BiGGAR Economics

Economic Consequences of Proposed Restrictions on Alcohol Promotion in Scotland

A report to the Scottish Alcohol Industry Partnership

February 2023

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Executive Summary

Key Findings (Economic Impact)

- The alcohol sector makes a significant contribution to the Scottish economy. In 2019, including production and demand-side, supply chain and induced impacts, this was:
  - **£6.3 billion in Gross Value Added** (GVA)
  - supporting **94,400 jobs**
- The economic impact is **not evenly distributed**, and so any reduction in its contribution to the economy will be disproportionately felt in rural Scotland, where the manufacturing jobs are most needed
- Employment in the production of alcohol is geographically concentrated, with **one in four production jobs** in the **Highlands and Islands** Scottish Parliamentary Region
- The **top five Scottish Parliamentary Constituencies** by **alcohol production jobs** are: **Moray** (14% of Scottish jobs in the sector), **Dumbarton** (9% of jobs), **Mid Fife and Glenrothes** (9% of jobs), **Uddingston and Bellshill** (6% of jobs) and **Glasgow Kelvin** (5% of jobs)
- The **demand-side** (hospitality and retail) economic impacts are concentrated in Scotland's cities

Executive Summary

Key Findings (Wider Impacts and National Economic Strategy)

The alcohol sector is a **highly competitive, innovative and growing** sector in Scotland where **branding and advertising are essential for business survival.** It is:

- **important to the Scottish economy** for income, jobs and exports
- a highly productive sector and so a driver and **source of economic growth**
- distributed throughout the country and **particularly important in many rural and remote areas**
- highly entrepreneurial and **dominated by micro businesses** in brewing and distilling
- **a strong influence on other sectors** such as tourism, culture and advertising

Restrictions on alcohol advertising and promotion present an existential threat to many successful small businesses in Scotland with knock-on impacts on other sectors.

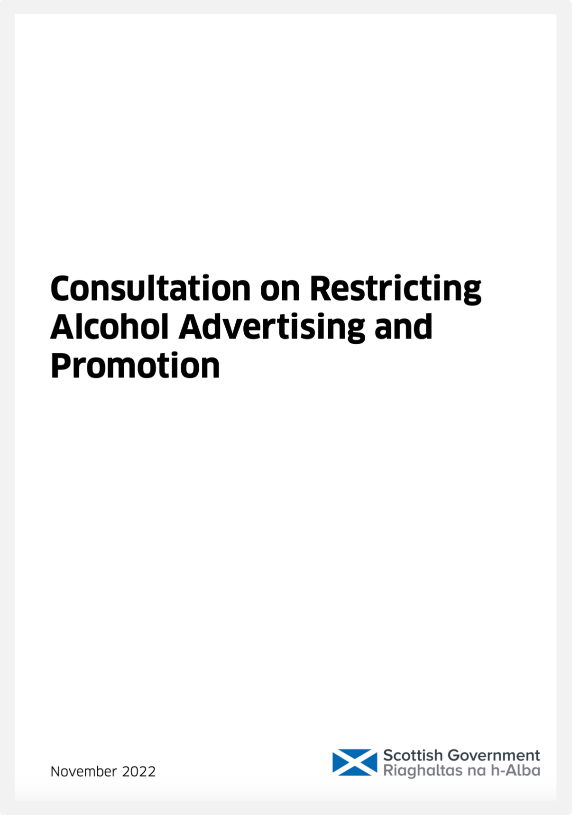
The proposals undermine the majority of the goals set out in Scotland's *National Economic Strategy for Economic Transformation*, by limiting the prospects of Entrepreneurial People and Culture, restricting New Market Opportunities, constraining Productive Business and Regions and curtailing opportunities for A Fairer and More Equal Society

Study Brief

BiGGAR Economics was commissioned by the Scottish Alcohol Industry Partnership to consider the potential economic consequences of the Scottish Government's proposed legislation to restrict alcohol advertising and promotion

The report:

- assesses the economic impact generated by Scotland's alcohol sector for the national economy and for each area of Scotland (Scottish Parliamentary Region & Constituency)
- considers wider areas of economic activity that could be affected by the proposed legislation on alcohol advertising and promotion and considers whether this is consistent with the Scottish Government's National Strategy for Economic Transformation (NSET)



Economic Impact of Scotland's Alcohol Sector

This section sets out the current contribution that the alcohol sector makes to the Scottish economy and how that is distributed across constituencies and regions.

Overall Approach

Production of alcohol and demand-side generate economic benefits with knock-on effects on the Scottish economy.

This study considers the economic impact of:

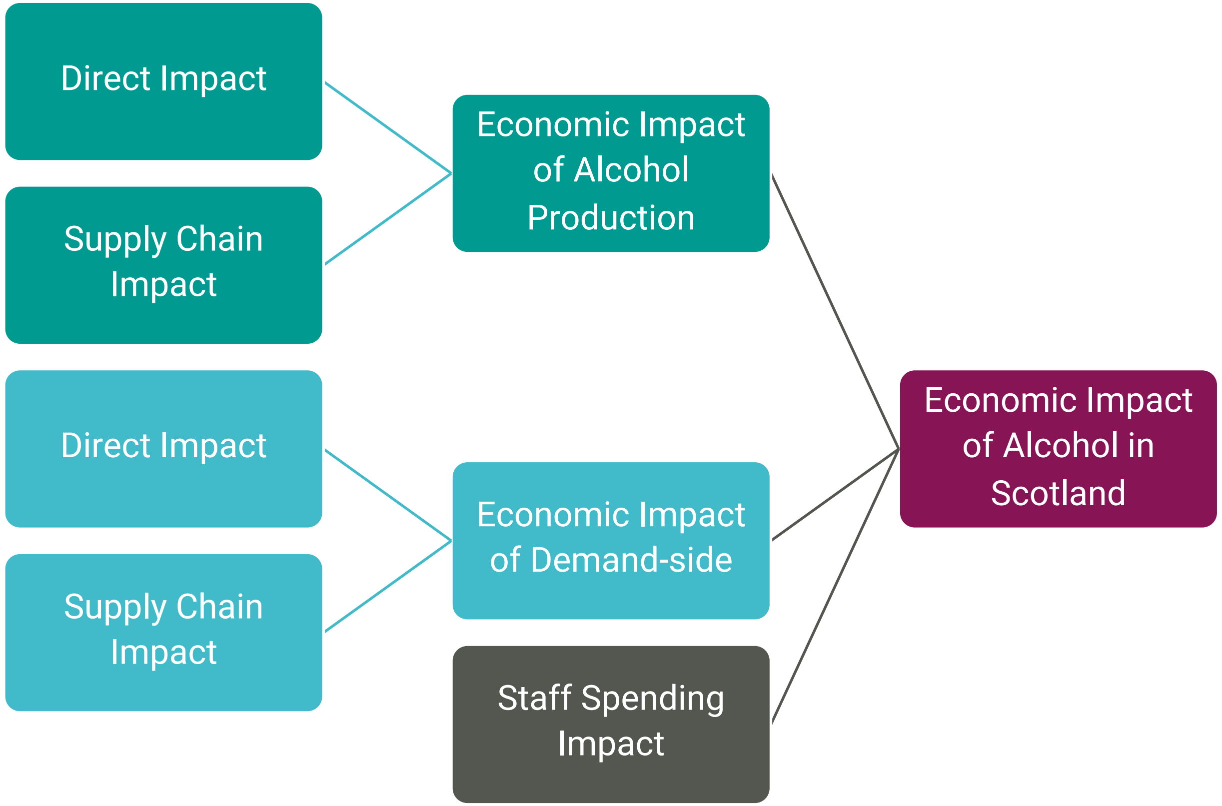
- alcohol production
- demand side (on trade and off trade)

Sources of impact considered:

- – direct impact
- – supply chain impact (indirect)
- – staff spending impact (induced)

Economic impact on:

- Scotland
- Scottish Parliamentary Regions
- Scottish Parliamentary Constituencies



Alcohol Production: Direct Employment

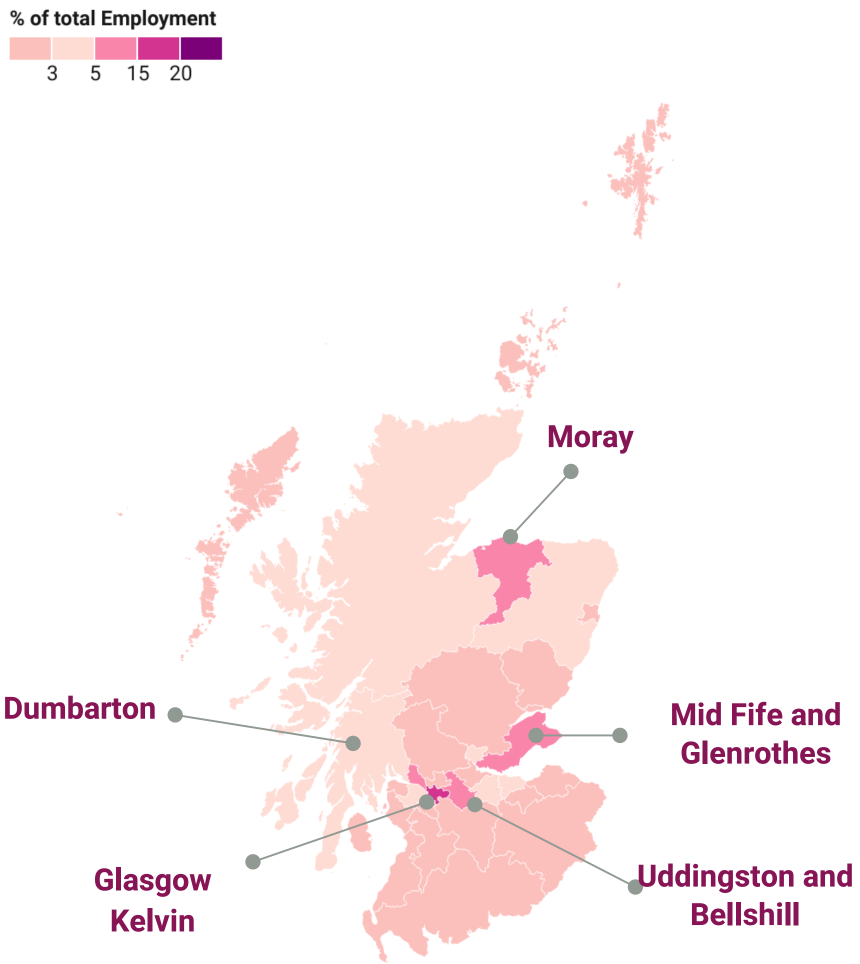
Alcohol **production** supports 13,900 **direct jobs** across Scotland.

Employment in the production of alcohol is geographically concentrated, with **one in four** jobs (a total 3,310 direct jobs) within the **Highlands and Islands** Scottish Parliamentary Region

The top five Scottish Parliamentary Constituencies by employment in alcohol production are:

- **Moray** with **1,990 direct jobs** (**14%** of Scotland's direct alcohol production jobs)
- **Dumbarton** with **1,220 direct jobs** (**9%** of jobs)
- **Mid Fife and Glenrothes** with **1,200 direct jobs** (**9%** of jobs)
- **Uddingston and Bellshill** with **900 direct jobs** (**6%** of jobs)
- **Glasgow Kelvin** with **690 direct jobs** (**5%** of jobs)

Distribution of direct employment in the sector



Alcohol Production: Supply Chain & Capital Spend

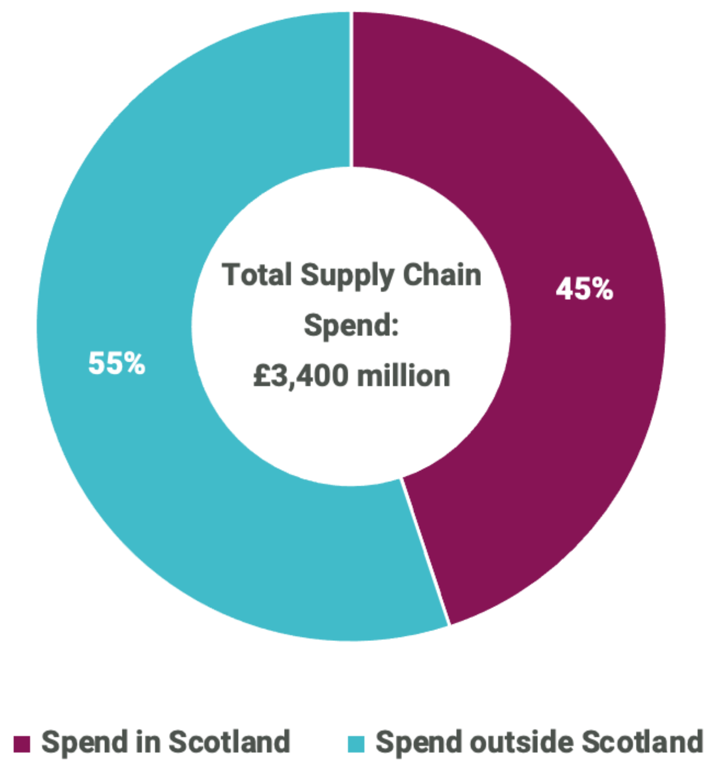
Key Assumptions

It was estimated that businesses involved in alcohol production spend a total £3,400 million in goods and services from other sectors. An extra £270 million is invested in capital expenditure.

Around 45% of supply chain spend benefits businesses across Scotland, with 55% spent in the rest of the UK and overseas.

The top beneficiaries from supply chain spend were: wholesale and retail trade (16%); professional, scientific and technical activities (14%); and manufacturing (12%).

Note that the ONS data collection methods means that some of the headquarters functions are categorised as 'supply chain' rather than production jobs.



Alcohol Production: Direct and Supply Chain Impact

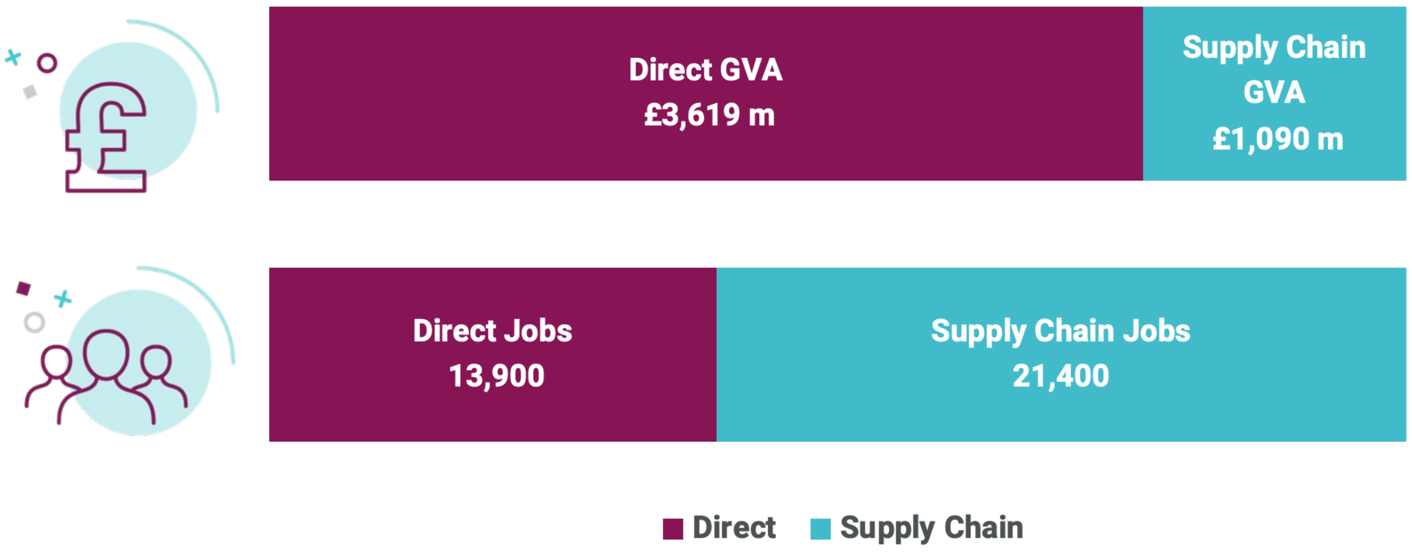
Alcohol production and its supply chain generates £4.7 billion GVA, providing 35,300 jobs

Alcohol production in Scotland generates a total £4.7 billion Gross Value Added (GVA), including:

- £3.6 billion direct GVA
- £1.1 billion GVA across the supply chain, inclusive of capital spending

Businesses involved in alcohol production and its supply chain support a total of 35,300 jobs, of which:

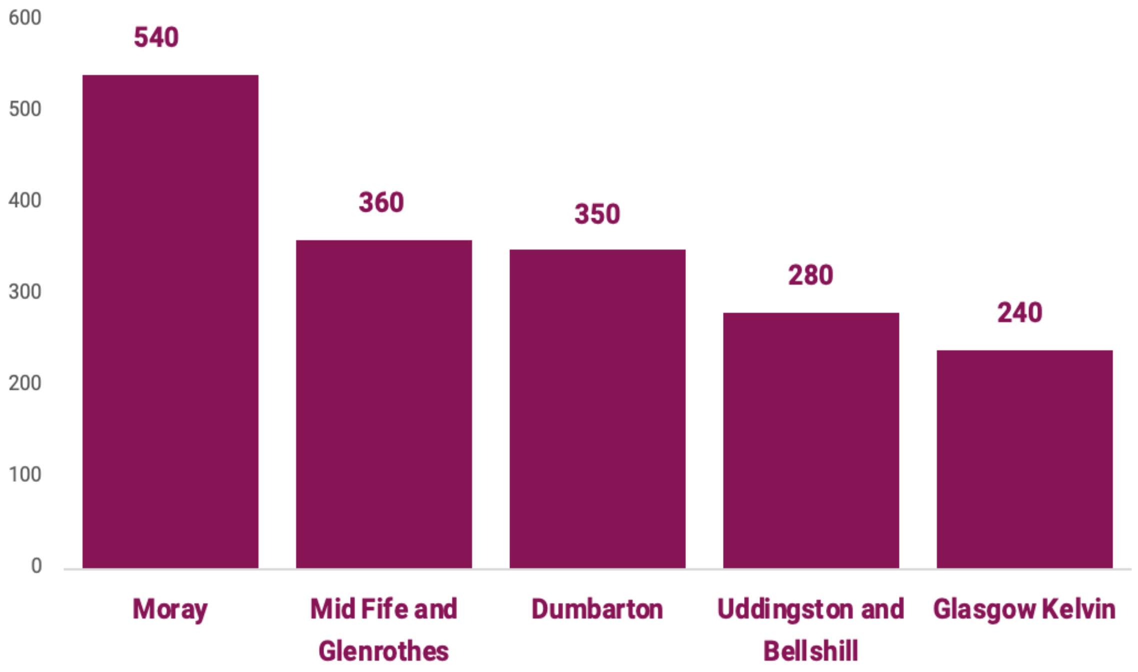
- 13,900 direct jobs
- 21,400 supply chain jobs



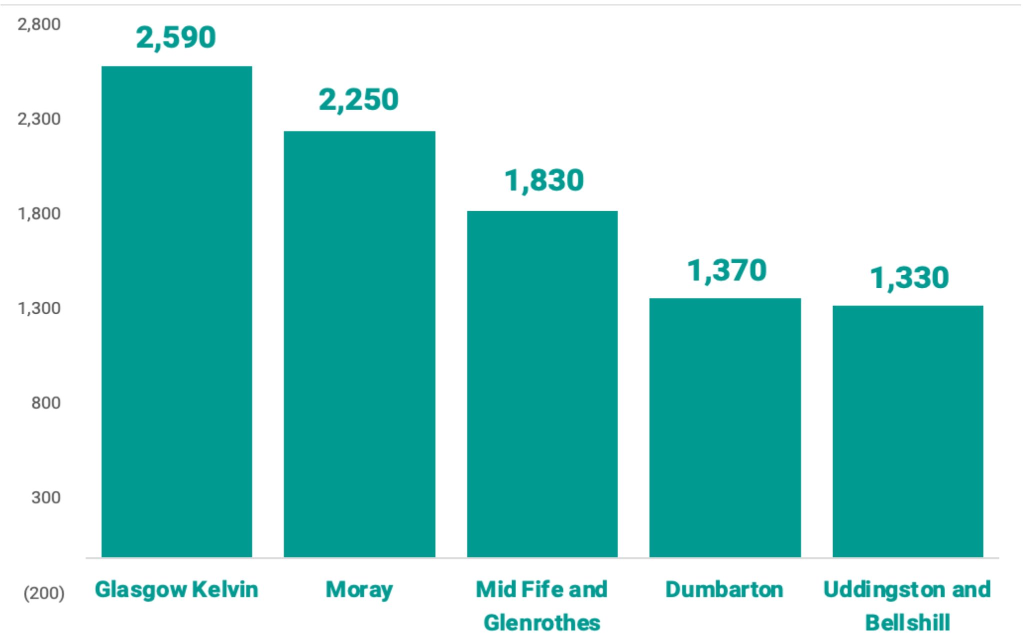
Alcohol Production: Direct and Supply Chain Impact

The top five Parliamentary Constituencies generated £1.8 billion GVA (38% of Scottish GVA) and employed 9,370 people (27% of Scottish jobs in alcohol production)

Total Economic Impact of top Parliamentary Constituencies (£million GVA)



Total Employment of top five Parliamentary Constituencies (Employment FTE)



Demand-side: Distribution of On-trade and Off-trade

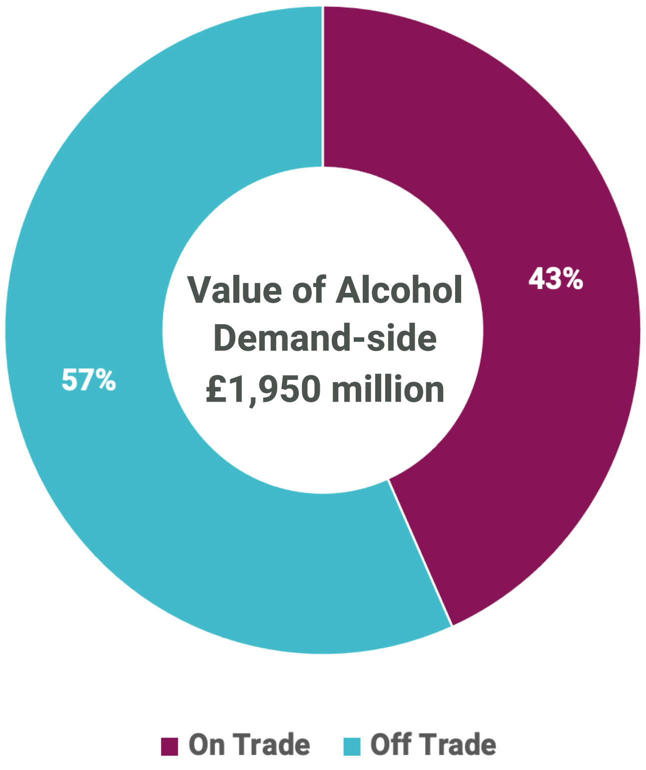
Key Assumptions

In 2019 total the demand-side was estimated to be worth around £1,950 million. This section quantifies the impact of this, including the proportion of activity within the on-trade (bars, restaurants, etc.) and the off-trade (shops) which is attributable to alcohol sales.

Off-trade accounted for around 57% of the total demand-side value.

The cost of alcohol per unit is larger in the on trade sector, as restaurants and pubs add value to the product by providing a setting for alcohol consumption.

Alcohol accounted for 13% of all food and drink sales in shops and 19% of food and drink sales from bars, restaurants, etc.



Demand-side: Distribution of On-trade and Off-trade

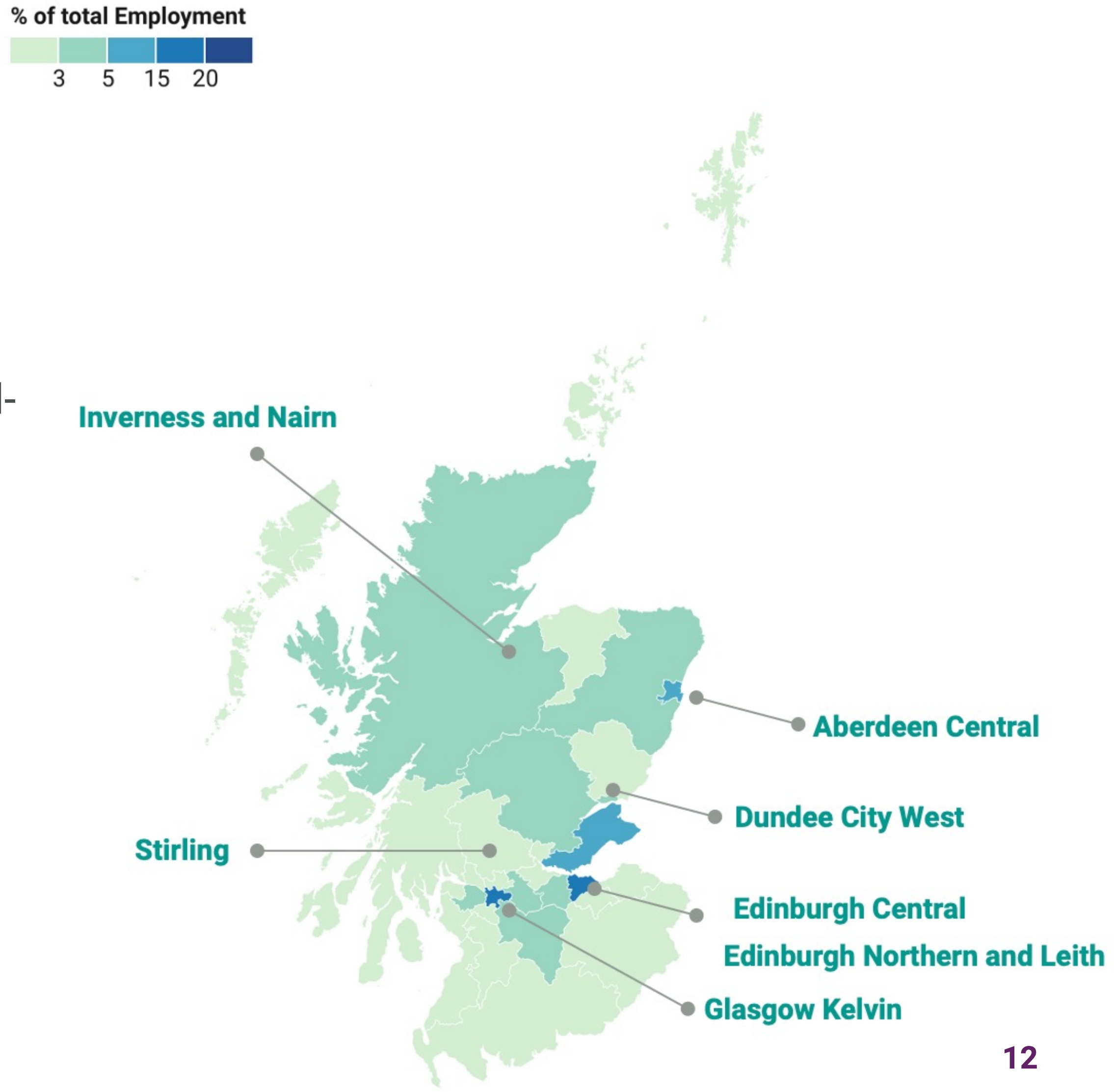
Demand-side (hospitality and retail) generated 44,500 direct jobs across Scotland:

- on-trade: 33,200 jobs (75%)
- off trade: 11,300 jobs (25%)

The top six Parliamentary Constituencies by employment (demand-side) are:

- **Edinburgh Central** and **Glasgow Kelvin** with 3,700 direct jobs each (**8.3%** of Scotland's demand-side alcohol jobs)
- **Aberdeen Central** with 1,800 direct jobs (**4.0%** of jobs)
- **Dundee City West** with 1,300 direct jobs (**2.9%** of jobs)
- **Stirling** and **Inverness and Nairn** with 900 direct jobs each (**2.0%** of jobs)

Distribution of direct demand-side employment in the sector



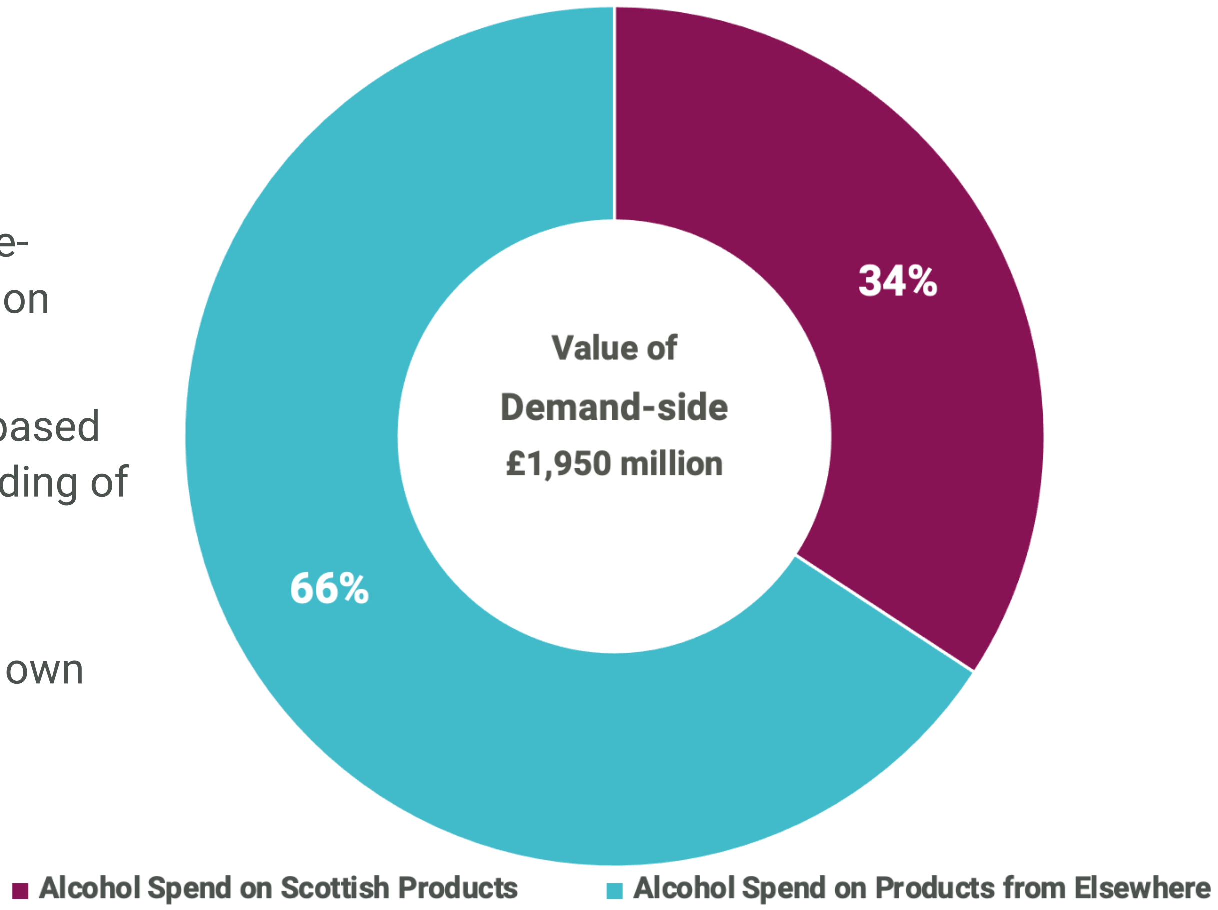
Impact of Demand-side

Key Assumptions

It was estimated that in 2019 a third of the spending on alcohol occurring in Scotland was on Scottish products. To avoid double-counting, this was excluded from the supply chain spend of the on trade and off trade businesses.

The supply chain impact of the off trade sector was estimated based on the share of non-alcohol spend as of total supply chain spending of specialised retail of alcohol.

The main sectors benefitting from on trade supply chain spend include: real estate (15%), that account for the spending in their own premises; wholesale (13%); retail (7%) and manufacturing (6%).



Impact of Demand-side

In 2019 the demand-side in Scotland generated £820 million GVA and supported 47,500 jobs.

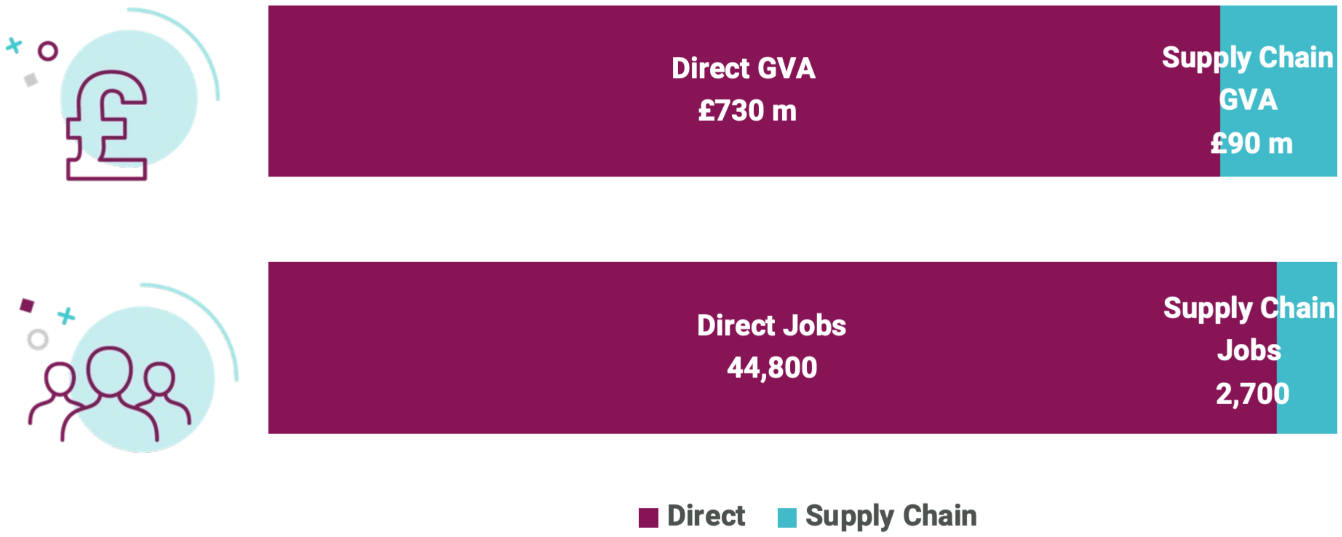
In 2019, the demand-side in Scotland generated a total £820 million GVA, including:

- £730 direct GVA; and
- £90 million GVA across the supply chain.

Businesses involved in the demand-side supported a total of 47,500 jobs, of which:

- 44,800 direct jobs; and
- 2,700 supply chain jobs.

Around 75% of the demand-side jobs were in the on-trade sector.



Spending of Salaries

Logic and Assumptions

The alcohol sector will have knock on effects in other areas of the economy as the staff spend their wages. This can also be considered part of the economic impact of the sector.

The alcohol sector (production and demand-side) paid an estimated £1,200 million in salaries and wages.

There are differences in earnings across production and demand-side, with the median annual salary in production at around £34,000 and higher than in retail (£14,000) and food and beverage services (£12,000).

Salary trends are partly driven by productivity differences and by hours worked. In food and beverage services an average 28 hours per week are worked by each employee. The corresponding figure is 26 hours in retail trade and 38 hours in manufacture of beverages.

Spending of Salaries

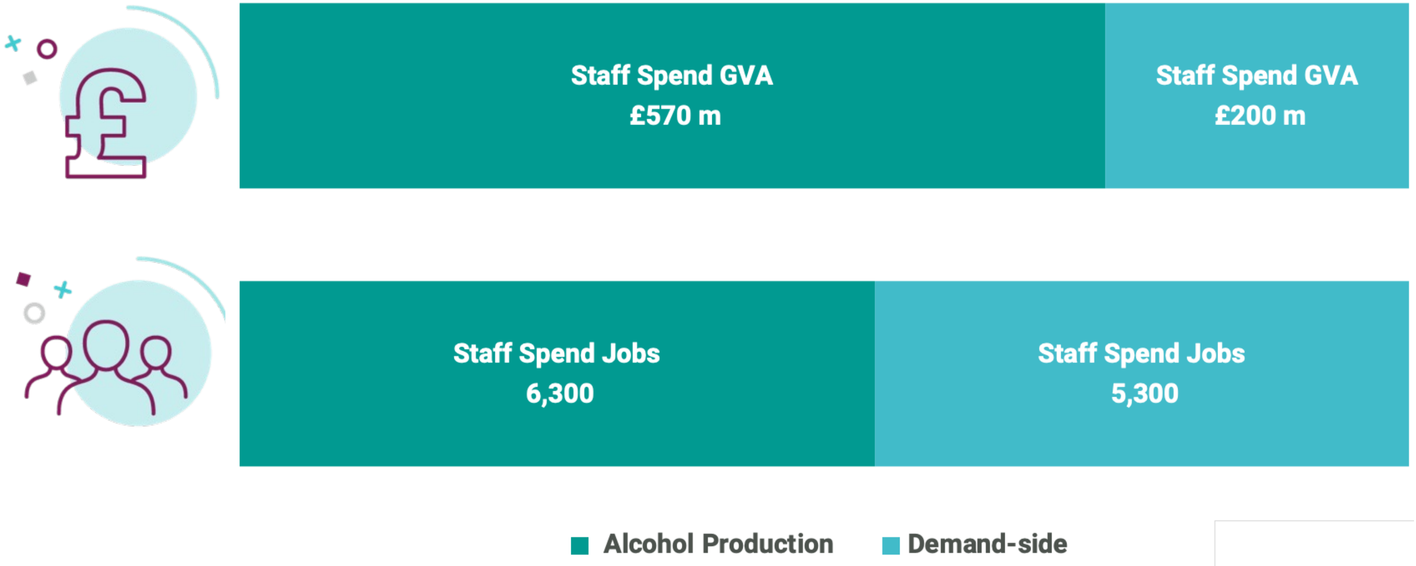
Staff spending generated a further £770 million GVA and supported 11,600 jobs.

Staff working on the alcohol production and the demand-side generated a total £770 million GVA, through their spending in the Scottish economy, including:

- £570 million GVA from the spend of workers involved in production; and
- £200 million GVA from the spend of demand-side workers.

Spending in the economy supported a further 11,600 jobs:

- 6,300 jobs from the spend of workers involved in alcohol production; and
- 5,300 jobs from the spend of demand-side workers.



Total Economic Impact of Scottish Alcohol Sector

Production and Demand-side total = £6.3 billion GVA and 94,400 jobs (2019)

	Alcohol Production		Demand-side		Total	
	GVA (£m)	Jobs	GVA (£m)	Jobs	GVA (£m)	Jobs
Direct	3,620	13,900	730	44,800	4,350	58,700
Supply Chain	1,090	21,400	90	2,700	1,180	24,100
Staff Spending	570	6,300	200	5,300	760	11,600
Total Impact	**5,280**	**41,600**	**1,010**	**52,800**	**6,290**	**94,400**

Wider Economic Consequences

This section considers wider areas of economic activity that could be affected by the proposed legislation on alcohol advertising and promotion and considers whether this is consistent with the Scottish Government's National Strategy for Economic Transformation (NSET)

National Strategy for Economic Transformation (NSET)

In 2022, the Scottish Government launched a bold and ambitious strategy to transform the economy in a ‘decisive decade’

Ambition is for a **fairer**, **wealthier** and **greener** Scotland

NSET programmes for action:

- Entrepreneurial people and culture
- New market opportunities
- Productive businesses and regions
- Skilled workforce
- A fairer and more equal society
- *A culture of delivery*

“Our vision for 2032 is to create a wellbeing economy: a society that is thriving across economic, social and environmental dimensions, one that delivers prosperity for all Scotland’s people and places.”

Scottish Government, National Strategy for Economic Transformation

The proposed restrictions on alcohol promotion in Scotland could have consequences which might conflict with NSET priorities

Distribution Effects

The three local authority areas in Scotland where the alcohol sector accounts for the highest share of jobs in the economy are amongst those projected to have the greatest declines in working age population*

Local Authority Area	Alcohol Production Jobs as % All Jobs	Working Age Population Projection 2018-2043
Moray	15.9%	-12.8%
Argyll and Bute	8.1%	-24.6%
West Dunbartonshire	7.1%	-14.6%

Any reduction in alcohol production jobs may disproportionately impact economic activity in areas that are already projected to experience decline in jobs.

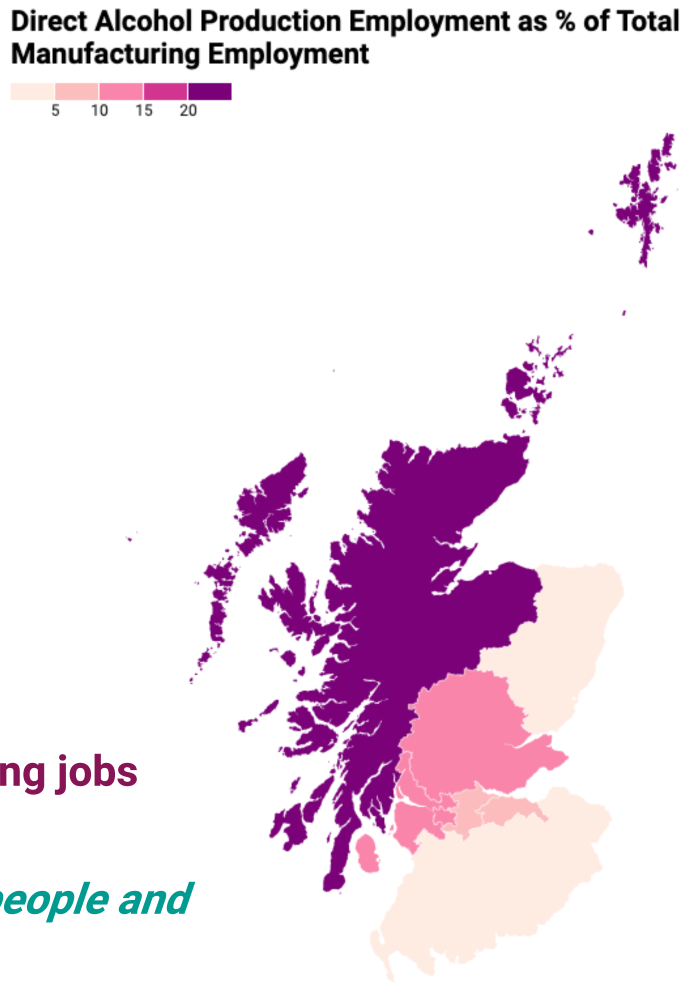
NSET: vision includes for an economy that "*delivers prosperity for all of Scotland's people and places*"

** Note, the analysis for this section is based solely on local authorities given data limitations at smaller geographic levels.*

Distribution Effects

Employment generated from the production of alcohol is equivalent to a significant proportion of manufacturing jobs across areas of Scotland.

- Direct jobs in alcohol production is equivalent to
  - 8% of all manufacturing employment in Scotland
  - 32% of all food and drink manufacturing jobs
- in Highlands and Islands region direct alcohol production jobs account for:
  - **24%** of total manufacturing jobs
  - **51%** of total food and drink manufacturing jobs
- in Glasgow region direct alcohol production jobs account for:
  - **10%** of total manufacturing jobs
  - **35%** of total food and drink manufacturing jobs



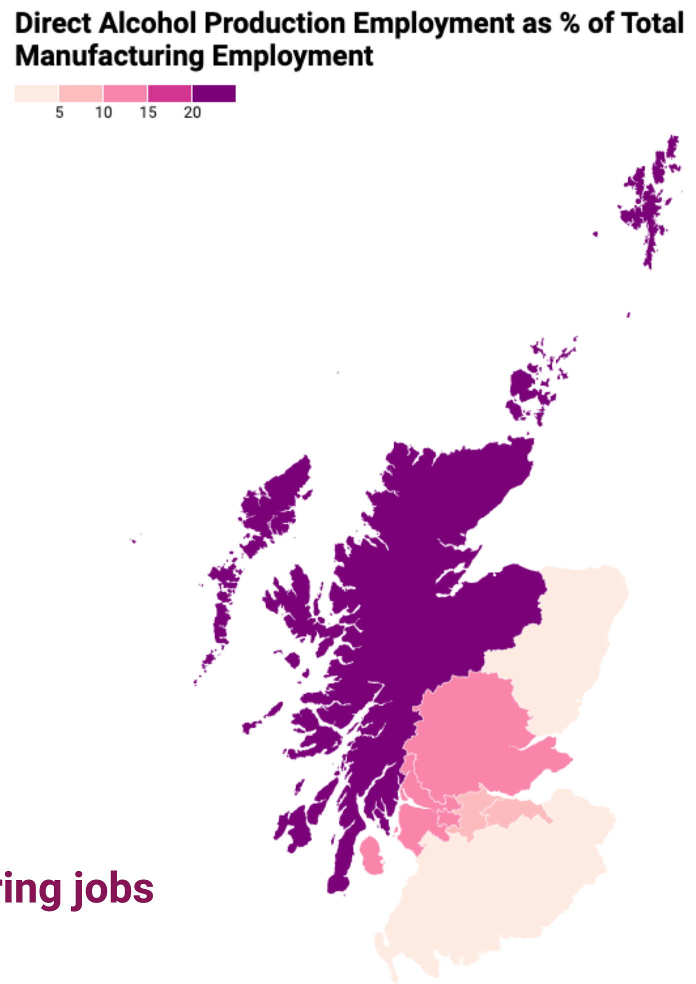
Any reduction in alcohol production jobs may disproportionately impact manufacturing jobs across the Scottish regions.

NSET: vision includes for an economy that "*delivers prosperity for all of Scotland's people and places*" and a Programme for Action is "*Productive businesses and regions*"

Distribution Effects

Employment generated from the production of alcohol is very important in some local authority areas

- West Dunbartonshire:
  - direct alcohol production accounts for **60%** of total manufacturing jobs
  - direct plus supply chain is equivalent to **75%** of total manufacturing jobs
- Argyll and Bute:
  - direct alcohol production accounts for **36%** of total manufacturing jobs
  - direct plus supply chain is equivalent to **60%** of total manufacturing jobs
- Moray:
  - direct alcohol production accounts for **32%** of total manufacturing jobs
  - direct plus supply chain is equivalent to **39%** of total manufacturing jobs



Any reduction in alcohol production jobs may disproportionately impact manufacturing jobs in local authority areas where the sector dominates manufacturing employment.

NSET: vision includes for an economy that "*delivers prosperity for all of Scotland's people and places*" and a Programme for Action is "*Productive businesses and regions*"

Productivity Growth

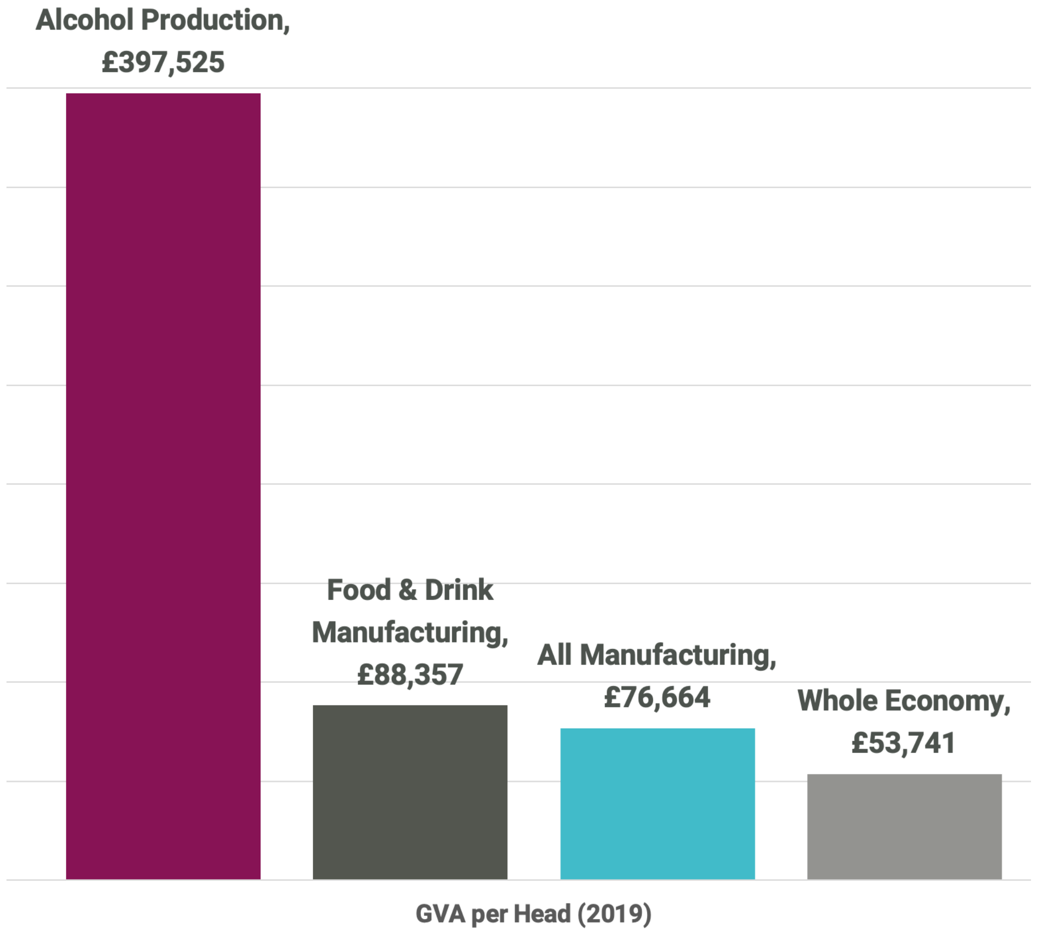
Scotland's alcohol sector has higher productivity than manufacturing, food and drink manufacturing and the average for the whole economy.

Productivity (GVA per head), is considerably higher in the alcohol production sector (£397,525) than for food and drink manufacturing (£88,357), all manufacturing (£76,664) and the average across the Scottish economy (£53,741).

Between 2008 and 2019, the GVA of the sector increased by 225%. In comparison, the GVA of the whole economy increased by 10% in the same period.

Constraining the contribution that alcohol production makes to productivity and productivity growth will reduce the Scottish economy's growth potential.

NSET: strategy is predicated on productivity growth to deliver a *"wealthier"* Scotland and productivity also correlated with positive wellbeing outcomes



Premiumisation (1)

The trend towards premiumisation has continued throughout the Covid pandemic and is expected to endure through the cost of living crisis

The pandemic changed drinking habits for many people:

- most research suggests that the majority of consumers (excluding heavy drinkers), **drink less** compared with pre-pandemic levels
- demand for **luxury and premium products** has grown for spirits and for beer
- the **ready-to-drink market** has also grown, supported by the growth in consumption at-home
- the **low and no alcohol market** continues to grow, especially among younger consumers
- more people are choosing to **support local products**
- consumers are more aware of a product's **sustainability characteristics**

Companies have had to act differently to build markets for their products:

- **social media** has become an essential marketing tool, particularly for younger consumers: TikTok, Instagram and Facebook have become powerful channels for creating new markets
- **branding, celebrity endorsement, clubs and subscription services** have all grown in importance

Premiumisation (2)

The cost of living crisis is likely to further alter patterns of consumer behaviour

In 2023, the cost of living crisis is predicted to lead to:

- people spending less on alcohol overall but **choosing higher quality products,** therefore the move towards premiumisation in the market will continue
- people viewing premium products as an **affordable luxury** compared to other, higher priced items such as holidays and cars which can be put on hold in favour of more instant consumables
- **people going out less often** and at-home drinking increasing leading to growing demand for **ready-to-drink products**
- **strong competition** between brands in a busy market place as new trends develop e.g. growth in demand is predicted for agave spirits (tequila and mezcal), rum and whisky
- growth in demand for **premium beers**

Advertising and promotion is critical for companies positioning their products and launch new products to take account of emerging opportunities in this rapidly changing market.

Restrictions on the ability of Scottish producers to advertise and promote their products will place them at a substantial disadvantage against competitors from outside Scotland

NSET: Programmes for Action "*Entrepreneurial people and culture*", "*New market opportunities*" and "*Productive businesses and regions*" all encourage innovative value-add business creation and growth

Market Entry and Entrepreneurship

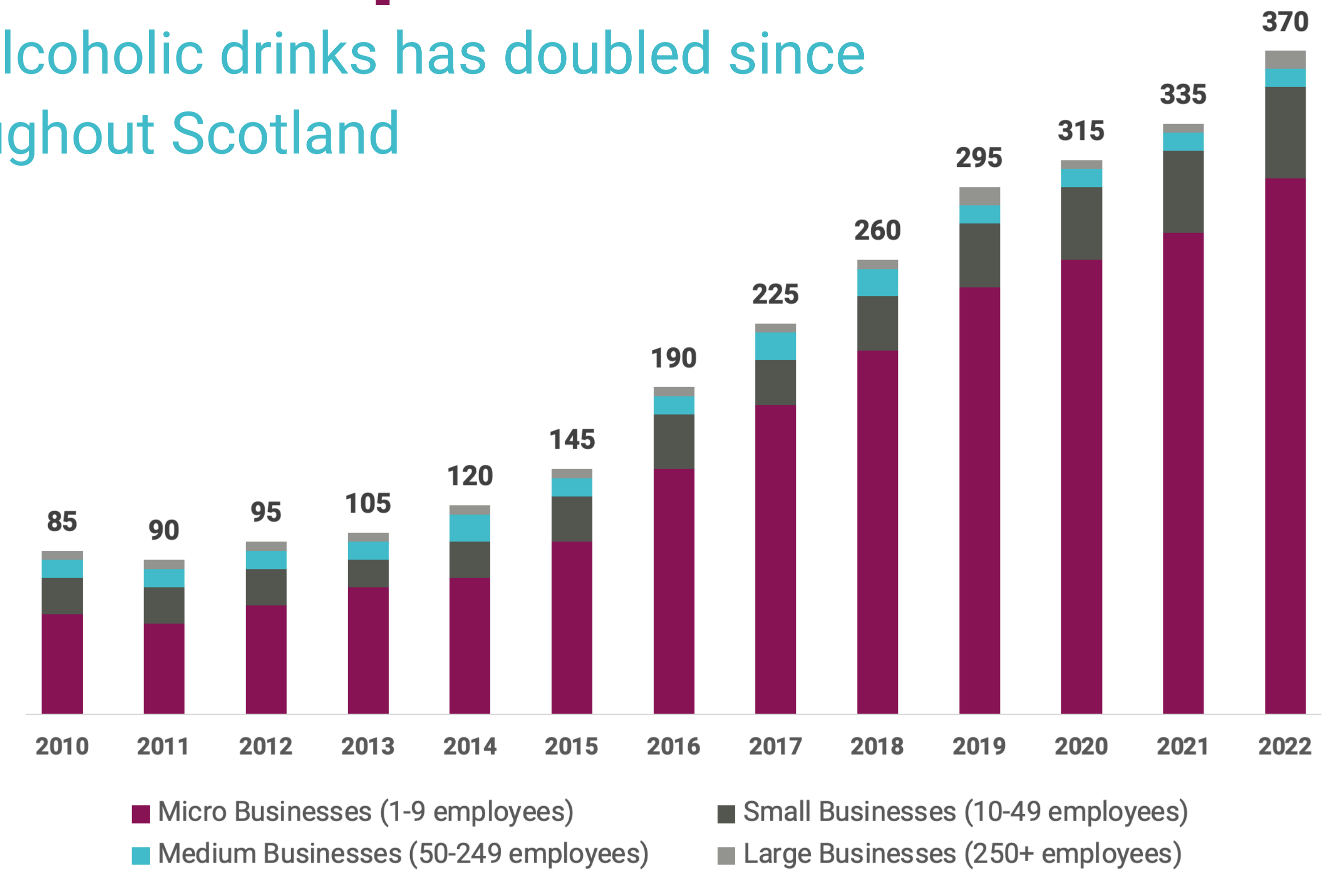
The number of businesses producing alcoholic drinks has doubled since 2016, driven by micro businesses throughout Scotland

A very dynamic, entrepreneurial sector:

- in 2022, there were 370 registered businesses producing alcoholic drinks in Scotland (16% of UK total) up from 190 in 2016
- the number of businesses in Scotland has increased by more than 4-fold since 2010

4 in every 5 registered production premises in 2022 were micro-businesses with less than 10 employees

At least three-quarters of Scotland's local authorities, including rural, remote, urban and semi-urban areas from Shetland to the Borders, host a registered production premises



Restrictions on the ability of Scottish producers to advertise and promote their products will disproportionately affect many smaller businesses, often in rural areas where alternative employment opportunities are more limited

NSET: undermines Programmes for Action "*Entrepreneurial people and culture*" and "*Productive businesses and regions*"

Ownership Structures and Competition

While global firms dominate in most drinks categories, there is a “long tail” of smaller local producers which still account for the majority of the market

In 2018, global terms, the largest companies accounted for:

- 59% of beers produced (5 companies)
- 24% of spirits produced (5 companies)
- 14% of wines produced (10 companies)

Therefore, both globally and nationally, a large group of smaller producers account for a significant share of the market

The growth in the number of alcoholic drinks businesses in the UK since 2014 has been driven by many smaller businesses

Independent and innovative micro breweries and micro distilleries have become an integral part of cities, towns and villages throughout the country

This increases the competitive drive to survive, build brand loyalty and create a local presence

Restrictions on the ability of Scottish producers to advertise and promote their products will disproportionately affect many small businesses which lack the capacity to diversify, something which larger firms are better able to do

NSET: undermines Programmes for Action “*Entrepreneurial people and culture*” and “*Productive businesses and regions*”

Competitiveness of Scottish Products

Food and Drink is an identified growth sector in Scotland, it is important for manufacturing, employment and exports and it supports Scotland's international brand and identity

Scotland is a significant performer in UK food and drink exports: it hosts 10% of UK food and drink manufacturing businesses and yet it accounts for almost 30% of UK food and drink exports

Scottish brands are strong and work to build Scotland's reputation in food and drink

This is particularly the case for spirits with a long tradition grounded in Scotch Whisky, but a strong reputation in gin also

The Scottish Distilleries Association estimates that:

- Scotland hosts nearly half of all distilleries in the UK and is home to 9 out of every 10 distilling jobs
- 70-80% of UK-produced gin comes from Scotland: over 200 gins, all distilled in Scotland, were considered for the Scottish Gin Awards in 2022, demonstrating the scale of the sector

Restrictions on the ability of Scottish producers to advertise and promote their products will weaken the country's proven ability to protect and grow its reputation at a national and international level, risking domestic and international market share loss to producers from other countries

NSET: undermines Programme for Action, "*New market opportunities*", also "*Entrepreneurial people and culture*" and "*Productive businesses and regions*"

Advertising Sector

Brand building and advertising is crucial in a mature, diverse and highly competitive sector such as the drinks industry which, in turn, supports the advertising sector

Advertising promotes competition between producers, brings down prices for consumers and increases the quality of the products offered:

- to survive, brands need to be strong, robust and transparent with really good products
- social media has become a crucial element in reaching new markets
- mature players spend significant amounts of money promoting their brands; for example, advertising accounted for around 16% of Diageo's costs in 2019

This supports a vibrant, creative and innovative advertising industry which is an important source of jobs for many creative and talented people

The growth of digital advertising has supported the growth of digital industries and changed the way companies do business

In Scotland, every £1 spent on advertising generates £5 for the Scottish economy.

Restrictions on the ability of Scottish producers to advertise and promote their products will have a knock-on effect on the creative sector and the wider economy

NSET: knock-on economic impact for another high productivity sector, undermining "*Productive businesses and regions*" Programme for Action

Sponsorship for Sport and Culture

Many large and small producers sponsor national and local sporting and cultural events

There are many examples of producers sponsoring large events, such as:

- Innes & Gunn as a headline sponsor for the Edinburgh Military Tattoo in 2022
- Johnnie Walker Princes Street sponsoring the Edinburgh Festival Fringe in 2022
- Eden Mill sponsoring the Lawn Tennis Association in a 4-year deal from 2022

There are also a great many examples of smaller, more local producers sponsoring local events, such as:

- Deanston Distillery in Doune sponsoring the Bridge of Allan Games and the Callander Jazz & Blues Festival in 2022
- Borders Distillery sponsoring the Borders Book Festival in Melrose
- 6 distilleries (Ferg & Harris, Kilchoman, Lindores Abbey, Persie, Speyside, Strathleven) sponsoring the Blair Horse Trials
- 3 local distilleries (Glengyle, Glen Scotia, and Beinn An Tuirc) sponsoring the Mull of Kintyre Music Festival

All of these events draw in tourism, support the local visitor sector and help to protect the heritage and culture of the area

Many smaller events, such as highland games and gatherings, rely on local sponsorship to keep their infrastructure running

Restrictions on the ability of Scottish producers to advertise and promote their products will constrain the nature of large and small events, and could impact the future of some

NSET: undermines “A fairer and more equal society” Programme for Action and broader wellbeing economy ambition

Community and Social Support

Many producers take active steps to “give back” to their communities

There are good examples of distilleries and breweries actively giving back to their local communities, for example:

- The Black Isle Brewery is a partner in the Northwoods Rewilding Network, a group committed to nature recovery
- Ardbeg Distillery recently donated £1m to the local community after the record-setting sale of a 1975 cask for £16m
- Saxa Vord Distillery in Unst, Shetland, produces limited edition gins to celebrate local events such as the Shetland Folk Festival with £1 from every bottle sold going back the the voluntary committee who organise the festival
- A new distillery planned for Islay, the ili Distillery, is developing a Community Benefit Fund, based around its future sales volume, to recognise the role the natural environmental and the community will play in its success

… and some support wider global issues, for example:

- Brewgooder, a profit-for-purpose company who source from 3 breweries in Scotland, has funded over 140 clean water projects in Africa, Nepal and Cambodia based on profits from sales

Restrictions on the ability of Scottish producers to advertise and promote their products will have a knock-on effect on their ability to commit to the social and community work they do to benefit the areas they are an active part of

NSET: undermines “A fairer and more equal society” Programme for Action and broader wellbeing economy ambition

Experience Tourism

Scotland’s alcohol sector has seen an increasing focus on providing a unique and memorable visitor experience.

Consumers have become more knowledgeable about the industry and are increasingly driven by quality in their consumption choices. In response, many have invested to attract consumers and provide a luxury visitor experience.

There has been an increase in experience-led innovations in the industry, such as masterclasses and distillery tours, with 2.2 million visits made to Scotch Whisky distilleries in 2019.

There have been significant capital investments in the sector, across Scotland, including:

- the Johnnie Walker Centre on Princes Street, Edinburgh
- 8 Doors Distillery and Visitor Centre in John O’Groats.

By September 2022, Scotland had 141 active whisky distilleries.

Such investments in the sector support economic activity, often in rural areas, and become tourist attractions whilst simultaneously creating local jobs. Tourism is often a key element of business plans for new and expanding producers.

Restrictions on the ability of Scottish producers to advertise and promote their products could impact tourism activity and the success of new ventures.

NSET: Programmes for Action “*Entrepreneurial people and culture*”, and “*Productive businesses and regions*” encourage new businesses, in all regions of Scotland

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Brewery and Distillery Tourism

Distillery and brewery tours have become an important part of the Scottish tourism offering, supporting the sector by drawing in visitors to the local area

Distillery and brewery tours are one of the unique selling points of the Scottish tourism offering, often linked to other elements of tourism such as golf, local history and culture

In 2019 there were 2.2 million visits to whisky distilleries alone, an increase of8% on the previous year

They particularly appeal to international visitors, who accounted for 66% of visitors to distilleries in 2019

This is a group which tends to spend more per trip than domestic tourists, bringing added income for the accommodation, retail and hospitality sector around the distilleries

Distillery and brewery tours are especially import for tourism in the rural economies of Moray and Islay

Around 10% of people employed in distilleries and breweries are focused on tourism and visitor management

Restrictions on the ability of Scottish producers to advertise and promote their products will have a knock-on effect on the local visitor economies

NSET: undermines Programmes for Action in "*Entrepreneurial people and culture*", "*Productive businesses and regions*" and "*A Fairer and More Equal Society*"

A New Wave of Distillery Tourism

Scotland has a reputation for high-quality distillery tourism with roots in the whisky industry

The best distillery tours in Scotland

State-of-the-art technologies, groundbreaking innovation and show-stopping architecture are all helping to propel the country's distilleries well into the 21st century with imagination, ambition and a pioneering spirit. A raft of future-facing trailblazers are looking to attract and excite the coming generations of whisky drinkers with lighter, more versatile whiskies that lend themselves to cocktails. Interactive, immersive tours, sophisticated tastings, food pairings and sustainable credentials are defining the new wave of whisky experiences and young up-and-coming distilleries.

Jane Wright, The Times, Friday June 24, 2022

Restrictions on the ability of Scottish producers to advertise and promote their products could impact tourism activity and the success of new ventures.

NSET: Programmes for Action "*Entrepreneurial people and culture*", and "*Productive businesses and regions*" encourage new businesses, in all regions of Scotland

Appendix

This appendix provides details of definitions and sources and provides a summary of the economic impact of the alcohol sector in each Scottish Parliament Region and Constituency.

Economic Impact: Units of Measurement and Definitions

In this analysis of the economic impacts of the alcohol industry in Scotland, the following measures of economic performance have been used:

- Gross Value Added (GVA), a measure of the value that an organisation, company or industry adds to the economy through its operations. In practice, it is generally estimated as the income of an organisation minus its non-staff costs.
- GVA per employee, the ratio of GVA to the number of employees working in an industry, is a commonly used measure of sectoral productivity.
- Turnover is the total income received by the business from trading.
- Employment, which is expressed in full-time equivalent jobs (FTE) for each area.
- Turnover per employee, the ratio of turnover to the number of employees working in an industry, is a commonly used measure of the turnover that supports one job in the industry.
- Turnover to GVA, the ratio of turnover to GVA.
- GVA and Employment multipliers: which captures the wider impacts from a direct economic impact, including:
  - Indirect (supplier) multipliers capture the benefits associated with suppliers of bought in goods and services
  - Induced (income) multipliers capture the benefits from employees spending wages.

Economic Impact Data Sources

- Export data were sourced from HM Revenue and Customs, UK Trade Info
- Assumptions on turnover per job, GVA per job, supply chain costs and capital spending were based on the Office for National Statistics (ONS) (2019) UK Input-Output Tables 2019
- Employment data were sourced from the ONS (2019) Business Register and Employment Survey (BRES) 2019
- Sectoral composition of the sector supply chain was based on IndustryXIndustry Matrix from the Scottish Government (2020) Supply, Use and Input-Output Tables 2019
- GVA and Employment Multipliers were sourced from Scottish Government (2019) Supply, Use and Input-Output Tables 2019
- Assumptions on household expenditure on on-trade and off-trade consumption were based on the ONS (2019), Detailed Household Expenditure by Countries and Regions
- Assumptions on sectoral wage levels and hours worked from the ONS 2019 Annual Survey of Hours and Earnings (ASHE) for the UK and its regions

Wider Impacts Sources

Premiumisation:

- The Cocktail Service, 9 December 2021, *10 Drink Trends for 2022*
- The Cocktail Service, 6 December 2022, *Drink Trends 2023: Impact of the Cost of Living Crisis*
- The Portman Group, June 2020, YouGov/ Portman Group survey on alcohol consumption during the COVID-19 lockdown

Market Entry and Entrepreneurship

- ONS (Nomis), 2023, UK Business Counts – enterprises by industry and employment sizeband 2010 - 2022

Ownership Structures and Competition

- Institute of Alcohol Studies, January 2018, *The Alcohol Industry Factsheet*

Competitiveness of Scottish Products

- Scottish Government, 9 December 2022, *Growth Sector Briefing – Food and Drink*

Competitiveness of Scottish Products (cont.)

- Food and Drink Federation, Food and Drink Manufacturing Across the UK, 2022
- Scottish Development International, website, Food and Drink Industries
- Scottish Distillers Association, website, Distilling in Scotland
- Scottish Gin Awards, website, 2022
- The Whisky Exchange, website, 2022
- Food and Drink Federation, *State of Industry Report Q3, 2022*
- The Spirits Business, 16 January 2023, *Deposit Return Scheme: good or bad?*

Advertising Sector

- BiGGAR Economics, 2017, Economic Impact of Advertising in Scotland

Sponsorship for Sport and Culture

- Event websites, distillery websites and press releases

Approach to Estimating Annual Sectoral Impact

The Annual Sectoral Impact were estimated using the most recent pre-Covid data.

Since the Covid-19 pandemic affected on-trade and off-trade consumption patterns, this study used economic data from 2019 to measure the impact from the sector over a more typical year. Some data for 2020 and 2021 is available but these cannot be considered to be typical years.

Impact by Scottish Parliamentary Region

The following pages summarise the economic impact of the alcohol sector in each Scottish Parliamentary Region, including:

- Total economic impact of the alcohol sector, in GVA and Jobs, which includes:
  - Direct production
  - Production supply chain
  - Staff spending impact (production)
  - Direct demand-side (on trade and off trade)
  - Demand-side supply chain
  - Staff spending impact (demand-side)
- The proportion of the Scottish economic impact of the alcohol sector that takes place in each region.

Economic Impact in Central Scotland

The total contribution of the alcohol sector in the Central Scotland Region is:

£800 million GVA

9,700 jobs

This includes:

- £700 million GVA and 4,900 jobs from production activity
- £100 million GVA and 4,800 jobs from the demand-side

The Central Scotland Region accounts for 13% of the total impact from the alcohol sector in Scotland.

Businesses located in the Central Scotland Region contribute to 13% of the total GVA associated with the production activity.

Economic Impact in Glasgow

The total contribution of the alcohol sector in the Glasgow Region is:

£1,000 million GVA

15,900 jobs

This includes:

- £800 million GVA and 6,700 jobs from production activity
- £200 million GVA and 9,200 jobs from the demand-side

The Glasgow Region accounts for 16% of the total impact from the alcohol sector in Scotland.

Businesses located in the Glasgow Region contribute to 15% of the total GVA associated with the production activity.

Economic Impact in Highland and Islands

The total contribution of the alcohol sector in the Highland and Islands Region is:

£1,100 million GVA

9,800 jobs

This includes:

- £1,000 million GVA and 5,600 jobs from production activity
- £100 million GVA and 4,200 jobs from the demand-side

The Highland and Islands Region accounts for 17% of the total impact from the alcohol sector in Scotland.

Businesses located in the Highland and Islands Region contribute to 19% of the total GVA associated with the production activity.

Economic Impact in Lothian

The total contribution of the alcohol sector in the Lothian Region is:

£700 million GVA

15,500 jobs

This includes:

- £500 million GVA and 5,700 jobs from production activity
- £200 million GVA and 9,800 jobs from the demand-side

The Lothian Region accounts for 11% of the total impact from the alcohol sector in Scotland.

Businesses located in the Lothian Region contribute to 10% of the total GVA associated with the production activity.

Economic Impact in Mid Scotland and Fife

The total contribution of the alcohol sector in the Mid Scotland and Fife Region is:

£900million GVA

11,500 jobs

This includes:

- £800 million GVA and 5,700 jobs from production activity
- £100 million GVA and 5,800 jobs from the demand-side

The Mid Scotland and Fife Region accounts for 14% of the total impact from the alcohol sector in Scotland.

Businesses located in the Mid Scotland and Fife Region contribute to 15% of the total GVA associated with the production activity.

Economic Impact in North East Scotland

The total contribution of the alcohol sector in the North East Scotland Region is:

£500 million GVA

13,100 jobs

This includes:

- £300 million GVA and 4,700 jobs from production activity
- £200 million GVA and 8,400 jobs from the demand-side

The North East Scotland Region accounts for 8% of the total impact from the alcohol sector in Scotland.

Businesses located in the North East Scotland Region contribute to 6% of the total GVA associated with the production activity.

Economic Impact in South of Scotland

The total contribution of the alcohol sector in the South of Scotland Region is:

£500 million GVA

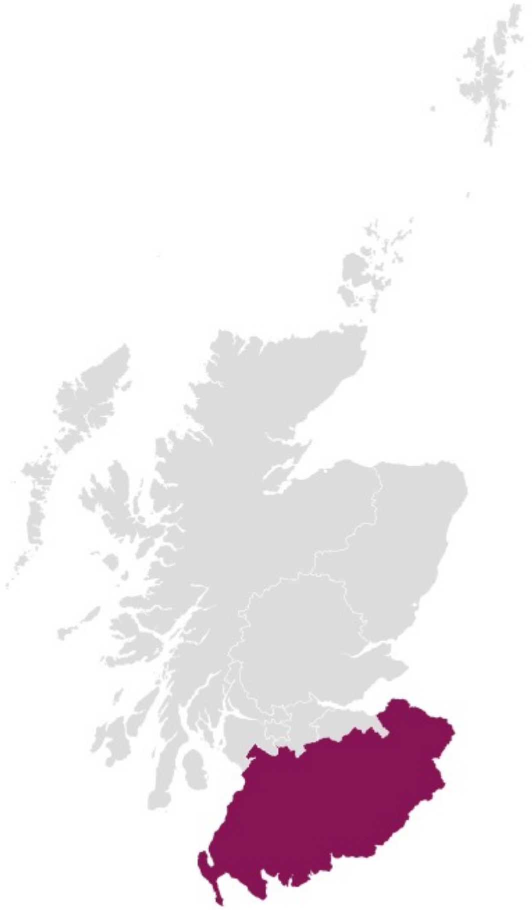
8,800 jobs

This includes:

- £400 million GVA and 3,600 jobs from production activity
- £100 million GVA and 5,200 jobs from the demand-side

The South of Scotland Region accounts for 8% of the total impact from the alcohol sector Scotland.

Businesses located in the South of Scotland Region contribute to 8% of the total GV associated with the production activity.



Economic Impact in West Scotland

The total contribution of the alcohol sector in the West Scotland Region is:

£800 million GVA

10,100 jobs

This includes:

- £700 million GVA and 4,700 jobs from production activity
- £100 million GVA and 5,400 jobs from the demand-side

The West Scotland Region accounts for 13% of the total impact from the alcohol sector in Scotland.

Businesses located in the West Scotland Region contribute to 13% of the total GVA associated with the production activity.

Impact by Scottish Parliamentary Constituency

The following tables summarise the economic impact of the alcohol sector in each Scottish Parliamentary Constituency, including:

- Production GVA and Jobs, which includes:
  - Direct production
  - Production supply chain
  - Staff spending impact (production)
- Total GVA and Jobs, which includes:
  - Direct production
  - Production supply chain
  - Staff spending impact (production)
  - Direct demand-side (on trade and off trade)
  - Demand-side supply chain
  - Staff spending impact (demand-side)

Impact by Scottish Parliamentary Constituency

Constituency	Production GVA (£m)	Production Jobs	Total GVA (£m)	Total Jobs
Aberdeen Central	40	700	80	2,800
Aberdeen Donside	40	600	50	1,400
Aberdeen South and North Kincardine	30	500	40	1,100
Aberdeenshire East	50	600	60	1,200
Aberdeenshire West	50	500	60	1,000
Airdrie and Shotts	100	600	110	1,000
Almond Valley	120	900	130	1,500
Angus North and Mearns	30	400	40	900
Angus South	30	400	40	900
Argyll and Bute	190	900	200	1,500
Ayr	20	300	30	1,000

Impact by Scottish Parliamentary Constituency

Constituency	Production GVA (£m)	Production Jobs	Total GVA (£m)	Total Jobs
Banffshire and Buchan Coast	40	500	50	1,100
Caithness, Sutherland and Ross	90	600	100	1,100
Carrick, Cumnock and Doon Valley	140	700	150	1,200
Clackmannanshire and Dunblane	120	700	130	1,300
Clydebank and Milngavie	60	400	70	900
Clydesdale	20	300	30	800
Coatbridge and Chryston	60	400	70	900
Cowdenbeath	20	300	30	700
Cumbernauld and Kilsyth	20	300	30	800
Cunninghame North	50	300	60	800
Cunninghame South	20	300	30	800

Impact by Scottish Parliamentary Constituency

Constituency	Production GVA (£m)	Production Jobs	Total GVA (£m)	Total Jobs
Dumbarton	350	1,500	360	2,100
Dumfriesshire	40	500	60	1,300
Dundee City East	20	200	30	800
Dundee City West	20	400	50	1,900
Dunfermline	20	300	40	1,000
East Kilbride	110	700	120	1,500
East Lothian	40	400	50	1,000
Eastwood	10	200	20	600
Edinburgh Central	140	1,700	220	6,000
Edinburgh Eastern	20	300	30	900
Edinburgh Northern and Leith	30	500	50	1,400

Impact by Scottish Parliamentary Constituency

Constituency	Production GVA (£m)	Production Jobs	Total GVA (£m)	Total Jobs
Edinburgh Pentlands	30	500	40	1,000
Edinburgh Southern	20	300	40	900
Edinburgh Western	50	600	70	1,500
Ettrick, Roxburgh and Berwickshire	40	400	50	900
Falkirk East	80	500	90	1,000
Falkirk West	20	400	30	1,000
Galloway and West Dumfries	20	300	30	800
Glasgow Anniesland	180	800	190	1,300
Glasgow Cathcart	10	200	20	700
Glasgow Kelvin	250	2,700	330	7,100
Glasgow Maryhill and Springburn	110	700	120	1,300

Impact by Scottish Parliamentary Constituency

Constituency	Production GVA (£m)	Production Jobs	Total GVA (£m)	Total Jobs
Glasgow Pollok	20	300	30	900
Glasgow Provan	20	300	30	800
Glasgow Shettleston	150	800	160	1,500
Glasgow Southside	50	700	70	1,500
Greenock and Inverclyde	20	300	30	800
Hamilton, Larkhall and Stonehouse	20	300	30	800
Inverness and Nairn	70	700	90	1,700
Kilmarnock and Irvine Valley	20	300	30	1,000
Kirkcaldy	20	300	30	800
Linlithgow	70	600	80	1,200
Mid Fife and Glenrothes	360	1,900	370	2,400

Impact by Scottish Parliamentary Constituency

Constituency	Production GVA (£m)	Production Jobs	Total GVA (£m)	Total Jobs
Midlothian North and Musselburgh	30	400	40	1,100
Midlothian South, Tweeddale and Lauderdale	20	300	30	800
Moray	560	2,300	570	3,000
Motherwell and Wishaw	20	300	30	800
Na h-Eileanan an Iar	20	200	30	400
North East Fife	40	400	50	1,100
Orkney	30	200	30	400
Paisley	20	300	40	1,000
Perthshire North	40	500	60	1,300
Perthshire South and Kinross-shire	80	600	90	1,300
Renfrewshire North and West	150	1,000	170	1,700

Impact by Scottish Parliamentary Constituency

Constituency	Production GVA (£m)	Production Jobs	Total GVA (£m)	Total Jobs
Renfrewshire South	10	200	20	600
Rutherglen	20	300	30	800
Shetland	10	100	20	300
Skye, Lochaber and Badenoch	80	600	90	1,300
Stirling	80	700	100	1,700
Strathkelvin and Bearsden	20	200	30	700
Uddingston and Bellshill	280	1,400	300	2,000

Contact:
Graeme Blackett
graeme@biggareconomics.co.uk

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