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IWSR Report: Global Market for Luxury Spirits Grows 9%

High-End Spirits See Significant Growth, Driven by Wealthy Consumers

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The latest IWSR report, published on Thursday, October 17, shows that the market for "status spirits," which includes high-end spirits priced at a minimum of $100, grew by 9% in value during 2023. This segment, made up of premium alcoholic beverages, has demonstrated strong resilience against global economic challenges such as persistent

inflation and rising interest rates. Luxury drink consumers, who tend to have significant purchasing power, have largely remained unaffected by the financial difficulties impacting other sectors.

The report highlights that beverages priced above $5,000 per bottle saw a 39% growth in 2023, reflecting the strength of wealthier consumers. Another strong segment was products priced between $350 and $500, which grew by 42%. However, sales in the $2,500 to $5,000 range saw a slight decline.

National markets showed notable differences. While the U.S. recorded modest single-digit growth, countries like France and the U.K. experienced declines in market value. In China, low consumer confidence led to a 12% contraction. The recovery of the duty-free sector, driven by the lifting of travel restrictions in China, was one of the factors that offset weaknesses in domestic markets. Duty-free sales increased by 48% in value, with this channel regaining its position as the most important market for "status spirits" after the pandemic-related collapse in 2020.

Looking ahead, the next five years are expected to bring moderate growth in key markets such as the U.S., U.K., and France, while the duty-free sector will remain a major driver with projected growth of 10% through 2028. Emerging markets like Australia, Malaysia, Nigeria, and Vietnam are also expected to gain prominence.

Scottish Whisky and Tequila Lead Growth in Luxury Spirits Segment

Scottish whisky was a major driver of growth in this luxury segment in 2023, with a 17% increase in value. Its growth is expected to continue, adding $2 billion to the global market in the coming years. Innovation has been key to Scottish whisky's success, with over 340 new products launched in 2023, surpassing all other spirit categories. In contrast, cognac has seen a decline in market share, affected by a drop in demand in China and new anti-dumping tariffs.

Agave-based spirits, particularly tequila, have also continued to gain ground in the luxury segment, increasing by $220 million in 2023. While most sales were concentrated in the lower price range ($100–$199), this growth has been notable,

especially in the U.S., where sales have risen by 35% since 2019. However, the tequila boom appears to be slowing, with a 4% increase in 2023 compared to 25% the previous year. Despite this, other markets outside the U.S. are beginning to show strong growth in this segment.

American whiskey is also standing out in the U.S. luxury market, with strong growth in bourbon, rye, and single malt categories. American whiskey is expected to be the main driver of growth in this market through 2028.

In China, baijiu dominates the luxury spirits segment, accounting for 95% of total sales value. Despite the overall drop in demand due to the economic slowdown, baijiu has maintained its momentum, though downward price pressure is expected in 2024.

India is emerging as a high-potential market for Scottish whisky, driven by economic and demographic growth, with an increasing proportion of young people reaching legal drinking age. A potential free trade agreement between India and the U.K. could lower the high tariffs that have so far limited access to these beverages in the Indian market.

The secondary market for luxury spirits, crucial for the most exclusive products, remained weak in 2023 due to excess inventory and economic uncertainty. Lower returns discouraged speculation, and long-term investors found the market less appealing due to high interest rates. However, rare and ultra-aged spirits, such as those from The Macallan, continued to fetch record prices.