FREE SUMMARY REPORT

UK market forecasts 2023 – 2028

An overview of our three sets of forecasts for the UK market: total food and drink, retail, and eating out

June 2023

from IGD

A complete picture for the UK market

For the first time, IGD is aligning three of our UK forecasts to be released at once:

- UK food and drink market forecasts
- UK retail channel forecasts
- UK eating out forecasts

Aligning these forecasts means we can give you and your business a complete outlook for the UK market to 2028 to help you plan and shape your strategy for the coming years.

More detail can be found on Retail Analysis or by contacting IGD.

This report was prepared by…

Alex Rowberry

Senior Analyst

Email: alex.rowbery@igd.com

Alex provides insight into UK retail market trends focusing on retailers' performance and strategies.

Nichola Gallagher

Senior Insight Analyst

Nichola.Gallagher@igd.com

LinkedIn

Nic specialises in global eating out and food-to-go market insight with a focus on UK market forecasting and data.

  Source: IGD Research

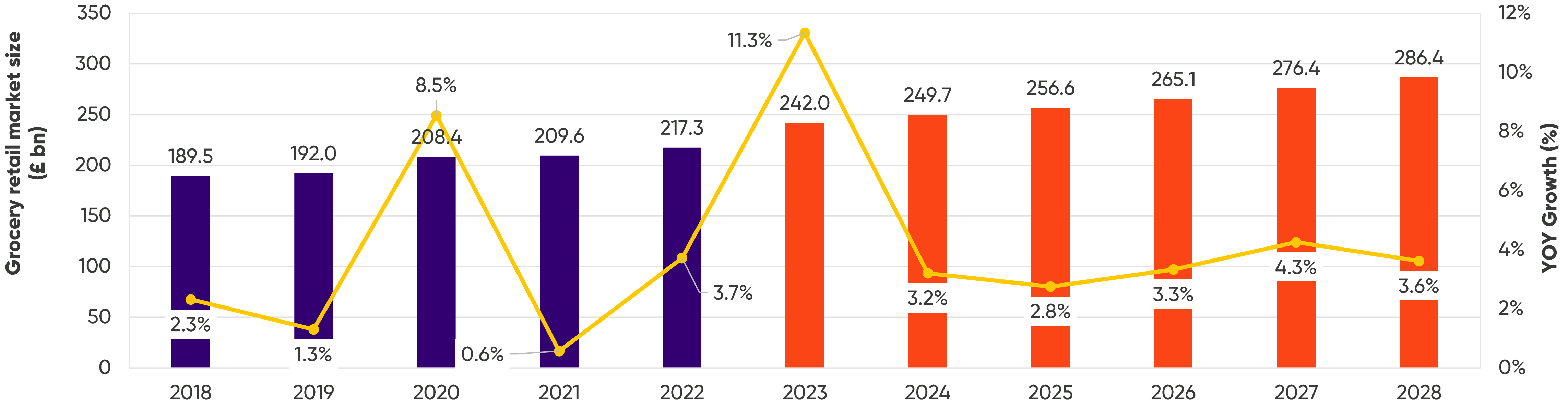
from IGD

Our grocery retail channel forecasts 2023 – 2028

Our retail channel forecasts examine the factors influencing channel growth over the next five years.

  Source: IGD Research

UK grocery retail market forecast



Short term

Although now starting to fall inflation will remain positive for the rest of 2023 and will be the sole driver of market growth this year.

Medium-term

Volume growth will return to the market helped by the economy, which although weak, will grow and population growth driven by net migration.

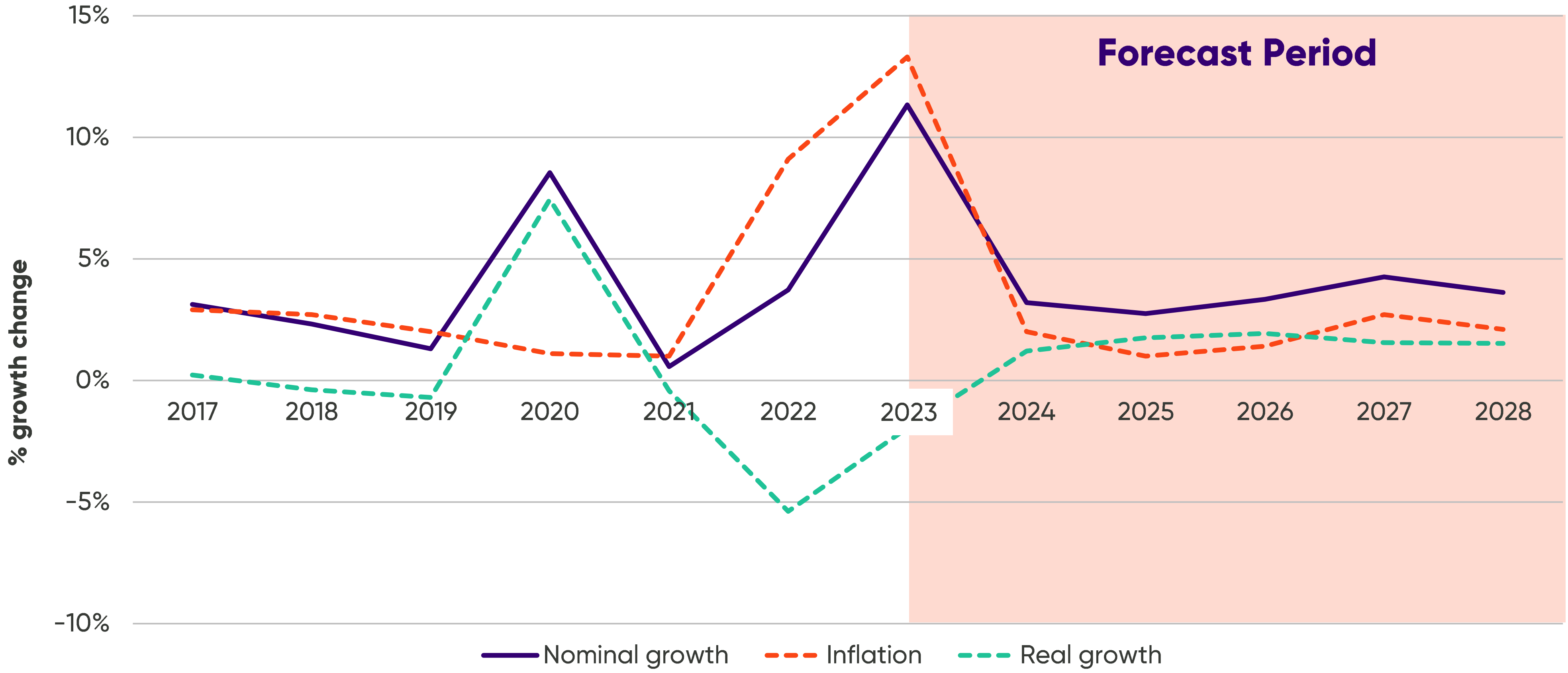
Longer term

By the end of 2026, real household incomes are expected to return to 2021 levels. This will create a challenge for discounters and an opportunity for online as shoppers' budgets grow.

  Source: ONS, OBR, IGD Research Inc. VAT, exc. Fuel. IGD Mid-Growth Scenario

from IGD

UK market forecast: mid-growth scenario sees real growth return in 2024

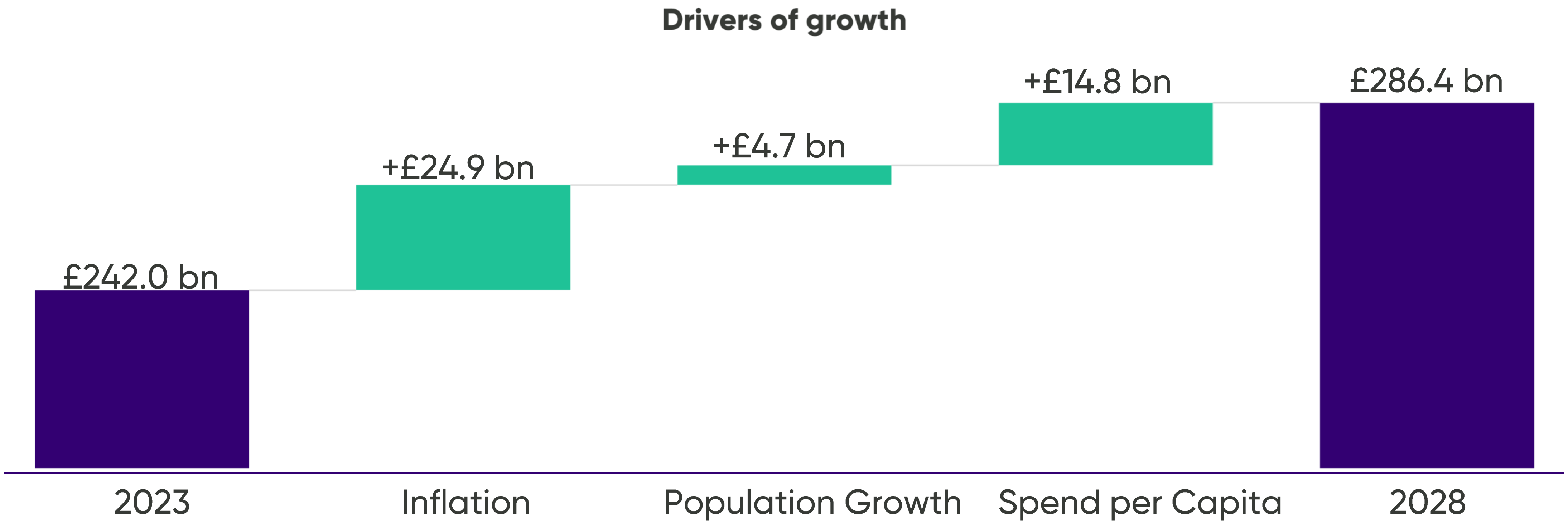


	2017	2018	2019	2020	2021	2022	2023	2024
Nominal growth	3.1%	2.3%	1.3%	8.5%	0.6%	3.7%	11.3%	3.2%
Inflation	2.9%	2.7%	2.0%	1.1%	1.0%	9.1%	13.3%	2.0%
Real growth	0.2%	-0.4%	-0.7%	7.4%	-0.4%	-5.4%	-2.0%	1.2%

Source: IGD Research. IGD Mid-Growth Scenario

from IGD

Drivers of growth: mid-growth scenario



- Over the next five years, **market growth is expected to be heavily influenced by food price inflation.** The high level of inflation at the beginning of the period, forecast at 11.3% for 2023, sets the market on a new trajectory
- **Population growth is set to exceed previous predictions,** driven by positive net migration of high-skill workers, boosting growth from 2024. The projected decline in the natural population from 2027 may pose a growth challenge if net migration also decreases
- **Market volume is forecast to rebound in 2024**, supported by a gradually improving economy, a slow recovery in dining out, and a period of deflation in the latter half of 2024

  Source: IGD Research. Note: numbers may not sum due to rounding. IGD Mid-Growth Scenario

Our total consumption outlook 2023 – 2028

IGD spans both the retail and eating out markets by combining our flagship forecasts, the UK channel forecasts, and the UK eating out forecast.

In this report, we look at the total food and drink consumed in the UK, both in and out of home.

  Source: IGD Research

10 key factors affecting the food and drink market: more detrimental to foodservice than retail in the short-term

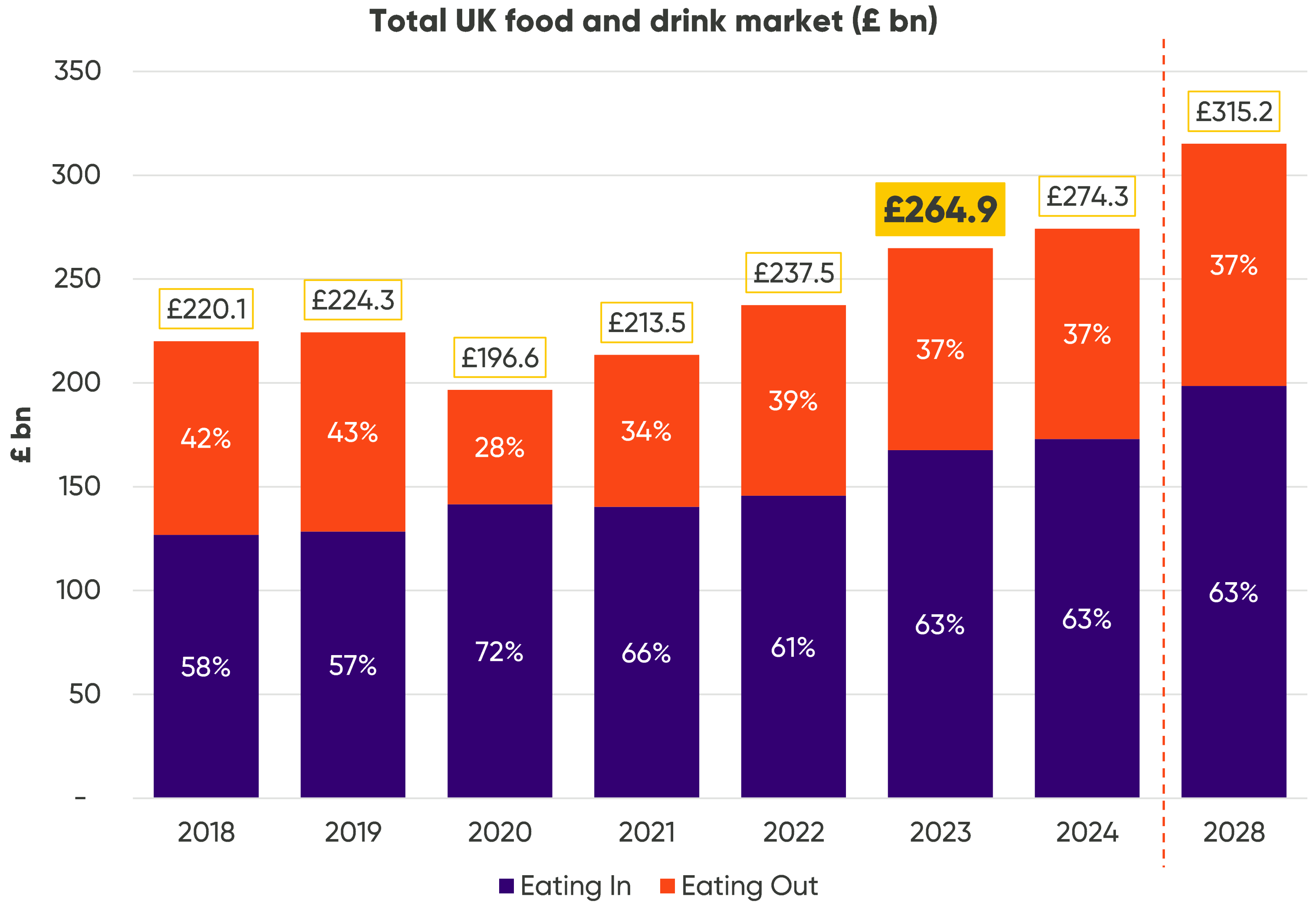
		Eating in	Eating out
1	Most affluent consumers least affected by cost-of-living crisis	Negative impact	Positive impact
2	Middle earners cutting back on routine eating out occasions	Positive impact	Negative impact
3	Lowest earners trading out of eating out completely	Positive impact	Negative impact
4	Middle & low earners trading down in retail to discount & PL	Negative impact	Neutral impact
5	Money saving tactics when eating out (less/cheaper courses ordered, down trade to cheaper venues)	Negative impact	Negative impact
6	Continuation of hybrid working	Positive impact	Negative impact
7	Increased inbound and domestic tourism levels	Positive impact	Positive impact
8	Population growth via skilled worker migrants	Positive impact	Positive impact
9	Rising interest rates likely to affect the breadth of consumer types	Negative impact	Negative impact
10	An ageing population driving care home demand	Neutral impact	Positive impact

  Source: IGD Research

Key: Positive impact Negative impact Neutral impact

Eating in reclaims share and retains it

- The total food and drink market across both eating in and out is forecast to **end 2023 up +11.5% vs the prior year**. 2024 will see further growth of +3.6%
- 2020's lockdown effects show the switching of spend from eating out to eating in. This is followed by the bounce back in dining out after the pandemic in 2023
- **Retail channels steal share of stomach back from foodservice in 2023** as consumers switch more routine eating out occasions into eating in. They are using meal deals and ready meals to satisfy the demand for ease and speed on a lower budget
- In the **longer term the switch back into eating out will be counterbalanced by an increase in food-to-go from retailers** and additional space and range dedicated to food in larger format stores



  Source: IGD Research. UK Channel forecasts 2023-2028 and Eating Out forecasts 2023-2028

from IGD

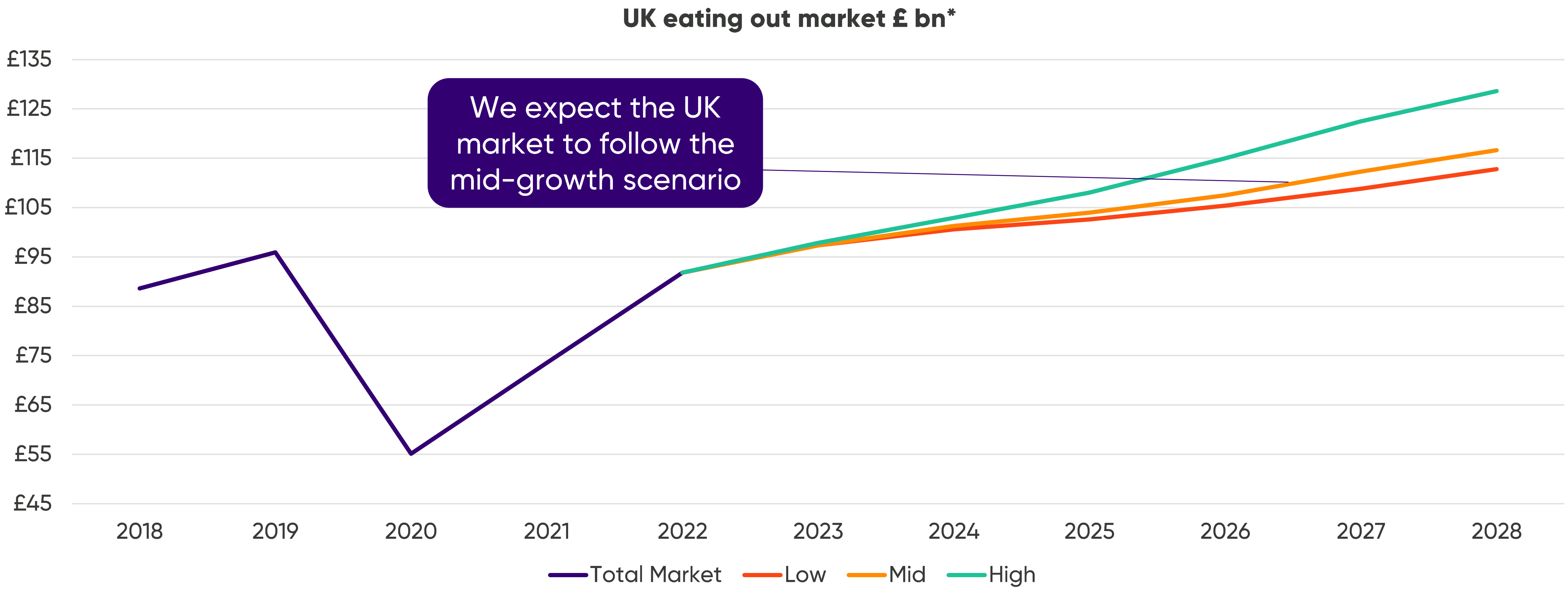
IGD's eating out forecast 2023-2028

Our eating out forecasts cover the market drivers and a five-year outlook for the UK eating out market and its nine sectors.

We produce three forecast scenarios of which each scenario includes distinct assumptions about the performance of the economy and consumer behaviour to cover possible outcomes from best to worst case.

  Source: IGD Research

Three scenario forecasts for UK eating out market growth



Whilst the 2023 UK eating out market value appears to be back to pre-pandemic levels this is driven by inflation rather than increased volumes.

For business planning purposes we recommend focusing on the mid-growth scenario. In this scenario, the market will grow +6% in 2023, but with an average inflation rate of 9% offsetting a downturn in visits and meals served.

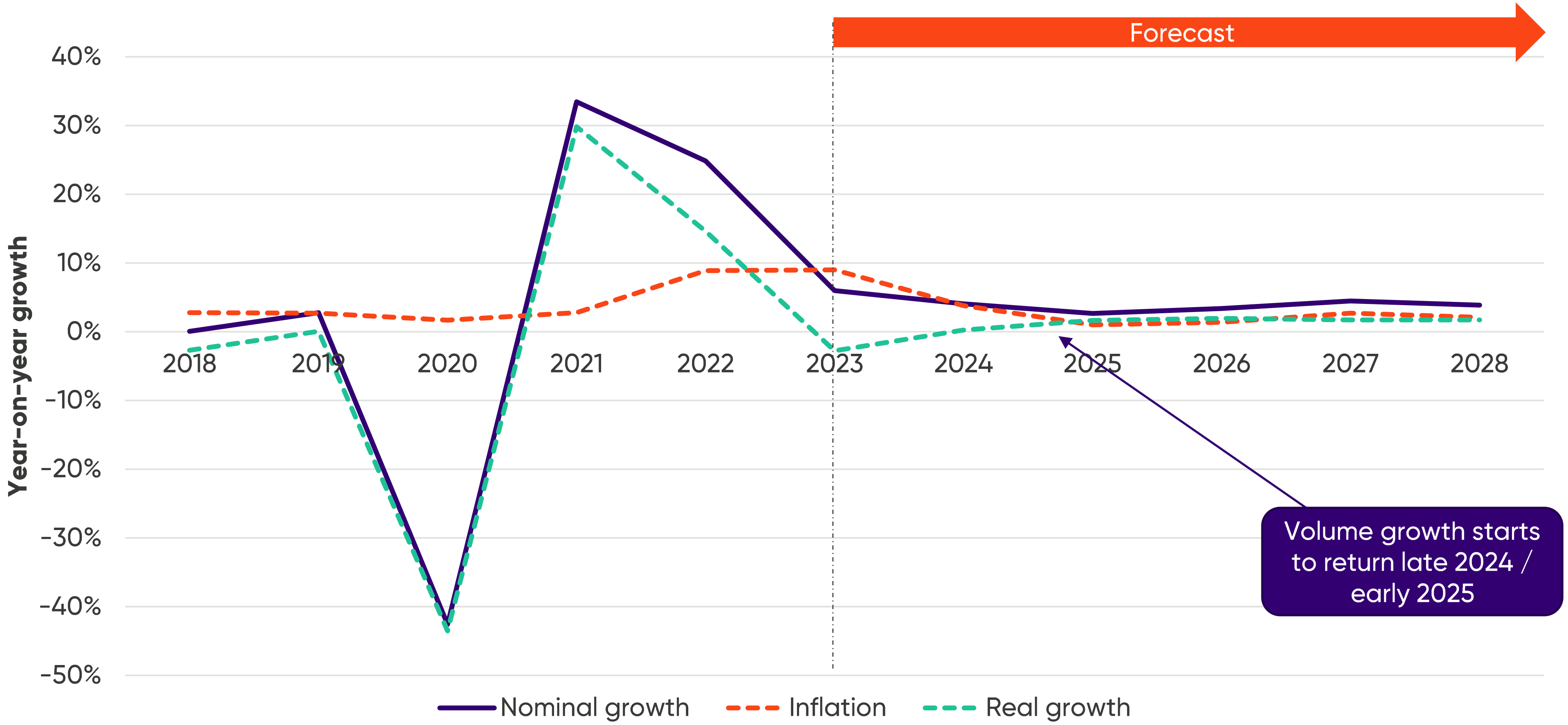
The longer-term mid-growth view assumes the market will start to stabilise from 2025 onwards.

Demand will slowly return in line with real wage growth and increasing population levels. This will drive investor confidence, which will be reflected in site improvement plans and capital expenditure to improve consumer experiences and perceived value for money fuelling a virtuous circle of slowly increasing demand.

  Source: IGD Research

from IGD

Mid growth sees volumes starting to recover by 2025

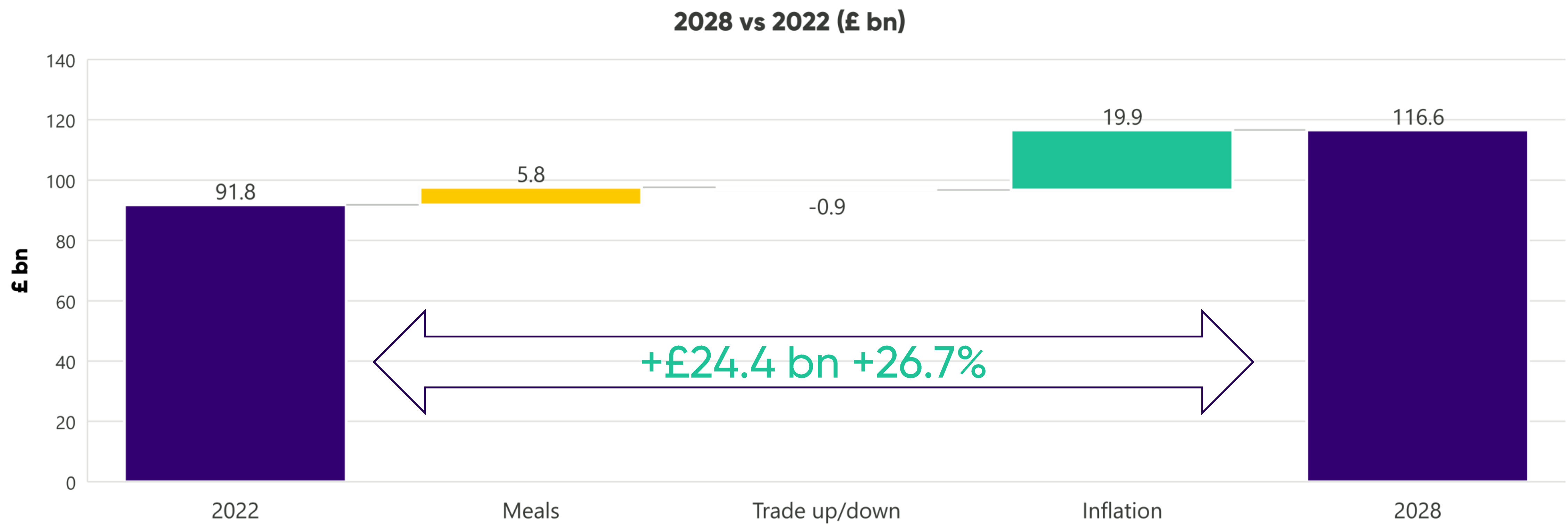


	2018	2019	2020	2021	2022	2023	2024	2025
Nominal growth	0.1%	2.8%	-42.6%	33.5%	24.9%	6.0%	4.1%	2.7%
Inflation	2.8%	2.7%	1.7%	2.8%	8.9%	9.0%	3.8%	1.0%
Real growth	-2.7%	0.1%	-43.5%	29.8%	14.7%	-2.8%	-0.2%	1.7%

Source: IGD Research

from IGD

Longer term forecast brings better news for volume



- Annual inflation drives 80% of the market value growth, of which 60% is seen just within 2023 - 2024
- Volume starts to return from the end of 2024 driven by accommodation, leisure and the service sectors. In part this is driven by population increases but also an upside in domestic and international tourism. Restaurants will struggle, in particular the mid-market, with volumes not expected to start to show signs of recovery till 2026
- The trade-downs within each sector, most dominant in 2023, reflect consumer behaviours and tactics in response to the cost-of-living crisis and lack of consumer confidence. These start to reverse to a more positive picture from 2025 onwards

  Source: IGD Research

from IGD

Eating out insights for your business

Our extensive dataset breaks down the nine eating out sectors into 34 subsectors.

We can deep dive into this data to identify the biggest opportunities for you in the eating out market.

Contact your account manager or [Milos Ryba] to understand how we can help you with a bespoke solution for succeeding in your sector.

Solutions from IGD

Appendix:

Definitions

from IGD

Definitions: retail (eating in)

IGD's UK grocery market size is built from:

- The ONS's retail sales data for predominantly food stores
- This is adjusted to include grocery sales of mainly non-food stores and to include sales in Northern Ireland
- The data includes VAT but excludes fuel

Our **retail channel** forecasts include household, non-food, tobacco, pet food, health and beauty.

Our **eating in** numbers are sales of food and drink only and exclude all other categories.

Hypermarkets	Store formats typically over 60,000 sq ft where non-grocery is a substantial part of the store offer Excludes online purchases fulfilled from stores
Supermarkets	Food-focused retail formats, typically between 3,000-60,000 sq ft. Includes frozen food specialists but excluding discounters. Excludes online purchases fulfilled from stores
Convenience	Store formats typically under 3,000 sq ft that sell at least seven core convenience categories Subsectors include symbol groups, forecourts, convenience multiples, co-operatives and non-affiliated independents
Discount	Limited assortment retailers with a strict focus on everyday low prices Includes all sales of food discounters Aldi and Lidl Includes estimated grocery sales of variety discounters Poundland, Home Bargains, B&M, Wilko and Poundstretcher
Online	Includes online grocery sales of multiples (e.g. Tesco), grocery pureplays (e.g. Ocado), sales on online-only food and drinks specialists (e.g. Abel & Cole), and meal box subscriptions Includes online grocery sales estimates for Aldi, Amazon, Co-op, quick commerce pure plays (e.g. Getir, Gorillas), online sales through takeaway aggregators (e.g. Deliveroo and UberEats) and supplier direct-to-consumer (e.g. Graze)
Specialist stores and others	Includes sales through food retailers not covered above such as food specialists (e.g. butchers, bakers, greengrocers, organic specialists), CTNs and street markets Includes estimated sales of food through mainly non-food retailers

Source: IGD Research

Definitions: eating out

Eating out is also known as foodservice is and out-of-home (OOH).

Hospitality foodservice is sometimes referred to as 'profit' sector and Catering as 'cost' sector.

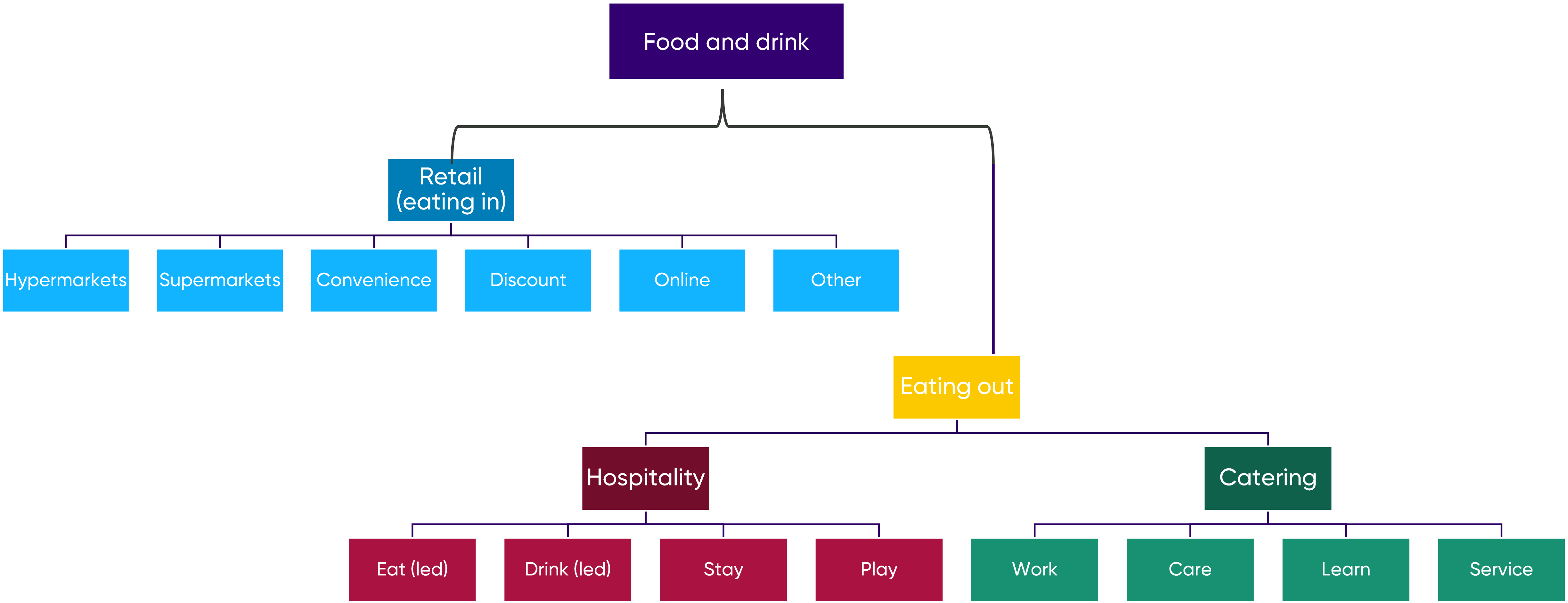
Market data for eating out covers food and drink sales to consumers, including drinks that are served both with and without food and including VAT.

Eat (led)		Drink (led)	Stay	Play
Full service restaurants	**Quick service restaurants**	**Pubs & bars**	**Accommodation**	**Leisure**
• Casual dining • Premium dining	• Large global fast food brands • Traditional takeaway & delivery • Café & coffee specialists • Food-to-go specialists	• Tenanted and leased • Managed • Freehouse • Bar & clubs	• Hotels • Bed & breakfast • Holiday camps • Caravan parks • Youth hostels	• Visitor attractions • Entertainment • Sport stadia & tracks • Sport clubs & gyms • Events and mobile caterers • On board travel

Work	Care	Learn	Service
Workplace Catering	**Health Care**	**Education**	**Public services**
• Manufacturing • Finance & professional • Other workplace	• State hospitals • Private hospitals • Care homes • Day centers	• State schools • Independent schools • Further education • Special schools • Nurseries	• Government services

  Source: IGD Research

IGD’s UK food and drink market



  Source: IGD Research

from IGD

Learn more

If you do not have an IGD account manager, contact Ben at
ben.scott@igd.com

from IGD