



Inflation Surge in Hot Drinks: 2023 and Beyond

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Key findings

GLOBAL OUTLOOK/MACROECONOMIC UPDATE

Inflation forecast to decline in 2023 but remain above central banks' targets

Forecast inflation rate in 2023 across countries

Key risks for inflation in 2023

HOW INFLATION IS AFFECTING HOT DRINKS

Hot drinks as an industry has tended to trail the overall inflation rate

Long-term pressures mean that inflation is not going to cease to be an issue

Hot drinks prices are up, but by less than the overall food and beverages category

Companies have responded with a wide range of potential ways to deal with costs

Spending at coffee and tea shops has held up better than foodservice spending overall

Inflation further pushes demand towards calming and sleep-promoting functionalities

Efforts towards automation receive a boost from rising labour costs

Delivery faces a period of consolidation but the long-term outlook remains strong

Private label grows within its traditional geographical confines

Dairy prices could accelerate the switch to plant-based or even animal-free dairy

COMMODITY AND RETAIL PRICES

Coffee's price spike has abated, at least temporarily

Commodity pricing has been passed through to the consumer, but inconsistently

Tea has stayed relatively insulated from major price fluctuations

Tea prices at retail have risen but by less than the average grocery basket

The crisis in Darjeeling threatens one of the world's premier teas

The major input increases have tended not to be from the hot drinks themselves

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