

Raising Tobacco Taxes as a Strategy to Smoke Less and Quit More

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Smoking prevalence in Mexico is on the rise. From 2018 to 2021, the proportion of smokers aged 20 years or older increased from 17.9 to 19.1 percent. However, the impact of this increase on Mexico's different regions and among groups with different noncommunicable diseases (NCDs) varies.

Between 2018 and 2021, smoking prevalence rose from 16.9 to 18.2 percent among individuals who are overweight or obese and from 12 to 14.2 percent among those with diabetes. An analysis by region shows that the Border, Pacific-Center, Center-North, Mexico City, and State of Mexico regions exhibit prevalence rates above the national average of 19.1 percent (Huesca et al., 2023).

It is well known in the field of tobacco control that the most effective mechanism to reduce smoking is to raise prices through excise taxes (Chaloupka et al., 2012). In Mexico, a number of fiscal measures have been introduced on tobacco, but they have not succeeded in raising the tax burden above 75 percent of retail prices, which is the level recommended by the World Health Organization.

How do consumers respond to changes in price?

Faced with a 10-percent increase in tobacco prices, smokers with a diagnosis of diabetes would reduce their consumption by 7.32 percent (Figure 1). Smokers diagnosed with hypertension or obesity would consume 7.22 and 7.09 percent less tobacco, respectively.

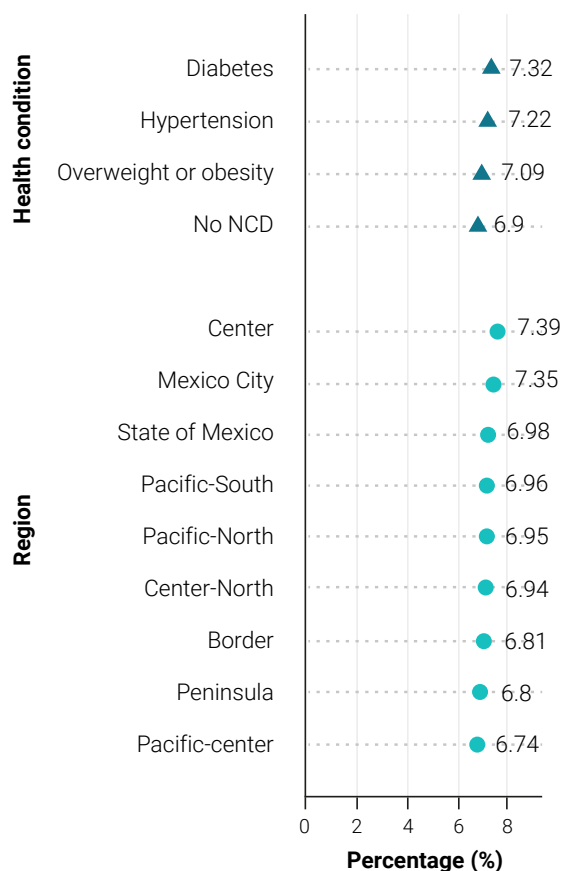
Increasing cigarette prices by 10 percent would achieve a significant, sharp decline in consumption, ranging from 6.7 percent to 7.4 percent, in all geographical areas.

What would happen if excise tax on tobacco was raised by one peso per stick?

If excise tax on tobacco was raised by one peso per stick, the average price of a pack of cigarettes would increase

by 34 percent. This would lead some consumers to smoke less, while others would simply quit altogether (cessation).

Figure 1. Reduction in smoking given a 10-percent price increase



Source: Authors' calculations, CIAD

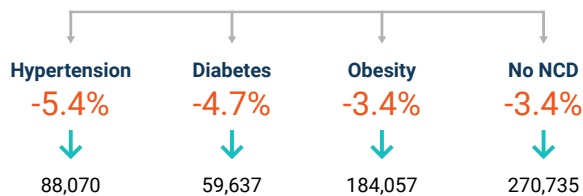
Such an increase in tax would also reduce smoking prevalence in Mexico overall from 19.07 to 18.36 percent—the equivalent of more than 602,500 smokers giving up the habit.

*Paying an additional peso per cigarette would result in **more than 600,000 smokers quitting**, bringing prevalence down from 19.07 percent to 18.36 percent.*

Figure 3 illustrates the impact of a hypothetical one-peso per stick increase in tobacco tax on each region of Mexico. The State of Mexico would be home to the highest number of smokers who quit (101,284 individuals), followed by the Border and Center-North regions. Together, these three regions account for almost half (45 percent) of all smokers who would quit nationwide.

Cessation also differs by smokers' health conditions. A one-peso increase in excise tax on tobacco would result in a cessation rate of 5.4 percent among smokers with a diagnosis of hypertension, 4.7 percent among those with diabetes, and 3.4 percent among smokers with obesity (Figure 2). In absolute terms, this translates to a total of 331,764 smokers with these NCDs who would quit. Smokers who are overweight and obese account for the majority (184,057 smokers), followed by those with hypertension and diabetes (88,070 and 59,637, respectively).

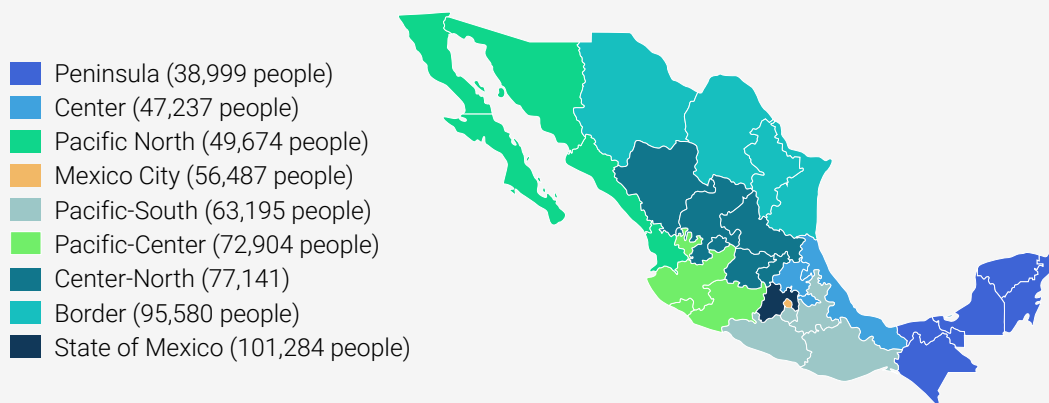
Figure 2. Cessation by health condition



Source: Authors' calculations, CIAD

More than half (55 percent) of smokers who would quit in response to a price increase are afflicted by hypertension, diabetes, overweight, or obesity.

Figure 3. Smoking cessation in the regions of Mexico



Source: Authors' calculations, CIAD

Recommendations

This study shows that increasing tobacco tax by one peso per stick would reduce national smoking prevalence, leading 602,500 smokers to quit. Furthermore, a tobacco tax increase would lower tobacco consumption for smokers overall, regardless of their region or NCD status. In addition to reducing smoking generally, this fiscal measure would also reduce smoking-associated comorbidities and their costs.

The Peninsula, Pacific-North, Pacific-South, and Center-North would exhibit the highest cessation rates, while the State of Mexico, Mexico City, and Border regions would see the highest number of smokers quitting (due to a higher current number of smokers in these regions). Another key finding is that cessation rates are even higher in smokers with an NCD comorbidity.

More support is needed for more aggressive tax reforms that can reduce smoking in Mexico and mitigate the harmful impacts of tobacco use. This fiscal measure would not only provide more government revenue to treat diseases caused by smoking but would also lower health care costs as a result of increased cessation, particularly among smokers with NCDs, and reduce the burden of these diseases in the future.

References

Chaloupka, F. J., Yurekli, A., & Fong, G. T. (2012). Tobacco taxes as a tobacco control strategy. *Tobacco Control*, 21, 172-180. <http://doi.org/10.1136/tobaccocontrol-2011-050417>

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