

**Profits in the food trade sector :**

**Year 2022**

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**Study department**

*Abstract : This study shows the evolution of nominal profits in the food trade sector (retail and wholesale) in 2022 compared to 2018-2021. It shows a sharp decline in profits in 2022 for large retailers but not for smaller ones. Aggregate operating profits reach their 2019 level. Shareholder’s compensation also reaches its 2019 level. If half the profits were shared among the sector's workers, each would receive a gross amount of more than 4000 euros.*

Date: 06/11/2023

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1. **Introduction**

The food trade sector experienced a boom in 2020 following the Covid-related confinements. In 2021, profits have progressively returned to more normal levels. In 2022, the sector faced a series of challenges: rising food and packaging costs, energy prices, transport costs and wages. At the same time, the food retail sector raised its prices to offset the various cost increases. What is the final impact of these two trends on profits? If there is a drop in profitability, how big is it?

1. **Methodology**

The data used are the company accounting data publicly available on the website of the National Bank of Belgium. The sector figures presented are aggregates of information from individual companies.

The profit indicator used is operating profit (code 9901), i.e. the profit on sales transactions. This measure is preferred to profit after tax (code 9904) because profit after tax takes into account not only tax but also the financial result of companies. However, this can seriously bias the analysis. For example, in 2022, the operating profit of the Franz Colruyt legal entity is €161 million, whereas its profit after tax is €1.8 billion. The difference is explained by the resale of subsidiaries. However, the present study aims to assess the profitability of commercial activities, not the resale activities of subsidiaries. Operating profit is therefore used. Tax paid is shown separately for information purposes.

Turnover is not available for most small companies, which are not obliged to disclose it. Sectoral data on sales therefore relate only to medium-sized and large companies. The number of workers in 2022 is also sometimes not available for small businesses. In this case, it is estimated on the basis of different parameters (number of employees in 2021 or personnel costs). For micro-businesses where the number of employees was not given, it was estimated at 1.

The scope of the analysis includes companies belonging either to joint committee (JC) 119 for the food trade, or to NACE Code 47.01 Retail sale in non-specialized stores with food. The 2020 edition of this study focused on JC119. The 2021 edition focused on NACE code 47.01. Two-thirds of the companies in these two entities are common. Bringing them together provides the most representative overview of the food trade, and this methodology will be maintained in future editions. Limiting ourselves to JC 119 omits certain large shops such as Lidl and Carrefour. Limiting ourselves to NACE code 47.01 leaves out certain major companies involved in the food wholesale trade. And wanting to include them via the NACE46.3 code also brings into the analysis many food industry companies that have little business being there (Unilever, Philippe Morris, etc.). Taking CP119 and NACE47.01 together seems to be the best way of getting an overview of the food trade sector.

Only legal entities with their registered office in Belgium were selected. In total, 14 943 companies meet these criteria. Of these, 2 361 have not yet filed their 2022 accounts with the National Bank. They are removed from the analysis, bringing the sample size to 12 581 companies. Only Delhaize – which has not yet deposited its accounts with the national bank because of a social conflict – has not been removed from the analysis and its numbers have been estimated on the basis of confidential partial sources.

1. **Results**

Here are the main results of the study, concerning sales, profits and shareholder remuneration.

1. **Sales**

Here's the sales curve.

Sales are rising in 2022. It should be noted that this is essentially due to price rises, as the quantities sold are falling, notably as a result of the population's declining purchasing power.

1. **Profits**

Here is the operating profit curve of Belgian food trade businesses (in blue), in millions of euros. It rises until 2020, then falls in 2021 and 2022, returning near 2019 levels.

The bottom curve represents tax paid on profits.

If the tax-reduced operating profits were distributed among the workers of the companies considered in this study (131 934 full-time equivalents), each worker would receive an amount of €8107. If half of the profits were distributed in this way, each worker would receive €4054. Note that these calculations ignore the financial result. If this were included, the amount would be considerably higher, thanks to Colruyt's exceptional financial income.

Note that this figure cannot be compared with the sales figure. The profit figures relate to all companies, whereas the sales figure excludes small companies.

The following graph breaks down profits by company size.

We can see that the decline in the sector's profitability mainly concerns companies with more than 50 workers[[1]](#footnote-2). Smaller retailers have therefore been much more resilient to the inflation crisis. More detailed research would be useful to explain these highly heterogeneous trends.

1. **Shareholder’s compensation**

The upper curve represents the remuneration of the sector's shareholders. This includes dividends (Code 694) as well as share buybacks. Shareholder remuneration will rise sharply in 2020. It more than doubles. It then falls in 2021 and 2022, but remains at historically high levels.

The lower curve represents the remuneration of directors and managers (Code 695). Note that this is in excess of the salary they may already be receiving in the company. It often represents the return on capital in small and medium-sized companies. It has peaked in 2021 and has reduced since.

You can find company-by-company data in the appendix to this document.



1. The average number of 2021-2022 workers is used to determinate the threshold. [↑](#footnote-ref-2)