

PRESS INFORMATION

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Food trade benefiting from positive economy

BVLH draws a half-year balance / Turnover of food retail trade up on previous year

The companies of the German food retail trade sold goods to the value of around Euro 119 billion in the first six months of the year. As such the revenue has increased nominally by 4.2% compared to the first six months of 2016.

On the basis of the average growth up to now, the German Association of the German Retail Grocery Trade (BVLH) is expecting a turnover of around approx. Euro 179 billion for the first three quarters of 2017. For the calendar year, the BVLH is expecting the industry to achieve a total revenue of approx. Euro 243 billion.

Continued good outlook for the domestic economy

An important reason for this development is the ongoing robust domestic economy. In this way, in its "Autumn Baselines 2017" the German Institute for Economic Research (DIW) is presuming a 1.9% increase in economic performance for both this year and next. For 2019 the researchers are forecasting a 1.6% increase in the gross domestic product.

The domestic demand remains to be an important cornerstone of this upswing. It is being driven on the one hand by the continued positive situation on the labour market and on the other by the very moderate inflation rate. The DIW is expecting the net wages to increase by more than three percent in the coming years. Since the inflation rate in the same period is to be less than two percent, this will not only lead to positive real wage development, but also to an increase in the buying power. According to the DIW forecast, this development will be accompanied by a further increase in private consumer spending.

Growth in turnover across almost all distribution channels

The individual sales channels contribute to the turnover development of the food retail trade in different ways.

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The discounters are currently recording the biggest increases. According to the rates of change determined by a survey carried out by the Consumer Research Association (GfK), in the first six months of 2017 they were able to increase their revenue by 4.9% compared to the same period of the previous year. The food full-range suppliers achieved a 3.1% rise in turnover. The turnover of the hypermarkets declined slightly by 1.8%.

The development of the turnovers in the individual food assortments also varied. From January to June of this year, the dealers achieved the highest growth with sales of fruit and vegetables (5.7%). But the sales of dairy products also had a strong positive effect on the turnovers. For example, the yellow line turnovers (cheese) increased by 4.7% and the white line (milk, yoghurt) by 5.1% indeed.

Price inflation for foodstuffs higher than the general inflation rate

The turnover increase for dairy products is attributable to a trading-up, but primarily due to increasing prices. According to the Federal Statistical Office, in August 2017 the users had to pay 14.3% more for milk, curd or cream than in the previous months. There were further price increases among others for fish and fish products (3.3%) as well as for meat and meat products (2.6%). The price for food overall increased by three percent between August 2016 and August 2017. As such the price increase for food continues to be significantly higher than the overall inflation rate of 1.8%.

Current butter prices: Indication of functioning market mechanism

The butter price recorded one of the highest jumps. In August 2017 it was 59.7% higher than the previous year level. According to GfK, in the first half of 2017, the price for German brand-name butter increased by 51% compared to the previous year. In the same period of time the amount sold decreased by 11%, whereas the turnover increased by 40%.

Two developments are mainly responsible for the currently high prices for dairy products in general and for butter in particular. The global demand has increased significantly over the past months. Especially China has advanced into becoming one of the largest importers of butter. Furthermore, butter has become more important as a raw materials for the production of food. At the same time the amount of milk produced declined - not only in Europe and Germany, but also in other important production countries in the world.

So, at the moment an increased demand and declining offer are coming together. The result is a higher price.

Business climate remains to be positive

The renewed current increase in food prices is certainly also contributing towards the fact that the business climate within the food retail trade is still currently enjoying a good level. In June, the business climate index of the Munich-based ifo Institute reached the highest value since July 2012.

The dealers questions were very satisfied with their business development over the past three months. The values were considerably up on the long-term average value. Particularly in May and June, the participants reported increased turnovers compared to the previous year much more frequently than in the first quarter.

The business expectations were judged differently. In June the participants interviewed were more optimistic than in the last five years. In July, the confidence dropped slightly, but then remained at the same level.

In the quarterly special question as to negative influences on the turnovers, the survey respondents primarily named the lack of skilled workers.

The German Association of the German Retail Grocery Trade e.V. (BVLH) is a member of the German Retail Association (HDE) of the Trade Association for Food Labour. It represents the food-political interests of the trading companies vis-à-vis the legislation, authorities and public. In this area the BVLH is the contact person for politicians, the media, consumer organisations and the associations of the upstream industry.