



SCOTCH WHISKY 2017 EXPORT ANALYSIS

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In 2017, the value of Scotch Whisky exports reached a record £4.37 billion.

To put this into perspective, more Scotch Whisky was enjoyed across the world than American, Canadian and Irish Whiskies combined.

Scotch Whisky really is whisky for the world.

This analysis looks at the market trends and issues that the Scotch Whisky industry faced in 2017.



KAREN BETTS
Chief Executive, SWA



EXECUTIVE SUMMARY

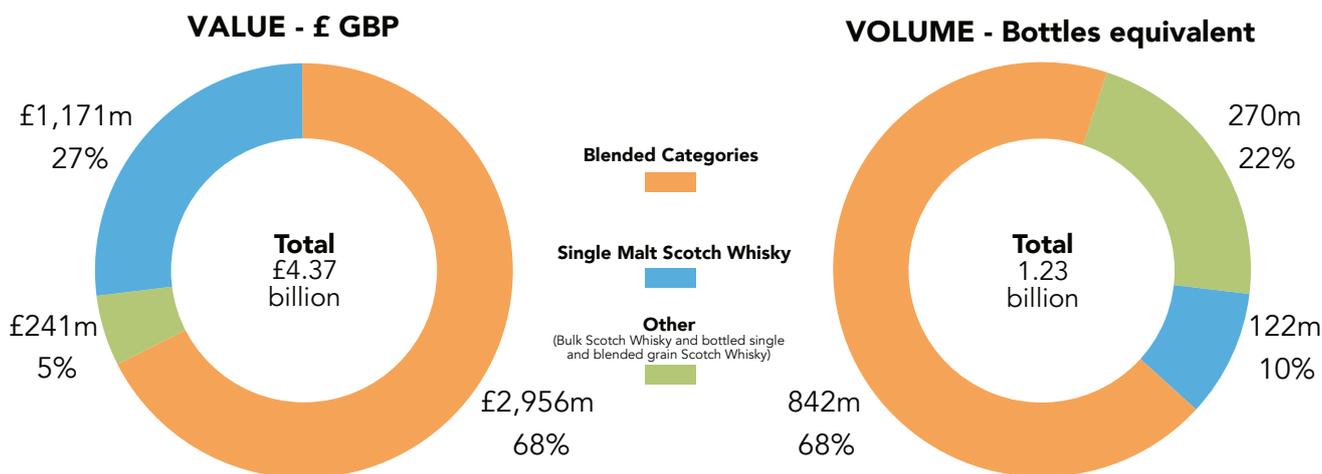
In 2017, exports of Scotch Whisky increased in value by £359 million, or 8.9%, compared with 2016 to a record high of £4.37 billion. By volume, the equivalent of 1.23 billion bottles were exported to 180 markets worldwide, an increase of 20 million bottles or 1.7% compared with 2016.

Almost 24 million bottles of Scotch Whisky are shipped from Scotland every week, or 39 bottles per second.

Exports	Single Malt Scotch Whisky	Blended Categories	Other Scotch Whisky	Total
Value - £GBP million	£1,171m	£2,956m	£241m	£4,368m
% change	+14.3%	+7.8%	-1.0%	+8.9%
£ change	+£146m	+£215m	-£2m	+£359m
Volume – bottles equiv.	122m	842m	270m	1,234m
% change	+8.1%	+0.9%	+1.3%	+1.7%
bottles equiv. change	+9m	+8m	+3m	+20m

Source: HMRC, Scotch Whisky Association

Scotch Whisky exports by category share: value and volume (2017)



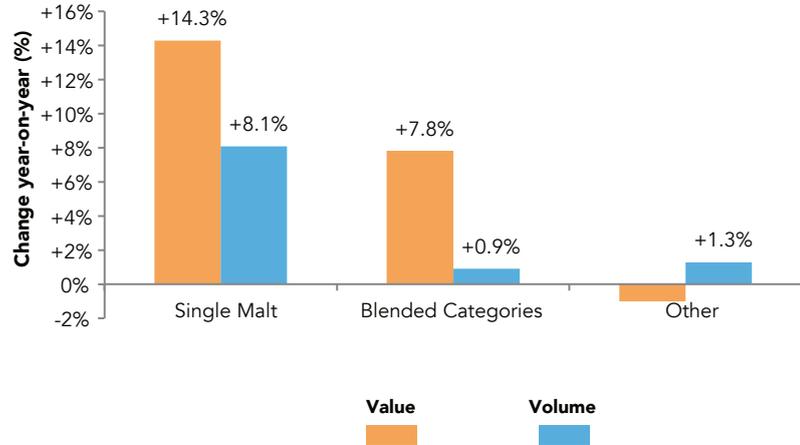
Total UK exports of spirits increased by £449 million to £5.6 billion, an increase of 8.6% year on year. Scotch Whisky exports accounted for 78% of all UK spirits exports.

2017 saw significant growth of Single Malt Scotch Whisky. Growth in value increased at a faster rate than growth in volumes, indicating a continued premiumisation across the Single Malt category.

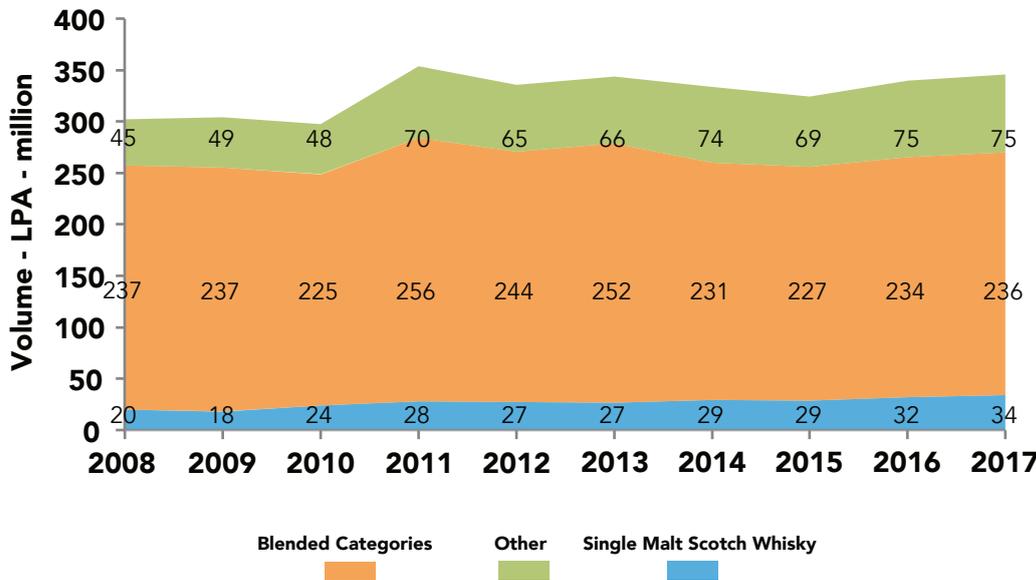
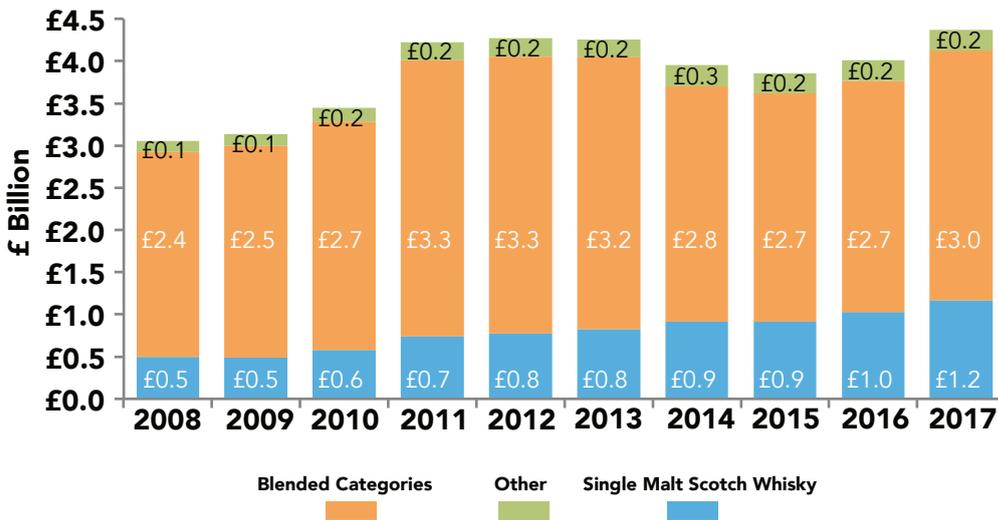
Share of UK exports of spirits 2017



Growth in Scotch Whisky exports 2017 vs 2016



Scotch Whisky exports by category share for value and volume (2008-2017)



Single Malt Scotch Whisky

£1.17 billion worth of Single Malt Scotch Whisky was exported in 2017, an increase of 14% year-on-year from £1.03 billion in 2016

The equivalent of more than 122 million bottles of Single Malt were exported, 8% more than in 2016

Blended Categories

Almost £3 billion worth of bottled Blended Scotch and Blended Malt was exported in 2017, accounting for 842 million bottles, an increase of 8% in value terms and 1% in volume year-on-year

Bottled Blended Categories are dominant globally accounting for more than two in every three bottles (68%) of all Scotch exported in both value and volume terms

Other Scotch Whisky

Volumes of other Scotch Whisky exports, which are dominated by bulk trade, increased 1% although the valuation of other exports in the year declined 1%

Exports of other Scotch Whisky account for 22% of the total volume of Scotch exported but the share of the total value dropped to 5% in 2017

UK TRADE TRENDS

In 2017, exports of Scotch Whisky remained a significant contributor to overall UK exports. For every £100 of goods exported from the UK £1.30 was Scotch Whisky.

Total UK trade in goods exports in 2017 were £343 billion. This represented a 14% uplift or an increase of £42 billion compared with 2016.

The UK remained a net importer of goods with total trade in goods imports valued at £498 billion in 2017. This was a 6% rise or an increase of £28.5 billion compared with 2016.

UK imports exceeded exports by £153 billion resulting in a narrowing of the trade in goods gap from £166 billion in 2016. Without Scotch Whisky exports, the UK deficit in the trade of goods would have been 2.9% worse, at over £157 billion.

Over the last ten years, the growth in Scotch Whisky exports has generally been greater than compared with the growth in total exports from the UK. In 2017, other exports from the UK increased at a faster rate than Scotch, which may result in increased global export supply chains.

Index of UK exports and Scotch Whisky exports

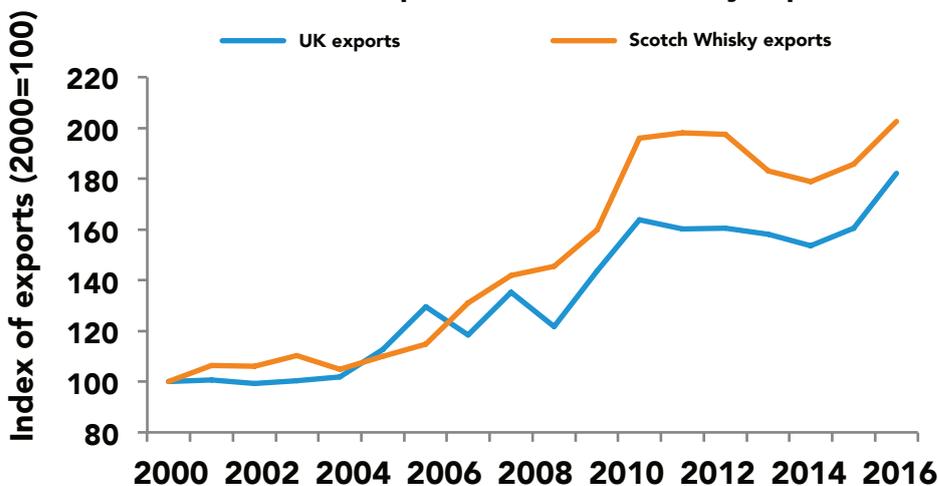


Chart: Growth in total UK exports and exports of Scotch Whisky.

Total UK exports grew at a faster rate than Scotch exports in 2017 although Scotch remains ahead of the rest of the market in the medium term.

Index of UK trade deficit and Scotch Whisky exports

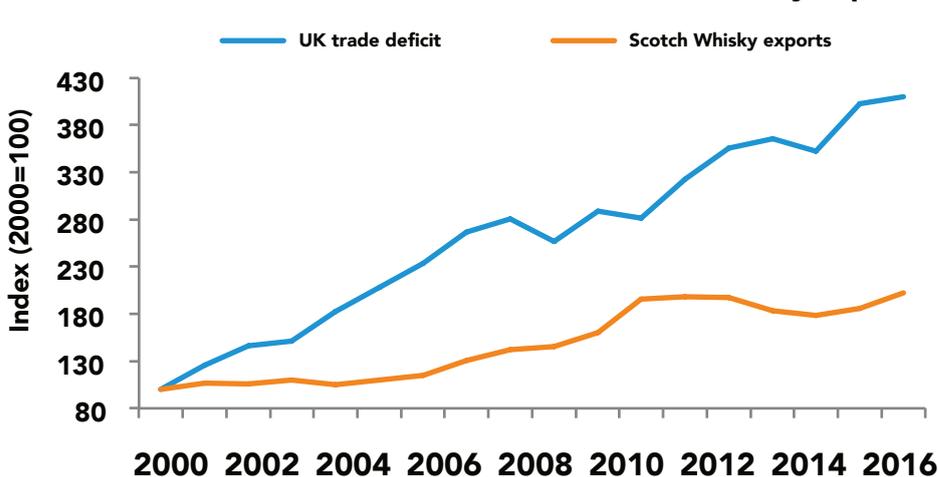


Chart: Since 2000 the UK trade deficit has grown significantly.

Without the growth in Scotch Whisky exports the trade gap would be significantly wider.

Did you know?

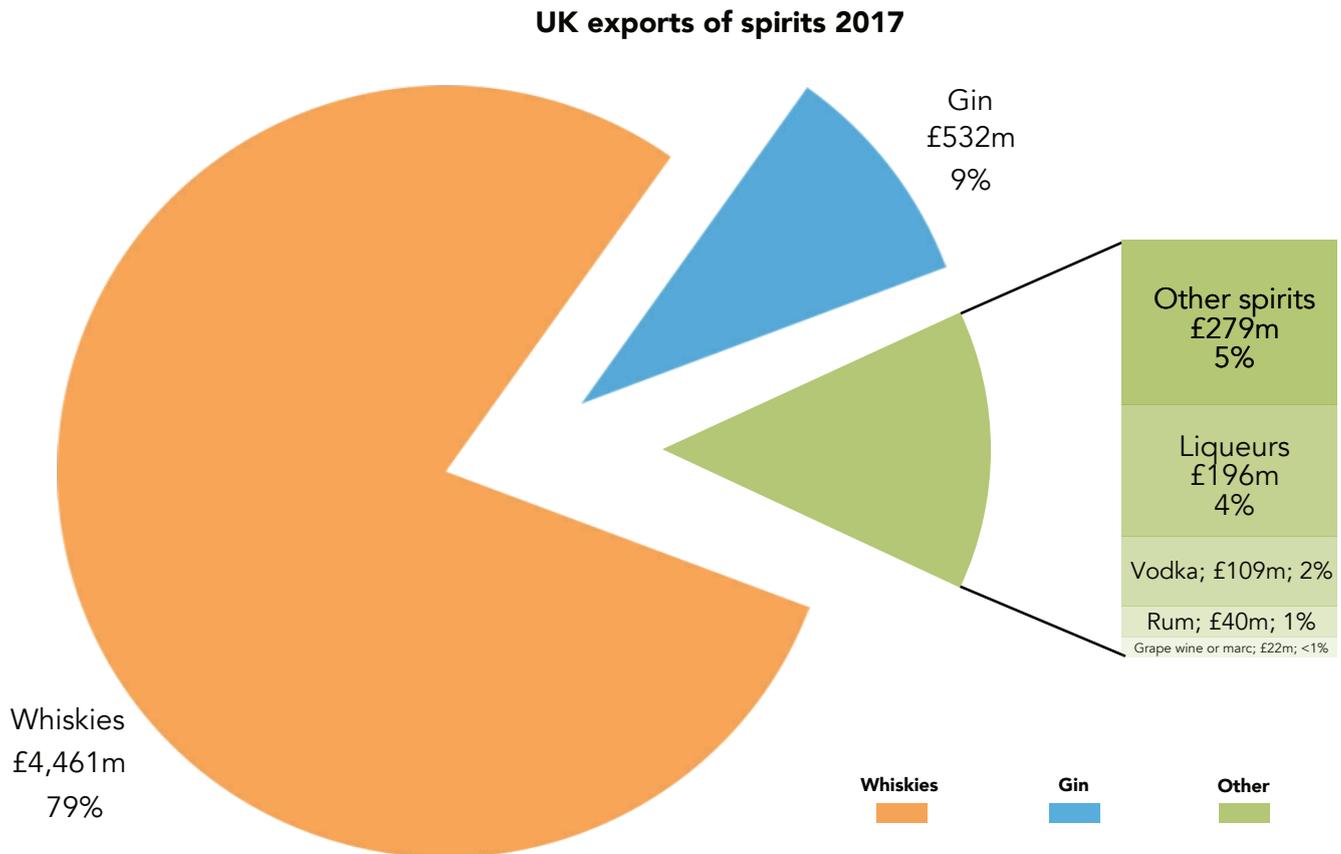
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MARKETS
AROUND THE WORLD
HAVE EXPORTS OF
**SCOTCH
WHISKY**
VALUED AT OVER
£10 MILLION

The export of spirits from the UK is the tenth largest contributor to the total value of exports out of over 1,300 other product categories recorded by HMRC.

UK GOODS EXPORTS - £ GBP		2016	2017	% EXPORTS
Rank	TOTAL	£302,067m	£342,472m	100.0%
1	Motor vehicles	£30,154m	£32,469m	9.5%
2	Turbines	£14,330m	£19,521m	5.7%
3	Pharmaceutical products	£16,074m	£15,860m	4.6%
4	Crude oil	£9,711m	£14,502m	4.2%
5	Precious metals	£11,506m	£13,825m	4.0%
6	Aircraft	£11,259m	£12,760m	3.7%
7	Petroleum oils (non-crude)	£6,718m	£8,810m	2.6%
8	Medical supplies	£6,421m	£7,515m	2.2%
9	Unclassified low value transactions	£3,814m	£6,102m	1.8%
10	Spirits	£5,190m	£5,639m	1.6%
	OTHERS	£186,890m	£205,471m	60.0%

Exports of Whisk(e)y accounted for £4.5 billion worth, or 79%, of spirits exports, with £4.37 billion being Scotch Whisky. The remaining whiskies were either UK i.e. non Scotch whiskies or international whiskies that were imported and subsequently re-exported (for example, Irish Whiskey or Bourbon).



Source: HMRC, Scotch Whisky Association

In 2017, an additional £449 million was added to the value of spirits exports from the UK. Almost 80% of this growth was the result of an additional £359 million of Scotch Whisky. Exports of gin contributed 13% (+£59m) of spirits value growth.

SCOTCH WHISKY EXPORT TRENDS



Source: HMRC, Scotch Whisky Association

USE THE QR CODE TO ACCESS THE DATA FROM THE TOP 100 SCOTCH WHISKY EXPORT MARKETS IN 2017



The equivalent of 1.23 billion bottles of Scotch Whisky were exported in 2017 and were valued at £4.37 billion. A continued shift in the product:price ratio is consistent with a move towards the premium market across the category, although it is likely that exchange rates in 2017 will have aided the situation to a degree.

Scotch was exported directly to 180 markets in 2017 although the full geographic reach of Scotch is likely to surpass that figure as a result of numerous regional distribution hubs. Despite the spread of Scotch Whisky destinations, due to these distribution hubs and markets with large populations, over 50% of Scotch exported is delivered within the top 7 markets by volume and that share rises to 78% across the top 20 markets.

Blended Scotch Whisky continues to be the largest traded category of Scotch Whisky by far - accounting for over two-thirds of all Scotch exports in both value and volume terms. Over 842 million bottles of blended Scotch were exported in 2017 with the top five destinations being France, USA, Mexico, Spain and South Africa – accounting for 314 million (37%) of all blended Scotch Whisky exports. With the exception of South Africa, volumes exported to these important markets were lower than the previous year's volumes, although the greater valuation of the exports offset the volume decline to a degree.

The marginal increase in the overall headline growth rate of blended Scotch volumes, by 0.8%, would suggest that there are various forces at work across the globe. Some markets will have experienced a change to the product mix dependent on economic and consumer trends, while there will also have been the influence of growth from smaller markets as consumers are attracted to the category in developing markets.

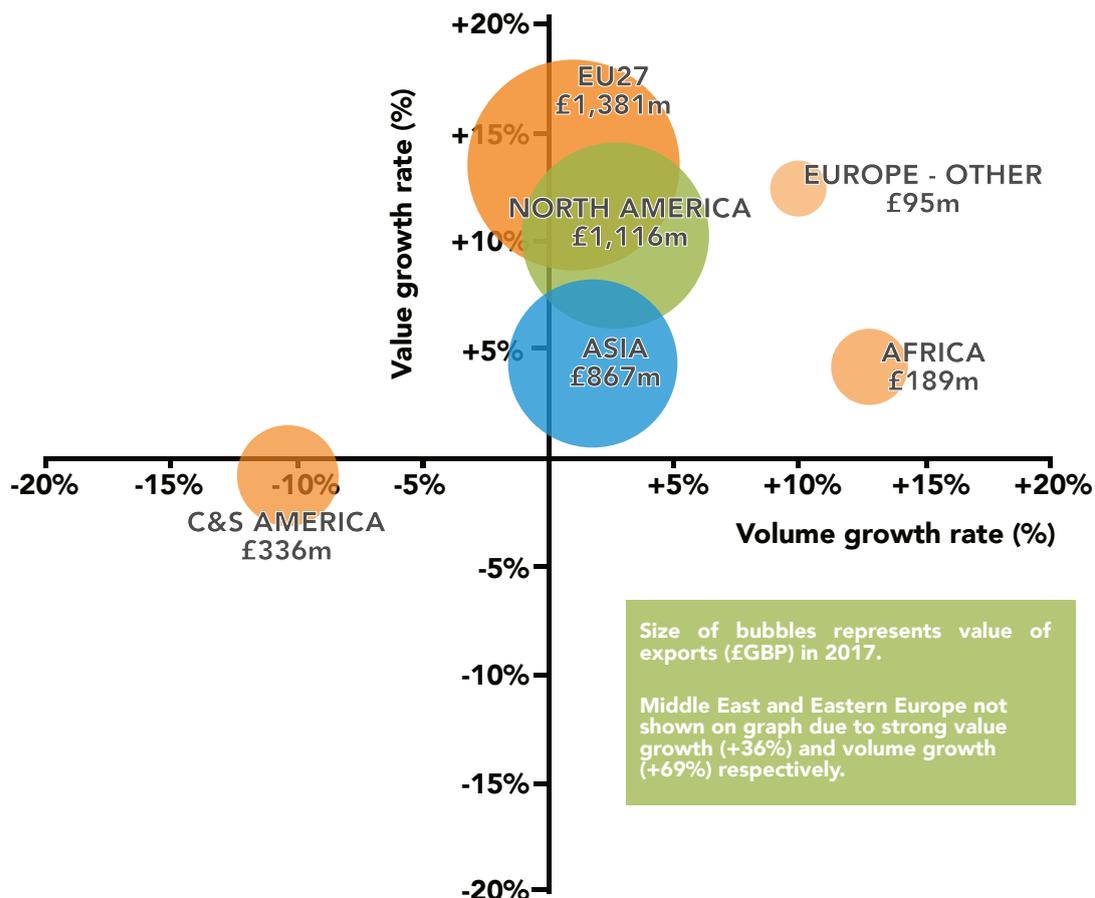
Single Malt continued to improve year on year where volumes exported accounted for 10% and values accounted for over a quarter of total exports. It was 2016 when the value of Single Malt exports exceeded £1 billion for the first time and the value in 2017 grew by a further 14% to £1.2 billion. While there may have been some exchange rate assistance, the additional 8% in volume taking the total number of bottles of Single Malt to over 122 million, there is an indication that the premiumisation of the category continued in 2017.

Almost £900 million worth (77%) of Single Malt exports are concentrated in the top ten destinations for the category. However, this includes important hub destinations of Singapore, the Netherlands and Latvia where regional re-distribution occurs. The USA (26%) and France (13%) remain the top two markets for Single Malt and their scale means that relatively modest growth rates maintained their dominance despite strong growth in many other leading markets.

The bulk market (which constitutes the majority of "other" Scotch Whisky in the figures within this report) remains an important factor in the supply of Scotch globally. Supplies for bottling Scotch Whisky overseas nearer to, or in-market, provide economic and environmental efficiencies for some supply chains and there is also the consideration of Scotch used as a primary ingredient for other spirit drinks. Growth in bulk exports (in either volume or value) has been marginal in recent years, supporting the hypothesis that industry is approaching the expansion of supplies more strategically. Volumes of bulk exports would reduce further with tariff liberalisation in key markets.

REGIONAL TRENDS

Regional scale and performance of Scotch Whisky exports 2017



Source: HMRC, Scotch Whisky Association

Growth in Scotch Whisky exports in 2017 can be analysed by looking at regional patterns.

From the above chart, the dominant markets have benefitted from both increased volumes and valuations with growth in the former being more conservative. Emerging markets in Africa, the Middle East and some non-EU European markets have shown some strong growth year on year.

Conversely, some emerging markets in South America continue to show signs of volatility, which has reduced volumes of exports, while the value associated with exports was maintained.

The **European Union** maintained its position as the main region for Scotch Whisky exports and accounted for 32% of the total value of exports in 2017. Value growth of 11% led to an additional £138 million worth of Scotch exported to the region. Despite other regions growing at a faster rate (Eastern Europe, Sub-Saharan Africa and Middle East & North Africa) the European Union was the major contributor to net growth.

France is the dominant market for all categories in the EU, accounting for 31.5% of the total value of exports to the EU in 2017. More than a third (34%) or £158 million of all EU-destined Single Malt and over a quarter of blended Scotch Whisky was shipped to France. While bulk Scotch Whisky exports to France are just 36% of total French receipts, the 18 million LPA accounts for almost three-quarters (72%) of all bulk exported to the EU.

Spain and Germany are other major destinations for Scotch Whisky in the EU – with the former beginning to recover from severely challenging market conditions and the latter progressing in a comparatively stable manner.

North America accounted for £1.1 billion worth of Scotch Whisky exports and for 25% of all Scotch Whisky exports by value. The United States and Canada are skewed towards the premium segments within blended and Single Malt Scotch while volumes to Mexico are dominated by Blended Scotch Whisky. Lower volumes and valuations to the slightly more volatile Mexico tempered regional growth in the region slightly in 2017. The scale of the region given that it is dominated by three economies covering a huge population highlights its importance globally.

Scotch Whisky exports by region 2017 - value and value share



Source: HMRC, Scotch Whisky Association

Volumes and values to **Asia** grew with the hub of Singapore, which accounted for a third of export values and 19% of the volume, driving a considerable amount of growth. The number of markets in the region provided stability which allowed other major destinations – such as Taiwan and South Korea – to report lower returns due to difficult trading conditions while maintaining the regions overall export footprint. The volumes and values exported to India grew in-line by approximately 7% per annum which, given the impact of new regulatory and policy changes, can be considered a firm consolidation in terms of growth rates. Growth in China is notable, although the growth experienced in 2017 may be inflated to a degree with the possibility of stock being delivered to the market in anticipation of greater medium-term, rather than 'just-in-time', consumption.

The somewhat smaller – but not necessarily less significant – markets of **Central and South America, Africa, Middle East** and **other European** markets are more volatile, where strong growth can be experienced but with accompanying risks. This can be seen as the balance in volume terms moves from the Central and South America towards the emerging African markets and the affluent Middle East. The exceptional performance of Latvia in 2017 should be caveated as a result of diverting supply chains rather than a 75% increase in consumption and a doubling of the value of Scotch Whisky exported.

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