population and on the economy to control the spread of the virus have changed the life of European citizens in ways that were unimaginable at the beginning of 2020. Contagion of the virus is mainly through human contact so restrictions have aimed to reduce, as much as possible, the contact between people.

2.1 Government restrictions

Major public interventions, such as lock-downs, social distancing, and support measures, have been implemented across Europe, beginning in March 2020. As of the 17th of March, all EU Member States imposed temporary restrictions of non-essential travel from third countries into the EU, and most introduced additional measures to target the spread of the virus.

A report by Eurostat “Impact of Covid-19 crisis on services” summarises the most general ones as: Restrictions on movements between EU Member States; Closure of schools from the second week of March; Cancellation of public events and a ban on private gatherings (varying from 2 to 50 people); Closure of bars, restaurants and hotels; Closure of retail shops (except for supermarkets, pharmacies and banks); Regional or national lockdown measures, which further restrained economic activity. In addition, a number of countries completely stopped non-essential production during the initial phases.³

A few European countries had already started with some restrictions as early as the end of February (Greece issuing voluntary stay-at-home recommendations for the general population, or France and Switzerland imposing regulations to limit indoor mass/public gatherings with more than 1,000 participants). The remaining European countries introduced additional measures during the first half of March or a few days later (in the countries of United Kingdom, Romania, Latvia and Croatia). The date of first interventions undertaken by national governments in Europe can be seen in Figure 2.1 (the figure includes different type of interventions affecting the hospitality and entertainment sectors but excludes measures related to the use of protective mask).

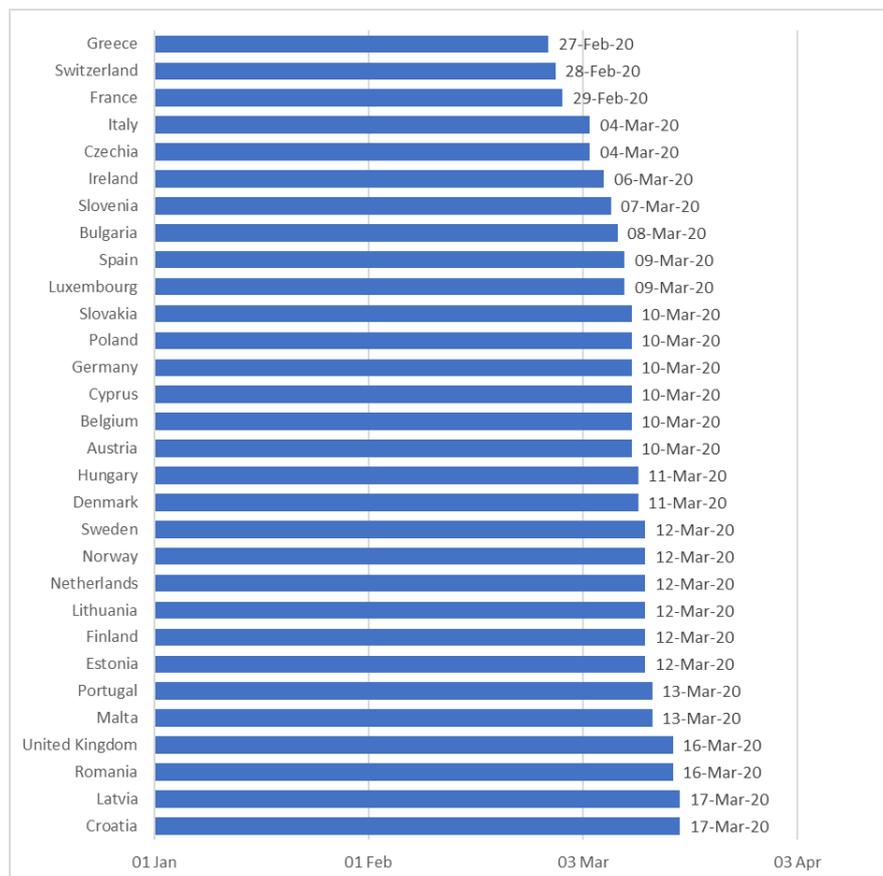
Sales of beer have also been affected by some additional restrictive measures imposed by governments. These have typically been:

- A complete shutdown of all hospitality venues, with only takeaway permitted.
- A shutdown of all indoor hospitality spaces, with only outside terraces permitted.
- Bans on alcohol consumption without a meal in hospitality.
- The exclusion of alcoholic beverages from takeaway allowances.
- Early closing time for hospitality venues.
- Seated dining / consumption only.
- Restrictions on the number of patrons in total, per table or per square metre.
- Physical separation barriers between tables.
- A full ban on all large-scale and medium-scale events (festivals, concerts, weddings etc.).

³ [Eurostat \(September 2020\). “Impact of Covid-19 crisis on services”.](#)

- Alcohol sales bans or restrictions on sales times.
- Bans on private gatherings beyond a certain number of people, or excluding guests from outside the household.
- Full lockdowns and general night-time curfews.

Figure 2.1: Starting date of measures affecting hospitality and entertainment in Europe



Note: analysis of measures related to: Closure of spaces (public spaces of any kind, restaurants and cafes/ bars, entertainment venues); Different interventions to limit all indoor/ outdoor mass/ public gatherings (over 50, 100, 500 and 1,000 participants); Stay-at-home recommendations and orders for the general population, and restrictions on private gatherings (including social or household “bubbles” to limit social contacts); and Adaptation of workplaces to reduce risk of transmission.

Source: Europe Economics calculations of European Centre for Disease Prevention and Control data.

2.2 Disparity in timing and length

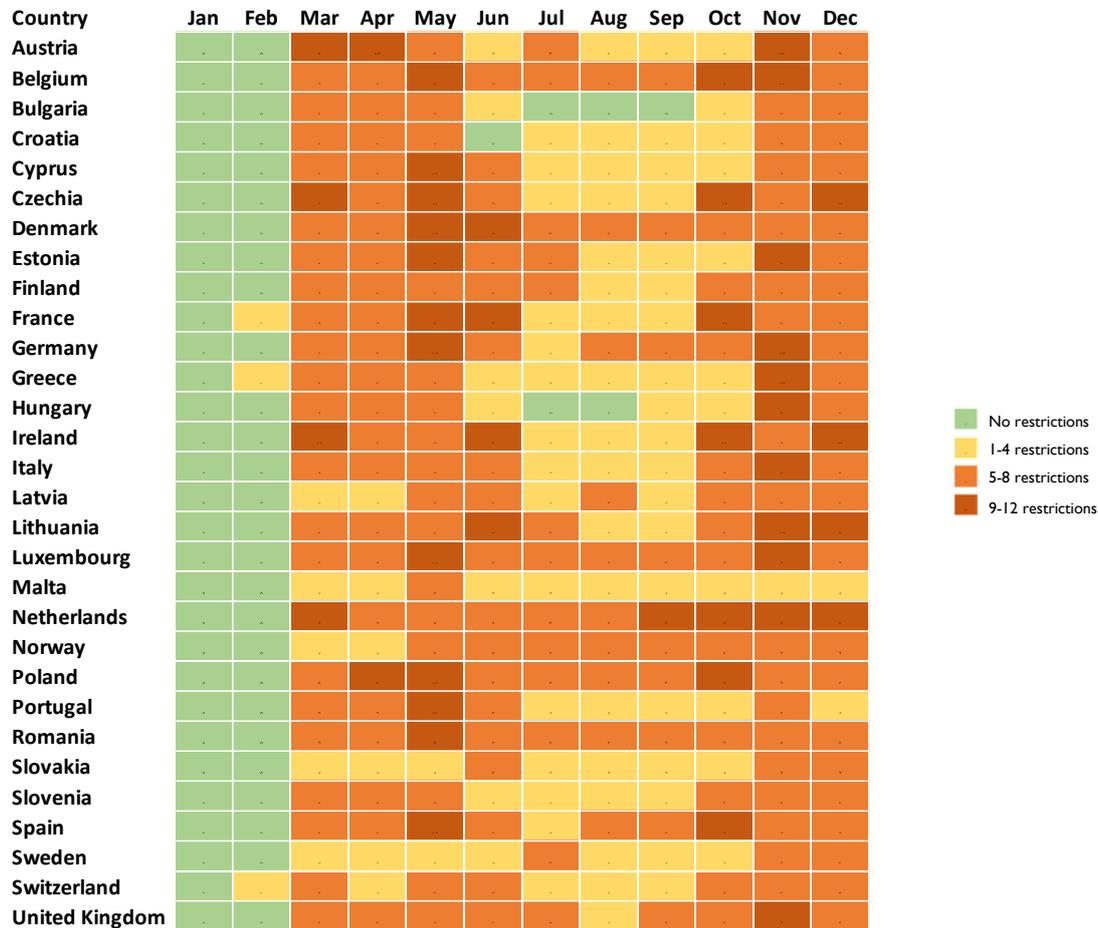
While almost all countries in Europe imposed restrictions in March 2020, there is disparity in the number and type of measures taken, and the length of these. In general, the approach adopted across European countries has been to introduce restrictions in March, which were typically kept in place for the whole of April, but started to be partially relaxed in the summer months. A second round of interventions was then put in place by most countries in the last quarter.

Figure 2.2 shows the timeline of the restrictive measures imposed, as recorded by the European Centre for Disease Prevention and Control data (data shows the timings of interventions affecting the hospitality and entertainment sectors but excludes measures related to the use of protective masks).

Although the overview over-simplifies a reality (as many restrictions were often implemented at a very local and regional level, with significant variations and adjustments being made across very short period) the overall picture shows that the hospitality and event sectors were severely affected by these public interventions in

almost all countries. Even where there were relaxations over the summer, these still faced significant restrictions to implement the health and social distancing rules which were a cause of disruption compared to the previous year. Many of the countries returned to a full shutdown post-summer or by the year’s end.

Figure 2.2: Timeline of restrictive measures (affecting hospitality and entertainment) in Europe



Note: analysis of measures related to: Closure of spaces (public spaces of any kind, restaurants and cafes/ bars, entertainment venues); Different interventions to limit all indoor/ outdoor mass/ public gatherings (over 50, 100, 500 and 1,000 participants); Stay-at-home recommendations and orders for the general population, and restrictions on private gatherings (including social or household “bubbles” to limit social contacts); and Adaptation of workplaces to reduce risk of transmission.

Source: Europe Economics calculations of European Centre for Disease Prevention and Control data.

3 Economic trends

The consequences of the different restrictions have been dramatic. Eurostat reports that GDP decreased by 14.8 per cent in the Euro Area and by 13.9 per cent in the EU-27 in the second quarter of 2020 when compared with the previous quarter (the reduction for the first quarter was 2.7 per cent in the EU-27). This represents the sharpest decline since the time series started in 1995⁴, and was the consequence of the containment measures that most Member States introduced to fight the spread of coronavirus.

While the pandemic has undoubtedly had a devastating effect on the whole European economy, it is arguably the hospitality and tourism sectors where the effect has been particularly severe. As key sectors in delivering food and drink (including beer) the restrictions on these sectors have also severely impacted the beer sector.

3.1 Evolution of sales (main economic sectors)

The drop in sales and value generated through the on-trade sector as a result of national governments' interventions through lockdowns and social distancing measures, is unsurprising. However, investigating how different sectors have performed in 2020 reveals significant differences, with hospitality and tourism being hardest hit.

Eurostat produces indices on the monthly evolution of sales in different sectors in comparison with the 2015 average (which is taken as the base year)⁵. Figure 3.1 shows the monthly evolution of sales in the manufacturing, hospitality and retail sectors in the Euro Area⁶ (as the index is in comparison to the values of 2015 it is useful to see the relative changes across time). The spike for the hospitality sector in the peak-season summer months and subsequent fall illustrate the impact of the easing of lockdown measures and their subsequent reintroduction.

⁴ Eurostat (October 2020). "Quarterly national accounts - GDP and employment". [Link](#).

⁵ The index value of the base year is conventionally set to equal 100, so that an index of 110 then indicates an increase by 10% (compared to the value in the reference year).

⁶ EU28 series are interrupted following the UK leaving the EU. EU19 is a proxy for the evolution across Europe.

Figure 3.1: Evolution of sales in main sectors 2020 (EU19, index 2015 = 100)

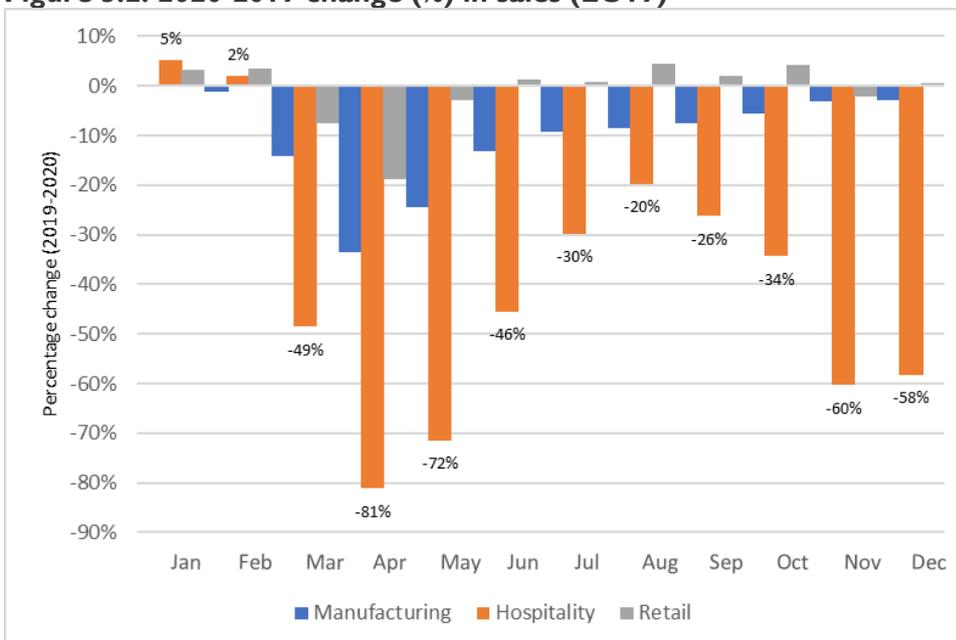


Note: Index of turnover for “Manufacturing”, “Accommodation and food service activities” and “Retail trade, except of motor vehicles and motorcycles”. Data uses Euro Area (EU19) due to a break in the series for EU28, following UK leaving the EU. Data are in index form and in relation to the 2015 average (which is set equal to 100).

Source: Eurostat (Eurostat estimated data for December 2020).

What is perhaps even more striking is the difference between such figures and the same figures one year before. While retail sector sales have seen a slight increase since June 2020, the manufacturing and hospitality sectors have experienced decreases in sales, with the latter showing deep drops consistent with the total and partial closures of restaurants and cafes that have been implemented across Europe (Figure 3.2).

Figure 3.2: 2020-2019 change (%) in sales (EU19)



Note: 2020-2019 percentage change in index of turnover for “Manufacturing”, “Accommodation and food service activities” and “Retail trade, except of motor vehicles and motorcycles”. Data uses Euro Area (EU19) due to a break in the series for EU28, following UK leaving the EU.

Source: Eurostat (Eurostat estimated data for December 2020).

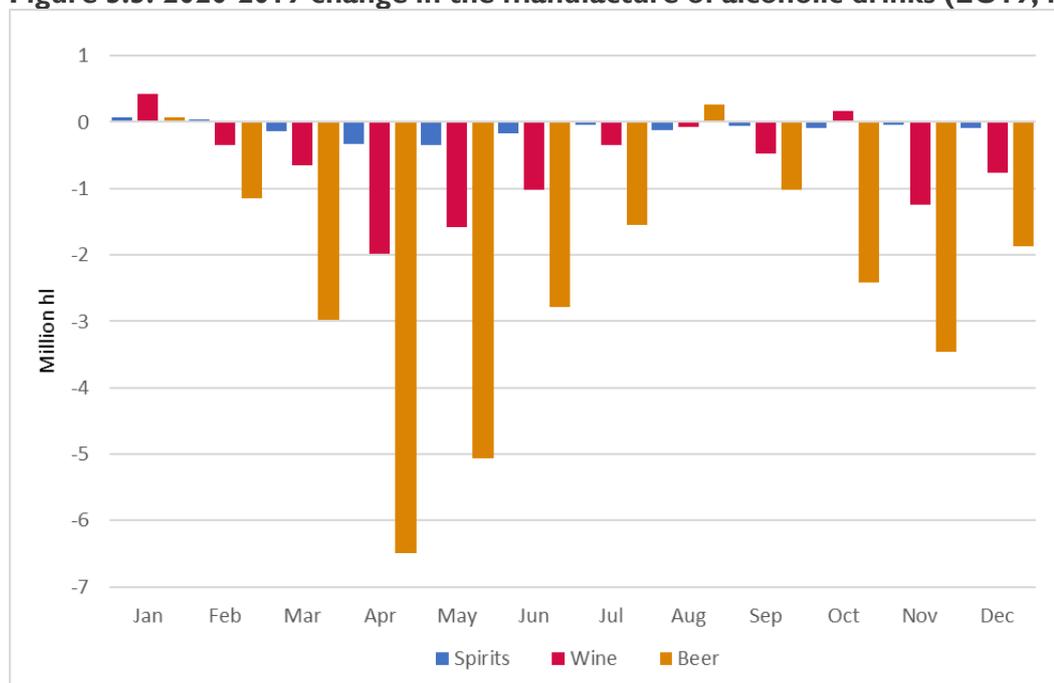
3.2 Production

The different restrictions imposed by governments, but in particular the limitation of sales in the hospitality sector, have affected significantly the production of alcoholic drinks in Europe.

Especially interesting is the comparison of the levels of beer, wine and spirits produced in 2020 with those manufactured the previous year. It is noticeable that the beer sector has been the most affected, with lost production in the month of April 2020 of 6.5 million hectolitres compared to the previous April (Figure 3.3). The production of wine and spirits also reached their maximum losses in April compared with the previous year: 2 million hectolitres (wine) and 330,000 hectolitres (spirits) of production were lost in comparison with April 2019.

In aggregate for the whole 2020 (January-December), beer production decreased by over 28 million hectolitres from the previous annual figure, which is a very large drop and similar to the annual production of the Netherlands or Belgium alone⁷. This fall can directly be attributed to government restrictions imposed to halt the spread of Covid-19.

Figure 3.3: 2020-2019 change in the manufacture of alcoholic drinks (EU19, million hl)



Note: Data uses Volume index of production (monthly data, 2015=100) and produced quantities (2015) from PRODCOM. Data uses Euro Area (EU19) due to a break in the series for EU28, following UK leaving the EU.

Source: Europe Economics calculations using Eurostat data.

⁷ Volumes produced by each of these two countries amounted to around 25 million hectolitres in 2019 and 2018.

4 Direct impacts on the beer sector

This chapter estimates the impacts occurring in 2020 as a result of the different lockdown measures launched by European governments. We show impacts on the following variables.

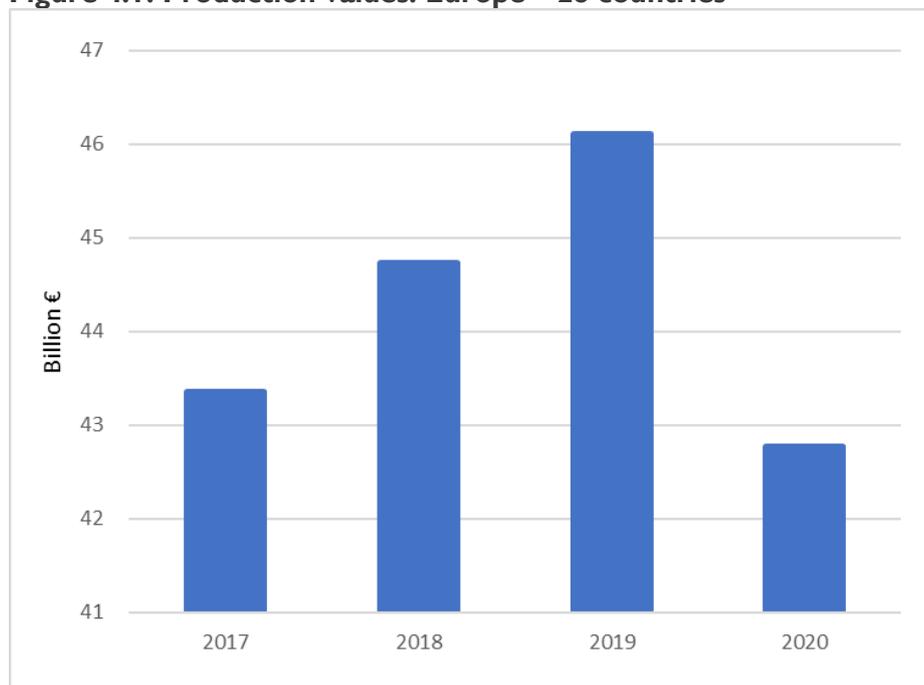
- Total production.
- Consumption in on- and off-trade markets.
- Purchases.

4.1 Production

This section looks at the recent evolution in the production of beer. The sector experienced a sustained increase in production throughout the years since 2017, reaching values over €46 billion in 2019, which represents an increase of more than 6 per cent in production value⁸ over the two-year period (Figure 4.1).

The trend was interrupted in 2020, which saw a drop of €3.3 billion in the value of production. The production value in 2020, in comparison with the previous year's value, amounts to a loss of 7 per cent in one year, and sets the production to the values even significantly below those observed in 2017. The loss can be attributed to the impact of the pandemic in 2020.

Figure 4.1: Production values: Europe – 28 countries



Note: Values are in current prices (without adjustment for inflation).
Source: Euromonitor International. Values for 2020 are forecast data.

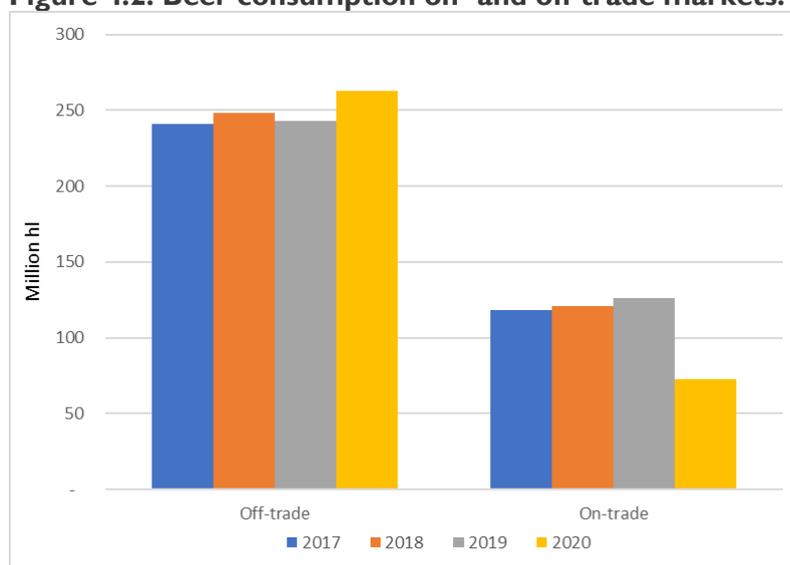
⁸ Calculated using manufacturer selling price (MSP), i.e. sales at ex-factory price, therefore minus sales tax, VAT retailer and wholesaler mark-ups (as per Euromonitor International's definition).

4.2 Evolution of consumption and sales

After steady years where total consumption had stabilised at above 350 million hectolitres (during 2017, 2018 and 2019), the volumes in 2020 have been severely hit by the different lock-down measures across Europe. The implication of this has been a significant loss in on-trade consumption in the hospitality sector following the closure of bars, restaurants, pubs and cafes and the cancellation of events as a result of Covid-19 restrictions. The impact shows some differences across markets. Figure 4.2 illustrates the consolidated position for the different routes to market (on- and off-trade).

- In the on-trade sector the impact has been dramatic. Recent years have seen steady growth in consumption reaching volumes exceeding 126 million hectolitres in 2019. Consumption then dropped to 73 million hectolitres in 2020, losing 53 million hectolitres (a 42% drop).
- The off-trade has, in contrast, shown a stepped increase, albeit more modest in magnitude. From consumption volumes around the 243 million hectolitres mark in 2019, it experienced an increase to around 263 million hectolitres in 2020: a 20 million hectolitres gain (8% increase).

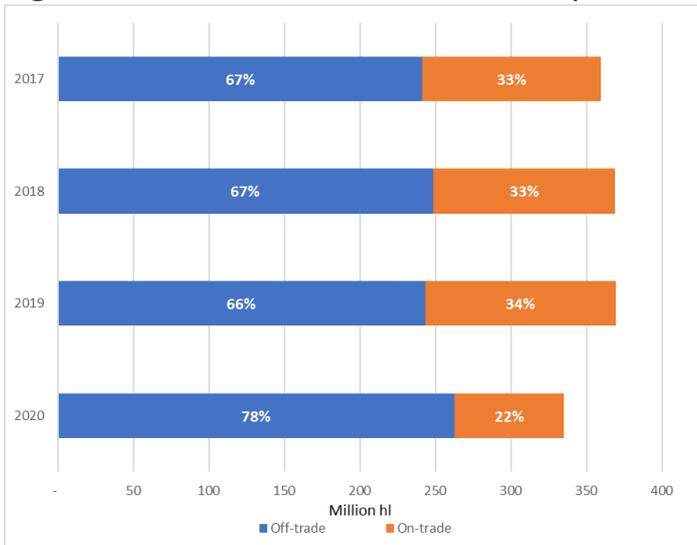
Figure 4.2: Beer consumption on- and off-trade markets: Europe – 28 countries



Source: data from The Brewers of Europe national member associations and Euromonitor International (Values for 2020 include Euromonitor International forecast data).

This suggests some of the lost consumption in on-trade shifted to the retail sector. The impact of this can be seen in the change in the split of consumption between markets: whilst on-trade used to account for around one third of the volumes consumed in Europe (against two thirds for off-trade), the situation is starkly different in 2020, with only 22% of the volumes being consumed in the on-trade (Figure 4.3).

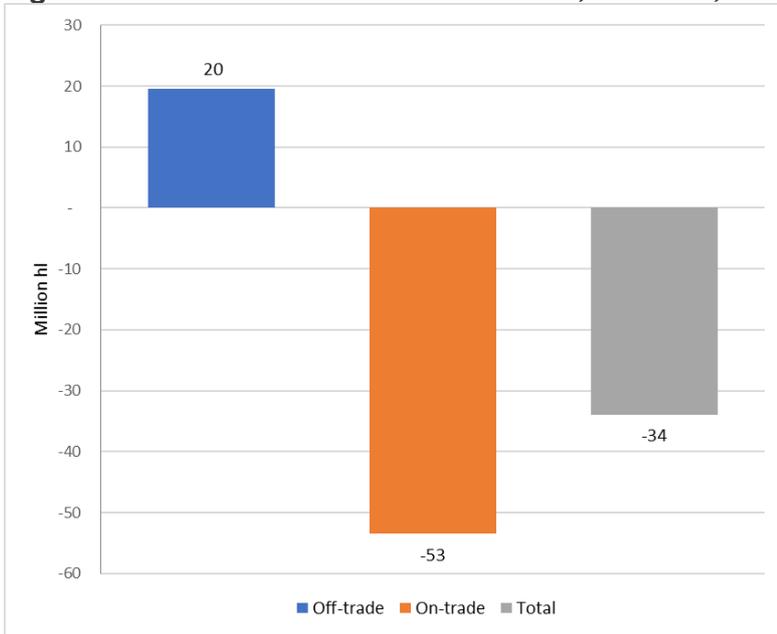
Figure 4.3: Beer off- and on-trade shares (million hl and %): Europe – 28 countries



Source: data from The Brewers of Europe national member associations and Euromonitor International (Percentages for 2020 include Euromonitor International forecast data).

As a result, it can be seen that although some of the lost consumption volume in on-trade shifted to the retail sector, the shift was not sufficient to compensate for the loss of consumption volume in hospitality. On balance, an overall loss of almost 34 million hectolitres (9% drop) can be seen in 2020 in comparison with 2019 (Figure 4.4). For countries where the on-trade share is higher than the European average, the loss may be substantially higher. In Spain, for example, the on-trade beer market share in 2019 had reached 68%.

Figure 4.4: Beer 2020-2019 difference: on-, off-trade, total (million hl): Europe – 28 countries



Source: data from The Brewers of Europe national member associations and Euromonitor International (Values for 2020 include Euromonitor International forecast data).

4.3 Upstream: impact on purchases

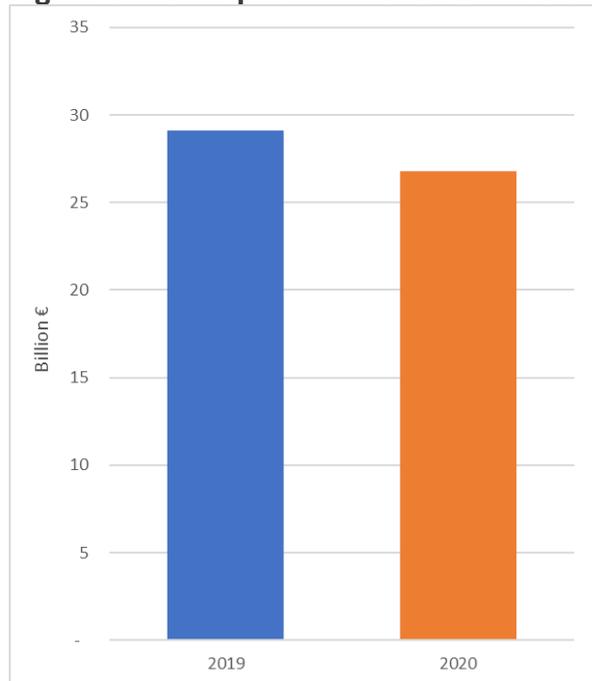
Restrictions to prevent the spread of Covid-19 have had a dramatic impact on the consumption of beer across Europe. As demand for beer has significantly reduced, this has had a corresponding impact on the production of beer, as we have also seen. We should also reflect on the fact that although most of the production loss is likely to have been derived from a demand contraction, some of it might also have been generated by regional or national lockdown measures which further restrained all economic activities (those not considered as “essential services” or which did not include “key workers”, and additional measures imposing physical distancing), and those others (in transportation services, for example) which have made access to work more difficult.

However, the economic impact does not end with the production and consumption sectors; the impact also affects the upstream supply chain. Purchasing was reduced as a result of lower volumes of production.

Sectors that usually supply the beer sector (ranging from cereals and yeast in the agricultural sector, through bottling and boxing in the packaging sector, or transportation of produced goods) have all seen unavoidable drops in orders made by manufacturers of beer. The exact overall impact on purchasing is difficult to calculate but as an approximation we have computed values in relation to total production volume lost.

In 2019 purchases amounted to around €29 billion, in 2020 these were €27 billion, an 8% drop (Figure 4.5).

Figure 4.5: Beer purchases 2020-2019: Europe – 28 countries



Source: data derived from the Eurostat and The Brewers of Europe national member associations.

5 Economic impacts

The economic impacts of Covid-19 on the beer sector are not constrained to the sector itself, but extend to other sectors within the supply chain. As seen in the previous chapter, this includes the beer supply sectors and the channels brewers use to distribute beer to consumers through retail stores or serving beer in different hospitality establishments (when Covid-19 restrictions allowed it).

This chapter defines the economic impact by reference to:

- **Direct impacts:** these are the impacts on the beer sector itself (value added aggregated from all the brewers in the sector).
- **Supply impacts:** these refer to the sectors supplying inputs to the brewing sector (these might include items as diverse as the agricultural raw material input, the packaging, or machinery used in the production of beer).
- **Impacts in the retail and hospitality sectors** (also referred to as off- and on-trade markets): these include the different retail stores, or supermarkets where beer can be purchased, and the distribution channels including hotels, or restaurants where beer is served to consumers.

This section provides our estimates in terms of jobs, value added, and tax revenue, by sales channel.

5.1 Employment

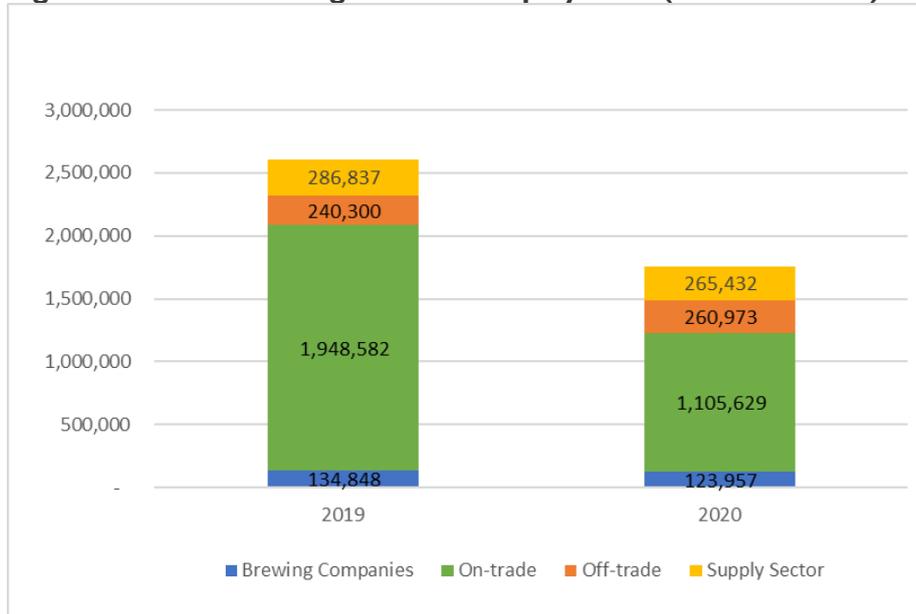
The total employment supported by the beer sector is the sum of direct and indirect employment. We do not have data on the direct employment in brewing companies for 2020. To give an approximate figure we have computed the 2020 figure using the proportionate reduction in the total production (in hectolitres). We recognise that this estimate might not fully reflect the real employment figures, in particular because it has not taken properly into consideration the layoff of employees undertaken by brewers nor any compensating job-retention schemes launched by different governments. However, as the figure is small (especially in relation to the volumes and employment generated downstream in hospitality and retail) we consider it sufficient to gauge the overall sectoral impact. Indirect employment 2020 figures are calculated using the indirect consumption and purchases in the relevant sectors together with figures on turnover per person employed (from Eurostat). Again, job-loss mitigation measures undertaken by governments are not taken into account (meaning that estimated losses might include jobs supported by governments through temporary unemployment measures).

Figure 5.1 shows the huge reduction in the number of jobs directly and indirectly generated by the beer sector in 2020 in Europe. As much as 2.6 million jobs were generated by beer in 2019 compared to 1.8 million in 2020 (this is 860 thousand less, or a 33 per cent fall). Most of this drop can be attributed to indirect jobs that fell from over 2.5 million people (employed in retail, hospitality and supplying sector industries in 2019), to 1.6 million in 2020.

- Not surprisingly, the on-trade sector has been the main driver of the fall, experiencing a reduction of almost 43 per cent from 2019 to 2020. This is because of the large presence on-trade has in delivering sales but also because of the significant drop in sales this sector has experienced.
- The number of jobs created in the upstream supply chain of the beer sector has reduced in the same period, albeit dropping only around 7.5 per cent (this relates to jobs in agriculture, transport, packaging, etc.).

- By contrast, the off-trade has seen a small expansion of the number of jobs indirectly created by the beer sector, but this amounted to the creation of less than 21 thousand jobs (almost 9 per cent increase since the previous year).

Figure 5.1: Beer sector generated employment (2019 and 2020): Europe – 28 countries



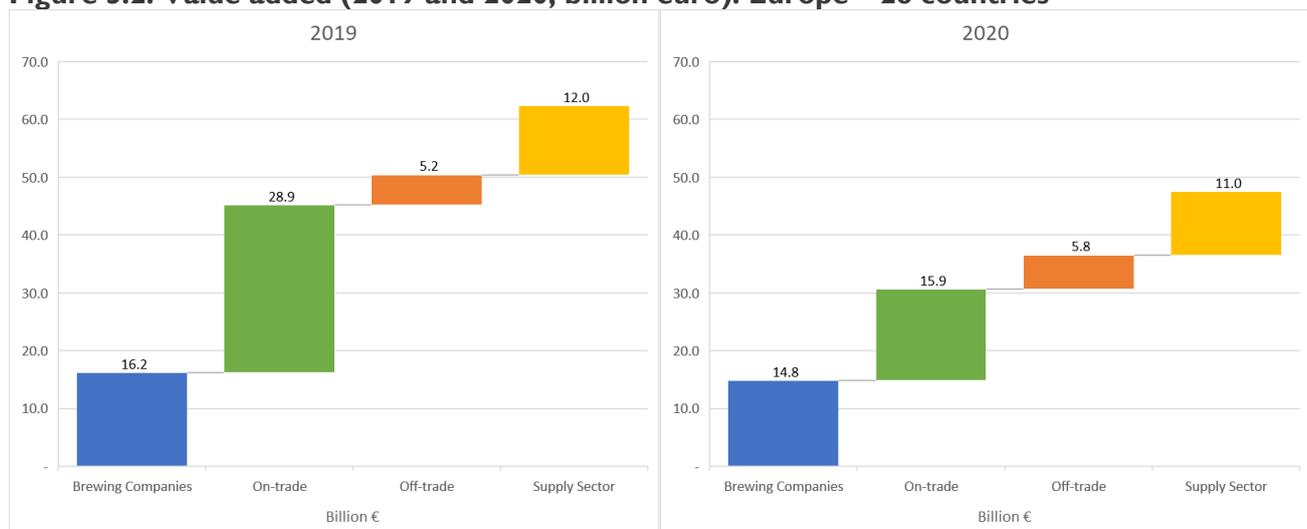
Source: Calculations of this study.

5.2 Value added

The total value added generated by the beer sector is calculated as the sum of direct and indirect value added. Indirect value added is computed from the employment effects calculated earlier and estimates of apparent labour productivity (gross value added per person employed) in the relevant sectors.

Figure 5.2 shows the value added generated, directly and indirectly by the beer sector in Europe, both in 2019 and in 2020. The overall value has reduced, due to Covid-19 restrictions, by over €15 billion in just one year, representing a fall of almost 25 per cent, down from €60 billion in 2019 to €47 billion in 2020. Looking at each component, we notice that:

- Brewing companies, together with the on-trade sector, suffered the greatest drops in value added generated, and drove the overall fall. The direct value added by brewers fell by close to 9 per cent, while the on-trade sector generated almost 45 per cent less value added in 2020 than in 2019.
- The sectors supplying the beer sector have experienced a reduction in their value added levels, which, although representing a marginal share of the total, still amounts to almost €1 billion.
- On the flipside, the off-trade sector saw a slight increase in its indirect value added, generating in 2020 over €500 million more than in 2019. This, however, is obviously insufficient to cover the losses experienced in the other sectors.

Figure 5.2: Value added (2019 and 2020, billion euro): Europe – 28 countries

Source: Calculations of this study.

5.3 Government revenues

Due to the unavailability of data and estimates of the full tax burden on the beer sector for 2020, we focus on the other revenues that the sector indirectly generates (VAT, excise and tax contributions from other sectors). It is to be noted that, of the €44 billion paid in taxes related directly or indirectly to the beer sector in 2018 in the EU28, only slightly over €2 million were directly paid by the brewing companies (in the form of Income, Payroll and Social Security Contributions).⁹ As such, we believe the figures we provide to be a good picture of the overall tax receipts' evolution, even when only considering the government revenues that the sector indirectly generates.

Taxes are estimated based on the implicit tax rates by function (e.g. labour and capital) provided by Eurostat. These rates are applied to the estimated indirect economic activity. Figure 5.3 shows the government revenues indirectly generated by the beer sector in 2019 and in 2020.

- The total taxes paid to governments in Europe amounted to almost €47 billion in 2019, a figure that dropped to almost €36 billion in 2020, a 23 per cent reduction.
- This fall was mainly driven by the sharp drop in on-trade value added tax receipts, which reduced by €7 billion (a 43 per cent decline). This fall is not surprising as the Covid-19 pandemic has imposed the need for Europe-wide restrictions that have particularly restricted beer sales in the hospitality sector.
- Excise duties have reduced by €1.1 billion, a 10% drop, closely correlated to the decline in overall beer volume sales.
- The IPASS (Income, Payroll and Social Security Contributions) usually paid within the wider beer value chain, including the employees whose jobs are generated by beer within the on-trade, has seen a sharp decrease, with a loss of almost €4 billion (a 29 per cent drop).
- Notably, the VAT paid in the off-trade sector has slightly increased in the same period, showing an increment of 9 per cent (up by €600 million).

⁹ Europe Economics (2020), [The Economic Contribution of Beer to the European Economy](#).

Figure 5.3: Indirect government revenues (2019 and 2020, billion euro): Europe – 28 countries



Note: IPaSS denotes income, payroll and social security contributions.

Source: Calculations of this study.

6 Outlook for the future

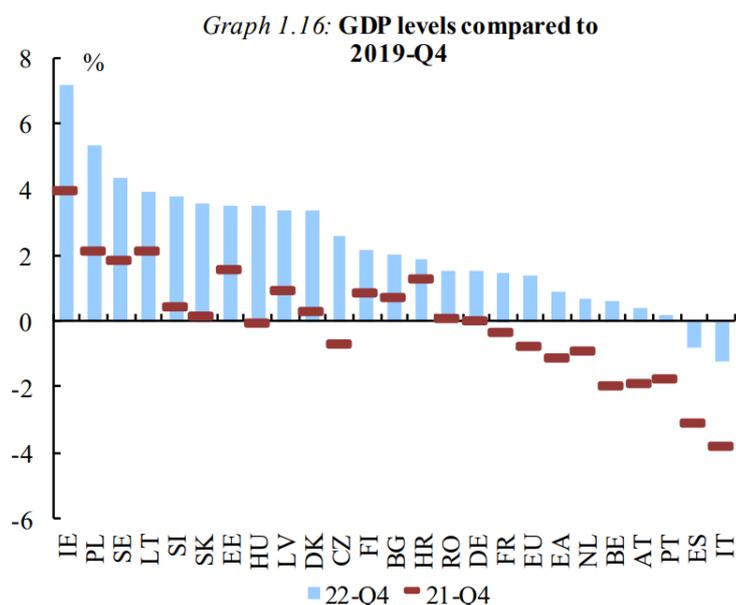
Uncertainty is what will characterise the economic evolution over the next months, all of which will depend to a great extent on possible advances on the scientific front, how these are managed and implemented in the countries. If some high-level insights can be deduced these are probably the following.

6.1 Economic recovery might take some time

Reports from the IMF in January 2021 and the European Commission in February expect economic activity in the Euro Area and the UK to come back and surpass 2019 levels by 2022.^{10,11} This is very bad news for progress in general, but also for the economic well-being of millions of people in Europe.

Moreover, the recovery is not even across the EU, with some countries being able to achieve rates of growth above 3% in 2022, but the majority still in a region of moderate growth (under 2%), or even negative values. What is clear is that the outlook is still far from promising for 2021 and beyond, with the overwhelming majority of countries under the 2% growth projection and still a huge amount of them in negative growth (Figure 6.1).

Figure 6.1: Growth projections 2021 and 2022 – European Commission



Note: No GDP quarterly forecasts are reported for CY, EL, MT and LU.

Source: European Commission (2021) “European Economic Forecast, Winter 2021 (Interim)” [\[online\]](#).

6.2 Sectoral differences

The impact of the crisis is very uneven by sectors and this will also be the case for the recovery. Those heavily affected by restrictions and bans on social mobility and gatherings (tourism and hospitality) will most

¹⁰ IMF (2021) “World Economic Outlook Update” [\[online\]](#).

¹¹ The European Commission (2021) expects GDP to reach pre-crisis levels by mid-2022 on average in both the EU and the Euro Area.

likely be hit harder and may take more time to revert to the trends pre-Covid-19. Those sectors less affected by government measures (retail and essential services) will feel the effects less, though they might see drops in their future activity when the economy returns fully to normality.

Moreover, the extent to which this happens is likely to vary considerably across countries, as those with large tourism and leisure sectors may remain below pre-crisis levels by the end of 2022 (Figure 6.1). The links with hospitality means this pattern may be reflected in sales of beer and other drinks across Europe, too.

6.3 Outlook for the beer sector

Towards mid-2020 there were some signs of respite for hospitality businesses after a very tumultuous year. The lifting of many restrictions in summer 2020 brought economies closer to normality, even if there were often still tight rules in places in terms of group sizes and opening times, whilst large scale events and festivals had already been cancelled. Some countries chose to spark activity in the hospitality sector, with initiatives such as a reduction in hospitality VAT or the UK's "Eat Out to Help Out" scheme. However, the recovery did not last long as infection rates increased again post-summer and a new round of restrictions were implemented late in the year.

Growth may gather momentum in summer 2021 as progress in vaccinations allows for a gradual unfreezing of economic activity.¹² However, a delayed normalisation in hospitality and transport services for tourists from outside Europe is expected to dampen the upswing. These developments could effect on-trade and off-trade beer sales differently.

- **On-trade beer sales** – could experience potentially significant improvements in summer 2021 compared with current levels as restrictions are lifted, but social hesitancy coupled with the uncertainty of new coronavirus variants and the possibility of further restrictions may leave sales below 2019 levels in the short term.
- **Off-trade beer sales** – short term changes in consumption could be more gradual as food and beverage retail outlets have not experienced forced-closures to the same extent as hospitality outlets. In the long run, retailers in this sector will progressively lose market share to the hospitality sector. However, some of such consumption might not shift to on-trade, if some of the observed patterns result in a permanent change in consumers' behaviour and an increase preference of drinking and eating at home.

It is very difficult to predict what will happen in the long term as a large uncertainty is still around the effectiveness of clinical responses and the need or not for additional restrictions. In any case, the return to pre-Covid-19 levels of economic activity will still take some time and if this happens it is still uncertain whether on- and off-trade consumption shares will return to previous figures, or whether the pandemic will have triggered a more fundamental shift in longer term beer consumption patterns.

¹² European Commission (2021) "European Economic Forecast, Winter 2021 (Interim)" [[online](#)].

7 Conclusions

The year 2020 will go down in history as the year of the world pandemic. Inevitably, it will also be remembered for the intervention reactions governments were forced to impose and populations had to bear throughout the year.

- Restrictions imposed in the form of lock-downs and social distancing have massively affected the social relations and interactions in Europe and in turn have had a disproportionate negative impact on restaurants, cafes and the hospitality sector in general.
- The time and length of the restrictions have shown some trends. The general approach in Europe in 2020 was to introduce restrictions in mid-March, with a short relaxation period in the summer of the same year, followed by a second round of interventions implemented towards the end of 2020.
- The observed trends in economic terms follow closely the calendar of restrictions and lock downs, showing a general slowdown in economic activity in the second and fourth quarters of 2020. The impact is nevertheless very different across economic sectors.

This study has been motivated by a need to provide evidence around three checkpoints identified by The Brewers of Europe. Our findings are the following.

“Checkpoint 1: Hospitality and tourism have been hit – so has the brewing sector”

Responding to prohibitions on mobility and social gathering, hospitality and tourism have been the most severely affected sectors. In contrast, retail benefited from fewer restrictions; having been considered “essential” activity, many shops remained open and even increased their sales (as consumers substituted consumption in hospitality for consumption at home). The spike in the summer months and subsequent fall in hospitality is the result of the easing and subsequent reintroduction of different restrictions in the sector.

The impact of Covid-19 in 2020 is stark when comparing turnover and production volumes with the previous year. Looking at production, beer has been one of the most affected drinks in absolute terms, and this is not surprising given the huge volume it represents.

“Checkpoint 2: Clarify any potential misunderstanding that the brewing sector profits from the crisis, with alcohol sales up”

The performance of the beer sector has shown very different performance for different routes to market:

- In the on-trade sector the impact has been dramatic: after years of steady, but continued growth in consumption there was a 42% reduction in 2020.
- The off-trade has, in contrast, showed a stepped increase, albeit modest in magnitude: an 8% increase.

On balance, an overall loss of almost 34 million hectolitres can be seen in 2020 in comparison with 2019. The Covid-19 crisis has therefore had important repercussions for the brewing sector overall in terms of both volumes and particularly value, due to the most significant losses being in the on-trade.

“Checkpoint 3: Economic impact. Assess the impact for the brewing sector of Covid-19 on: jobs, value added, government revenue, on on-trade and other parts of the supply chain”.

The economic impacts for 2020 have affected differently the different segments of the supply chain.

- We have estimated a significant reduction in the number of jobs directly and indirectly generated by the beer sector in 2020 in Europe. As much as 2.6 million jobs were related to beer in 2019 compared to 1.8 million in 2020 (this is 860 thousand less, or a 33 per cent fall). Most of this drop can be attributed

to indirect jobs that went from over 2.5 million people (employed in retail, hospitality and supplying sector industries in 2019), to 1.6 million in 2020.

- Value added generated, directly and indirectly by the beer sector in Europe has also dropped. The overall value reduced due to Covid-19 restrictions is over €15 billion, representing a fall of almost 25 per cent.
- The total taxes paid to governments in Europe was reduced by 23 per cent, and was mainly driven by the sharp drop of €7 billion in on-trade value added tax receipts, a fall that is not surprising given the restrictions imposed across Europe in response to the pandemic.