



Updated analysis of changes in alcohol sales, prices, taxation and affordability in the Republic of Ireland

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This report represents an update to a previous analysis of alcohol prices, taxation and affordability in the Republic of Ireland, published in July 2023¹.

Alcohol sales

Revenue publish quarterly data on alcohol cleared for sale (i.e. alcoholic products on which the duty has been paid by the producer and which can therefore be sold domestically)², with the latest figures representing the first quarter of 2024. This data reflects the basis of taxation for each product, reporting volumes of pure alcohol for beer and cider, but volumes of product for cider and wine. Assuming an average alcoholic strength of 4% for cider and 12.5% for wine allows the estimation of overall trends in the volume of alcohol sold as each beverage type (assuming that the volume of alcohol cleared for sale is comparable to the volume of alcohol that is actually sold). The quarterly data is highly seasonal, with significantly less alcohol cleared for sale in the first three months of each year. In order to compare trends it is therefore clearest to look at rolling 12-month averages. This shows that the total volume of alcohol sold in Ireland has remained fairly stable at around 40 million litres per year for the last 15 years. There is some evidence of a dip in sales during the initial phase of the COVID-19 pandemic, but this has subsequently rebounded.

The total volume of alcohol sold in Ireland has remained fairly stable

Rolling 12-month average of total alcohol cleared for sale in Ireland.
Figures for wine and cider are estimated from total product volumes.



Data from Revenue

When considering the potential public health impacts of alcohol, it is also important to consider changes in the population, as the same volume of alcohol spread between more people corresponds to less alcohol per adult (aged 15+). When we adjust the alcohol sales figures to calculate the volume of alcohol cleared for sale per capita, we get a slightly different picture, with overall sales falling gradually over time. In particular, since the COVID-19 pandemic, alcohol sales per person have not returned to their pre-pandemic levels and were 6.6% lower in 2023 than in 2019.

The total volume of alcohol sold per adult in Ireland has fallen

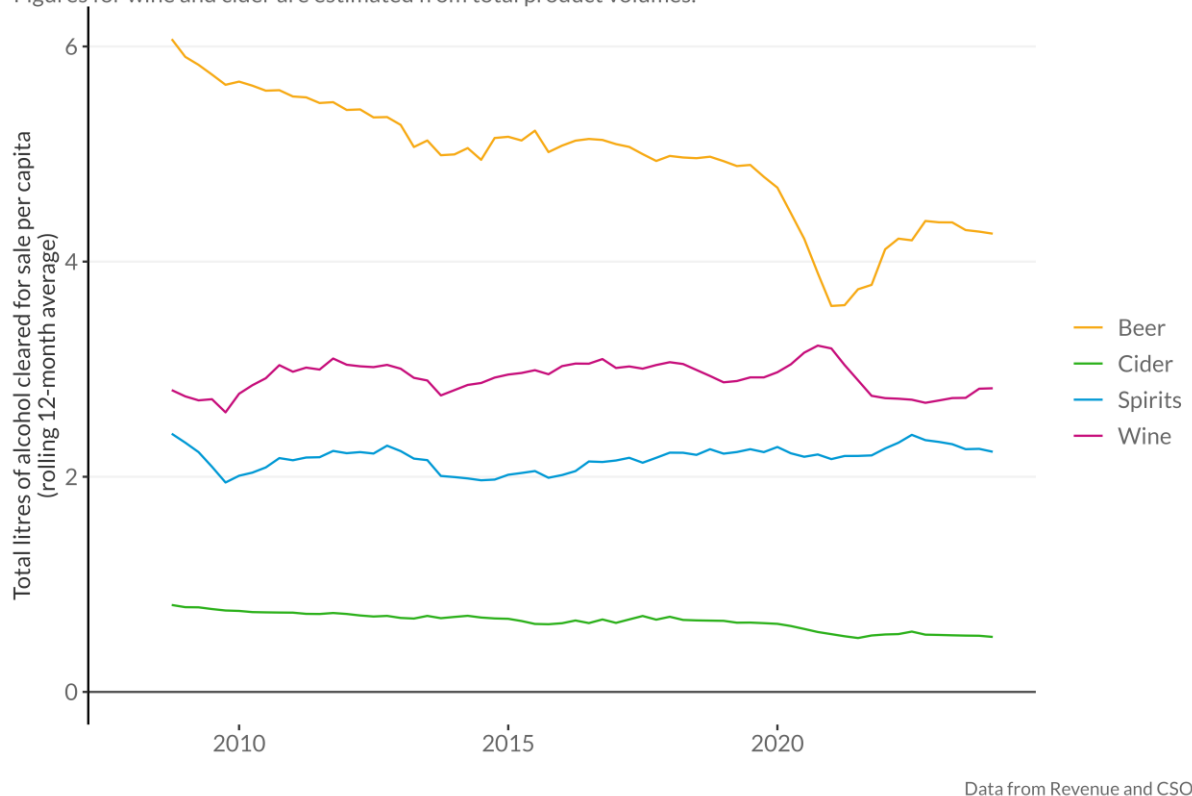
Rolling 12-month average of total alcohol cleared for sale in Ireland per adult (aged 15+)
Figures for wine and cider are estimated from total product volumes.



Breaking these figures down by beverage type, overall beer volumes cleared for sale in Ireland per person fell gradually from 2008 to 2014, levelled off, and then fell dramatically at the start of the COVID-19 pandemic in 2020. They have subsequently rebounded, but remain below pre-pandemic levels. In contrast, the volume of wine sold in Ireland was rising gradually pre-pandemic, but then increased in early 2020, before falling back to pre-pandemic levels. These shifts likely reflect the fact that pubs were closed during pandemic restrictions, so drinking shifted from pubs, where the majority of alcohol consumed is beer, to home drinking, where wine consumption is much more prevalent. There is little clear evidence of a pandemic-related impact on sales of spirits or cider, although spirits sales appear to have risen slightly in 2022.

Beer sales fell during the pandemic, wine sales rose

Rolling 12-month average of alcohol cleared for sale in Ireland per adult (aged 15+).
Figures for wine and cider are estimated from total product volumes.

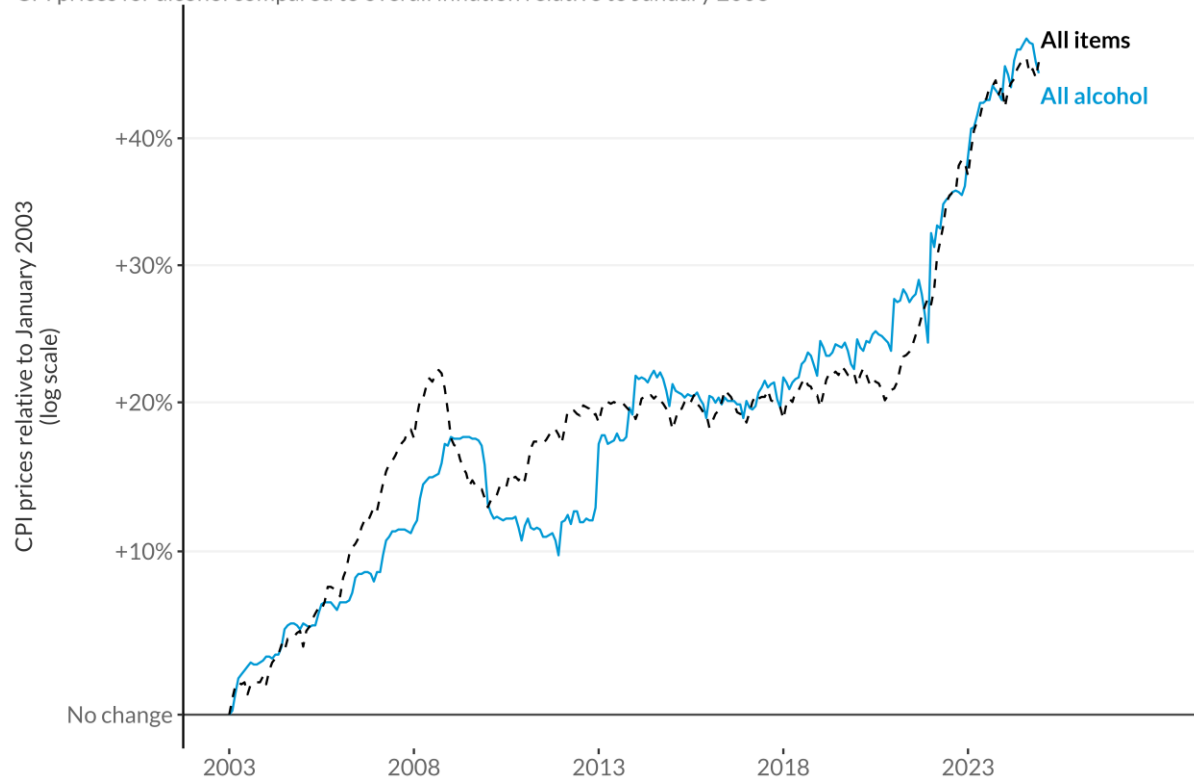


Alcohol prices

The Central Statistics Office (CSO) in the Republic of Ireland publish monthly data on the Consumer Price Index (CPI), the government's preferred measure of inflation³. This data includes the all-item CPI, representing the headline figure for inflation, as well as item-specific CPI indices which represent the change in prices for specific product groupings. Data is available in a consistent time series back to January 2003, with the latest data reflecting prices in December 2024. Over this period overall inflation has been 46.4%, with alcohol prices rising by 45.4%. Inflation on alcoholic products has kept pace with overall inflation during the period of high inflation from late 2021 to early 2023, and has levelled off in 2024 as overall inflation has stabilised.

Alcohol prices in Ireland have kept pace with inflation

CPI prices for alcohol compared to overall inflation relative to January 2003



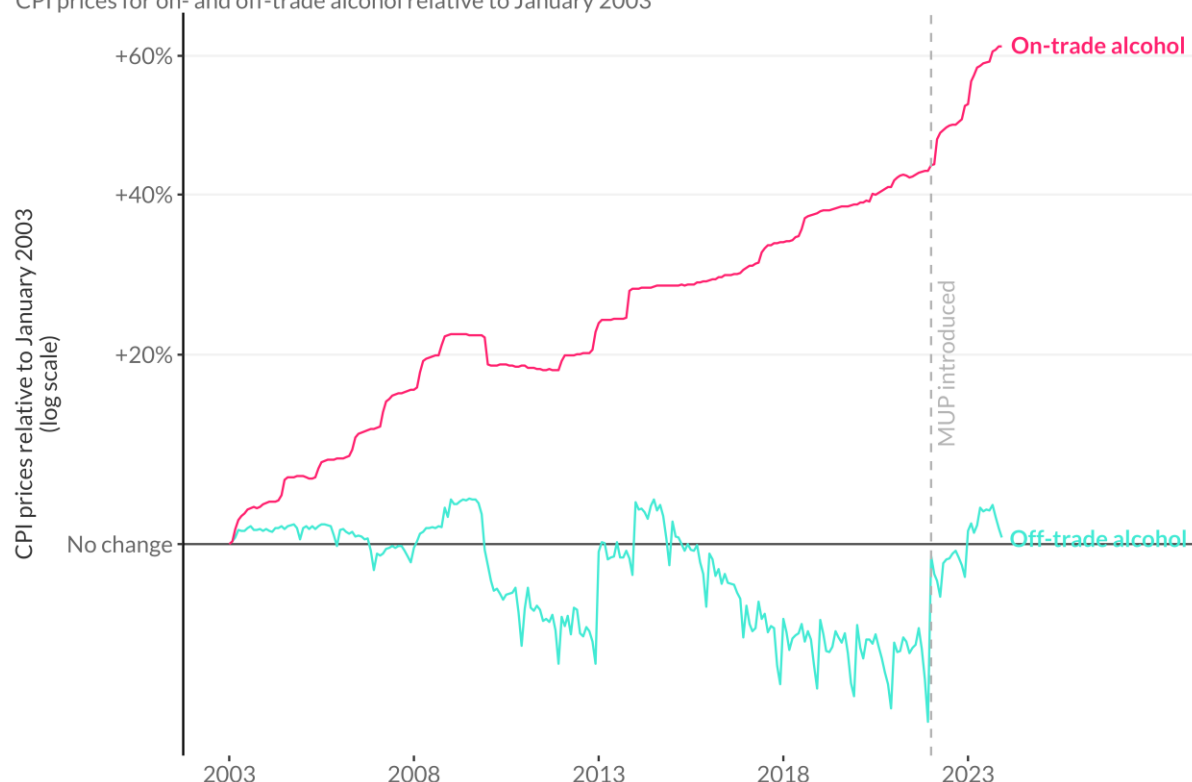
Data from CSO

CSO also publish CPI estimates for alcohol based on where the alcohol was sold: on-trade, representing sales of alcohol in pubs, bars, nightclubs and restaurants (where alcohol is sold for consumption on the premises) and off-trade, representing sales in shops (where alcohol is sold for consumption off the premises). At the time of writing this data is available up to December 2023. Since January 2003 these have followed very different inflation trajectories. Prices of on-trade alcohol have risen consistently over the period and are now 61.4% higher, while the price of off-trade alcohol has risen by just 0.6%. In December 2021 off-trade alcohol prices were 15.7% lower than in 2003 before accounting for inflation. The increase in off-trade prices

since this date is a product of the effects of Minimum Unit Pricing¹, which came into effect in January 2022, and a further increase in the price of both on- and off-trade alcohol in the initial months of 2023 that is likely to be linked to high rates of inflation. One other notable difference between prices in the on- and off-trade is the greater seasonality in off-trade prices. There no obvious seasonal variation in on-trade prices, whereas prices in the off-trade are markedly lower in November and December than throughout the rest of the year. This likely reflects pre-Christmas discounting of alcohol products and appears to have increased in magnitude over the past two decades. It is notable that the introduction of MUP appears to have reduced the magnitude of this pre-Christmas dip in average prices, most likely because the MUP threshold produces a floor price below which retailers cannot discount alcoholic products.

The price of shop-bought alcohol is the same as it was 20 years ago

CPI prices for on- and off-trade alcohol relative to January 2003



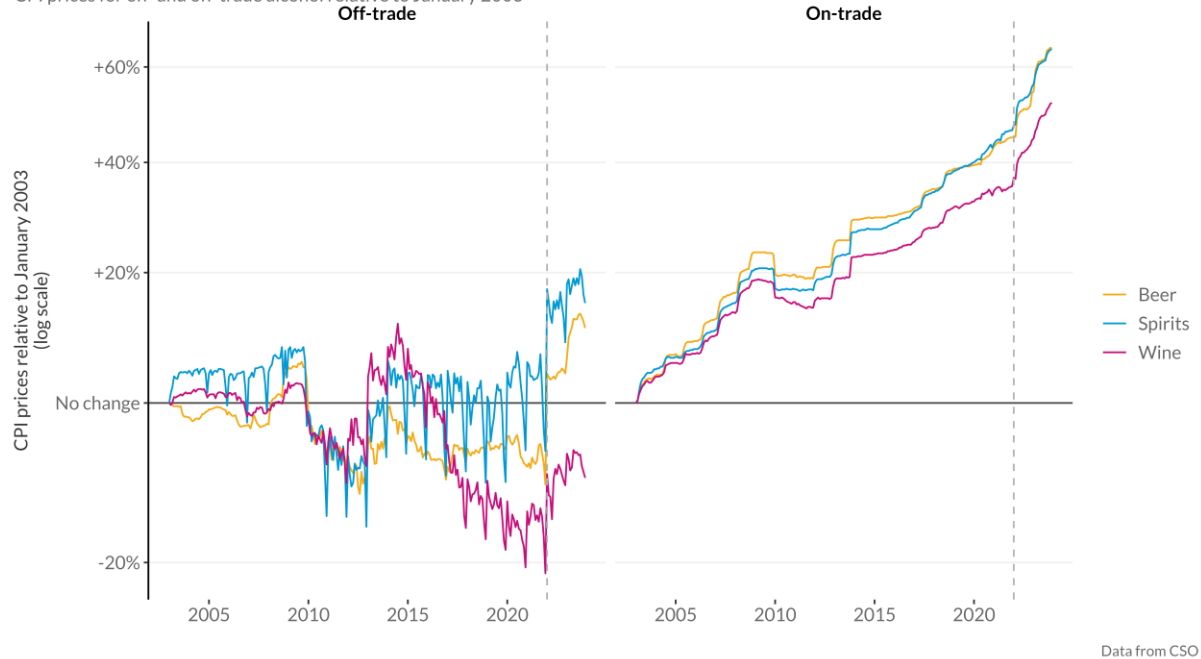
Data from CSO

¹ Note that CPI is a summary measure of prices within each category. The introduction of MUP has had different impacts on products across the price spectrum – increasing the prices of the cheapest off-trade products but having no impact on the prices of more expensive items.

Finally we can also look at CPI inflation by purchase location and beverage type, with data available up to December 2023. In the on-trade, beer wine and spirits all follow similar trajectories, albeit with wine prices having seen slightly overall lower price rises since January 2003 (52.2% compared to 64.2% for beer and 64.0% for spirits). This pattern is also evident in off-trade prices, although the difference is less consistent over time, having only emerged in the last 7-8 years. Overall the price of off-trade wine is 9.9% lower than in January 2003, while beer prices are 11.1% higher and spirits prices 15.0% higher. This separation by beverage type also demonstrates that the seasonal pattern in off-trade prices is primarily driven by pre-Christmas reductions in the price of spirits, and and, in recent years, wine. The post-MUP reduction in the scale of pre-Christmas discounting is clearly evident for both spirits and wine.

Prices have risen more for spirits and beer than wine

CPI prices for on- and off-trade alcohol relative to January 2003

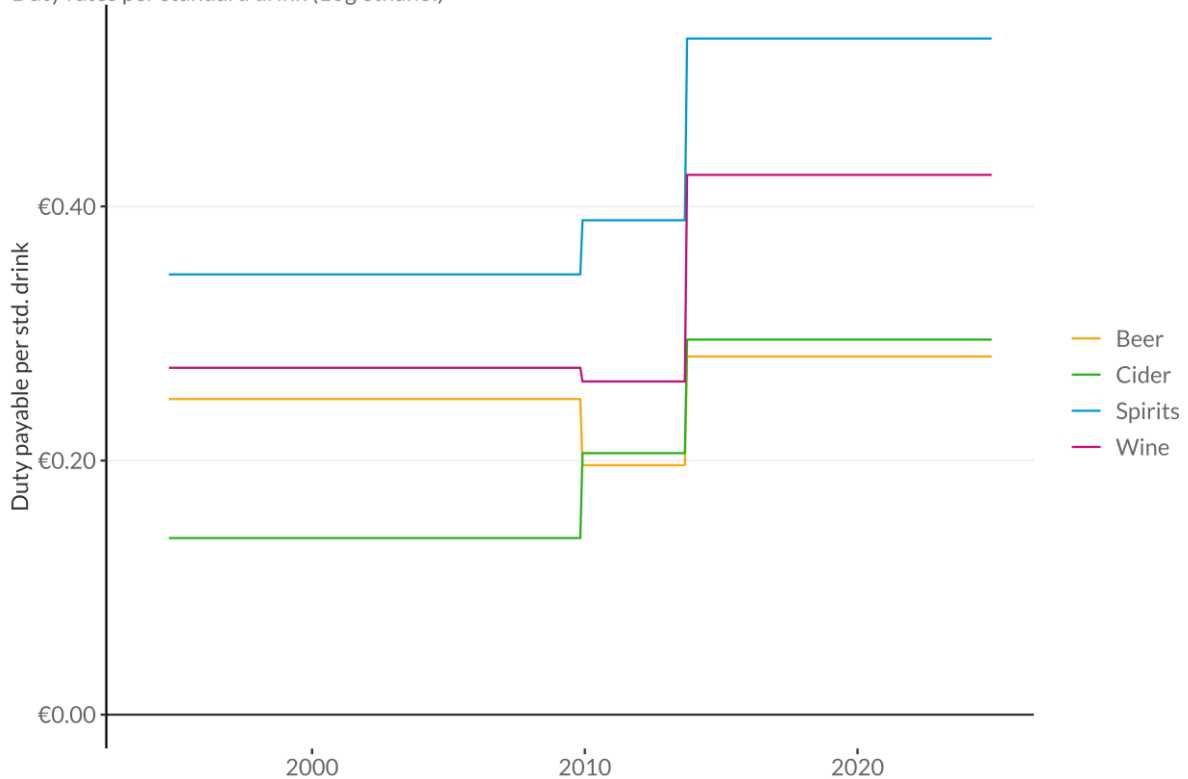


Alcohol duty rates

In line with European Union regulations, beer and spirits are taxed on the basis of alcohol content in the Republic of Ireland, while cider and wine are taxed on the basis of product volume. In order to allow a consistent comparison of duty rates between products we therefore estimated the 'typical' duty rate per standard drink (10g of pure alcohol) by assuming a standard ABV of 4% for cider and 12.5% for wine. On this basis, current alcohol duties are similar for beer and cider (€0.282 and €0.295 per std. drink respectively), higher for wine (€0.425) and highest for spirits (€0.532). The fact that products of similar strengths attract similar rates of duty, while stronger drinks attract higher rates is in line with recommendations from the World Health Organization⁴. Alcohol duty rates have remained unchanged since they were increased for all products in 2013.

Alcohol duty rates are higher than they were 20 years ago

Duty rates per standard drink (10g ethanol)

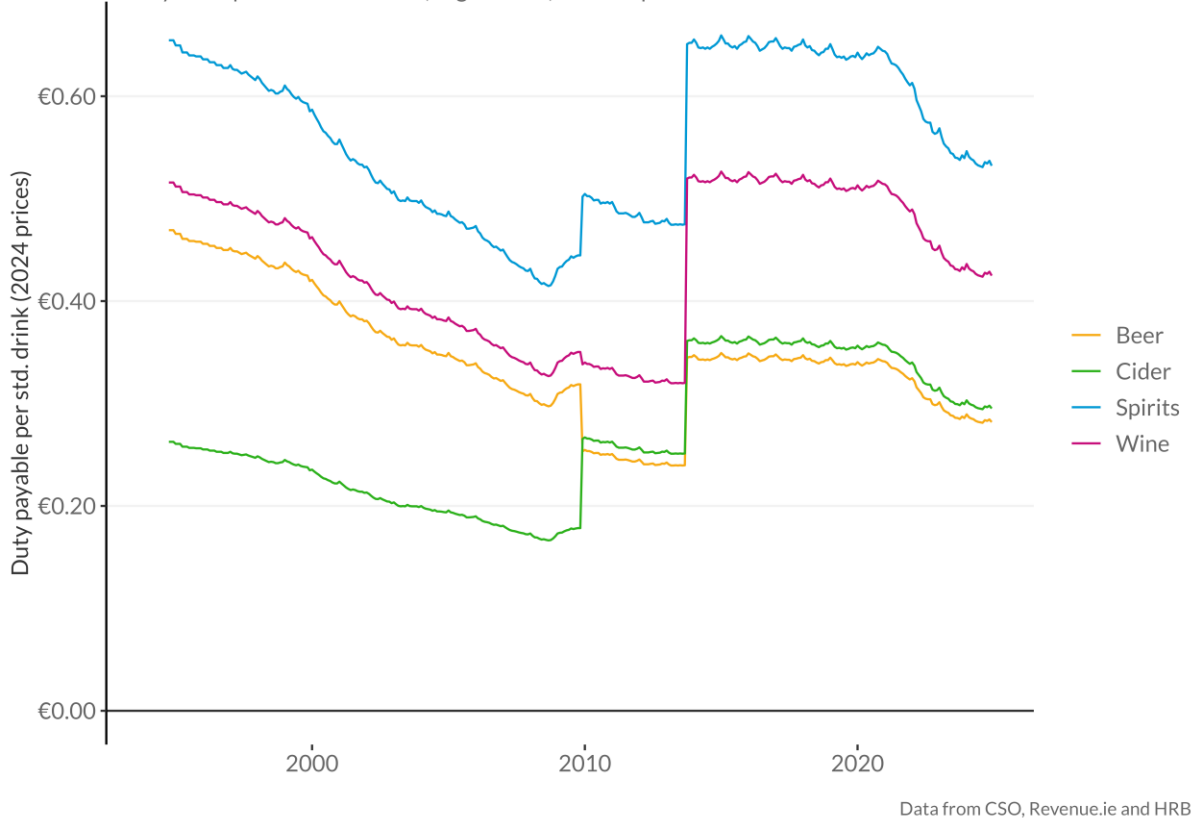


Data from Revenue.ie and HRB

Adjusting duty rates for inflation and converting rates since 1996 into December 2024 prices paints a different picture. Low levels of inflation meant that real-terms duty rates remained more or less constant between 2013 and early 2021, but high levels of inflation since then have led to a rapid erosion in the real-terms value of alcohol duties – a fall of 17.3% since January 2021. As a result of this, current alcohol duty rates for wine and spirits are on a par with their levels in 2000, cider duties are at their lowest level since 2013 and beer duty is lower than at any point in the past 20 years except for between 2009 and 2013.

Inflation-adjusted duty rates have fallen sharply since 2020

Real-terms duty rates per standard drink (10g ethanol) in 2024 prices



Alcohol affordability

A large body of international research evidence has demonstrated the role of price in shaping alcohol purchasing behaviour⁵⁻⁷. However, it is also important to acknowledge the influence that income plays in the affordability of alcohol. One widely used approach to combining these two concepts is known as the 'alcohol affordability index'⁸. The alcohol affordability index is based on the relative price of alcohol compared to other goods, and a measure of disposable household income, combined as follows:

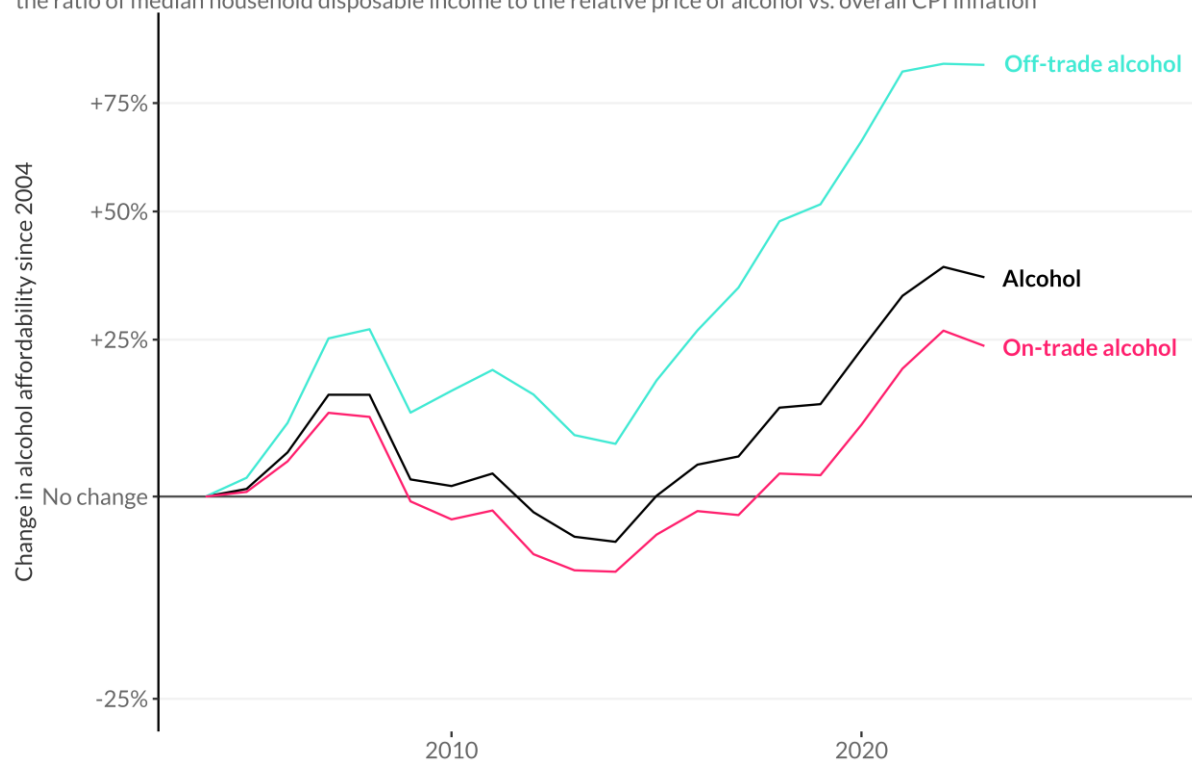
$$Affordability = \frac{Income * 100}{\left(\frac{Alcohol\ CPI * 100}{All\ item\ CPI}\right)}$$

Thus higher values correspond to greater affordability. We calculated this measure for each year 2004-2023 for the Republic of Ireland using the CPI data already outlined and disposable household income data taken from the annual Survey on Income and Living Conditions (EU-SILC)⁹.

Overall alcohol affordability rose between 2004 and 2007, then fell in the aftermath of the financial crisis, leading to alcohol in 2014 being 6.3% more affordable than a decade prior. Since 2014 affordability has risen steadily to the point where alcohol in 2023 was 36.6% more affordable than in 2004. Given the large differences that we have already seen in price changes between the on- and off-trades, it is perhaps unsurprising that affordability has risen much faster over this period in the off-trade than the on-trade. On-trade affordability is 23.9% higher than in 2004, while off-trade alcohol has become 84.8% more affordable.

Off-trade alcohol has become much more affordable in the last decade

Alcohol affordability in Ireland since 2004 (higher = more affordable). Affordability is calculated as the ratio of median household disposable income to the relative price of alcohol vs. overall CPI inflation

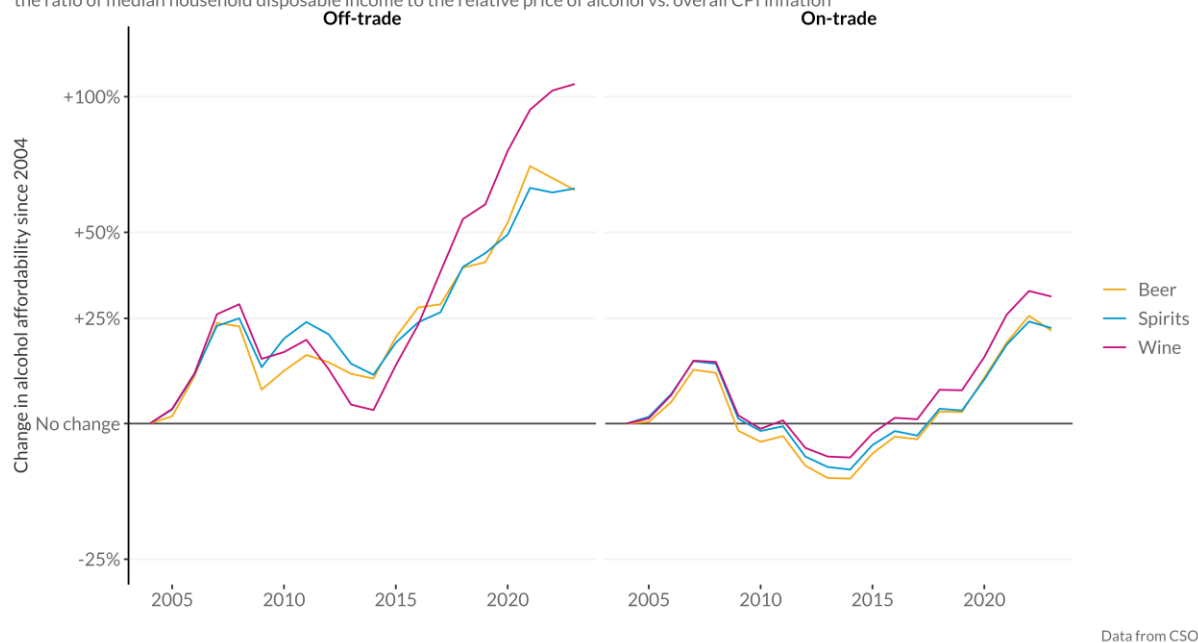


Data from CSO

Affordability trends by purchase location and beverage type demonstrate the extent to which wine, particularly off-trade wine, has become much more affordable in the past decade, rising by 100.0% since 2004 – i.e. wine in shops is twice as affordable in 2023 as it was in 2014. Over the same period the affordability of beer and spirits has also increased, but to a lesser extent, with the introduction of MUP leading to the affordability of beer and spirits to fall in 2022.

Wine has become a lot more affordable

Alcohol affordability in Ireland since 2004 (higher = more affordable). Affordability is calculated as the ratio of median household disposable income to the relative price of alcohol vs. overall CPI inflation



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