

Seafood market impact review 2019

A summary of the performance of the UK
seafood value chain 2015-2019, following the
EU referendum vote March 2019

Introduction

Over recent years trends have developed, but no specific peaks/troughs that can be aligned specifically to the EU Referendum key dates.

The market (trade and sales to consumer) has evolved in response to many different factors:

- Seasonal celebrations
- Quotas and stock availability resulting in switches between species
- Exchange rates
- Flexing international supply base, moving production
- Disruptors including disease

Click on the buttons below for more information about the trends by sector:

Economic Factors

With all the many influences on the market (fluctuations in supply volume, exchange rates, global demand), seafood normally reacts to those factors on an ongoing basis, meaning there is always volatility and uncertainty to deal with.

Trade

Import volume is up but so is value. In the past 3 years value / average price is up X% meaning higher supply costs for UK buyers. However this is normally shown to vary each year.

Export volume and value are up, reflecting a positive picture for UK exporters.

Foodservice

Whilst overall foodservice visits are flat and spend is up, seafood has shown positive picture in past 3 years, with more customers eating out more often, buying more seafood each year. Past 3 years shows X% growth in servings.

Retail

Seafood sales peak and fall throughout a normal year so it is hard to draw detailed conclusions. We can see the overall trend is one of year on year volume reductions against year on year higher prices.



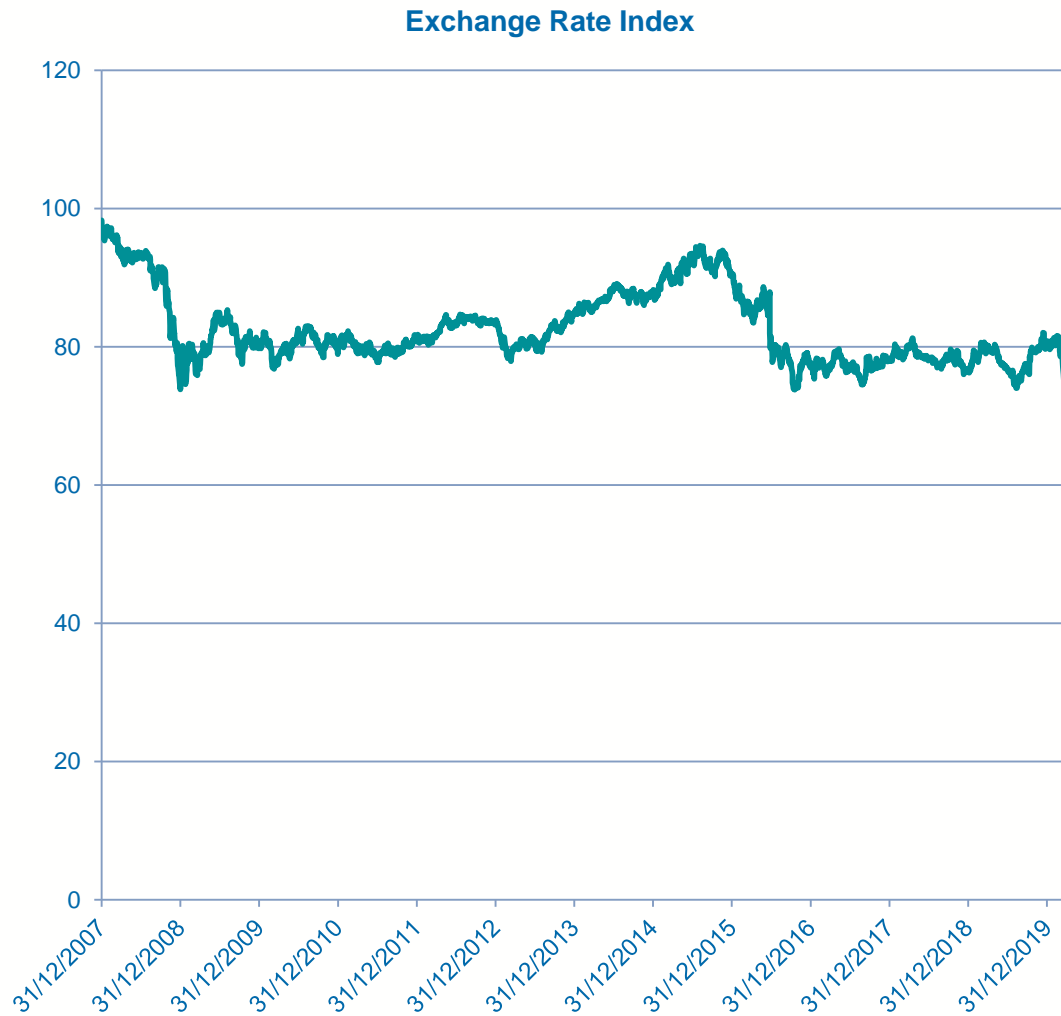
Economic context

Consumer confidence has fallen since the vote to leave the EU and debt is running high, hence consumers are spending very cautiously on items they perceive to be value for money

Seafood experienced significant inflation during 2017. Levels have fallen since, but still remain above meat. Trends after the Brexit deal votes/leave dates follow a similar trend to meat, but seafood prices spiked in July and September.

In March 2017, the sterling Exchange rate index (ERI) fell a further 1.5% from the end of February 2017 and was 10.5% lower compared with the end of March 2016.

Value of sterling

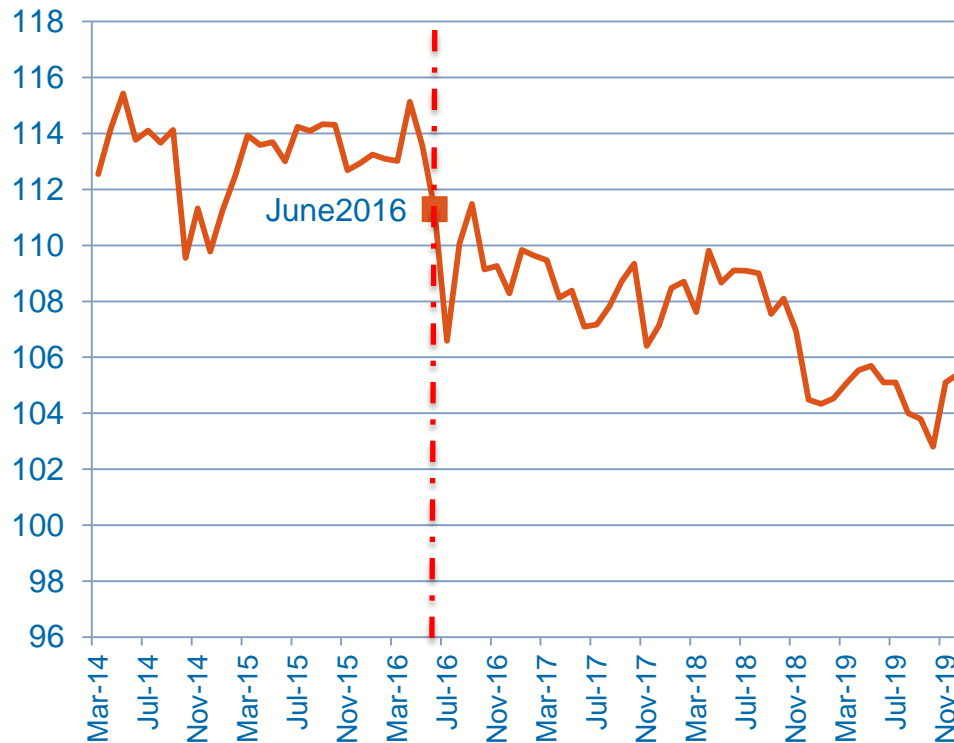


- UK gross domestic product (GDP) was estimated to have increased by 0.4% during Quarter 3 (July to September) 2017.
- In March 2017, the sterling Exchange rate index (ERI) fell a further 1.5% from the end of February 2017 and was 10.5% lower compared with the end of March 2016.

Consumer confidence is low and debt high



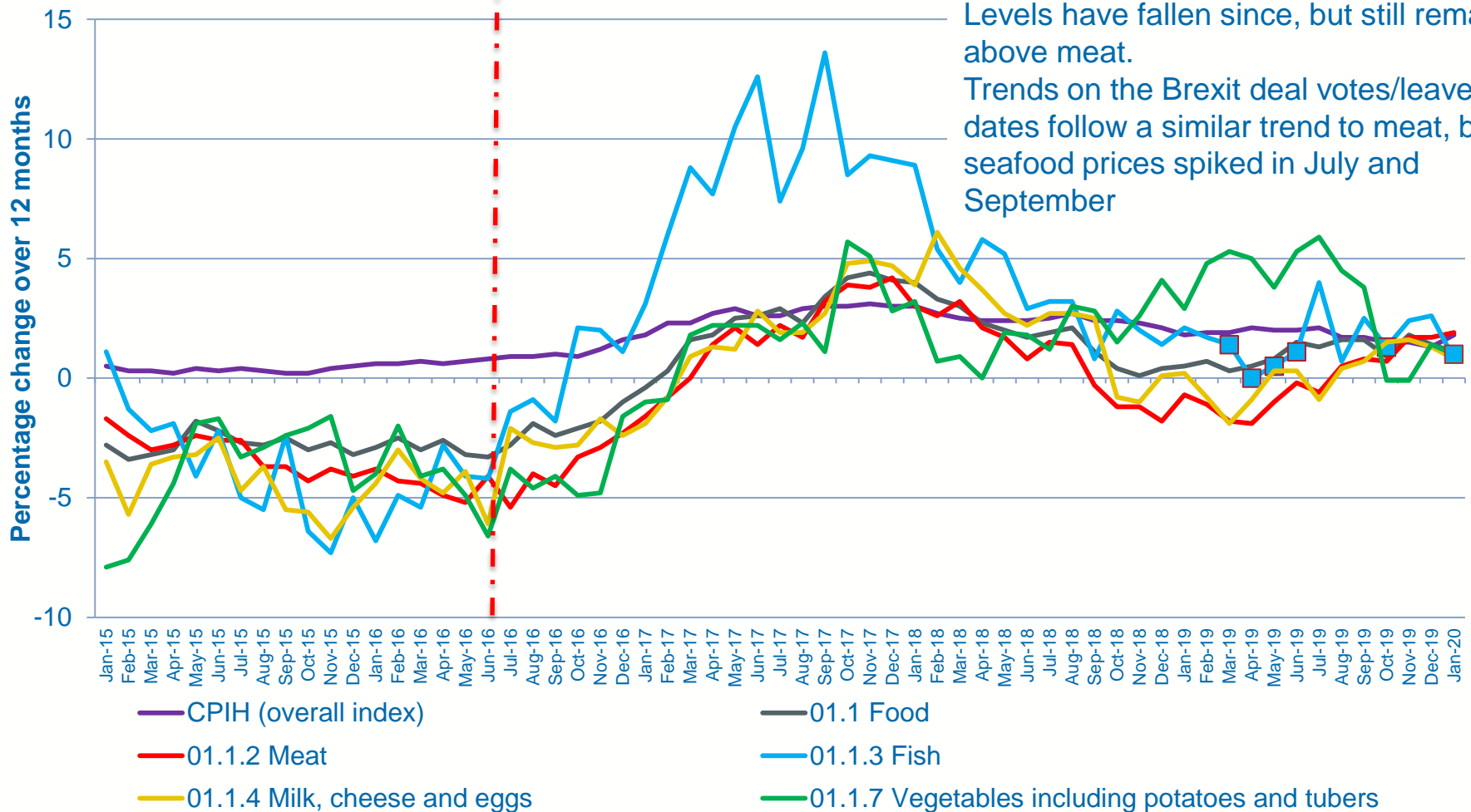
UK Consumer Confidence Index



c.£4,200 = average unsecured debt per adult

90% of outstanding consumer debt is owed by people who owed debt two years earlier

Consumer Price Index



Other considerations



- UK gross domestic product (GDP) growth in volume terms was estimated to be flat in Quarter 4 (October to December) 2019, compared with growth of 0.5% in Quarter 3 (July to September) 2019. GDP was 1.1% higher in Quarter 4 2019 compared with the same quarter a year ago.
 - Trends to consider: Quarter-on-quarter growth in UK gross domestic product (GDP) was flat in Quarter 4 (October to December) following an increase of 0.5% in Quarter 3 (July to September) 2019. Annual growth in 2019 was 1.4%, up from 1.3% in 2018.
- Total production output decreased by 1.0% for the three months to January 2020, compared with the three months to October 2019; this was led by manufacturing output, which fell by 1.2%. The three-monthly fall in manufacturing is because of widespread weakness, with 9 of the 13 subsectors providing downward contributions; this was led by food, beverages and tobacco, which fell by 2.1%. Production output fell by 0.1% between December 2019 and January 2020, with electricity and gas supply providing the largest downward contribution, falling by 4.2%; this was partially offset by rises from manufacturing (0.2%), water and waste (1.0%), and mining and quarrying (1.9%).
 - Trends to consider: Growth rates of the Index of Services (IoS) and its component parts such as distribution, hotels and restaurants; transport, storage and communication; business services and finance; and government services have varied in recent periods.
- Retail Sales Index. In the three months to January 2020, the quantity bought in the retail sales industry fell by 0.8% when compared with the previous three months, with declines across all sectors.
 - Trends to consider: Online sales as a proportion of all retailing was 19.0% in January 2020, unchanged from December 2019.

Other considerations



- The employment rate (the proportion of people aged from 16 to 64 years who were in work) was estimated at 76.5% for November 2019 to January 2020, 0.4 percentage points up on the year and 0.3 percentage points up on the quarter. There were an estimated 32.99 million people in work, 271,000 more than a year earlier.
 - Trends to consider: While the labour market remains healthy, economic growth in the year to October to December 2019 was subdued. The latest GDP figures show that there was no growth in the period October to December 2019. The weak global growth was a product of growing protectionism and trade uncertainty. However, global growth has stabilised, partly because of easing trade tensions between the US and China. In the longer-term, labour market trends will reflect changes to the overall economy.
- The unemployment rate was estimated at 3.9% for November 2019 to January 2020, unchanged on the year and 0.2 percentage points up on the quarter. There were an estimated 1.34 million unemployed people, 5,000 more than a year earlier.
 - Trends to consider: The job finding rate from unemployment has been increasing recently. Future movements will generally reflect underlying labour market conditions and labour market policies.
- The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 1.8% in January 2020, Up from 1.4% in December 2019.
 - Trends to consider: Consumer price inflation can be influenced by the strength of domestic supply and demand and also changes in the UK prices of imports. The inflation rate also depends on price levels in the preceding year.
- The latest house price data published on GOV.UK by HM Land Registry for November 2019 show that average house prices in the UK increased by 2.2% in the year to November 2019, up from 1.3% in the year to November 2018. Over the past three years, there has been a general slowdown in UK house price growth, driven mainly by a slowdown in the south and east of England.
 - Trends to consider: In the longer-term, house prices may change as households reassess their financial situation against the economy as we progress through Brexit.



Trade

Since 2015 imports and exports appear to be winning value and volume in 2019* The countries and species that have seen higher levels 2015 v 2019*, and 2010 v 2019*, are:

- Imports: China, Germany, Faroe Islands, Sweden, Vietnam, Netherlands, Spain, India, Poland, Ecuador | Salmon, WW shrimps & prawns, Pollack, Crabs
- Exports: France, U.S.A., Irish Republic, China, Denmark, South Korea, Taiwan, Lithuania, Canada, Philippines | Salmon, Crabs, Coley, Plaice

The countries and species that have seen lower levels 2015 v 2019*, and 2010 v 2019* are:

- Imports: Mauritius, U.S.A., Thailand | P&P shrimps & prawns, Herring, Lobster, Scallops
- Exports: Germany, Poland | Mackerel, Nephrops, Cod, Herring, Scallops, Monkfish, P&P shrimps & prawns, Haddock, CW shrimps & prawns

Trade Summary post 2015



Since 2015 imports and exports appear to be winning value and volume in 2019*



China
Germany
Faroe Islands
Sweden
Vietnam
Netherlands
Spain
India
Poland
Ecuador

Salmon
WW shrimps & prawns
Pollack
Crabs



France
U.S.A.
Irish Republic
China
Denmark
South Korea
Taiwan
Lithuania
Canada
Philippines

Salmon
Crabs
Coley
Plaice



Mauritius
U.S.A.
Thailand

P&P shrimps & prawns
Herring
Lobster
Scallops



Germany
Poland

Mackerel
Nephrops
Cod
Herring
Scallops
Monkfish
P&P shrimps & prawns
Haddock
CW shrimps & prawns**

209* Provisional data, Based on top 20 countries by 2019* combined rank, winner = higher levels 2015 v 2019*, and 2010 v 2019*, loser = lower levels 2015 v 2019*, and 2010 v 2019*, Top 17 species analysed

Import key findings



- When compared to 2015 and 2018, 2019* imports have increased across all measures. However import volume has been lower than 2010 for the last two years (2018, 2019*).
- In 2016 import value and volume saw a significant increase, along with the average £/kg, inflation and growth then slowed until 2019* when it picked back up.
- Winners**
 - Countries China, Germany, Faroe Islands, Sweden, Vietnam, Netherlands, Spain, India, Poland, Ecuador
 - Species: Salmon, WW shrimps & prawns, Pollack, Crabs
- Losers***
 - Countries: Mauritius, U.S.A., Thailand
 - Species: P&P shrimps & prawns, Herring, Lobster, Scallops

Export key findings



- When compared to 2015 and 2018, 2019* exports have increased across all measures. However import volume has never reached 2010 levels since.
- In 2016 import value and average £/kg experienced significant growth until all measures dipped in 2018. 2019* saw a return to growth of value, volume and £/kg.
- Winners**
 - Countries: France, U.S.A., Irish Republic, China, Denmark, South Korea, Taiwan, Lithuania, Canada, Philippines
 - Species: Salmon, Crabs, Coley, Plaice
- Losers***
 - Countries: Germany, Poland
 - Species: Mackerel, Nephrops, Cod, Herring, Scallops, Monkfish, P&P shrimps & prawns, Haddock, CW shrimps & prawns



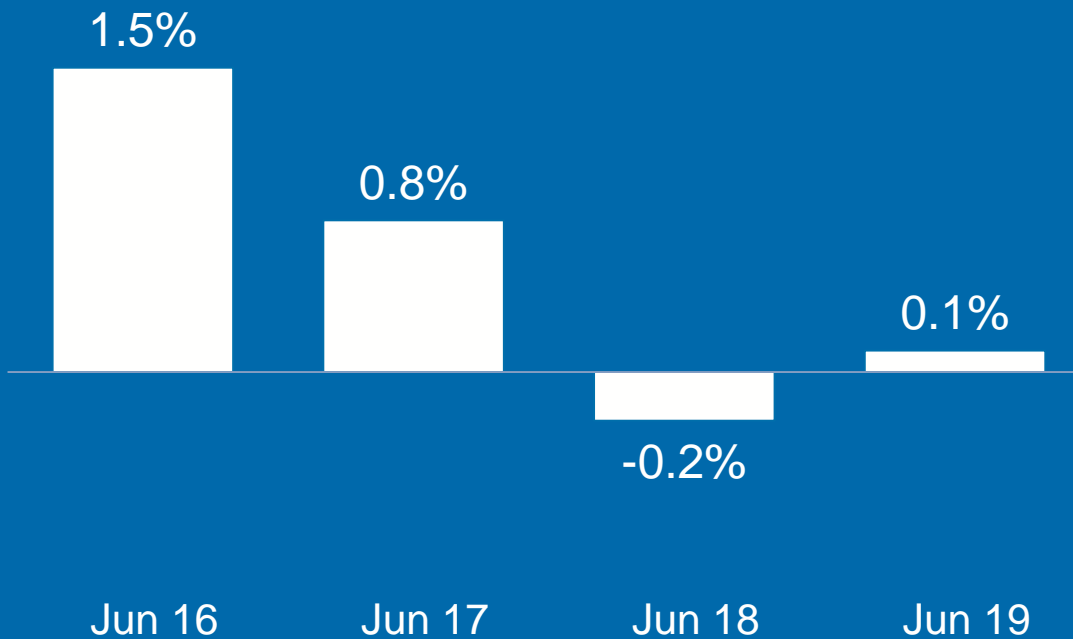
Foodservice

- In light of the falling consumer confidence visits to out of home eating venues has struggled to grow, and without delivery the situation worsens.
- However in terms of value, the UK foodservice industry as a whole is worth £57.4bn and is seeing year on year growth of almost 3%.
- Seafood OOH is 8% of this total worth £4.8bn and is experiencing 2% growth compared to last year.
- Value aside overall it is a really positive picture for seafood with more consumers eating out more often, visits, and buying more seafood, servings, when OOH.

Eating out visits are struggling to grow



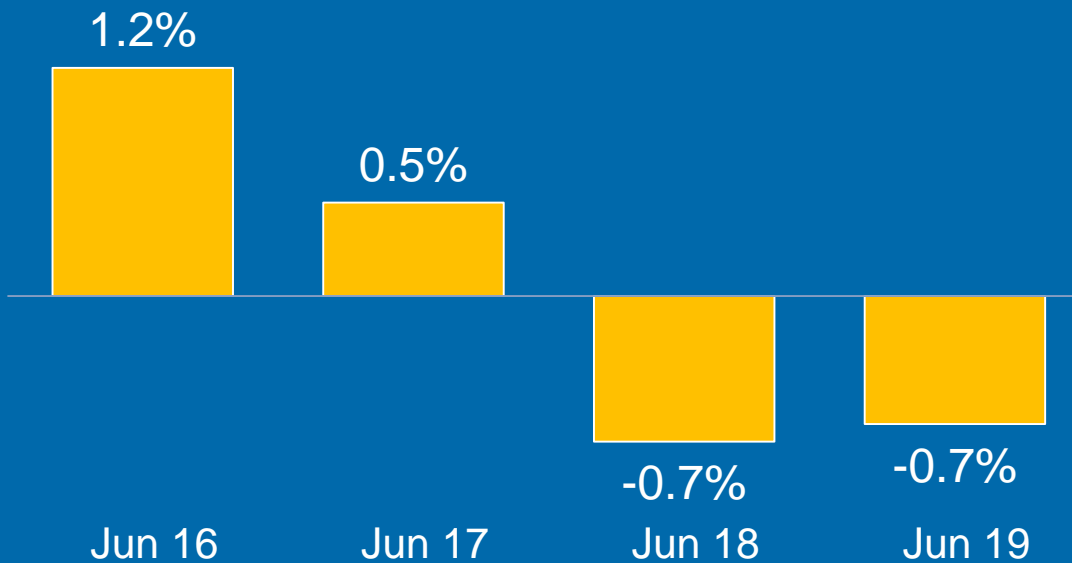
Total eating out visits % YoY growth



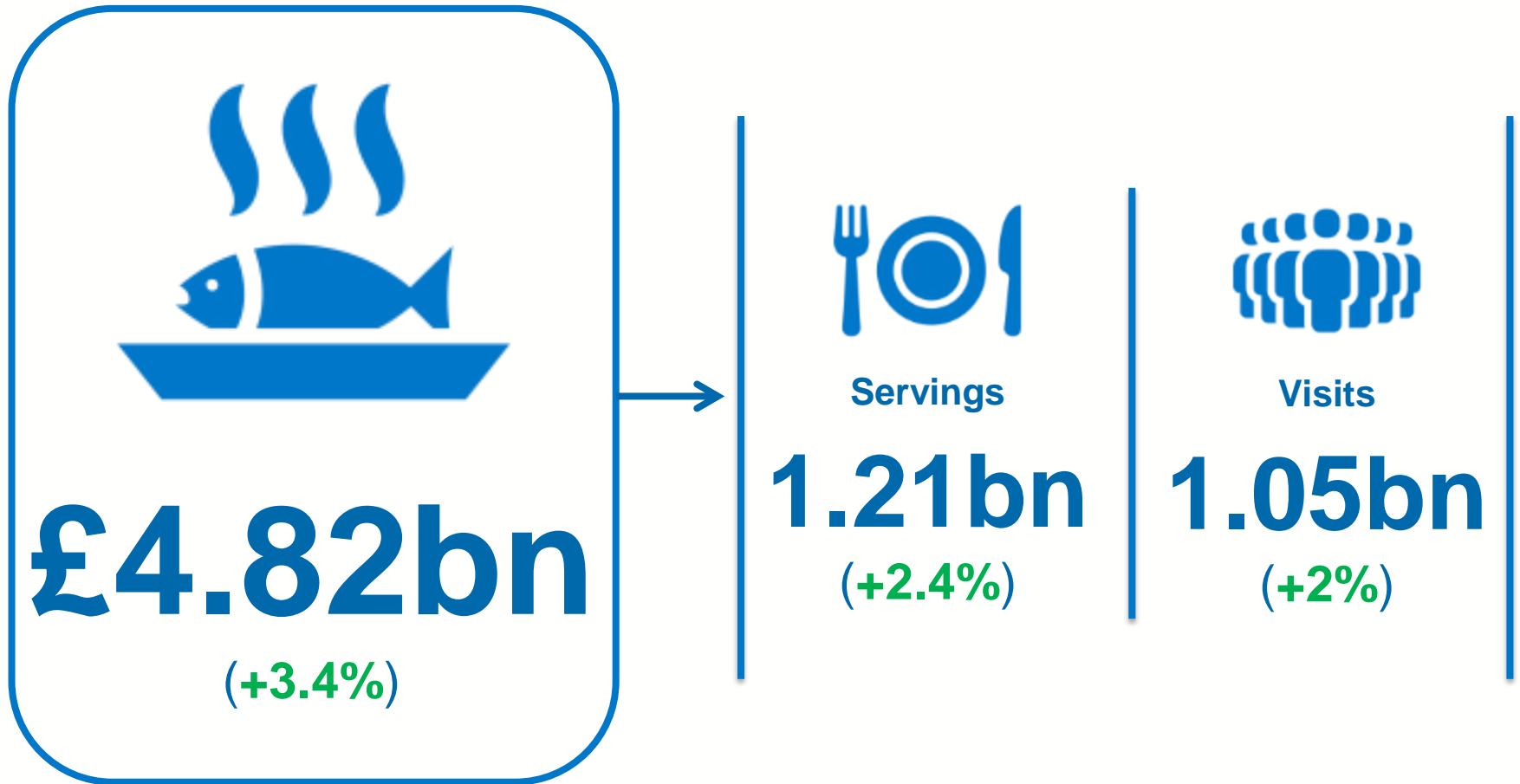
Without delivery the situation worsens



Eating out visits excluding delivery % YoY growth



Seafood OOH





Retail

Whilst it appears to be a negative trend for 2019, with a significantly lower Christmas, the annual total is slightly higher than 2018 by 0.04% due to a positive new year and good summer.

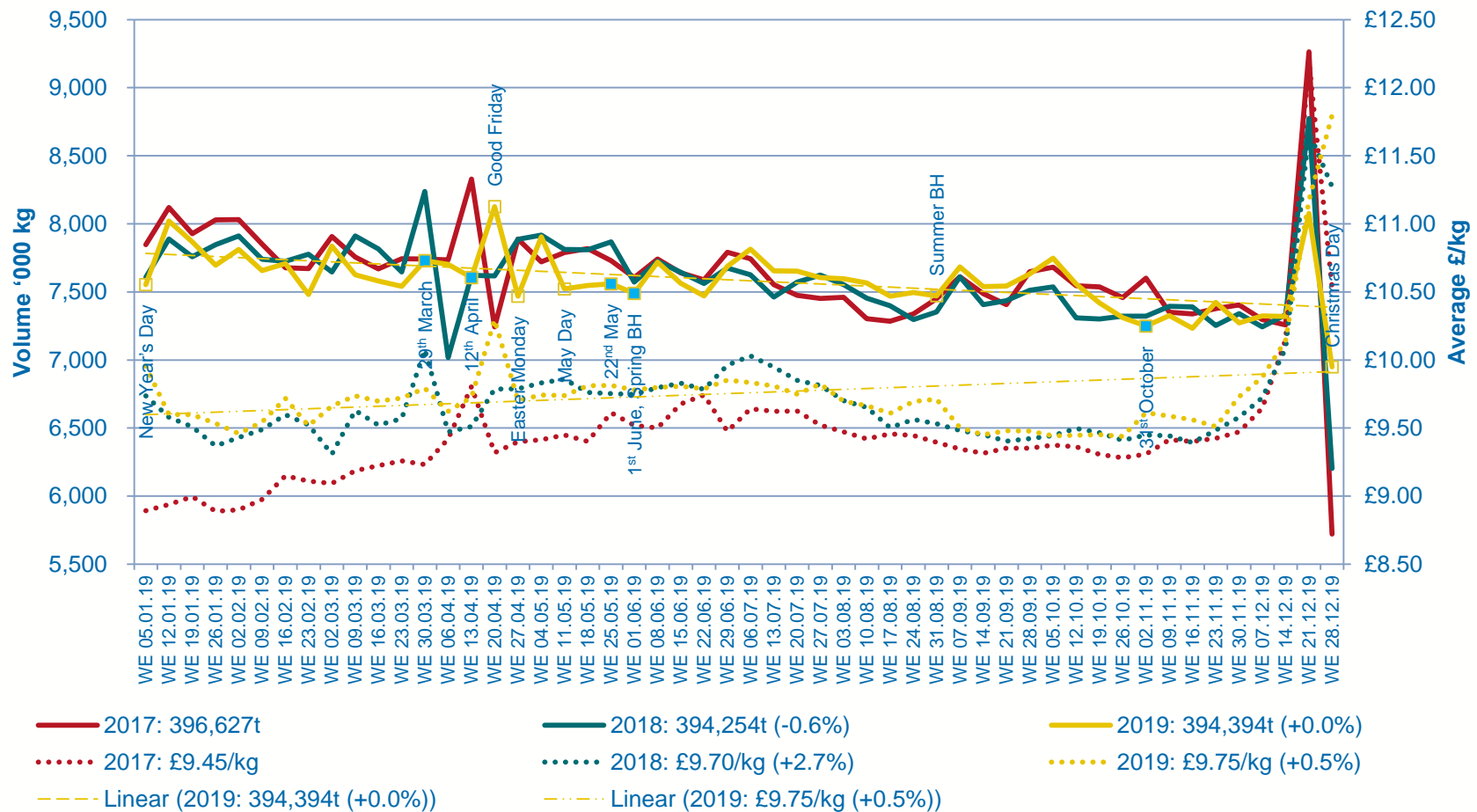
There are obvious peaks and troughs relating to different seasons, with some differences by year, none of which however appear to be Brexit related.

2019 has seen slowing price inflation however it is very difficult to analyse this data thoroughly as significant peaks and troughs will be driven by promotions in retail.

Two conclusions can be drawn:

- Demand is price sensitive, and consumers do seem to respond to lower prices, however
- Consumers are willing to trade up for seasonal festivities

Total UK (GB including discounters + NI including Musgraves) – Total Seafood



Thank you

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Data context

This HMRC trade data is provisional, and may be amended prior to their final publication in September.

No traceability is implied to the country of origin or geographic catch area of the seafood i.e. the named country may be part of a complex distribution chain.

The values quoted are based on Cost, Insurance and Freight (CIF) delivery terms value for imports to the UK and the Free on Board (FOB) delivery terms value for exports from the UK.

The volumes quoted are based on the actual product weight of the "goods" themselves without any packaging.

% figures represent the change against previous year unless stated otherwise. Historic data has been refreshed in line with the September 2016 coding applied to finalised annual data.

All calculations in this report were performed on the source data which may include many decimal places. For presentation purposes, the data in this report has been rounded at the end to reduce decimal places as far as possible.

Therefore, manual calculations may provide slightly different results to those shown; please contact Seafish for the source data if you require further information.

Disclaimer

The commentary and trends highlighted are not a forecast or prediction, but are to help comprehension of how these data are potentially impacted by the international and domestic economic environment as we move forward in time.

Key:

k t = thousand tonnes

YA = Year Ago

Unless stated otherwise: green text = positive change v YA, red text = negative change v YA

CW = Cold Water, P&P = Prepared & Preserved, WW = Warm Water