What are the Drivers of Wine Prices?

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No nation is drunken where wine is cheap, and none sober where the dearness of wine substitutes ardent spirits as the common beverage.

Thomas Jefferson (1743 - 1826)

Although wine prices affect directly or indirectly several individuals, industries and investment portfolios, little is known about the factors that systematically affect wine prices. We analyze the Liv-ex 100 Fine Wine Index against a variety of economic and financial variables in order to understand the drivers of prices for a diversified portfolio of ‘blue-chip’ wines. Our approach employs several modern econometric methods such as unit root testing, correlation analysis, PCA, Granger-Causality tests, cointegration analysis and error-correction modeling.