



SCOTCH WHISKY 2018 EXPORT ANALYSIS

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AUGUST 2019



2018 was another year of strong export growth for Scotch Whisky, attesting to its enduring popularity in different countries and among cultures right across the world.

Quite simply, Scotch Whisky remains the whisky everyone wants to drink.

In 2018, the value of Scotch Whisky exports reached a record £4.7 billion.

This analysis looks at the market trends and issues that the Scotch Whisky industry faced in 2018.



KAREN BETTS
Chief Executive, SWA



EXECUTIVE SUMMARY

- Scotch Whisky exports build on an impressive 2017, reaching record figures in 2018. Value of exports grew to £4.7bn, an increase of 7.9%. Volume grew to 1.28bn bottles, an increase of 4%.
- The value of Single Malt Scotch Whisky continued double-digit growth (+11.6%) to exceed £1.3bn. A more conservative growth rate (+5.6%) for bottled Blended Scotch Whisky exports led to over £3bn being exported, an increase of £167m.
- The EU remains the largest export market for Scotch Whisky accounting for 30% of total Scotch Whisky values and 36% of volumes.
- The USA became the first £1 billion market for Scotch Whisky, accounting for 22% of total exports, as values increased +13% and volumes rose by +7%.
- Growth in markets across Asia led to the region's export value exceeding £1bn with exports to the top four markets adding an extra +£100m.
- Scotch Whisky exports remain a significant part of the UK's trade network. For every £1 million worth of goods exported from the UK, £13,000 was Scotch Whisky. Without Scotch Whisky exports, the UK's balance of trade deficit would be +3.4% wider.
- Scotch Whisky accounted for 79% of all spirits exports from the UK in 2018 and 21% of all UK food and drink exports.
- Growth in Scotch Whisky exports was higher than the overall UK exports growth; faster than the aggregated UK spirits exports; and faster than the rate of growth for exports from the UK food and drink sector.

SCOTCH WHISKY EXPORT PERFORMANCE

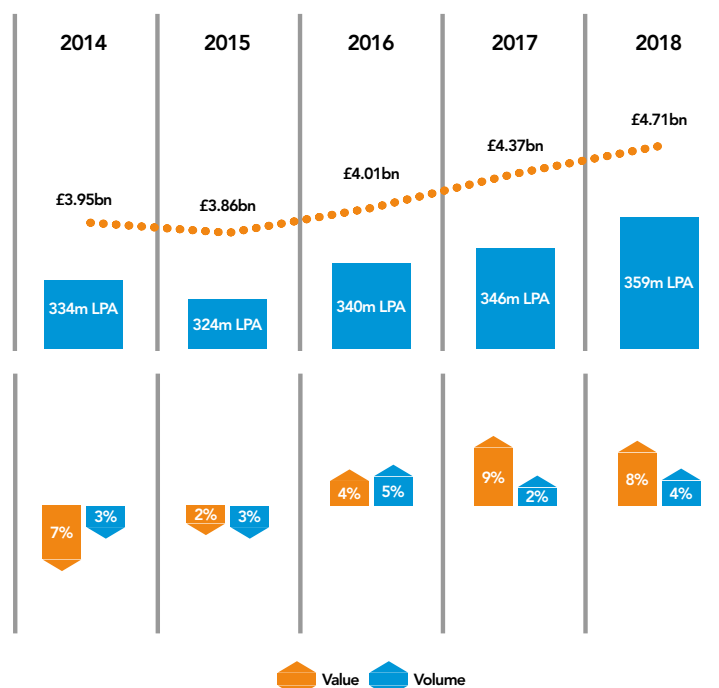
Scotch Whisky exports reported strong resilience and growth in 2018. The total value of Scotch Whisky exports exceeded £4.71bn with the equivalent of 1.28bn bottles exported. Value growth reached +7.9%, contributing a further +£344m to exports by value while an additional +14m Litres of Pure Alcohol (LPA) was exported, up +4.0% to 359m LPA.

Every category of Scotch Whisky experienced positive exports growth in 2018 – in terms of both in volume and value.

This resulted in Scotch Whisky becoming the UK's 10th most valuable exported good in 2018¹.

In 2018, Scotch was exported directly to 174 different markets with more markets likely to have received products through cross-border activities or through extended supply chains, emphasising that Scotch Whisky is a truly global product.

While there is wide coverage across the globe, supply chain structures and the existence of some extremely large export markets result in Scotch exports being relatively consolidated in terms of volume and value. In 2018, the top 25 markets accounted for more than 83% of total Scotch exports by both value and volume.



Exports	Single Malt Scotch Whisky	Blended Scotch Whisky	Other Scotch Whisky	Total
Value £GBP	£1,306m	£3,046m	£360m	£4,712m
% Change	+11.6%	+5.8%	+13.0%	+7.9%
£ Change	+£135m	+£167m	+£42m	+£344m
Volume - Bottles Equiv.	124m	834m	326m	1,283m
% Change	+1.0%	+0.5%	+15.4%	+4.0%
Bottles Equiv. Change	+£1.1m	+£4.2m	-£43.4m	+£48.8m

Source: HMRC UKTradeInfo; Scotch Whisky Association Analysis

References: ¹ Based on HS4 classification of goods system.

BY CATEGORYⁱ

The predominant category for exports, in terms of both volume and value, is bottled Blended Scotch Whisky. In 2018 bottled Blended Scotch Whisky accounted for 65% (233m LPA) of total volumes and 65% (£3.05bn) of export values. Volumes were only marginally up (+0.5%) while a +5.8% rise in value contributed to +£167m (49%) of the total increase in Scotch exports. Growth in North America (+12%), Asia (+11%) and Central and South America (+11%) drove value growth, offsetting a marginal decline in Europe (-1%).

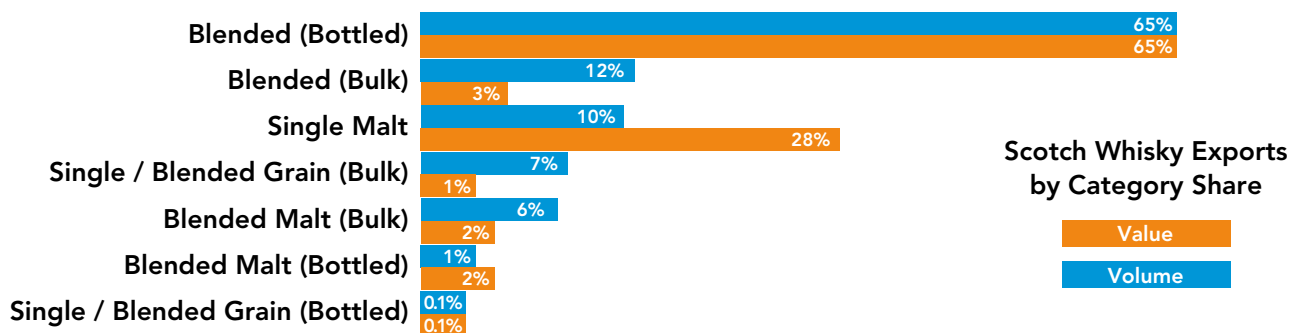
A similar development could be observed for Single Malt Scotch Whisky – all bottled. Volumes increased by +1.0% and strong growth was found through higher valuations, up +11.6% year on year, accounting for £135m or 39% of total Scotch Whisky export growth. Single Malt Scotch exports were valued at £1.3bn in 2018, accounting for 28% of the value of all Scotch exports. It was only in 2016 when Single Malt exports first reached £1bn. The top 20 markets for Single Malt accounted for £1.17 billion worth of exports, 90% of all Single Malt exports, with all but three reporting positive value growth in 2018. The three largest Single Malt export markets, USA, France and Taiwan, accounted for £610m worth of Single Malt exports (47%) with Taiwan achieving a value of over £100m (8%).

Other bottled categories of Blended Malt and Single & Blended Grain Scotch Whisky showed strong double-digit growth in volumes and values, combined adding a further £7m to total exports. Bottled Blended Malt Scotch Whisky accounted for 1% of export volumes and was valued at £83m while bottled Single & Blended Grain Scotch Whisky exports accounted for 0.1% of exports (both volume and value) and were valued at £6m.



Source: HMRC UKTradeInfo; Scotch Whisky Association Analysis

Categories of blends in bulk, exported for bottling abroad, accounted for 85% of the additional +14m LPA exports. An additional +6m LPA of Single & Blended Grain Scotch Whisky (bulk) was exported resulting in 23.6m LPA exported, and a volume market share of 7%. Blended Scotch Whisky bulk exports, which increased by +9% to 41m LPA, an additional 3m LPA year on year, accounted for 12% of all Scotch Whisky exports. The value of exports shipped in bulk resulted in an additional £35m worth of Scotch Whisky exports, accounting for 10% of the growth in total Scotch exports. India and Japan contributed to a strong growth in bulk exports driven by increasing demand for Scotch in Japan and fiscal challenges in India which resulted in a reduced competitiveness for bottled product in India.



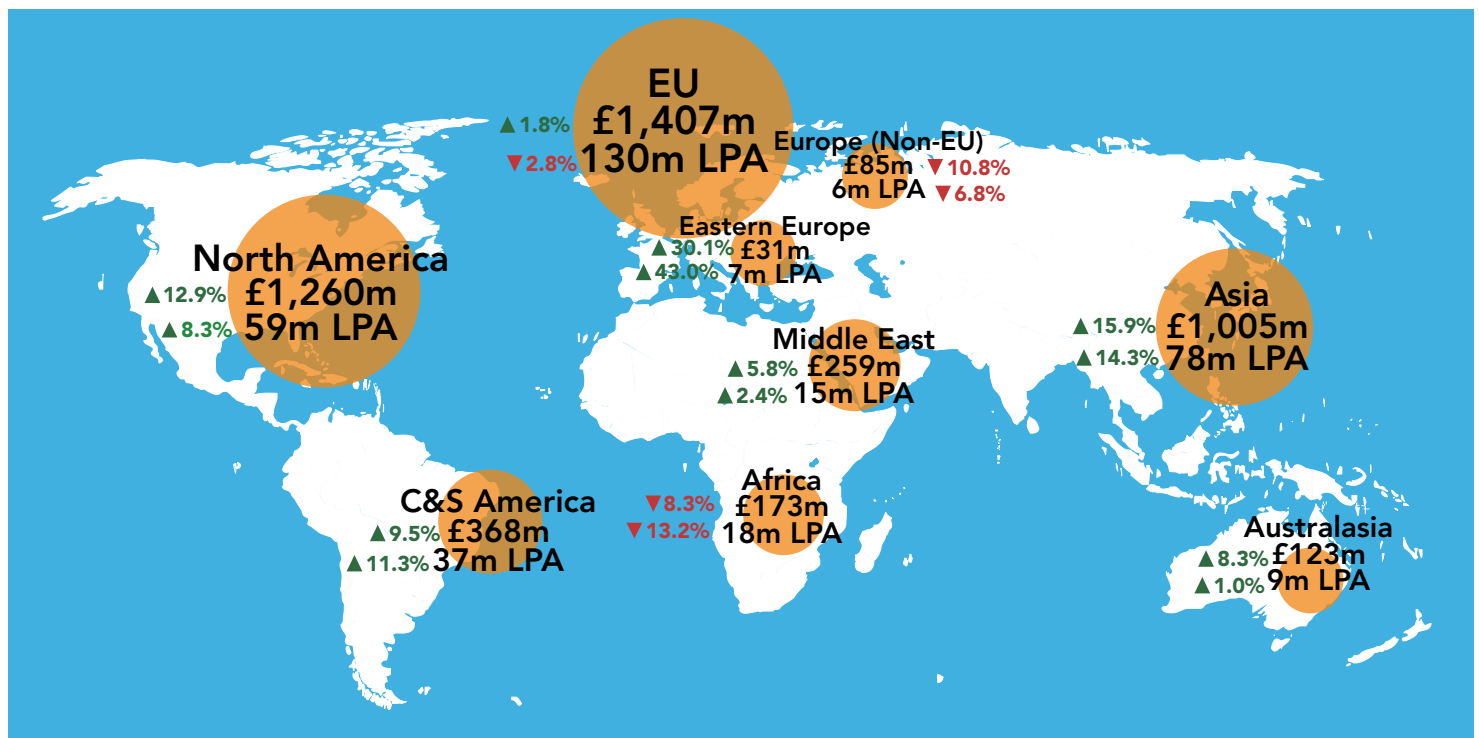
BY REGION

The European Union remains the largest export region in terms of both value and volume – accounting for £1.4bn worth of Scotch exports and 464m bottles of Scotch. While volumes declined by 2.8% due to challenging market conditions in some destinations, the price: product mix across the EU resulted in an increase in the value of the exports of 1.8%. The French market, the largest market for Scotch in terms of volume globally, and the largest market in terms of value in the EU, experienced a 6% increase in volumes and a 2% increase in values exported. Several other markets in the EU also showed resilience although two of the largest markets, Germany and Spain, pulled the overall EU results down. Both markets maintained value somewhat as volumes dipped. Consumer trends in Spain changed, while Germany is traditionally a strong hub for redistribution and is therefore affected by supply routes.

North America – comprising the USA, Mexico and Canada – continued its progression in terms of value and scale for the industry. Scotch exports increased by +£144m (+12.9%) with Single Malt values growing to £406m – 32% of all exports to the region. Exports to the USA, the most valuable individual market for Scotch, grew by +12.8% in value, reaching over £1bn.

Export growth to Central & South America returned positive results with half of the markets in the region recording positive growth in terms of both value and volume. As is the case globally, there is a concentration across the main markets with the top 5 accounting for 56% of the value of all exports to the region. The leading four countries – Brazil, Chile, Colombia and Panama – all returned strong double digit growth with an additional +£36 million worth of exports delivered in 2018. While various challenges remain across the region, the results are encouraging given difficult conditions in recent years.

Asia accounted for the equivalent of 279m bottles, valued over £1bn, 21% of the value of all Scotch exports in 2018. While Thailand and South Korea continue to experience consumer and political challenges, the top five markets – India, Japan, Singapore, Taiwan and China – experienced strong growth as well as a positive outlook for Scotch exports. India, Japan and China reported growth in terms of both volume and value – contributing an additional +11.5m LPA (+41m bottles) and a further +£79m in value. Premiumisation is evident across the majority of the top markets as strong growth in values exported outstripped growth in volume.



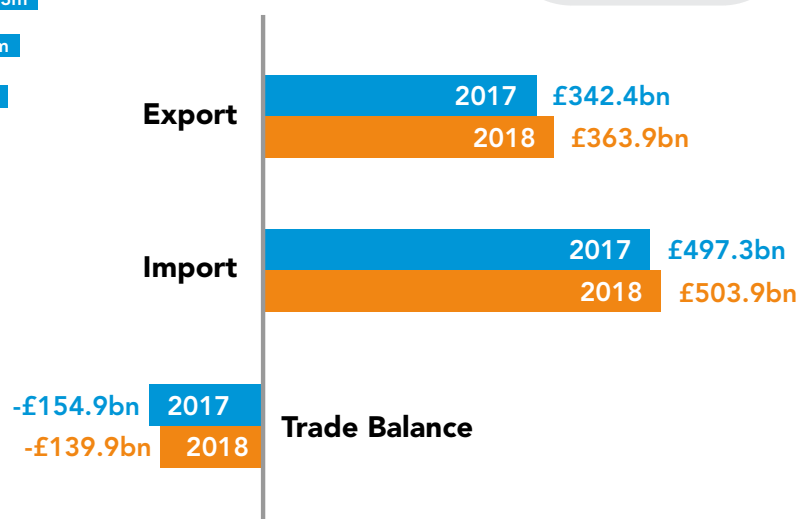
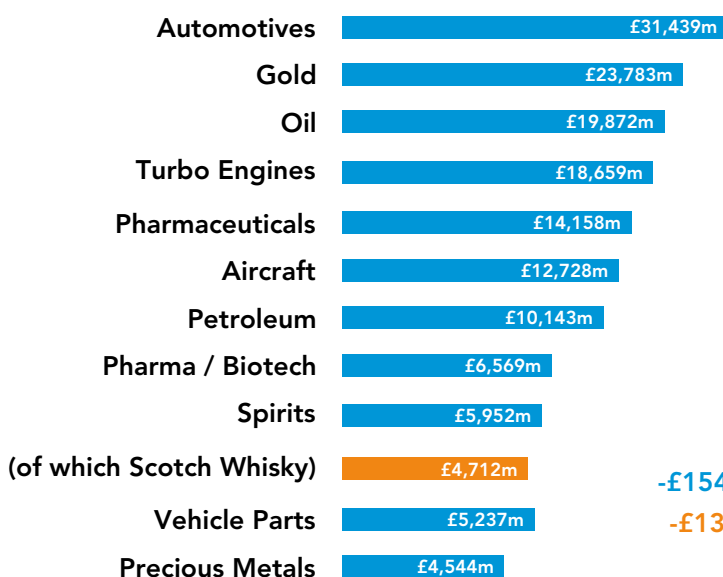
Scotch Whisky Exports by Value and Volume 2018

UK TRADE 2017-2018

In 2018, the UK exported an additional +£21.5bn (+6.3%) worth of goods, while imports to the UK increased at a significantly slower rate of 1.3% (+£6.5bn). This resulted in a narrowing of the trade deficit. Given that Scotch Whisky exports over-indexed in relation to all goods exported increasing by 7.9% in value, Scotch accounted for 1.3% of the value of all goods exported from the UK. For every £1 million worth of UK exports, £13,000 worth of Scotch Whisky was exported. Without the contribution of Scotch Whisky the trade deficit would have been £145bn in 2018, 3.4% higher than recorded.



UK Exports



Source: HMRC UKTradeInfo; Scotch Whisky Association Analysis

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Scotch Whisky was ranked the 10th most valuable good exported from the UK in 2018.ⁱⁱ Exports of spirits from the UK increased by 5.6% in 2018 – adding a further £314bn to total exports.

Growth in UK food and drink exports increased +£543m in 2018. Scotch Whisky exports accounted for 65% of this growth.

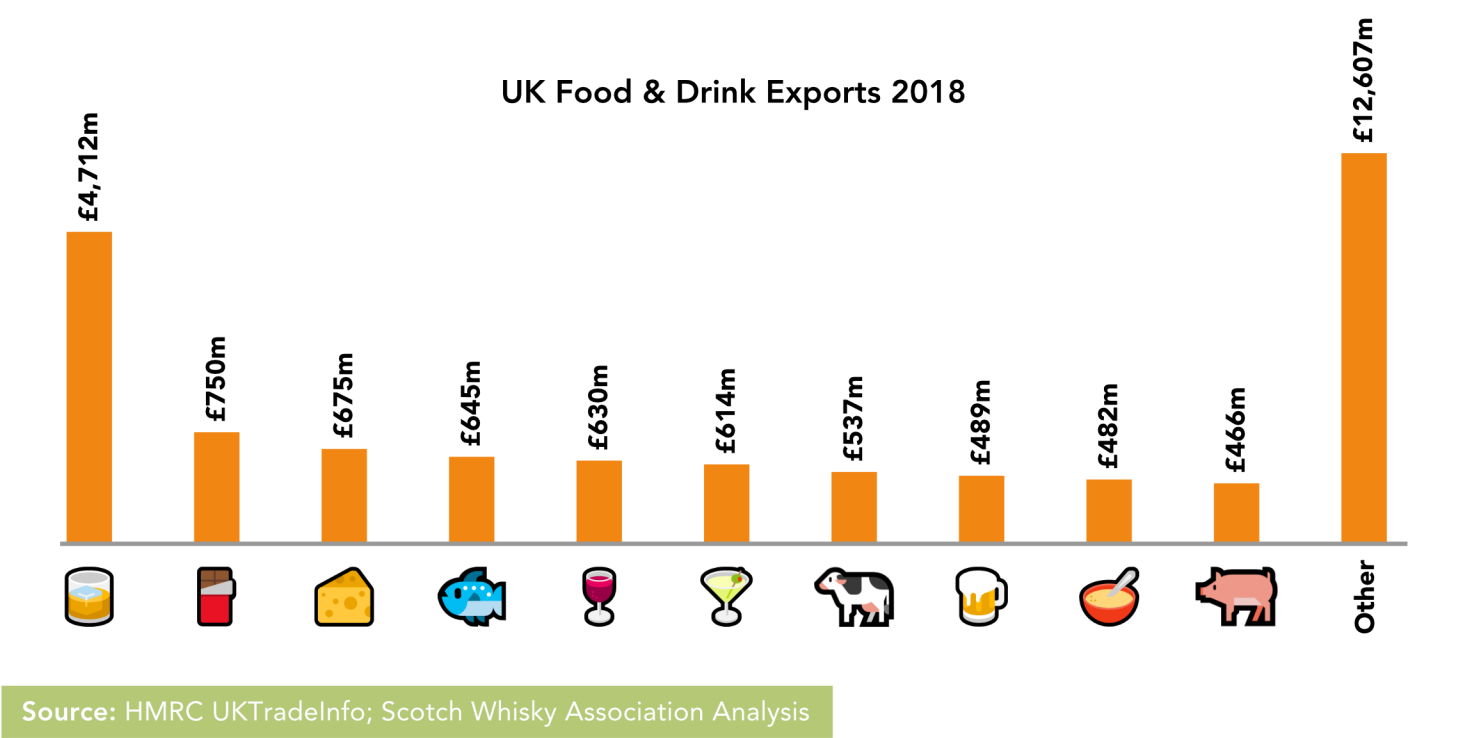
UK Exports of Spirits 2018



UK TRADE 2017-2018

Scotch Whisky accounted for 79% of all UK spirits exports in 2018, up from 77% in 2017. UK spirits exports were valued at £5.95bn in 2018, an increase of +£314m or +5.6% year on year. Given that the value of Scotch exports increased by over +£353m, while gin exports increased +£80m and liqueurs and cordials increased by +£10m, the overall export growth was restricted by reductions in other neutral spirit exports (down -£112m to £167m) and vodka exports (down -£37m to £73m).

Scotch Whisky accounted for 21% of the value of all UK food and drink exports in 2018. In context, this equates to almost the aggregated value of the next 8 top food and drink export categories. Food and drink exports from the UK increased +2.46% in 2018 to £22.6bn, an additional +£543m.



Notes:

i Scotch Whisky is categorised for export in seven different categories: Single Malt; Bottled Blend Malt; Bulk Blended Malt; Bottled Blend; Bulk Blend; Bottled Single & Blended Grain; and Bulk Single & Blended Grain. For the purposes of this report, Single Malt and Bottled Blended Scotch Whisky are reported as the two dominant categories with the remaining categories being aggregated as "Other". Single Malt Scotch Whisky must be exported bottled in line with UK legislation.

ii Based on 4-digit commodity codes (HS4) as recorded by HMRC with the exclusion of 9950 - Transactions of low value not classified according to kind which had an export valuation of £6.5 billion in 2018 and that 2208 consists of 79% Scotch Whisky.