



SCOTCH WHISKY ECONOMIC IMPACT REPORT

www.scotch-whisky.org.uk

#SupportScotch



@ScotchWhiskySWA



@ScotchWhiskySWA



EXECUTIVE SUMMARY

The Scotch Whisky industry is strategically important to the economies of Scotland and the United Kingdom. This report - building on work by the Centre for Economic and Business Research (Cebr) - explores Scotch Whisky's direct contribution to GVA, international trade, employment, supply chain, and revenue raised through excise duty.

In 2018, the Scotch Whisky industry was estimated to provide £5.5 billion in gross value added (GVA) to the UK economy. The direct impact of Scotch Whisky in the economy is estimated to be £3.8 billion with additional indirect and induced effects of a further £1.7 billion. For every £100 of added value the industry produces, another £45 is generated in the broader economy.

Growth in the manufacturing base for Scotch Whisky has been strong since the turn of the century with more distilleries, warehouses and production coming online.

The Scotch Whisky industry is part of a complex and integrated supply chain which spreads throughout Scotland, the rest of the UK and globally. The interdependence between sectors results in multiple knock-on impacts of policy making, with job creation, investment, and gross economic impact all dependent on a positive policy environment in Scotland and across the UK.

Globally, over £4.7 billion of Scotch Whisky was exported in 2018 to around 180 countries - a record high.

Scotch Whisky contributed 70% to the value of all Scottish food and drink exports, 21% to the value of all UK food and drink exports and 1.3% of the value of all UK goods exported in 2018.

For every £1 billion worth of goods exported from the UK, £13 million is Scotch Whisky.

Without Scotch Whisky, the UK's balance of trade deficit would have been £145.7 billion, or 3.3% more than its current level.

The industry continues to support 42,000 jobs across the UK. This includes 10,500 directly in Scotland, and 7,000 in rural communities.

In 2018, UK spirits excise duty receipts accounted for £3.8 billion, over 31% of all alcohol revenues – a proportion which has steadily increased in recent years having overtaken beer receipts in 2016.

In the last five years, excise receipts increased to HM Treasury (HMT) by 23% or by £735m during a period where the net increase to the excise rate was only 52p per litre of pure alcohol (LPA).

AT A GLANCE: SCOTCH WHISKY ECONOMIC CONTRIBUTION

£ £ £ Scotch Whisky is worth **£5.5 billion** in Gross Value Added (GVA) to the UK economy.

Over **two-thirds** of UK spirits GVA is generated by **Scotch Whisky**



The UK's balance of trade deficit would be **3.3% wider** without **Scotch Whisky**



Scotch Whisky accounts for **21%** of all UK food & drink exports



The industry employs over **40,000 people** across the UK



For every **£1 billion** worth of goods exported from the UK, **£13 million** is Scotch Whisky.



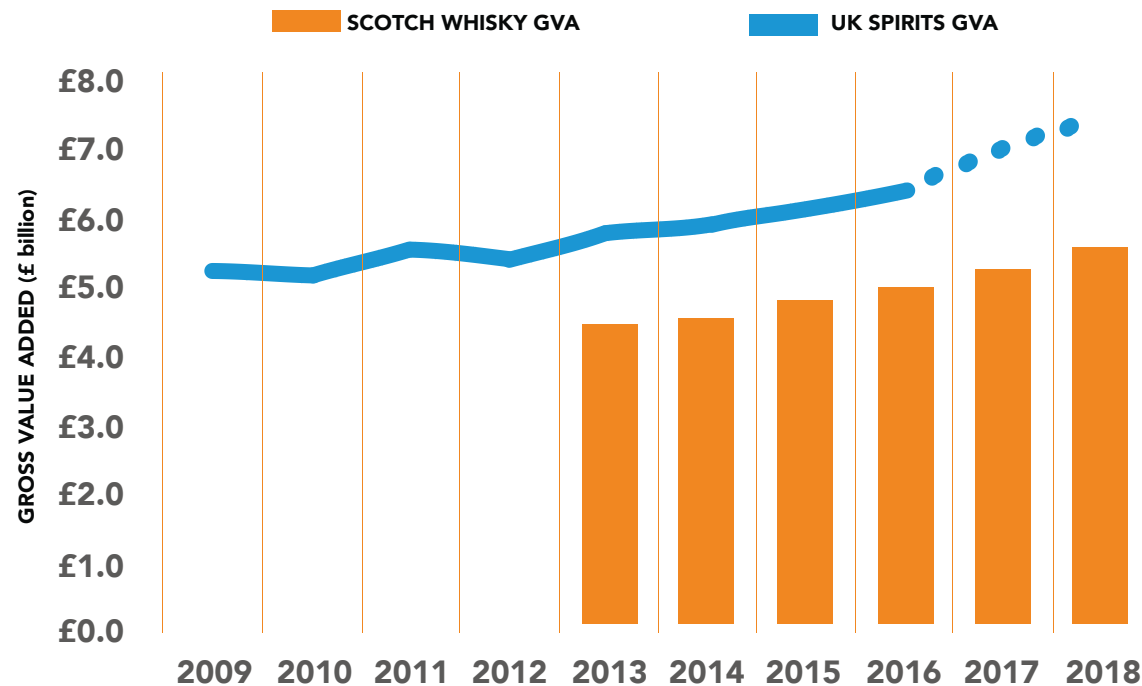
GVA aggregates the sum of the sector's turnover and total remuneration of employees, net of the taxes and subsidies on production. GVA indicates the size of our industry within the economy.

The Scotch Whisky industry is estimated to have contributed £5.5 billion to the UK economy in GVA in 2018.¹ This is a 10% increase when compared to the industry's GVA in 2016. Over this period, new distilleries have opened and old distilleries re-opened, with the corresponding supply chain impacts. The industry has experienced premiumisation as consumers look for products with the provenance and heritage embodied by Scotch Whisky.

The spirits sector overall is estimated to be 33.5% of the value of the UK alcohol industry which was valued at over £22 billion to the UK economy. Over two-thirds of total UK spirits GVA is accounted for by Scotch Whisky and, given that Scotch Whisky is Scotland's national drink - distilled, matured and, in the case of Single Malt Scotch Whisky, bottled in Scotland, it is estimated that it contributes 85% of total Scottish Spirits GVA.

The ONS estimated that the UK GVA for 2018 was £1.89 trillion, the UK alcohol sector therefore accounted for 1.2% of the total economy with the Scotch Whisky sector accounting for 0.3% of the UK economy.

SCOTCH WHISKY & UK SPIRITS GVA



In relation to Scotland's economy, the Scotch Whisky industry is one of the leading sectors. The direct GVA impact of £3.8bn is more than double life sciences (£1.5bn), and comparable to sustainable tourism (£3.9bn).²

Scotch Whisky employees contribute significantly to the productivity of the Scottish economy. The manufacture of beverages in Scotland, dominated by the Scotch Whisky sector, produces £210,505 GVA per employee.

This is more productive than the energy sector (including renewables) at £173,511 per head, life sciences at £93,735 per head, and creative industries (including digital) at £60,712 per head.

DID YOU KNOW ???

SCOTCH WHISKY
INDUSTRY INVESTED
MORE THAN
£500 MILLION
IN CAPITAL PROJECTS
OVER THE LAST FIVE YEARS

¹ SWA estimate. Cebr calculated the gross value added of the Scotch Whisky industry based on publicly available data which related to the calendar year 2016. Earlier, high level estimates were provided using the ONS annual business survey statistics and ONS Supply Use tables to calculate the aggregate sector each year. Cebr estimate that in 2016, GVA for the sector was £4.9 billion – in line with previous estimates from the Association. This was established by Cebr analysis which established that Scotch Whisky accounted for 77% of the sector (found through proportioning: 85% of Scottish GVA was Scotch and Scottish GVA of spirits contributed 91% of UK spirit GVA). In order to provide the update to 2018 figures this estimate has been advanced using the same method although by providing a more conservative estimate of the share of Scotch Whisky as part of the spirits sector to take into consideration the increased diversification within the UK spirits sector.

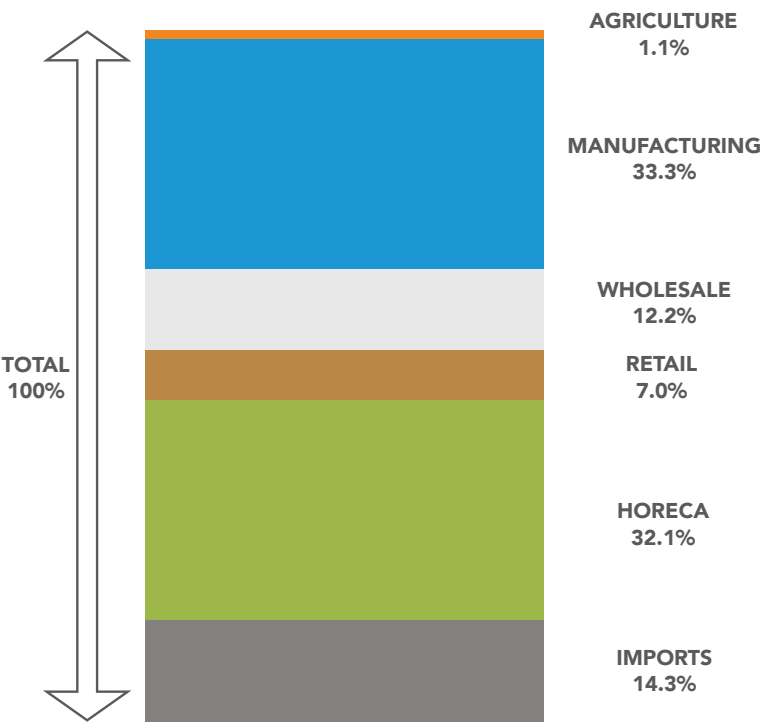
² Data relating to other sectors in Scotland refers to Scotland's Economic Strategy - Growth Sector Statistics - in 2016.

The manufacturing process is the dominant contributor to the value chain.

Despite this, a great deal of value added is aggregated throughout the supply chain with hospitality (or HORECA), wholesale and retail accounting for over 50% of the value added for the industry.

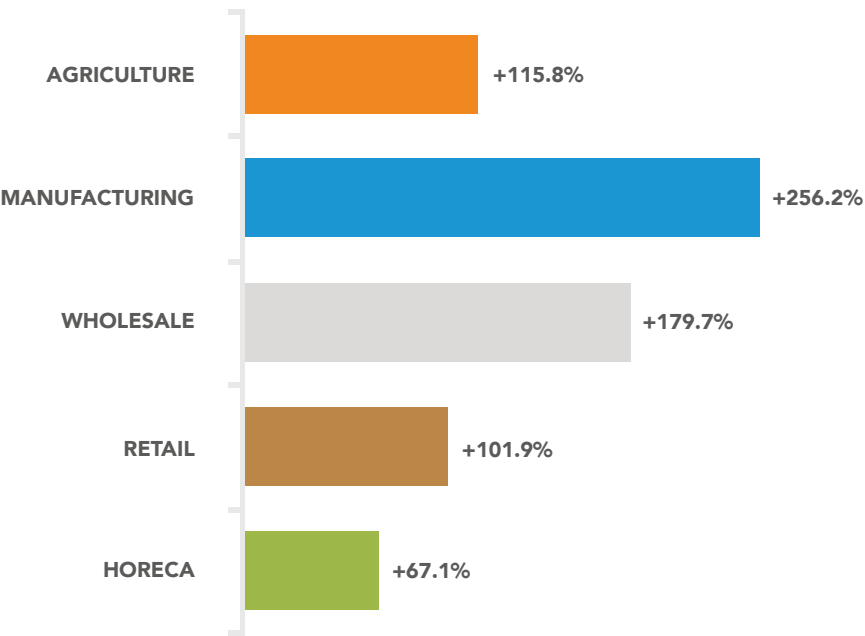
Each stage of production has experienced strong growth since the turn of the century with the manufacturing process being the driver of the growth by over 250%.

SHARE OF VALUE ADDED BY EACH PRODUCTION STAGE



Source: Cebr analysis

PRODUCTIONS STAGE GVA GROWTH, 2000-2018



Source: ONS annual business survey and supply-use tables; Cebr analysis

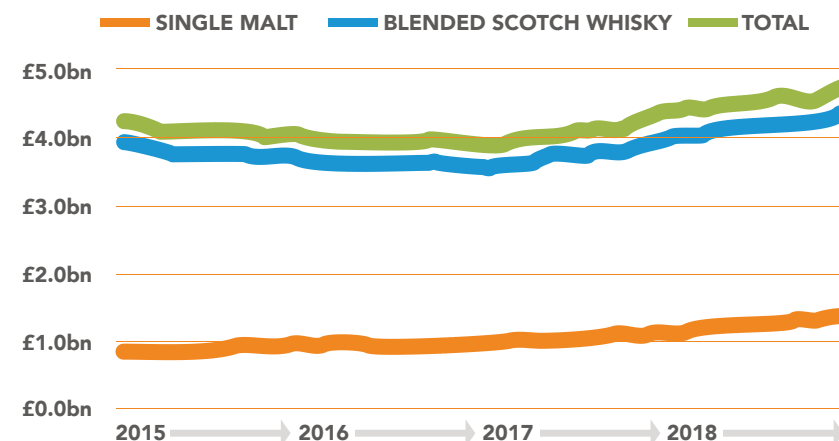
Exports of Scotch Whisky increased +7.7% in 2018, adding an additional £337 million to export values, to total £4.7 billion. Scotch Whisky accounted for 1.30% of the value of all UK goods exports in 2018, an increase from 1.28% in 2017. For every £1 billion worth of goods exported, £13 million is Scotch Whisky.

The UK was a net importer of goods in 2018, with imports exceeding exports by £141 billion. Without Scotch Whisky the balance of trade deficit would have been £145.7 billion, 3.3% more than its current level.

When ranked as four-digit harmonised commodity codes, Scotch Whisky is the 9th most valuable export from the UK, only behind products such as cars, precious metals, aircraft, pharmaceuticals and oil and gas.

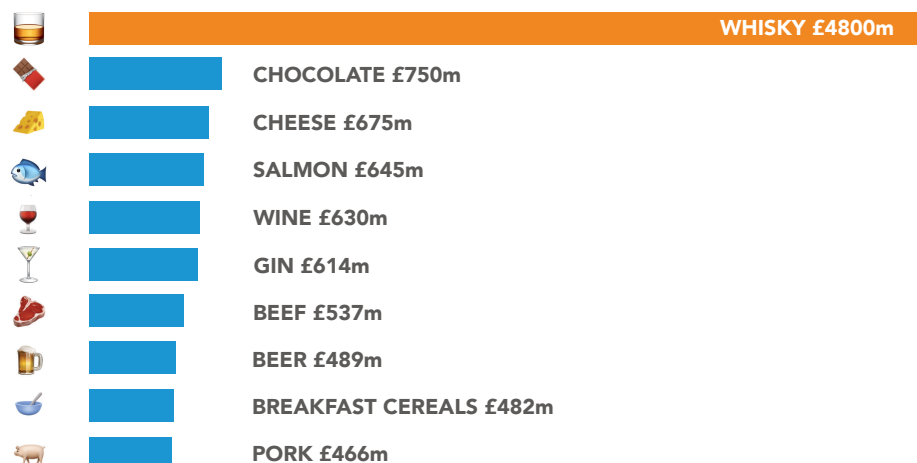
In terms of the balance of trade, Scotch Whisky is the second biggest positive contributor, just behind aircraft parts. Scotch contributes more than other notable sectors such as gold, turbo engines, iron and steel and pharmaceuticals. Scotch Whisky is also the UK's largest food and drink export - out performing the next seven of the remaining top ten combined.

VALUE OF SCOTCH WHISKY EXPORTS



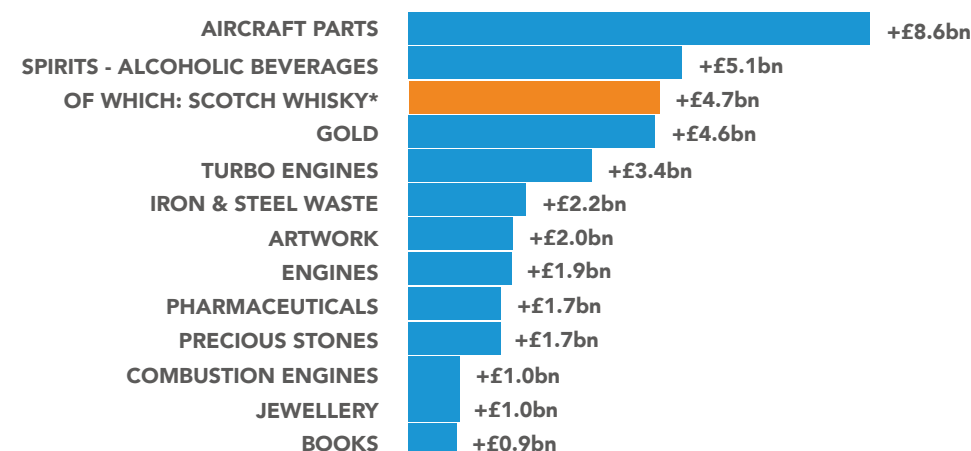
Source: HMRC; SWA analysis

TOP 10 UK FOOD AND DRINK EXPORTS



Source: Food and Drink Federation, 2019

POSITIVE SECTOR CONTRIBUTORS TO UK BALANCE OF TRADE



Source: UK TradeInfo grouped by harmonised commodity codes HS4

* Scotch Whisky is a subset of spirits (HS4 2208)

In 2018, HMRC collected £11,981 million in alcohol revenues which accounted for almost 2% of all HMRC tax receipts. This is equivalent to revenue collected in stamp duty land tax and is more than double the value of Inheritance Tax.

Spirits excise duty receipts accounted for £3,760 million, 31.4% of all alcohol revenues – a proportion which has steadily increased in recent years and having overtaken beer receipts in 2016.

Over the last decade, treatment of spirits through excise has changed. In the five years to 2013 excise rates were increased annually - a total increase of £6.87 per LPA. In the corresponding years, excise receipts increased £536 million.

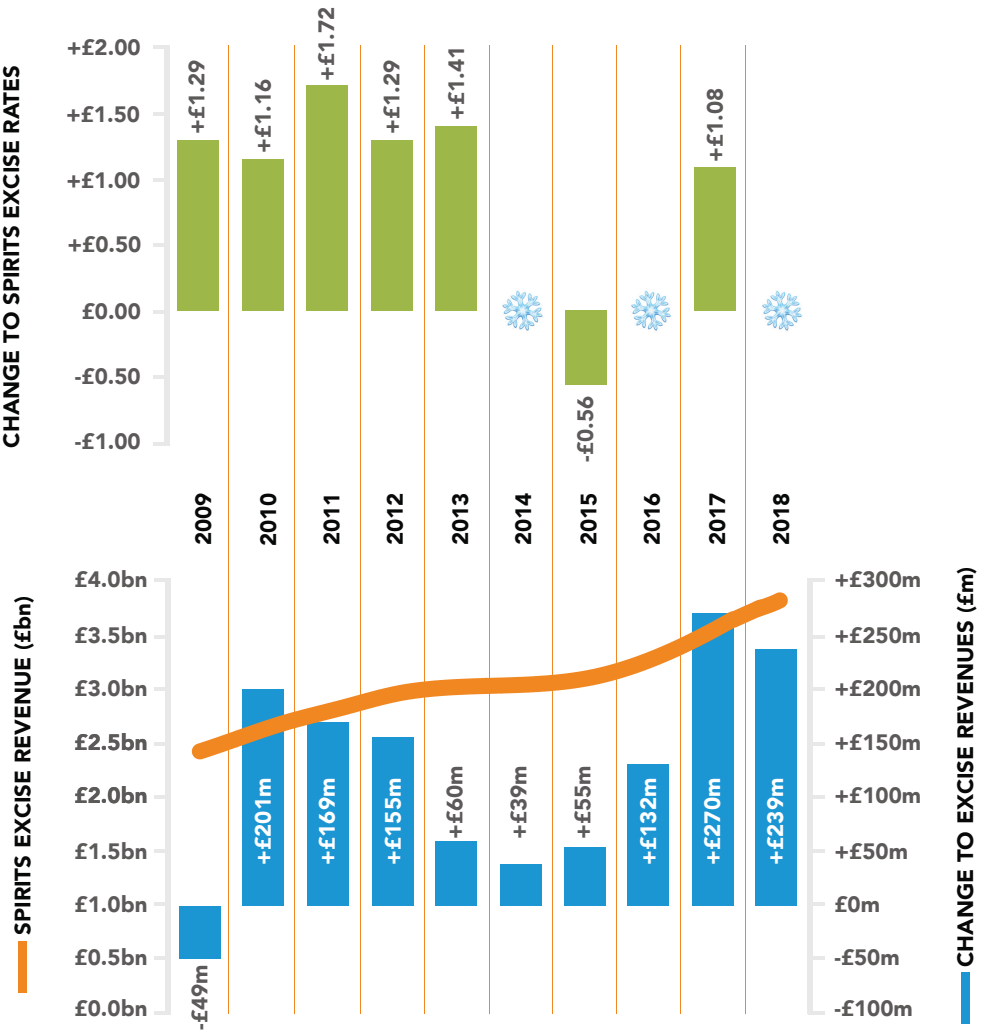
Comparatively, in the 5 years to 2018, spirits excise was increased by 52p per LPA. Despite this marginal increase over the five year period, excise receipts increased by over 23% to add an additional £735 million to HMT revenues.

The duty levied on Scotch Whisky and other spirits in the UK remains high. £3 in every £4 spent on an average priced bottle of Scotch Whisky in the UK is collected as tax, in duty and VAT. Per unit of alcohol, this is more than any other category of alcohol.

The tax on Scotch Whisky in the UK is also high when compared to comparative economies around the world.



SPIRITS EXCISE RATES AND ANNUAL REVENUES



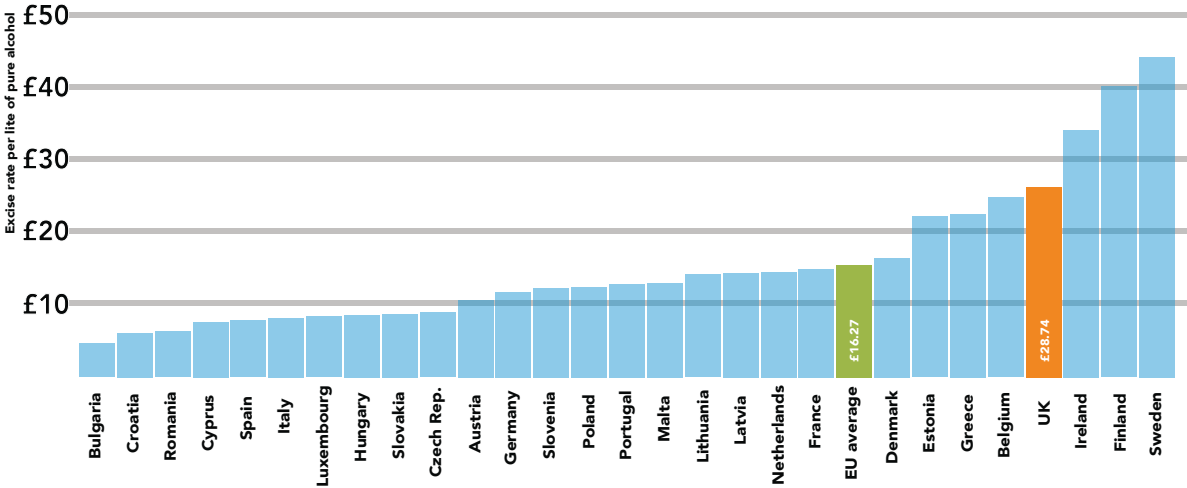
Source: HMRC

TAX AROUND THE WORLD

The UK has the fourth highest spirits duty rate in the EU, with only Sweden, Finland and Ireland having higher rates. Internationally, across other major producing and consuming nations, the UK has one of the highest rates of spirit duty in the world.

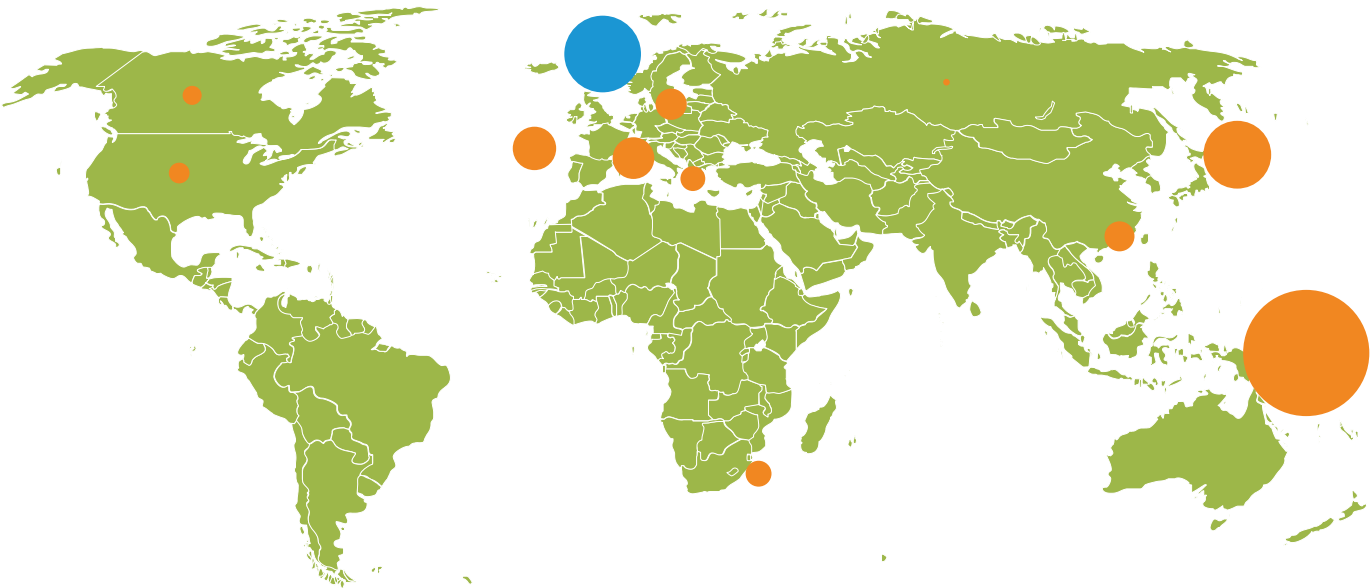
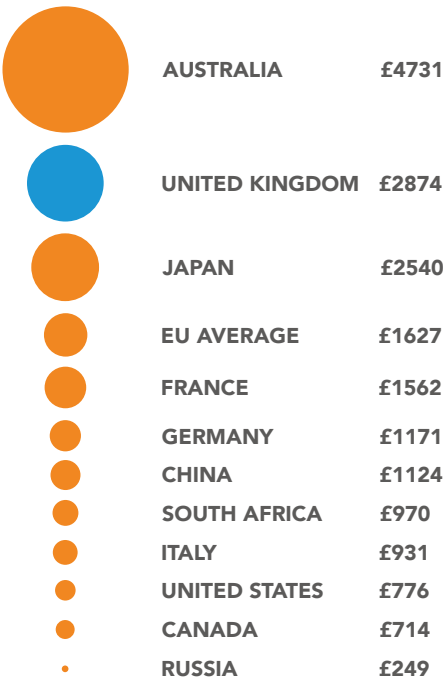
The tax structures of Sweden and Finland, with the highest duty rates, are linked to state owned monopolies.

For example, the United States, the second largest producer of globally marketed whisk(e)y, the rate of duty for its national product is 27% of that in the UK.



Source: spiritsEUROPE summary of tax rates of alcoholic beverages in Europe, May 2018

SPIRITS DUTIES AROUND THE WORLD PER HECTOLITRE OF PURE ALCOHOL



Source: OECD; Xu Guo; Government of Canada; Australian Government; US Department of the Treasury; National Treasury of South Africa; Cebr analysis