



# The Illicit Cigarette Market in Georgia

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# Georgia's Background

- High male smoking prevalence:
  - 53.3% in 2001
  - 57.0% in 2016
- Lower, but rising female smoking prevalence:
  - 6.3% in 2001
  - 12.2% in 2016



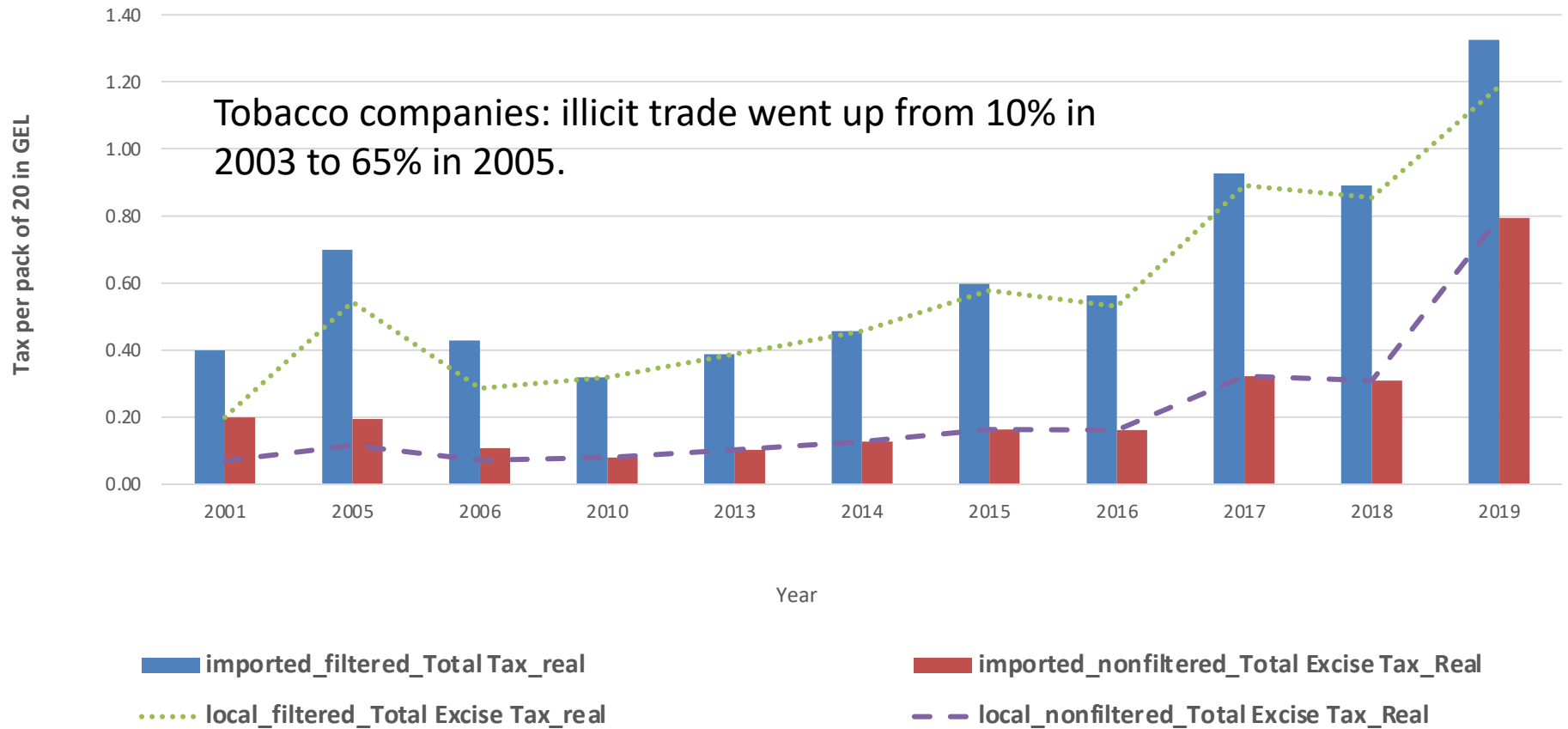
# Early Tobacco Tax Policy

- After the collapse of the Soviet Union (early 1990s), the local tobacco industry collapsed and the market was flooded with international brands.
- No cigarette taxes 1991 – 1997.
- Taxes were introduced as specific, but their value remained constant until 2004, allowing their real value to erode by inflation.
- New government in 2004 doubled and tripled tax on imported filtered and domestic filtered cigarettes, respectively.



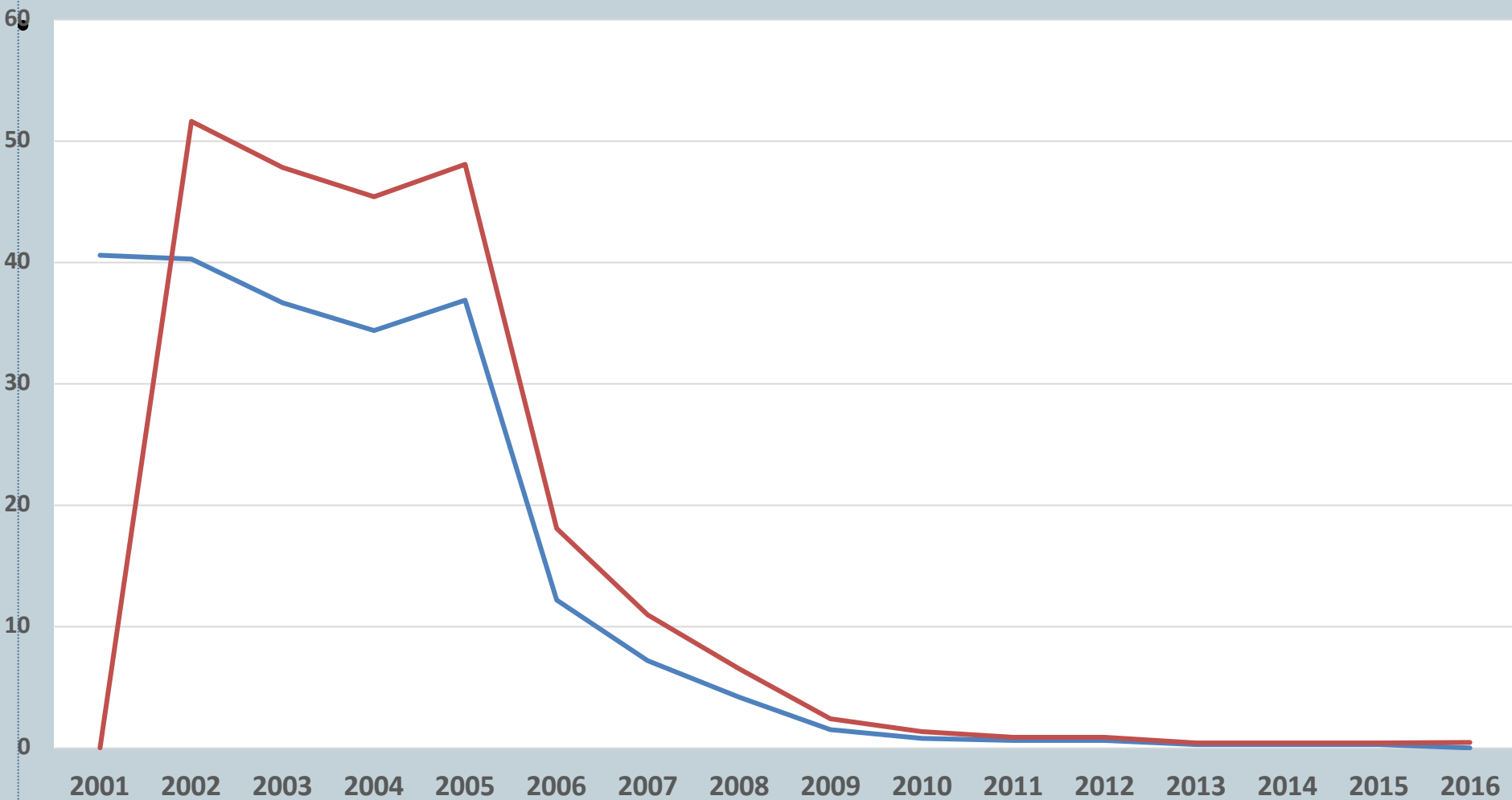
# Real Cigarette Taxes in Georgia

Real Cigarette Tax (Base Year = 2001)





# Illicit Cigarette Market Share in Georgia

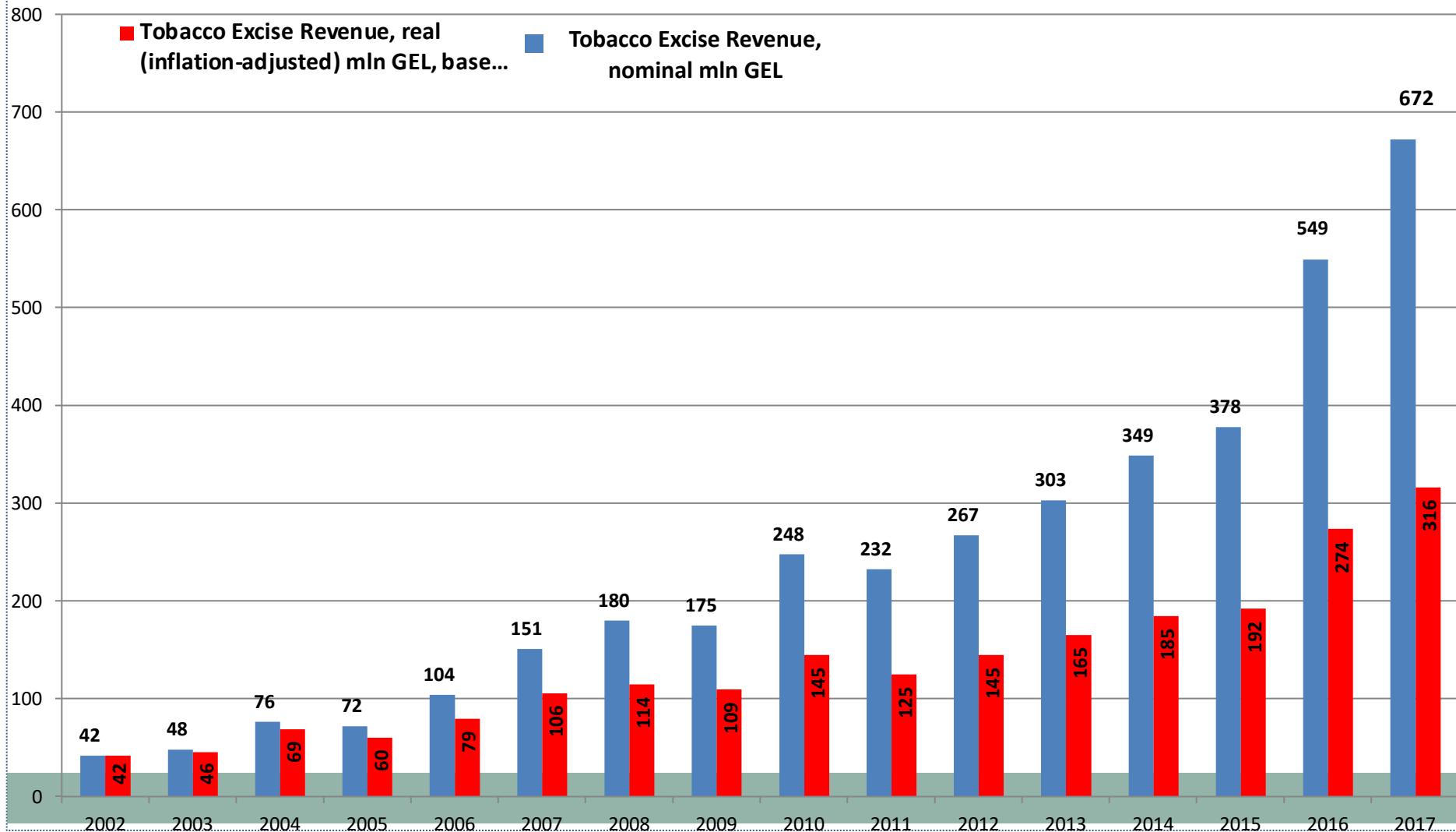


Source: Euromonitor 2016 & 2017

— Share of illicit % (2016) — Share of illicit % (2017)

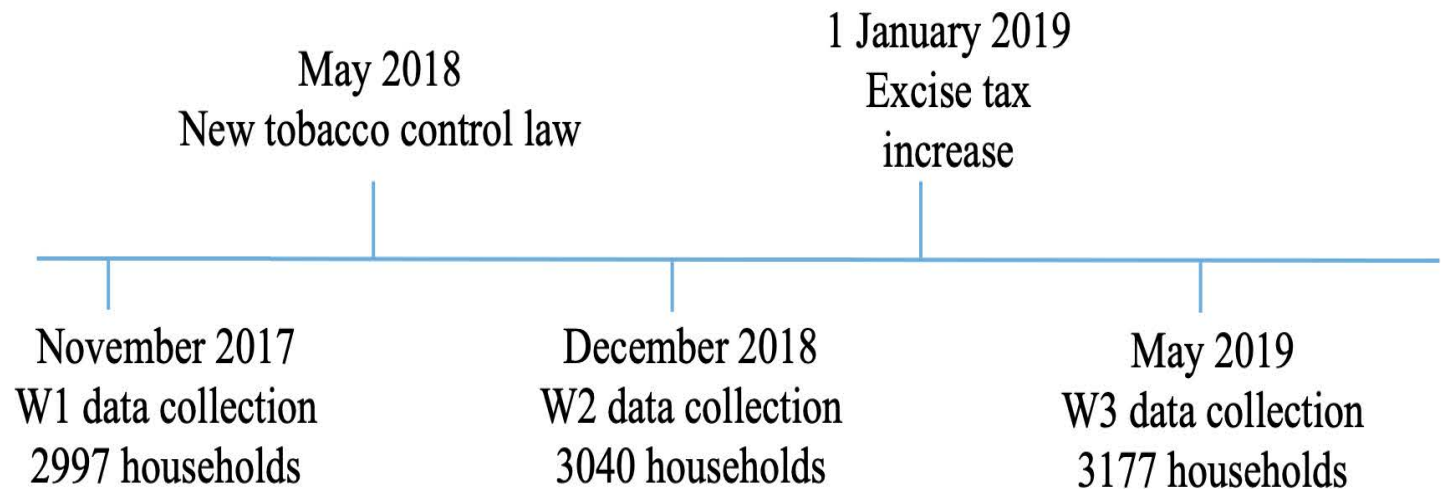


# Tobacco Excise Revenue in Georgia 2002-2017, mln GEL





# 3 Surveys Across Georgia 2017 - 2019



- One smoker randomly selected and interviewed 3-times
- Due to attrition, the final panel has 1578 smokers.
- Although not nationally representative, the sample approximated the national averages across a range of characteristics.



# Survey Sites



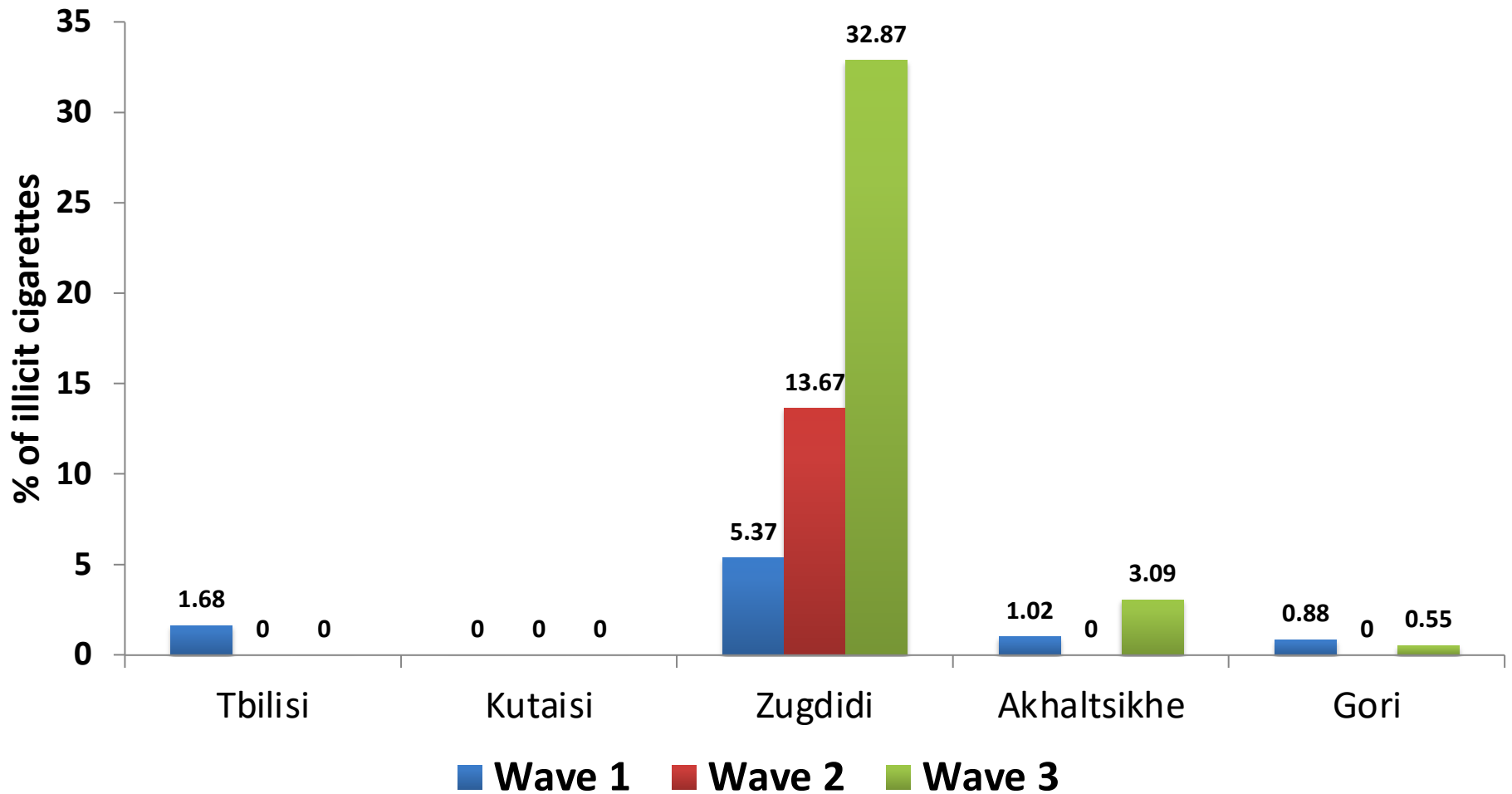


- Respondents (smokers) were asked to show all cigarette packs currently available in the house.
- Given the tax stamps and health warnings in Georgian, it is easy to quickly identify an illicit pack.



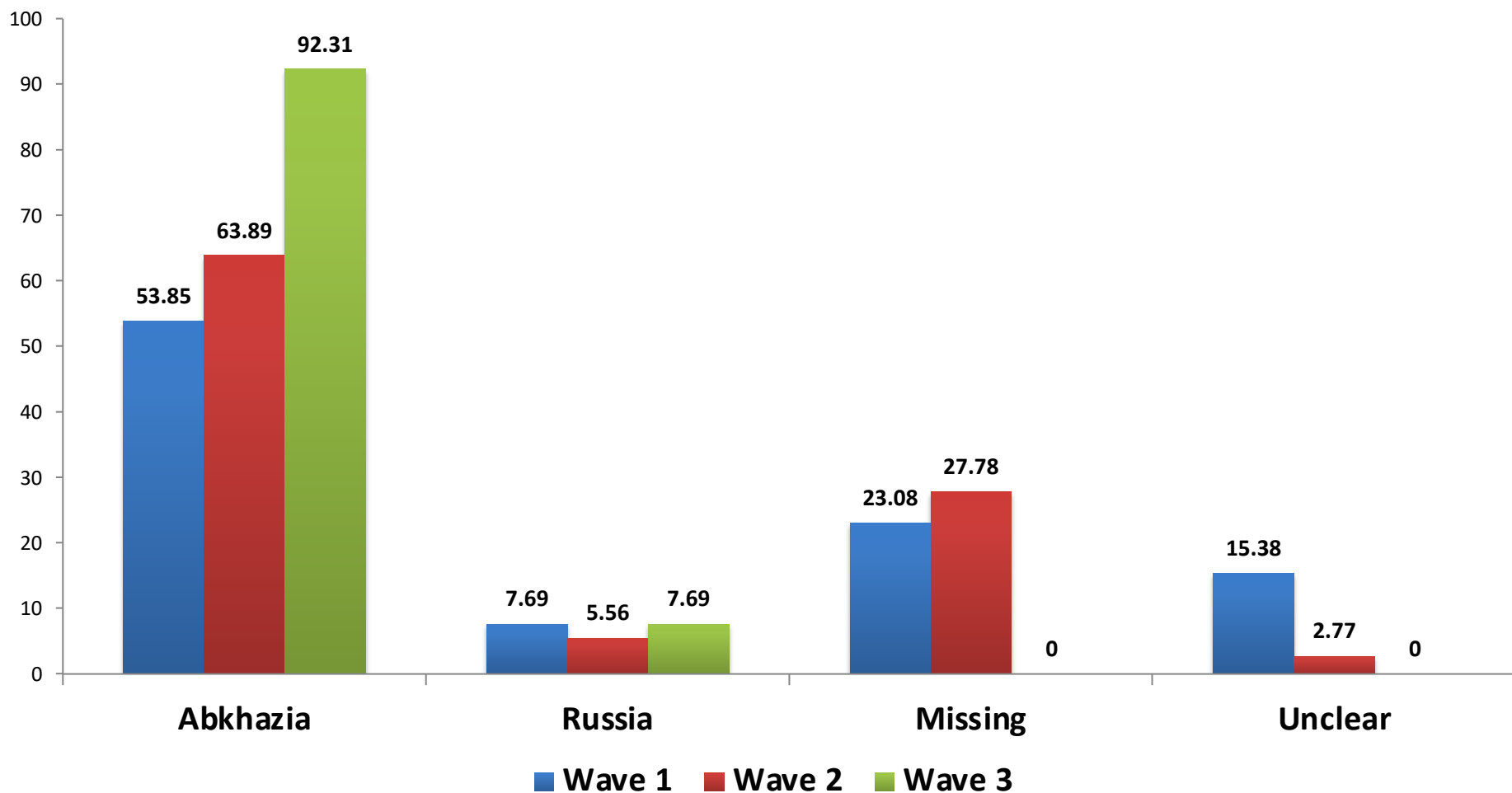


# Share of illicit packs



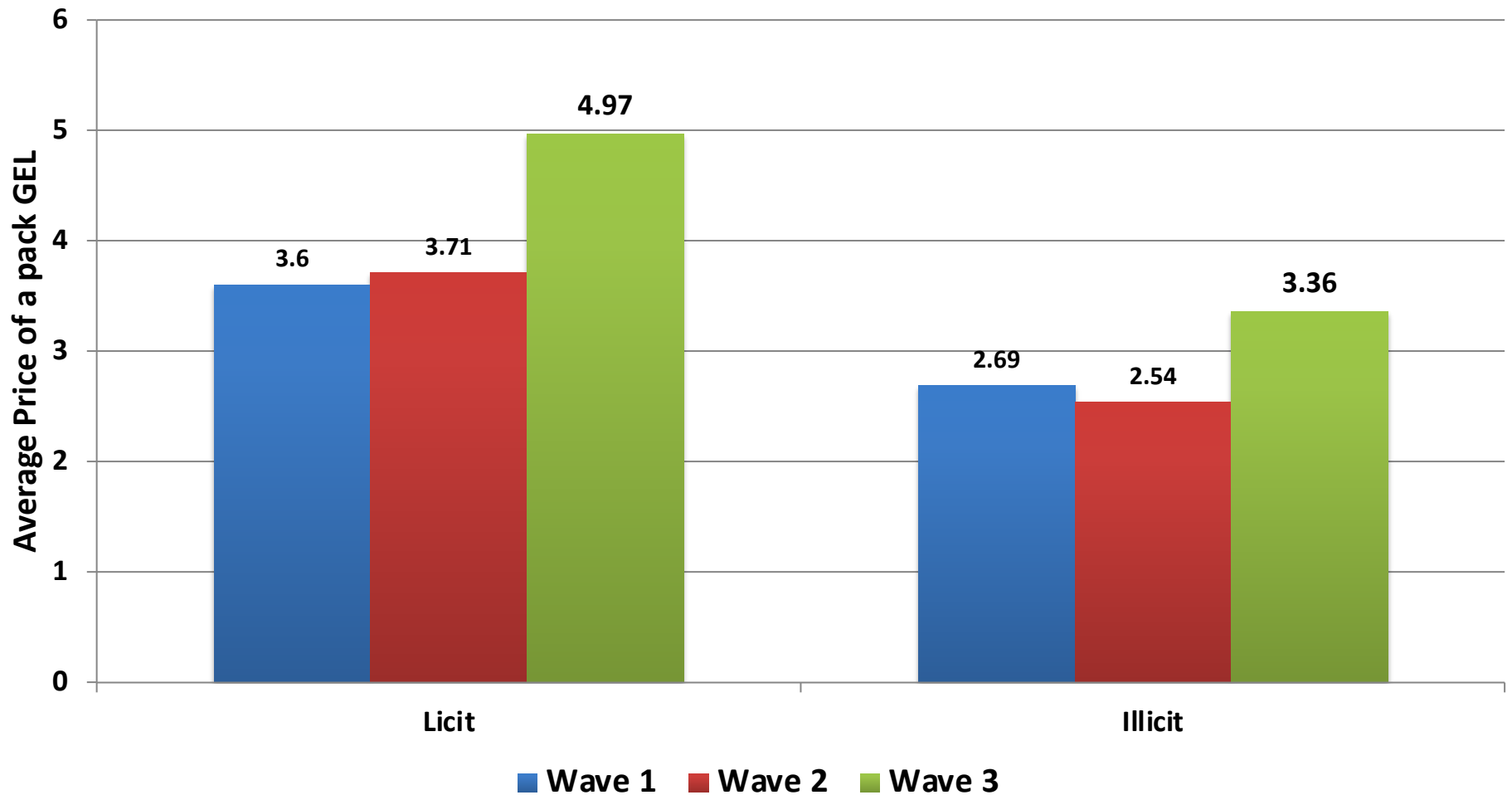


# Where are illicit cigarettes in Zugdidi from?

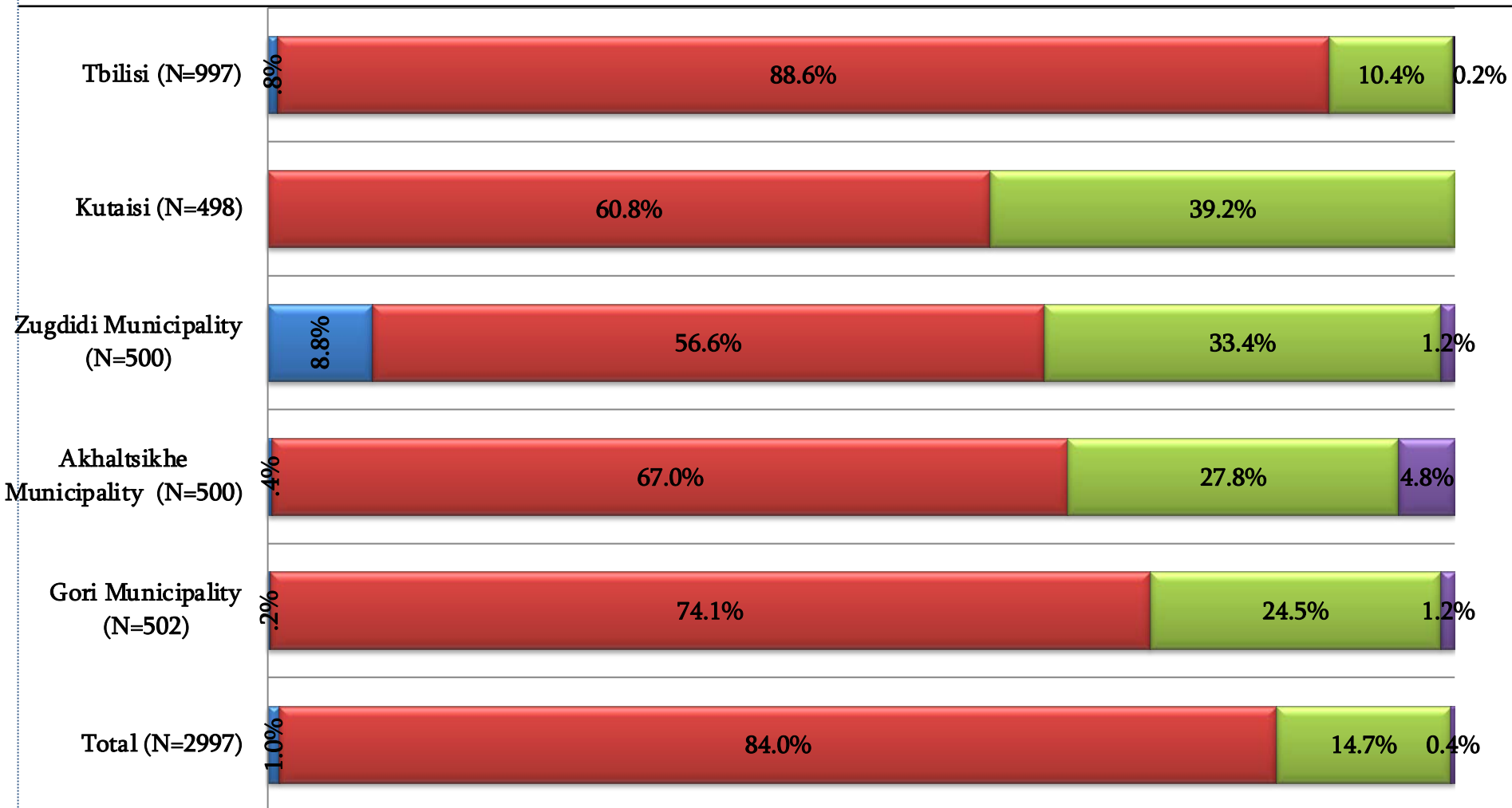




# Prices of illicit increase after a tax increase



# Are you aware of the sale of illicit/smuggled tobacco products in your area?



■ YES ■ NO ■ DON'T KNOW ■ REFUSE TO ANSWER



# Limitations

- W1: Only about 71% (SE 0.8%) of smokers agreed to show their packs.
- W1: 28% (SE 0.8%) of smokers claimed that there was no pack available in the house and 1% (SE 0.2%) either refused to show a pack or said they did not know if there was one in the house.



# Qualitative Study

- Confirmed the availability of illicit cigarettes in Zugdidi coming from Abkhazia.
- Smokers may hide a pack if the usual brand is of higher status compared to brand/pack at home.
- Women smokers who try to hide their smoking habit may not have a pack at home.
- Smokers receiving social aid may not want to show an expensive pack for fear of jeopardizing their benefits.
- Smokers may be purchasing single sticks.
- Smokers may not show an illicit pack.



# Cooperation rate

	Showed a pack	n
<b>Wave 1 (all)</b>	71.87% CI[70.18-73.5%]	2812
<b>Wave 2 (all)</b>	81.5% CI[79.98-82.93%]	2665
<b>Wave 3 (all)</b>	69.23% CI[67.26-71.13%]	2184
<b>Wave 1 (panel)</b>	74.17% CI[71.88-76.34%]	1479
<b>Wave 2 (panel)</b>	82.29% CI[80.17-84.22%]	1372
<b>Wave 3 (panel)</b>	66.58% CI[63.73-69.31%]	1101





**Thank you!**

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