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European FMCG market grows despite economic headwinds as consumers prioritize essentials and convenience

Private labels face new competition from branded manufacturers while sustainability and value drive changing shopping habits across Europe

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The European fast-moving consumer goods (FMCG) market has shown resilience in 2024, reaching a value of €680 billion, according to the latest Circana Demand Signals report. This growth of 1.9 percent comes despite ongoing macroeconomic uncertainty and inflationary pressures across the continent. The report, which tracks over 230 product categories and one million items in the six largest European retail markets—France, the United Kingdom, Germany, Italy, Spain, and the Netherlands—highlights significant shifts in consumer spending patterns.

Demand for essential and convenient products has driven much of this growth. Refrigerated and fresh foods performed strongly, with unit sales rising by 2.2 percent to 84.5 billion units. Dry food also saw an increase of 0.8 percent, totaling 89.1 billion units sold and adding €7.5 billion in absolute value compared to the previous year.

Despite these positive signs, the sector faces a cautious outlook as economic pressures persist. Nearly one-third of product categories moved from decline to growth in 2024, while another 28 percent maintained positive momentum. However, rising economic challenges could slow further progress. Consumers are becoming more selective with their spending, allocating more to basic goods—which grew by 1.6 percent—and cutting back on non-essential items by a similar margin as they seek to manage household budgets more carefully.

Ananda Roy, Senior Vice President of Thought Leadership Europe at Circana, noted that the FMCG sector is showing strong resilience amid ongoing economic turbulence. He explained that European consumers are prioritizing value and convenience, prompting brands and retailers to quickly adapt their product ranges and promotional strategies.

After several years of rapid growth for private label brands—driven by inflation—market dynamics are shifting again. Private labels now account for nearly 47 percent of FMCG unit sales, or about 143 billion units. However, branded manufacturers are regaining ground through aggressive promotions, product innovation, and smaller packaging formats that better meet evolving consumer needs. Roy emphasized that branded manufacturers are differentiating themselves through innovation, sustainability initiatives, and improved product experiences. He added that private labels must now adapt if they want to maintain their growth trajectory.

Consumer behavior is also changing under inflationary pressure. Beyond price considerations, European shoppers now favor versatile and sustainable products that fit their lifestyles. Sixty-eight percent say they prefer products suitable for multiple occasions or contexts. Physical availability remains important: more than half of consumers will look for a product again if it is out of stock but few will change their shopping routines to do so. Product experience is also critical; 64 percent of dissatisfied buyers say they will not repurchase an item.

Trust, quality, and ease of access have become key factors in building consumer loyalty in this environment.

Southern Europe has led value growth in the FMCG market this year. Spain posted a 4.9 percent increase in 2024, reaching €99 billion in sales thanks to strong domestic demand and robust performance in fresh and refrigerated foods. Italy followed with a 2.3 percent rise driven by dry foods and beverages. The United Kingdom grew by 2 percent as convenience-related habits rebounded.

In contrast, Germany saw a compound annual growth rate (CAGR) decline of -0.5 percent in unit sales for 2024, while France and the Netherlands both recorded drops of -0.8 percent—reflecting continued economic uncertainty and low consumer confidence in these markets.

Health trends and demographic changes are also affecting certain categories within FMCG. Alcohol sales fell by 1.5 percent in units sold during 2024, while overall beverage sales grew only marginally at 0.1 percent as healthier options gained popularity among consumers.

Non-food FMCG categories showed slow and uneven recovery this year. Personal care products saw a modest increase of 0.9 percent in unit sales, helped by high demand during the weeks leading up to Christmas. Household care grew by 0.6 percent due to new product launches and strong promotional activity in detergents and related items.

Private label brands have evolved their positioning and value propositions but are now seeing growth stabilize in some key markets. Spain and Germany continue to show high penetration rates for private labels but recent momentum has slowed down. France is

experiencing moderate growth while private label shares have stabilized in both the United Kingdom and Italy amid increased competition from branded manufacturers.

The Circana report suggests that as European consumers continue to navigate economic challenges, their focus on essentials, convenience, sustainability, and value will shape the future direction of the FMCG market across the region throughout 2024 and beyond.