

Cigarette pricing in OECD countries

Findings from the World Health Organization’s 2019 report on the global tobacco epidemic

In August 2019, the World Health Organization released its 7th WHO Report on the Global Tobacco Epidemic, including appendices with more than 2 dozen data files.¹

For this analysis, WHO collected data from July 2018 on taxes applied to cigarettes and other tobacco products and also on the retail prices of a) the most widely sold brand of cigarettes; b) the least expensive brand and c) a premium brand. For countries, like Canada, which have varying rates of taxes imposed by regional governments, WHO established an “average” rate.²

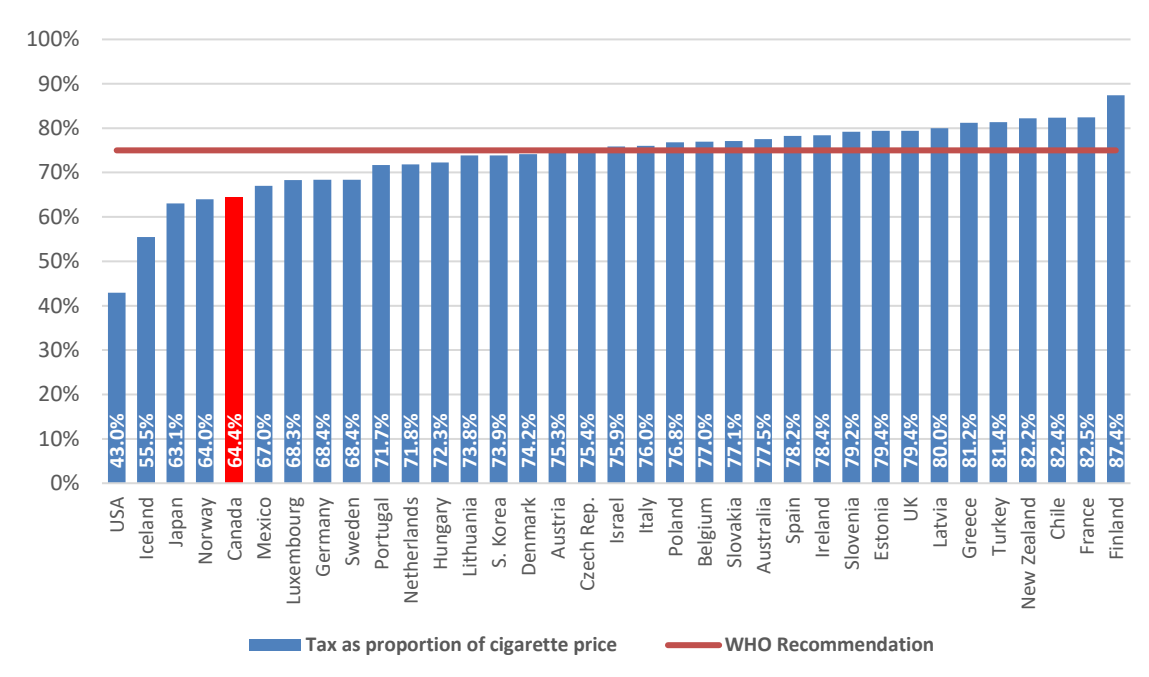
The tables and charts below present WHO’s analysis for 3 price-related categories: Affordability, Price Dispersion and the contribution of tax to purchase price.

The contribution of tax to purchase price

WHO gathered data on the amount of excise and other taxes collected on the most frequently sold brand of cigarettes, and calculated the amount of these taxes as a percentage of the package price.

WHO recommends that taxes comprise 75% or more of the purchase price of cigarettes. 20 OECD countries have achieved that tax level. Canada is among the 5 OECD countries with the lowest tax proportion of price – the others are the United States, Iceland, Japan and Norway.

Tobacco tax as a proportion of the price of the most sold package of cigarettes, 2018.

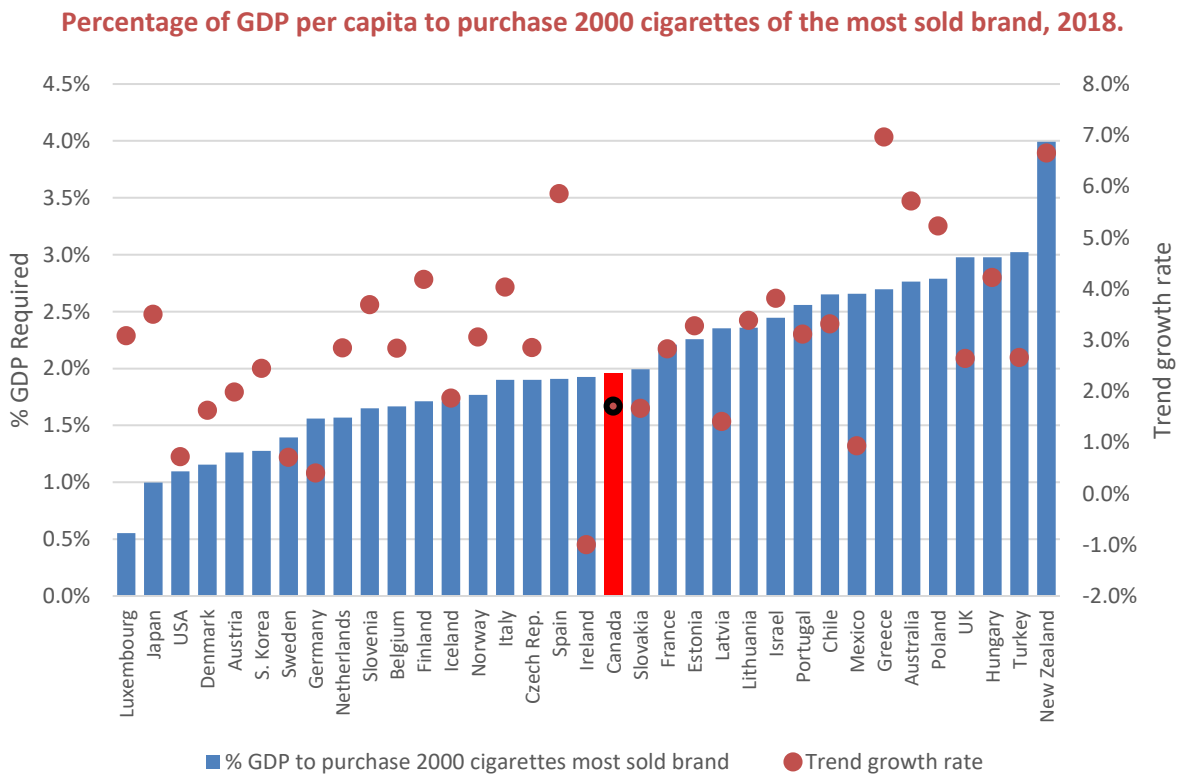


Affordability

WHO assessed the affordability of cigarettes by measuring the per capita GDP required to purchase 10 cartons (2000 cigarettes) of the brand with the greatest number of sales. Countries where the percentage of GDP required was higher are considered those with the least affordable cigarettes. The percentage of GDP required ranged 8-fold, from a low of half a percent in Luxembourg to a high of 4% in New Zealand.

By this measure, the 5 OECD countries with the least affordable cigarettes were New Zealand, Turkey, Hungary, the United Kingdom and Poland. The 5 OECD countries with the most affordable cigarettes were Luxembourg, Japan, the USA, Denmark and Austria. Canada was roughly in the middle, in 19th place.

WHO also measured the change in affordability since 2008. In all OECD countries except Ireland, cigarettes were less affordable than they had previously been. The media growth rate in the amount of GDP required was 2.85%, higher than Canada's trend rate of 1.7%.



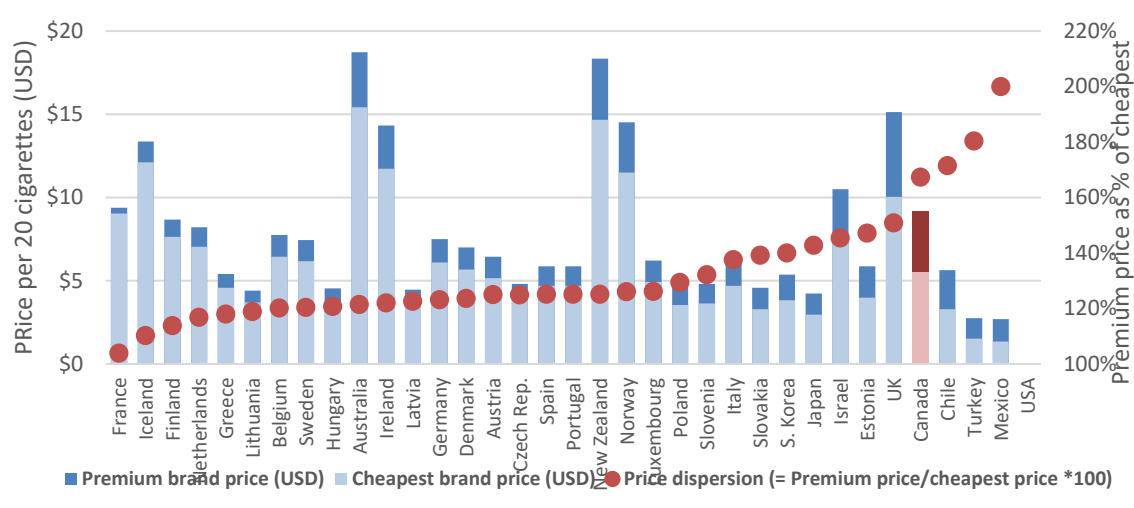
Price Dispersion

WHO calculated the dispersion of cigarette prices by comparing the price of the cheapest brand of cigarettes with those of the standard premium brands. Dispersion is expressed as the percentage of the premium price that is taken up by the cheapest brand price. The higher this percentage, the smaller is the gap in prices, meaning that smokers have fewer options to avoid tax and price increases by substituting for cheaper priced brands.

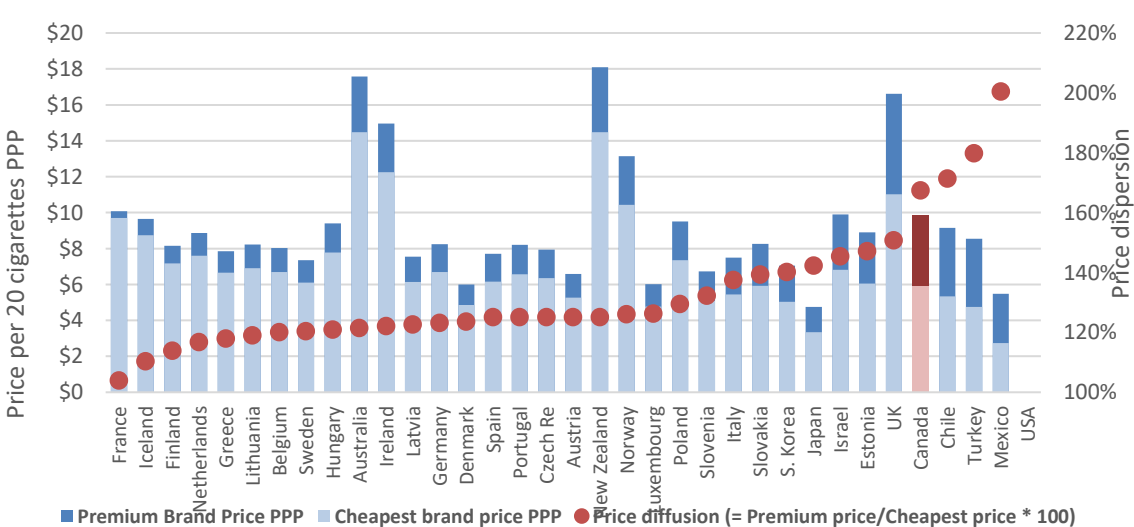
The 5 OECD countries with the least price dispersion were France, Iceland, Finland, the Netherlands and Greece. The 5 OECD countries with the most price dispersion were Mexico, Turkey, Chile, Canada and the United Kingdom. Data for the United States was not available.

The charts below show the prices of cheapest and premium brands in a) United States Dollars, as converted in official exchange rates and b) in “International Dollars”, using IMF purchasing power parity conversion rates.

Price dispersion of cheapest and premium cigarette brands, OECD countries, 2018 (USD)



Price dispersion of cheapest and premium cigarette brands, OECD countries, 2018 (PPP)



Endnotes

- 1 World Health Organization. WHO Report on the Global Tobacco Epidemic, 2019. Offer Help to quit tobacco use. including Appendices X, XI and XII
https://www.who.int/tobacco/global_report/en/,
- 2 For example, the explanatory text for Canada reads as follows: *“Subnational rates and national excise taxation rates have been used by WHO to reflect an average Canadian taxation rate. Consequently, the reported taxation rates will be different to the posted tax rates.”*