

Press Release

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Significant negative shift seen in alcohol spending behaviour amid signs that it may be temporary

IWSR's ongoing tracking of alcohol consumer behaviour shows "economic moderation" is top of mind

December 2023 - Latest data from IWSR shows that consumers are cutting back on alcohol spending as financial concerns grow and the cost-of-living crisis eats into their disposable incomes.

While there has been little movement in recalled alcohol consumption volumes in Wave 2 of IWSR's Bevtrac reporting (based on H1 2023 market data and consumer research conducted in September 2023), tracking of the 15 leading beverage alcohol markets (T15) shows "a significant negative shift" in terms of spending behaviour.

In Bevtrac Wave 1 – conducted in March 2023 – consumers in all regions reported positive recalled changes in spend on alcohol; by September, all regions except Asia had turned negative.

Premiumisation is still evident in India, China and Taiwan – although mainly confined to spirits – but the findings identify a notable negative swing in Latin America, with recalled consumption and spend both trending strongly downwards.

Asked to name the biggest change to their alcohol consumption behaviour in the last six months, consumers in 11 out of the T15 markets identified "economic moderation" – compared to seven out of 15 in Wave 1. Consumers are looking to save money by prioritising 'essential' spending and going out less. Finances today – especially for younger legal drinking aged (LDA+) drinkers – are under pressure due to a number of factors, such as interest rate rises, debt, food inflation, tax hikes and increasing energy costs.

The shifting picture is also apparent in market performance for the first half of 2023, with beer volumes falling marginally, spirits (excluding national spirits) up +1%, still wine down -4% and RTDs up +1%.

"There is a clear change identified in Wave 2 of our ongoing alcohol consumer tracking, with recalled consumption volumes remaining in negative territory – with a few exceptions – but now accompanied by a strongly negative shift in spend across multiple categories and markets," says Anastasia Timofeeva, Senior Consumer Insights Manager, IWSR. "However, consumers report high job security, so future sentiment remains positive. This suggests the ongoing changes are not structural, and a bounce-back is likely."

“The key will be whether real wages can grow sustainably in the next two quarters in Europe and North America, particularly for younger LDA+ and middle-income consumers – and whether the ‘natural’ positivity in China and India translates into actual consumption behaviour.”

Other findings from the IWSR Bevtrac Wave 2 tracking include:

Regional breakdown

- **North America:** The net change in spend has turned negative compared to Wave 1, with Canadian consumers also reporting growing anxiety about the future.
- **UK:** Market performance is trending negative overall, and is stable versus Wave 1.
- **Europe:** France and Germany share a similar profile, with financial worries shaping consumer sentiment, consumption and spend. In Spain and Italy, trends are largely consistent with Wave 1, with apprehension about the future and financial worries top of mind.
- **Asia:** Growing consumer caution is having an impact on spend, though both China and India remain net positive in terms of recalled volume change. There are signs of category momentum slowdown in Taiwan, with little change versus Wave 1 in Japan (largely negative, except for Cognac).
- **Australia/South Africa:** Despite some improvement in sentiment, the downward trend in consumption and spend continues.
- **Latin America:** Consumers in Brazil and Mexico have undergone a significant change in behaviour and attitude since wave 1, with category withdrawal and downtrading replacing the wave 1 trend of recalled increases in volume and spending across categories.

Younger LDA+ drinkers remain positive about the future

The loss of premiumisation momentum appears to be most acute among younger LDA+ consumers, who in most markets are also the ones struggling the most with their household finances. However, they are also the cohort most likely to have a positive outlook for the future.

Given this group’s importance to spending trends in spirits and premium-plus price tiers, and particularly in the on-premise, they are likely to be the indicators of any rebound in 2024.

Super-premium+ spirits insulated

Bevtrac Wave 2 suggests that spend levels and up-trading behaviour in the super-premium+ price tiers are more insulated against downtrading and consumption declines, particularly among those on higher incomes.

In H1 2023, 12 out of the top 20 markets recorded growth in super-premium+ spirits sales, thanks to trends such as the expansion of high-end agave spirits in the US. “Super-premium-plus spirits drinkers are proving resilient in the face of existing financial pressures,” says Timofeeva. “They show higher recalled consumption volumes, as well as higher spends, compared to all drinkers.”

No-alcohol: a bright spot

No-alcohol is the only category to show an increase in recalled consumption in every market in Bevtrac Wave 2, with the data showing a growing universe of consumers, although recalled spend is largely down.

When asked what was consumed on their last drinking occasion, recalled usage of no-alcohol beer in Spain doubled between Wave 1 and Wave 2 (11% to 22%). Similar trends were observed in Germany and Japan – all relatively mature no-alcohol beer markets with a broad user base.

“No-alcohol’s momentum appears to be coming from innovation, increased availability and closer alignment with taste expectations, especially in the no-alcohol beer category,” says Timofeeva.

“No-alcohol beer entered the top five beverage categories consumed on last occasion for the first time in Wave 2, ranking equal to RTDs, which saw an incidence decline, along with full-strength beer. This surge in recalled usage was very broad-based – all but one T15 market (South Africa) saw last-occasion incidence of no-alcohol beer usage grow.”

Note to editors:

IWSR’s Bevtrac Wave 2 tracking includes consumer research conducted in September 2023 (following Wave 1 in March 2023), and H1 2023 market performance data, in 15 leading beverage alcohol markets:

- North America: US, Canada
- Latin America: Brazil, Mexico
- Europe: France, Germany, Italy, Spain, UK
- Asia: China, India, Taiwan, Japan
- Australia
- South Africa

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About IWSR Drinks Market Analysis

IWSR is the leading source of data and insight on the global beverage alcohol market. The IWSR database, essential to the industry, quantifies the global market of wine, spirits, beer, cider, RTDs (ready-to-drink), and no/low-alcohol products, by volume and value in over 160 countries, and provides insight into short- and long-term trends, including five-year volume and value forecasts, as well as consumer behaviour. IWSR tracks overall consumption and trends at brand, price segment, channel, and subcategory level. Our data is used by the major international wine, spirits and beer companies, as well as financial and beverage-alcohol market suppliers.

IWSR’s unique methodology allows us to get closer to what is actually consumed and better understand how markets work. IWSR boasts a team of global analysts, each of whom is equipped with local market expertise and an expansive network of on-the-ground industry contacts. Our analysts meet and speak with their industry contacts throughout the year to capture local insight, key market trends, and the 'why' behind the numbers.