

# EUROPE'S CONSUMER GOODS INDUSTRY BAROMETER 2023



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# The business environment for the consumer goods industry in Europe remains challenging in 2023

**The business environment for the consumer goods industry in Europe remains challenging in 2023.** Although there are signs of improvement compared to our 2022 barometer, supply chain disruption continues to have a negative impact on the manufacturing process overall. Many companies have struggled to source the necessary components for their manufacturing activities/production in the last 12 months.

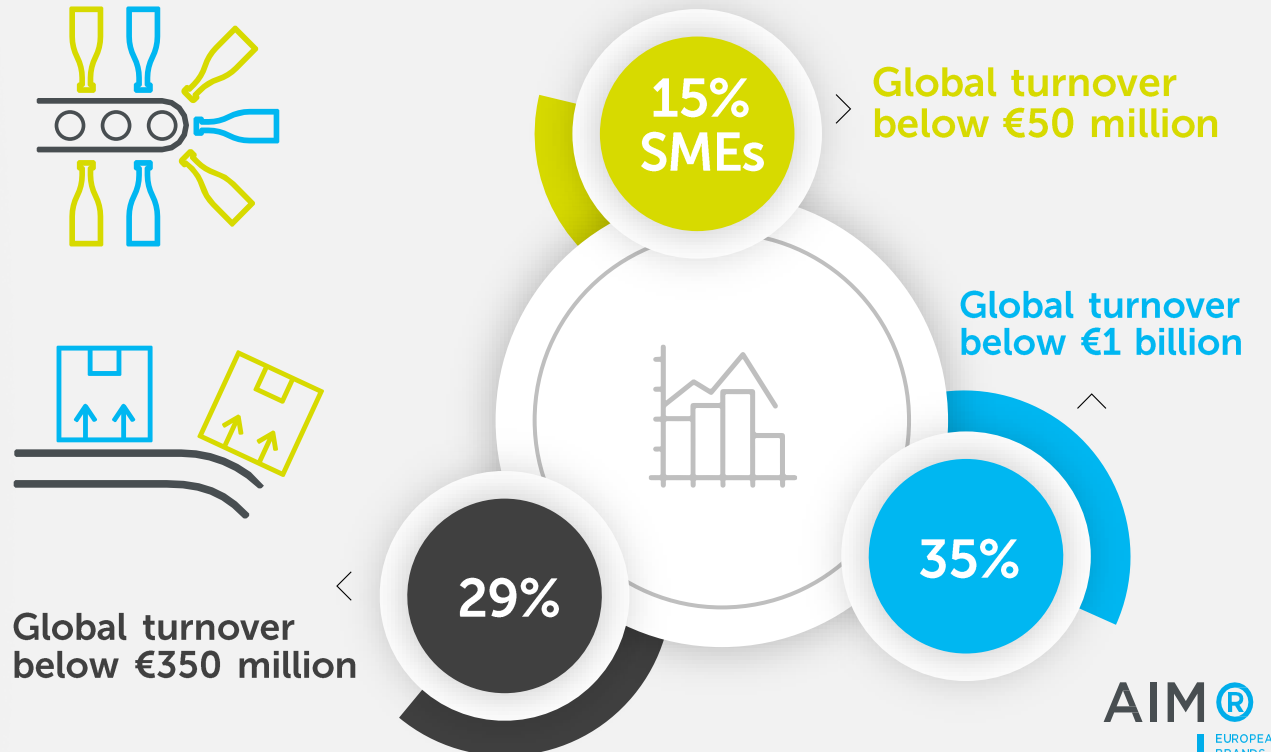
Because of these sourcing issues, product composition has had to be adapted and packaging modified. **Production has been reduced, or cut, and continues this year to be impacted by labour shortages and unforeseen costs of adaptation.** The accumulation of these issues on sourcing, composition, packaging, and labour costs affecting manufacturing processes is a challenge, even before the impact of inflation is considered.

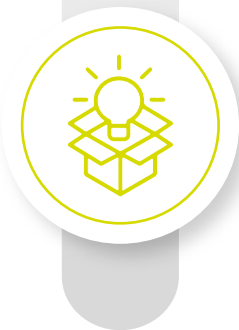


**Purchasing power of EU consumers remains strained,** given the challenges of the economic environment continue to be an acute concern for many households. Consumer goods manufacturers have consistently supported consumers throughout this crisis, providing promotions across all categories and products through their customers in the retail sector, whilst continuing to absorb costs.

The competitiveness of Europe remains a **concern across the 900 manufacturers surveyed**, as nearly a third, 31%, of participants have stopped R&D investment in 2023. Looking ahead, **nearly one fifth (19%) of participants plan to reduce employment in the next 12 months.**

## Of the 900 manufacturers surveyed:

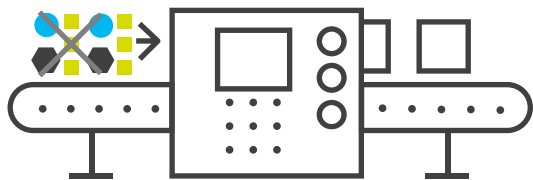




# Effects on products

Supply Chain disruption and increased costs mean manufacturing of consumer goods remains challenging in 2023

## Product components/ commodities/ raw materials:



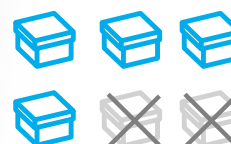
**72%** of companies still experience sourcing challenges for the necessary components, **a decrease of 3% from 2022 (75% in 2022, 72% in 2023)**

↓ 3%

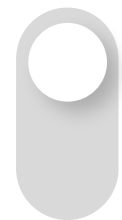
## Because of these sourcing issues:

 **41%** of companies have therefore had to **modify product composition**

 **42%** have had to **modify their packaging**

 **49%** of companies had to **reduce or cut production**

For over one third of companies, 36%, this impacted 10% of their overall product range (assortment)



# Labour Shortage

52%

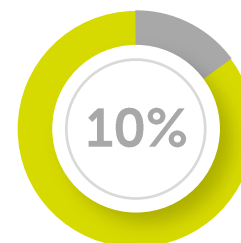
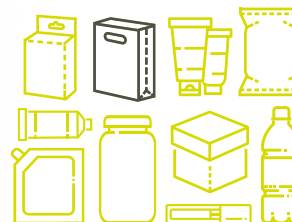


of companies have been exposed to labour shortages, which also impacts production



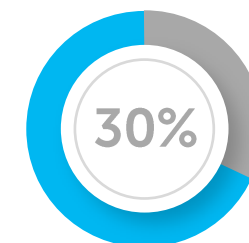
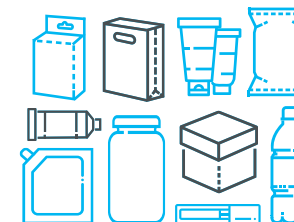
19%

Nearly one fifth of companies have had 10% of their product range impacted by labour shortages



14%

of companies have been impacted by labour shortages for over 30% of their product range



## Agility required from manufacturers to adapt production:

78%

This has required agility to adapt production to unforeseen costs which has impacted 78% of manufacturers.

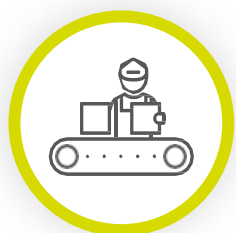


35%

of those surveyed indicated this impacted a third of their product range.



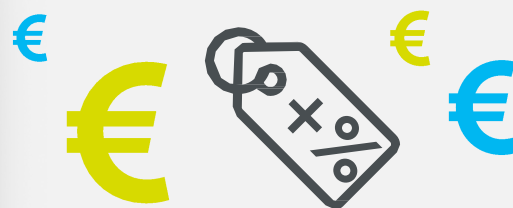
Accumulation of challenges affecting manufacturing processes and production continues to impact the consumer goods industry



The issues within the manufacturing process accumulate and have a knock-on effect across the production of consumer goods, as well as the supply chain. The challenge of sourcing components has increased complexity, and led to changes in product composition, modification of packaging, and cuts in production, with labour shortages also influencing the latter.

## Inflation continues to have a significant impact on the manufacturing process

Over 99% of manufacturers experienced some kind of inflation in the past 12 month



At least half of the companies surveyed experienced **over 50% inflation of all costs**

**97%**  
experienced inflation of their **products components**



**94%**  
experienced inflation of their **labour costs**



**89%**  
experienced inflation of their **energy costs**



**93%**  
experienced inflation of their **packaging**



**92%** Experienced inflation of **transport and logistics costs**



(on an average of last 12 months)

# Impact on manufacturer and consumer prices

01	02	03	04	05	06	07	08
Supply chain disruption	Effects on products	Effects on labour	Challenges	Impact on manufacturer and consumer prices	Impact on investments	Business forecast	Impact on the future

## >>> IMPACT ON MANUFACTURERS PRICE TO RETAIL SECTOR:



97%

Manufacturers sell goods to retailers. Retailers decide the consumer price for the products sold on their shelves

22%

of manufacturers have absorbed over 80% of their increased production costs, passing on less than 20% of the increase to retailers



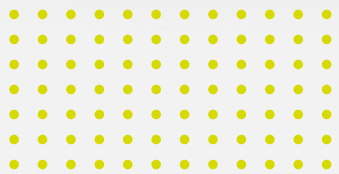
20%

of manufacturers have absorbed between 40 and 60% of their increased production costs



2 out of 5 companies:

Less than half passed on 60% or more of their increased production costs in their customer price



Manufacturers of branded consumer goods continue to absorb higher costs due to inflation in 2023, as they did in 2022. Whilst the price of some components in the manufacturing process may have decreased, others have increased or remain high, and therefore continue to have an impact on the cost of production.



## >>> IMPACT ON CONSUMER PRICE SET BY RETAIL SECTOR:



The retail sector sets consumer prices<sup>2</sup>:

96%

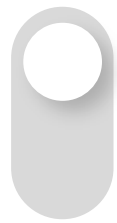
of manufacturers have seen **retailers increase the consumer price** of their products

45%

of manufacturers have seen **retailers increase the consumer price** of their products at the same level as the manufacturers price increase

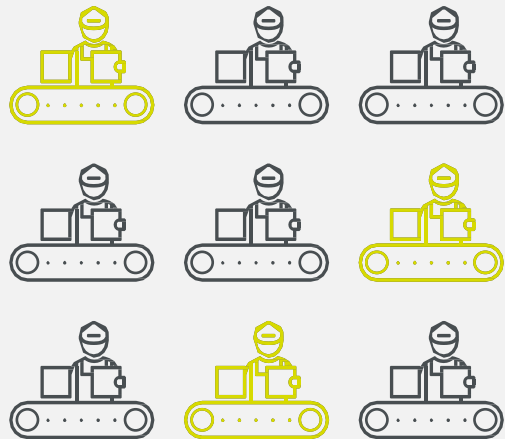
28%

of manufacturers have seen **retailers increase the consumer price** of their products at a level higher than the manufacturers price increase

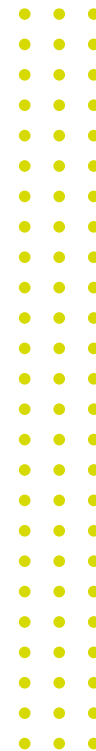


# Impact on investments

## ... Reducing or stopping investments ...

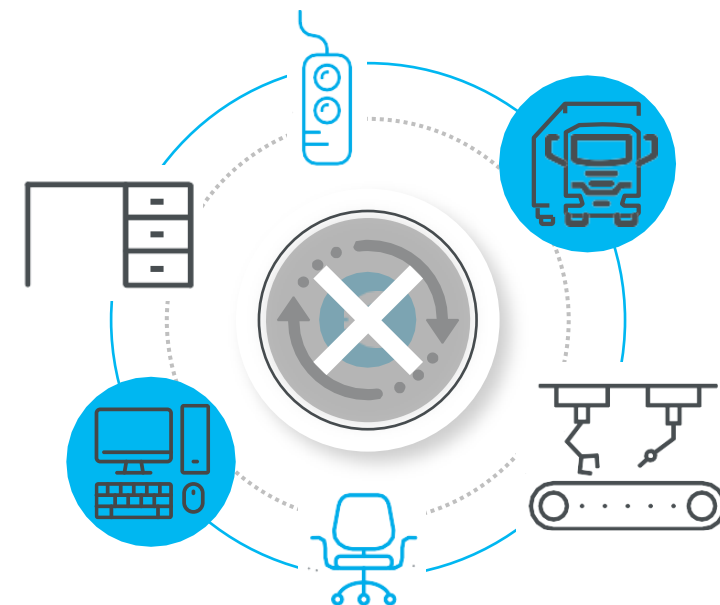


**31%** > of manufacturers did not invest or reduced their R&D Investments



**36%**

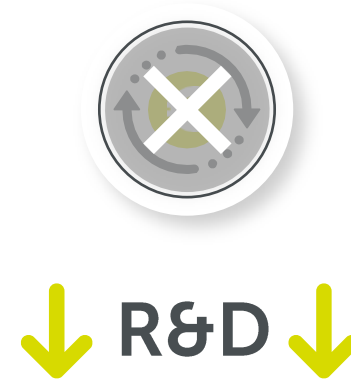
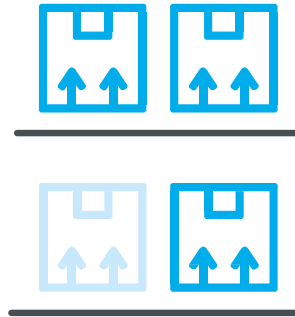
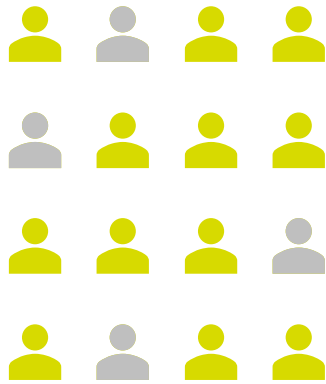
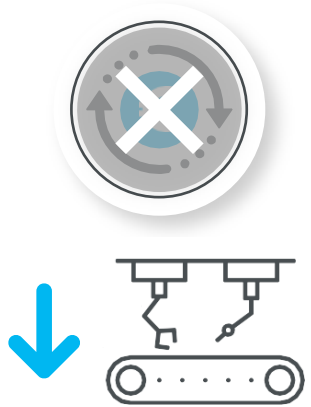
> of manufacturers did not invest or reduced their CAPEX Investments





# Business forecast

Nearly 1 in 5 companies foresee continued challenges ahead  
In the next 12 months



17%

do not plan to invest, or plan to reduce (CAPEX)

19%

plan to reduce employment

25%

plan to reduce or cut production

15%

will not invest or reduce R&D

This may be explained by **company results** where in the past year



26%  
saw sales decline



55%  
saw profit shrink

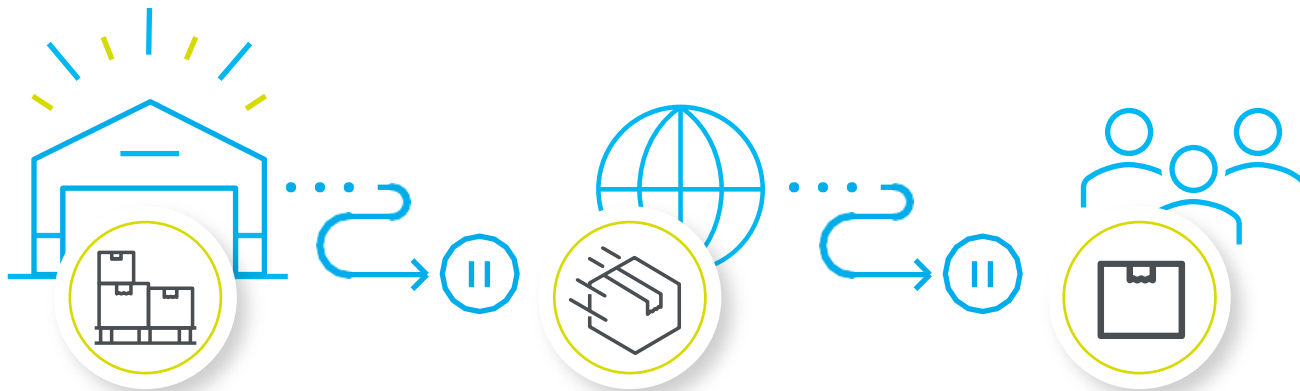


42%  
lost market share

# Impact on the Future

**Supply chain disruption has continued** to have an impact on the manufacturing process of the consumer goods industry in Europe, whilst cost inflation has added to this challenge.

**Business decisions on investment and future planning remain cautious** going into 2024, which will again have an impact on innovation, and therefore the attractiveness of Europe as an investment destination.



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