

IWSR reveals demographics and drivers of China's beverage alcohol market



IWSR is analyzing the importance of China to the wellbeing of the global drinks market

New data from [IWSR](#) reveals the importance of China to the wellbeing of the global drinks market. In 2021, China accounted for a fifth of worldwide alcohol volume consumption, and more than a quarter of value sales. India's population is expected to overtake China's this year, and the repercussions of a downward shift in China's population will be under scrutiny from drinks players.

China's population fell in 2022 for the first time since 1961. Data published by the National Bureau of Statistics of China showed the population of mainland China dropped by 850,000 in 2022, compared with 2021, to 1.412 billion. UN statistics report that China's population will be overtaken by India's in 2023, and will continue on a declining trajectory going forward.

The value of the drinks market has jumped by over three-quarters to more than \$300 billion in just a decade. During that time, IWSR data shows that premium-and-above wines and spirits have evolved from commanding just 5% share of China's total wine & spirits market to 16%.

Premiumization has been driven by the performance of the Chinese economy and the subsequent development of the urban upper-middle class adult population. This is a population segment that grew by an estimated 22 million people between 2019 and 2022, according to IWSR data, and has the most impact on the value growth of the country's TBA industry. Within the wine category, for example, 30% of the urban upper-middle class imported wine drinkers are young affluent 'engaged explorers' and 'status seekers'. These segments account for more than 60% of the spend in China.

“Demographics, by their nature, are quite slow-moving metrics,” notes Richard Halstead, COO Consumer Insights, IWSR Drinks Market Analysis. Halstead refers to data from the United Nations to reinforce his point: China’s working age population will remain at around 1 billion for the remainder of this decade, and will remain above 900 million until the 2040s. In 2030, the largest single five-year age cohort will be those between the ages of 40 and 45. Halstead adds: “This age bracket typically aligns with the peak earning years – a positive sign amidst the news of China’s declining population.”

Shirley Zhu, IWSR’S Research Director for Greater China, remains optimistic that there are “still opportunities in China, even if the ‘demographic dividends’ are disappearing”. This optimism is supported by the fact that incomes are still rising, especially in Central and Western China, and the fact that household savings went up in 2022.

Diageo’s 2023 half year results were also positive, with the company reporting growth and a “strong performance in the super-premium-plus segment” in Greater China. Premium drinks operator, Remy Cointreau’s third quarter results also highlighted a “steep rise in shipments to China ahead of the Lunar New Year”.

IWSR’s consumer research from Q4 2022 further reinforces the high levels of confidence within China’s urban middle class, with recalled consumption and spend increasing across most drinks categories. There is a general expectation among Chinese shoppers to spend more across all consumer goods categories, with the mood notably more positive for alcohol than for other sectors such as prepared meals and non-alcoholic drinks.

The short-term indicators then remain relatively upbeat; longer term, the high spenders of the urban upper middle-class will be key to the success of China’s beverage alcohol market.