What's happening …
… and what has to happen next

James Walton
Chief Economist

Presentation to The Bakery Forum

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Leeds

from IGD

US trade policy should cause concern, not panic … for now

Food and drink import origin, Top 10

- Netherlands 11.2%
- France 10.2%
- Ireland 8.3%
- Belgium 7.5%
- Spain 7.3%
- Italy 7.1%
- Germany 7.0%
- Poland 5.4%
- Denmark 2.3%
- USA 1.9%

- Total EU 71.1%

Food and drink export markets, Top 10

- Ireland 15.4%
- France 11.6%
- USA 10.3%
- Netherlands 7.3%
- Germany 4.2%
- China 3.5%
- Spain 3.4%
- Belgium 2.8%
- Poland 2.0%
- Italy 1.9%

- Total EU 55.2%

Source: UK Trade Info, February 2025 LINK

Data is primary value, total for 3 years, 2021-23, goods only

The UK economy is struggling, despite efforts to support it

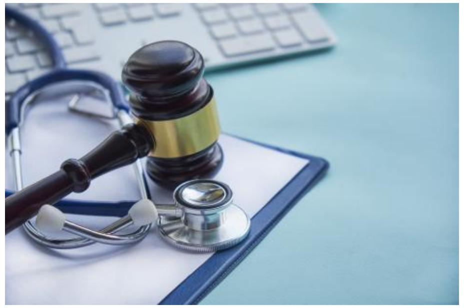
Weak or zero growth

Low productivity gains

Structural issues (eg: infrastructure, popn ageing)

Wealth and confidence eroded by inflation

High government debt



Govt costs rising (esp health + welfare)

Taxes already very high

Labour market softening

  Images: Getty

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So, why does the UK food and drink market matter?

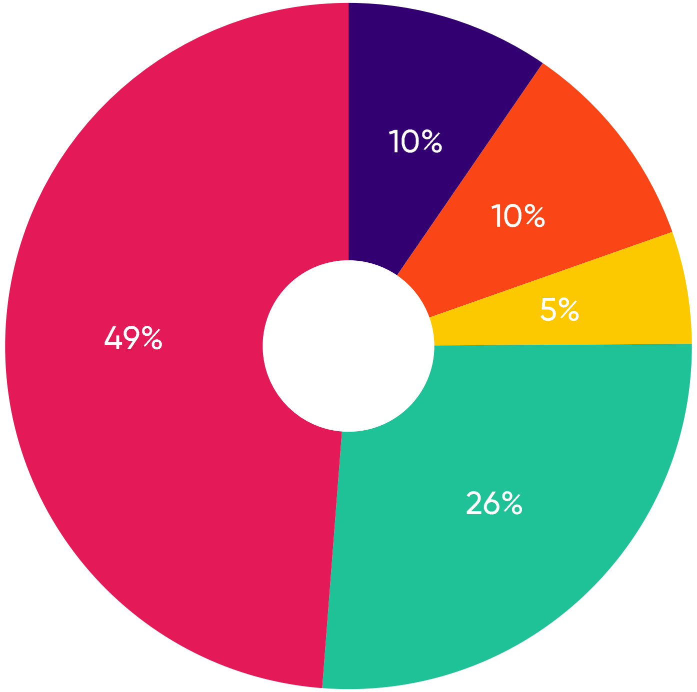
Rank	Country	2029 market size (US$ bn)	CAGR 2024-29
1	USA	2,205	3.8%
2	China	1,758	2.8%
3	India	1,276	11.0%
4	Brazil	456	4.3%
5	Russia	395	5.8%
6	Germany	385	2.6%
7	United Kingdom	377	3.3%
8	Japan	355	2.2%
9	France	354	2.6%
10	Mexico	339	4.7%

Rank	Country	2029 market size (US$ bn)	CAGR 2024-29
11	Nigeria	266	6.7%
12	Italy	260	2.5%
13	Indonesia	232	5.0%
14	Spain	182	3.2%
15	Egypt	176	5.7%
16	Pakistan	159	6.7%
17	Bangladesh	159	5.8%
18	Canada	156	3.2%
19	Poland	141	5.8%
20	Australia	128	3.6%

Source: *Retail Analysis*, IGD Research, March 2025

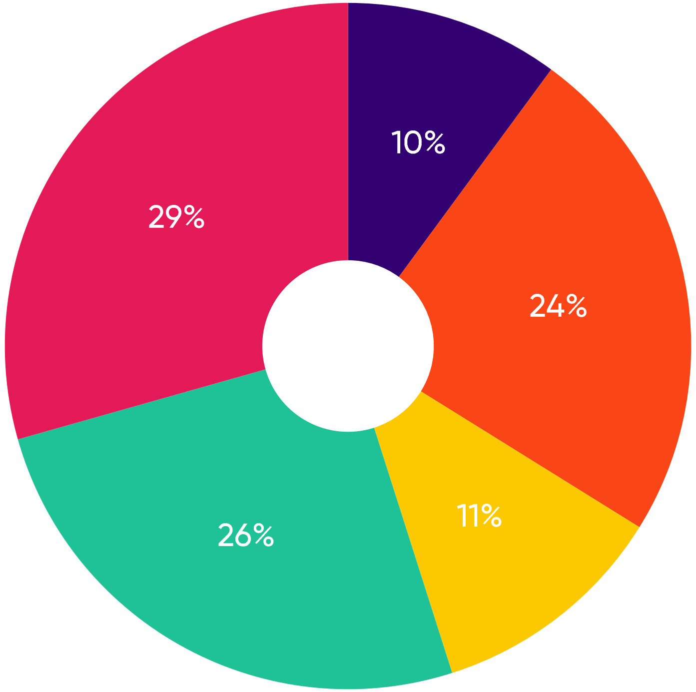
The food system can help support economic recovery

Agri-food direct employment, GB, 2023
4.4m jobs, 1 job in 8



- Agriculture, fishing
- Manufacture
- Wholesale
- Retail
- AFH

Agri-food gross value added, UK, 2022
£146.7bn, 7% of national GVA



  Source: *Food Statistics Pocket Book*, Defra, August 2024 LINK

Note: Detailed job data for Northern Ireland is not available

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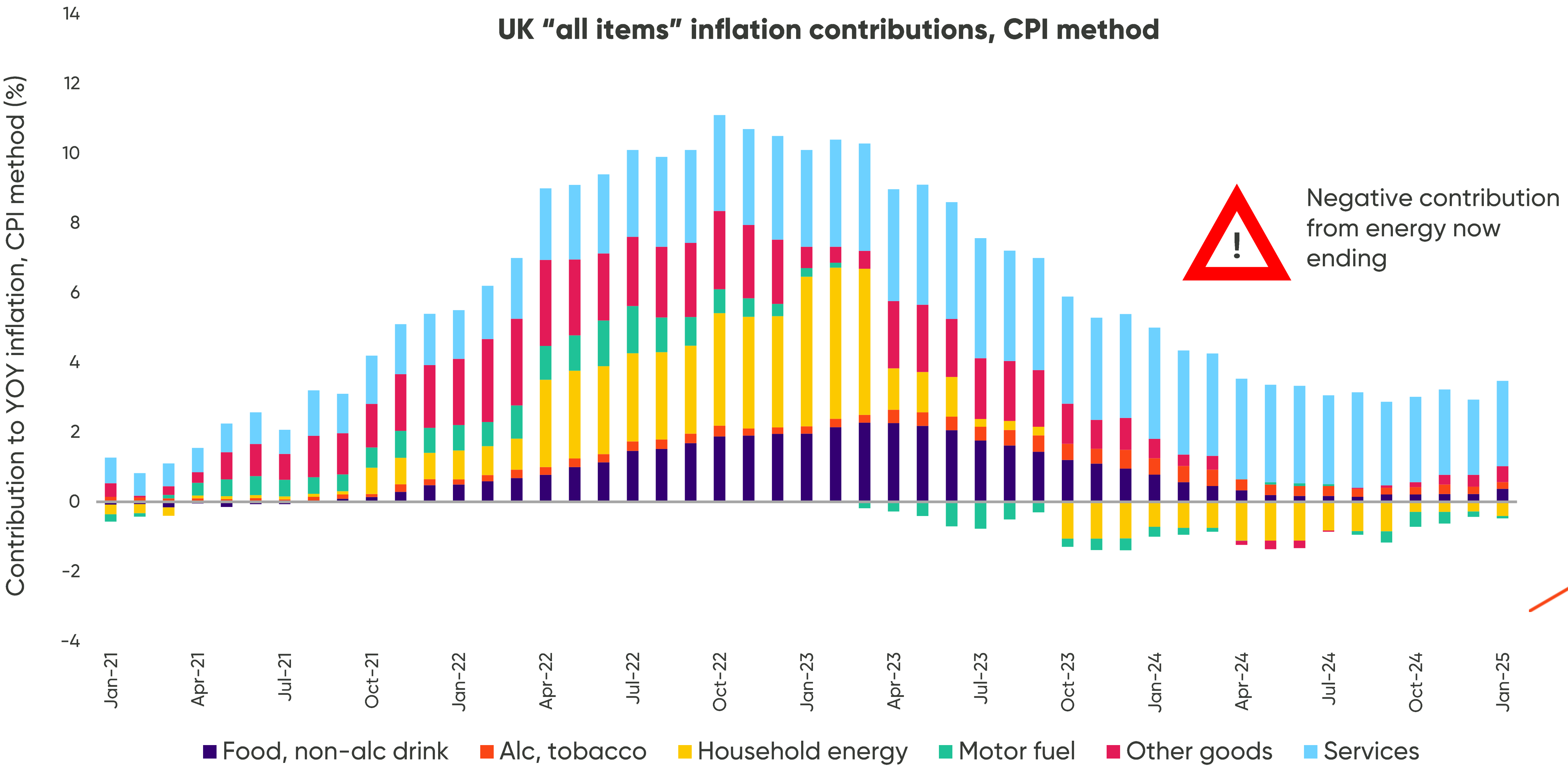
Background inflation has fallen as far as it is likely to go



  Source: *Consumer Price Inflation*, ONS and IGD Research, March 2025 LINK

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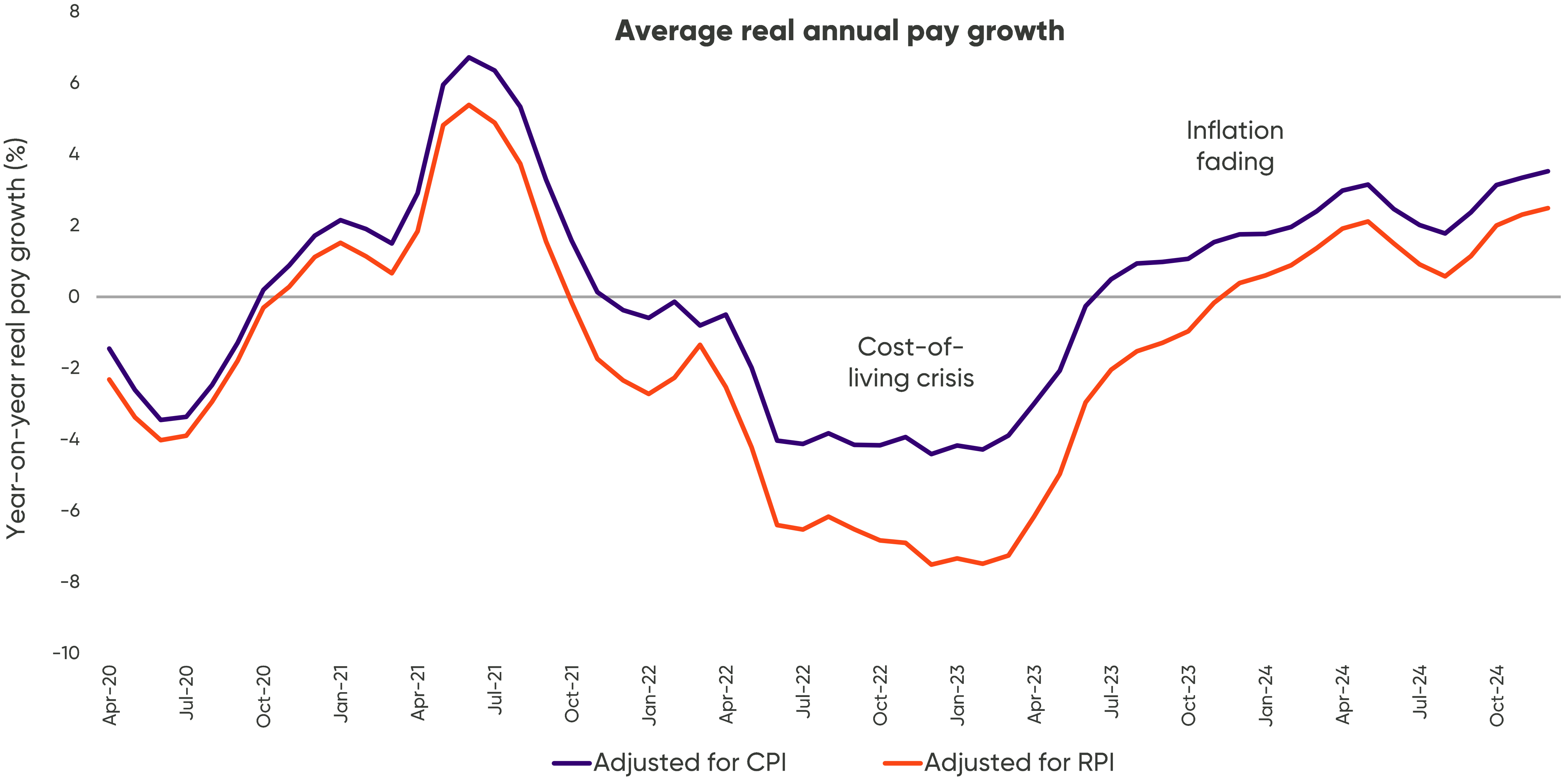
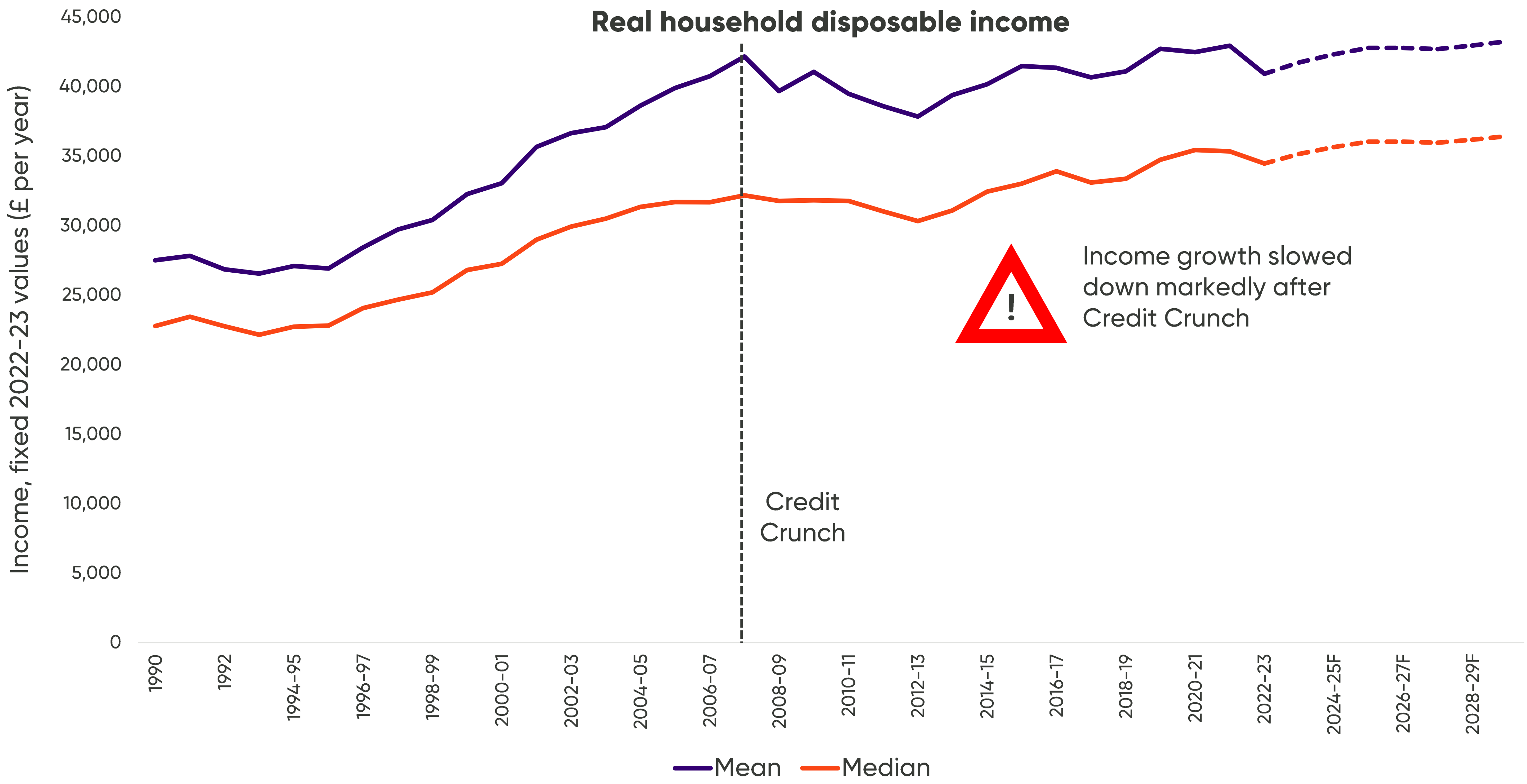
Real wages have risen since the last Bakery Forum



Source: *Average Weekly Earnings*, *Consumer Price Inflation*, ONS and IGD Research, March 2025 LINK LINK

In the long-term, household disposable income has been flat



Source: *Households Below Average Income*, DWP and *Economic & Fiscal Outlook*, Office for Budget Responsibility, October 2024 LINK LINK

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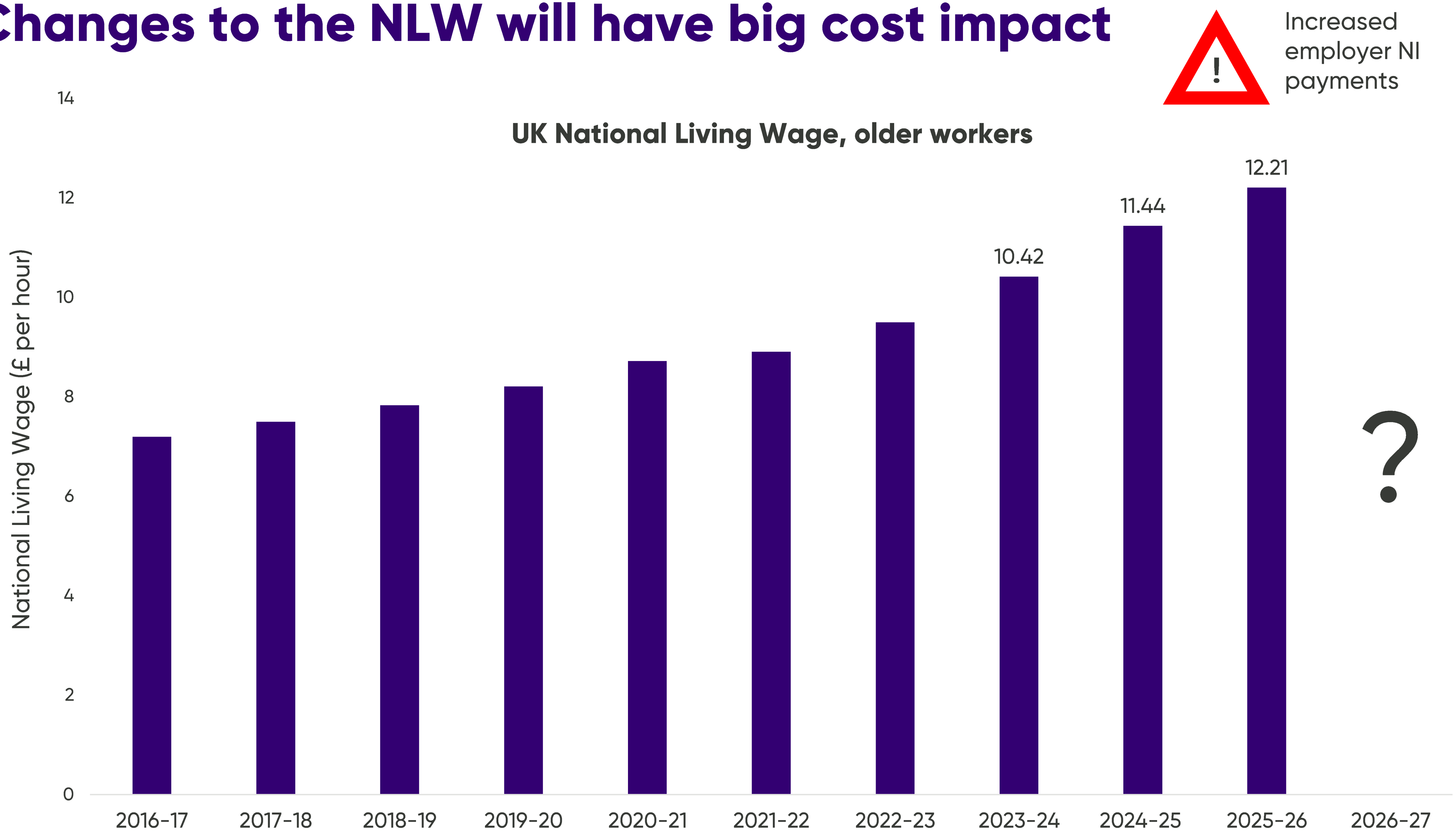
Changes to the NLW will have big cost impact



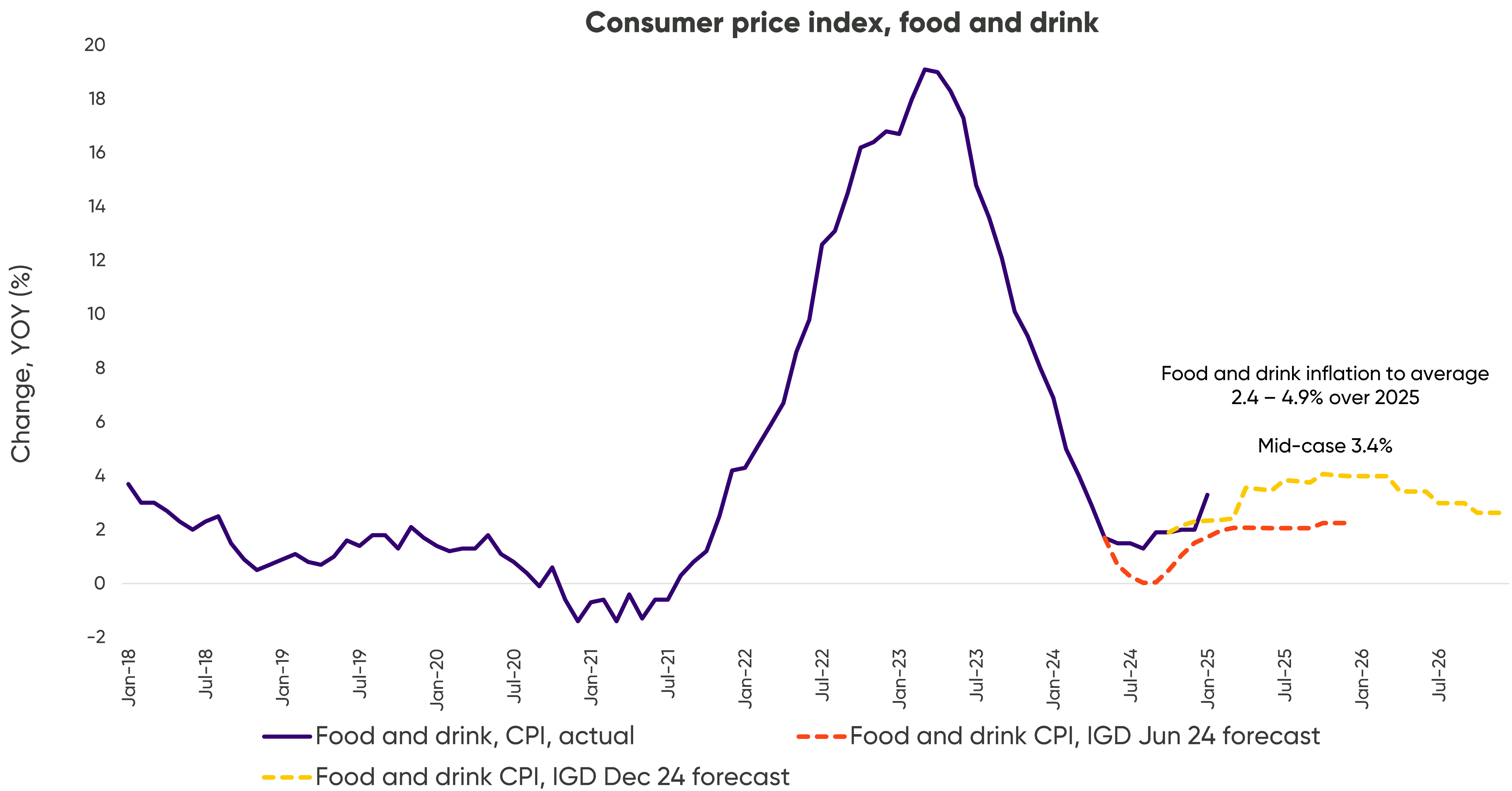
Source: *Autumn Budget 2024*, HM Treasury, October 2024 LINK

Retail and away-from-home will be hit hard by NLW and NI

	Est part time workers, 2024 (%)	Est NLW workers, 2024 (%)
Agriculture	29	10
Manufacturing	11	10
Wholesale	13	10
Retail	61	30
Away from home	61	40

Source: IGD estimates, based on Table 16, *Annual Survey Of Hours and Earnings 2024*, ONS, October 2024 LINK

Food inflation is expected to exceed previous forecasts



Source:: *Consumer Price Inflation*, ONS and IGD Research, March 2025 LINK

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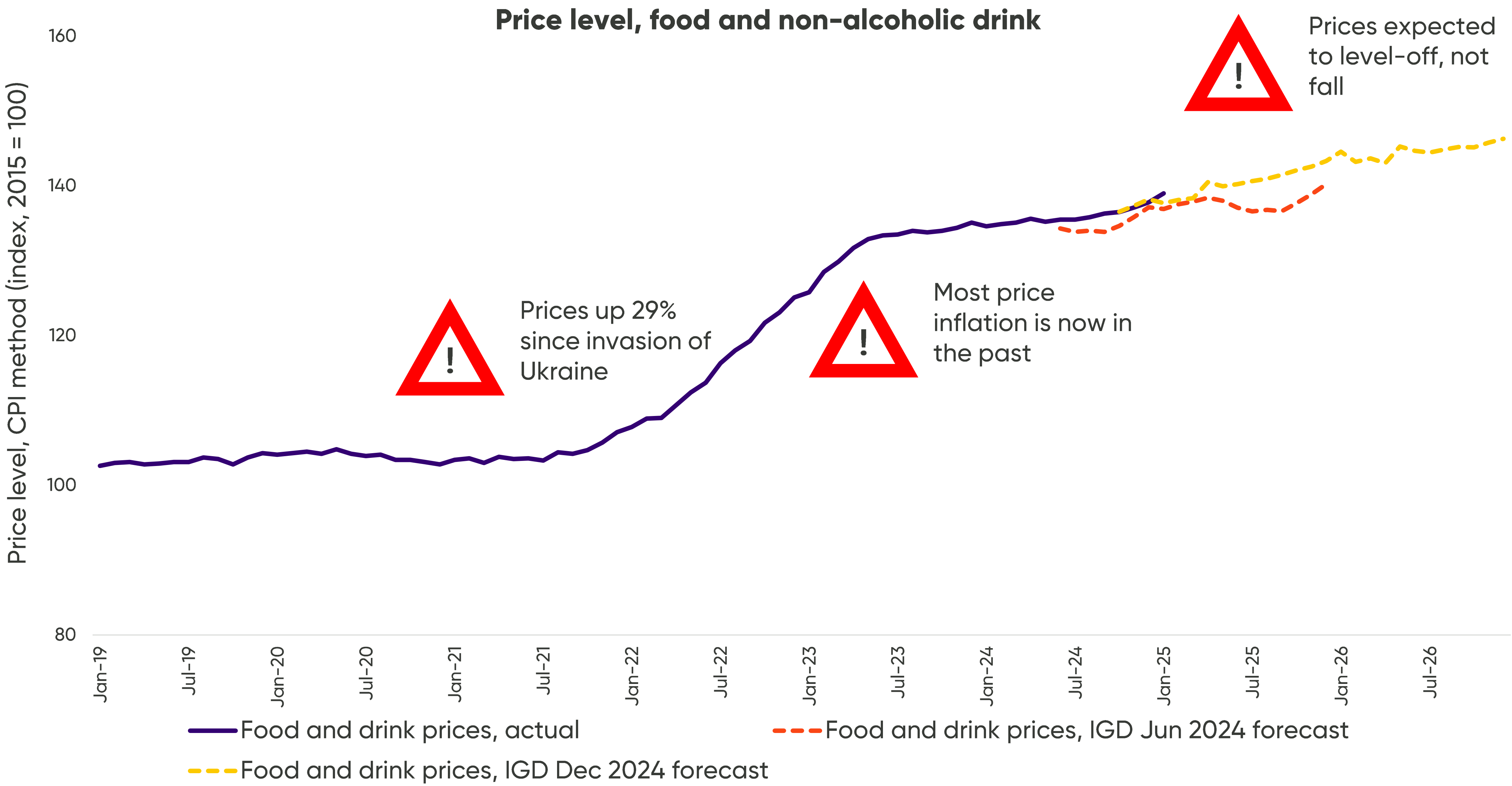
Food and drink price levels are expected to level-off, not fall



Source:: *Consumer Price Inflation*, ONS and IGD Research, March 2025 LINK

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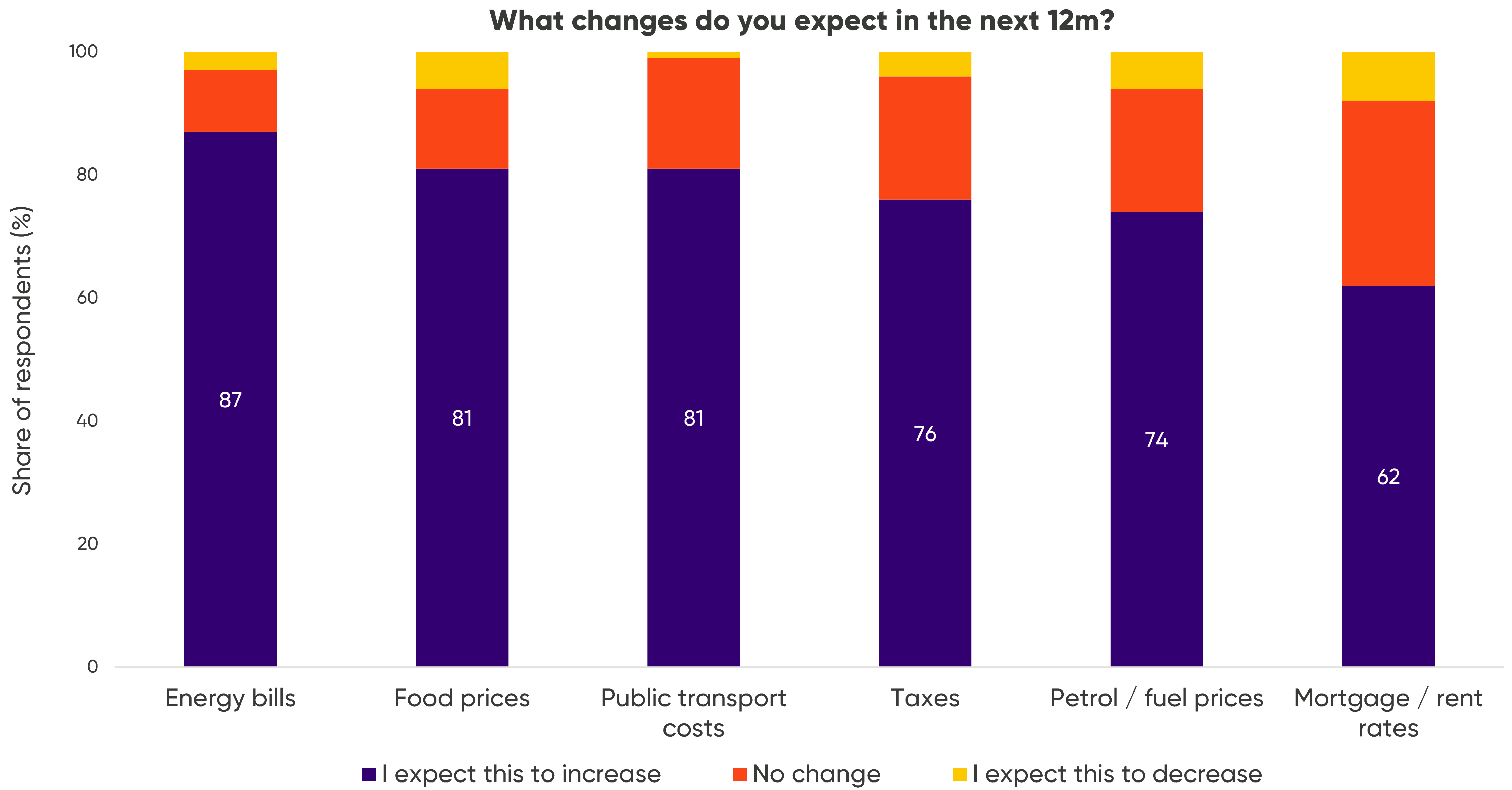
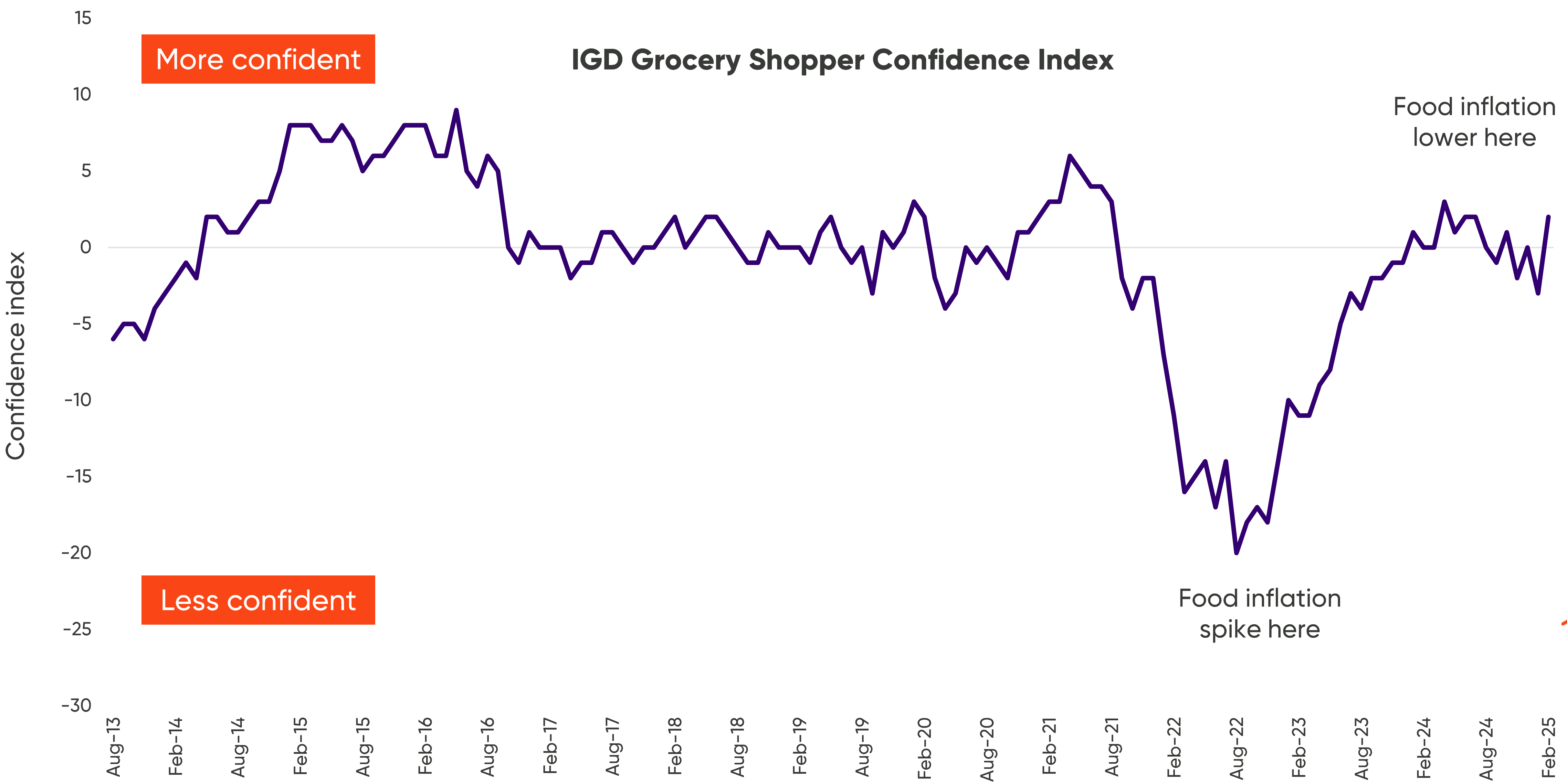
GB shoppers still worry about the cost of living



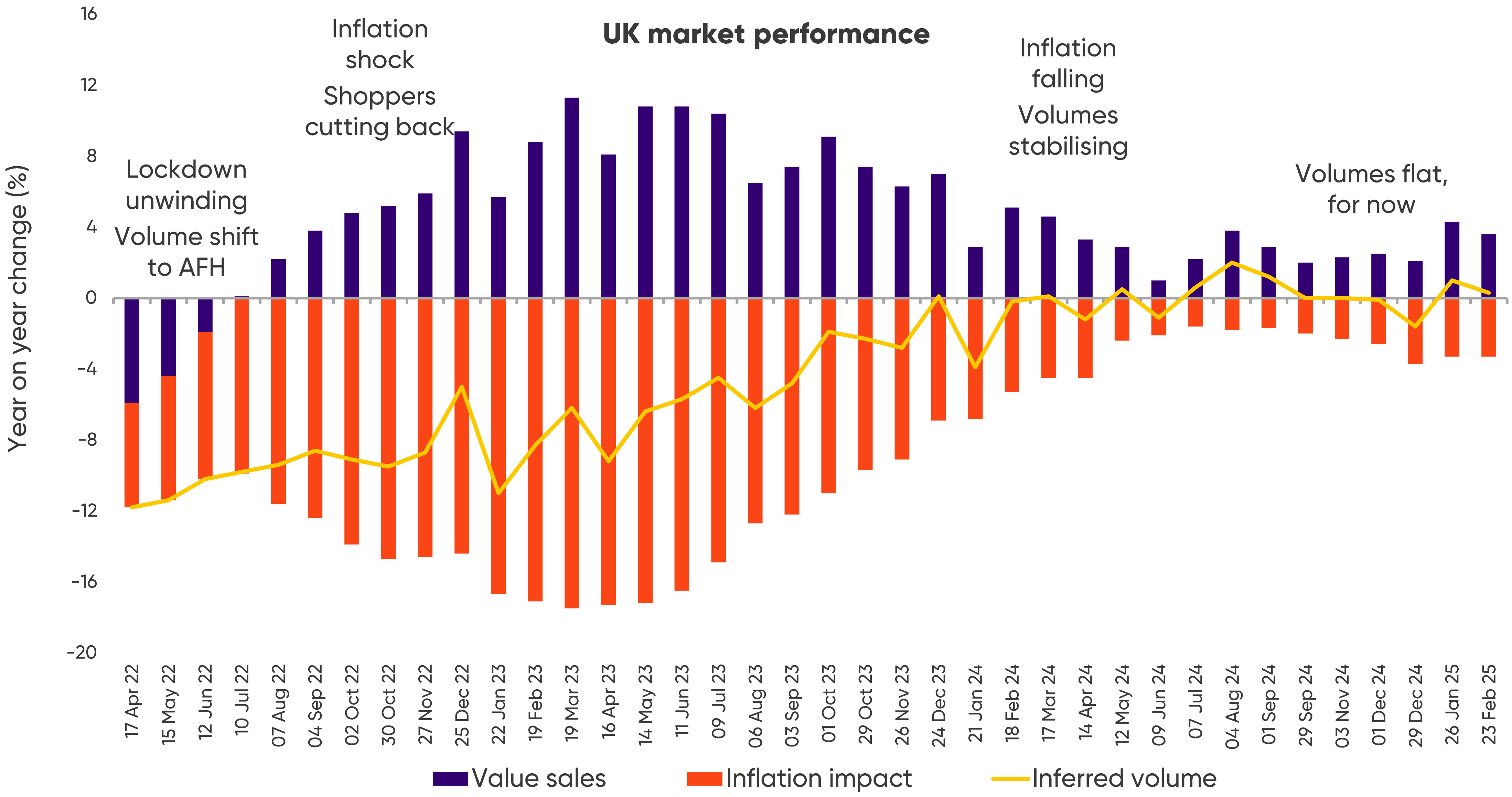
Source: *ShopperVista*, IGD Research, March 2025
Base: >1,000 GB shoppers, balanced sample
Fieldwork: December 2024 (latest data)

Food shopper confidence stable, but neutral



  Source: *ShopperVista*, IGD Research, February 2025 Base: >1,000 GB shoppers per month, balanced sample

Overall food volumes remain very weak



  Source: *Worldpanel*, Kantar, March 2025 (with permission)

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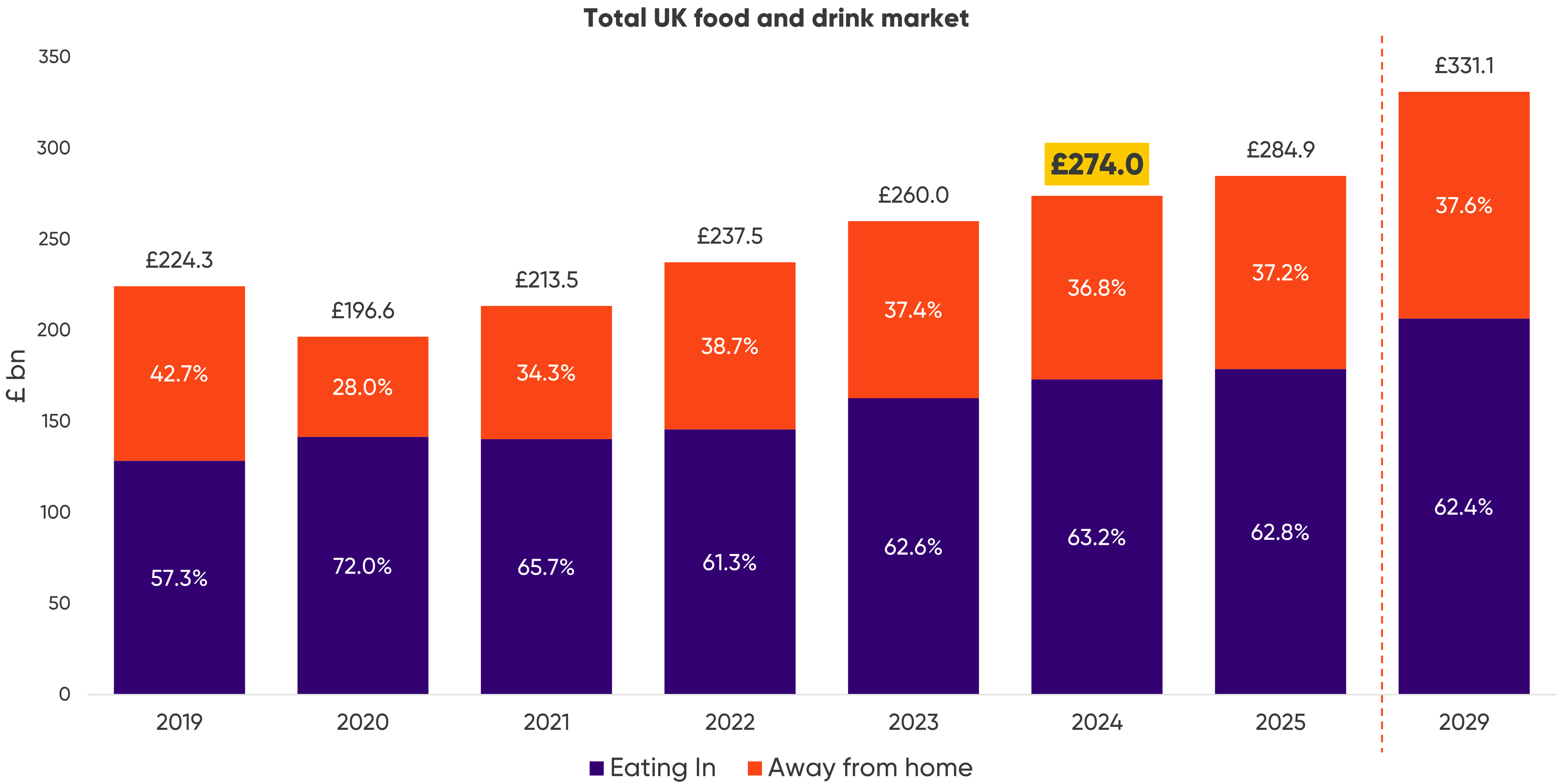
What might make a market recovery?

- Inflation under control, all-items and food
- Recovery in real prosperity, esp for least well-off
- Strategic stability, for businesses and shoppers

  (and)
- New consumption habits and expectations

  Source: *Worldpanel*, Kantar, February 2025 (with permission)

Share-of-stomach gained during Covid is a key opportunity



  Source: *Retail Analysis*, IGD Research, March 2025

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Considerations for 2026

Resilience

Production capacity

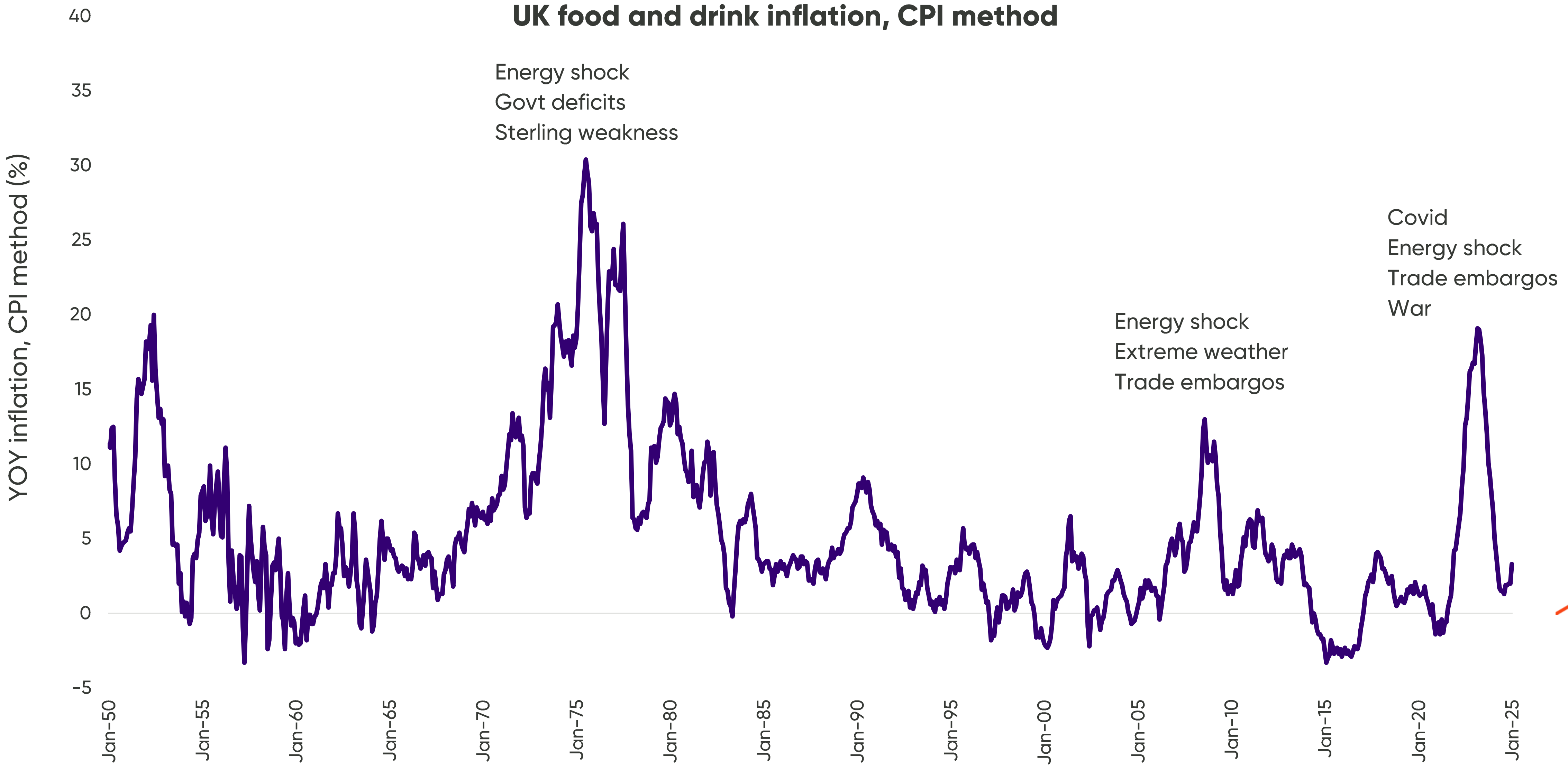
Health

There are many threats to food and drink supply

- Agricultural challenges
- Biodiversity loss
- Climate change
- Disease
- Water

- Cybersecurity
- Food system economics
- Geopolitics
- Labour and skills
- Opaque supply chain

Resilience – we have to get it right this time



Source: *Consumer Prices*, ONS, March 2025 LINK

Data pre 1989 is ONS estimates, data post 1989 is actual

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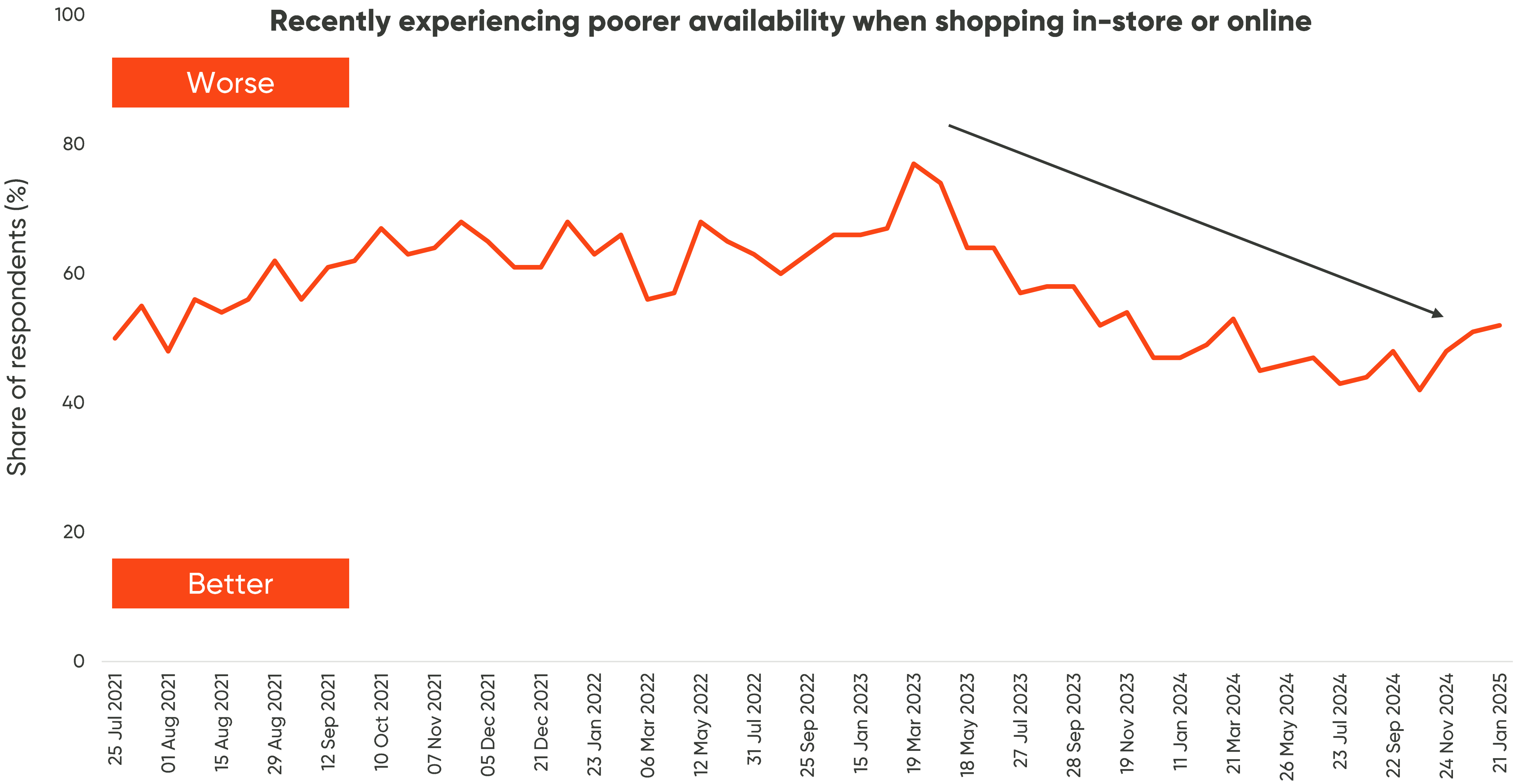
Improving availability may lead to complacency



  Source: IGD Research, March 2025 Base: >1,000 GB shoppers per month, balanced sample

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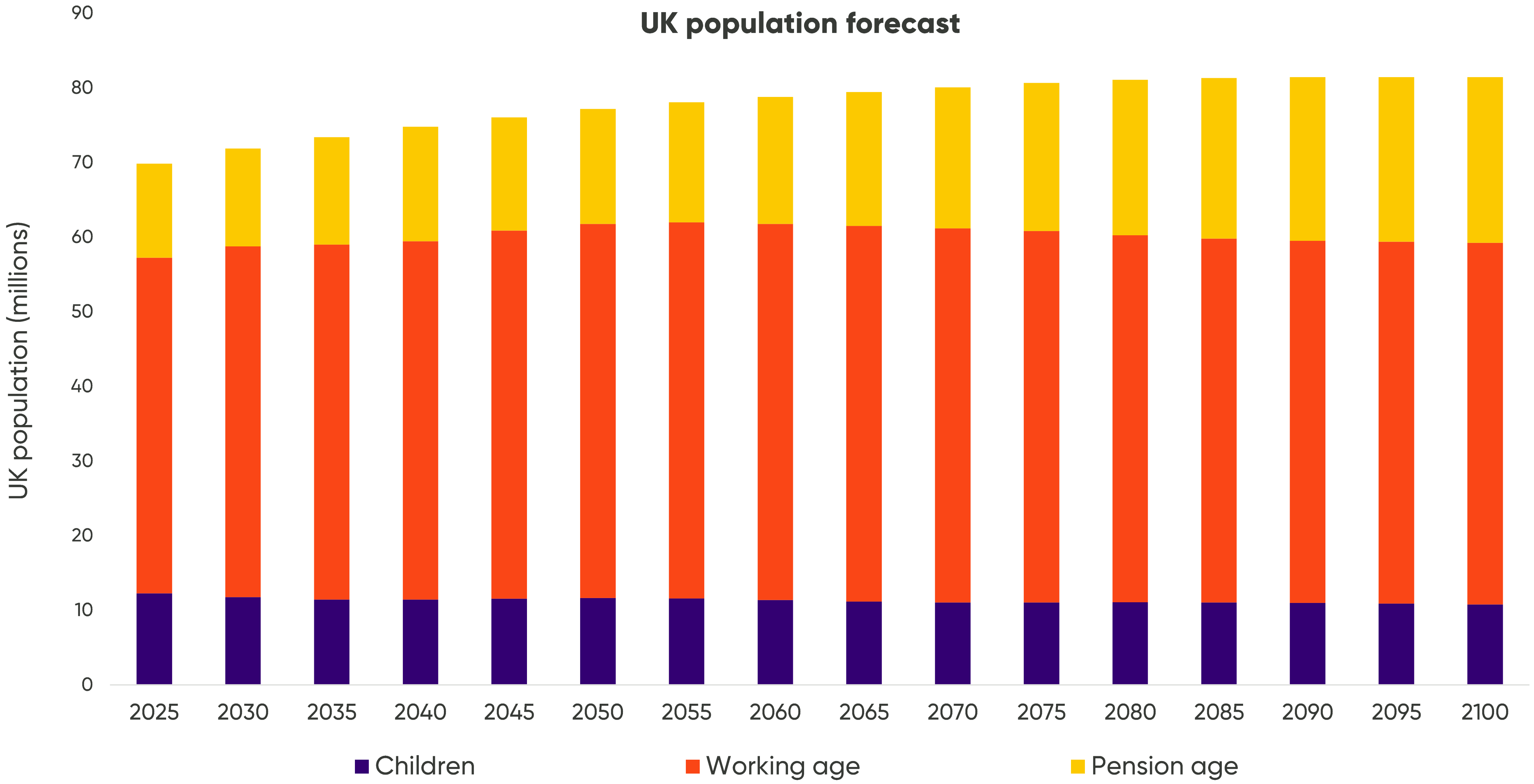
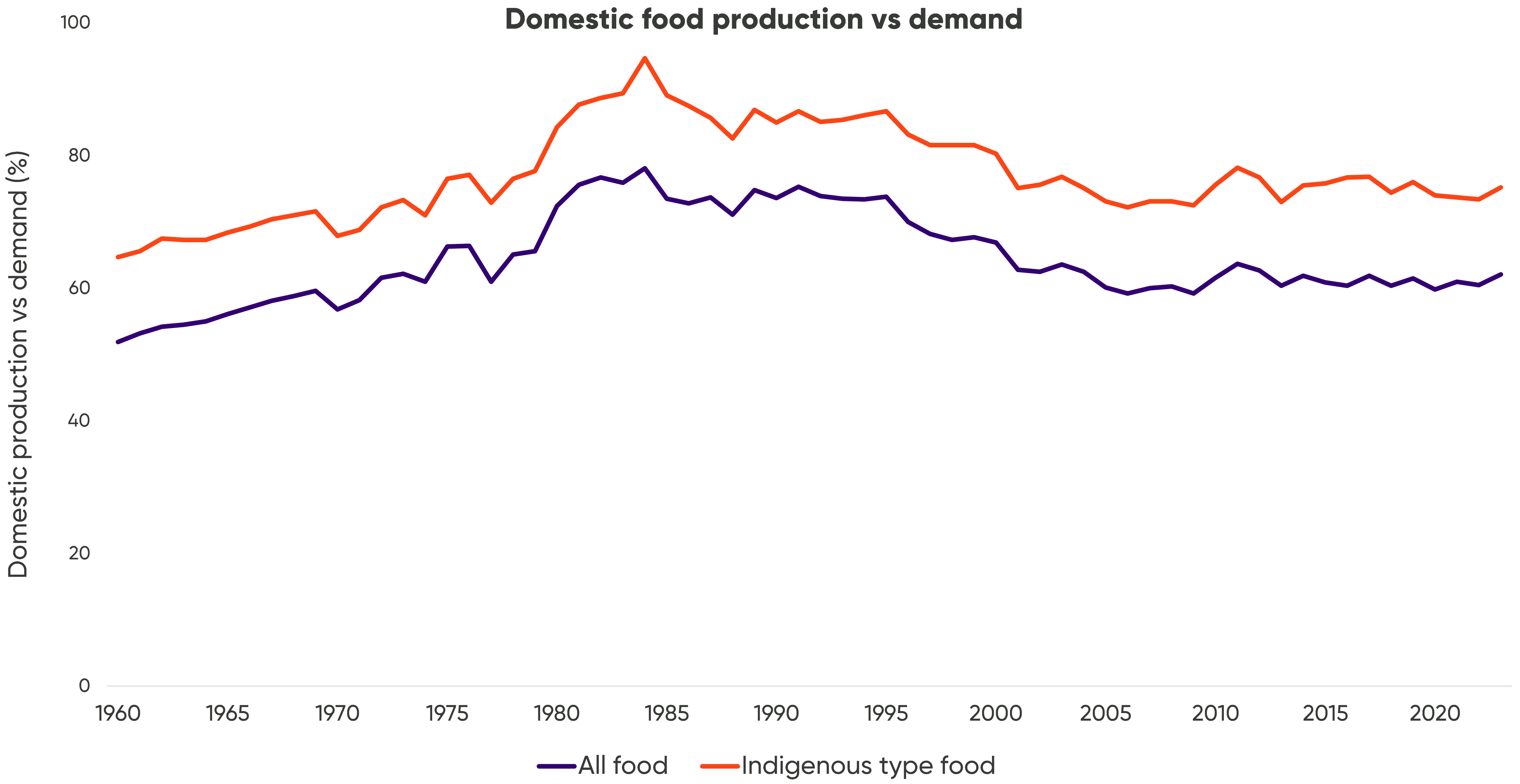
The UK has a population predicament



Source: *Interim Population Projection*, ONS, January 2025 (latest version) LINK

Forecast data is principal projection

The UK is already heavily reliant on food imports



  Source: *Agriculture In The United Kingdom 2023*, Defra, July 2024 LINK

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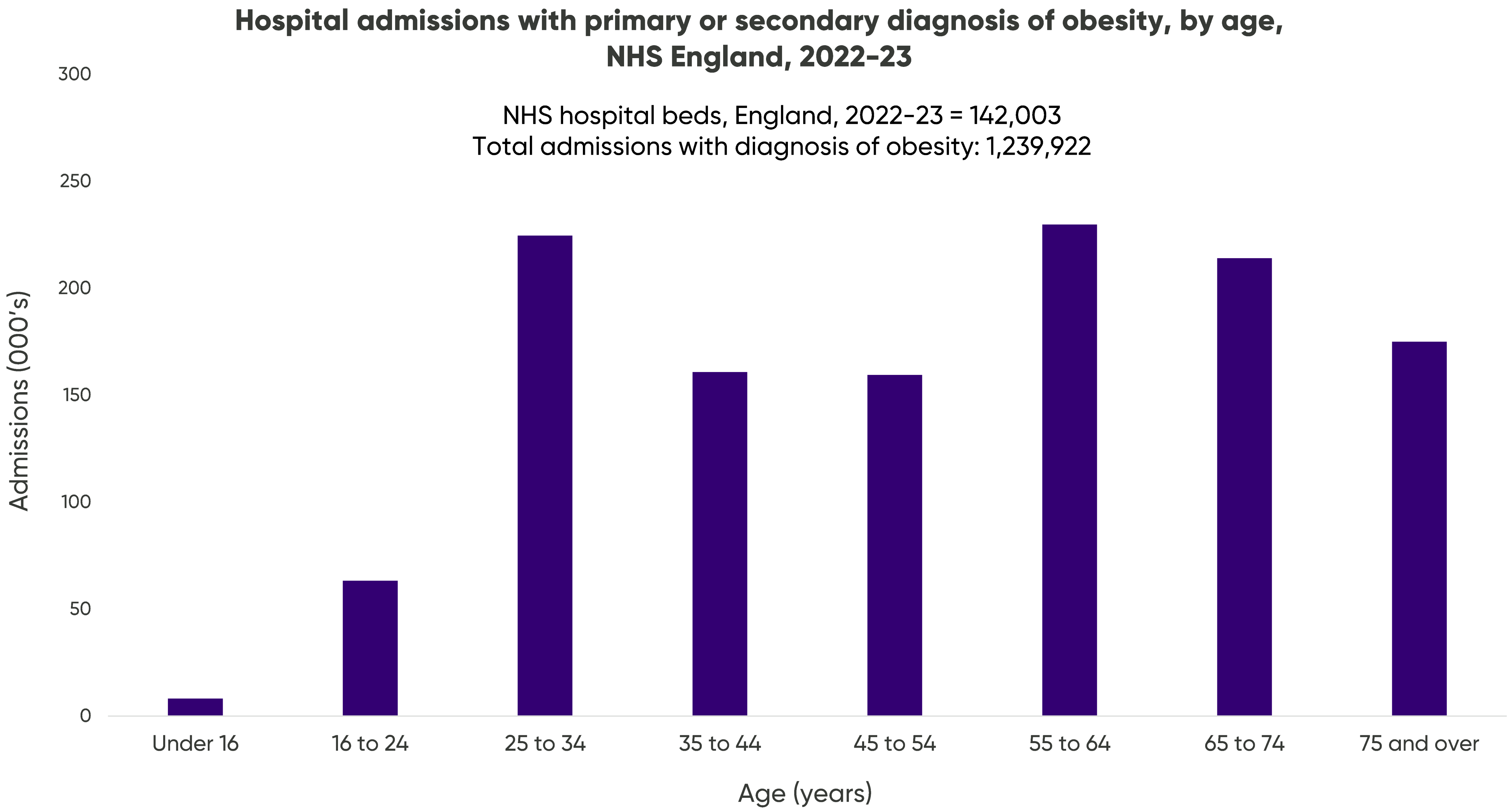
Poor diet is costing us an arm and a leg



Source: NHS England, February 2025 LINK LINK

Data covers England only

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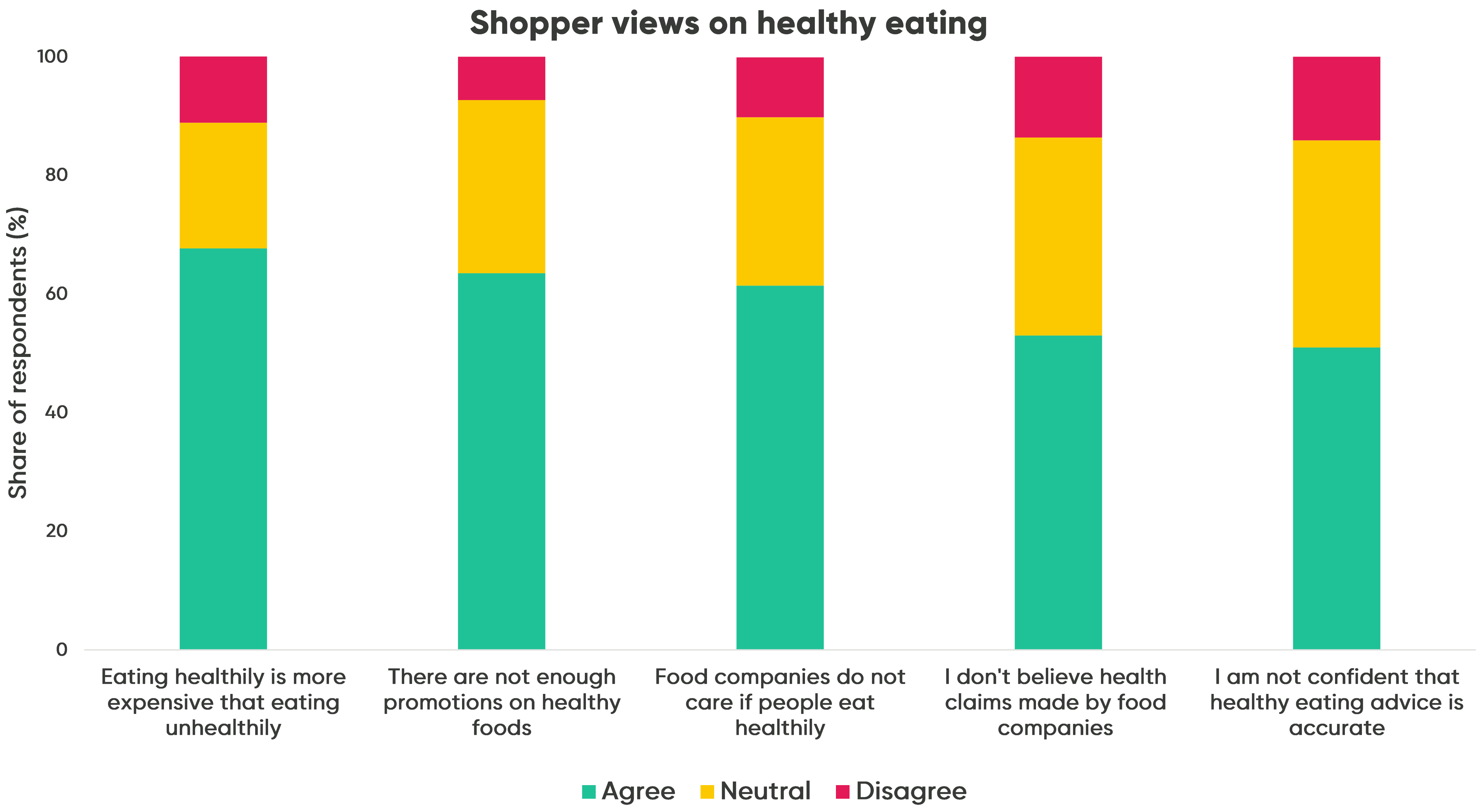
Many shoppers distrust food businesses on health



Source: *ShopperVista*, IGD Research, February 2025

Base: >1,000 GB shoppers (balanced sample)

Fieldwork: October 2024 (latest available)

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Key points to take away

- Geopolitics and protectionism threaten the food trade
- The UK economic situation seems stable, for now
- Inflation has levelled off
- But growth is weak and fresh inflation may be coming, especially in food
- Real wages are rising in the short term
- But incomes are flat when viewed in the long term
- Shoppers fear further increases in the cost of living
- Food and drink retail volumes are still weak, well below pre-Covid levels
- Businesses must have robust plans for resilience, capacity and health

