

Pet economy's resilience to inflationary pressure

Although inflation has driven up prices for pet products, demand for pet-related products and services and related revenues continue to grow. What are some of the reasons for the pet economy's inelasticity, and what underlying trends drive the growth – even in a highly inflationary environment?

The facts:

- Pet economy experiences continuous growth trends (CAGR* of 6.1% between 2022 and 2027)¹
- Globally increasing pet food revenues

Pet food revenues (Million EUR)



* Compound Annual Growth Rate.
Source: Pet Food Report 2021 Statista Consumer Market Outlook, as of December 2021.

THE DRIVERS INCLUDE

1. HUMANISATION OF PETS

of "pet parents" consider their pet to be a member of their family, with the corresponding willingness to provide them with appropriate food, individual care, etc., even in difficult times.



Pets are a mentally important support in economically difficult times; pet parents might turn towards their pets even more for support.



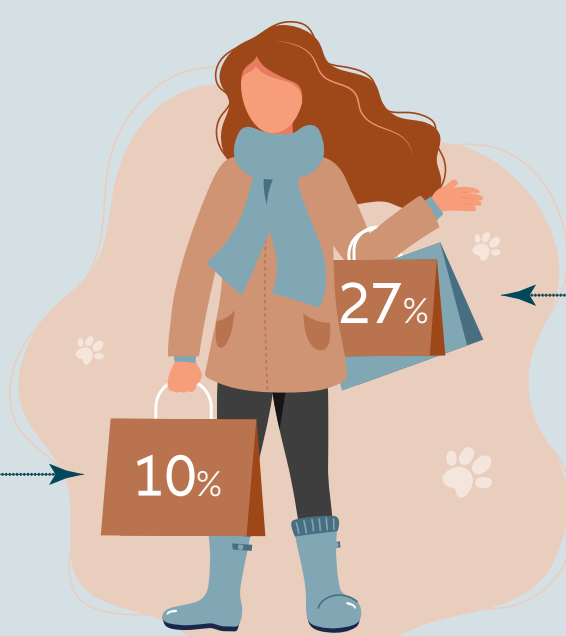
Celebrate their pet's birthday every year (including buying their pet a present)

2. CUTBACKS ON SPENDING, BUT NOT ON THEIR PETS

Pet products and services represent only a small share of overall spending

According to our GRASSROOTS RESEARCH® findings for the US²:

In a deteriorating financial situation, only 10% of pet parents would reduce their spending on pets while the majority would rather cut their expenses for restaurants, cinema, travel/holiday, apparel & accessories and electronic goods.



expect to spend more on their pets in the next 12 months. (As of June 2022)³

3. PET PARENTS' SPENDING SHIFTS TOWARDS PREMIUM FOOD/INDIVIDUAL DIET

According to our GRASSROOTS RESEARCH® findings for the US⁴:

43% would pay a premium price for pet food to improve their pet's nutrition



37% are considering paying a premium price for higher-quality food

20% say that the pet's preference is the most important factor when buying food

IMPLICATIONS FOR INVESTORS

Pet-related companies could show a higher resilience to inflation compared to businesses from other areas of consumption.

Providers of pet products and services might be in a more favourable position (see drivers for pet economy's growth) to raise prices to pass on the cost increases to the pet owners, which results in higher pricing power.



1. Common Thread Collective Pet Industry Trends & Growth Statistics 2022, as of June 2022.
2. Allianz Global Investors Grassroots Research "Spending Trends for Pets Survey in the US", as of June 2022.
3. Ibid.
4. Ibid.

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