

# The Burden of Tobacco Spending on Households in Serbia

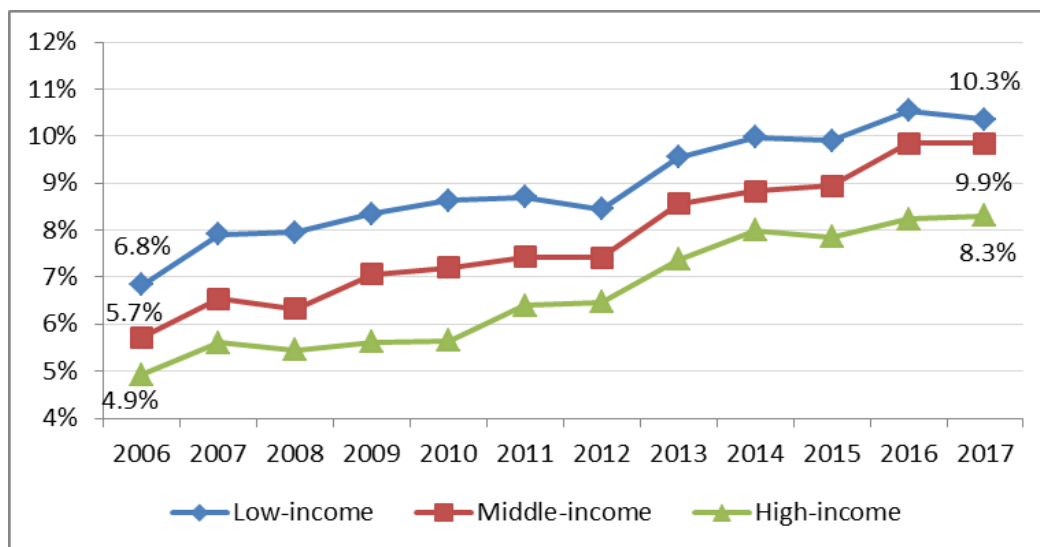
## Tobacco spending imposes a significant burden on household budgets in Serbia

Although both smoking prevalence and smoking intensity in Serbia have decreased in recent years, expenditures on tobacco still represent a significant share of household budgets (IES, 2018). For households that continue smoking, even with reduced consumption, the budget share spent on cigarettes has increased, as prices have increased faster than smoking

intensity has decreased (IES, 2019).

As Figure 1 demonstrates, the average budget share spent on tobacco in 2017 stood at about nine percent, with low-income households spending higher shares of their budgets. Across all income groups, the budget share spent on cigarettes has increased over the years.

**Figure 1. Budget share spent on tobacco by income groups (smoking households)**



## Tobacco spending decreases the consumption of other goods

Given that households have limited resources at their disposal, consuming tobacco means that they spend less on food, clothing, education, and health care. This is particularly true for poor households; however, some non-poor households who spend high budget shares on tobacco end up

in so-called secondary poverty—having sufficient resources but using them unproductively.

This policy brief summarizes the findings from a recent study in Serbia analysing the effects of smoking on other consumption items (IES, 2021)

### About the project

The Institute of Economic Sciences from Belgrade is funded by the University of Illinois Chicago's (UIC) Institute for Health Research and Policy to conduct economic research on tobacco taxation in Serbia. UIC is a partner of the Bloomberg Initiative to Reduce Tobacco Use. The views expressed in this document cannot be attributed to, nor do they represent, the views of UIC, the Institute for Health Research and Policy, or Bloomberg Philanthropies.



# The Burden of Tobacco Spending on Households in Serbia

## MAIN RESEARCH FINDINGS

**1. Expenditures on tobacco force households in Serbia—particularly low-income households—to reduce their consumption of food, clothing, and education.**

Tobacco expenditures decrease expenditure on more essential and productive consumption such as spending on food, clothing, and education. This effect is consistent across income groups and is particularly strong for low-income households. For these households expenditures on tobacco also reduce budget shares spent on recreation and culture.

Aside from the immediate adverse effects of reducing consumption of these goods and services, this finding is also important from the perspective of intra-household allocation as this lack of investment can affect children's future health, development, and earning potential.

**2. Spending on tobacco—besides being unproductive itself—increases the budget share spent on complementary non-productive consumption items.**

Tobacco consumption increases the budget share spent on restaurants and bars, as well as on alcohol consumption. These products can be viewed as complementary, since tobacco and alcohol consumption are often associated ([Room, 2004](#)) and because there is no ban on smoking in restaurants and bars in Serbia.

**3. For high-income households, consuming tobacco prevents investment in durables and the health of household members.**

For high-income households, tobacco expenditures crowd out expenditures on health and durables, such as furniture and household equipment. Moreover, it is likely that de-creasing health expenditures is associated with decreases in spending on preventive medications and services.

**Table 1. Budget share spent on consumption items by non-smoking and smoking households**

	Non-smoking households	Smoking households
Food and non-alc. beverages	45.7%	38.8%
Housing and utilities	18.7%	15.7%
Health	5.3%	3.8%
Durables	4.8%	4.5%
Alcohol	1.1%	1.5%
Bars, restaurants, and hotels	1.4%	2.1%
Transport	6.1%	7.8%
Other	16.7%	18.3%
Tobacco		7.5%

Compared to non-smoking households, smoking households (Table 1)

- spend a significantly lower share of their budget on food and non-alcoholic beverages
- spend less on housing, health and durables
- spend more on alcohol, bars, restaurants, hotels, and transport



# The Burden of Tobacco Spending on Households in Serbia

## POLICY RECOMMENDATIONS

The only way for households to decrease expenditures on tobacco is to stop smoking, as the increase in cigarette prices is faster than the decrease in demand of those who continue to smoke. Quitting smoking also reduces long-term health risks associated with tobacco use along with other related health expenditures. **To ensure that households stop smoking and redirect their expenditures towards more productive purposes, the Serbian government should adopt new policies and strengthen enforcement of existing tobacco control measures.** Specifically, the government should:

**1. Impose a ban on smoking in bars and restaurants and strengthen enforcement of current laws restricting smoking at work and in public places.**

A public smoking ban would help motivate smokers to quit smoking, mitigate youth smoking initiation and free up resources for more productive spending.

**2. Increase investment in all other tobacco control measures.**

Devoting more resources to complementary supports, such as offering medicinal and psy-

chological help to stop smoking, and disincentives, such as requiring more visible and graphic warnings about the harmful effects of tobacco use, will further facilitate quitting and redistribution of household spending.

**3. Strengthen enforcement of current laws on tobacco advertising, promotion, and sponsorship.**

Reducing exposure to advertising, promotion, and sponsorship of tobacco products would help to decrease the number of new smokers.

## Decreasing prevalence improves consumption structure and long-term health outcomes

Tobacco consumption has serious health consequences, as approximately half of smokers die from tobacco-related diseases ([NCI & WHO, 2016](#)). **This study suggests that decreasing smoking prevalence can significant-**

**ly improve households' consumption structure, as well as improve long-term health outcomes,** by redirecting tobacco spending towards consumption of more productive goods and services.

### References

- IES, Institute of Economic Sciences, 2018, Accelerating Progress on Effective Tobacco Tax Policies in Low- and Middle-Income Countries, National Study - SERBIA. Research and policy report.
- IES, Institute of Economic Sciences, 2019, Impacts of Tobacco Excise Increases on Cigarette Consumption and Government Revenues in Southeastern European Countries, Regional study. Research and policy report.
- IES, Institute of Economic Sciences, 2021, Crowding out Effect of Tobacco Consumption in Serbia. Research and policy report.
- Room, R. 2004, Smoking and drinking as complementary behaviours. *Biomedicine & Pharmacotherapy*, 58(2), 111-115.
- NCI & WHO, U.S. National Cancer Institute and World Health Organization. 2016 *The Economics of Tobacco and Tobacco Control*. National Cancer Institute Tobacco Control Monograph 21. NIH Publication No. 16-CA-8029A. Bethesda, MD: U.S. Department of Health and Human Services, National Institutes of Health, National Cancer Institute; and Geneva, CH: World Health Organization.

