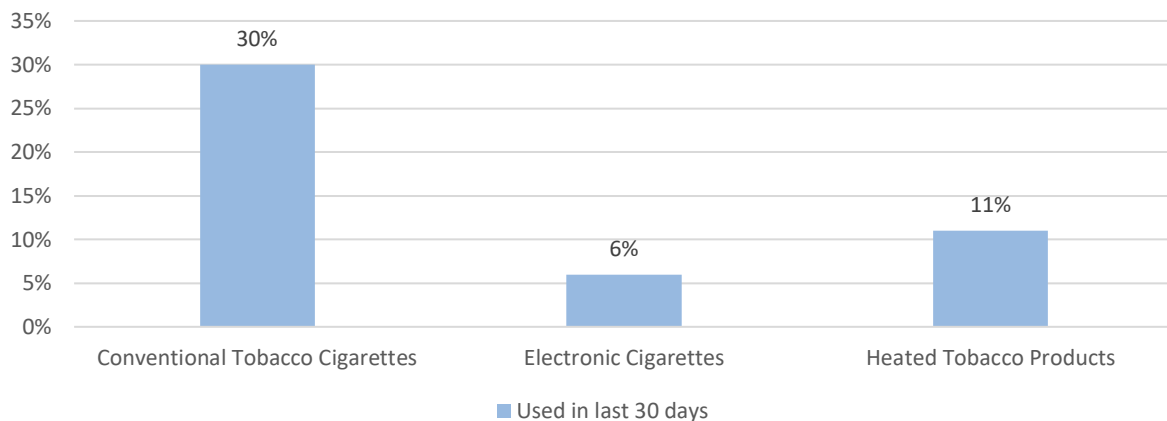


## Landscape View of the Tobacco Market in Slovakia

The overall use of tobacco products in Slovakia remains above European average, and the country’s future trajectory depends mainly on the high prevalence of smoking among the youth population. A 2022 survey found that almost a third of youth reported using conventional cigarettes within a month of the survey date. Additionally, the increasing use of alternative tobacco products among young individuals raises concerns. For example, more than one in 10 youth reported using heated tobacco products (HTPs) in the last 30 days. Notably, most of these newer products are not subject to excise tax, which further promotes their use through their greater affordability among youth, who are typically a more price-sensitive group.

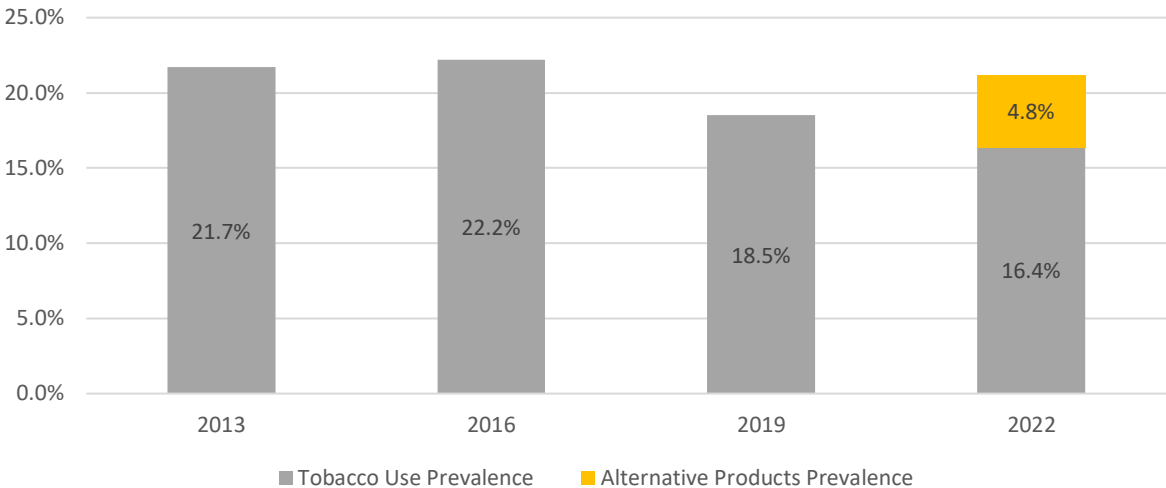
**Figure 1.** Share of youth with tobacco or nicotine product experience in Slovakia



Source: National Research on the Use of Tobacco and Nicotine Products in the Population of Children and Adolescents in the SR (2022).

The trend in tobacco prevalence has experienced fluctuations over time, with a recent uptick to 21.2 percent in 2022. However, the uptake of alternative tobacco products makes it challenging to conclusively determine a development in smoking trends. It appears that some or even significant numbers of users are substituting conventional tobacco cigarettes with alternative tobacco products such as heated tobacco products (HTPs).

**Figure 2.** Development of tobacco prevalence in Slovakia (2013–2022)



Note: The category of alternative products was added to the survey only in 2022. Hence, the prevalence of alternative products in prior years is not available.

Source: Health Awareness and Behavior of the Slovak Population (2013–2022)

While recent excise duty increases have had a positive impact on reducing tobacco use to some extent, the overall affordability of tobacco products has not been fully reversed. This is particularly evident during times of higher inflation, when the fixed nature of excise duty size means that its real value diminishes over time as prices rise with inflation. Consequently, the relative affordability of tobacco products may not significantly decrease if the rates are not updated regularly.

Domestic cigarette production in Slovakia has declined considerably over time. Domestic tobacco brands that once enjoyed immense popularity have gradually given way to foreign, globally distributed brands including Marlboro and L&M. Presently, no local company produces tobacco cigarettes, and all available cigarettes on the market are imported.

The structure of the cigarette market in Slovakia has also undergone dynamic changes in recent years. Economy price brands have seen a decline in market share, while premium price brands have increased. The price differentials between these segments have narrowed, resulting in minimal price distinctions among the brands available in the market.

The excise duty imposed on the production and sale of tobacco products plays a crucial role in funding various government programs and services. While the formal justification for the tobacco excise tax is to protect public health and compensate for increased health care expenditures, evidence suggests that the tax has primarily served a fiscal function in the past.

Historically, the excise tax rates on tobacco products in Slovakia have remained unchanged for extended periods of time, resulting in a relative decrease in the tax's contribution to the total cost of tobacco products. This sluggish adjustment has contributed to the ongoing trend of increased affordability, as it has failed to raise tobacco prices sufficiently to discourage consumption. Only recent adjustments in tax rates, coupled with the slow growth of average and median incomes in the country, have partially corrected this trend, but have not entirely reversed it.

While the recent ad hoc adjustments in tax rates were appropriate steps towards combating increased affordability, the introduction of an algorithm for indexation that considers increases in income, inflation, and tax yield would help to address affordability concerns without further (often protracted) negotiations.

Slovakia stands out as one of the few remaining European Union member states that does not enforce smoke-free regulations in bars and clubs. Furthermore, smoking is permitted in eating establishments such as restaurants upon meeting specific criteria. Despite Slovakia's poor performance in regulating smoking in eating and drinking establishments compared to other EU countries, stricter regulations have not been introduced, although there have been numerous past attempts.

Based on the presented landscape view of the tobacco and cigarette market in Slovakia, the following measures are recommended for implementation:

- Based on the decline of tobacco excise duty share under various macroeconomic parameters, the government should increase excise taxes to decrease tobacco use and affordability. Such increases would also benefit the government from a fiscal point of view by providing much-needed additional funds for the state budget.
- The government should introduce automatic indexation of tobacco excise duty according to a predefined algorithm that also considers economic development (including income, inflation, and tax yield).
- The excise duty should also apply to alternative tobacco products. The only alternative products currently included in taxation are heated tobacco products. Not levying excise on these products promotes them as alternatives due to their affordability (especially among youth).
- The government should ban smoking or the use of alternative products inside restaurants—with no exceptions in terms of separating smoking areas—as well as in bars, by introducing amendments to the smoke-free law.
- Enforcement of restrictions on the sale of tobacco and alternative products to minors should be increased.

- The government should focus on educating minors who consider the use of alternative tobacco products as less harmful, to inform them about the true harms of these products.
- Mass media campaigns should be focused on youth, females, or parents and promote health awareness and education.