

The Food Institute Webinar

Inflation's Economic Impact: What It Means for the F&B Industry

Tuesday, September 17 • 2 PM ET



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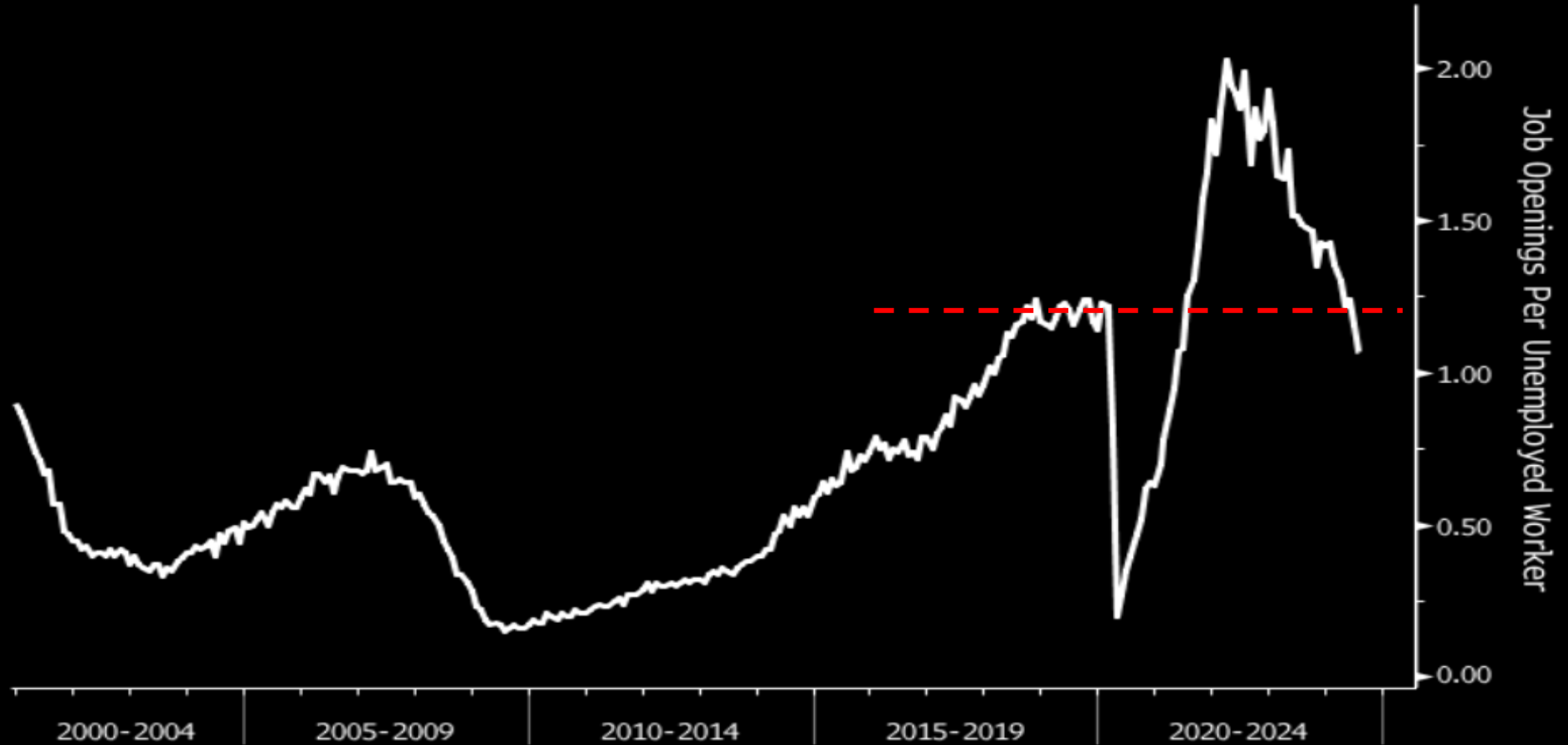
US Economic Outlook

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Cooling Labor Market Key for the Fed

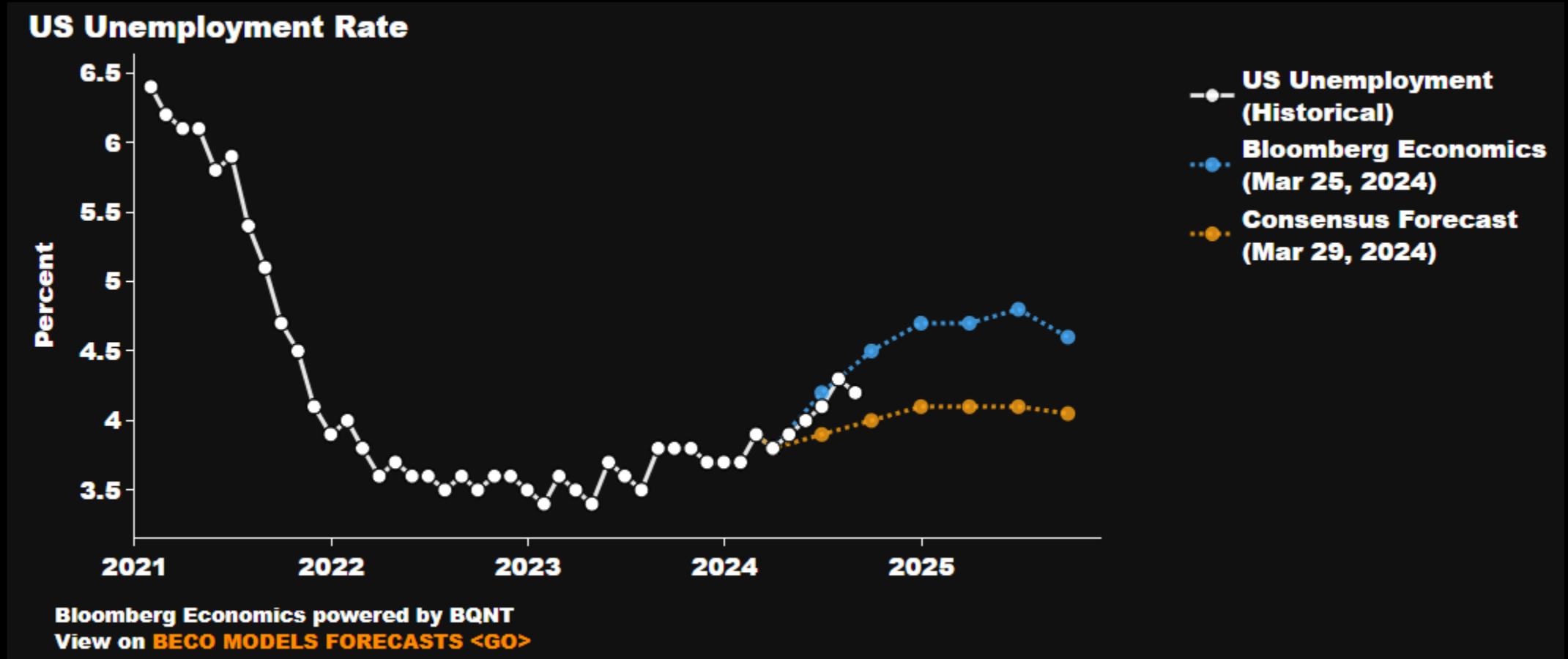
The labor market is looser than it was before the pandemic...



Source: BLS, Bloomberg Economics

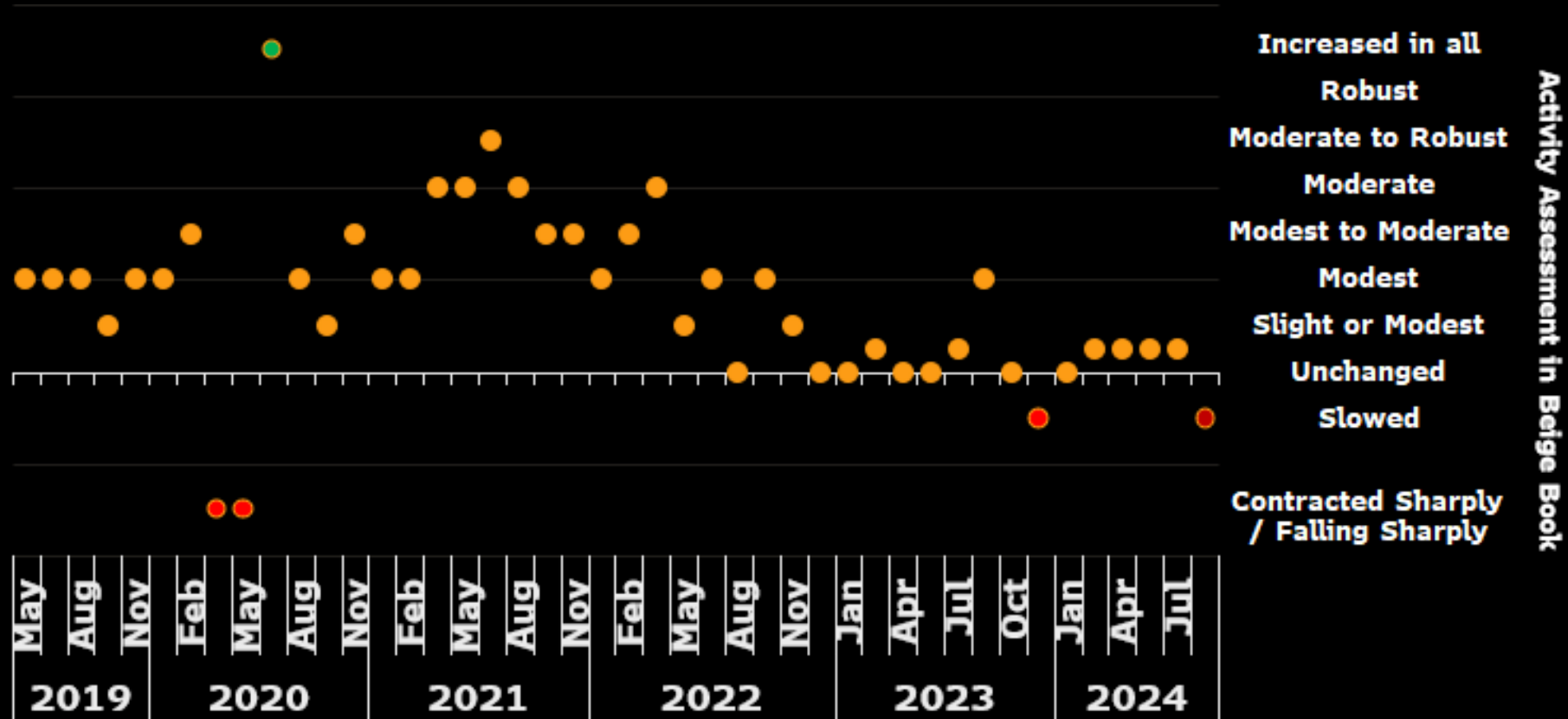
More Weakness Ahead

BE expects 4.5% unemployment rate at year-end...



“Soft” Data Important in Providing a Real-Time Perspective

Activity already declining according to the Beige Book...

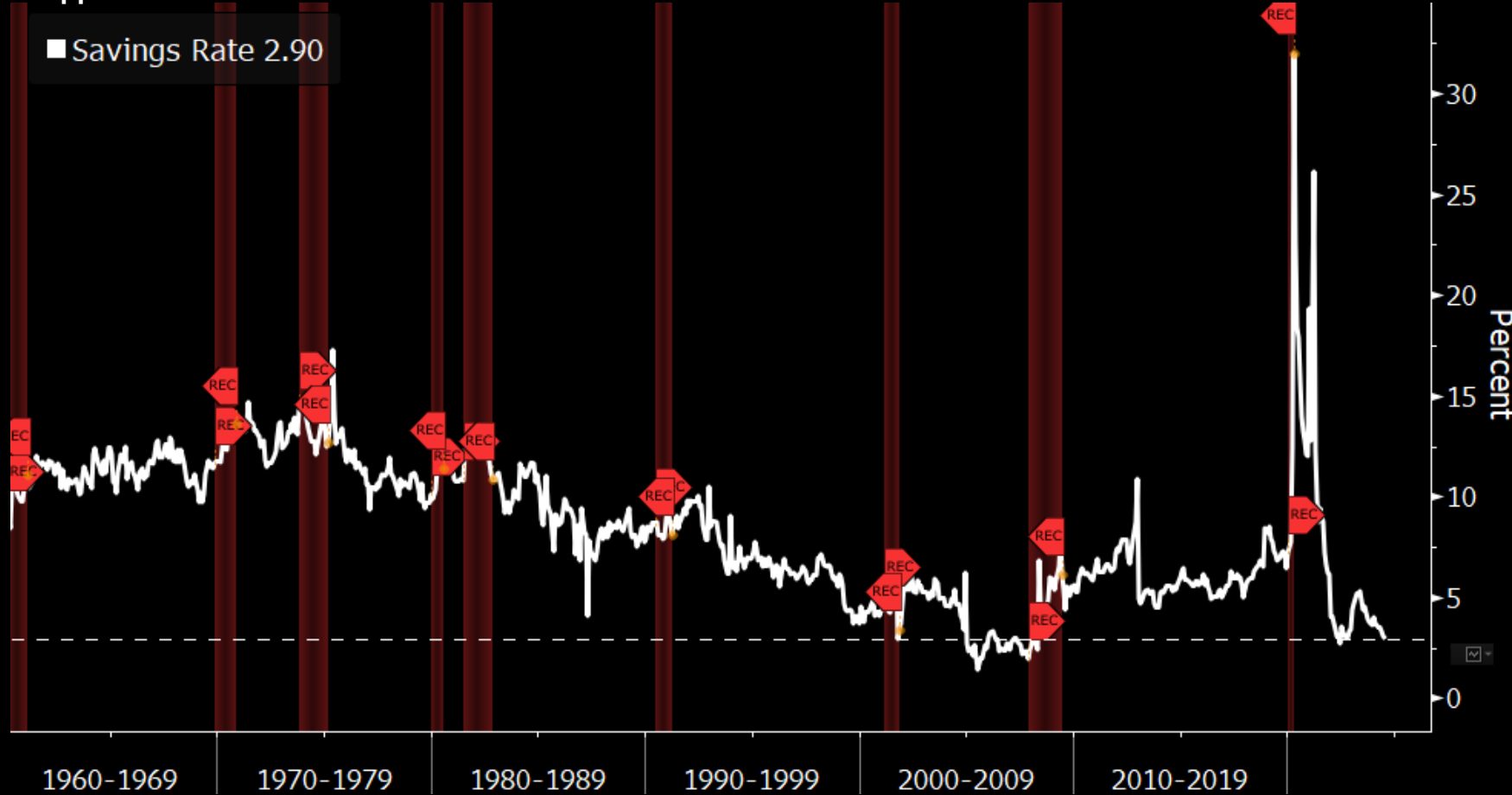


Source: Beige Book, Bloomberg Economics

Consumers are Running Out of Savings

Saving rate approaches multi-decade low...

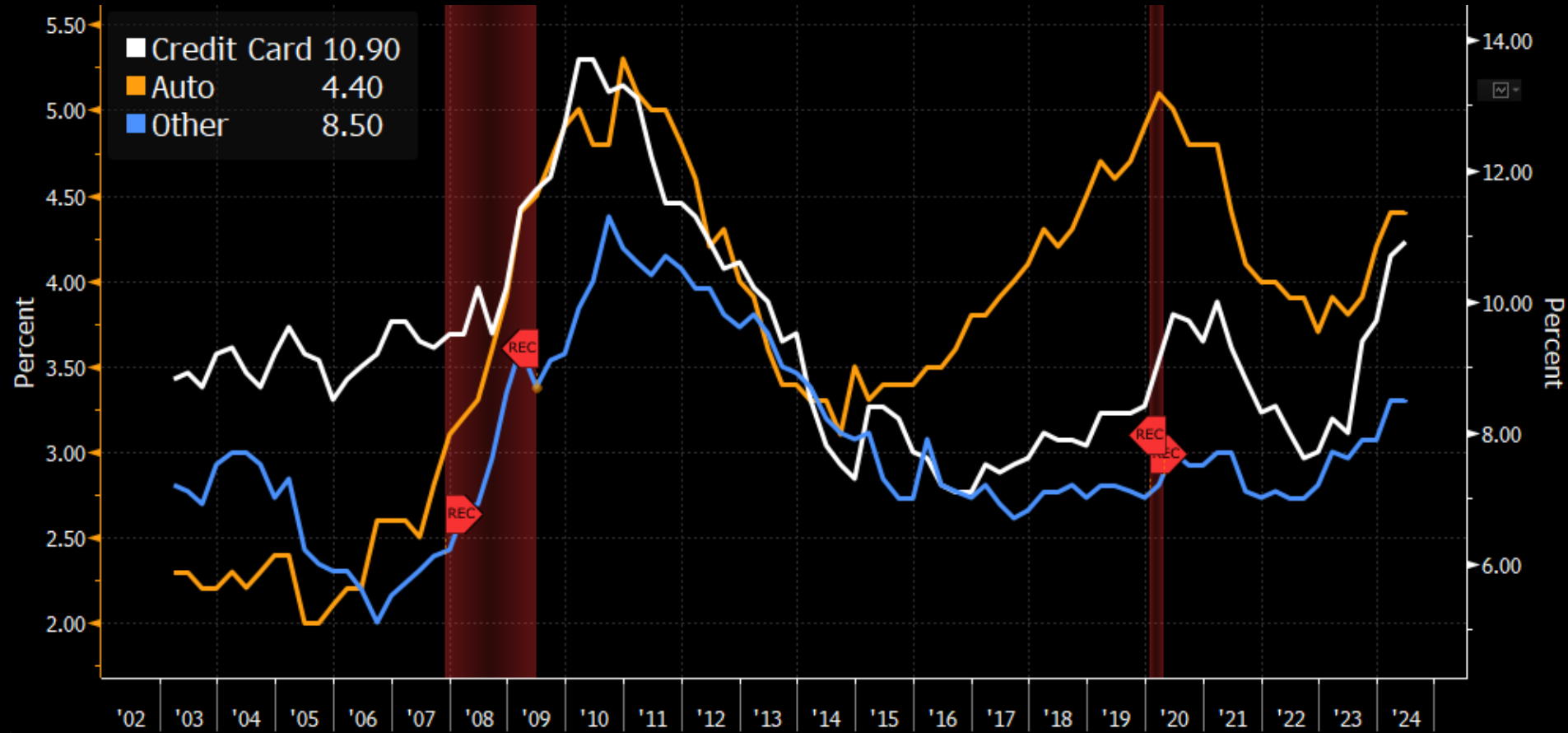
■ Savings Rate 2.90



Source: BEA, Bloomberg Economics

Delinquency Rates Are Rising

Credit card delinquency are greater than pre-pandemic levels...

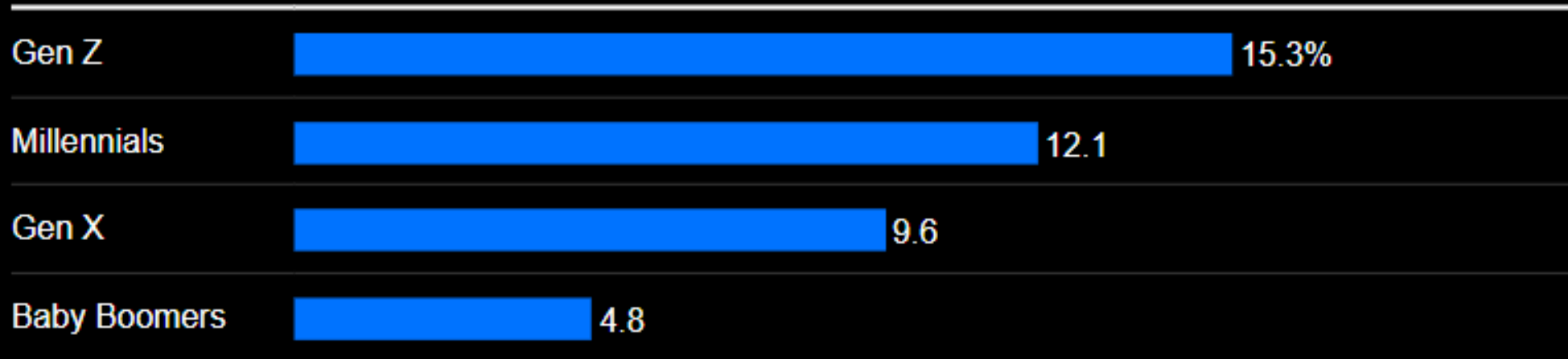


Source: FRB of New York, Bloomberg Economics

Younger Generations More Apt to See Credit Maxed Out

Younger borrowers and those with lower incomes are more apt to be financially stressed than older borrowers...

Share of consumers maxed out



Source: New York Fed Consumer Credit Panel/Equifax

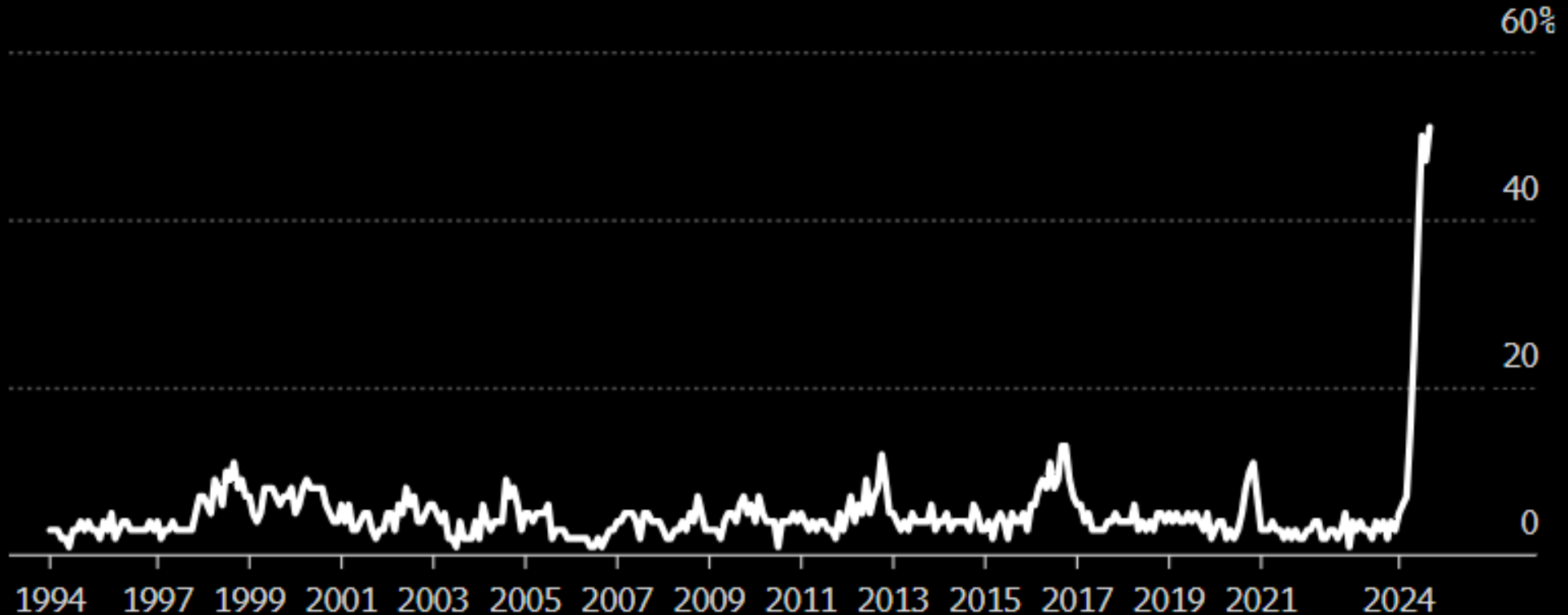
Note: Baby Boomer=born 1946-1964, Gen X=born 1965-1980, and Millennial=born 1981 to around 1996, Gen Z= born 1997-2012

Source: FRB of New York, Bloomberg Economics

Consumers Seeing Unprecedented Uncertainty Ahead

The present level of unease among Americans is at historic levels....

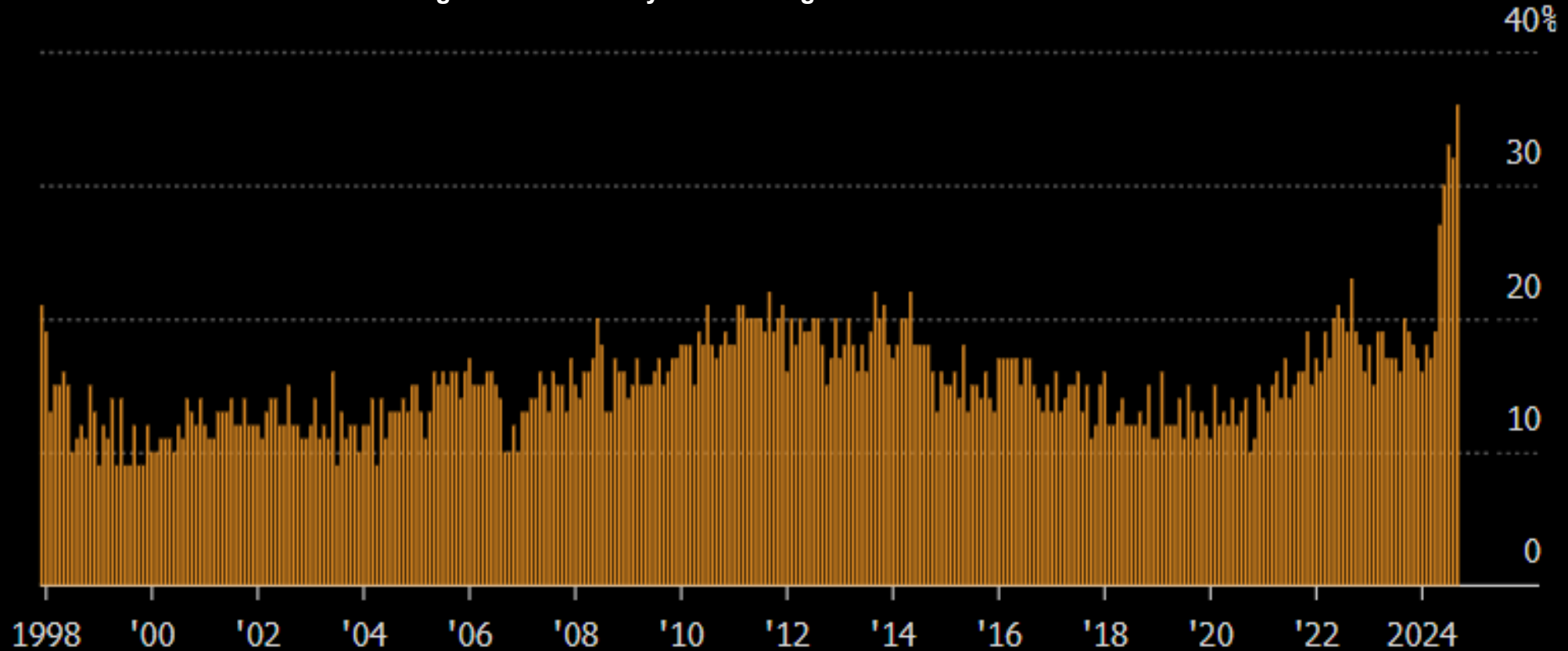
Share who are uncertain about short-term business



Source: University of Michigan, Bloomberg Economics

Consumers Sour on Income Growth

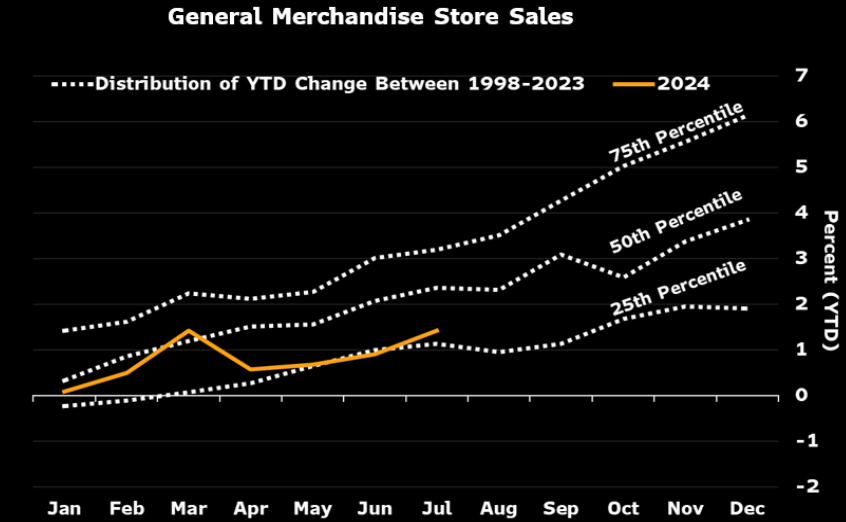
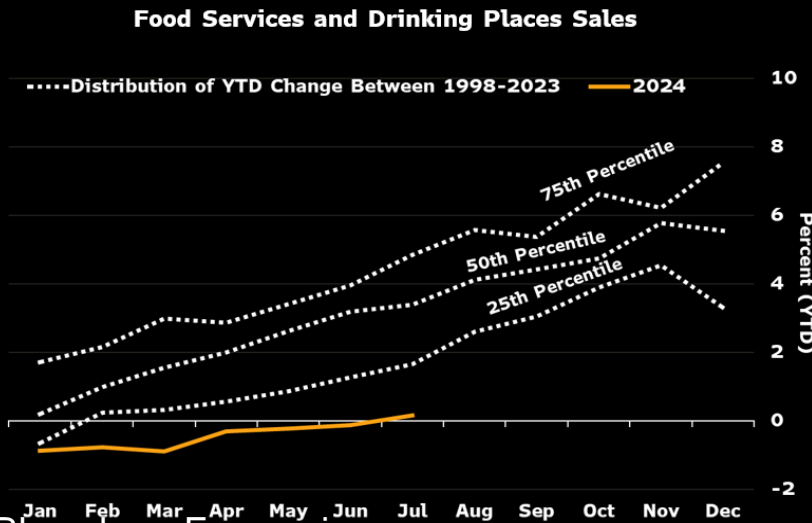
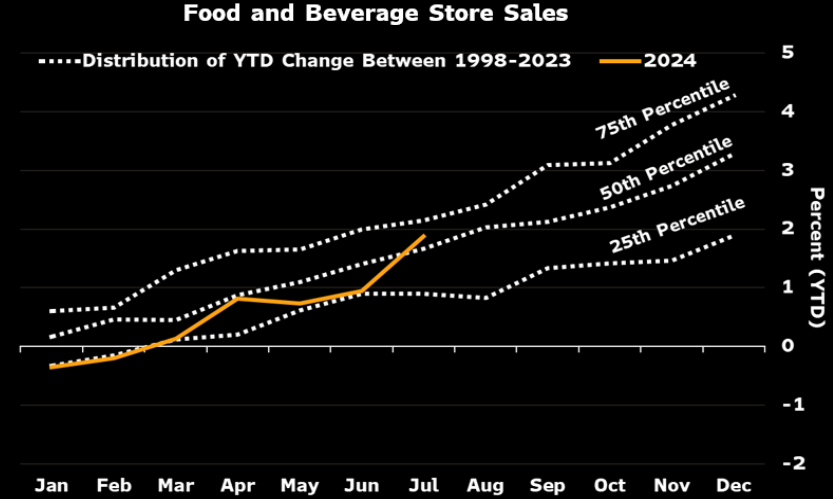
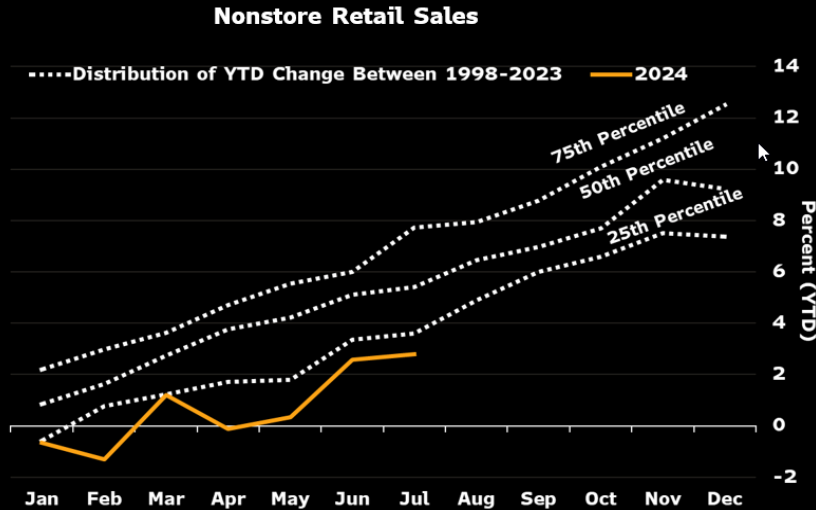
Share who see no chance of real income gains in next five year at the highest on record....



Source: University of Michigan, Bloomberg Economics

Most Retail, Except Groceries, See Slower Sales Than Usual

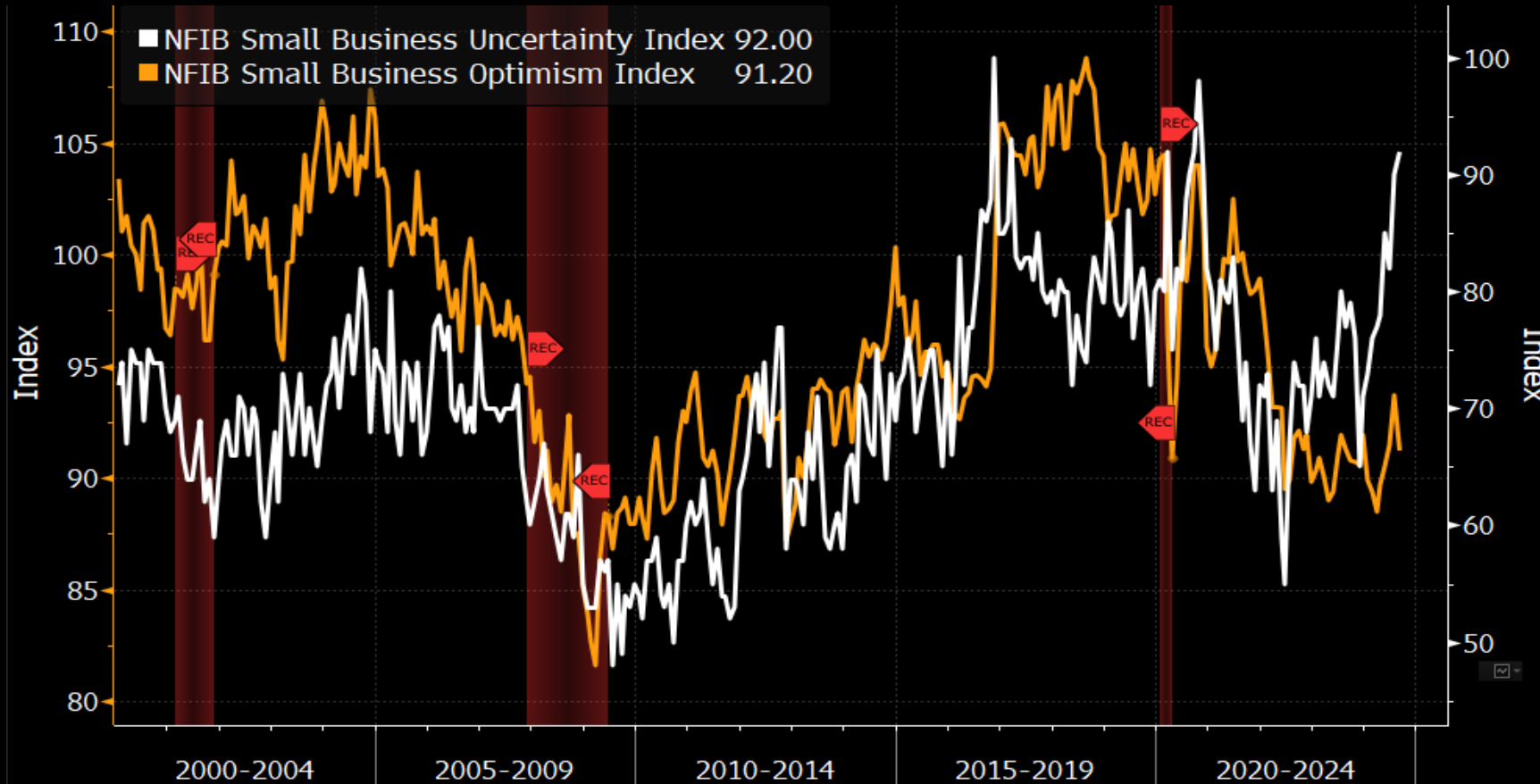
Consumers are
Focused on
Essentials...



Source: Census, Bloomberg Economics

Small Businesses are Hit by Uncertainty

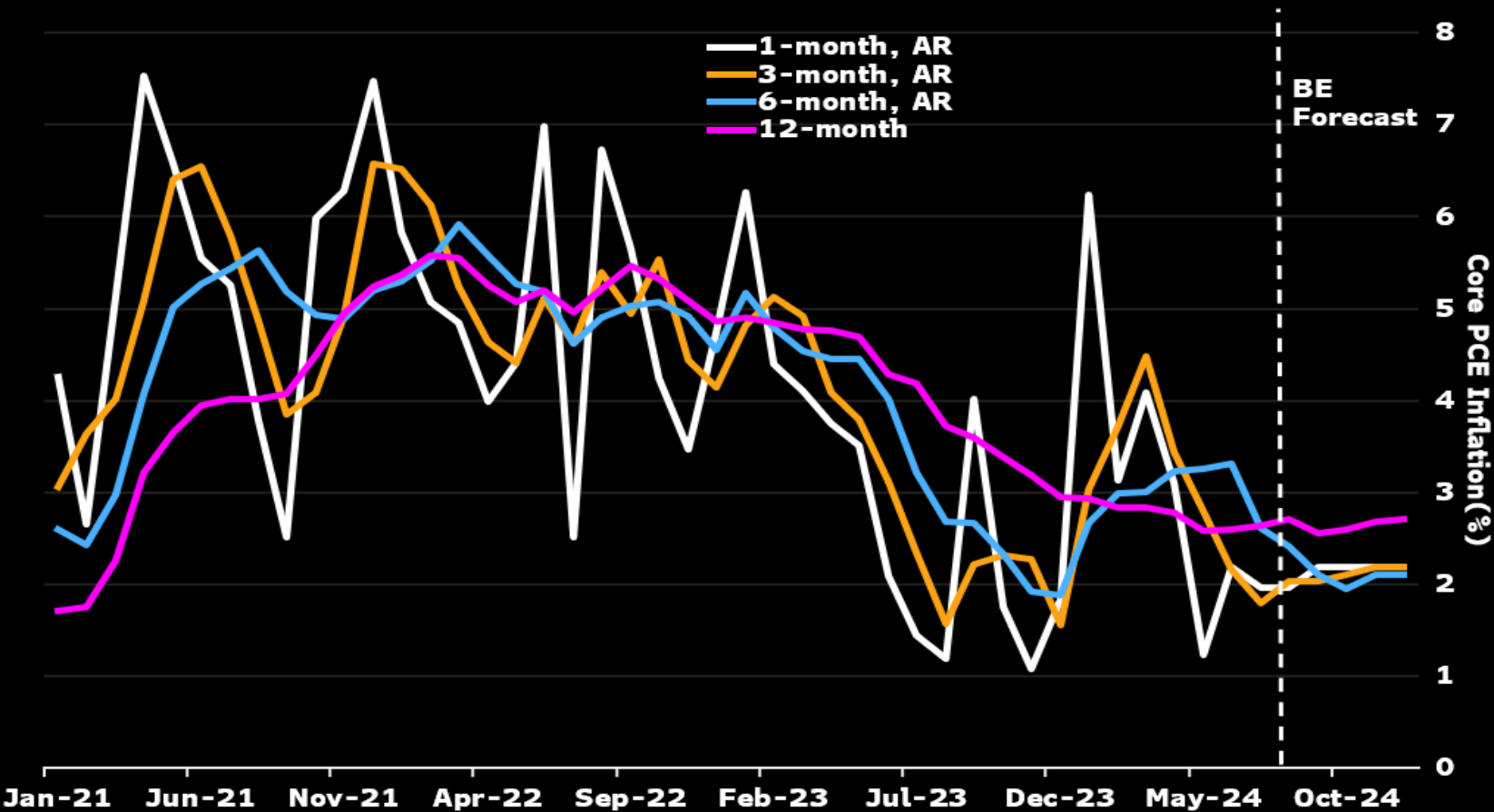
The Uncertainty Index rose to its highest level since October 2020...



Source: NFIB, Bloomberg Economics

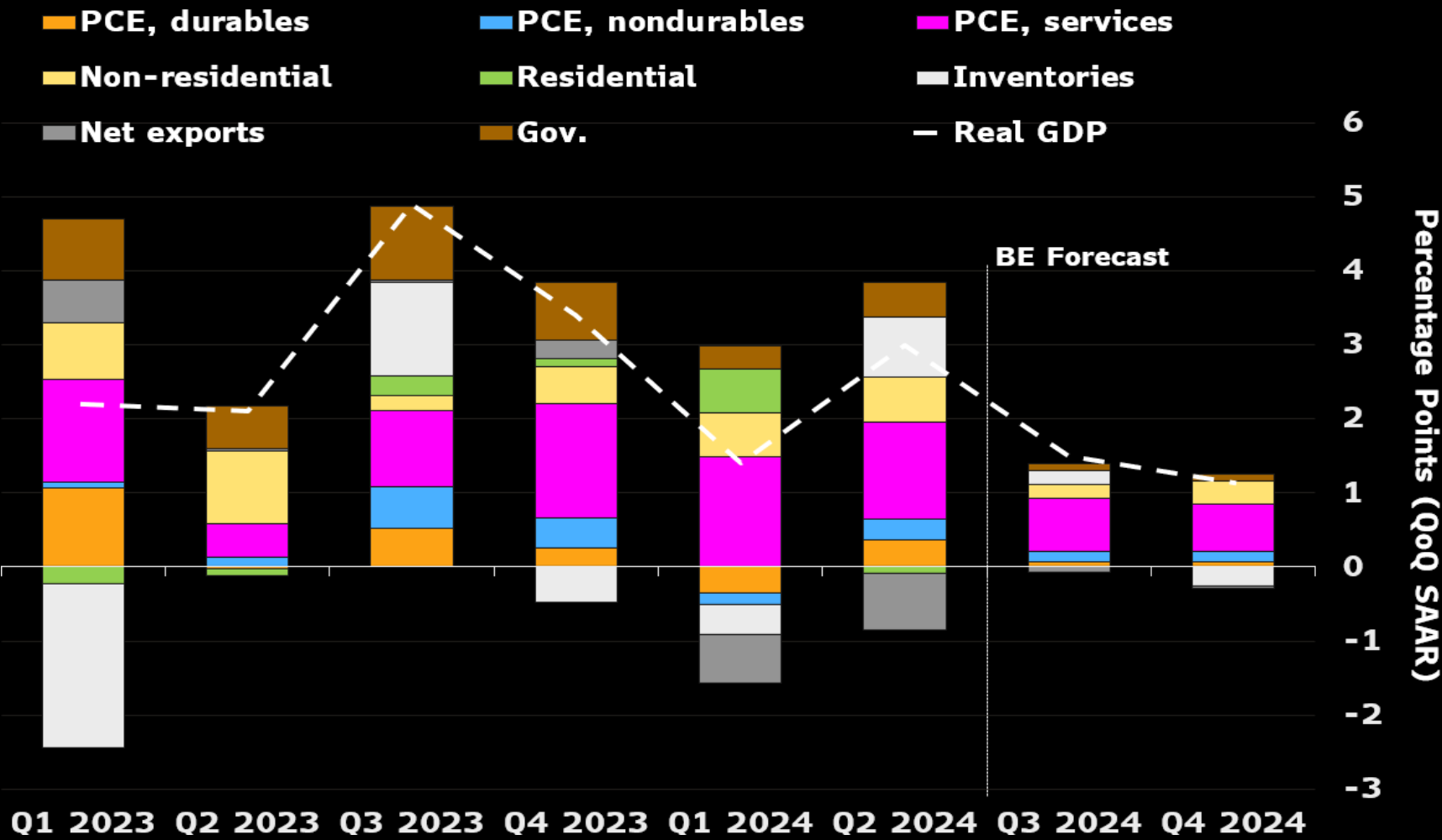
Fed's Preferred Inflation Gauge to Run Closer to Fed's Target

A long last mile of inflation on YoY basis...



Source: BEA, Bloomberg Economics

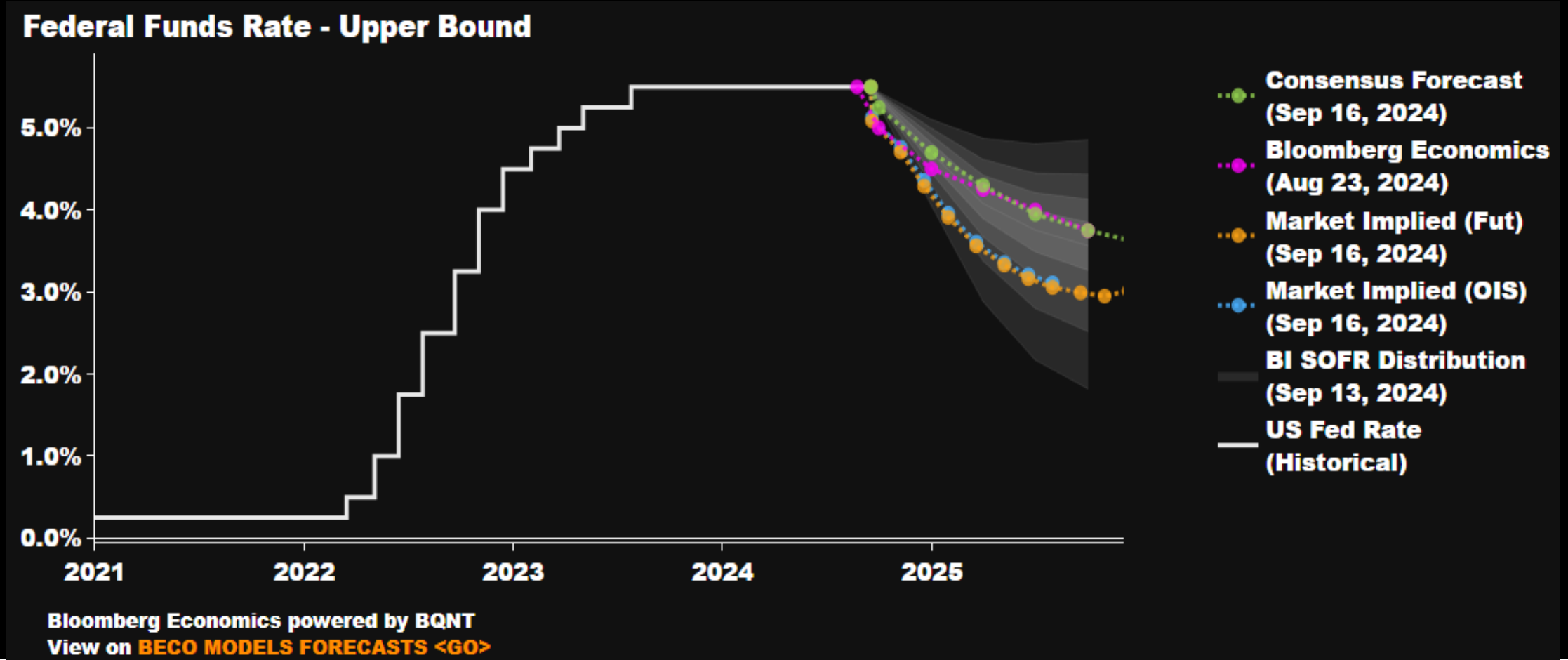
US Economic Growth to Slow Below Potential



Source: BEA, Bloomberg Economics

Fed Policy: Labor Market Dominates Balance of Risks

With unemployment rate likely to go up to 4.5% at year end, the Fed to deliver 50bps cut this week...



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Food Inflation

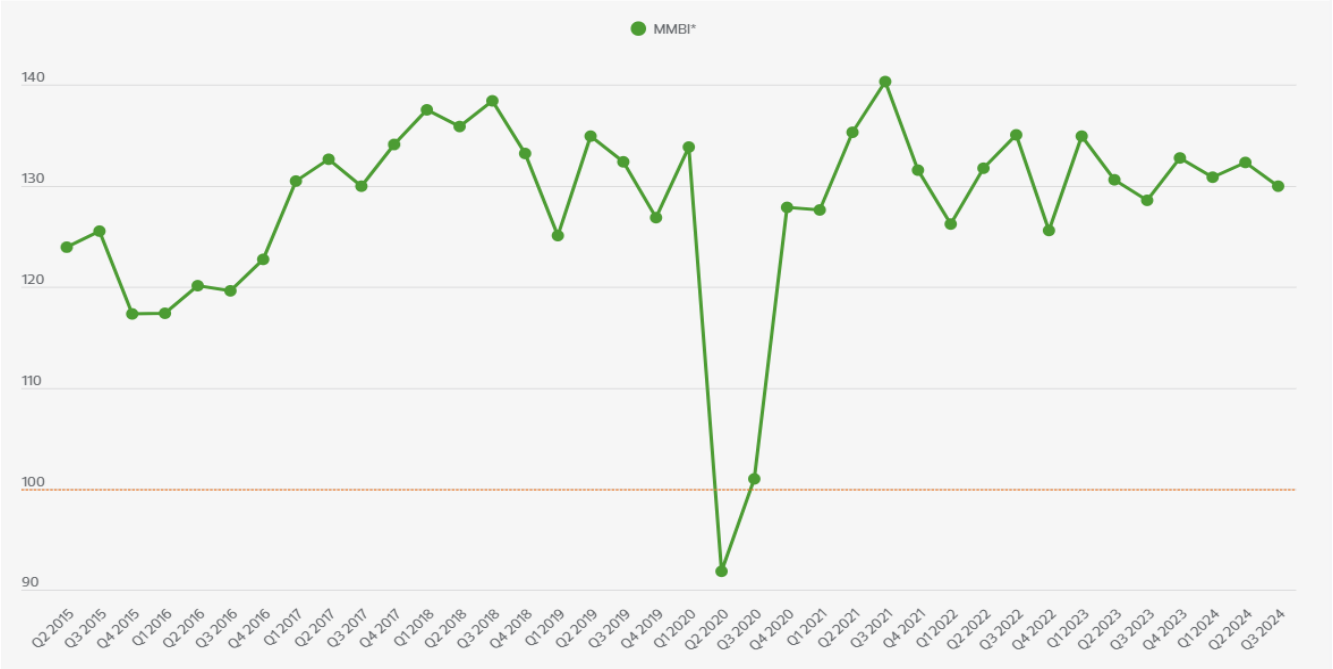
September 17, 2024



RSM US Middle Market Business Index

Economic Conditions Remain Solid

RSM US MIDDLE MARKET BUSINESS INDEX



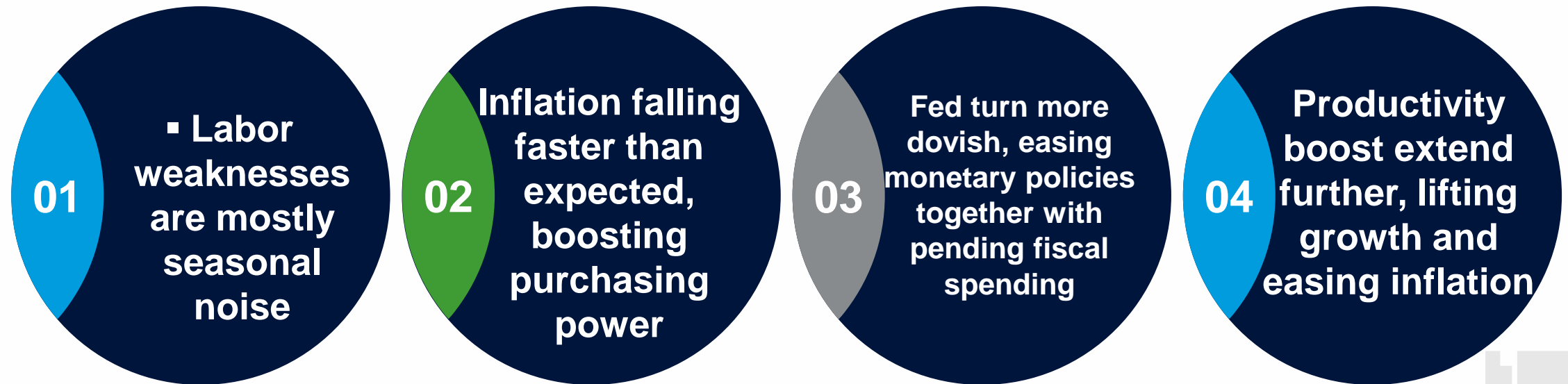
Source: RSM US LLP

*Seasonally adjusted; diffusion index with neutral = 100

Key Takeaways

- Over half of respondents expect the economy to improve during the final three months of 2024 and into the first quarter of 2025.
- Forty-five percent saw improvement in current-quarter revenues; 65% said they expect further gains in the next six months.
- Data is based on responses from 404 senior executives at middle market firms during July of 2024

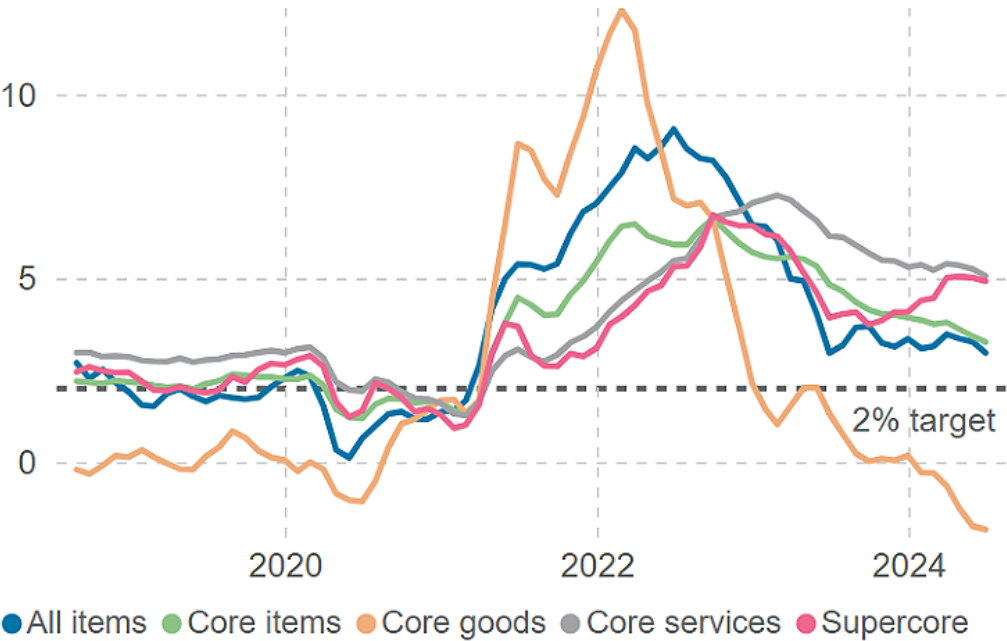
Positive risks to the outlook



CPI inflation cooled again

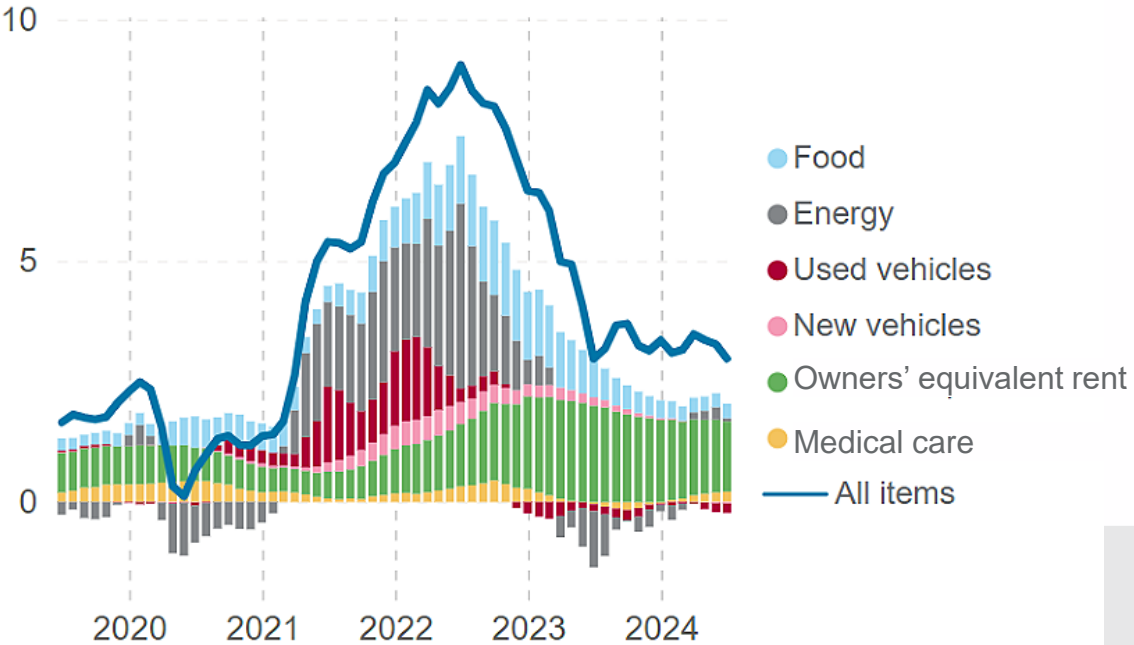
- The lowest rate since February 2021

CPI inflation



Source: BEA, RSM US

Component contribution



Personal spending and income outlook

01

- American consumers are much more resilient than expected, supported by a strong labor market and excess savings.

02

- Personal income grows faster than inflation, helping real income to stay positive toward the end of 2023 and the start of 2024.

03

- Consumers spending down their pandemic excess savings, which will likely run out by mid-year. Most of the excess savings is held by the top income earners.

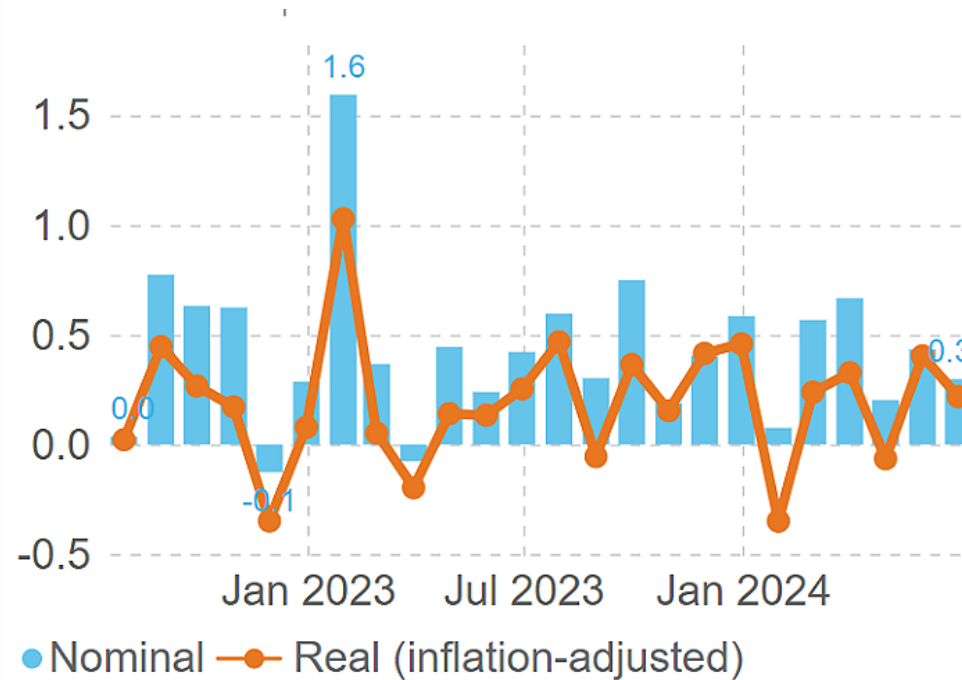
04

- Consumer confidence has picked up in the last 6 months as inflation is under control, slowly catching up with the hard data on overall consumption demand.

American consumers are much more resilient than expected

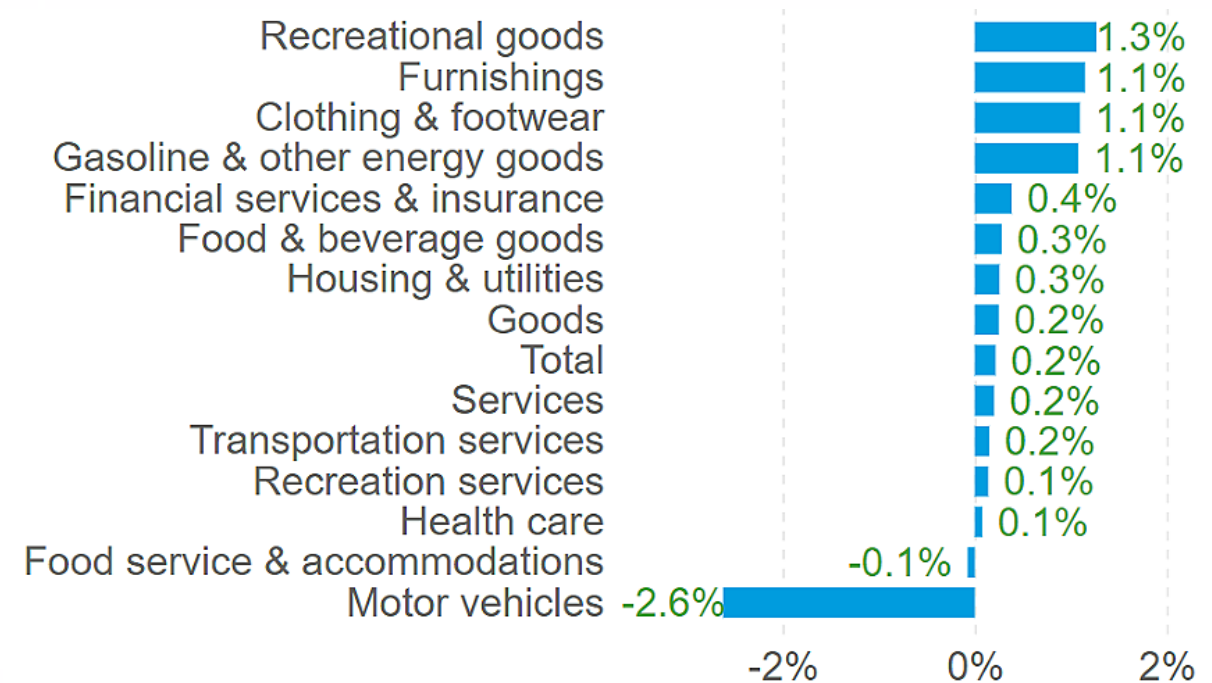
- Services spending continues to be a strong support

Personal spending, monthly growth



Source: BEA, RSM US

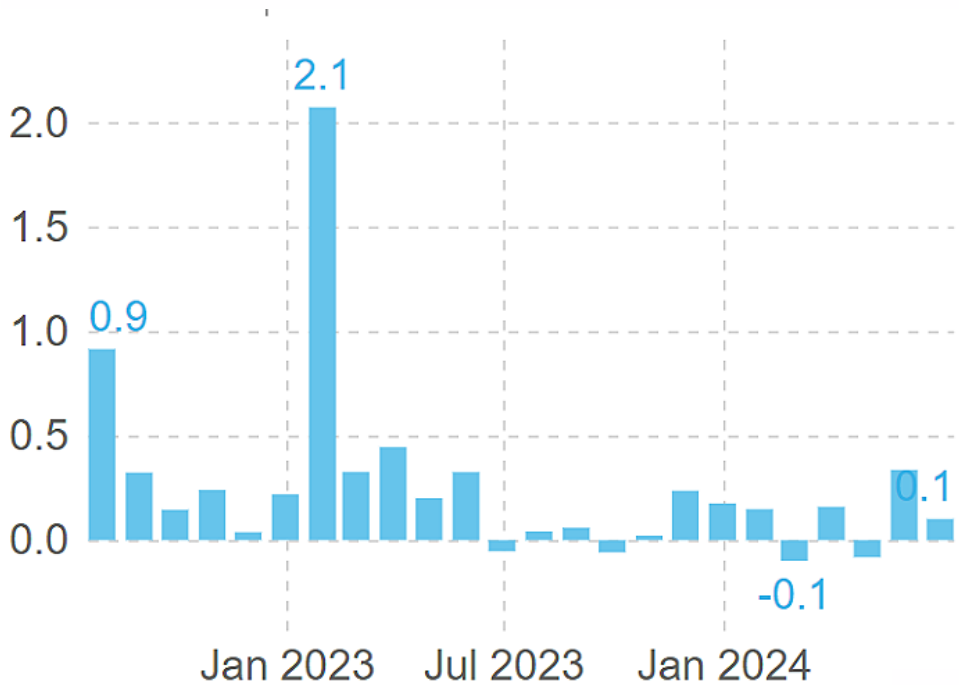
Real spending monthly changes



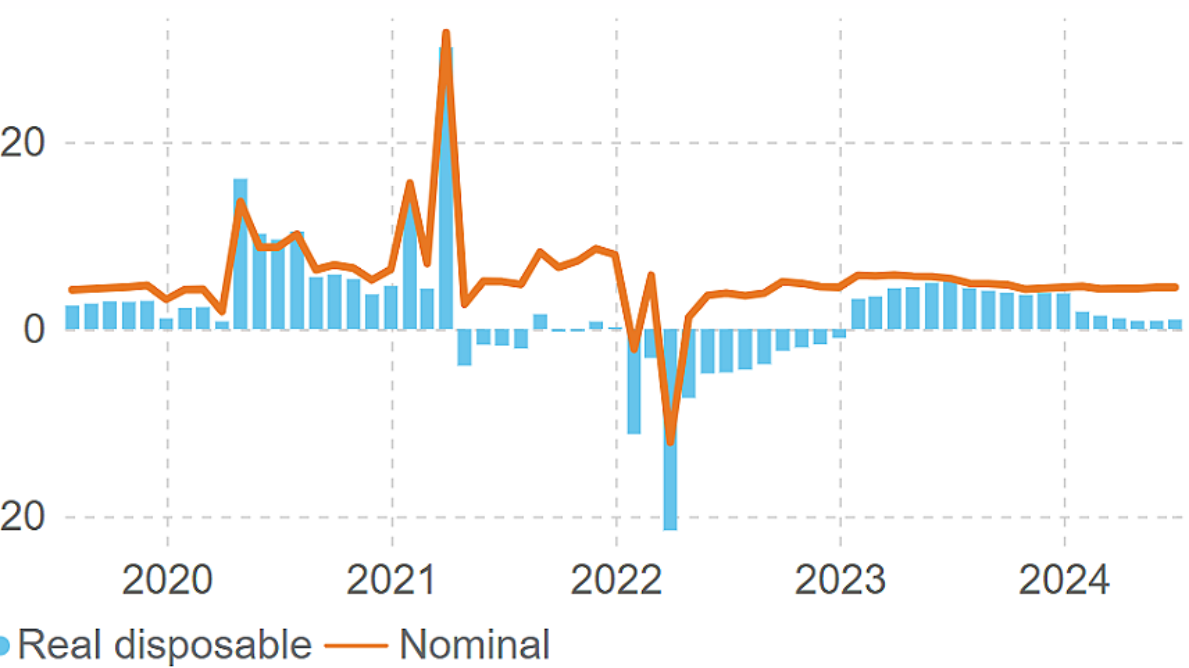
Income stays solid due to strong labor market

- Labor force participation remains high

Real disposable income monthly change

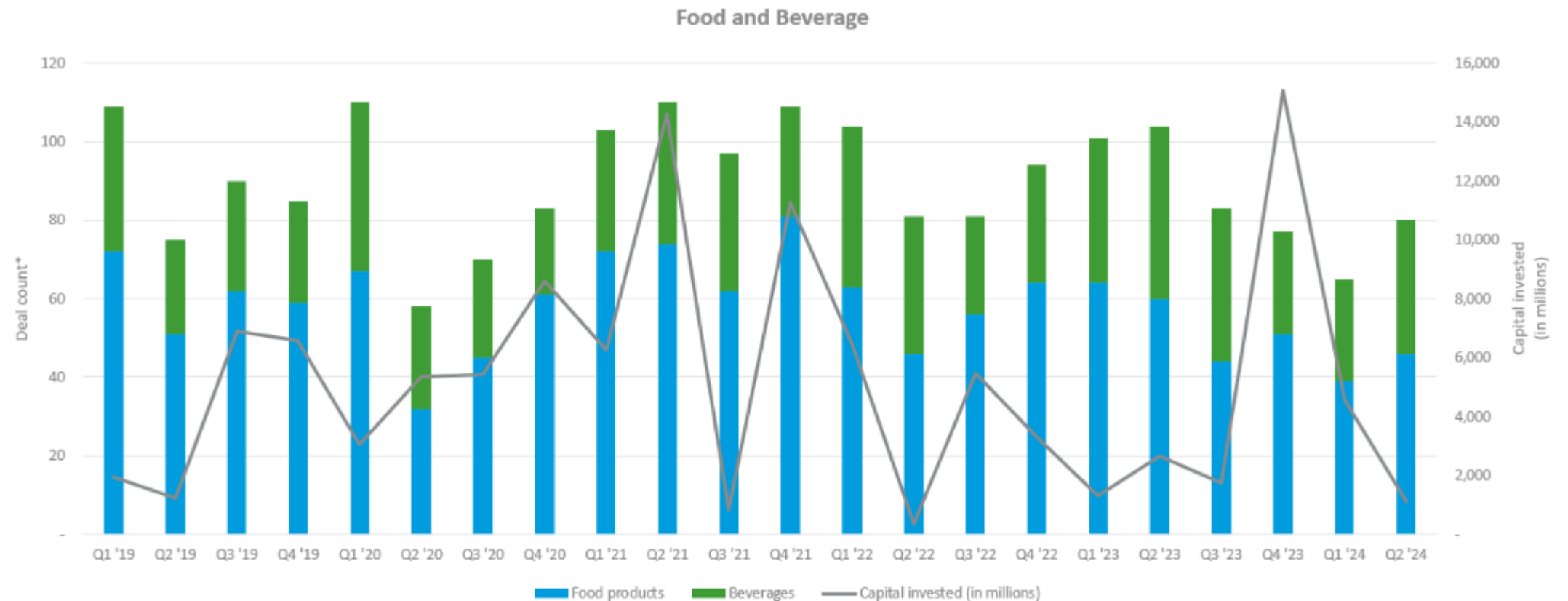


Year-over-year change in income



Source: BEA, RSM US

M & A activity



Source: Pitchbook Data, Inc., RSM US LLP

* Deal count includes US headquartered closed M&A transactions through June 30, 2024, based on data available through July 26, 2024.
 Note: Capital investment is limited to transactions that disclose deal value.

Fiscal and household balance sheets

01

- Fiscal policies are restrictive in the short-run to avoid inflationary pressures, as well as to allow normalization after massive pandemic relief efforts.

02

- Long-term spending however is implemented via industrial policies that are expected to boost productivity and lower inflation.

03

- Household balance sheets remain strong, bolstered by equity market gains and solid income growth.

04

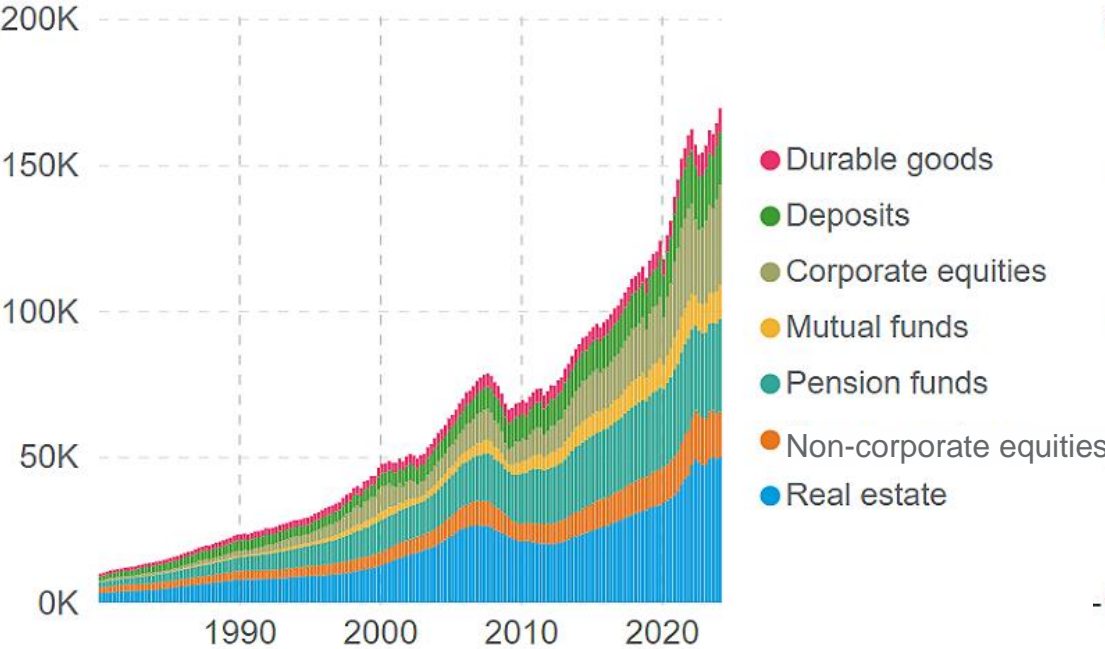
- The debt problems for both the government and consumers remain insignificant and non-systematic at the current time. Yet, any early signs of distresses should be closely watched.

Household net worth continues to rise

- Via equity and real estate price surges

Household major asset types

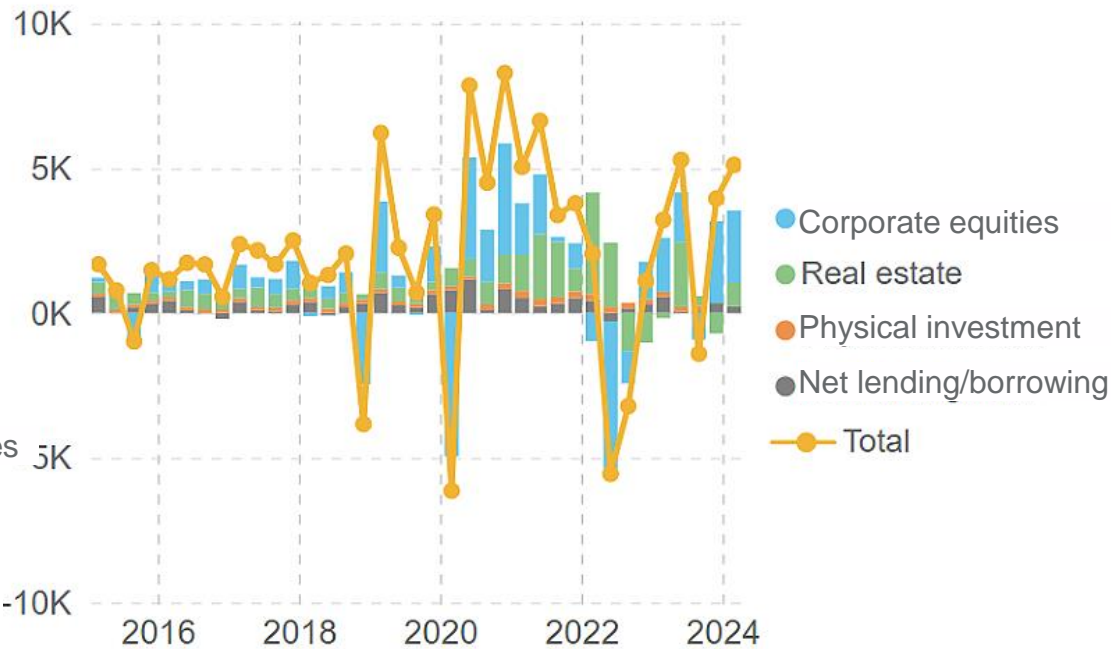
\$ billions



Source: U.S. Treasury, White House, RSM US

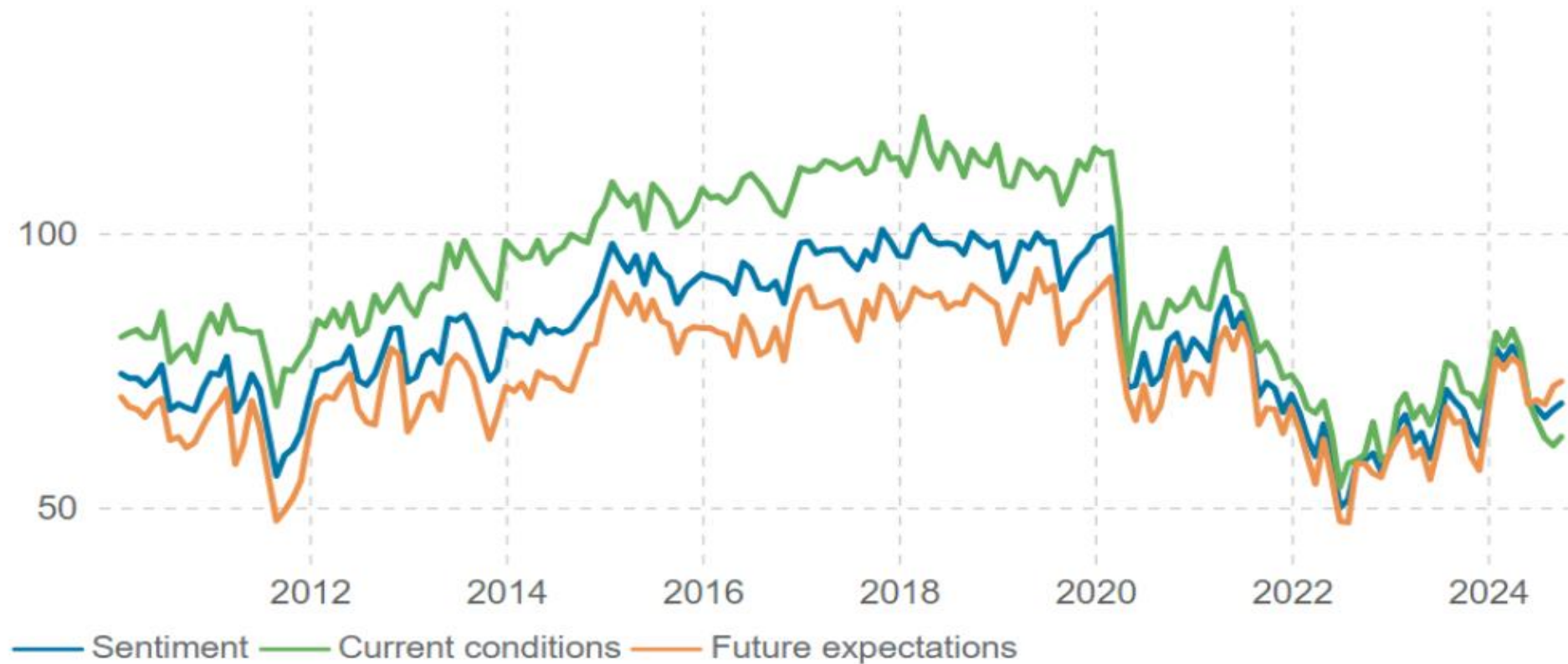
Change in household net worth

\$ billions



Consumer Sentiment Rebounds

University of Michigan consumer sentiment
Monthly index



Source: University of Michigan, RSM US

If the economy is strong,

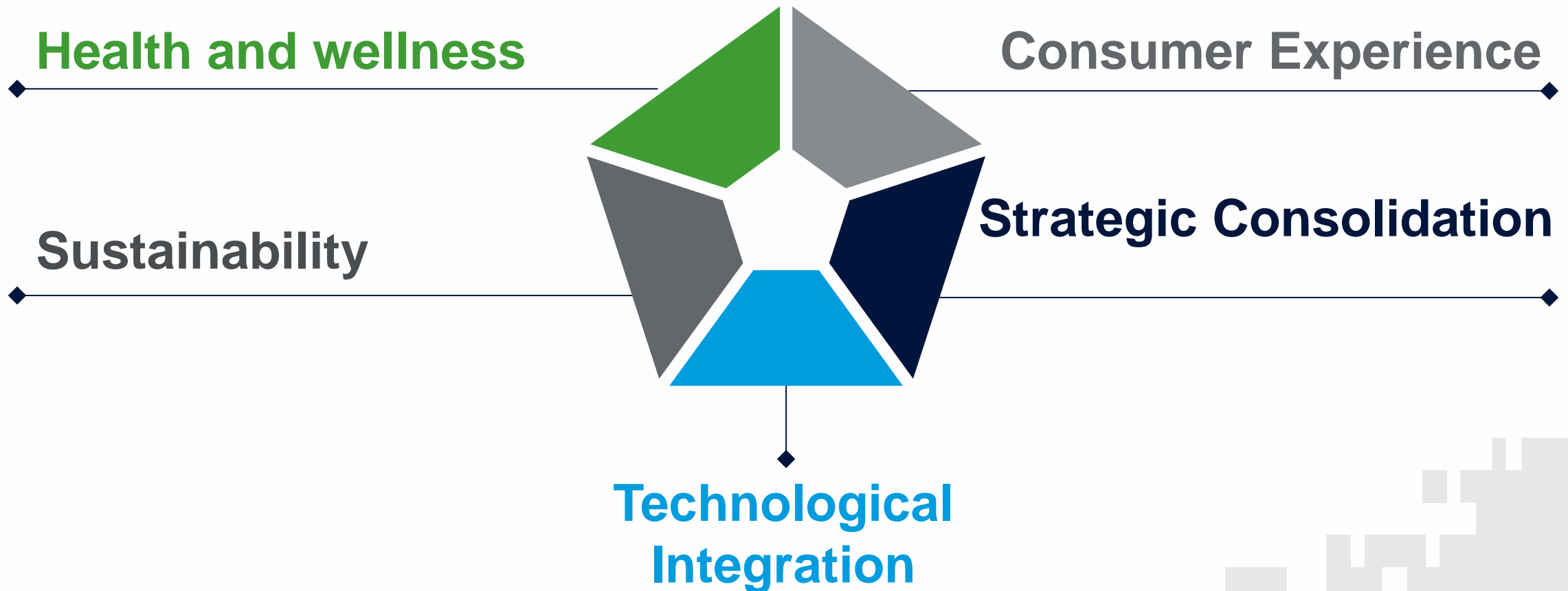
why does everything seem so expensive?



A few reasons why


- While inflation has cooled, it doesn't mean prices are falling
- Supply chain problems continue due to geopolitical tensions and weather-related issues
- Retail energy prices such as electricity have yet to fall significantly
- Housing disinflation has only begun in Q2 of 2024

Strategic direction in food and beverage



Focus Five


For Food and Beverage



- Rebalance revenue growth and cost reduction initiatives against risk




- Develop strategies to maintain customer engagement



- Achieve greater supply chain resilience with advanced inventory management using predictive analytics and AI



- Create a culture of workforce innovation



- Build a sustainable future aligning ESG strategy with business priorities

Building a sustainable future

Targeted Sustainability Programming



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