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Fine Wine Market Stumbles Again

Liv-ex Data Shows Fine Wine Market's Continued Struggles

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The fine wine market has experienced notable instability over the past 18 months, with a general downward trend that appeared to stabilize somewhat in August, according to reports from Liv-ex. However, the late-summer rally was followed by a sharper drop in September, indicating that a recovery is not yet underway. Despite initial signs of improvement, current data shows the market is still struggling to find stability.

In August, Liv-ex recorded a 55% increase in transaction value during the second half of the month, along with a 9.8% and 9.9% rise in the number of brands and unique wines traded, respectively. This led to speculation that the market might be nearing an inflection point. However, September figures revealed a reversal. The Liv-ex 100 index, which tracks the 100 best-performing wines on the secondary market, declined by 1.7% compared to the previous month, accumulating a 7% drop year-to-date. Although trading volumes were higher, the total value of trade fell, suggesting that while activity persists, prices are adjusting downward.

The Liv-ex Fine Wine 50, focusing on leading Bordeaux wines, dropped by 2.1% in September, falling below 2020 levels. Additionally, two-thirds of the wines listed in the Rest of the World 60 index showed similar declines, particularly some American wines such as Screaming Eagle and Opus One, which were impacted by the strengthening of the pound against the dollar.

According to Matt O'Connell of Bordeaux Index, the market has shown some stabilization following a sustained downward trend over the past 12 to 18 months. However, he cautioned that market activity remains low, and for prices to rise significantly, an increase in trading levels would be necessary. While there have been positive signs in some regions, such as gains in certain Burgundy and Champagne wines, these still remain at price levels above early 2021.

From a broader perspective, some traders believe that specific wine categories might have hit bottom or are close to doing so. These include high-end Champagnes and certain Bordeaux vintages, such as 2009 and 2010. There has also been relative price stability among renowned Burgundy producers like Domaine de la Romanée-Conti (DRC), Rousseau, and Roumier, with discounts of 30-40% compared to their highs of a few years ago.

On the other hand, Wine Lister suggested that while signs of stabilization are emerging, this does not apply to all regions and types of wine. Champagne has shown positive performance over the past six months, but prices of recent Bordeaux vintages have been negatively impacted by the market conditions during the en primeur campaign.

A merchant noted that although uncertainty persists, it would be surprising if prices of top-tier wines and Champagnes were to drop another 35% over the next 18 months. In the long run, he believes current prices may be seen as an opportunity. Wine Lister agreed that although predicting trends in such an uncertain environment is challenging, the worst may be over for some regions and categories that have suffered significant losses. The report also mentioned growing interest in wines from regions like the Loire, which has attracted the attention of some UK distributors, and that Berry Brothers & Rudd plans to launch its second en primeur offer for the Loire this month. It was also noted that more affordable regions like Jura and less prestigious areas of Burgundy could benefit from consumer interest as buyers seek value alternatives.

Robbie Stevens, head of broking at Liv-ex, pointed out that the September decline was much more severe than those seen over the past two years. Unlike the smaller 1% or 2% drops the market had been experiencing, this recent contraction might serve as a "tipping point" for prices to more accurately reflect market realities. According to him, sellers are starting to accept that they need to reduce prices to sell, which could help recalibrate the market.

On a positive note, Stevens highlighted that while there have been buyers in the market over the past two years, the last weeks of September recorded the highest number of unique buyers since February. This uptick in interest suggests that some buyers are beginning to view the situation as an opportunity to acquire stock at lower prices at a potential turning point.

Nonetheless, the market may not recover immediately. The recent acceleration in price declines could be what the market needs to find a new equilibrium, as Stevens pointed out, markets tend to move in cycles and require a certain degree of adjustment for demand to rebound.