



ESSENTIAL CANNABIS

# INSIGHTS

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## EAST COAST AND GLOBAL MARKETS TAKE CENTER STAGE AS TOP OPPORTUNITIES FOR FUTURE GROWTH

2022 marked a dramatic change in legal cannabis, as an industry that has been characterized by massive year-over-year growth hit a major slowing of the growth. This left many questioning the future growth and opportunity size of the industry. BDSA's newest Cannabis Market Forecast wave shows that the industry is still poised for huge growth, with new markets internationally and on the East Coast of the US primed to vastly increase the size of the cannabis industry out to 2027.

### The 2022 Slowdown

Cannabis sales growth slowed significantly in 2022, with Global legal sales growth reaching ~5%, compared to ~36% in 2021 and ~60% in 2020. A main cause of the slower sales growth was stagnation in US adult-use markets, with BDSA estimated that total legal sales in the US grew just ~2% in 2022.

BDSA estimates that global legal cannabis sales totaled ~\$32 billion in 2022, forecast to grow ~15% to nearly \$37 billion in 2023. US legal sales were estimated at ~\$26 billion in 2022, set to grow ~14% to ~\$30 billion in 2023. Canada, which saw ~\$4.2 billion in legal sales in 2022, is forecast to grow ~12% to ~\$4.7 billion in legal sales by 2023.

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## New Market Launches Still Set to Drive Strong Gains in US

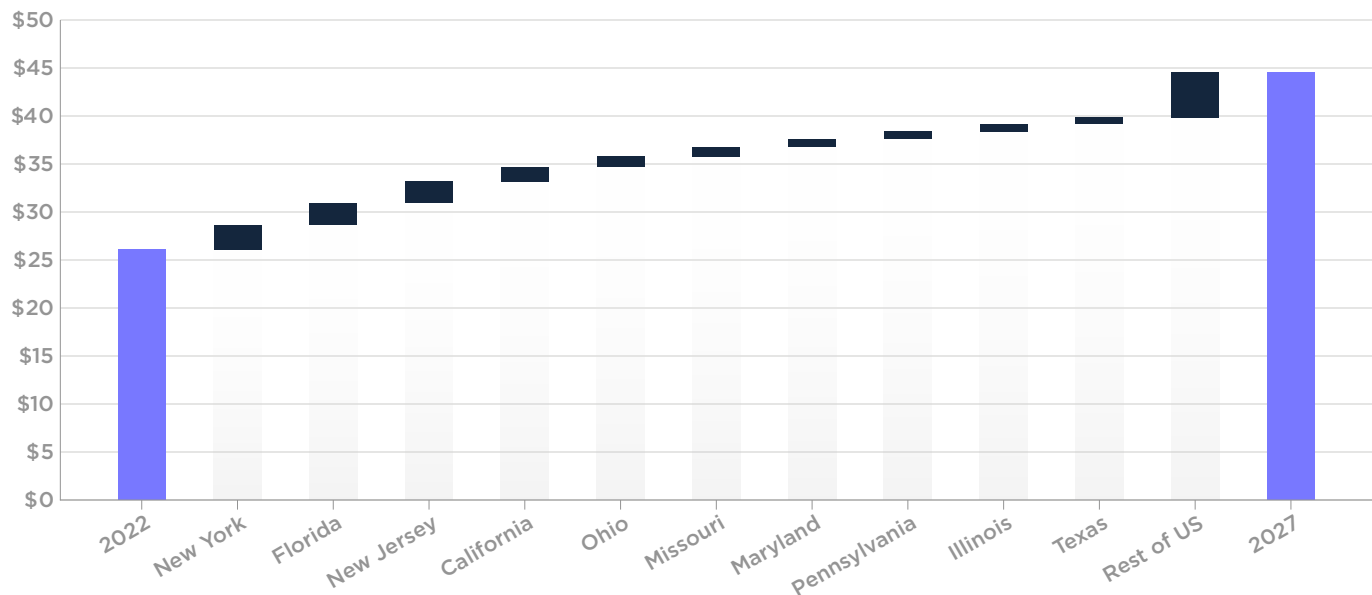
The biggest driver of global cannabis sales so far has been the US adult-use channel, and while international markets are expected to play a greater role in the coming years, US markets will still make up the bulk of legal cannabis sales worldwide out to 2027. BDSA forecasts that US legal sales will grow to make up ~\$45 billion of the ~\$60 billion total for global legal sales expected by 2027. Out of this 2027 US sales total, ~\$35 billion is forecast to come from the adult-use channel, with new markets in the Northeast and Midwest expected to be top drivers of adult-use sales growth in the next five years.

New York and New Jersey alone are expected to bring in ~\$4.8 billion in sales growth between 2022 and 2027. While New York saw repeated delays to their launch of adult-use sales and is struggling with illicit competition, legal sales in the Empire state are still expected to total ~\$1.3 billion in 2023, set to grow to ~\$2.7 billion by 2027. New Jersey, which saw legal sales total ~\$593 million in 2022, is forecast join the billion-dollar cannabis market club in 2023, with sales forecast to continue to grow to ~\$2.8 billion by 2027.

Midwest markets are also expected to be top contributors to total sales growth. Ohio, Missouri, Illinois, and Michigan are expected to contribute ~\$3.4 billion in sales growth between 2022 and 2027.

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### Top Ten US Contributors to Growth (USD, Billions)



Source: BDSA Cannabis Market Forecast, February 2023

## With Key Upcoming Market Launches, Global Industry on the Verge of Massive Expansion

Markets outside of the US and Canada have historically been seen as a footnote in the legal cannabis industry, but that is set to change with the anticipated launch of sizable international markets in Germany and Mexico. International markets brought in ~\$1.8 billion in 2022, with the bulk of that figure coming from medical sales. With the launch of large adult-use markets in Mexico and Germany approaching, the growth trend of international cannabis sales is expected to accelerate in the coming years.

Germany has been working toward adult-use sales for over a year, and BDSA expects adult-use sales to begin in 2024. With a population roughly twice the size of California's, Germany is forecast to bring in ~\$1.5 billion in total sales in 2024, set to grow to ~\$3.7 billion by 2027.

A 2021 Mexico Supreme Court decision cleared the way for eventual adult-use sales, though implementation has been delayed by lengthy regulatory deliberations. BDSA forecasts adult-use sales to launch in mid 2024 in Mexico, with total sales reaching ~\$263 million that year. By 2027, Mexico is expected to see legal sales total ~\$1.6 billion.

While Mexico and Germany are top of mind for many in the industry due to their sizable populations, other markets are also expected to see appreciable growth in the coming years. France is expected to contribute ~\$550 million to total legal sales growth by 2027, while Italy is forecast to contribute ~\$330 million to total legal sales growth between 2022 and 2027. Denmark, Switzerland, and the UK are also expected to see significant growth out to 2027.

Despite the broader economic issues and cannabis specific pressures that the industry has been dealing with for the past year, legal cannabis still holds massive potential for growth. While the days of the "green rush" may have passed in some states, even some developed markets present room for growth, and new and emerging legal markets are ripe with opportunity. Regardless of whether you are a retailer or brand looking to expand, or an investor looking for a new venture in cannabis, a data-based approach to sizing market opportunity is a key first step to succeeding in the increasingly competitive legal cannabis landscape.

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