



THE DRINKS MARKET PERFORMANCE 2017

Prepared for the
Drinks Industry Group of Ireland
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Foreword by DIGI

The Drinks Industry Group of Ireland (DIGI) is pleased to present *The Drinks Market Performance in 2017 report*. Commissioned by DIGI and authored by Anthony Foley, senior lecturer of economics at Dublin City University, this report examines the drinks industry in 2017, including sales, market mix, and alcohol consumption.

The importance of the drinks and hospitality industry to the Irish economy is undeniable. 92,000 people work in the drinks industry alone, in pubs, off-licences, manufacturers and other hospitality businesses. In total, the combined hospitality sector—including drinks businesses, hotels, restaurants, manufacturers, retailers and distributors—employs 204,000 people across the country, making up 10 percent of all jobs. It exports over €1.25 billion worth of produce every year.

But while the industry is built on a solid business network supporting hundreds of thousands of jobs, the outlook for 2018 and beyond is no less opaque than it was last year. “Uncertainty” remains the word du jour.

As you will read in this report, the industry witnessed an overall alcohol market decline of 0.1% in 2017 compared to 2016. In contrast, in the previous year the market grew by 5.7%. Tastes are changing, too: beer consumption declined by 2.1% in 2017, but cider [+1.5%], wine [+0.4%] and spirits [+3.6%] consumption all increased. Bar sales of alcohol increased by 2.8% in 2017 compared to the previous year. For off-licences, sales volume declined by 2%. The average per adult consumption of alcohol declined by 1.4% in 2017.

On a macro level, Brexit continues to be an uncertainty for Irish businesses. While negotiations have advanced—guaranteeing a transition arrangement until 2020—the border situation remains unclear. For those operating in the drinks and hospitality industry, that raises questions with regard to trade with the UK, an essential market for Irish businesses, and the sustainability and future development of supply chains.

While challenged by a changing market and geopolitical environment, Ireland’s drinks and hospitality industry is both productive and innovative. It has a major role to play in maintaining the country’s bill of outstanding economic health. This year, as we move forward with Support Your Local 2018, we look forward to engaging with you and stakeholders in Government once again.

Maggie Timoney
Chairperson

DRINKS

2.9%

National
employment
in 2017

2.5%

Average weekly
earnings in 2017

3.6%

Bar sales
incl. food in 2017

2%

Off-licence
sales in 2017

1.4%

Per adult
consumption in 2017

About DIGI

The Drinks Industry Group of Ireland (DIGI) is the umbrella organisation for the drinks and hospitality industry in Ireland. DIGI's membership spans brewers, distillers, distributors and the retail sectors (both the on-trade – pubs, hotels, restaurants – and the independent off-licence sector). Its members include:

- **Alcohol Beverage Federation of Ireland**
- **Irish Hotels Federation**
- **Licensed Vintners Association**
- **National Off-Licence Association**
- **Restaurants Association of Ireland**
- **Vintners Federation of Ireland**

Almost 92,000 jobs across the country are dependent on the drinks industry alone. It purchases over €1.1bn of Irish produce annually, exports goods worth over €1.25bn, and provides over €2.3bn worth of excise and VAT income to the state, as well as hundreds of millions in income tax, PRSI receipts and tax on profits every year. It is also a vital element of Ireland's wider hospitality sector and internationally renowned tourism offering.

DIGI, through its Support Your Local campaign, seeks to highlight the positive economic, cultural and social contribution that the drinks and wider hospitality industry makes to Ireland nationally and locally. We work with stakeholders to create conditions that ensure the industry's stability and continued growth. The campaign looks forward to engaging with the Government to ensure that policy measures continue to support the ongoing growth and development of a key industry and driver of economic activity in Ireland.

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EXECUTIVE SUMMARY

This report was commissioned by the Drinks Industry Group of Ireland. It summarises the performance of the alcoholic drinks market in 2017. It also presents revised estimates of average per adult consumption for 2012 to 2016 which are necessary due to the revised official population figures for those years.

The report is based on official data sources from the Revenue Commissioners and the Central Statistics Office to facilitate transparency and scrutiny.

The overall alcohol market as measured by the alcohol content of various beverages performed relatively poorly in 2017. Using Revenue clearances data, the overall market declined by 0.1%. This compares with 2016 which saw growth of 5.7%.

The average per adult consumption of alcohol declined by 1.4% in 2017. It was 11.240 litres of pure alcohol [lpa] in 2016 compared with 11.080 lpa in 2017. By comparison, average consumption was around 11 lpa in 1994 and peaked at 14.44 lpa in 2001. Since 2001 the average per adult alcohol consumption has declined by 23.3%. The 2007 average consumption per adult was 13.488 lpa and the 2017 level is 17.9% below this.

The 2016 average consumption volume and those for 2012 to 2016 are lower than the previously published estimates due to the population revisions. The consumption shares of the four product categories in 2017 were beer 44.8%, cider 7.6%, spirits 19.8% and wine 27.7%. This current product mix compares with the 2001 mix of beer 54.9%, spirits 21.4%, wine 14.3% and cider 9.5%. The long-term wine growth and beer decline are notable. The volume of beer consumption declined by 2.1% in 2017. The volume of cider consumption increased by 1.5%. The wine volume increased by 0.4%. The spirits volume increase was 3.6%.

Alcohol prices in 2017 were 0.4% higher than in 2016. This is the same as the overall CPI increase of 0.4%. On-licence prices increased by 2.4% and off-licence prices decreased by 4.5%. The volume of bar sales increased by 3.6% in 2017 compared with 2016 according to CSO data. This measure includes food and other non-alcohol products. Based on industry estimates for food growth the alcohol volume growth in bars was 2.8%. Despite this growth, 2017 bar volume is still well below the 2007 level. The off-licence sales volume is estimated to have decreased by 2.0% in 2017.

Anthony Foley
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Overview of 2017 market



- When measured by the headline figures of GDP and GNP growth, there was an excellent national economic environment in 2017. GDP volume growth was 7.8% and GNP increased by 6.6%. However, the limitations of both GDP and GNP as indicators of real economic activity in the Irish economy are substantial.
- Real consumer expenditure, which is a better reflection of the environment for the drinks industry, had a much weaker performance, with a growth of only 1.9% in 2017 compared with 3.3% in 2016 and 4.2% in 2015.
- Other fundamental economic indicators performed well. National employment increased by 2.9% in 2017. Average weekly earnings increased by 2.5% between Q4 2016 and Q4 2017.
- The four main features of the 2017 drinks market performance are:
 - a) the slight decrease in the total market
 - b) the small decrease in average consumption of alcohol per adult
 - c) the decrease in the off-licence sector
 - d) the growth of the on-licence/bar sector.
- Bar sales volume, including food and other sales as well as alcohol, increased by 3.6% in 2017.
- The 2017 volume of bar sales is still only three-quarters of the 2007 level despite increases in the past three years.
- Off-licence sales volume decreased by 2.0% in 2017.
- The volume of alcohol consumption as measured by Revenue Commissioners' clearances decreased slightly by 0.1% in 2017 and is now 41.945 million lpa [litres of pure alcohol].
- In 2007 the total alcohol volume was 46.605 million lpa compared to the 2017 41.945 million lpa, a decline of 10%.
- Average per adult consumption in 2017, as measured by the Revenue clearances indicator, is 11.080 lpa.
- Per adult consumption decreased by 1.4% in 2017.
- Average adult alcohol consumption in 2017 of 11.08 lpa compares with 14.44 lpa at its peak in 2001, 23.3% lower or 13.488 lpa in 2007, a decline of 17.9%.
- Three of the four alcohol drinks categories, cider, spirits and wine increased in volume in 2017 and beer volume declined. Cider increased in volume terms by 1.5%. Spirits increased by 3.6%. Wine increased by 0.4%. Beer decreased by 2.1%.
- The individual product market volume shares [of pure alcohol] in 2017 were beer 44.8%, cider 7.6%, spirits 19.8%, and wine 27.7%. In 2001 the wine share was 14.3% and the beer share was 54.9%.
- Alcohol prices increased by 0.4% in 2017. Off-licence prices decreased by 4.5%. On-licence prices increased by 4.5%.
- The value of the alcohol market increased by 0.3% to €6.839 billion in 2017, inclusive of excise and VAT. When indirect tax of about €2.450 billion is excluded there was a market value of €4.389 billion.
- The off-licence volume share of alcohol consumption now accounts for about 59% of alcohol consumption.

Introduction & economic environment

This report examines the performance of the drinks market in 2017. It deals with total and per adult consumption, product mix, prices, value and volume of sales and the distribution between on and off-licence sales. It also presents revised estimates of average per adult consumption for 2012 to 2016 which are necessary because of the revised population figures arising from the 2016 Census of Population results.

The report is mainly based on official data sources from the Revenue Commissioners and the Central Statistics Office. The emphasis on official data sources is to facilitate external scrutiny of the analysis. In some limited cases there is use of industry market research data where official data are unavailable. The figures presented in this report are a little different to those obtained from market research statistics on the 2017 Irish alcohol market, notably in the respective performances of the on- and off-licence sectors. However, market research volume data are based on the number of litres of beverage and not the alcohol content of the beverages which is the primary policy concern with alcohol consumption measures.

Drinks-specific indicators

The overall volume of alcohol, as measured by the Revenue Commissioners' clearances data, decreased slightly by 0.1% in 2017, compared with a growth of 5.7% in 2016. The on-licence sector of the drinks industry grew in volume terms by 3.6%. Despite increases in the last three years the bar sales volume is still only at about 75% of the 2007 level. The off-licence sector experienced a decrease of 2.0% in 2017. This combination of an off-licence decrease and an on-licence increase resulted in the overall alcohol volume decrease of 0.1% in 2017.

The volume decrease of 0.1% was accompanied by a 0.4% alcohol price increase—a combination of an increase in on-licence prices and a decrease in off-licence prices.

This alcohol performance occurred in the context of a very large increase in overall economic activity in 2017, as measured by GDP and GNP.

Other economic indicators

In 2017 GDP volume increased by 7.8%. There was also solid GNP growth of 6.6% in 2017. This might suggest an excellent economic environment for the drinks sector, but the limitations of both GDP and GNP as indicators of real economic activity in the Irish economy are substantial.

Real consumer expenditure, which is a major determinant of drinks market performance, had a much weaker performance with a growth of only 1.9% in 2017 compared with 3.3% in 2016 and 4.2% in 2015. National employment increased by 2.9% in 2017. The seasonally adjusted unemployment rate declined from 7.3% in January 2017 to 6.3% in December 2017. Average weekly earnings increased by 2.5% between Q4 2016 and Q4 2017.

International tourism overall performed well in 2017 with a visitor increase of 3.6%—but UK tourism declined. Domestic tourism, as defined by the CSO, experienced an increase of 2.9% in the number of trips but only an increase of 0.3% in holiday trips between 2017 and 2016. The number of domestic nights decreased by 0.2% but domestic tourism expenditure increased by 4.6%.

Volume of alcohol consumption 2017 and revised estimates 2012 to 2016

The most generally used domestic and international indicator of aggregate alcohol consumption is the quantity of pure alcohol contained in the various beverages. Revenue Commissioners' clearances data which are equated here with consumption are not an exact indicator of consumption due to factors such as stock changes, consumption by tourists in Ireland and the consumption of Irish people abroad, and unrecorded legal and illegal sourcing of alcohol from outside the economy. However, it is the generally used measure of consumption.

The measurement approach follows standard international practice. The aggregate alcohol content of the different beverages are based on 5% alcohol by volume for cider, 12.5% alcohol content for wine and the actual alcohol estimates provided in the clearances data by Revenue for spirits and beer. Some international and national estimates use lower alcohol contents for wine and cider. For example, Alcohol Action Ireland uses a cider alcohol content of 4.5%. The international convention of defining the adult population as 15 years and over is used, although this is, of course, an inaccurate measure of the adult population. The CSO population data refer to April of each year.

Based on the Revenue Commissioners' data for the total alcohol sector, the volume of alcohol consumption decreased slightly by 0.1% in 2017.

Average alcohol consumption per adult is calculated with reference to the total volume of alcohol consumption and the total number of adults as defined by the international convention of number of persons 15 years and over. The 2017 performance is shown in Table 1 below.

Table 1: Total and average per adult alcohol consumption 2016 and 2017

	2016	2017	% change 2016/2017
Litres of pure alcohol [LPA], total consumption	41,969,676	41,944,582	-0.1
Population aged 15 and over, millions	3.7340	3.7855	+1.4
Litres of pure alcohol per adult [LPA]	11.240	11.080	-1.4

Sources: CSO Population and Migration Estimates, September 2017. Revenue Commissioners' Clearances data, March 2018.

Total alcohol consumption as measured by clearances decreased slightly by 0.1% in 2017. This is much worse than the 2016 volume change which was a growth of 5.7%. In 2007 the total alcohol volume was 46.605 million lpa compared to the 2017 41.945 million lpa, a decline of 10%.

The number of adults [as defined by 15 years and over] increased by 1.4%. Average per adult alcohol consumption decreased in 2017. It was 11.240 lpa in 2016 compared with 11.080 lpa in 2017, a decrease of 1.4%. A particular year's change could be significantly influenced by a factor such as changes in the level of cross-border shopping.

Average per adult consumption is now slightly above 11 lpa. By comparison, it was at around 11 lpa in 1994 and peaked at 14.44 lpa in 2001. Since 2001 the average per adult alcohol consumption has declined by 23.3%. The 2007 average consumption per adult was 13.488 lpa and the 2017 level is 17.9% below this. The 2016 average consumption volume is lower than previously published estimates due to the higher adult population which was identified in the 2016 Census of Population.

The previous publicly available estimates of annual average per adult consumption of alcohol from 2012 to 2016 have to be revised in light of the higher than previously thought adult population for those years as identified by the 2016 Census of Population figure. These revisions are presented in Table 2 below.

Between census years, the annual population is estimated by the CSO. The 2016 Census of Population identified a larger population than had been previously estimated by the CSO for 2012 to 2016 and which had been used to derive average alcohol consumption figures. The CSO re-estimated population figures for the period since the 2011 census which increased the adult population for 2012 to 2016. These new population figures are used above to derive average alcohol consumption figures.

The difference is not large but the revised adult population figures are higher which reduce the earlier estimates of average consumption. For example, the 2015 adult population is re-estimated to be 3.6862 million compared to the originally estimated

3.6060 million. The 2016 pre-census estimate was 3.6344 million compared to the revised figure of 3.7340 million, a difference of 99,600. On the old population figures, average per adult consumption in 2015 was 11.013 lpa compared to 10.773 lpa with the revised figures. The "old" 2016 estimate was 11.548 lpa compared to the revised 11.240 lpa.

Over the past six years, average per adult alcohol consumption has decreased from 11.566 lpa in 2012 to 11.080 lpa in 2017, a decline of 4.2%. The decline was not continuous over the period. There was a substantial decline in 2013, an increase in 2014, a decline in 2015, an increase in 2016 and a small decrease in 2017.

Table 2: Revised estimates of average alcohol consumption 2012 to 2016

	Revised adult population total, million	Litres of pure alcohol	Average per adult consumption, litres of pure alcohol
2012	3.6057	41,703,160	11.566
2013	3.6208	38,472,435	10.625
2014	3.6478	39,838,460	10.921
2015	3.6862	39,711,197	10.773
2016	3.7340	41,969,676	11.240

Sources: CSO Population and Migration Estimates, September 2017. Revenue Commissioners' alcohol clearances.

Product mix

The official Revenue clearances data divides alcohol into beer, cider, spirits and wine. Three of the four categories—spirits, cider and wine—experienced increases in 2017 but at different rates. Beer consumption decreased in 2017.

The volume of beer consumption declined by 2.1% in 2017. The cider consumption volume increased by 1.5%. The wine volume increase was 0.4%. The spirits volume increase was 3.6%.

The consumption shares of the four product categories in 2017 were beer 44.8%, cider 7.6%, spirits 19.8% and wine 27.7%. This current product mix compares with the 2001 mix of beer 54.9%, spirits 21.4%, wine 14.3% and cider 9.5%. The significant increase over the long term of the wine share of total alcohol consumption is one of the key features of developments in the alcohol market.

Table 3: Product category mix and change 2017

	2016	2017	% change 2016/2017	% share 2016	% share 2017
Beer [LPA]	19,217,135	18,811,364	-2.1	45.8	44.8
Cider [LPA]	3,153,432	3,201,089	1.5	7.5	7.6
Spirits [LPA]	8,009,948	8,300,811	3.6	19.1	19.8
Wine [LPA]	11,589,161	11,631,318	0.4	27.6	27.7

Sources: Based on Revenue clearances data.

In 2007, beer consumption was 22.896 million litres of pure alcohol. By 2017 this had declined to 19.217 million litres of pure alcohol, a decrease of 16.1%. In contrast wine consumption in 2007 was 10.371 million litres of pure alcohol. By 2017 this had increased to 11.631 million litres of pure alcohol, an increase of 12.1%.

Prices

As measured by the Consumer Price Index [CPI], average alcohol prices in 2017 were 0.4% higher than in 2016. This is the same as the overall CPI increase of 0.4%.

The average alcohol price change was composed of two very different changes in the on and off sectors: on-licence prices increased by 2.4% and off-licence prices decreased by 4.5%.

Table 4: Alcohol price change 2017 compared with 2016

	% change
All Alcoholic Drink	0.4
Off-Licence	-4.5
On-Licence	2.4
CPI	0.4

Sources: Derived from CPI, CSO.

Retail sales in bars

The volume of bar sales increased by 3.6% in 2017 compared with 2016 according to CSO data. This follows an increase of 3.1% in 2016. The value of bar sales increased by 5.2% in 2017 which indicates an implicit price increase of about 1.5%.

This implicit price change is different to the CSO consumer prices-based estimate because it is derived from different sources and the bar sales include non-alcohol sales such as food.

The bar sales index published by the CSO covers all bar sales including food, soft drinks and cigarettes, as well as bar sales of alcohol. It is likely that food sales volume performed better than drinks sales volume in 2017. Consequently, the alcohol volume increase in bars is most likely lower than the overall sales volume increase.

Table 4: Alcohol price change 2017 compared with 2016

	Volume	Value
2016/17	3.6	5.2

Sources: CSO.

Despite the recent increases, the 2017 volume of bar sales is still only about three-quarters of the 2007 level.

Bar sales volumes decreased each year from 2008 to 2014. There were annual increases in the three years since 2015.

Off-licence performance

The off-licence share of alcohol consumption has increased over the medium term, but it decreased slightly in 2017, as did overall off-licence volume. Official comprehensive data on off-licence volumes are not available, but it is possible to make a reasonable estimate using industry information, the Revenue clearances data, and the CSO's Index of Retail Sales.

CSO expenditure data indicate a 2016 off-licence share of alcohol market value of 27.4%. Because of the lower price per unit of alcohol in the off-licence sector, its share of alcohol volume is much greater. The volume share of the off-licence sector measured with the pure alcohol indicator is estimated at 61% in 2016 with a small decline to 60% in 2017.

Total bar sales volume increased by 3.6% in 2017. This includes alcohol, food and other beverages and products. On the assumption that food sales increased by more than alcohol sales, we estimate alcohol sales growth in the on-licence sector to be 2.8%. The overall market [on and off-licence sectors] decreased by 0.1%, as measured by clearances. The off-licence sales volume is estimated to have decreased by 2.0% in 2017. This market segment is dominated by the multiples, discounters and symbol groups.

Value of sales

The overall alcohol volume decrease was 0.1% in 2017 compared with 2016. There was an average alcohol price increase of 0.4%. This resulted in a value increase of 0.3%.

The CSO estimate of alcohol personal expenditure was €6.819 billion in 2016. This generates an expenditure level in 2017 of €6.839 billion including excise and VAT.

The VAT and excise total in 2017 was approximately €2.450 billion. When indirect tax is excluded, the 2017 market value decreases to €4.389 billion.

Table 6: Value of sales in the alcohol market 2017

Volume change 2017%	-0.1
Value change 2017%	+0.3
Value estimate 2016 [CSO]	€6.819 billion
Value estimate 2017	€6.839 billion
VAT and excise 2017 [estimate]	€2.450 billion
Value excluding excise and VAT 2017	€4.389 billion

Sources: Revenue Commissioners and CSO.



Summary

The overall alcohol consumption volume, as measured by Revenue clearances data, declined slightly by 0.1% in 2017.

The average alcohol price increase was 0.4%, made up of an on-licence increase and an off-licence decrease.

The value of the alcohol market increased by 0.3%. Average per adult volume of consumption declined by 1.4% and is now at 11.080 lpa.

The bright aspect of the market was the volume growth of 3.6% [including food] in the on-licence sector. Offsetting this, however, was a volume decline of 2% in the off-licence sector.

Despite this growth, 2017 bar volume is still well below the 2007 level. Wine accounted for over a quarter of alcohol consumption volume in 2017. The consumption shares of the four product categories in 2017 were beer 44.8%, cider 7.6%, spirits 19.8% and wine 27.7%. Beer volume declined in 2017 while cider, spirits and wine volumes each increased.



Cut excise. Support jobs.

DIGI

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