

## **NEWS from Canadean**

### **Soft Drinks Industry Confidence Dries Up**

According to Canadean's third quarter review, across much of Europe, stakeholders in the soft drinks industry are losing confidence in the future prospects for the sector. The report also identifies evidence of an East - West divide, with more optimism to be found in the East. Despite the anxiety, Canadean report year on year third quarter growth in both parts of Europe.

West Europe's soft drink market edged forward by 1%, in quarter three compared to the same period last year. The comparable period in 2007 however saw many key parts of the region experience unusually cool summer conditions and the modest 1% rise is still seen by many as another symptom of the global economic slowdown. This reflects a marked deterioration in industry confidence, with Canadean research consultants on the ground reporting a worsening outlook in every market in West Europe with the exception of the Netherlands and Norway.

Still focusing on West Europe, in an increasingly price sensitive environment, juices, which have endured high concentrate prices during much of 2008, witnessed a downturn in summer sales of between 3 and 4%. The still water segment, which has contributed so much to the region's soft drink boom in recent years, now looks vulnerable as consumers switch back to tap water and growth has slowed to a trickle. Canadean have downgraded their still water forecast for West Europe down to just 1% this year. The news is not all bad and there are some highlights; the energy drink category remains very firmly in the growth stage of its lifecycle and sales jumped by 15% during the quarter, while the mature carbonates category enjoyed a gain of 2%.

Two major European markets, France and the UK, have now slipped into decline - France's soft drinks market shrank by 1% while the UK saw sales drop by 2% in quarter

three. Denmark was the first market to officially go into recession and at -6% nowhere is the soft drinks market shrinking quicker. Across much of West Europe, Canadean's consultants' feedback points to a surge in hard discounter footfall, rising private label share and half empty bars and restaurants.

In neighbouring East Europe there is more optimism to be found; consultants in Bulgaria, Serbia and Slovenia even report a mild improvement in confidence levels. East European third quarter soft drinks sales jumped by nearly 2% in quarter three and Canadean anticipate end of year results to register around 3%.

The overall trading environment may be more upbeat in East Europe but darker clouds are very much in evidence, most notably in the Baltic countries and the influential Russian market. In Russia, soaring inflation rates contributed to a 7% fall in soft drinks sales, a situation that was compounded by colder summer temperatures in the same period last year. The general picture in East Europe is brightened by the strong growth in Poland and Romania; Poland enjoyed double digit growth and there remain few signals of bleaker times around the corner.

Canadean's third quarter review does spotlight some positives in the European soft drinks marketplace but the overall picture exposes the changing mood of those on the frontline of the industry. Soft drinks operators are bracing themselves for a bumpy ride ahead.

**'The European Soft Drinks Quarterly Review - Q3 2008'** provides a complete overview of soft drinks consumption trends and latest market developments. It is available by individual country or as a whole, and is an essential tool for keeping up-to-date with the latest industry developments.

For further information about this report, please contact Debra Richards on tel: +44 (0) 1256 394227.

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**Editor's Note:**

Canadean is the leading supplier of information, marketing research and consultancy services to the global beverage and beverage packaging industries.

With headquarters in the UK but with offices around the world, Canadean has built a reputation as the benchmark for global beverage market intelligence. Local operations are now based in Madrid, Buenos Aires, Mexico City, Hong Kong, Beijing, Shanghai and Sydney.

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