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Higher interest rates push global wine consumption to its lowest level since 1961

Beer has proved more resilient than wine and high-end spirits as tighter credit squeezes consumers, distributors and producers

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Higher interest rates are reshaping the global wine, beer and spirits business less by changing what people want to drink than by tightening credit, reducing real disposable income, raising inventory costs and weakening demand for premium bottles.

Recent data from IWSR, the International Organisation of Vine and Wine and Kirin Holdings show that the effect has not been uniform. Wine has been hit hardest, spirits have come under pressure at the high end, and beer has proved more resilient in volume, especially in faster-growing markets.

The pattern became clearer after central banks tightened policy in response to the inflation shock of 2022. The Federal Reserve lifted its benchmark range to 5.25%-5.50% in 2023, while the European Central Bank raised its deposit facility to 4.00% and its main refinancing rate to 4.50%. Even after some easing in 2024 and 2025, borrowing

costs remained restrictive as inflation cooled and real financing conditions tightened for households, distributors and producers.

Economic research suggests alcohol demand is generally price inelastic, but not equally so across categories. A meta-analysis by Jon P. Nelson found average price elasticity of about -0.30 for beer, -0.45 for wine and -0.55 for spirits, with income elasticity at 0.50 for beer and around 1.0 for both wine and spirits. That means weaker income growth and tighter credit tend to hurt wine and spirits more than mass-market beer.

Market data from 2024 broadly matched that pattern. IWSR said total beverage alcohol volumes in the world's 20 largest markets fell -1% in 2024 and were still -2% below 2019 levels. Over that same period, wine volumes were down -21%, beer was down -2%, and only spirits excluding national spirits and ready-to-drink products showed growth against prepandemic levels. Global value held up better than volume, with IWSR describing the market as nearly flat by value in 2024 and premium-and-above products growing +3%, led mainly by premium beer.

Wine remains the most exposed category. The OIV put global wine consumption at 214.2 million hectoliters in 2024, the lowest level since 1961. International trade held up better in value than in volume, with exports totaling 99.8 million hectoliters worth €35.9 billion in 2024. The figures point to a market increasingly supported by price mix rather than rising consumption.

Beer has shown greater resilience. Kirin estimated global beer consumption at 194.12 million kiloliters in 2024, up +0.5% from a year earlier and above 2019 levels. Growth came largely from India, Africa and parts of Latin America. Kirin said Asia accounted for 32.6% of global beer consumption in 2024 and Europe for 25.4%, while Africa grew +3.7% and Central and South America rose +1.6%.

Spirits still carry the largest share of global alcohol value, but they have become more vulnerable at the top end of the market. Reuters reported last year, citing the World Spirits Alliance, that spirits represented 40% of global alcohol value in 2022, ahead of beer at 38.1% and wine at 17.6%. But IWSR said global spirits volumes fell -2% in 2024, with weakness concentrated in superpremium products as consumers traded down and producers faced higher carrying costs on aged inventories such as Scotch whisky and

cognac.

The transmission mechanism runs through several channels at once. Higher rates raise debt-servicing costs for producers, increase the cost of holding stock for distributors and retailers, pressure consumer budgets and influence exchange rates that affect import prices and reported earnings.

That pressure is visible in company accounts. AB InBev reported net finance costs of $2.704 billion in fiscal 2024 and $2.566 billion in fiscal 2025. Diageo reported net finance costs of $771 million in fiscal 2025. Pernod Ricard recorded €496 million in interest on net financial debt in fiscal 2025 and said its average cost of debt was 3.2%. Constellation Brands said a hypothetical one percentage point rise in interest rates would have increased its fiscal 2025 interest expense by $5.3 million.

For distributors, working capital has become a central issue. Pernod Ricard said weak consumer sentiment and distributor overstocking weighed on China, while Diageo has pointed to slower inventory normalization in Latin America as macroeconomic pressure pushed consumers toward cheaper options. In a high-rate environment, wholesalers tend to shorten orders, reduce stock levels and demand more promotional support.

The impact also differs by channel. Research by Ricardo Sousa on the United Kingdom found that demand sensitivity varies between on-trade and off-trade sales, with spirits more elastic in bars and restaurants while beer and cider are more elastic in retail channels. That helps explain why higher rates often hit hospitality first, then spread through specialist retail before showing up fully in supermarket sales.

Regional differences are also pronounced. In North America and Europe, where markets are mature and consumers are more exposed to mortgage, credit card and living-cost pressures, higher rates have reinforced downtrading behavior. In Asia-Pacific, the picture is split between a weaker China and younger growth markets such as India and Southeast Asia. In Africa and parts of Latin America, affordability remains a constraint, but demographic growth continues to support beer demand.

The IMF said global growth was expected to slow from 3.3% in 2024 to 3.2% in 2025 and 3.1% in 2026, while inflation continued to ease from 5.8% in 2024 toward roughly 4.2%-4.3% in 2025. For drinks companies, that combination matters more than inflation alone: weak growth plus still-high real borrowing costs tends to reduce discretionary purchases while making inventory financing more expensive.

The result is a market where volume is weak but value is holding up better through pricing, mix shifts and selective premiumization. Beer appears to be the most defensive category overall, especially at accessible premium price points. Heineken said premium beer volume rose +5.2% organically in 2024 and Heineken brand volume increased +8.8%. AB InBev said its above-core portfolio accounted for 35% of revenue in 2024.

Wine faces a tougher outlook because cyclical pressure is colliding with structural weakness tied to aging consumers and changing drinking habits in mature markets. IWSR projects wine will be the only major alcohol category to post a negative compound annual growth rate from 2024 to 2034.

For spirits, the challenge is different: the category still dominates value but looks more cyclical than it did during the low-rate years from roughly 2015 to 2021 because expensive bottles are easier for consumers to postpone and aged inventories are costly to finance when money is no longer cheap.

The evidence suggests that if real interest rates remain elevated, the industry is likely to keep seeing soft volumes, stronger reliance on price mix, better relative performance from premium beer than from wine, and a slower recovery for high-end spirits than many producers expected before inflation surged.