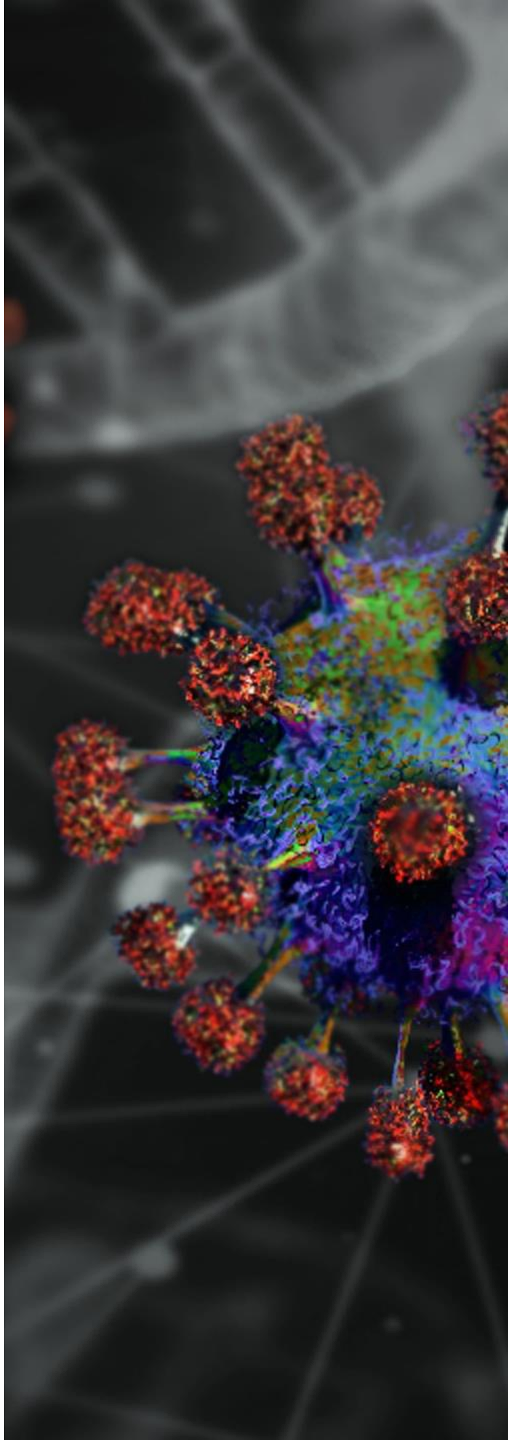
Passport

THE IMPACT OF CORONAVIRUS ON CONSUMER FOODSERVICE

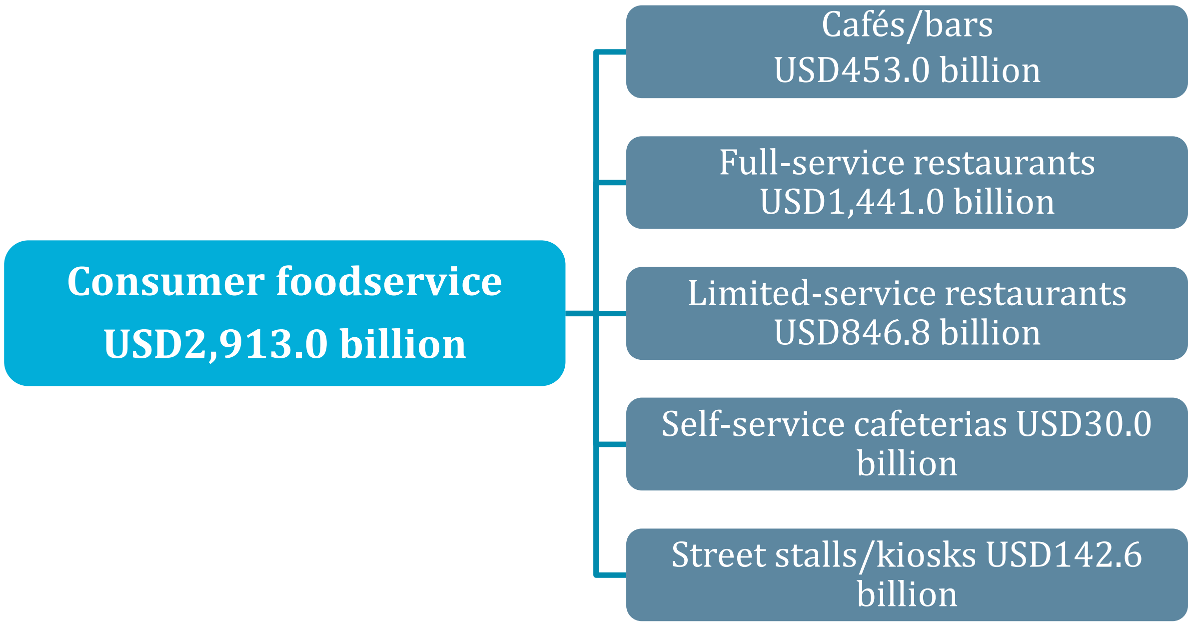
April 2020

Passport



Scope

- This report represents Euromonitor International's latest analysis as of 10 April 2020.
- This strategy report focuses on industry trends in Consumer Foodservice.
- Unless otherwise noted, all values expressed in this report are retail/off-trade in US dollar terms using a fixed exchange rate (2019).
- All forecast data are expressed in constant 2019 price terms; inflationary effects are discounted. Conversely, all historical data are expressed in current price terms unless otherwise noted; inflationary effects are taken into account.

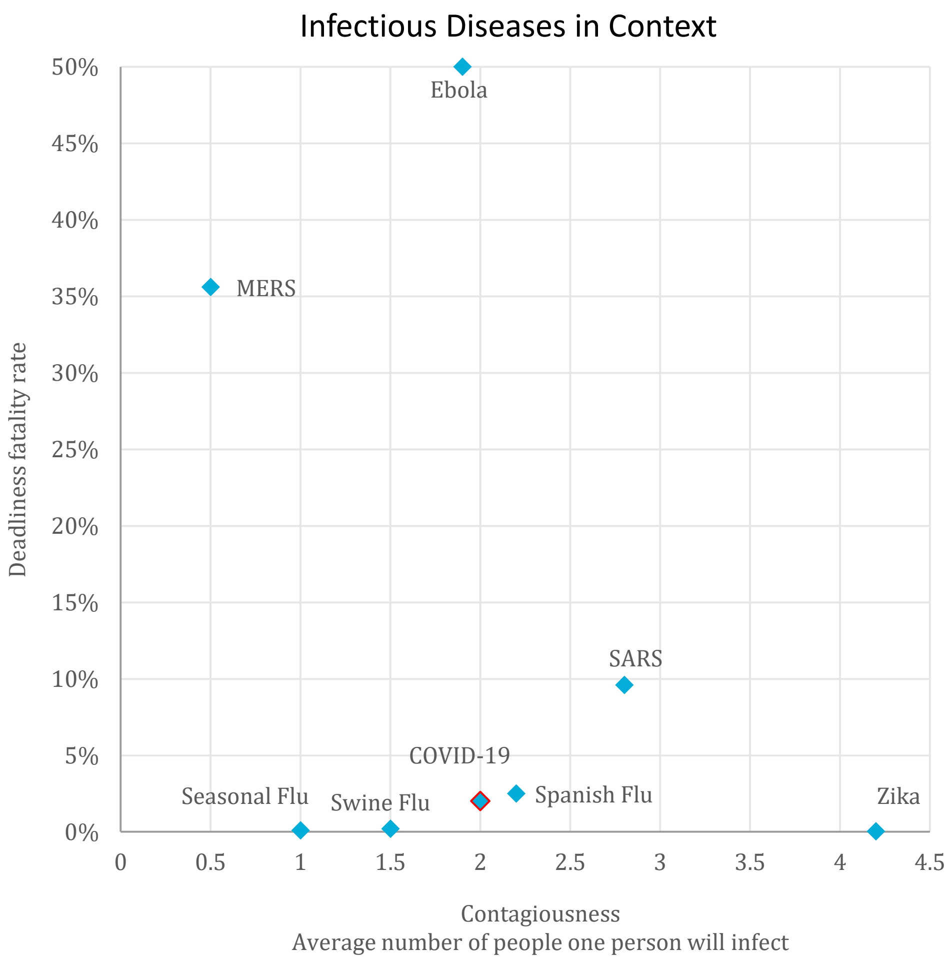


Whilst the Coronavirus (COVID-19) pandemic is expected to impact nearly every industry, the damage wrought to the global consumer foodservice industry is projected to be especially severe, with social distancing regulations closing millions of restaurants globally. This report discusses the post-COVID-19 outlook for consumer foodservice, with a special focus on demand scenarios and long-term consumer shifts.

Key findings

An unprecedented event for consumer foodservice operators	By far and away the worst crisis to impact the consumer foodservice industry in the post World War II era, COVID-19 has already shut down millions of restaurants globally, with a significant percentage unlikely to reopen.
Eat-in service goes dark	Although every category will feel the impact of the crisis, eat-in traffic has been completely banned in many markets, and is expected to remain subject to serious restrictions throughout 2020.
Supply and demand shocks to have lasting impact	Whilst the current crisis is likely to exceed the impact of 2008-2009 by some distance, the example of especially hard-hit markets from that period, such as Greece, suggest that a V-shaped recovery is unlikely, particularly if the crisis drives a significant contraction in the current outlet base.
Delivery/takeaway is no panacea	Early discussions of the crisis have focused on the utility of delivery by consumers under lockdown, whilst most local regulations have allowed delivery and takeaway services to continue. Yet, delivery aggregators have seen significant pullbacks in demand, suggesting a large-scale shift away from foodservice occasions.
A reshaped industry likely to emerge	Optimisation for delivery, multiple revenue streams, and broader retail foodservice coverage is likely for operators that survive, whilst consumers' relationship with cooking is set to shift under prolonged periods of enforced social distancing. Foodservice in restaurants is set to contract sharply, possibly permanently; yet, the future for prepared food with some kind of service attached is notably brighter.

COVID-19 in context



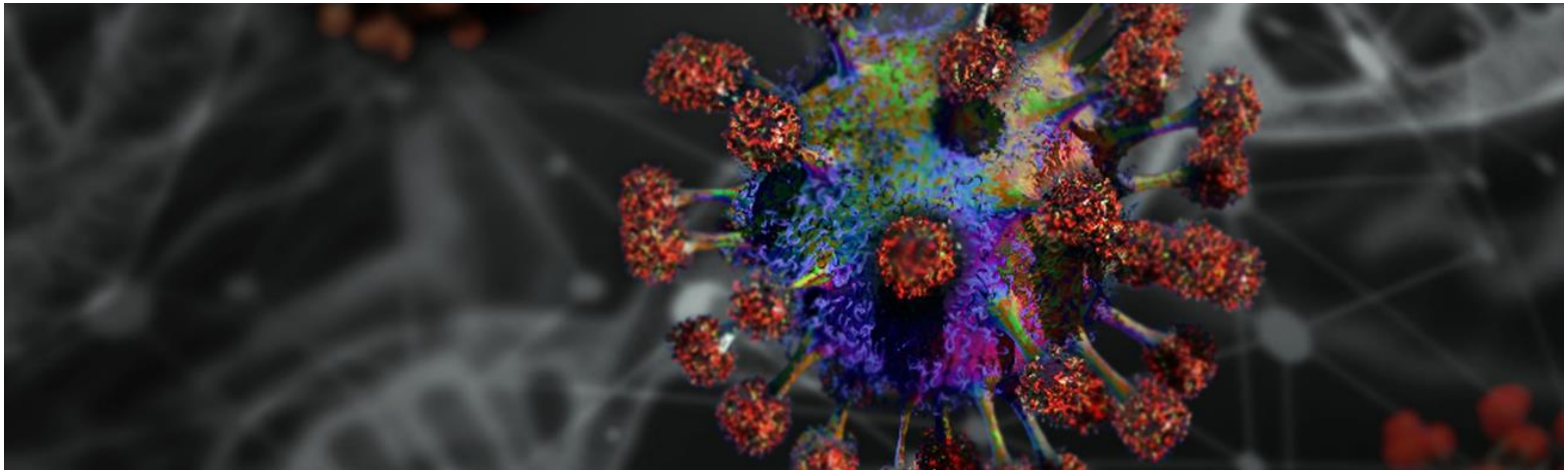
Source: Centers for Disease Control, World Health Org, CIDRAP, studies

- Despite lower mortality rates than other recent epidemics, the impact of COVID-19 on the global economy and consumer markets has the potential to be significant for many reasons:
- Geographic spread, with transmission centres across most regions globally. The impact globally is also likely to be protracted, affecting different countries and regions at different times;
- Contagiousness, as COVID-19 is more transmissible than seasonal flu, for instance;
- The global economy was already weakened, many governments have limited room for manoeuvre fiscally (without incurring heavy debt) and in monetary policy, and the impact of these measures is not clear cut;
- The impact on China and therefore global supply chains has been severe;
- Currently, the seasonality of the virus is unclear, as is the number of unreported cases, meaning many uncertainties remain.

INTRODUCTION

Consumer foodservice and COVID-19

- The global consumer foodservice industry has seen significant shifts in recent years, as delivery reorders the way we eat and drink; yet, nothing in the modern evolution of the industry (including the global financial crisis) has compared with the global disruption caused by the COVID-19 pandemic.
- Efforts to stem the spread of the virus have centred on controlling public gatherings, from encouraging consumers to practise "social distancing" all the way up to businesses being ordered to shut down for weeks or more.
- Whilst some categories may be less negatively affected than others (restaurants specialising in delivery, takeaway, or drive-through will likely see less dire sales declines than full-service restaurants), the pandemic represents an absolutely unprecedented shock to global demand, one which could drive 60-90% declines in consumer traffic across entire categories for a given market, likely for two months or more, whilst long-term changes in consumer behaviour could persist for years.



COVID-19 and 2020 consumer foodservice forecast guidance

- 1-2 months of restaurant closures forecast for most markets:
  - Some markets could see eat-in traffic shut down for several months beyond this
  - Multiple separate lockdown periods possible over 2020, possibly 2021 if infection rates climb again
- 60-90% consumer foodservice sales decline likely during this time:
  - Markets with high percentage of LSR, to-go sales (US, Canada, and Thailand) to fare somewhat better, 40-50% declines possible during shutdown period
  - Markets with high proportion of eat-in sales, large numbers of independents (Spain, and Brazil) to perform especially poorly, sales down 80-90% or more during shutdown period, if implemented
- Slow recovery for much of year afterwards (60-90% of previous forecasts)
  - Consumer fear of large gatherings could persist throughout the year
  - Restrictions on eat-in dining (enforced table spacing, limited guest counts) a potential long-term drag on full-service restaurant channel
  - Up to 20-30% of independent outlets could close permanently if shutdowns endure for two months or more
  - High unemployment, deep recession to dent demand further
- China, Taiwan, South Korea, Singapore, and Japan potentially less impacted, yet risks/uncertainties remain
  - Second and third waves a danger, reinfection still a distant possibility
  - Long-term social distancing measures, periodic lockdowns still likely
- 14-23% y-o-y global consumer foodservice sales decline forecast for 2020

What do operators need to survive?

Smartphone ordering

- New era of social distancing makes effective no-touch ordering a must
- Apps maintain connections with most loyal customers, allow real-time updates on safety measures

Multiple to-go options

- Eat-in service wiped out during crisis, likely severely depressed long afterwards
- Operators with efficient, existing to-go (drive-through, delivery, takeaway) options will fare better

Established brands

- Few consumers looking to try new things in early days of crisis
- Largest chains can leverage brands to try new things, such as catering, meal kits, online cooking classes

Grocery and retail operations

- Grocery channels are booming right now and will be throughout 2020
- Grocery retailers may soon look to expand prepared food offerings as consumer need to solve daily meal occasions grows
- Any restaurant operator able to put products in grocery channels (meal kits, branded packaged products, ghost kitchens) will have a significant lifeline

How will COVID-19 change the industry?

Restaurants as vending machines

- The crisis will drive a renewed push towards contactless options in payment, ordering, and delivery. Smartphone ordering options will become a necessity, whilst more restaurants will begin offering pickup with minimal human contact. As restaurants become more like vending machines, actual vending machines will proliferate, particularly advanced, automated models for products such as coffee.

A new relationship with cooking

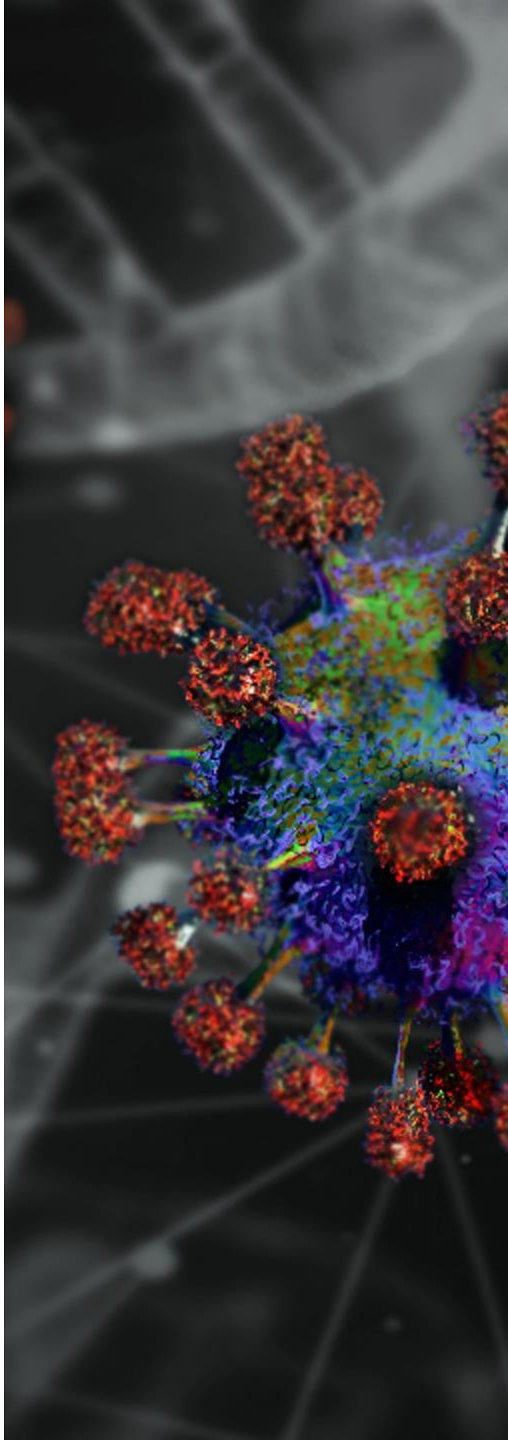
- The need to prepare (or purchase) more meals each day for home consumption will drive a new relationship with cooking, with consumers continuing to experiment with new methods and new paths to convenience. Foodservice operators have a role to play in curating ingredients and potentially offering guidance in effective cooking, as consumer desire to try new things slowly returns.

Retail and foodservice continue to merge

- The push into prepared food occasions, which has been a cornerstone of many grocery and convenience store players' expansion strategies, will accelerate following the crisis. Whilst the early days of the crisis have pushed prepared foods aside in many ways, the longer enforced lockdowns last, the more demand will grow for convenient meal solutions that address multiple new home meal occasions consumers must solve.

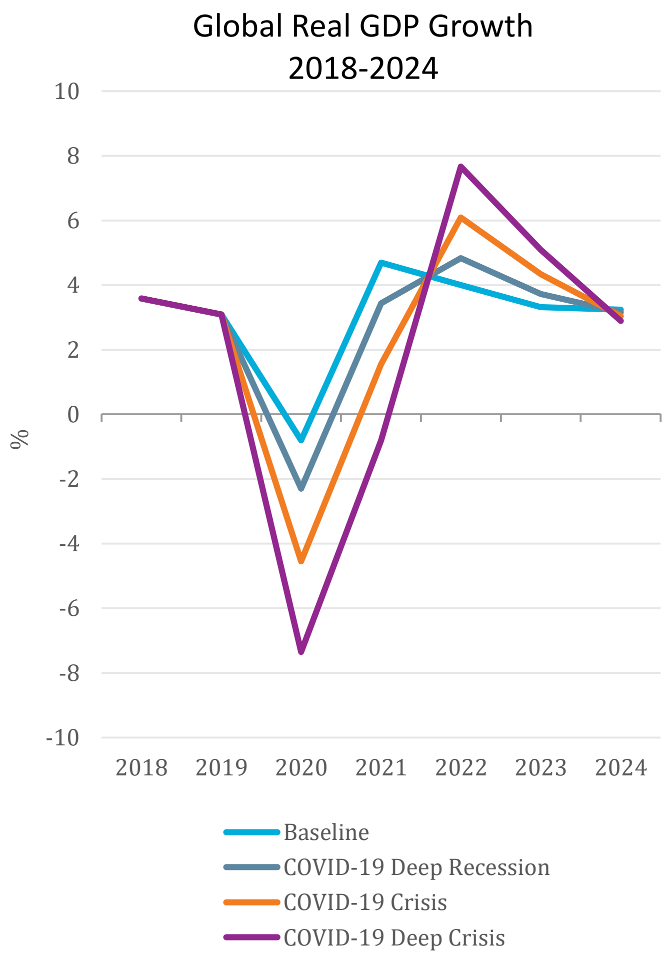
New occasions, formats, revenue streams

- The sudden disappearance of eat-in traffic, uncertain timetable for its return and near certainty of continued restrictions on eat-in occasions long term mean every restaurant will have to become "quicker" service over the next year and beyond. We can expect more restaurants to permanently offer delivery services and obligatory smartphone ordering, with some expanding into grocery sales, meal kit preparation, and beyond.



Global GDP is likely to contract in 2020 under the baseline scenario

- The COVID-19 pandemic has forced governments to quarantine entire countries, disrupted global supply chains, slashed business and consumer confidence and affected financial markets. The effects on the global economy are already being felt, and will be substantial, but the exact magnitude will depend on the length of COVID-19 restrictions.
- COVID-19 will severely impact both the supply and demand sides of the economy. At the same time, monetary policy tools are almost exhausted due to the slow recovery from the Global Financial Crisis. Interest rates have not recovered, so central banks have to resort to Quantitative Easing programmes (QEs), but QEs have limited effect on labour markets, consumer spending and other aspects of the real economy.
- Thus, countries have to turn to fiscal stimulus. However, the response to fiscal stimulus will be limited too as long as people are quarantined in their homes. In the meantime, governments are helping businesses and citizens by providing emergency loans to cover expenses and lower the spillover effects through economies, but uncertainty surrounding the pandemic limits economic activity.
- Our baseline forecast for global real economic growth in 2020 is in the -1.5 to 0.5% range, placing it in the bottom three growth rates for all years since 1961.



Source: Euromonitor International Macro Model

The COVID-19 pandemic impacts both supply and demand

How is the virus being contained?

- Testing and tracing of people who have come into contact with the sick person in order to prevent community transmission.
- Closure of public areas (cafés, restaurants, shopping centres, gyms, cinemas, etc) and large-scale events (Tokyo Olympics have been postponed).
- Quarantine: People have to stay home, and non-essential travel is prohibited. International flights are cancelled as countries close their borders.

How is demand affected?

- Individuals are stockpiling essential goods and turning to online purchases with delivery or streaming services.
- Social distancing measures are lowering consumption demand by limiting spending on leisure and entertainment services.
- Uncertainty about the future makes consumers more cautious about discretionary purchases.
- Consumers are wary of setting up travel plans due to uncertainty about the end of quarantine across countries.

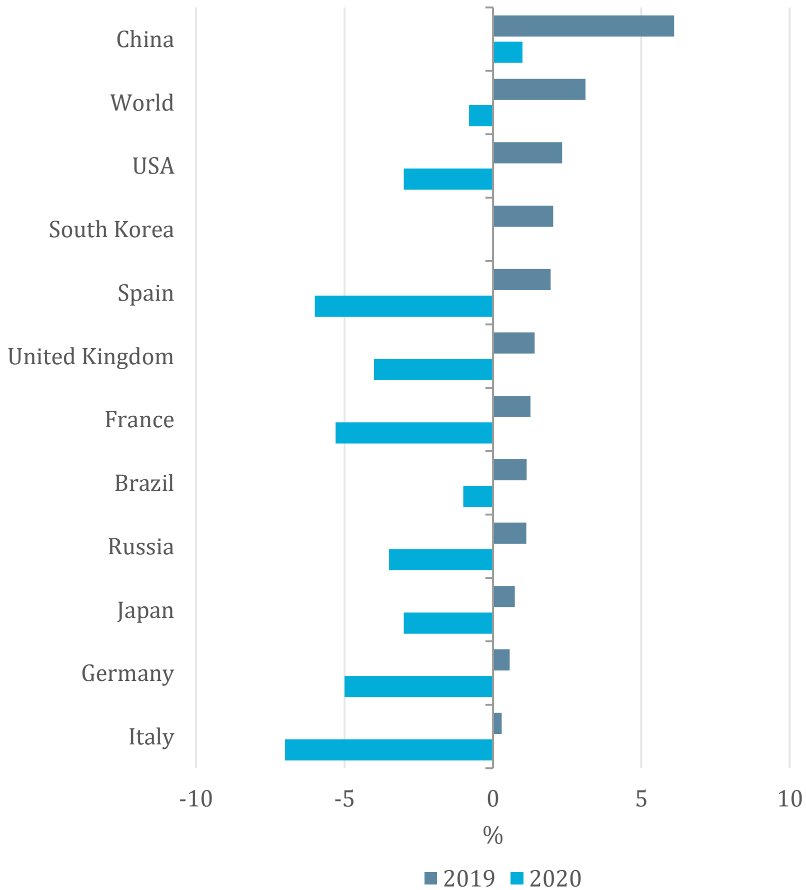
How is supply affected?

- Supply chain disruptions arise due to global interconnectivity of industries.
- Factories are being temporarily closed all over the world (eg most of the carmakers are closing factories in Europe and the US).
- Uncertainty over the length of the restrictions limits productivity investments.
- Stockpiling by consumers leads to shortages of essentials, medical products and pharmaceuticals sold through retailers.

In our baseline view, the pandemic peaks in June 2020

- Under our baseline forecast scenario, the COVID-19 pandemic peaks in late May/early June. Following on from this, restrictions to contain the virus are relaxed, and the economy rebounds.
- In total, around 1-10% of the global population gets infected, although not all are tested and confirmed.
- The mortality rate for the virus averages 0.8% globally. Most healthcare systems around the world cope relatively well with the virus and do not get overloaded, with only a handful of exceptions, as social distancing measures help relieve the pressure.
- Fiscal policies effectively support aggregate demand by saving businesses with emergency loans and temporarily increasing unemployment benefits.
- The economic upheaval induced by restrictions to contain COVID-19 do not spill over to a large number of bankruptcies, limiting the length and depth of the recession in most countries. Financial crisis is similarly avoided. Therefore, once restrictions are lifted, economies quickly rebound.

Real GDP Growth Rate 2019-2020



Source: Euromonitor International Macro Model, National Statistics

Three scenarios examine the impact of a more severe outbreak

COVID-19 Deep Recession: Global GDP growth of -3.5% to -1.5% in 2020

- In this scenario, the pandemic lasts until June/July 2020, during which time around 15% of the global population is infected.
- The healthcare sector is overloaded only in a few regions and the mortality rate remains close to 1.0%. We estimate the mortality from all infected people, not only from confirmed cases.
- Global supply chains become disrupted and cashflow mismatches lead to a rise in bankruptcies.
- However, the number of bankruptcies is contained by significant government policies.

COVID-19 Crisis: Global GDP growth of -5.5% to -3.5% in 2020

- In this scenario, the pandemic slows down in the summer but returns in September. Nevertheless, it is relatively contained by around November.
- In total, up to 25% of the global population is infected but not all of them are tested. The mortality rate rises compared to a less severe scenario and reaches around 1.5% as a significant portion of hospitals becomes overcrowded and healthcare systems struggle to cope, leaving some patients without the treatment they need.
- A significant portion of businesses go bankrupt.

COVID-19 Deep Crisis: Global GDP growth of -9.0% to -5.5% in 2020

- In this most extreme scenario, the pandemic returns with larger presence in the autumn and lasts until spring 2021.
- More than one third of the global population gets the virus, and healthcare systems across some countries completely collapse: hospitals cannot admit most of the patients and the mortality rate rises to around 2.5% globally.
- Fiscal and Monetary stimulus packages are inadequate, and a significant number of businesses go bankrupt, leading to a skyrocketing of the unemployment rate around the world.

Our view in short

	Global infection rate	Mortality rate	Pandemic duration	Stock prices decline by	Private vs Government interest rate spreads rise by	Probability	Global real GDP growth in 2020
Baseline	1-10%	0.3-1.3%	1-2 quarters	Rebound by 0-30% in H2 2020	Around current level	40-50%	[-1.5%, 0.5%]
COVID-19 Deep Recession	5-25%	0.5-1.5%	1-3 quarters	10-30%	1-2 percentage points	20-30%	[-3.5%, -1.5%]
COVID-19 Crisis	15-35%	1.0-3.0%	2-4 quarters	25-45%	2-4 percentage points	15-25%	[-5.5% , -3.5%]
COVID-19 Deep Crisis	20-50%	1.5-3.5%	2-6 quarters	30-70%	3-6 percentage points	2-10%	[-9.0%, -5.5%]

Source: Euromonitor International

Forecasts for Real GDP growth in 2020 under different scenarios

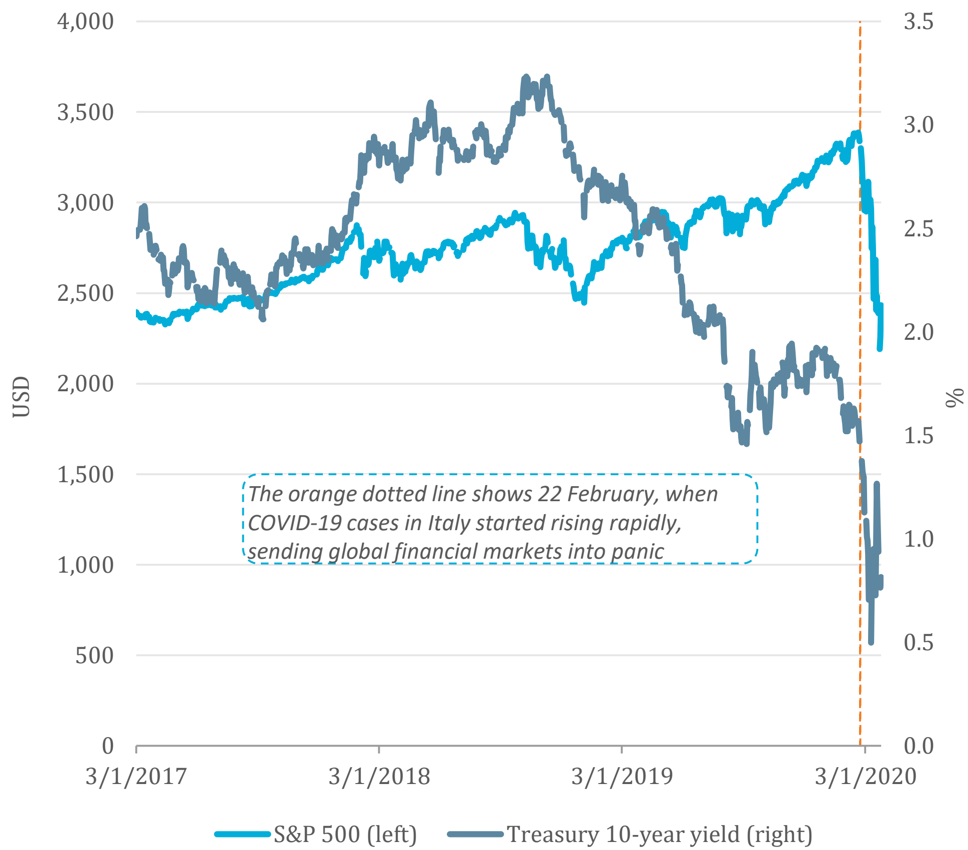
Country	Baseline	Change in Baseline since January 2020	COVID-19 Deep Recession	COVID-19 Crisis	COVID-19 Deep Crisis	Real GDP growth in 2009 (the worst year of the Global Financial Crisis)
China	1.0%	-4.8%	-0.4%	-2.6%	-5.4%	9.2%
US	-3.0%	-4.7%	-4.1%	-5.8%	-7.9%	-2.5%
South Korea	0.0%	-2.0%	-1.8%	-4.5%	-7.9%	0.8%
Japan	-3.0%	-3.6%	-4.5%	-6.6%	-9.4%	-5.4%
Italy	-7.0%	-7.4%	-8.7%	-11.2%	-14.3%	-5.3%
Germany	-5.0%	-5.7%	-6.3%	-8.2%	-10.6%	-5.7%
France	-5.3%	-6.4%	-6.4%	-8.1%	-10.3%	-2.9%
UK	-4.0%	-5.1%	-5.2%	-6.9%	-9.2%	-4.2%
Spain	-6.0%	-7.5%	-7.6%	-9.9%	-12.9%	-3.8%
Russia	-3.5%	-5.2%	-5.2%	-7.8%	-11.0%	-7.8%
Brazil	-1.0%	-3.1%	-2.7%	-5.3%	-8.6%	-0.1%

Source: Euromonitor International Macro Model and National Statistics

Financial markets on risk-off mode as COVID-19 entered Italy

- Data from financial markets provides two-fold insights: it leads real economy indicators such as GDP growth and shows liquidity or difficulty for companies to raise cash to cover their short-term needs.
- As COVID-19 cases hit Italy, financial markets around the world went into risk-off mode, with a significant spike in volatility. VIX index futures, which are sometimes called “Fear Index”, skyrocketed from around 15 at the beginning of February to more than 60 in late March.
- S&P 500 index prices fell by 27.1% from 21 February to 24 March this year, while in the same period, Treasury yields fell by 65.5 basis points, as investors turned to safer assets.
- The uncertainty surrounding the spread of the virus, as well as fiscal and monetary stimulus that countries will implement, will keep the volatility in financial markets elevated at least until the summer.

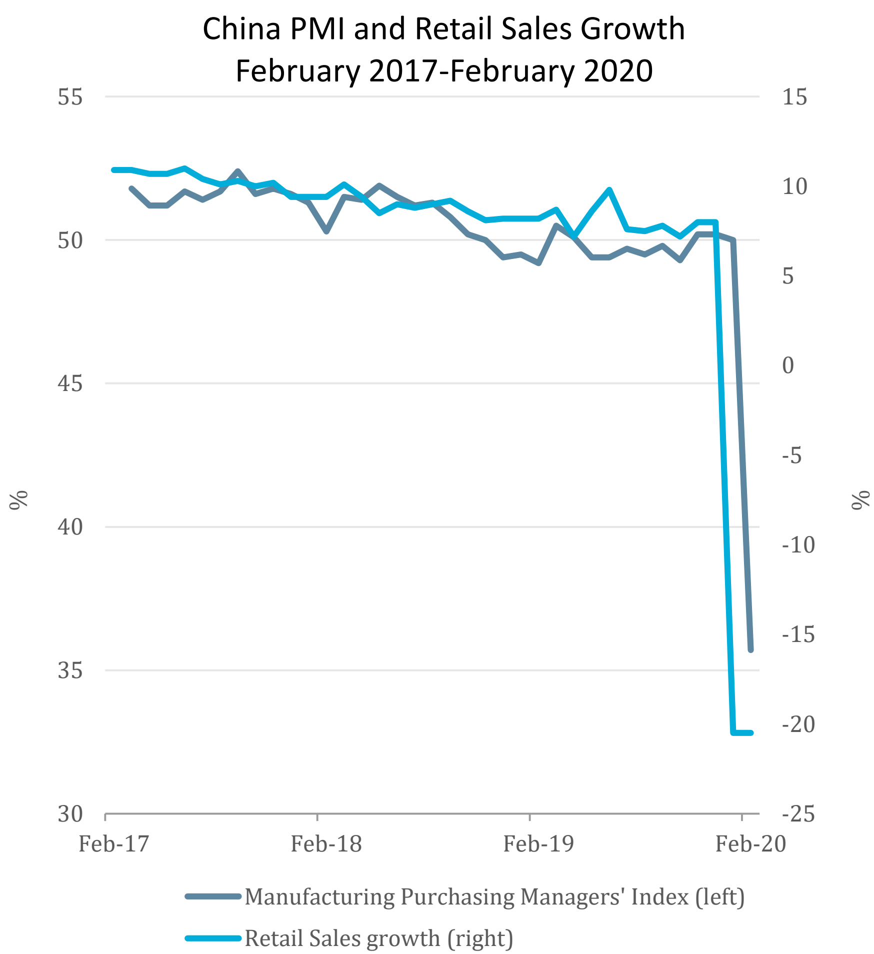
Daily Close Prices
1 March 2017-24 March 2020



Source: Yahoo! Finance

China: An early glimpse into the economic cost of the virus

- As China was the first economy where COVID-19 hit and the government introduced strict measures, data from the country give an early glimpse into what is to come in other severely affected regions.
- The COVID-19 pandemic started in China in late November 2019. It began rapidly spreading in January and February 2020, forcing the Chinese government to implement strict quarantine measures, which severely affected the economy.
- Manufacturing Purchasing Managers' Index data showed a significant drop from 50.0% in January 2020 to 35.7% in February 2020. Values below 50% in the index indicate that manufacturing activity in the economy is contracting.
- Retail sales in China contracted by 20.5% in the first two months of 2020 compared to the same period in 2019 in nominal terms. Most retail outlets were closed in the country, with only grocery and other essential stores open, which caused a dramatic decline in activity.

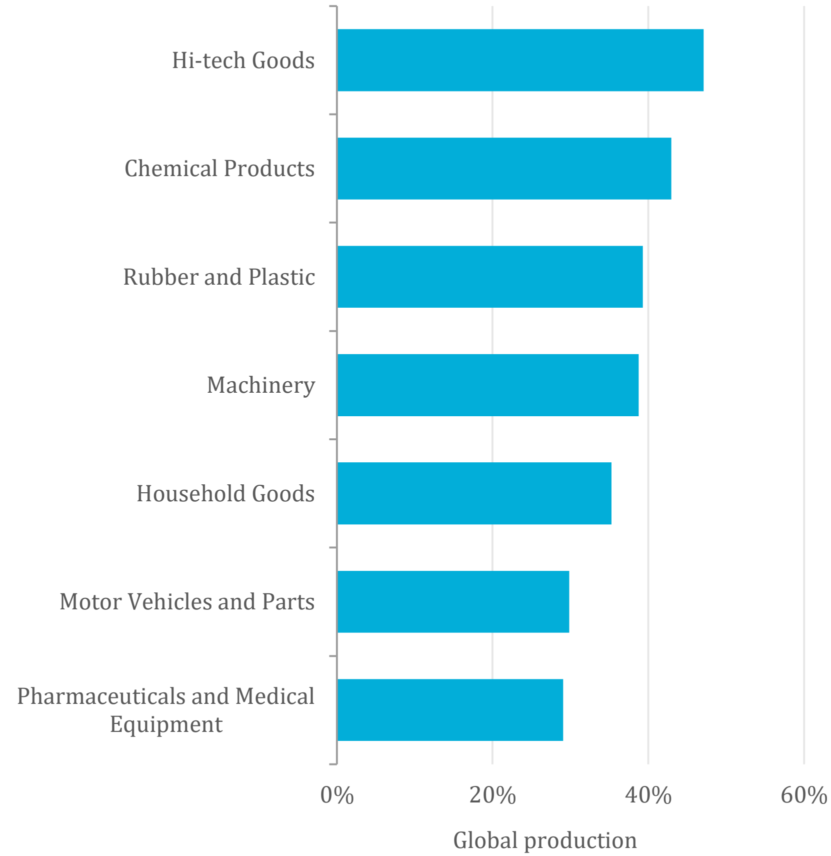


Source: National Bureau of Statistics of China

COVID-19 highlights need for supply chain diversification

- Global manufacturing supply chains were extremely effective and streamlined before COVID-19 hit the world. But the pandemic has exposed the vulnerability of the system in which components are manufactured by one major country, with no global alternatives to switch to quickly.
- The supply chain disruption started in China, when numerous factories across industries were shut down and restrictions on transportation were imposed. The first to feel the effects were global manufacturers of hi-tech goods, chemicals, machinery and automotive producers.
- Now China is restarting its economy; however Europe and North America are shutting down some of their factories to fight the spread of COVID-19. This will result in further disruptions to industries and an overall slowdown in manufacturing.
- There is no doubt manufacturers around the globe will have to rethink their supply and logistics strategies. We expect to see more diversification in supply chains, with more emphasis on having alternative suppliers.

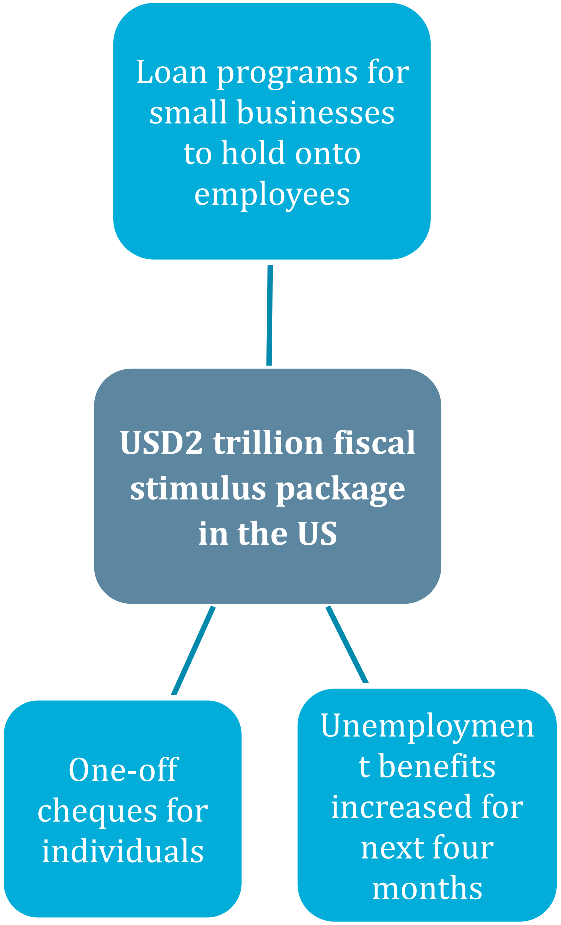
China's Share of Global Production in Selected Industries 2019



Source: Euromonitor International from National Statistics

Fiscal stimulus a challenge with restrictions on expenditure

- Governments around the world have started announcing their stimulus packages to aid economic recovery. However, the exact size of the response globally remains in constant flux.
- Given a novel global supply and demand shock, it is not currently clear how economies will react to fiscal or monetary stimulus. In light of the pandemic, people will not increase their demand for many items and services, and companies cannot produce more when people are isolated in their homes. It is important that governments around the world provide safety nets for individuals and companies in the form of delaying payment of taxes, insurance for people losing their jobs, etc.
- Another potential issue for the global economy is liquidity constraints on company debts. For example, shale oil industry debts or sky-high student loans in the US or corporate debts in Asia. The problem is that while recovery from the national disaster could be swift once the pandemic is over, the lack of liquidity in the system could trigger larger and longer lasting economic shocks when companies default.
- The response from governments will likely be unprecedented. The US will send cheques directly to individuals to help them cover shortfalls as part of its USD2.0 trillion proposed stimulus package. The UK will make GBP330 billion available to companies needing emergency loans, France has allocated EUR300 billion to businesses in a similar situation.



What could alleviate the economic effects of the pandemic?

A **coordinated global response** limits the spread of the virus. Advanced economies help emerging economies with their response and this limits the spread and length of the pandemic.

Effective treatment, widespread testing and a vaccine help to curtail the pandemic. The vaccine provides certainty that the virus will not return at pandemic levels, which gives people security. The economy quickly rebounds.

Fiscal and monetary policy stimulus helps companies and consumers stay afloat and supports demand through uncertain times. Once the pandemic passes, the economy quickly and fully rebounds because no financial crisis with a considerable number of defaults and bankruptcies was triggered.

It becomes evident that **COVID-19 cannot survive in higher temperatures,** leading to a significant slowdown of the pandemic in warmer months. Countries are able to safely remove the severe quarantine measures before the summer, which leads to economic recovery. The virus does not return at a similar presence for a second wave in autumn 2020.

What could exacerbate the economic impact of the pandemic?

Declining private sector income and sentiment, lower employment and tightening credit conditions cause **declining consumption and investment**. Lack of investment in infrastructure lower the potential economic growth.

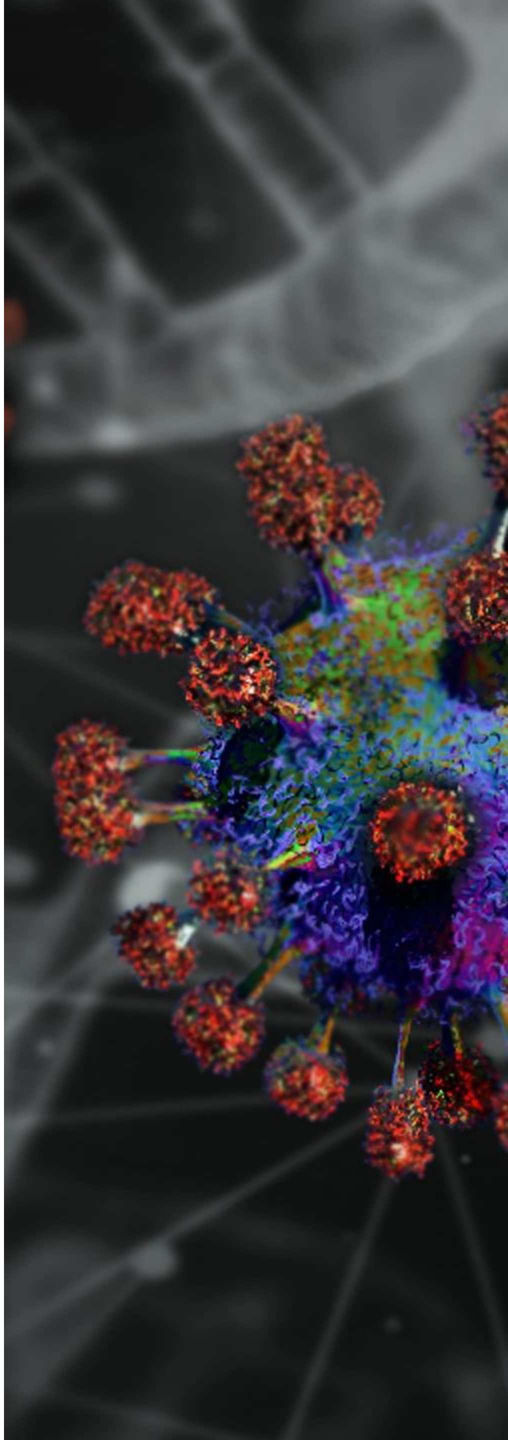
Current short-term travel bans grow out into **long-term protectionist policies** and decoupling gets an additional boost – global trade declines and remains low in the long-term future too.

High-debt companies (eg shale industry in the US) cannot roll over debts due to a slowdown in business, which gives rise to **bankruptcies, triggering a financial crisis**.

The pandemic lasts longer and infects more people than in the baseline forecasts. Social-distancing measures have little impact to curtail the spread of the virus.

Cashflow mismatches between business costs and revenues cause business liquidity problems and a rise in bankruptcies.

Passport



COVID-19 impact at a glance

Impact by Category

	Immediate spike in growth followed by normalisation	Immediate spike in growth followed by long-term shift	No impact	Immediate drop followed by normalisation	Immediate drop followed by long-term shift
Cafés/Bars					x
Full-Service Restaurants					x
Limited-Service Restaurants					x
Self-Service Cafeterias					x
Street Stalls/Kiosks					x

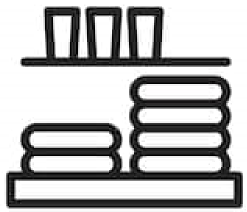
Routes to disruption

	Short-term impact (Q1-2)	Medium-term impact (Q3-4)	Long-term impact (2021 onwards)
Macro-environment + Legislation	Overnight surge in unemployment, reduced disposable income Mandated shutdown of eat-in service in restaurants	Disposable incomes remain depressed, potential for balance-sheet recession Potential for secondary outbreaks of COVID-19	Potential for repeated, sporadic lockdowns, much more rigorous testing, sanitary regulations
Supply chain	Recovery in China, limited disruption to agricultural production	Increased focus on safety, sanitation, reduced handling of products across the supply chain	Increased emphasis on local sourcing, vending, maintaining inventories
Channel	Collapse in eat-in spending, availability to decimate independent cafés, full-service restaurants	Surge in bankruptcies produces wave of closures, tilting balance towards better-capitalised chains	LSR formats gain share as consumers prioritise contactless ordering and delivery
Consumer + Consumption	Focus on convenient meals, well-known chains with established delivery and takeout capabilities	Post-crisis recession drives further contraction in foodservice spending, focus on convenient, affordable	Concern about large gatherings continues to impact eat-in traffic, possibility of further shutdowns to dent expansion, consumer confidence

The five-step consumer progression of COVID-19

Focus on preventative health

- Immunity-boosting H&W items
- Hygiene products (sanitisers/masks)
- Vitamins and dietary supplements (vitamin C)
- Disinfectants (wipes)

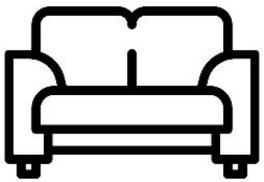


Stockpiling grocery essentials

- Sanitisers, liquid soap, toilet roll, bottled water
- Dried (pasta), canned, long-life (UHT milk) and preserved food, isotonic/functional beverages
- Baking ingredients (flour, yeast)
- Online sales surge

Avoidance of non-essential shops and services

- Foodservice closed
- International travel restricted
- Shopping centres, gyms, leisure centres, theme parks etc, closed



Home seclusion

- Virtual living via virtual gyms/online gaming and socialising
- Home schooling (educational toys/books)
- Online shopping , home delivery and streaming
- Wider take-up of technology by older consumers
- Cocooning – DIY, gardening, home as wellbeing hub

A new normal?

- Globalisation knocked, return of local supply
- Premiumisation subdued
- Health paramount
- Mental wellbeing at forefront
- Strengthening of online
- Consumer re-set: city living diminished
- Sustainability shifts focus from anti-plastic to rewilding

Unprecedented shock to the global consumer foodservice industry

- Whilst the consumer foodservice industry was severely impacted by the global financial crisis, the challenge of COVID-19 is of a different order altogether, with most of the world's foodservice operators now (or soon) facing mandated shutdowns lasting several weeks at a minimum.
- In other words, whilst previous downturns drove many operators to shut down, of course, the COVID-19 crisis is placing millions of restaurants' solvency in doubt. At the time of writing (early April 2020), the French government is already discussing direct payments to businesses and consumers for the duration of the shutdown, a hitherto unprecedented government intervention in the restaurant industry, akin to the widespread interventions seen in the airline industry post 9/11 and during the Global Financial Crisis.
- Uncertainty remains the rule, but the impact of the current crisis on China's economy – the full extent of which is still being determined – offers clues to the kind of strains the global consumer foodservice industry will soon be facing.

Global scale

- COVID-19 likely to impact every country
- Social distancing restrictions, including outright closure of bars and restaurants, to become a global phenomenon

Mandated shutdowns

- Many operators now facing 1-2 month period with limited-to-no sales
- Delivery markets becoming more competitive overnight

Economic devastation

- Closures lasting longer than a few weeks will drive wave of bankruptcies
- Significant contraction in workforce, outlet base could delay recovery

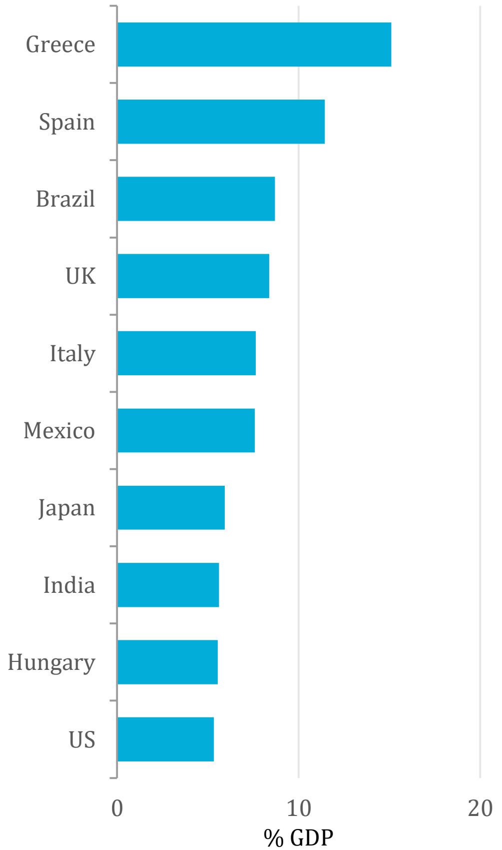
Long-term consumer demand shifts

- Crisis could accelerate existing trends towards dining at home
- Full-service restaurants, bars face long-term reckoning

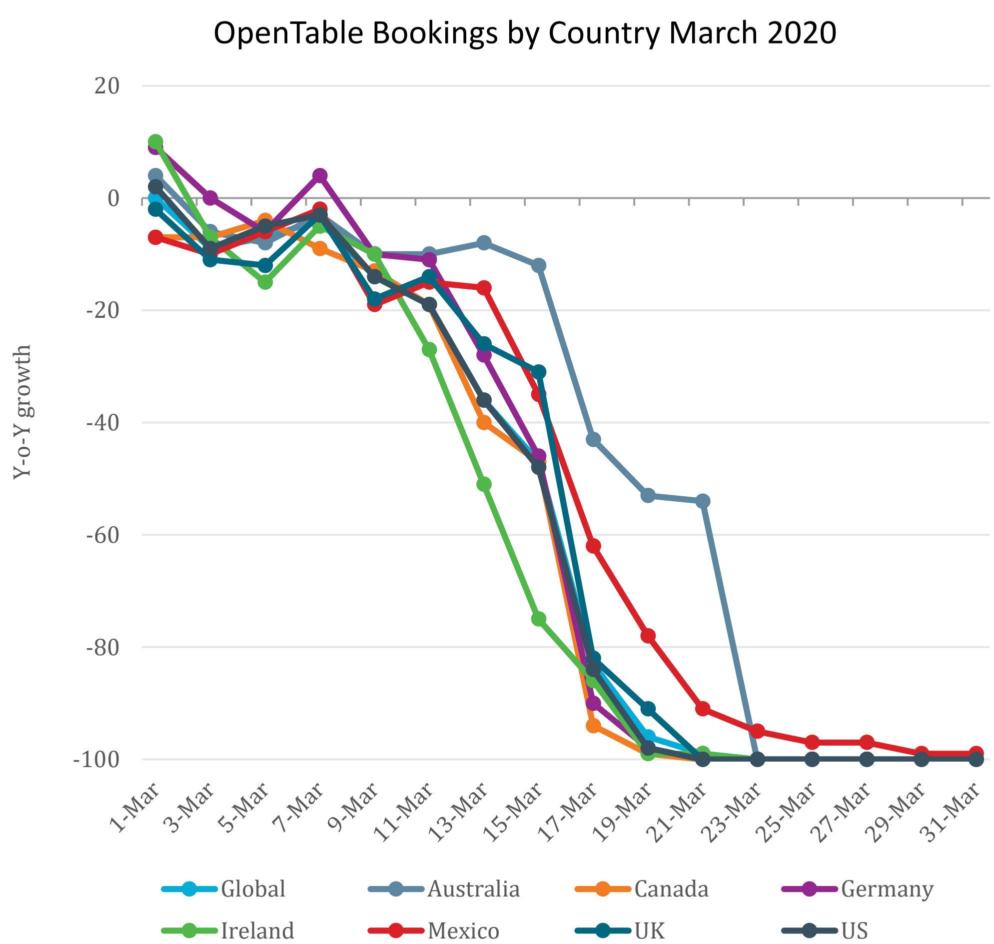
A crisis far bigger than any one industry

- The speed with which the COVID-19 crisis has become a global conflagration is unprecedented in modern history. This extends to its impact on the economy; starting in mid-March, large numbers of countries and state/local governments began issuing increasingly stringent regulations on businesses and public activity, whilst by the end of March, the largest economies had begun reporting massive surges in unemployment, reaching (and exceeding) levels only seen far later in the Global Financial Crisis.
- The transport, accommodation, and catering industries – all of which have come to a virtual standstill in a matter of weeks in many markets – account for a significant portion of consumer spending (and thus GDP) and an even larger portion of total employment.
- The consequences of the shutdown of most consumer discretionary spending, potentially for months, are vast, far beyond the ability of any company or group of companies to impact. Gauging the course of the crisis at the time of writing still depends almost entirely on continuing state action, including the duration of social distancing measures, as well as efforts to provide stimulus and operating funds to workers now at home and companies which have been ordered to shut.

Transport, Accommodation, and Catering as % of GDP in Key Markets, 2020



Early indications from key markets signal what is to come



Source: OpenTable

- COVID-19's emergence as a truly global phenomenon was made clear during the week of 8 March, as financial markets crashed and "social distancing" began in earnest across a wide range of markets.
- The chart on the right, built on data from OpenTable's reservations platform, gives a sense of the rapid pullback in dining out across the world as both fear and official restrictions took hold, with reservations down more than 50% in many cities from 13 March, and vanishing entirely soon after.
- Whilst OpenTable's partner restaurants are not a representative sample, skewed towards higher-end restaurants which take reservations, the data still gives a sense of the magnitude of the shift currently underway, with 1-2 months of severe disruption now virtually certain. Independent restaurants with a high percentage of sales from eat-in are likely to be especially severely impacted.

China sounds an early warning

"During the month of February, Starbucks China's comparable store sales were down 78% versus the prior year, …we are seeing early signs of a recovery with sequential improvements in weekly sales. In the last fiscal week of February, relative to the prior week, average daily transactions per store improved 6% and total weekly gross sales in China grew 80%, reflecting the reopening of stores."

Source: Starbucks Corp, Letter to Shareholders, 27 Feb

- China's efforts to combat COVID-19 accelerated in January and February 2020, with sweeping, nationwide restrictions on citizens and business, including the total lockdown of Hubei, the province at the epicentre of the initial outbreak. The impact on the consumer foodservice industry was swift and severe.
- According to a survey released in early March by the China Hospitality Association, an estimated 75% of foodservice companies suspended operations in January and February 2020, with 70% reporting a 90% drop in revenues, whilst a staggering 27% of respondents said they had to cease operations entirely due to lack of funds.1
- Whilst these numbers do not represent hard sales figures, they give a sense of the damage wrought by the COVID-19 response. Early indications from the US and Western Europe suggest an equally severe downturn is coming.

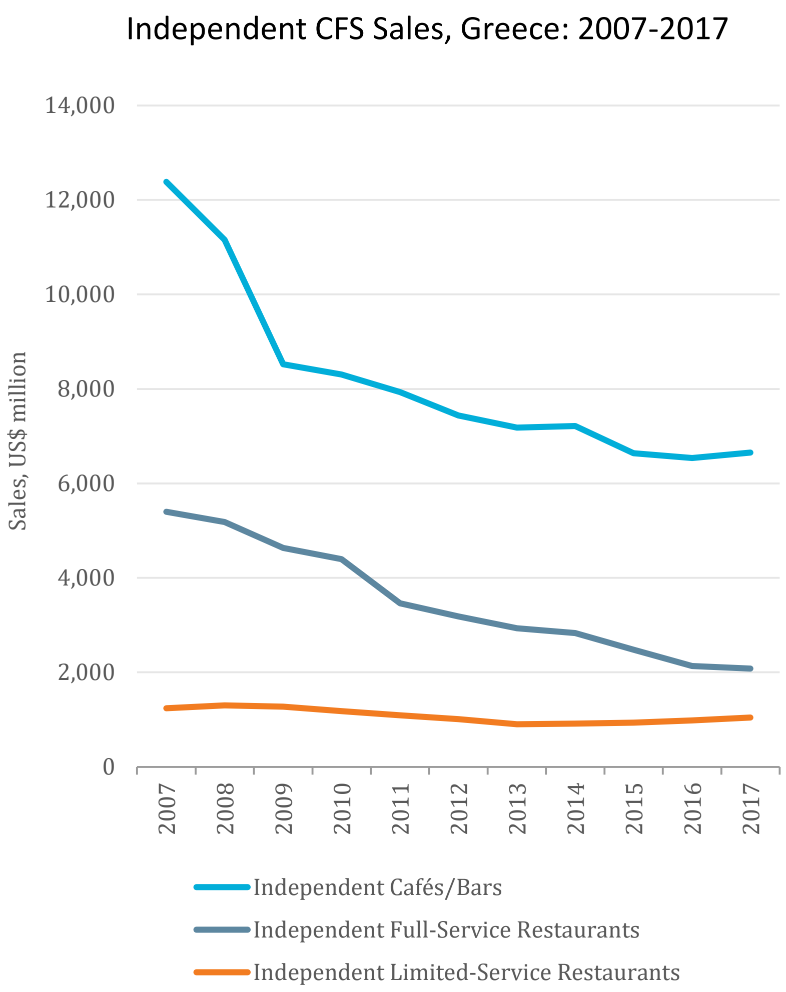
Source[1]: South China Morning Post, "Coronavirus: China's restaurants and shops suffer 'sleepless nights' as business closures surge"

Timeline of Chinese outbreak sets base timeline for outbreak

31 December	Chinese authorities report cases of pneumonia of unknown cause, later found to be a new virus
11 January	First death recorded
23 January	Travel to and from Wuhan is shut down. Three other cities also placed under lockdown orders
24 January	Lockdown extended to cover 36 million people. All Chinese cinemas closed until further notice
30 January	Significant transportation restrictions in place across China
10 February	Business is resumed in all 30 provinces apart from Hubei
13 February	More than 14,000 new cases reported in Hubei province, where Wuhan is located
20 February	Hubei province requires businesses not to resume until 10 March, except for essential industries

- China's experience gives a sense of how long lockdown measures need to be in place to work. If anything, they constitute a lower bound, given the harshness of China's restrictions and the fact that the outbreak was still concentrated in one city and province. In markets like the US, where the outbreak has spread far further, restrictions could persist for longer. In terms of forecasting, the duration of lockdown regulations remains the single most important factor.

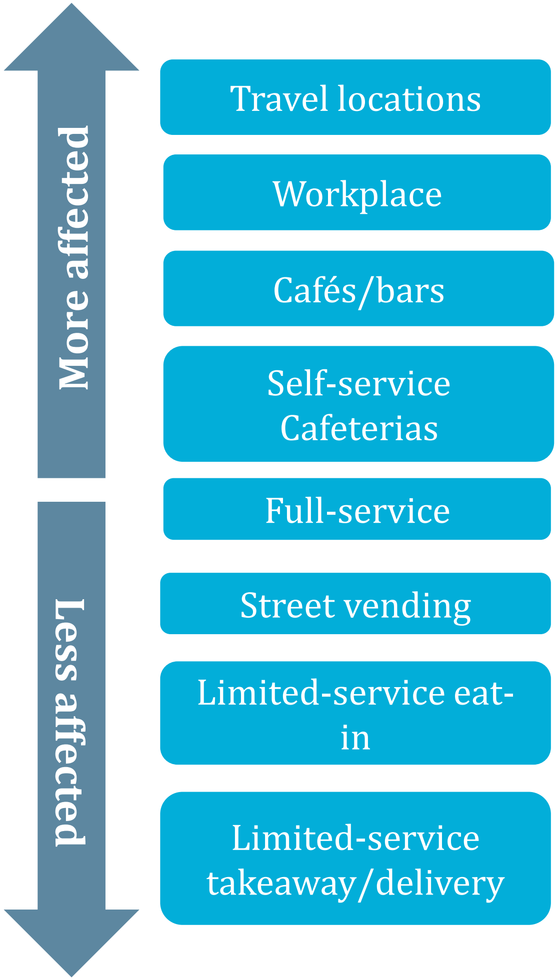
Greece suggests ominous long-term trajectory



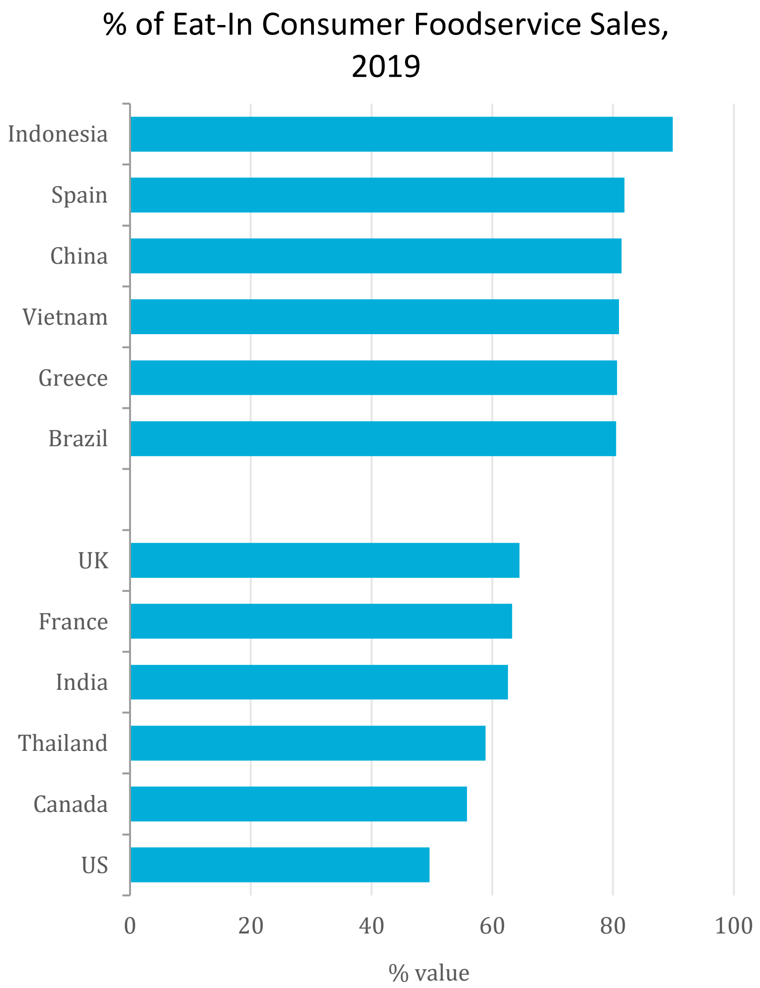
- With the caveat that any historic comparison with the current pandemic is incomplete at best, taking a look at some of the worst-hit markets of the Global Financial Crisis gives a sense of the devastation the foodservice industry might face in the absence of sustained government assistance and relatively swift (2-3 month) resolution (or mitigation) of the virus and shutdown measures.
- The example of Greece is instructive. Following the Global Financial Crisis, the unemployment rate skyrocketed, surpassing 25% by 2012, and coinciding with a collapse in demand for foodservice. Independents were savaged, with sales through independent cafés/bars down 31% over 2007-2009, setting off a slow decline in the category, which has persisted ever since, even as the Greek economy has partially recovered.
- While the current shutdown period is unprecedented, the long-term impact of any collapse in demand must be considered, with consumer habits formed in a time of crisis likely to persist long after, and with undercapitalised, low-margin categories faring especially poorly.

All categories impacted but limited service is better equipped

- No category is likely to "benefit" from the COVID-19 crisis, certainly not in the short term. Based on available evidence, the cascading global measures to combat the spread of the virus will drive an unavoidable 50-90% drop in overall foodservice spending in affected markets, likely lasting at least one month as lockdown efforts intensify. What is more, this represents one of the more optimistic scenarios, with slumps of similar magnitude lasting several months still quite possible at this stage.
- That said, some categories and players are likely better placed to weather the storm than others. Independent operators will fare poorly, lacking the cash to weather weeks-long restrictions on operating alongside a complete disappearance of consumer traffic. In many markets, without substantial state intervention, independents could see a wave of closures akin to the hardest-hit markets of the 2008/2009 financial crisis. In Ireland, the number of independent pubs in operation fell by 10% between 2007 and 2010. 2-3 months without real traffic (a dire but realistic scenario) could produce a similar outcome elsewhere.
- Flexibility and resources will determine which players remain viable. Large chains have substantial capital resources, whilst brands with significant equity in delivery and takeaway will be better placed to serve homebound consumers. Even for these players, however, the next 2-3 months will prove massively challenging, with all spending on foodservice expected to contract significantly.



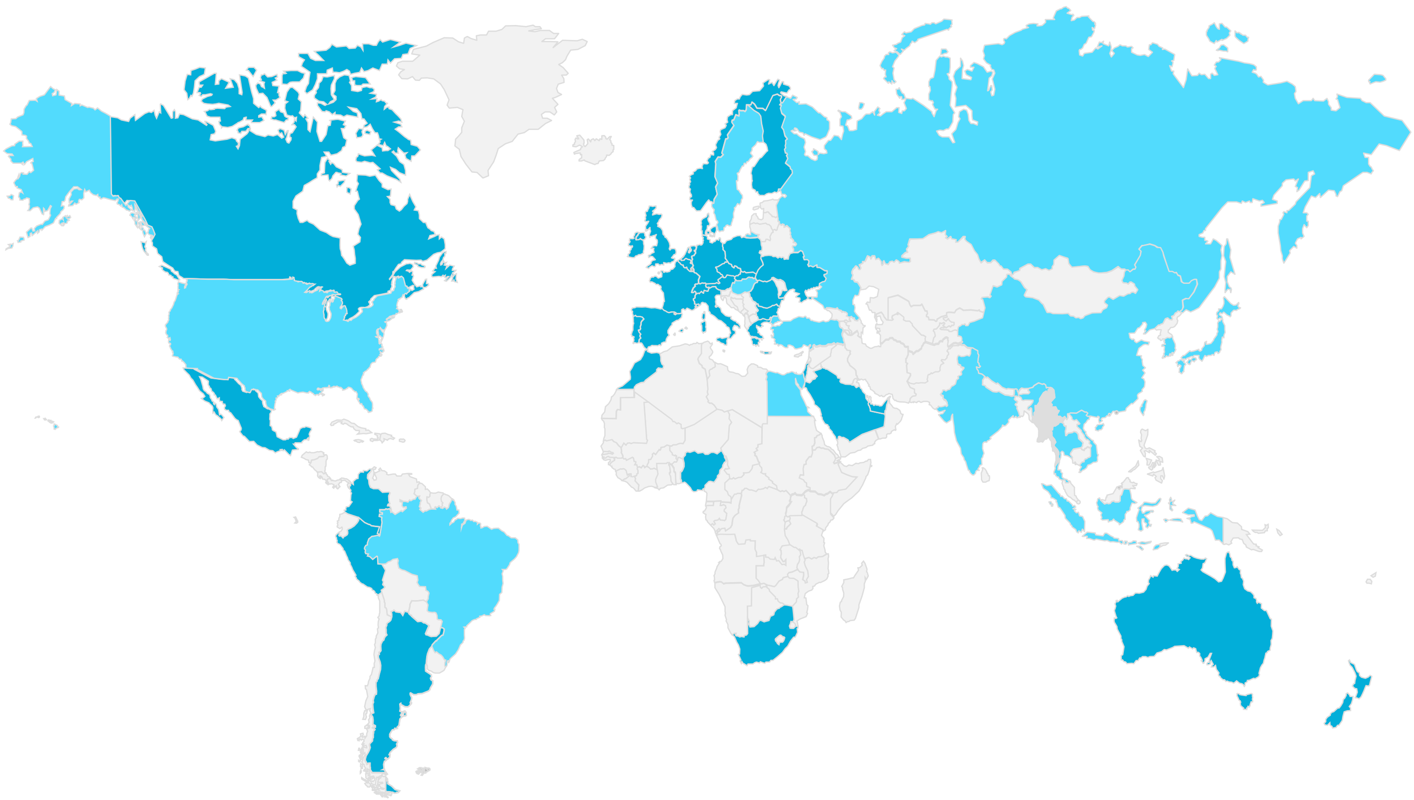
Eat-in traffic still crucial to global consumer foodservice demand



- As during the 2008-2009 Global Financial Crisis, the hardest-hit countries (assuming the global spread of COVID-19) will be those with the largest demand coming from independent operators, particularly in categories such as cafés/bars and full-service restaurants, where eat-in traffic accounts for most demand and where small independents' ability to pivot to new business models (in a time of extreme duress) is limited.
- In every market, however, eat-in traffic accounts for at least half of all demand, and more than 80% in major markets like Brazil, Spain, and China. As eat-in traffic has gone to practically zero overnight in markets which have instituted closures and other social distancing measures, it is clear that the impact on total demand in every market over at least the next 1-2 months will be catastrophic.
- While there are no real bright spots, early evidence suggests that drive-through traffic in North America and delivery demand in most markets has experienced less brutal declines, which could help better-capitalised limited-service restaurant chains and independents with a strong delivery focus to weather the crisis.

INDUSTRY IMPACT

Eat-in traffic now increasingly banned across the globe



Key

Restaurants nationwide closed to eat-in, delivery/takeaway allowed

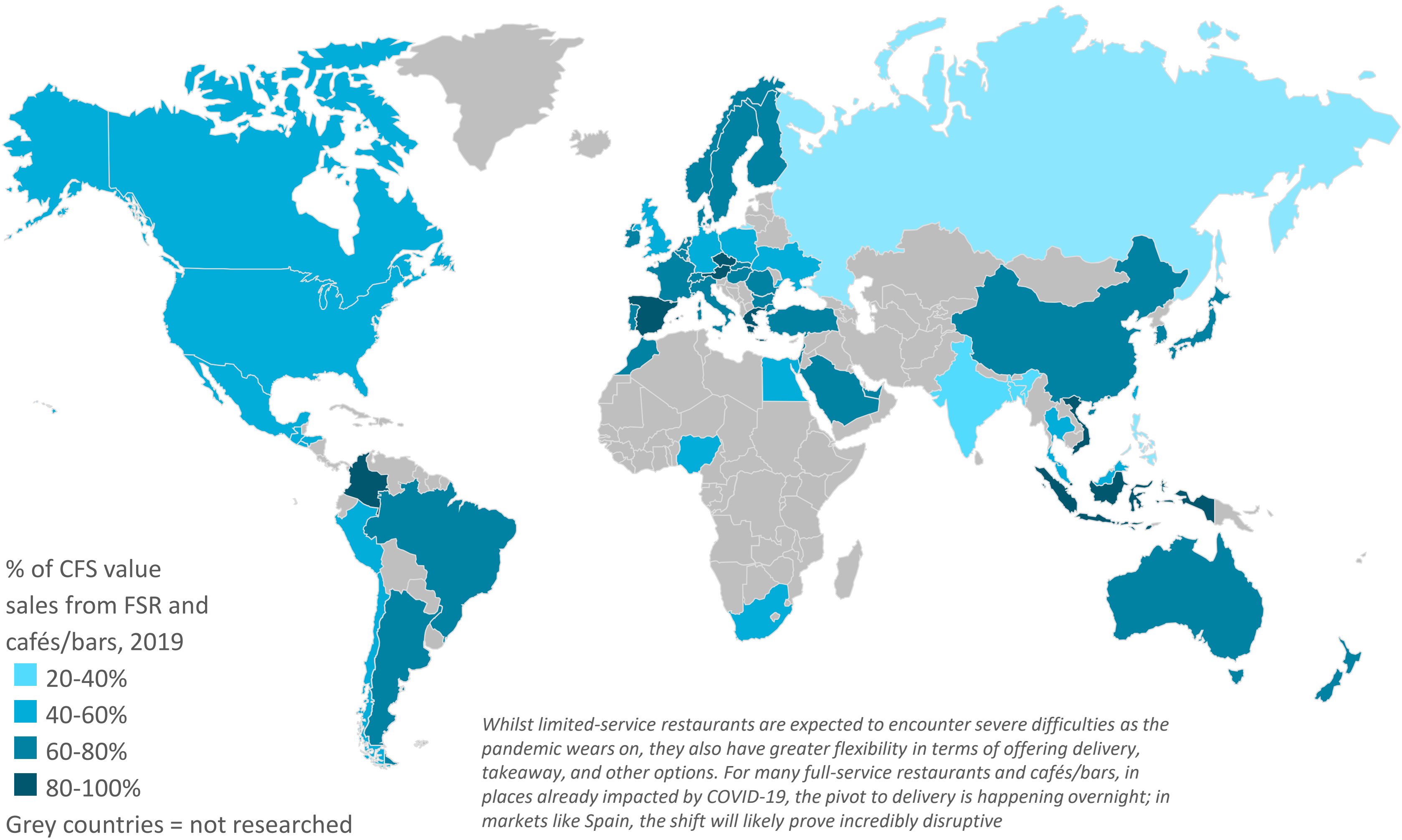
Local/voluntary restrictions

Grey countries = not researched

Note: Restaurants and bars have been ordered to close to eat-in traffic in many major states and cities in the US and Brazil, but no nationwide orders have been made

INDUSTRY IMPACT

Cafés/bars and full-service restaurants to be hit hard by mandated closures



Whilst limited-service restaurants are expected to encounter severe difficulties as the pandemic wears on, they also have greater flexibility in terms of offering delivery, takeaway, and other options. For many full-service restaurants and cafés/bars, in places already impacted by COVID-19, the pivot to delivery is happening overnight; in markets like Spain, the shift will likely prove incredibly disruptive

Monthly breakdown gives sense of potential contraction

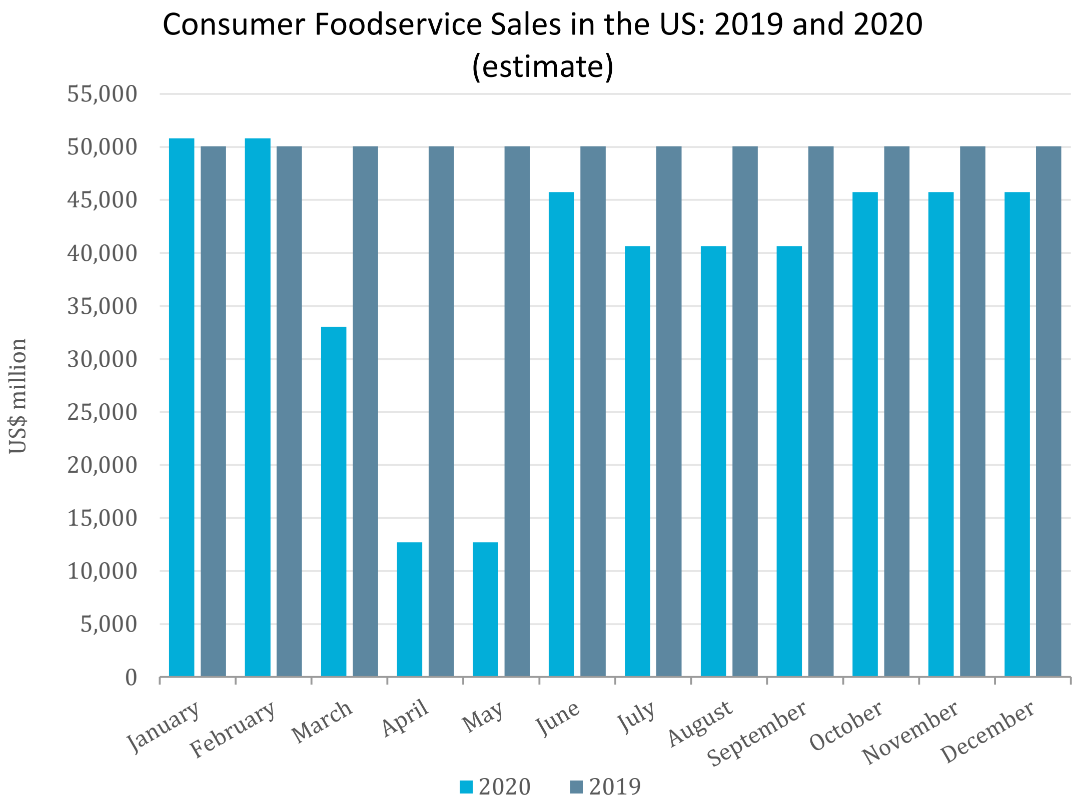
Hypothetical Consumer Foodservice Sales Forecast: % of Previous 2020 Forecast by Month

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Difference vs Previous Forecast
Value	100%	100%	65%	25%	25%	60%	60%	60%	75%	90%	90%	90%	-28.9%

- To understand the potential impact of the crisis on sales, it is useful to look at sales month-by-month. If we look at a hypothetical market which implemented restrictions on restaurants in mid-March and assume restrictions lasting well into May, one can see the magnitude of the potential contraction facing the industry, even assuming a relatively quick recovery.
- What is especially concerning about the hypothetical forecast above (nearly a 30% annual decline) is that it could easily be much worse with
- minor changes. It is by no means certain that autumn 2020 will see growth in line with pre-crisis forecasts, particularly given the possibility of a prolonged recession in most major markets.
- What is more, eat-in traffic is likely to see continued pullbacks for the rest of 2020; even after full lockdowns are lifted, more limited restrictions, such as limiting the number of customers in each outlet or regulations on sitting distance are likely to remain in place well past the initial crisis. This could delay a full recovery well into 2021.

INDUSTRY IMPACT

US forecasts reveal significant room for variation



Note: March - Concerns about COVID-19 reached panic levels in the US in early March, with severe pullbacks in dining out preceding official restrictions
April - Official bans and consumer fears could potentially drive a near-shutdown (75-95% contraction) of the industry in April
May - Even a relatively swift recovery (by no means certain) would mean a significant (17-25%) contraction relative to 2019

- If we apply a sales progression to the US like that seen so far in China, the potential for a significant contraction becomes clear.
- Applying growth assumptions to Euromonitor International's 2020 forecasts, we can see a pullback in demand starting in early March, and a potential near-shutdown of the industry in April. Even assuming a relatively swift recovery in this model, we see a 20%+ contraction in US consumer foodservice sales, with similar forecasts for markets in Europe.
- This is a very rough model, and one that does not assume a resurgence of COVID-19 later this year, but it gives a sense of the extreme difficulties the industry will face in 2020.

Factors which can impact our forecasts

Virus progression

- Uncertainty remains about the progression of COVID-19. Whilst the virus appears to be contained in China, this is not certain, with numerous experts suggesting the possibility of a second wave of infections later in 2020. In other regions where the progression is at a far earlier stage, the course of the virus could be more prolonged than that seen in China, with lockdowns lasting 2-3 months or more.

Official responses

- Whilst periods of lockdown are a key part of our forecast assumptions outside of Asia Pacific, not all major markets have fully implemented them, with significant portions of the US and especially Brazil operating without restriction. In the absence of a coherent test and trace strategy, this is unlikely to last, but it will impact forecasts in the short term, with the length and severity of any restaurant restrictions likely the most important variable.

Consumer fears and lasting restrictions

- Even in a best-case scenario of a relatively short period of restriction alongside a rigorous program of testing and tracing suspected cases, consumer fears will likely remain throughout 2020. Eat-in traffic will likely remain depressed compared with 2019 in many markets as consumers look to avoid large gatherings and certain restrictions on operating – table spacing, maximum occupancy rules – remain in place into 2021.

Drive-through and takeaway both lifelines

- Countries with a strong existing base of outlets offering drive-through, takeaway and delivery services will likely fare far better during the crisis. Early indications from the US, where drive-through sales account for the majority of business for McDonald's and other players, are that drive-through in particular is proving a vital lifeline, even though daily trips to work and school are dramatically reduced.

Gauging impact of national policies by positive/negative impact

Early response/limited lockdown (+++)

- The least-impacted markets thus far have been South Korea, Hong Kong, Singapore, and Taiwan, all of which implemented rigorous test-and-trace protocols, quarantines of individuals, and widespread mask usage. Whilst the possibility of further outbreaks is quite real, these markets have thus far avoided the catastrophic falls in demand seen in lockdown markets such as Italy, with a possibility for – relatively – minor (8% or less) pullbacks in demand.

Early response/significant lockdown (+)

- New Zealand, as well as US states such as California and Oregon, are some examples of governments which implemented highly restrictive regulations early, in a way which (thus far) seems to have significantly slowed the spread of the virus. Earlier lockdowns could potentially mean shorter lockdowns, which may mitigate the contraction in demand. Absent a strict program of testing and quarantining, however, gains could be short lived.

Late response/significant lockdown (baseline)

- Countries like Spain and France fall into this category, as do US states like New York, with a very significant outbreak, coupled with harsh restrictions. Hubei province in China could be placed in this group as well. Whilst ultimately effective in containing the virus, the impact on foodservice demand (and operator solvency) is enormous, with these regions facing 20-30% falls in annual demand, even if the virus can indeed be contained post lockdown.

Late response/limited lockdown (--)

- Countries like Brazil and a limited number of US states, as well as parts of Mexico, fall into this category, which carries significant uncertainty. Based on current evidence, further restrictions seem almost inevitable, which, when coupled with significant outbreaks, could mean severe eventual contractions in demand. Many African countries could be placed here, but uncertainty remains about them as well, given limited testing capability.

Passport

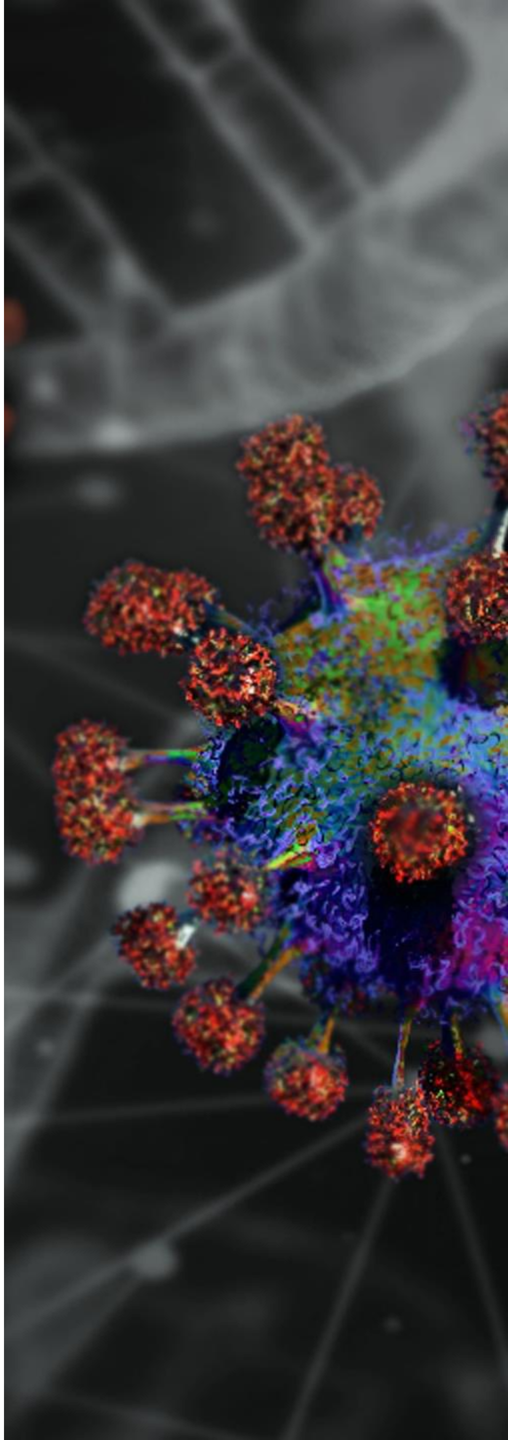
Introduction

Economic Outlook

Industry Impact

Corporate Response

Conclusion



Main challenges for consumer foodservice players

Vanishing supply and demand

- The combination of officially-mandated shutdowns and radical cutbacks in consumer demand is unprecedented and will have unprecedented impacts in 2020. Whilst certain categories, such as limited-service drive-through and delivery, are better positioned than others, ultimately, the specific players which will do well are the largest, best-known brands with the strongest balance sheets, able to weather catastrophic same-store sales declines whilst supporting franchisees.

Delivery competition

- Whilst delivery and takeaway services for consumers on lockdown will prove a lifeline for many operators, every operator in an impacted market (which is everywhere, or soon will be) is doing the same, making for a more-crowded market at a time when consumer spending on all foodservice is pulling back dramatically.

No safe harbour

- Unlike recent economic contractions, there truly is no market or category which will not be severely impacted (at least in the short term) by the current crisis. Even China, which appears to have brought COVID-19 under control, faces a long period of economic uncertainty and depressed demand, to say nothing of continuing flare-ups of illness as restrictions on movement are lifted.

Shifting consumer habits

- A prolonged lockdown period across most of the world's major markets could produce lasting behaviour changes among consumers trapped at home and concerned about their economic wellbeing. While consumer engagement with delivery services could indeed increase, signs from markets like China suggest the crisis could also spur more experimentation with home cooking, whilst dramatically increasing engagement and spending through grocery retailers.

A highly challenging period for delivery aggregators despite shifts

- The COVID-19 crisis has driven a surge in demand for e-commerce of all kinds, starting in China but becoming a global phenomenon in recent weeks. In the US, both Amazon and Wal-Mart have announced plans to hire 100,000 or more workers to keep up with soaring demand for online groceries, while pizza delivery chains Domino's Pizza and Papa John's have likewise ramped up capacity.
- The impact of the crisis on delivery aggregators specifically, and foodservice delivery (as opposed to grocery delivery) more generally, is murkier. In India, reports have suggested 20-25% traffic declines for delivery leaders Swiggy and Zomato, as concerned consumers shift more of their spending to household staples. Similar impacts have been reported elsewhere, suggesting no segment of foodservice is fully protected against COVID-19's impacts on consumer spending.
- This makes intuitive sense; the overwhelming mood among consumers in many markets is one of deep uncertainty, often shading into panic. With growing numbers of consumers already out of work and millions more fearful of what is to come, discretionary spending of all kinds is being cut, and not simply due to operating restrictions.
- Where demand has (anecdotally) held up relatively well thus far, it has been via well-known brands such as Domino's Pizza, rather than through the thousands of independents that account for the majority of businesses using aggregator services. In an environment of consumer uncertainty, overall spending on more-expensive prepared food is dropping, along with any willingness to search for new options on a delivery app, particularly with hundreds of restaurants in a given city ramping up delivery service in a desperate effort to shore up sales.
- In other words, whilst operators with a robust existing delivery are better positioned than those without, the next two months are likely to be extremely challenging for every single player.

China exposure and to-go formats could offer advantage to chains

Higher % of sales from delivery, takeaway, or drive-through

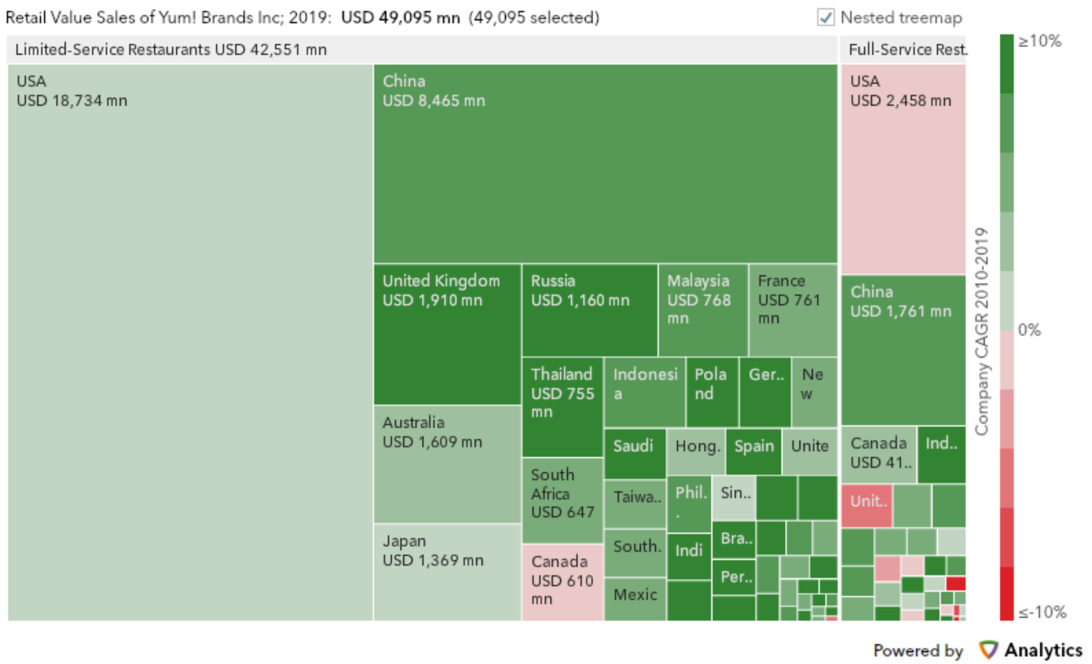
Lower % of sales in China

Higher % of sales in China

As noted previously, there are no clear winners in the current crisis. Yet, chains with a heavy presence in China, where signs of normalcy may slowly be returning, as well as those already driving significant delivery and takeaway sales may fare comparatively better than others

Lower % of sales from delivery, takeaway, or drive-through

China exposure short-term drag, but likely mid-term boon for YUM!

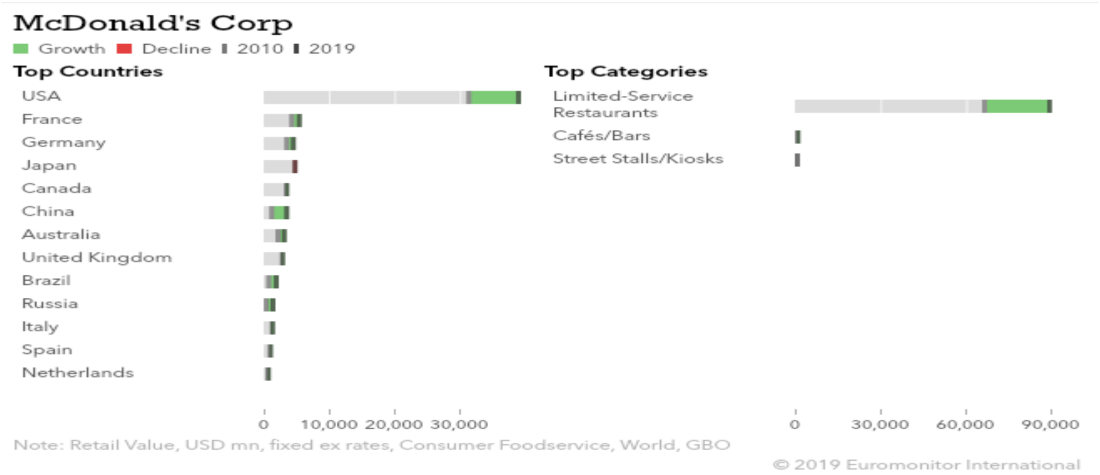


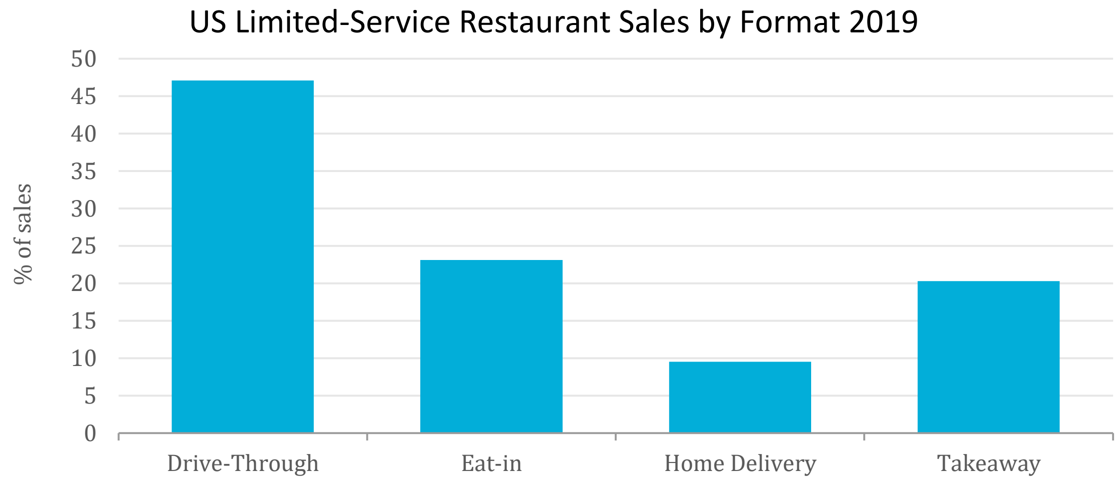
- With close to 20% of global sales made in China, no other chain is better positioned to benefit from a tentative recovery in Chinese demand than YUM! Brands. This should not be overstated, however; YUM! China reported same-store sales down 20% y-o-y in March, an improvement from the 50-60% declines seen over the Chinese New Year holiday period.
- During that time, the company rolled out new catering options for corporate clients as well as a line of meal kits, all designed to compensate for the total disappearance of eat-in traffic and the shutdown of 30-40% of outlets. Given the total lockdowns adopted by a growing number of countries, this figure is, if anything, optimistic in gauging the impact on the company's operations elsewhere.

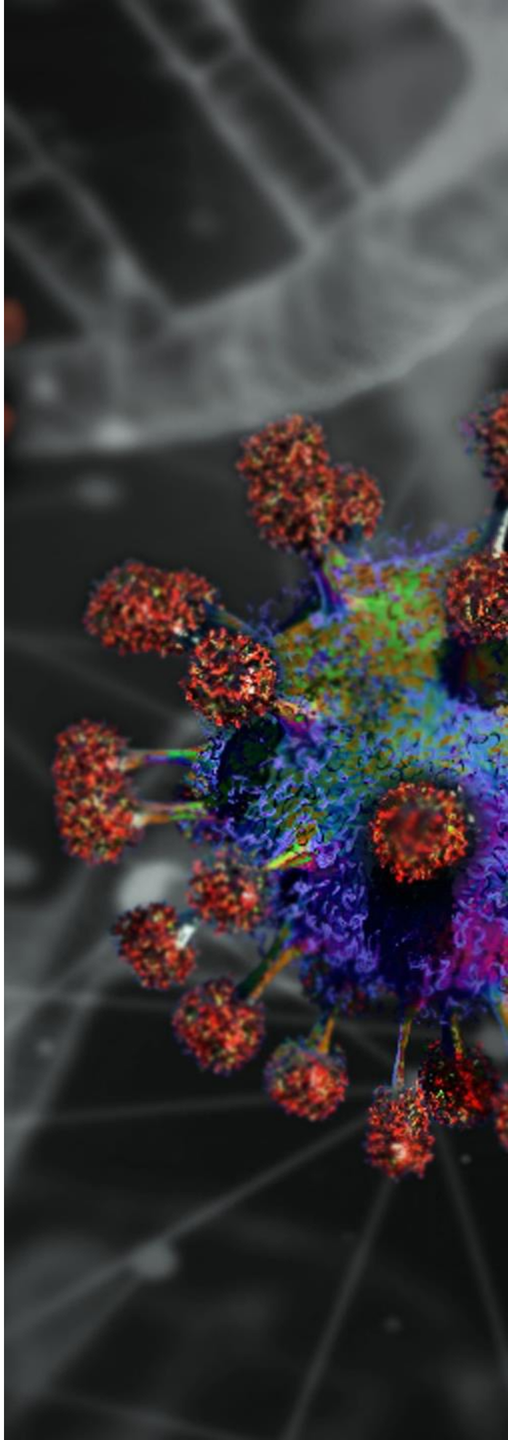
CORPORATE RESPONSE

McDonald's has large drive-through advantage in North America

- Whilst a massive COVID-19-induced slowdown in the US is already underway, early signs suggest well-known delivery chains (eg Domino's Pizza) and drive-through traffic have remained relatively strong, with drive-through in particular seen as a quick, convenient, relatively safe option for essential workers (healthcare, grocery, etc) looking for meals.
- Most estimates suggest that McDonald's sees 55-65% of US sales come from drive-through, with overall sales in the US, in turn, accounting for over half of the company's global sales. This could provide a significant cushion as demand vanishes in more eat-in-focused markets, such as Western Europe.







How will COVID-19 change the industry?

Restaurants as vending machines

- The crisis will drive a renewed push towards contactless options in payment, ordering, and delivery. Smartphone ordering options will become a necessity, whilst more restaurants will begin offering pickup with minimal human contact. As restaurants become more like vending machines, actual vending machines will proliferate, particularly advanced, automated models for products such as coffee.

Retail and foodservice continue to merge

- The push into prepared food occasions, which has been a cornerstone of many grocery and convenience store players' expansion strategies, will accelerate following the crisis. Whilst the early days of the crisis have pushed prepared foods aside in many ways, the longer enforced lockdowns last, the more demand will grow for convenient meal solutions that address multiple new home meal occasions consumers must solve.

A new relationship with cooking

- The need to prepare (or purchase) more meals each day for home consumption will drive a new relationship with cooking, with consumers continuing to experiment with new methods and new paths to convenience. Foodservice operators have a role to play in curating ingredients and potentially offering guidance in effective cooking, as consumer desire to try new things slowly returns.

New occasions, formats, revenue streams

- The sudden disappearance of eat-in traffic, uncertain timetable for its return and near certainty of continued restrictions on eat-in occasions long term mean every restaurant will have to become "quicker" service over the next year and beyond. We can expect more restaurants to permanently offer delivery services and obligatory smartphone ordering, with some expanding into grocery sales, meal kit preparation, and beyond.

Contactless innovation and smartphone ordering to surge

- One of the most immediate – and conversely most likely to endure long term – trends to emerge from the COVID-19 crisis is the need to limit human exposure at every step of the production chain, from sourcing to ordering to cooking and delivery.
- Smartphone ordering will be central to much of this, allowing customers to order and pay, whilst also providing a vital link between brands and their end consumers. Much of the recent push towards kiosk ordering could intensify, yet it will likely be swept away by smartphone ordering and mobile wallets in some markets.
- Unmanned stores are expected to expand in retail, with convenience stores embracing the format as a means of driving sales of prepared meals and snacks. Alongside smartphone ordering, mobile pay, and increased automation, the lines between advanced vending machines and advanced retail and foodservice are expected to blur further, as all consumers gravitate towards options perceived as safer and/or more reliable. More broadly, the gap between retail and foodservice will blur as every operator serves mostly homebound consumers.

New service workflows

- Contactless delivery, fewer steps in preparation process
- Ensuring as few hands as possible have touched an order

Smartphone ordering at all times

- Operators with robust in-app ordering systems will benefit
- Pre-ordering allows faster delivery, limits time in store for customers

Stores and restaurants as vending machines

- Demand will grow for ever-easier pick-up options
- Micro-fulfillment vs vast multi-tenant ghost kitchens
- Automated preparation, advanced vending to expand

Retail/foodservice blurring to accelerate

- If the preceding five years have often felt like every part of the wider food and drinks industry was taking on aspects of foodservice, with grocerants and prepared meals and delivery reconfiguring the landscape, the last month has, at times, felt like everything was turning back to retail, with many more meal occasions now at-home meal occasions.
- The shift in priorities has been wide ranging, with even third-party delivery players partnering with fmcg brands and retailers to introduce deliveries of grocery products, through programs such as Deliveroo's Essentials and UberEat's recently-announced partnership with France's Carrefour. For delivery aggregators, the crisis has impacted overall delivery volumes, whilst Uber's ride-sharing business has completely collapsed, forcing a change in focus.
- Likewise, for restaurant operators, repurposing menu items as meal kits or chilled prepared meals offers an additional revenue and branding stream, particularly when sold through retail environments which are seeing record traffic.

Third party delivery makes grocery push

- Likes of UberEats and Deliveroo expand partnership with grocery retailers
- Temporary measure could persist following crisis

Grocery retailers to return to targeting home meal occasions

- Currently focused on serving surge in post-crisis demand, prepared meal focus will return
- Increase in daily home eating occasions to spur demand for more convenient, interesting options

Restaurants experiment with grocery offerings

- Curated meal kits
- Third-party delivery allows room for experimentation

Crisis could drive new direct-to-consumer focus for product brands

- For food and drink product manufacturers, foodservice and away-from-home channels represent important volume drivers, as well as key drivers of branding, with bars, coffee shops, and restaurants key points for product discovery and experience. The COVID-19 crisis alters this calculus, with dramatic declines in foodservice demand likely in most markets. In addition, the crisis will drive many operators to close their doors permanently, driving a 20-30% contraction in total restaurant outlets in the most-impacted markets. For product brands, this means a significant reduction in customers and points of contact with end consumers.
- At the same time, the crisis accelerates the e-commerce-driven reshuffling of real estate, with millions of restaurant sites globally likely becoming available over the next 1-2 years.
- This creates an opening for product manufacturers to experiment with direct-to-consumer marketing, potentially using empty restaurant sites to support micro-fulfillment centres for e-commerce.
- As more time is spent at home and more commerce takes place on our phones, owning distribution capacity which is optimised for e-commerce could prove a major advantage for the right company, potentially allowing for better integration with both delivery aggregators and major retailers.

New capacity

- Crisis to reorder real estate market in many cities
- Room to repurpose sites for new aims

Supply chains optimised for delivery

- Opportunity for companies to reorganise, optimise supply chains for direct-to-consumer delivery
- More occasions flowing from outside the home to within

Increased flexibility

- Micro-fulfillment centres could link with delivery aggregators, partner retailers
- Scope for customisation, personalisation of demand

Daily need for meals to drive new relationship with cooking

- Whilst it is premature to speak of a large-scale "return to cooking" following the end of the most severe COVID-19 restrictions, there is no question the crisis has forced a reshuffling of household cooking habits, with households now responsible for many more meal occasions each week.
- In China, the crisis led to a surge in fresh food e-commerce, particularly in wealthier households needing to cook more meals with domestic help unavailable. Likewise, younger consumers have flocked to recipe apps and livestreaming cooking lessons, many of which link with e-commerce sites such as JD.com and Pinduoduo.
- Going forward, lingering concerns about gathering in public spaces could result in a mid-term shift of much of social life to the home, which could drive demand for "special occasion" cooking, with restaurants and chefs serving as vital facilitators of techniques and curators of ingredients. Meal kits and branded grocery products are part of this, as are branded cooking classes, tie-ups with major content networks, and so on.

More demand for assisted cooking

- Many more home meal occasions per week
- Recipes, streaming classes, cooking as additional hobby

Meal kits and related products find new life

- Initial surge in demand for cooking ingredients could give way to long-term demand for meal solutions
- Vast number of former away-from home occasions in play for prepared meals

Restaurants as cooking facilitators

- Branded meal kits, prepared meals
- Further development of social commerce, branded cooking assistance and direct product purchasing

Multiple revenue streams and formats a must for all

- The search for new revenue streams is likely to remain a key theme beyond the crisis. The hardest-hit economies are projected to see up to 20% of their existing restaurant bases close within the next 12-18 months under the strain of lockdown regulations, a rate of turnover unprecedented in recent years, and one which is likely to result in lasting shifts in what restaurants look like in most markets.
- A long-term shift away from eat-in service, already a trend in an age of delivery on demand, seems inevitable, with consumer concerns and official restrictions on restaurant dining likely to persist long after the current crisis. Restaurants which emerge from the crisis will likely see a more even distribution of sales between eat-in, delivery, and drive-through/takeaway, with start-up restaurants increasingly focused on delivery from day one.
- In addition, revenue streams such as catering, grocery sales, meal kits, cooking classes, etc, are likely to become ever more important components of the restaurant toolkit, particularly for emerging chains seeking to avoid undue dependence on consumer traffic in a single area.

Delivery and takeaway for all

- Every surviving operator will need a coherent delivery and online ordering strategy
- Eat-in demand to recover extremely slowly

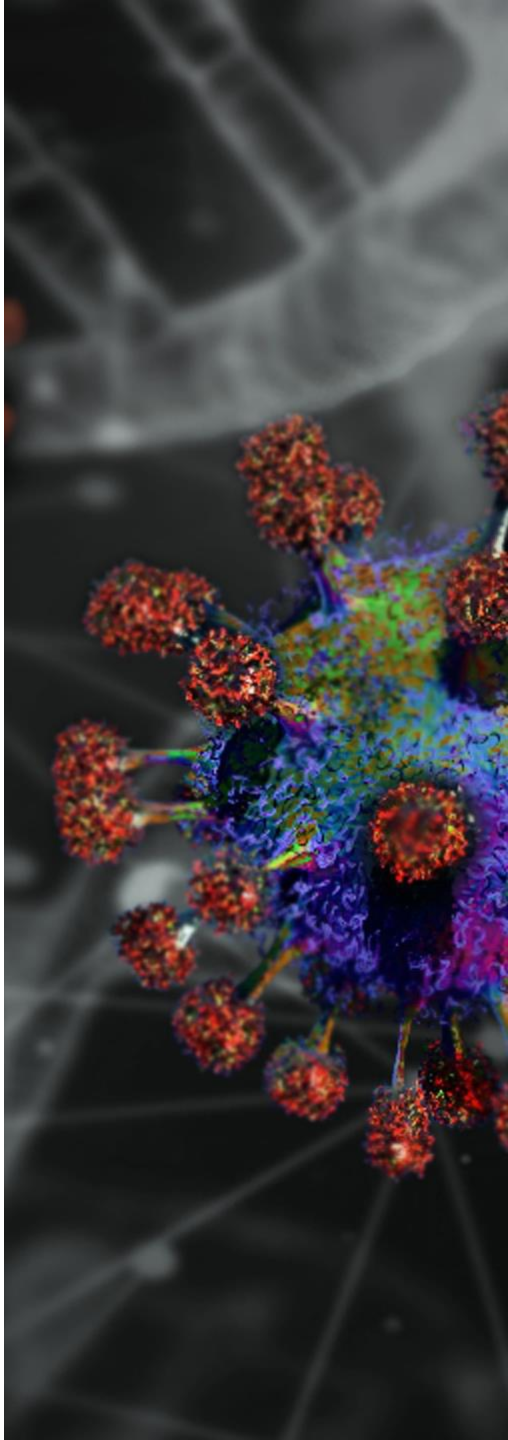
Grocery operations and branded retail

- More home cooking a potential opportunity for the right restaurant
- Curated collections of high-quality, affordable items, readily available

Capture every occasion

- Consumers who spend less time away from home will demand more convenient meals from every outlet
- As initial shock subsides, consumers could become more adventurous, but no less committed to convenience and safety

Passport



About Euromonitor International's Macro Model

- Euromonitor International's Macro Model allows us to regularly update key macro indicators like real GDP growth, as well as create hypothetical scenarios that simulate potential macro shocks. In turn, this ability to change macro forecasts like GDP growth allows us to create multiple retail category or income/wealth band forecasts.

- Our macro forecasts are produced as a combination of:
  - A global macroeconomic model (Euromonitor International's Macro Model) that uses data from multiple sources on GDP growth, inflation, interest rates, exchange rates and unemployment rates to forecast those variables.
  - Further adjustments via model shocks/scenarios to reflect other variables and information that is not taken into account directly by the pure model forecast. For example, other credit market or confidence measures, as well as the macro views of policy institutions and other private sector forecasters.

- Euromonitor International's Macro Model itself is an extended version of one of the main forecasting and scenario analysis models of the IMF (International Monetary Fund). The benchmark model has five observable variables for each economy. These are real GDP, the consumer price index, a short-term interest rate, the unemployment rate, and the exchange rate against the US dollar.

Passport

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Michael Schaefer

Global Lead, Food & Beverage

Michael.Schaefer@Euromonitor.com

Twitter: @mschaefer84

LinkedIn: mschaefer84

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