Industry-commissioned and compromised: A critique of Euromonitor International's report on illicit alcohol trade in South Africa

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AI use: ChatGPT was used for editing. Google NotebookLM was used to reconstruct the questionnaire, which was then checked by the authors.

EXECUTIVE SUMMARY

In April 2025, Euromonitor International (EM) published a report, commissioned by the Drinks Federation of South Africa (DFSA), titled 'Understanding the illicit alcohol market: South Africa'. The EM report claims that the illicit alcohol market increased by 55% from 2017 to 2024. EM estimated that illicit alcohol trade accounted for 18% of the total market in 2024, up from 15% in 2017.

The EM report was released about six months after the National Treasury published a review on alcohol taxation, where they proposed substantial reforms. The industry has a strong incentive to construct a narrative that high taxes drive illicit trade, thereby countering National Treasury's proposed alcohol tax increases. The EM report has been quoted extensively by the alcohol industry in the media and in stakeholder dialogues with National Treasury.

There are several fundamental flaws in the report's methods and logic, the most important of which are summarised below:

- **Biased and inappropriate research methods:** The underlying research is methodologically thin and poorly suited to estimating either the size of, or changes in, the illicit market. Desk research, store visits, interviews with industry stakeholders, and an online survey of 707 consumers cannot reliably estimate the size of the illicit market.
- **Logical inconsistencies in data analysis:** From 2017 to 2024, EM estimates that total legal consumption of alcohol grew by 24% (about 8–10% in per capita terms). Over the same period, it claims that illicit alcohol consumption increased by 55%. Such rapid growth in legal alcohol sales is difficult to reconcile with claims of a large increase in illicit alcohol trade.

The EM report should be read with caution. It lacks the transparency required for independent verification. Rather than serving as an impartial assessment of the illicit alcohol market, it appears to form part of a broader debate about alcohol excise taxation, in which stakeholders have vested interests. Policymakers should evaluate its methodology, assumptions, and findings carefully. While illicit trade is a serious concern, international literature shows that higher taxes do not necessarily lead to more illicit trade if accompanied by strong enforcement.

Table of Contents

1. INTRODUCTION

In April 2025, the Drinks Federation of South Africa (DFSA) and Euromonitor International (EM) released a custom research report (110-slide PowerPoint deck) titled 'Understanding the illicit alcohol market: South Africa' (hereafter referred to as the 'EM report'.[1] The DFSA commissioned EM to conduct the research.

The DFSA states that their research objectives are to evaluate the scale, shape, and drivers of the illicit alcoholic beverage trade, and to '*help the government to understand the size of the problem, comparing it to 2017 and 2020, as well as identify ways to combat this issue'* (page 5). The EM report identifies three objectives:

1. Estimate the market volume, value, and fiscal loss attributed to illicit alcohol by subcategory, and segment illicit alcohol sales by type of illicit activity.
2. Understand the dynamics of illicit alcohol activity across subcategories, product brands, and marketing channels, and qualify the trends and drivers related to the illicit alcohol market.
3. Identify consumer perceptions of illicit activity and government actions (page 5).

The EM report's primary findings indicate that illicit alcohol in 2024 reached an 18% volume share of total alcohol sales, amounting to an estimated 773,424 hectolitres of pure alcohol (ethanol) equivalent. This represents an annual value of R25.1 billion and an estimated fiscal loss to the South African government of about R16.5 billion. The EM report suggests that illicit activity has shifted since 2020, with counterfeiting and illicit brands becoming the largest category by both volume and value, while smuggling has marginally decreased following the end of the 2020–2021 pandemic-related sales ban.

The EM report attributes the persistence of the illicit market to macroeconomic challenges, including high unemployment and inflation-driven price increases for legal products, which push consumers toward cheaper alternatives. As part of the research, EM conducted an online survey of 707 people who had purchased or consumed alcohol at least once in the previous 30 days. The report identifies weak enforcement and limited resources at regulatory bodies as key factors allowing illicit trade to expand.

The report is lengthy, detailed, and highly precise in its numerical claims. It claims to support the government in understanding the illicit alcohol market. Yet, one must ask whether it genuinely aims to support government, or whether it is intended to weaken support for stronger alcohol tax policy**.** Does it provide sufficient methodological information for independent parties to verify or replicate its findings? Are the assumptions underlying their estimates valid? Are the conclusions valid?

This critique addresses these questions. In November 2024, the National Treasury released its decadal review of alcohol taxation.[2] In it, National Treasury indicated its intention to substantially change the tax structure for beer and wine, significantly

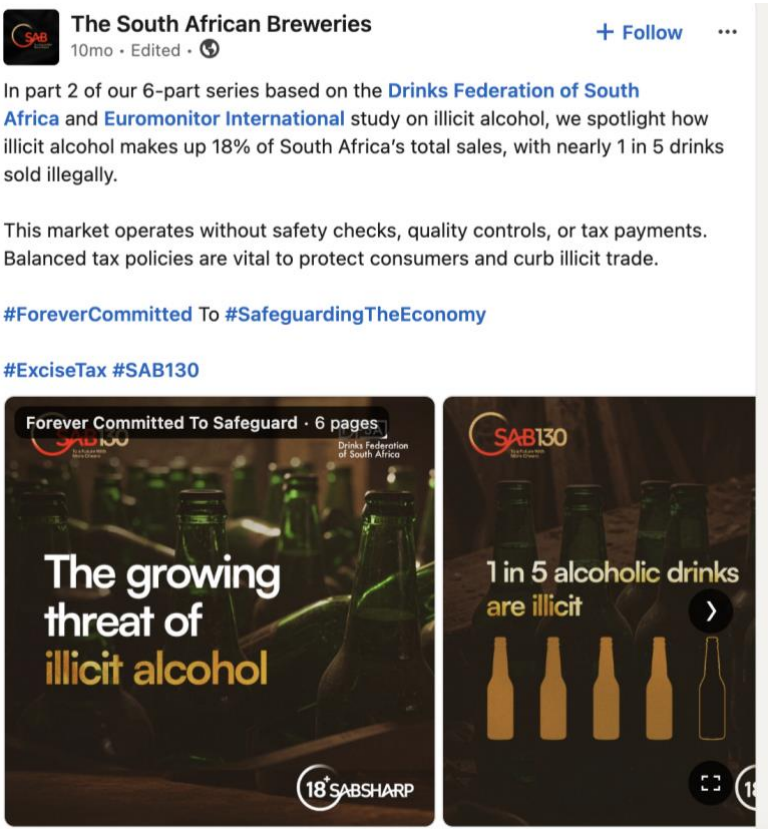
increasing excise tax rates. Such tax increases would decrease consumption and, in turn, decrease alcohol industry profits.

A common tobacco and alcohol industry strategy to counter proposed higher excise taxes is to construct a narrative that illicit trade is large and growing rapidly. These industries typically argue that illicit trade must be dealt with before any further excise tax increases are implemented.

Illicit trade is a particularly sensitive topic in South Africa, because cigarette illicit trade has been increasing since 2010. Industry research indicates that the illicit cigarette market comprises about 75% of the total market.[3] Independent researchers estimate that it is around 60%[4] – lower, but still unacceptably large.

As intended, the alcohol industry has extensively cited the EM report in the media to argue against higher excise taxes. In August 2025, South African Breweries (SAB) posted the following text on LinkedIn: '*Balanced tax policies are vital to protect consumers and curb illicit trade'*.[i] The image of the LinkedIn post shows how companies like SAB use the results from the EM report to argue against excise tax increases (Fig. 1).

Figure 1: Screenshot of South African Breweries' LinkedIn post on illicit alcohol trade



Source: LinkedIn. https://www.linkedin.com/posts/forever-committed-to-safeguarding-the-economy-ugcPost-7356369553741754371-jKJH/

[i] https://www.linkedin.com/posts/forever-committed-to-safeguarding-the-economy-ugcPost-7356369553741754371-jKJH/

In February 2026, citing the EM report, spirits producer Diageo South Africa warned that any further increases in taxes would likely only strengthen organised crime networks in the country.[5] Diageo called for a freeze on excise increases for spirits in the next budget. The call was not heeded; the Minister of Finance announced an inflation-linked 3.4% nominal increase in the excise taxes on all alcoholic beverages (other than African beer and African beer powder).

In a consultation between National Treasury and stakeholders, held on 4 June 2026, many industry representatives argued against the proposed tax increases on the grounds that it would accelerate the growth of South Africa's illicit alcohol market rather than curb harmful drinking.[6] A statistic that was repeatedly cited was that the volume of illicit alcohol had increased by 55% from 2017 to 2024; this was one of the EM report's main findings.

2. ANALYSIS OF EUROMONITOR INTERNATIONAL'S RESEARCH METHODS

EM's research methods are described on page 6 of the report. Four main data sources are identified:

2.1. Data sources

- **Desk research** based on previous EM alcohol publications (available on Passport – EM's database) and other secondary sources, including trade press articles, official national statistics, and trade data for all alcohol categories.
- **Store visits** to 57 outlets across various (but not all) provinces in South Africa, including price collection and short 'pulse interviews' with local staff.
- **In-depth interviews** with 12 alcohol-industry stakeholders, including regulatory bodies, manufacturers, associations, NGOs, ethanol producers, and government agencies.
- An **online survey** of 707 South African consumers, asking about perceptions of illicit alcohol, the channels where such products are believed to be sold, perceptions of government actions, and views on the impact of illicit alcohol.

Below, we discuss several concerns regarding each of these data sources.

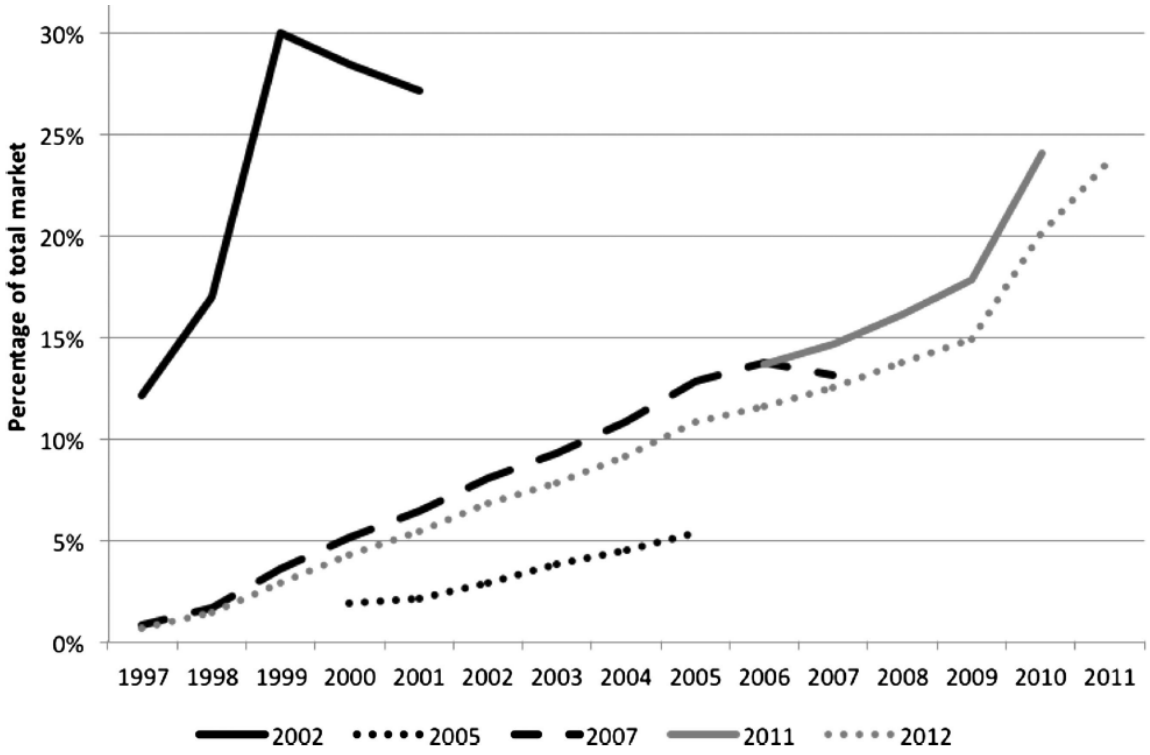
2.1.1. Desk research

EM reports depend heavily on industry sources, undermining their independence from the industries that commission them. EM reports undoubtedly contain some strong analytical elements; in fact, we subscribe to their database. EM, however, has a weak track record when estimating difficult-to-measure phenomena such as illicit trade.

For tobacco, for example, EM's estimates of illicit trade have been severely criticised by independent economists, who argue that the statistics have been altered over time to support the tobacco industry's narrative.[7] Figure 2, copied directly from Blecher et al.

(2015), illustrates how EM's estimates of the illicit tobacco trade have varied over time. Typically, the volume of illicit trade was reported to be increasing over time. However, historical levels of illicit trade were adjusted, mostly downwards. For example, the level of illicit tobacco trade in 2001 was reported as 27% in 2002, 2% in 2005, 7% in 2007 and 2011 and 6% in 2012. This pattern raises legitimate concerns about whether similar biases may affect EM's estimates of illicit alcohol trade.

Figure 2: EM estimates of illicit cigarette trade in South Africa, 1997–2011



Source: Blecher E, Liber A, Ross H, et al. Euromonitor data on the illicit trade in cigarettes. Tobacco Control 2015;24(1):100. doi: 10.1136/tobaccocontrol-2013-051034

The EM report indicates that, other than relying on their Passport database, they also rely on secondary sources, including trade press articles, official national statistics and trade statistics for all alcohol categories. Official government statistics and trade data are sound sources, but trade press reports on illicit trade typically echo the industry's framing of the issue. This may result in disproportionate weight being given to industry perspectives relative to those of government, researchers, and public-health organisations. Moreover, there is no comprehensive methods section or a full list of references, making it impossible for independent researchers to replicate the findings – a basic requirement for research published in academic journals.

2.1.2. Store visits

On page 96, the authors summarise the store visits conducted across the country. The report does not specify which types of outlets were visited (e.g. wholesalers, formal retailers, informal retailers, taverns, etc.). It appears the visits took place in seven provinces, not six as stated: North-West is omitted from the list but shown on the map.

The research questions[ii] appear reasonable, but store visits to 57 outlets are unlikely to provide a reliable estimate of the size of the illicit alcohol market. Firstly, it may be difficult to reliably distinguish legal from illicit products. Secondly, even though it may be possible to identify specific containers or labels as being likely illicit, it would be very difficult to estimate what proportion of an outlet's total sales are illicit. Thirdly, if the illicit alcohol is held separately, an observer cannot quantify the illicit share of the products being sold in that outlet. Fourthly, it is also highly unlikely that owners and managers would answer truthfully to questions on illicit trade. Why would anyone incriminate themselves in a brief 'pulse interview' by a complete stranger by admitting they sell illicit alcohol? It seems improbable that this method can yield truthful or reliable information about the size of the illicit market.

2.1.3. In-depth interviews

Page 6 indicates that EM interviewed twelve stakeholders in the alcohol industry: regulatory bodies, alcohol manufacturers, associations, NGOs, ethanol producers, and government agencies. Page 97 lists ten of the twelve organisations interviewed; two organisations are not mentioned.[iii] Academics, independent public health associations, and NGOs active in the space (for example, the Southern African Alcohol Policy Alliance and the South African Medical Research Council) are noticeably absent, probably because many organisations focused on public health would not agree to participate in a study funded by the alcohol industry. EM probably did not even attempt to contact them. For example, REEP was not approached to take part in this study.

As far as we can determine, EM did not interview a single organisation that campaigns for higher alcohol taxes and/or reduced alcohol use. Most, if not all, of the organisations interviewed have a direct interest in increasing alcohol sales.

Although the report does not explicitly claim to seek an independent perspective from stakeholders, the sample appears narrow and insufficiently diverse to support broader conclusions about the illicit alcohol market.

2.1.4. Online survey of consumers

It appears that the survey was conducted without approval from an accredited Research Ethics Committee, which not only protects participants from risk, but also serves as quality control to protect the public from poorly conducted, potentially misleading research that can cause societal harm. Obtaining formal ethics clearance may be an alien concept in consumer research surveys, but given that these data are being used to inform and influence public health policy, the study could be reasonably be regarded as public

[ii] What type of illegal alcohol is being sold in the store? Which is the most popular illegal alcohol types in store? Which brands of illegal alcohol are sold in store? Insights into the pricing, formats and packaging of illegal alcohol sold in the store, and Shopper profile.

[iii] AB InBev South Africa, Consumer Goods Council South Africa, Diageo South Africa, Ethanol Producers Association South Africa, Human Spirits, Gauteng Liquor Tavern Association, NCP Alcohols, South Africa Wine, South Africa Wine Industry Information and Systems, and South African Liquor Brand Owners' Association.

health research. Unless ethics approval was obtained but not reported in the EM report, the study appears not to have undergone review by a Research Ethics Committee registered with the National Health Research Ethics Council. This would be inconsistent with South Africa's national framework for health research, established under Sections 72 and 73 of the National Health Act (Act 61 of 2003)[8] and the *South African Ethics in Health Research Guidelines* (2024),[9] which require that research involving human participants undergo independent ethics review before the research commences.

EM recognises the 'sensitive nature of inquiring about illegal activity' and that they need to avoid personalising buying or consuming illicit alcohol. There are two issues here: (1) information bias – how do respondents know what other people are doing? (2) participant wellbeing – distress from harm-related questions: if the respondent knows someone harmed or killed by illicit alcohol, this could trigger upsetting memories.

The questionnaire used for the survey is not reproduced in the report, but many of the survey questions are provided at the bottom of the slides in the EM report. For questions not provided verbatim, they can be inferred from the content (which we have done using Google NotebookLM, and then checked by the authors). A reconstructed version of the questionnaire, together with a summary of the results, is included in the appendix. The authors argue that asking about the 'sensitive nature of inquiring about illegal activity' is difficult and therefore avoid personalising the issue. Instead, they ask questions about respondents' opinions. The survey does not ask whether respondents have ever purchased illicit alcohol themselves. Opinions and perceptions can be highly misleading and often reflect only the respondents' immediate social circles. In some cases, respondents may simply repeat what they have heard, including industry narratives about illicit alcohol.

To be included in the sample, respondents had to have purchased or consumed alcohol at least once in the past 30 days. The sample of 707 respondents is not representative of the South African population (or even the drinking population). According to the report, 63% of participants hold a tertiary qualification (46% diploma/bachelor's and 17% graduate/postgraduate). This is far above the national average. According to the OECD, in 2024, about 9% of adults aged 25 to 64 have a degree.[10] According to Statistics South Africa's 2024 General Household Survey, 16% of adults aged 20 and older have a post-school qualification.[11] One can expect the average incomes of the respondents in EM's survey to also be much higher than the national norm.

In Question 20, nearly half of respondents state that they personally know someone who has been harmed by *illicit* alcohol, and nearly 30% say they personally know someone who has died from *illicit* alcohol consumption (emphasis added). These proportions are surprisingly high, given the relatively advantaged socio-economic status of respondents.

A nationally representative study on deaths caused by ingesting poison using data from 2020/21 indicates that at least 131 people died from alcohol poisoning in that year.[12] If we make the heroic assumption that all these deaths from alcohol poisoning were attributable

to illicit alcohol (instead of licit and illicit alcohol), and add another 31 of the 185 'other' poisoning cases reported by Prinsloo et al. (2025)[12] also attributable to illicit alcohol (personal communication: Richard Matzopoulos, June 2026), that would imply that an estimated 162 deaths are attributable to alcohol poisoning. Within the context of a South African population of more than 65 million people, the low number of 162 deaths is difficult to reconcile with the EM finding that 29% of respondents knew someone who died from drinking illicit alcohol.

In addition, the question lacks important contextual information. Over what time period are respondents being asked to recall these experiences? Knowing someone who has been harmed in the past year is very different from knowing someone who has ever been harmed over a lifetime. The report also does not define what constitutes 'harm', nor does it clarify what types of alcohol are included in its definition of illicit alcohol. For example, does the definition include homebrewed alcohol? Without clear definitions and a specified recall period, the results are difficult to interpret and may not be comparable across respondents.

An additional question asking about alcohol harms in general would have been: 'Do you personally know anyone who has been harmed or died because they consumed alcohol (irrespective of whether it is legal or illicit)?' This is not asked, presumably because it would implicate the legal industry. By asking only about harm from illicit alcohol, the legal alcohol industry deflects attention away from itself. Since more than 37,000 premature deaths annually are attributed to alcohol,[13] a much larger share of respondents would likely say they know someone who has been harmed or killed by alcohol in general.

While illicit alcohol can pose serious health risks, legal alcohol is also associated with substantial morbidity and mortality. A more balanced questionnaire would have explored perceptions of both forms of harm.

2.2. Excise taxes, and the use of nominal rather than real terms

While the report was likely written in the context of the National Treasury's November 2024 tax review, it does not make this its explicit focus. Still, the industry cannot discuss illicit trade without invoking excise taxes. A word search shows that 'excise' appears 37 times and 'tax*' 74 times.

On page 70, for example, the slide headline reads: 'Excise duty rates continue to increase despite declining consumer purchasing power'. The graph shows excise tax on alcohol rising at a CAGR of 4.8% to 6.0% from 2019 to 2024 across categories (excluding traditional African beer, where the increase was 0%). The implication of the headline is that National Treasury should give cash-strapped consumers a break by not increasing excise duties.

The report states:

> '*As consumer purchasing power has continued to decline over recent years, the potential for excise increases in upcoming budgets is expected by the industry to*

increase the attractiveness of illicit alcohol and potentially lead to further expansion in this sector'.

While cautiously phrased, the passage clearly links excise increases to growth in illicit trade. Throughout the EM report, all monetary amounts (taxes, revenues, expenditures) are expressed in nominal terms. This is standard industry practice because it easily demonstrates that a variable is 'rising', even when the increase is mostly inflation-linked. A more meaningful approach is to present figures in real (inflation-adjusted) terms. This is straightforward to do.

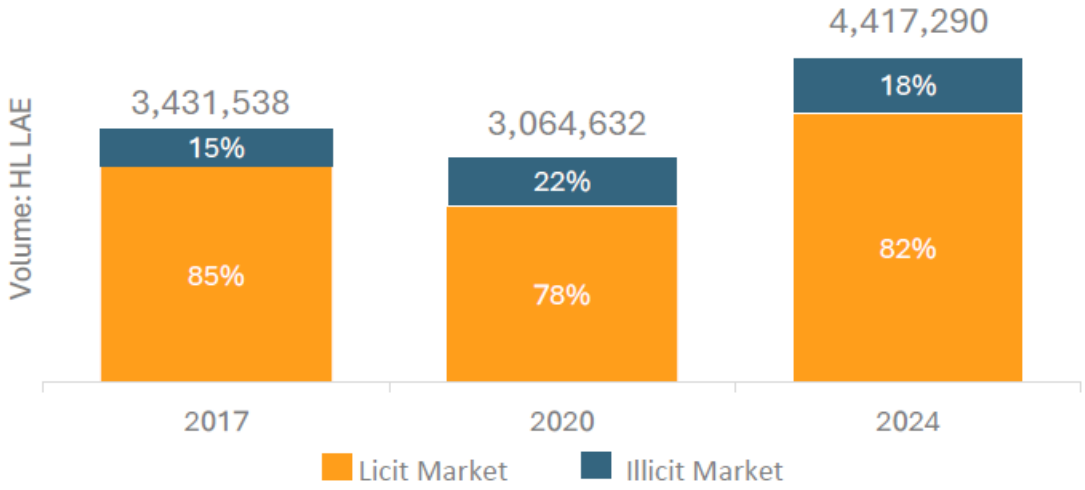
When discussing purchasing power, however, the report implicitly switches to real values. It is factually correct that purchasing power has fallen, but this is *real* (inflation-adjusted) purchasing power. Nominal incomes have increased; the problem is that they have not kept pace with inflation. Comparing nominal price and tax increases with *real* purchasing power (as was done in the EM report) may be expedient, but it is not a fair comparison. One should compare like with like: real taxes with real purchasing power.

An average annual excise increase of 4.8% to 6.0% may sound high, but the report omits to say that these increases mainly compensated for inflation. Between 2019 and 2024, inflation averaged 4.9%, implying that the real increase in excise tax over this period was marginal. This is not acknowledged in the report.

2.3. Are the numbers logical and sensible?

The credibility of EM's illicit trade estimates is questionable. Obtaining precise data on legal alcohol sales is straightforward: the alcohol industry that funds the DFSA can provide these numbers. One can also derive them from official government statistics. The report, however, provides little explanation of how the illicit-market estimates are derived. A crucial diagram in the EM report, indicating trends in both legal and illicit consumption of alcohol, is provided as Figure 3 below. In Table 1, the information presented in Figure 3 is fleshed out in more detail.

Figure 3: EM's estimates of licit and illicit alcoholic drinks in South Africa: hectolitre (HL) litres of alcohol equivalent (LAE)



Source: Euromonitor International, Understanding the Illicit Alcohol Market, 2025, page 14.

Table 1: Additional analysis (in bold) of EM's estimates of licit and illicit alcohol

	2017	2020	2024	Growth rate 2017–2024	CAGR 2017–2024
Total consumption (HL LAE)	3 431 538	3 064 632	4 417 290	**28.7%**	**3.7%**
Illicit market share	15%	22%	18%		
Licit market share	85%	78%	82%		
Illicit consumption (HL LAE)	498 290	674 219	773 424	**55.2%**	**6.5%**
Licit consumption (HL LAE)	2 933 248	2 390 413	3 643 866	**24.2%**	**3.1%**

Source: Euromonitor International, 2025. Understanding the Illicit Alcohol Market, page 14. HL = hectolitres; LAE = litres of alcohol equivalent.

We do not focus on 2020 because of the disruptions to the alcohol market in that year caused by intermittent Covid-19-related sales bans. Instead, we compare 2017 to 2024. These are both 'normal' years, and the years EM uses in its report.

Legal consumption increased by 24.2% from 2017 to 2024, a compound annual growth rate (CAGR) of 3.1%. In the context of (1) sluggish economic growth of 0.5% to 1% on average, (2) population growth of 1% to1.5%, (3) roughly constant real alcohol prices, and (4) declining global alcohol consumption, especially among young people, this is a very strong sales performance.

Had EM published a report on the *legal* alcohol industry, they could easily have concluded that the alcohol industry has performed strongly over the 2017–2024 period, despite several economic headwinds.

Alongside this strong performance of the legal alcohol market, EM claims that the illicit sector has grown even faster. On page 14, they state that 'overall volume sales (HL LAE [hectolitres of alcohol equivalent]) of illicit alcohol have grown from 498,290 HL LAE in

2017 to 773,424 HL LAE in 2024, at a CAGR of 6%'. This implies that the volume of illicit alcohol in 2024 is more than 55% higher than in 2017.

First, the apparent precision of these estimates should raise eyebrows; no explanation is provided of how the numbers were derived.

Second, a very large increase in illicit alcohol volumes alongside a substantial increase in legal alcohol volumes requires a leap of faith. If illicit trade were increasing, one would expect the legal market to be shrinking.

3. TESTING THE ALCOHOL INDUSTRY CLAIMS USING NATIONAL TREASURY'S REVENUE DATA[iv]

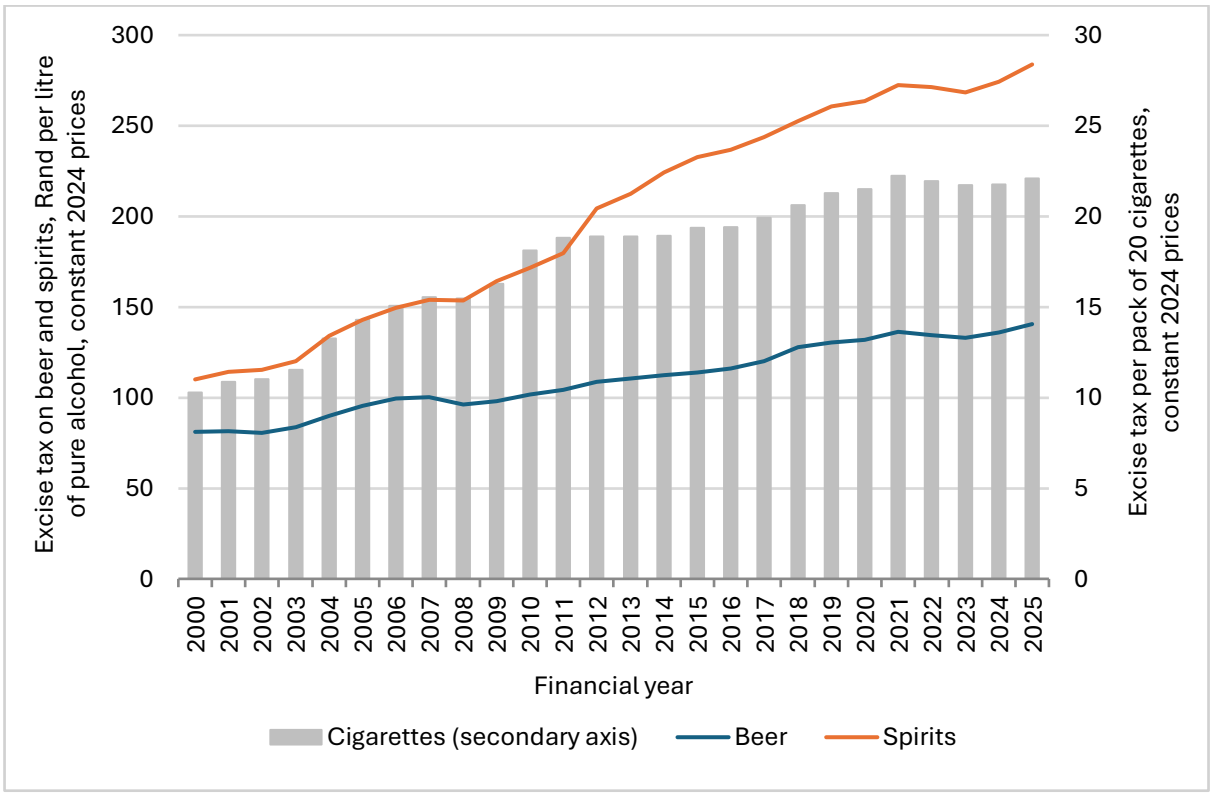
To test the industry's claims, we analysed National Treasury's revenue data, which is published annually in the Budget Reviews.[14]

National Treasury's revenue data provides a more objective and verifiable indication of changes in the alcohol market. A drop in alcohol revenue (which captures the legal market) would imply that legal sales are being replaced with illegal sales. The Budget Reviews provide disaggregated excise tax revenue for beer, 'wine and other fermented beverages', and spirits. The excise tax on each of these categories is levied as a specific tax: based on per litre of alcohol for beer and spirits, and per litre of beverage for wine.

In Figure 4, excise taxes per litre of absolute alcohol, expressed in real (inflation-adjusted) terms, are presented for beer and spirits from 2000 to 2025. Over this period, the compound annual growth rate (CAGR) of real excise taxes on beer was 2.2%, while that of spirits was 3.9%. The higher CAGR for spirits excise taxes was driven by National Treasury's decision in 2012 to raise the average total spirits tax burden (i.e., excise tax plus VAT) from 45% to 48% of the retail price. In comparison, the CAGR of the real excise tax on cigarettes was 3.1% from 2000 to 2025 – higher than the growth in the beer excise tax, despite a sharp increase in illicit trade in cigarettes.

[iv] This section is taken nearly verbatim from our Econ 3x3 article, which is a shortened and less comprehensive analysis of the illicit trade estimates that underlies the EM report.

Figure 4: Real excise taxes per unit on beer, spirits, and cigarettes

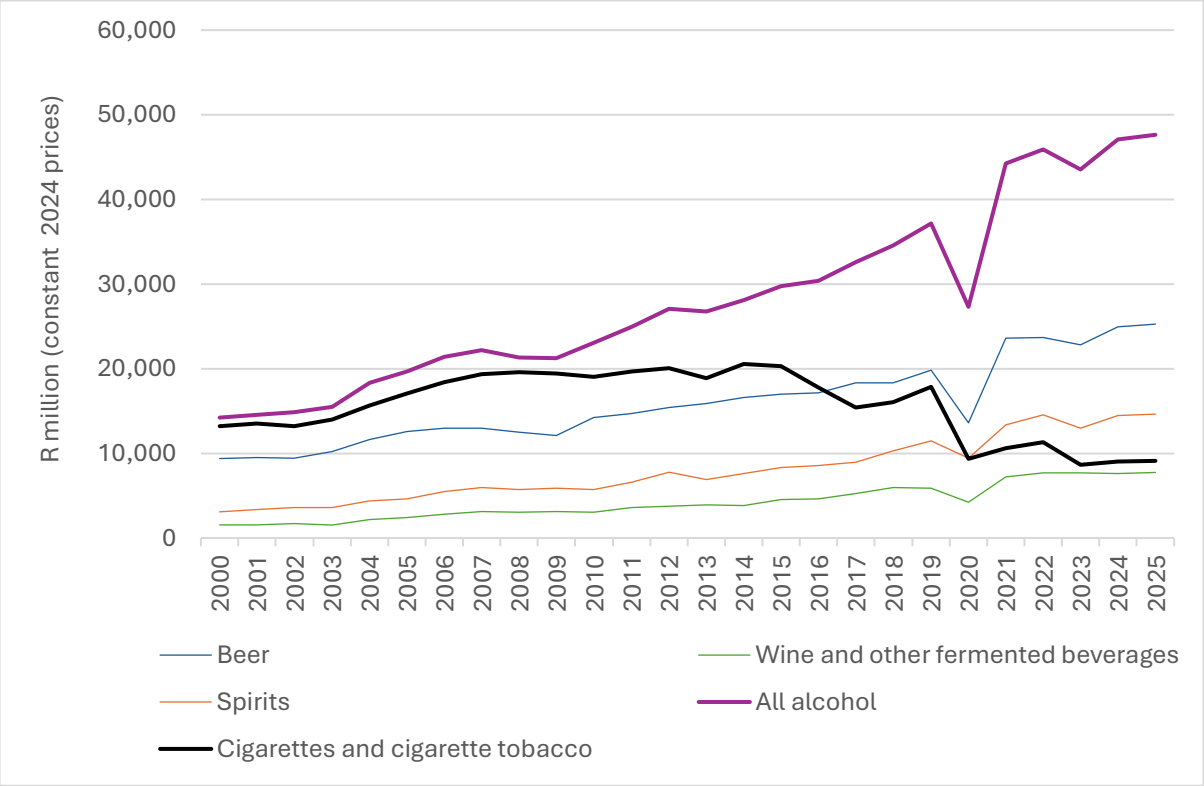


Source: National Treasury, Budget Reviews, various years.

Figure 5 indicates the real excise tax revenue for alcohol and cigarettes (which include cigarette tobacco; a very small category), for the period 2000 to 2025. Real excise tax revenue has been increasing steadily for all alcohol categories. After the decline in revenue in 2020, caused by the Covid-related sales bans, real government revenue from alcohol has grown at a similar rate as in the pre-Covid period. The continued increase in excise revenue suggests there is little evidence that illicit products are substantially displacing the legal alcohol market.

In contrast, real tobacco excise tax revenues have remained roughly constant from 2008 to 2015, and then decreased after Tom Moyane disbanded the special investigative units at SARS (2015 to 2018). In 2020, real excise tax revenue dropped sharply, driven by the 20-week sales ban on tobacco products. Whereas real alcohol tax revenue has recovered strongly from the 2020 sales bans, real tobacco tax revenue has not, and is now even lower than it was in 2020. This pattern is consistent with independent evidence showing that illicit tobacco has captured a substantial share of the cigarette market.

Figure 5: Real excise tax revenues on alcohol and tobacco



Source: National Treasury, Budget Reviews, various years, for revenue data; Statistics South Africa, Consumer Price Index for CPI data to deflate the series.

We use the revenue data to calculate consumption. For beer and spirits, it is straightforward to calculate the quantity of legal alcohol consumed by dividing total excise revenue by the relevant excise tax rate. For 'wine and other fermented beverages', one can get a good approximation of the volumes using this method (we assume that the average alcohol content is 12%).

The EM report indicates that total legal alcohol volumes sold increased by 24% between 2017 and 2024. We are broadly in agreement with this figure, based on National Treasury's revenue data. In this period, the population aged 15 and higher increased by 14%, which means that per capita alcohol consumption increased by about 10%.

In the context of such a rapid increase in the legal consumption of alcohol, it would require a substantial leap of faith to believe that the illicit market is increasing at an even greater rate. According to the EM report, the volume of illicit alcohol increased by 55%, from 498,290 hectolitres of pure alcohol in 2017 to 773,424 hectolitres of pure alcohol in 2024. The available evidence is, at minimum, inconsistent with claims of a dramatic expansion in illicit alcohol consumption.

We expand on EM's analysis of the legal market, by looking at *each year* from 2010 to 2025. Figure 6 shows per capita legal consumption of alcohol (expressed in litres of pure alcohol per person above the age of 15), and per capita legal consumption of cigarettes. These

consumption figures are derived from official excise tax revenue numbers published by the National Treasury shown above.

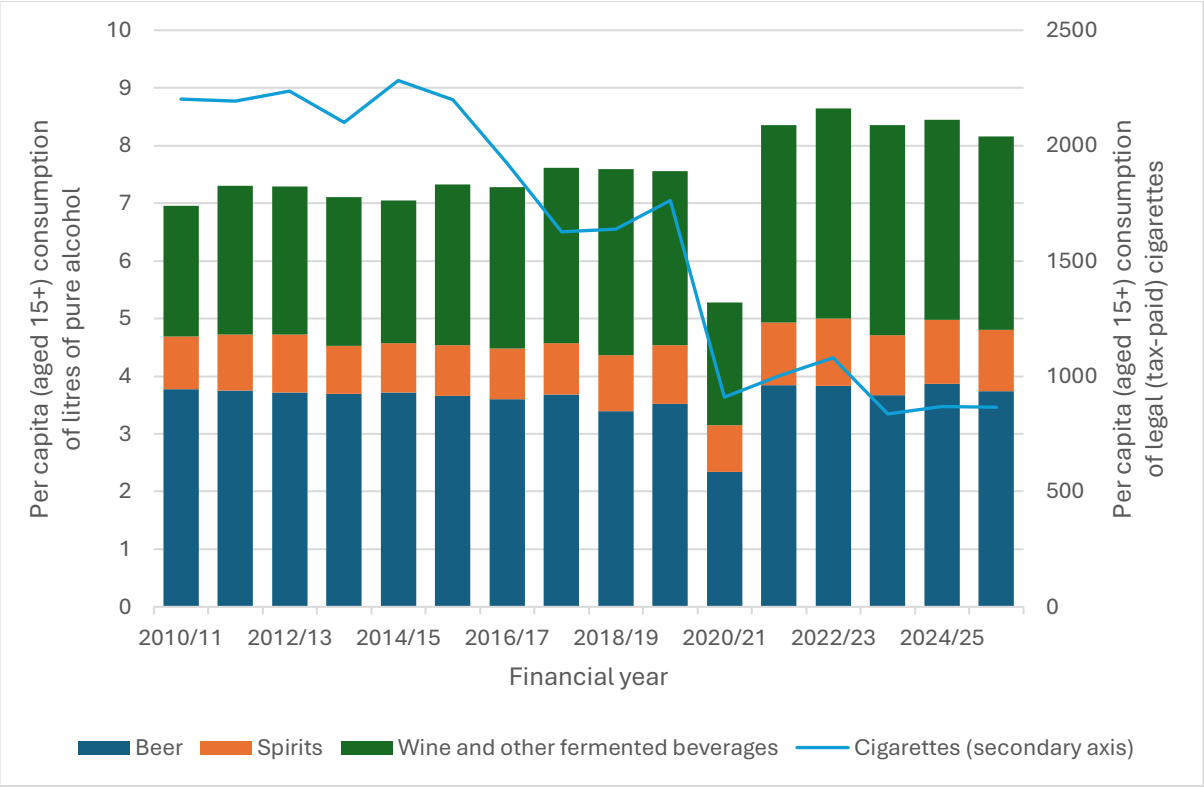
In 2020 and 2021, a succession of Covid-19 sales bans ran for a combined total of around 20 weeks. The sales bans reduced legal alcohol sales in the 2020/21 financial year, but legal alcohol sales rebounded the following year. Average per capita legal consumption in the post-Covid period (based on legal alcohol sales data) is more than 10% higher than in the immediate pre-Covid-19 period. This is in line with EM's analysis of the legal market. Over the past five years, per capita alcohol consumption has fluctuated somewhat, but no more than the normal year-to-year variation observed before Covid-19.

Given sluggish economic growth, relatively stable real alcohol prices, and weak global consumption trends, one would not necessarily expect total alcohol consumption to increase substantially. Against this backdrop, the claim that illicit alcohol consumption increased even faster than legal consumption warrants particularly careful scrutiny.

Contrast this with cigarettes. Between 2010 and 2024, legal per capita cigarette consumption decreased by more than 60%. The illicit market skyrocketed from less than 10% in 2009 to well above 50% in 2020 and beyond.[4] Illicit cigarettes replaced legal cigarettes. The increase in illicit trade was driven by parts of the tobacco industry and criminal syndicates that took advantage of institutional failures at SARS (2014 to 2018) and the sales ban of 2020.

The illicit cigarette market is a case study of a market that has been overrun by tax-evading criminals. As illicit trade increases, the legal market shrinks sharply, as do excise tax revenues. The key feature is the inverse relationship between illicit-market growth and legal-market performance. We have not seen a similar decrease in alcohol excise tax revenue.

Figure 6: Per capita legal (tax-paid) consumption of pure alcohol and cigarettes in South Africa, 2010/11–2025/26



Source: National Treasury Budget Review, various years. Population data (aged 15 and above) are obtained from World Population Prospects.

Available data do not support the alcohol industry's claims about illicit trade. By repeatedly raising the alarm about illicit trade, the industry seeks to create a narrative (and ultimately a public perception) that illicit alcohol trade is widespread and growing. If that perception becomes entrenched, it will make it politically harder for the National Treasury to raise excise taxes on alcohol. An easy accusation to direct at the Treasury is: "How can you justify raising excise taxes when illicit trade is flooding the market?".

We thus have a situation where (1) based on legal-market data, there is no strong case for a large increase in the illicit alcohol market; (2) the illicit market is, by its nature, difficult to quantify; and (3) the alcohol industry has strong incentives to exaggerate its size. Nevertheless, EM reports its estimates with a level of precision that implies exactness. Precise estimates for legal volumes are credible because they can be derived from industry sales and revenue data. By contrast, estimating illicit volumes is inherently difficult. Yet words to convey uncertainty, such as 'estimate(d)' (six times) and 'approximately' (once) are used sparingly. There is no nuance and no acknowledgement that the figures rest largely on subjective sources and perceptions. No sensitivity analysis is presented. Large numbers are routinely reported to the last digit.

Readers may therefore infer a degree of precision comparable to that available for legal-market statistics. Whether this is intentional is unclear. The precision with which the numbers are presented, and the lack of ranges undermines the report's credibility.

The central estimate underpinning the report—the size and growth of the illicit market—remains insufficiently substantiated. Because many subsequent conclusions depend on this estimate, its credibility is crucial to evaluating the report as a whole.

4. DISCUSSION

The EM report states that its objective is to 'help the government to understand the size of the [illicit alcohol] problem, comparing it to 2017 and 2020, as well as identify ways to combat this issue'. While framed as a contribution to understanding illicit trade, the report must also be viewed in the context of ongoing debates about alcohol excise taxation. Beer and wine, more so than spirits, have been targeted for tax reform, which will likely result in significantly higher excise taxes and reduced industry profits.

The report is comprehensive and detailed. Among other things, it provides extensive information on the changing nature of the illicit alcohol trade, perceptions about it, and proposed ways to counter it. However, the central claim, namely that there has been a substantial increase in illicit trade since 2017, lacks credibility. The absence of ethics approval is concerning. Moreover, the report presents highly precise estimates without providing sufficient methodological detail to enable independent replication. The omission of confidence intervals is a significant limitation. Point estimates alone can create a false impression of precision. For example, an estimate of 18% illicit alcohol could have a confidence interval ranging from 10% to 26%, or even wider, depending on the underlying data and methodology.

4.1. Drivers of illicit trade and combating illicit trade

Illicit trade undermines the fiscus, harms public health, and fuels organised crime. The negative experience with illicit cigarettes should guide government responses in other sectors, including alcohol. One clear lesson from cigarettes is that government must respond decisively to illicit trade as soon as it emerges, not allow it to grow unchecked. The fact that illicit cigarettes now account for such a large share of the market reflects both the activities of criminal actors and failures of enforcement.

The Minister of Finance again lamented the illicit cigarette trade in the February 2026 budget speech and promised to address the problem. The announcement in May 2026 that the National Consumer Commission and the South African Revenue Service have been tasked with implementing a track-and-trace system for cigarettes and other products is a step in the right direction.

A key subtext of the EM report is that higher excise taxes will drive more illicit alcohol trade. The report's likely central purpose is to deter National Treasury from increasing tax on the

grounds that excise taxes will worsen illicit trade. Yet the literature shows that, with strong enforcement, higher excise taxes do not necessarily lead to more illicit trade.[15-17]

South Africa should therefore address illicit alcohol through stronger enforcement rather than weakening evidence-based alcohol control policies. The government should strengthen customs and tax administration, increase policing of existing measures, adequately resource law enforcement, introduce track-and-trace systems, license all producers and retailers, improve cross-border cooperation, impose high penalties on illegal production and distribution, and educate people about the risks associated with illegal alcohol consumption.

4.2. Our own bias

We are economists at the Research Unit on the Economics of Excisable Products (REEP), based at the University of Cape Town (UCT). REEP conducts policy-relevant economic research on health taxes. These products include tobacco, alcohol, sugar-sweetened beverages, and emerging nicotine products. REEP hosts the WHO's Framework Convention on Tobacco Control Knowledge Hub on Tobacco Taxation, which provides in-country policy technical support on tobacco taxes. We receive funding from donors such as the Gates Foundation and Vital Strategies. Some readers may argue that our work reflects the priorities of organisations seeking to reduce the burden of non-communicable diseases. We acknowledge that perspective. However, our research methods, data sources, and analytical approaches are transparent and subject to academic scrutiny. Our findings are evidence-based and can be independently verified by other researchers. Our objective is to contribute rigorous economic analysis that informs public policy.

Our research is conducted independently of stakeholder interests. Based on a survey we conducted in 2020, which showed that most smokers continued buying cigarettes through illicit channels during the Covid-19 cigarette sales ban, we argued that South Africa's tobacco sales ban should be lifted. This position drew sharp criticism from parts of the public health community. Subsequent evidence shows that these concerns were well-founded: the illicit market became more entrenched, and the legal cigarette industry remains significantly smaller than it was before 2020. This episode illustrates that our conclusions are driven by evidence, even when they conflict with positions commonly associated with public-health advocacy.

4.3. The key issue: alcohol excise taxes reduce consumption (and industry profits)

The alcohol industry fights excise taxes because they work: people drink less when prices are higher. Yes, some may turn to illicit products. But many do not; they simply drink less. Increasing alcohol prices by 10% has been shown to reduce alcohol consumption by around 5%.[18] Reducing consumption in South Africa is critical, as we have one of the highest rates of binge drinking globally.[19] Over 37,000 deaths per year in South Africa are estimated to be attributable to alcohol consumption.[13] Alcohol lowers inhibitions and

increases aggression, making it a major contributor to gender-based violence (GBV). With GBV at crisis levels in the country, reducing harmful drinking is essential to addressing this urgent public health emergency.[20] South Africa also has the highest reported rate of Foetal Alcohol Syndrome in the world, estimated at nearly 600 cases per 10,000 people (6%).[21] Drinking and driving kills around 14 people every day on South African's roads, or around 5,100 people annually.[13]

The alcohol industry argues that lower excise taxes are necessary to prevent consumers from switching to illicit alternatives. However, policymakers must weigh these concerns against the substantial health and social costs associated with alcohol consumption. Excise taxation remains one of the most effective policy instruments available for reducing alcohol-related harm.[18]

5. CONCLUSION

The alcohol industry uses the EM report to indicate that the illicit alcohol trade is increasingly out of control. An often-cited number is that the illicit alcohol market has increased by 55% from 2017 to 2024. If this were true, it would certainly be cause for concern.

Despite the detail of the analysis in the EM report, the main conclusion that the illicit alcohol trade has increased sharply cannot be independently verified. The estimate relies on research methods that are poorly suited to measure a phenomenon that is inherently difficult to quantify. Desk research, store visits, stakeholder interviews, and consumer surveys may provide useful contextual information, but they are insufficient to generate precise estimates of illicit-market size or growth.

National Treasury data indicates that legal alcohol sales have increased by nearly a quarter from 2017 to 2024, despite low economic growth and broadly constant alcohol prices. Such rapid growth in legal alcohol sales is difficult to reconcile with claims of a large increase in illicit alcohol trade. The 55% increase in illicit trade, as presented in the EM report, does not seem credible.

Also worth noting is that, even if EM's estimate that illicit trade accounts for 18% of the total alcohol market is correct, the remaining 82% of alcohol consumed is sold through the legal market. Consequently, the vast majority of alcohol-related harm is attributable to the legal alcohol industry. By focusing attention on the harms of illicit alcohol, the alcohol industry tactfully diverts attention away from itself. We contend that the EM report is unsuitable for informing policy until the fundamental missing details are provided, critically appraised, and found to be appropriate. In our view, the EM report is not an objective assessment aimed primarily at understanding the scale of illicit alcohol trade, but rather a compromised contribution to a policy debate in which stakeholders have a clear interest in opposing further excise tax increases. Policymakers and other interested parties should

therefore carefully consider its methodology, assumptions, and conclusions, alongside other available evidence.

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7. APPENDIX

Reconstructed questionnaire with responses from the 707 survey respondents (created using NotebookLM). The data below is based on a sample size of 707 consumers in South Africa who purchased or consumed alcohol at least once a month.

Question	Available Options	Percentage Share (%)
Q6: Which of the following alcoholic drinks do you drink in general? Please select all that apply.	Beer (Men / Women)	86% / 51%
	Wine (Women)	83%
	Gin (Women)	57%
	Wine / gin (Men)	55%
	Ciders/RTDs (Men / Women)	58% / 82%
	Whiskies (Men / Women)	68% / -
	Vodka (Men / Women)	56% / 49%
	Gin (Men / Women)	55% / 57%
Q7: How often on average do you drink each of the following types of alcoholic drinks?	Ciders/RTDs (Everyday / Weekly / Monthly / <Monthly)	4% / 41% / 44% / 11%
	Wine (Everyday / Weekly / Monthly / <Monthly)	11% / 45% / 36% / 9%
	Beer (Everyday / Weekly / Monthly / <Monthly)	8% / 47% / 38% / 7%
	Homemade Beer (Everyday / Weekly / Monthly / <Monthly)	2% / 22% / 31% / 45%
Q8: Where do you usually buy alcoholic drinks? Please select all that apply.	Liquor store	93%
	Supermarket	51%
	Bar / Club / Restaurant	64%
	Tavern / Drinking den / Shebeen	38%
	Online	27%
	Delivery app	22%
	Convenience store	21%
Q9: When you buy alcoholic beverages at a store, what is the most common type of packaging for the alcohol you purchased? Please select all that apply.	Glass bottle	88%
	Metal can	59%
	Cardboard box	24%
	Plastic or glass cup	17%
	Shot glass	14%
	Plastic bottle	14%
	Papsak or foil bag	8%
	Bucket	7%
	Sachet	4%
Q10: How strongly do you agree with the following statements? (Showing Strongly Agree + Agree)	Alcoholic drinks can have harmful effects on people and society if consumed in excess	92%
	Drinking alcoholic drinks is acceptable, but must be drunk in moderation	85%
	Sale of alcoholic drinks should be regulated by the government more strictly	61%
	Alcoholic drinks consumption should be reduced to save money during economic hardships	53%

	People should not be drinking alone	26%
	Consuming alcoholic drinks in all public places should be allowed	13%
	It is not appropriate for women to drink alcohol	10%
Q11: Based on your knowledge and understanding, what makes a product illicit/illegal? Please select true or false from all the statements below.	Copycat brand (True)	92%
	Imported without tax paid (True)	91%
	Fails to adhere to appropriate standards (True)	90%
	Sold in unlicensed outlet (True)	87%
	Manufacturer did not pay required taxes (True)	82%
	Product not allowed to be produced in the country (True)	82%
	Owner does not record sales (True)	50%
Q12: In your opinion, why do you think people buy illicit products? These products can include, but are not limited to, fashion items (e.g. clothes, shoes), food, cosmetics, perfumes, alcoholic drinks, medication, cigarettes, etc.	Want lower prices regardless of product origin	67%
	Want premium products at lower prices	54%
	Usually buy products in informal market	39%
	Not aware products are illicit	34%
	Want brands without paying taxes for lower prices	29%
	It's socially acceptable	25%
	Widely available where people shop	23%
	Punishment is minor	18%
Q13: Which of the following statements best describes your opinion of these different illicit products [pharmaceuticals, alcohol, cigarettes]?	People should not buy (pose health risks)	60%
	People should not buy (government loses taxes)	13%
	People should not buy (negative impact on brand)	11%
	People should be able to buy (no health risk)	9%
Q14: Which of the following statements describes an illicit alcoholic drink?	Any kind of alcoholic drink that is manufactured by a company or an individual, who are not authorised to produce such products	80%
	Any drink that is imported without the right permission	69%
	Any drink that does not have a health warning or label	61%
	Any alcoholic drink whose content is different from what is branded or what it is promoted as	61%
	Any kind of alcoholic drink that is sold and has avoided somehow paying all/part of the required taxes	58%
	Any drink that could not be found in other retail channels	26%
	Any alcoholic drink brought home as a souvenir after travelling overseas	7%
Q15: Do you know how to check if an alcoholic drink is legal?	Yes	33%
	No	28%
	Not sure	39%
Q16: Which of the following could you check to see if an alcoholic drink is legal? Please select all that apply.	Logo and design of the brand	63%
	Manufacturer code, name, address	61%
	Batch number	55%
	Colour and quality of the liquid	54%

	Packaging	53%
	Check if the seller is authorised	49%
	Bottle cap seal	48%
	Cap seal	43%
	Country of origin	37%
	Fill level or height of the liquid	27%
	Price	26%
Q17. You mentioned that you would check the price of an alcoholic drink to check its legality. Based on your understanding, how much cheaper or more expensive are illegal alcoholic drinks in comparison to legal alcoholic drinks?	Cheaper (up to 50%)	72%
	More expensive (Premium)	21%
	Same price	2%
Q18: In your opinion, what is the most serious consequence of buying and consuming illicit alcoholic drinks? Please select three that apply.	Health risks and serious bodily harm	83%
	Death	42%
	Tax evasion for the government	36%
	Loss of revenue for legal producers	35%
	Contributes to other crimes	32%
	Consumption of illicit alcoholic drinks negatively affects the brand image	19%
	Getting more drunk than usual	18%
	Finance criminal and/or terrorist activity for organised groups	17%
Q19: Considering the negative health implications of consuming illicit alcohol, which of the following symptoms could be caused by consuming illicit alcohol, to the best of your knowledge?	Excessive vomiting and/or diarrhoea	81%
	Extreme dizziness and nausea	77%
	Stomach pain	73%
	Trouble seeing properly	37%
	No symptoms besides the usual feeling of being drunk/tipsy	15%
Q20: To the best of your knowledge, do you personally know anybody who has been harmed because they consumed illicit alcohol?	Yes, harmed	49%
Q21: To the best of your knowledge, do you personally know anybody who has died because they consumed illicit alcohol?	Yes, died	29%
Q22/26: In your opinion, where do you think you could buy illicit alcoholic drinks in South Africa? Please select all that apply.	Tavern / Drinking den / Shebeen	71%
	Street Vendor	70%
	Residential Home	53%
	Social Media	23%
	Liquor Store	13%
Q23: In your opinion, how important are each of the following factors in influencing people to purchase illicit alcoholic drinks?	Price – People just want to get the cheapest price for the cheapest products	66%
	Accessibility – As long as it is the product they want, they do not care	54%
	Aspiration – They like to find more expensive brands at lower prices in the illicit market	52%

	Availability – Restricting the sale of alcohol availability across retail outlets	48%
	Variety – There are more product options available in the illicit market	33%
Q24: In your opinion, which of the following profiles best describes the main consumers of illicit alcoholic drinks in South Africa? Please select all that apply.	Unemployed	81%
	Low income	78%
	Poorly-educated	73%
	Rural	62%
	Younger	59%
Q.26 In your opinion, where do you think you could buy illicit alcoholic drinks in South Africa? Please select all that apply.	Tavern / Drinking den	71%
	Street vendor	70%
	Residential home	53%
	Open market	29%
	Social media	29%
Q27: In which of the following provinces in South Africa do you think illicit alcoholic drinks are mostly found? Please select only three that apply.	Gauteng	47%
	KwaZulu-Natal	34%
	Western Cape	20%
	Limpopo	13%
	North West	5%
	Northern Cape	5%
	Mpumalanga	7%
Q28: Are you aware of any campaigns in South Africa to tackle illicit products? Please select one.	Yes	26%
	No	46%
	Do not recall	29%
Q29: Now, thinking just about illicit alcohol, what do you think is the most effective method for creating awareness about the risks of consuming illicit alcohol? Please select all that apply.	Social media campaigns	81%
	TV campaigns	74%
	Radio campaigns	65%
Q30: How much of an impact do you think each of the following would have in preventing people from purchasing illicit alcohol?	Prison / Jail risk	71%
	Learning first-hand the health risks	66%
	Being fined	64%
Q32: What else do you think could be done to minimise the sale of illicit alcoholic drinks? Please select all that apply.	Stricter penalties for sellers	76%
	Stricter penalties for counterfeiters	67%
	Penalties for buyers	66%
	Consumer education and awareness	52%
Q.33 How likely would you be willing to use technology (i.e. using your smartphone to scan a QR code with an app) to identify illicit/legal alcohol products? Please select one.	Very likely	57%
	Likely	26%
	Neither likely nor unlikely,	9%
	Unlikely	2%
	Very unlikely	6%
Q34: Do you think illicit alcoholic drinks sale and consumption would decrease if people were more aware of this? Please select one.	Yes (logical behavior)	43%
	People already know and buy anyway	29%
	Would not buy if health risks known (	15%
	Would buy regardless of knowledge	10%