



# CGA Prestige **Foodservice Price Index (FPI)**

## **Snapshot Report - May 2023**

Your source for accurate data, analysis and insights into today's food prices.



# Monthly Snapshot..

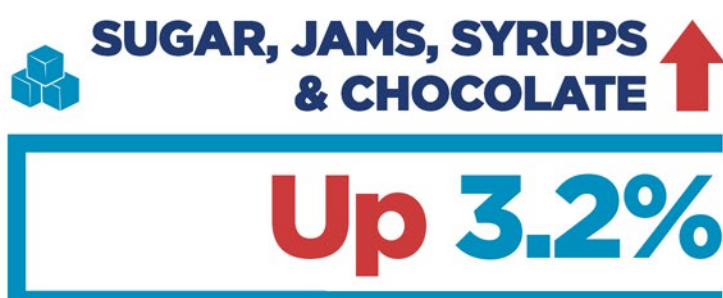
## Executive Summary

Food prices in the hospitality sector have increased by more than a third in two years.

Inflation, as measured by the CGA Prestige Foodservice Price Index (FPI), increased to 21.6% year-on-year in May, just below the record high of 22.9% reached in December 2022. At the same point last year, FPI inflation was at 10.2%. When combined with this May's 21.6%, it has resulted in a 34% increase in prices since May 2021.

During the first quarter of 2023, the level of price increases had begun to slow, leading to hopes of a steady decline in inflation throughout the rest of the year. However, despite improvements in many of the usual upstream indicators, this decline has not yet occurred. With the cost of living crisis increasingly impacting the volume of diners in a negative way, the hospitality sector is now facing an increasingly difficult challenge to maintain acceptable margins. Month-on-month increases eased slightly compared to April's numbers but still ran at 1.8% for the full basket in May. The focus of categories experiencing higher inflation has shifted since the start of the year, moving away from 2022's problem areas like Oils & Fats (which actually saw month-on-month deflation), although the index still shows over 25% year-on-year in this category.

### Inflation Ups & Downs against April..



Instead, 2023's problem categories are now emerging as Vegetables, Sugar/Jam/Syrups/Chocolate, and Meat/Poultry. Potatoes suffered a further sharp increase during May, influenced by rising production costs, labor shortages, a 2022-23 storage crop more than 5% lower than the prior year, and significant short-supply in many parts of continental Europe. Drought and irrigation are emerging as major influencers throughout Europe, affecting both product quality (including size) and price.

The major upstream influencers on the price of food (Oil, Exchange Rates, and Commodity Markets) are now relatively benign compared to last year's values, with the cost of Brent Crude oil easing again to \$72 a barrel at month-end. Sterling exchange has remained stable during May, in the region of €1.16 and \$1.25.

The UN FAO Food Price Index, which measures global commodity prices, averaged 124.3 points in May 2023, down 3.4 points (2.6 percent) from April and as much as 35.4 points (22.1 percent) from the all-time high it reached in March 2022. The decline in May was underpinned by significant drops in the price indices for vegetable oils, cereals, and dairy, which were partly counterbalanced by increases in the sugar and meat indices.

Food prices in the UK hospitality sector continue to increase at just under 2% per month. This rate of increase is likely to be close to a tipping point where dominant inflationary pressures should start to be eased by competing deflationary factors. The exact timing of this tipping point is uncertain while impacts like Brexit, energy, labor costs, and climate change remain volatile.

FPI subscribers should note that the continuing uncertainty in recent months has resulted in the raising of our year-end forecast for FPI inflation.



Prestige Purchasing are a leading expert in Value Chain. We provide knowledge, insight, and practical support to hospitality and foodservice businesses. We improve profitability by improving the way in which our clients source and manage what they sell.

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