

Press Release

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Global Beverage Alcohol Market Volume Growth Slows to +1% Per Annum 2022-2027, Whilst Value Forecast to Grow By +2% YOY

India, Mexico and Brazil take over from the US and China as volume growth drivers; US and China remain key to the industry's value growth

7 June 2023 - According to comprehensive new data and forecasts from IWSR Drinks Market Analysis, global beverage alcohol is forecast to grow amidst a challenging political and economic landscape, and is projected to deliver over US\$ 21.6bn to the global economy by the end of 2023.

Future volume growth will be subdued, at +1% volume CAGR 2022-2027, and IWSR expects a shift away from the US and China as the key volume drivers for the global beverage alcohol industry. Instead, India, Mexico and Brazil stand out as the key volume growth markets over the next five years. In fact, India and Mexico together accounted for over half of all volume growth in 2022. The US and China will, however, remain significant value drivers despite expected volume declines 2022-2027. Between 2022 and 2027, the US total beverage alcohol market will grow by USD \$12 billion, and China's by USD \$41.7 billion.

"As geopolitical and economic turbulence impacts the market, alcohol drinkers are shifting their consumption behaviours," notes Mark Meek, CEO, IWSR Drinks Market Analysis, the leading authority on the global beverage alcohol market. "The key trends that have underpinned the industry, such as premiumisation, will evolve as consumers respond to the increased cost of living crisis. The industry will, however, still deliver pockets of significant value growth. The pandemic also accelerated the rise of trends such as the at-home occasion and moderation; these behaviours are now here to stay."

As consumer behaviours shift, IWSR notes that a twin-tracked premiumisation trend is evident. "In most mature markets, premiumisation looks to be embedded into consumer purchasing behaviours, and will continue to add value in most price tiers, albeit at slower growth rates," notes Meek. "In developing markets, consumers are continuing to trade up as incomes rise."

Premium-and-above price bands for beer, spirits and wines all outperformed their standard-and-below counterparts in 2022, and this trend will continue. Consumers in India, China and the US show a higher recalled-spend than other key markets, with much of this driven by younger adults between the ages of 18 and 39.

Premium segments in the global travel retail channel will continue to regain market share as the channel increasingly embraces the role of a high-end product showcase. The return of Chinese travellers will provide a significant boost, especially for more premium priced products.

Increased cost of living is leading to some downtrading, particularly in the standard and lower price tiers. This is most evident in parts of Africa, Latin America and Europe.

IWSR's analysis of the global beverage alcohol market also shows:

Beer outperforms in key markets

Global beer volumes grew +3% in 2022, buoyed by strong performance in markets including India (+38%), Vietnam (+17%), Mexico (+7%) and China (despite lockdowns), amongst others.

Beer is expected to continue to grow at just under +1% volume CAGR, 2022-2027. The two largest global beer markets, China and the US, will hold back overall growth – particularly due to volume declines at the lower-price tier of products. However, the premium+ beer segment will outperform standard-and-below in both countries. In the US, the premium+ beer market is expected to grow by +3% volume CAGR 2022-2027 (vs -5% decline for standard-and-below). In China, premium+ beer will grow by +6% volume CAGR 2022-2027 vs 0% for lower price tiers.

More diverse consumer repertoires put pressure on lower price tiers for wine

Still wine lost volume in every top 10 market in 2022, normalising trends following the Covid-19 pandemic boost, and continuing its structural decline. The total global wine category saw volumes decline -5%, 2021-2022, and growth will remain flat over the next five years. The value picture is more positive however, with growth evident in the premium-and-above segments (+2% volume CAGR, 2022-2027), as well as a more buoyant outlook for sparkling (+2% volume CAGR, 2022-2027). Lower price tiers for wine will suffer as younger adult wine consumers increasingly enjoy alternative alcohol options and drink higher-quality wines less frequently. The global standard-and-below wine segment will see volumes decline by -1% volume CAGR, 2022-2027.

Mixed picture for spirits

Globally, spirits declined -2% in volume consumption in 2022, largely due to low-priced baijiu in China. However, excluding national spirits (which includes spirits such as baijiu, soju, arrack and shochu), the global spirits category grew +5% in volume, 2021-2022, particularly driven by whisky (+8% volume growth, 2021-2022), but also categories including rum (+9%) and brandy (+6%). Cognac saw a 10% volume loss globally, due to declines in its two key markets of the US and China. Gin is now in long term decline in the key UK market, and has also lost momentum in many of its previous growth markets such as Brazil, South Africa and Australia; future gin growth will be driven by countries including the Philippines and Nigeria.

Premiumisation in whisky will be a key growth driver for the overall spirits category: the premium+ whisky segment is forecast to grow by +4% volume CAGR, 2022-2027. In India there is significant up-trading, both within Indian whisky and into Scotch and other whiskies: sales of premium Indian whisky in India will have grown six-fold between 2019 and 2027. In the US, whisky's ability to achieve volume growth of +2% even after significant 2021 volume gains reflects continued consumer demand. Premium-and-above segments contributed most growth to the whisky category in the US last year, and will continue on an upward trend (+4% volume CAGR, 2022-2027).

Agave spirits continue to drive sales

The demand for agave-based spirits continues, with overall category volume growth of +13%, 2021-2022, driven by performance in the US (+12% volume growth 2021-2022). Growth in the key US market will remain pronounced (+9% volume CAGR 2022-2027), and tequila is set to overtake vodka in 2023 to become the industry leader by value in the US. Tequila will remain a high-profile affordable luxury thanks to the number of celebrities directly involved with brand offerings, although there are early signs of a slow-down in the premiumisation trend.

Heightened consumer awareness of the category will boost agave alternatives as well – volumes of raicilla, bacanora, and sotol collectively increased by nearly 40% in the US in 2022, and will continue to grow.

Momentum in the RTD market shifts

Globally, RTDs grew +2% by volume in 2022, compared to historical growth of +20% volume CAGR, 2018-2021. The key US market decelerated sharply, with growth in cocktails, hard tea, and FABs (which collectively grew +14%, 2021-2022) unable to offset the 10% volume decline in hard seltzers.

The global RTD category is expected to grow by +3% volume CAGR, 2022-2027. Top sources of future RTD growth are FABs in Japan, as well as cocktails, long drinks, FABs and hard tea in the US. RTDs are in a constant state of evolution in the US due to changing consumer demand and interest. After years of light-flavoured and lower-ABV offerings, there has been increased demand for full flavour and higher-ABV options. Innovation in zero-sugar offerings, demand for premium RTD products, a focus on spirits-based offerings, and increased distribution in the on-trade, will provide growth in the US.

No-alcohol beer and spirits buoyant

Globally, the no-alcohol category grew +8% in 2022, and will continue on a growth trajectory of +7% volume CAGR, 2022-2027. By 2027, it is expected to command 2% volume share of the total global beverage alcohol market. Performance in 2022 was boosted by no-alcohol beer, which grew 8% in volume in 2022, and no-alcohol spirits, which grew almost 22% in volume (off a small base). In all key markets, around half of all alcohol drinkers say they are intending to moderate their consumption.

Evolving drivers of premiumisation: the home-premise and ecommerce

Staying in and drinking has a strong pull in most markets, especially driven by increased costs of going out. In the UK, for example, a third of alcohol drinkers say they would rather treat themselves to a better-quality drink at home than go out. IWSR expects a relative shift in treating oneself to higher priced products from on-premise outlets to at-home consumption, a behaviour learnt during the pandemic. China is an outlier, with the relieving of lockdown restrictions resulting in a significant increase in going-out sentiment.

Treating oneself at-home and exploration online are both reinforcing overall premiumisation trends. Although alcohol ecommerce sales are set to moderate over the next five years, the channel will still be a key contributor to the global market, and will reach nearly USD \$40bn by 2026 across key markets. There is still a strong intention to go out amongst consumers, just with less frequency and more mindfulness in alcohol consumption and spending. Alcohol-free on premise visits have become popular as a money-saving strategy in many markets.

Note to editors: IWSR is reporting US dollar value growth in 2022 at constant currency (fixed exchange rates). This is because the rapid strengthening of the US dollar 2022 vs 2021 against many currencies (including the euro and pound sterling) results in year-on-year US\$ value changes (if applied at variable rate) that distort the value growth trends as understood from an industry, consumer, and local market perspective.

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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 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.