



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



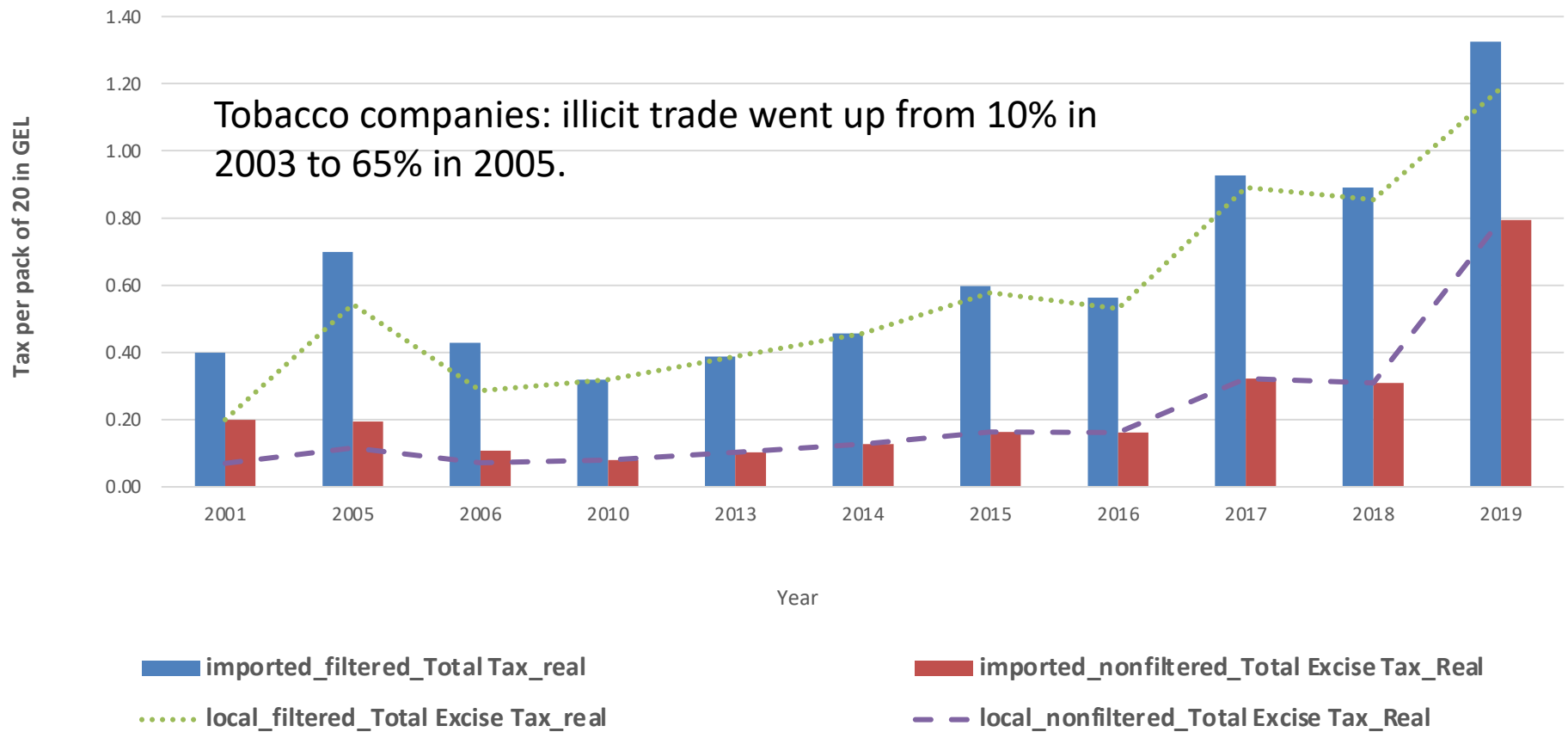
Early Tobacco Tax Policy

- 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.



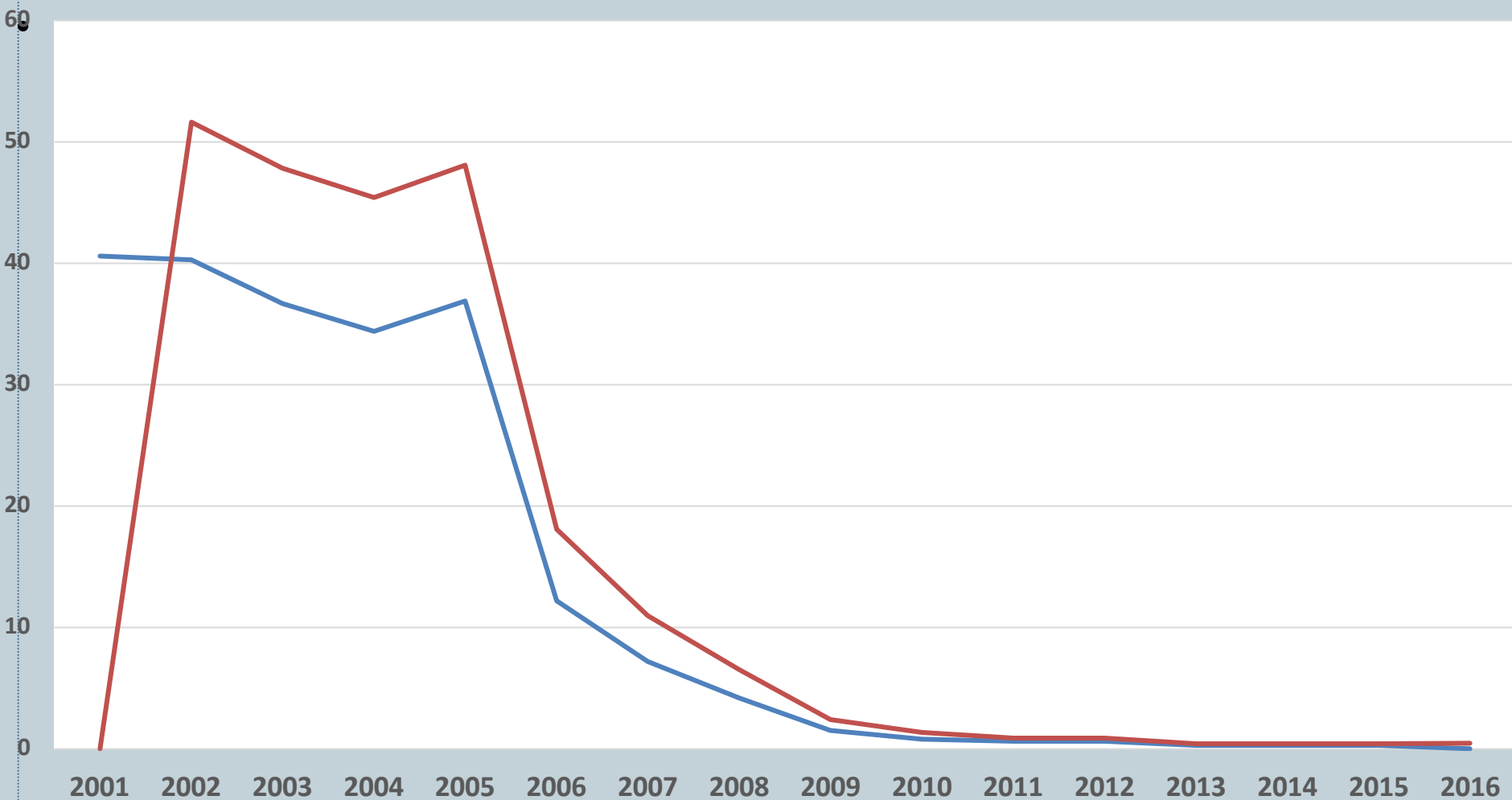
Real Cigarette Taxes in Georgia

Real Cigarette Tax (Base Year = 2001)





Illicit Cigarette Market Share in Georgia

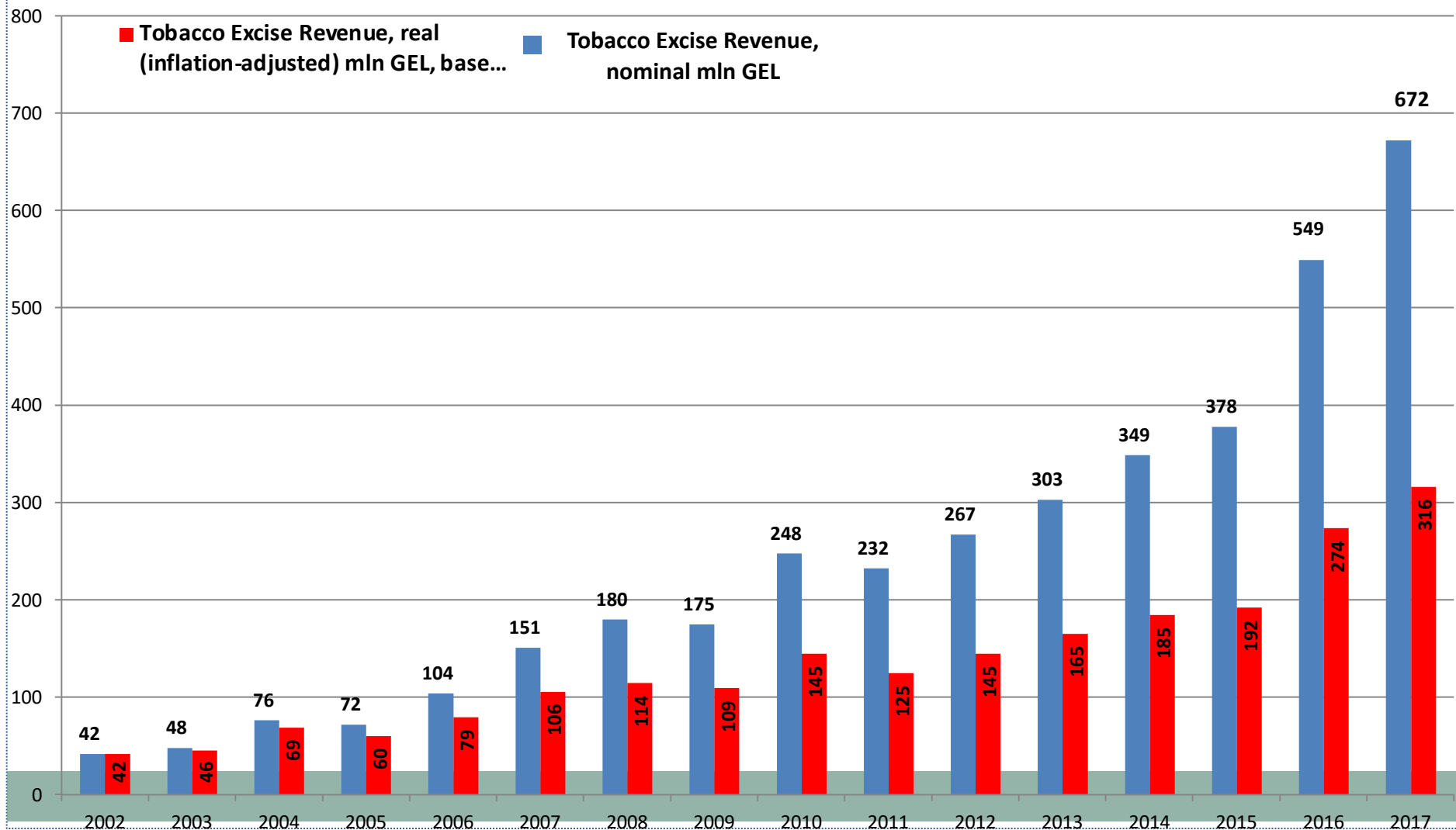


Source: Euromonitor 2016 & 2017

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

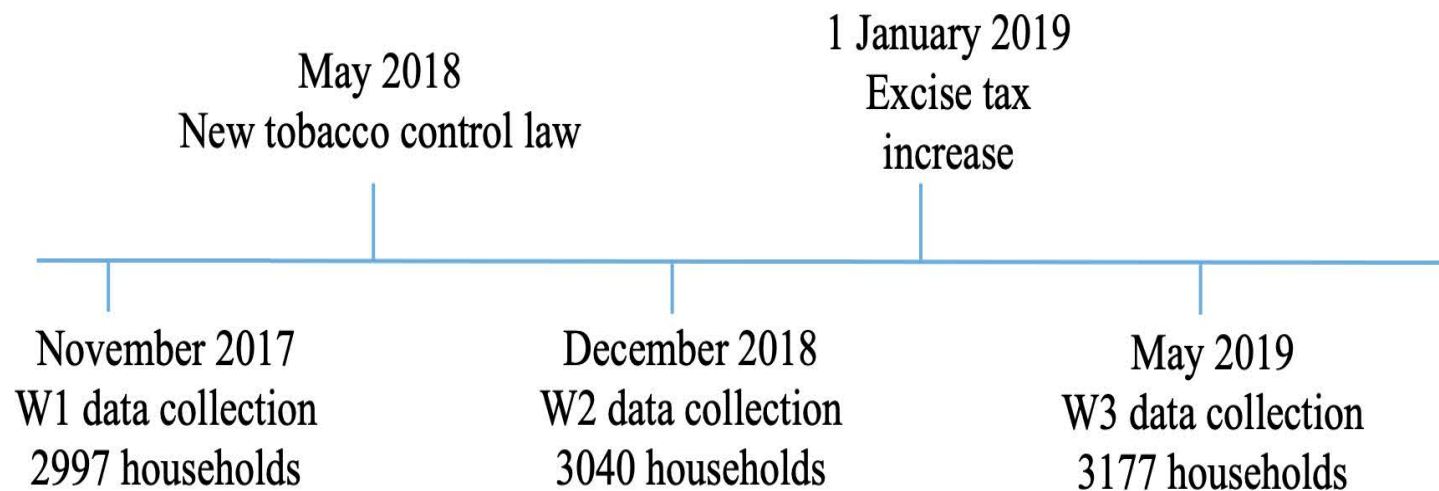


Tobacco Excise Revenue in Georgia 2002-2017, mln GEL





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

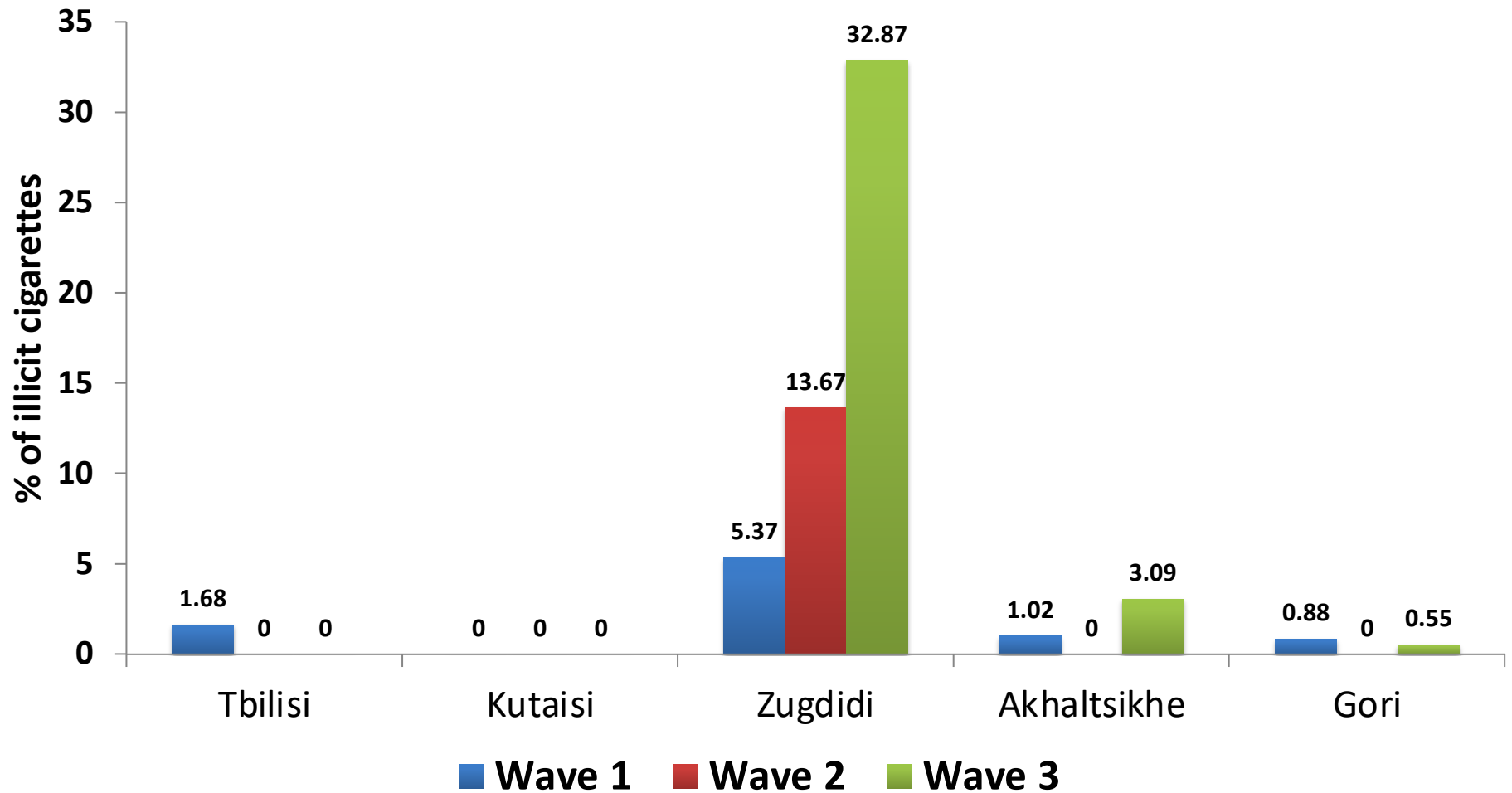


- Respondents (smokers) were asked to show all cigarette packs currently available in the house.
- Given the tax stamps and health warnings in Georgian, it is easy to quickly identify an illicit pack.



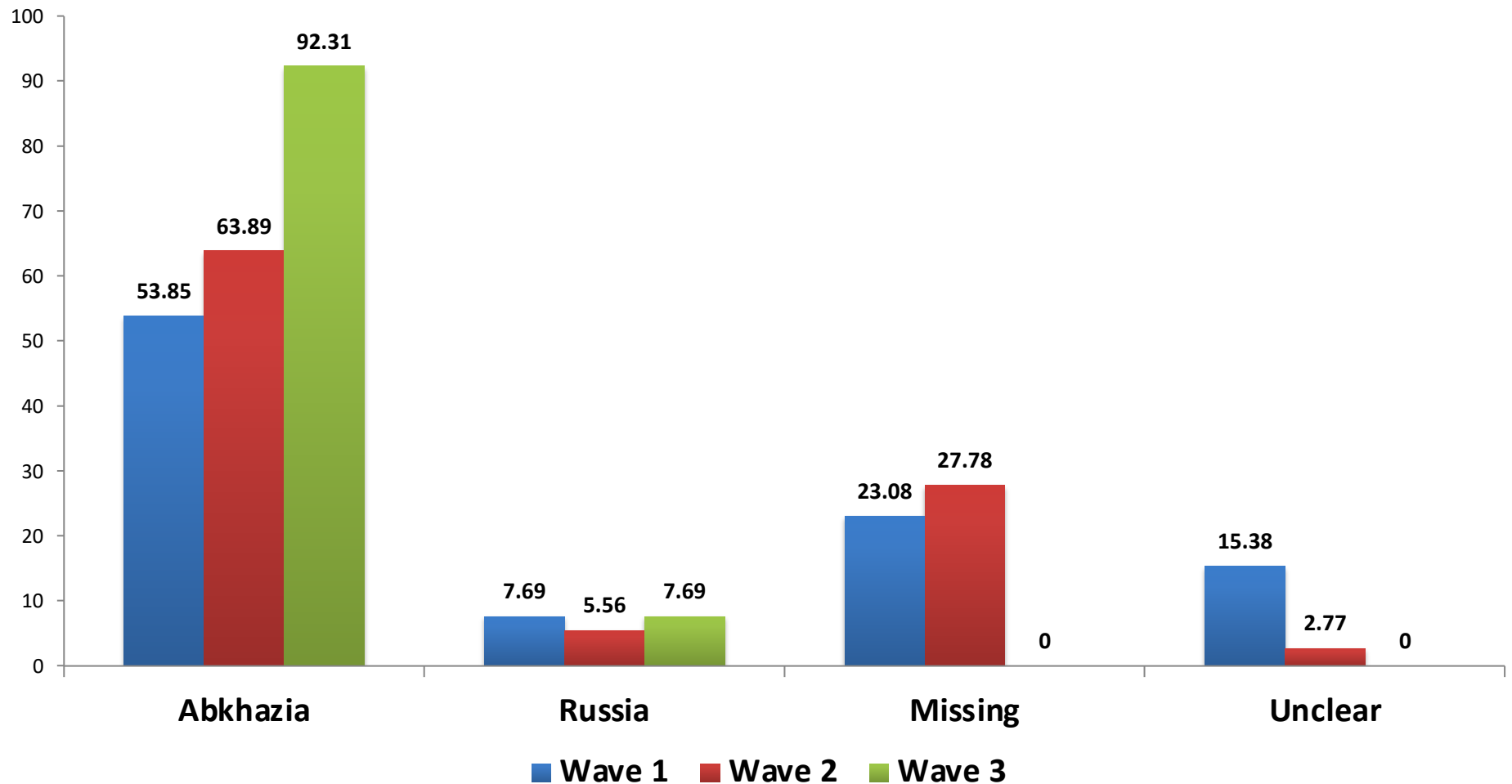


Share of illicit packs



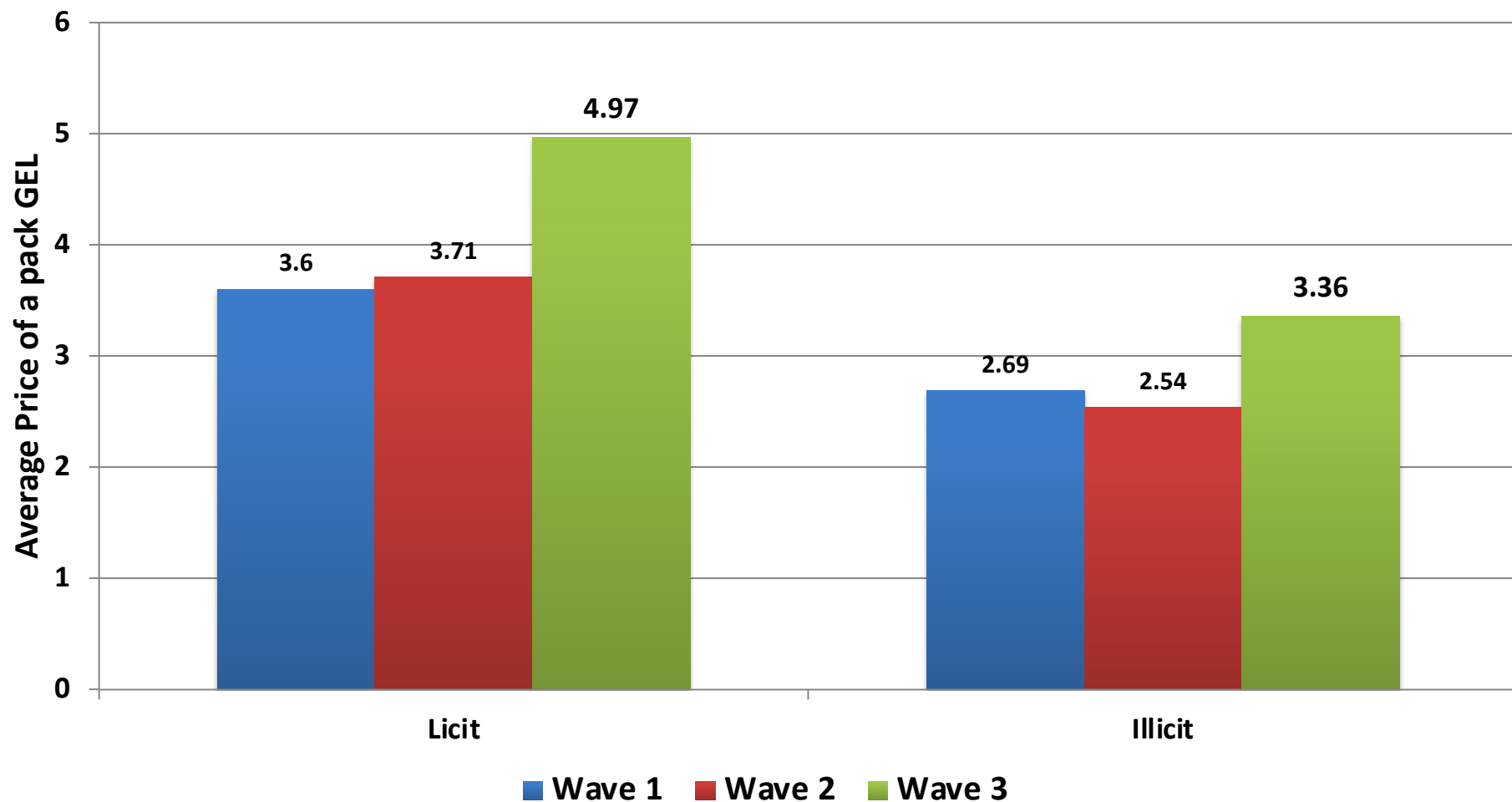


Where are illicit cigarettes in Zugdidi from?



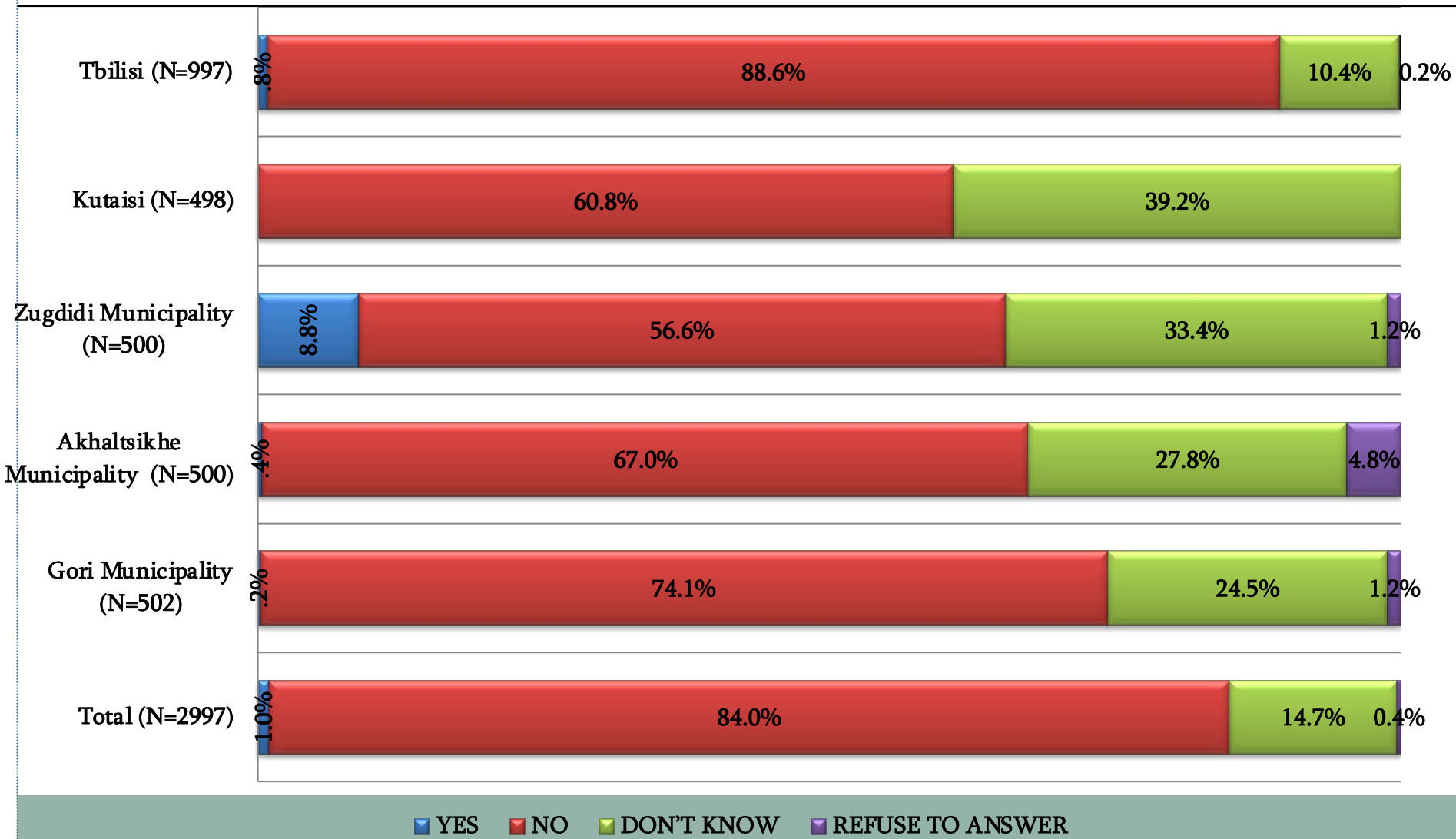


Prices of illicit increase after a tax increase





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





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



Thank you!

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