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Pernod Ricard Sales Drop 5.9% in Q1

Consumer Caution and Tariff Hikes Hit Pernod Ricard

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Pernod Ricard has reported a decline in its sales during the first quarter of its fiscal year, although it expects to return to growth by next summer. Between July and September, the French company achieved sales of €2.78 billion, representing an organic decline of 5.9% compared to the same period in 2023, or an absolute drop of 8.5%.

In its main market, the United States, sales fell by 10%. This is attributed to more cautious consumer spending and adjustments the company made to its inventories. Pernod Ricard anticipates a "gradual" improvement over the next nine months,

although much of this rebound will depend on the holiday season, where the company is focusing its efforts with strong activation plans and maintaining investment in marketing for its key brands.

Asian markets also showed weak performance, with an overall 8% decline in sales, although in India, the group's second-largest market, sales grew by 2%. However, in China, additional tariffs on Martell cognac have impacted sales, which fell by 25%. Both Scotch whisky and cognac were the hardest-hit sectors, with weak demand during the summer and the Mid-Autumn Festival, a significant period for family travel and gift-giving.

The drop in sales in China was the main factor behind the 10% decrease in Pernod Ricard's International Strategic Brands category. Sales were also affected by the decline of Royal Salute in Korea and low demand for The Glenlivet in the United States.

Despite measures to mitigate the impact of tariffs on cognac and the ongoing weakness in consumer demand, Pernod Ricard expects a "more significant" decline in annual sales in China through June next year compared to the previous year. In India, where the company expects to regain its commercial license for the Delhi region, it projects "solid growth" in sales, which could accelerate due to the market's "strong consumption fundamentals." In the first quarter, sales in India grew by 2% compared to 2023.

For the full fiscal year, ending in June 2024, Pernod Ricard predicts a return to net sales growth, with a continued recovery in volumes. The company has reiterated its medium-term goals of net sales growth between 4% and 7%.