

Impact of alcohol taxes and border trade on alcohol consumption: the Finnish experience

Pia Mäkelä

Research professor



Euroopa Liit
Euroopa Sotsiaalfond



Eesti
tuleviku heaks



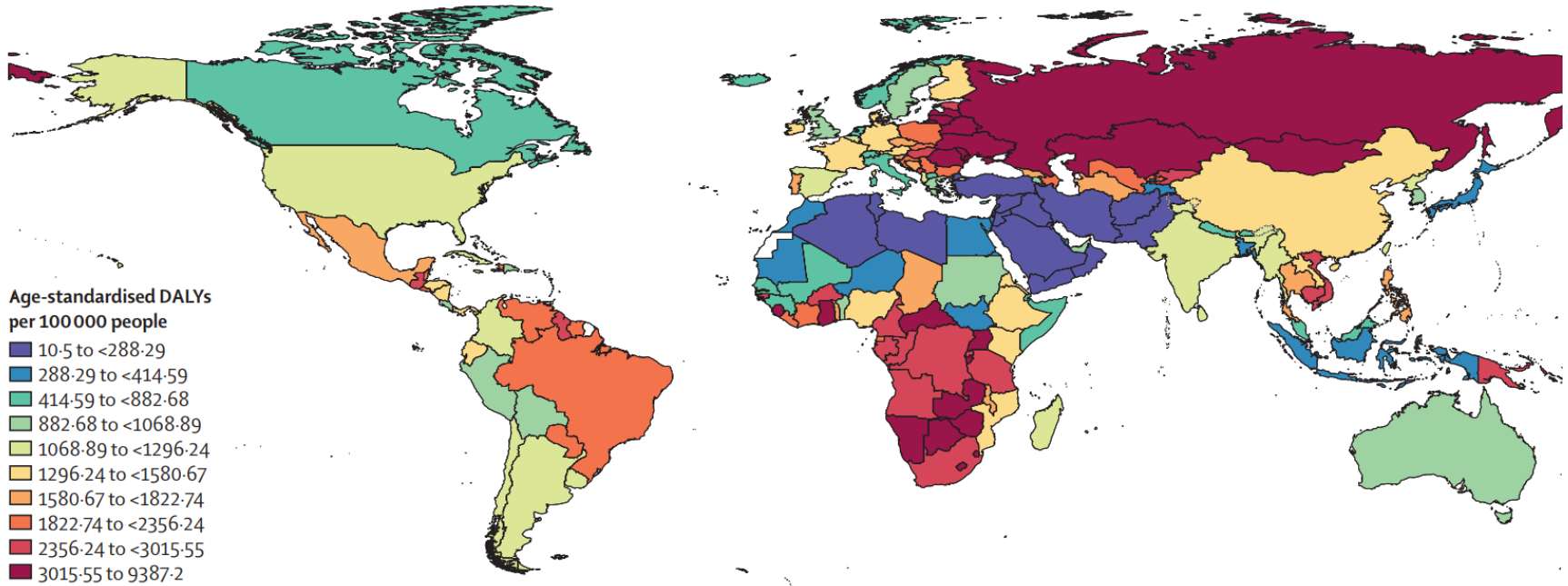
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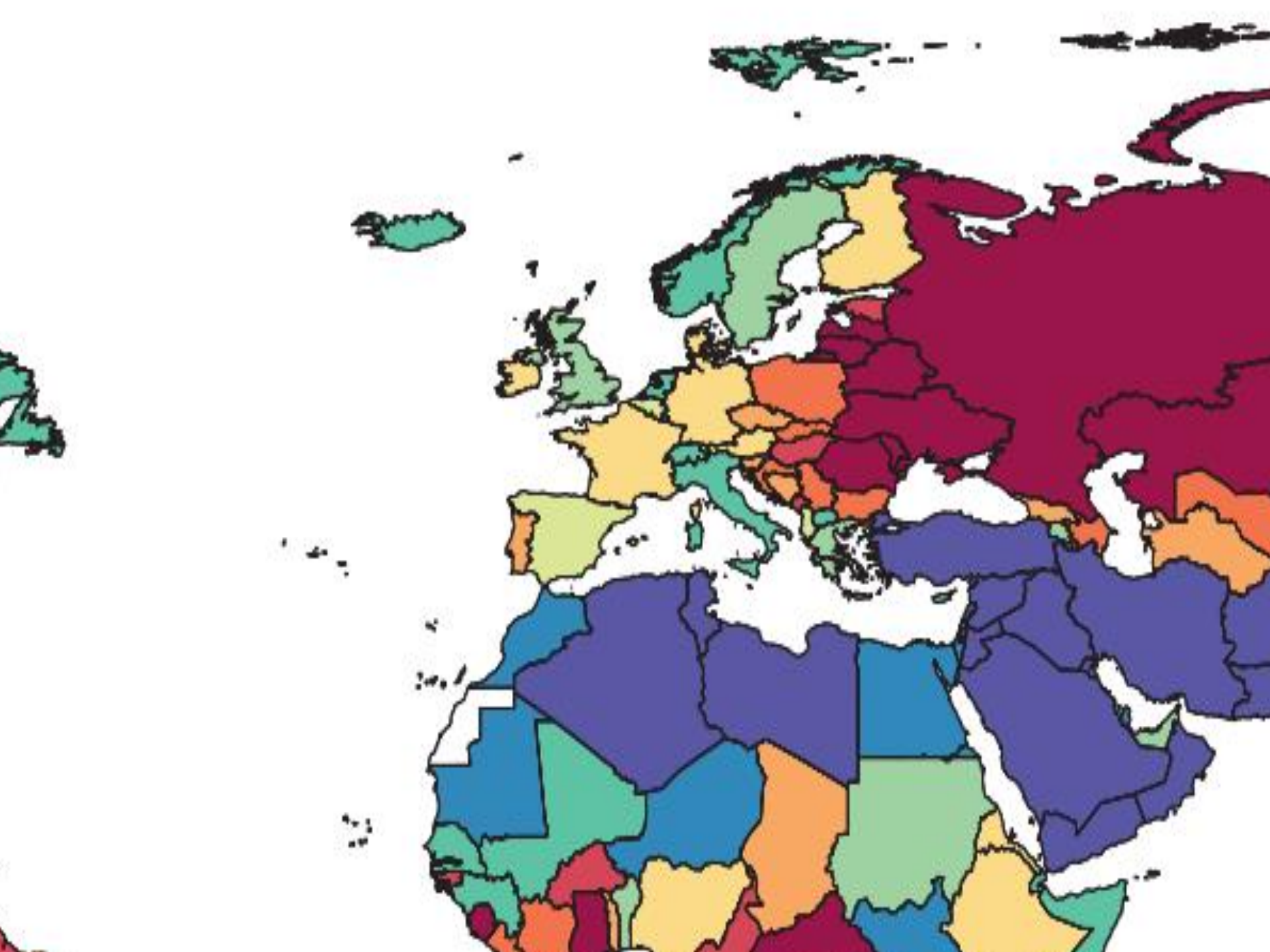
Why are we interested in alcohol?

A Age-standardised DALYs attributable to alcohol use



Globally, in 2016,

- 99 million disability-adjusted life years (DALYs) were attributable to alcohol (4.2% of all DALYs)
- alcohol use was the seventh leading risk factor for both deaths and DALYs in 2016.
- among the population aged 15–49 years, alcohol use was the **leading risk factor**.



Alcohol policy recommendations by WHO

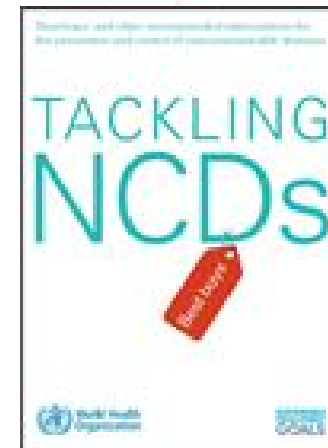
2010 WHO member states: **the global strategy to reduce the harmful use of alcohol**

WHO “best buys” to reduce non-communicable diseases included three recommendations on alcohol:

- **Increase excise taxes on alcoholic beverages**
- Bans or comprehensive restrictions on alcohol advertising
- Restrictions on the physical availability of retailed alcohol

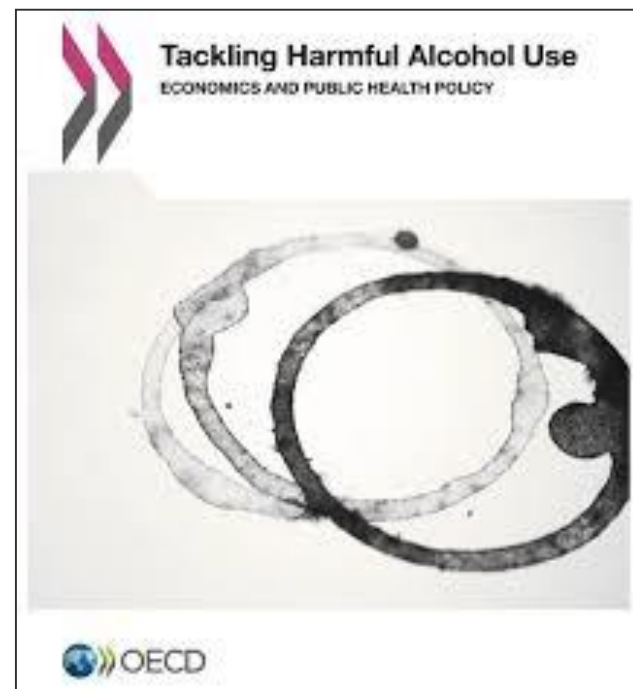


Global strategy to reduce the harmful use of alcohol



OECD, Organisation for Economic Co-operation and Development

- OECD 2015 recommendations:
 - Brief interventions in health care
 - **Raising alcohol prices, especially the cheaper segment**
 - Regulating the promotion of alcoholic beverages



What does research say about impacts of prices?

Wagenaar et al. 2009 / systematic review and meta-analysis:

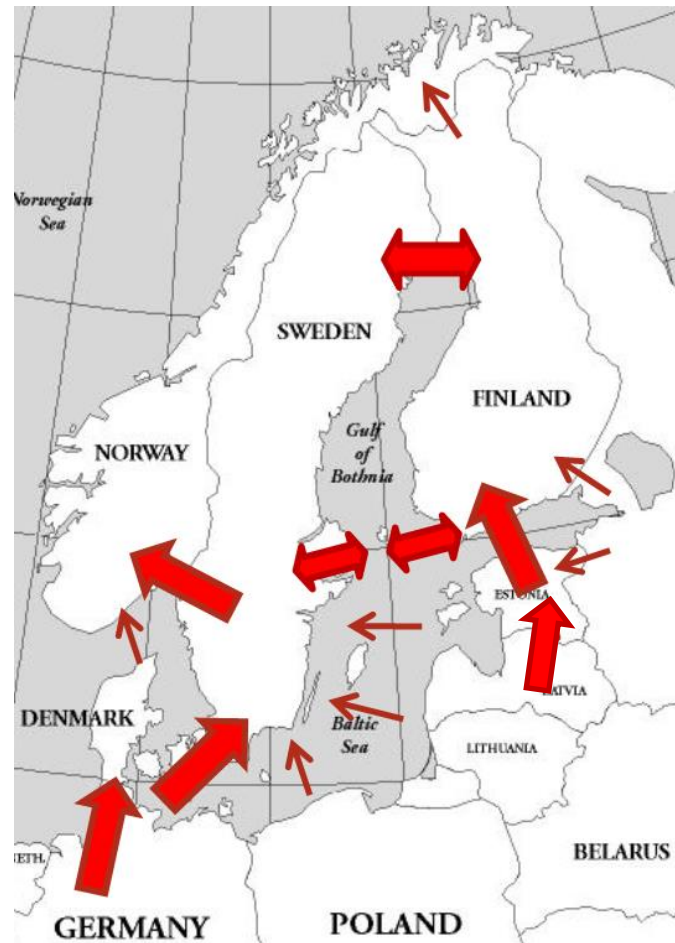
- 112 studies, 1003 estimates about the connection between alcohol price OR tax and alcohol consumption
- The price elasticity estimates (how much consumption changes when price / tax changes by 1%?):
 - Beer: -0.46
 - Wine: -0.69
 - Spirits: -0.8
 - Alcohol in general: -0.51

A second meta-analysis of Wagenaar et al. (2010) confirmed that alcohol prices / taxes have an impact on alcohol-related mortality and other harm from drinking

A complication to using taxes as a means to reduce harm: travellers' imports

- Normally it is assumed that if taxes are raised, the price increases, which reduces consumption and harms.
- When cheaper alcohol can be brought from elsewhere, the equation gets more complicated
 - However, also the price of gas or bus/train/boat ticket, as well as time used for the travel are a part of the effective price
 - i.e., even when borders "leak", it is likely that a tax increase will increase the effective price of alcohol, though to a smaller extent than if borders were closed.

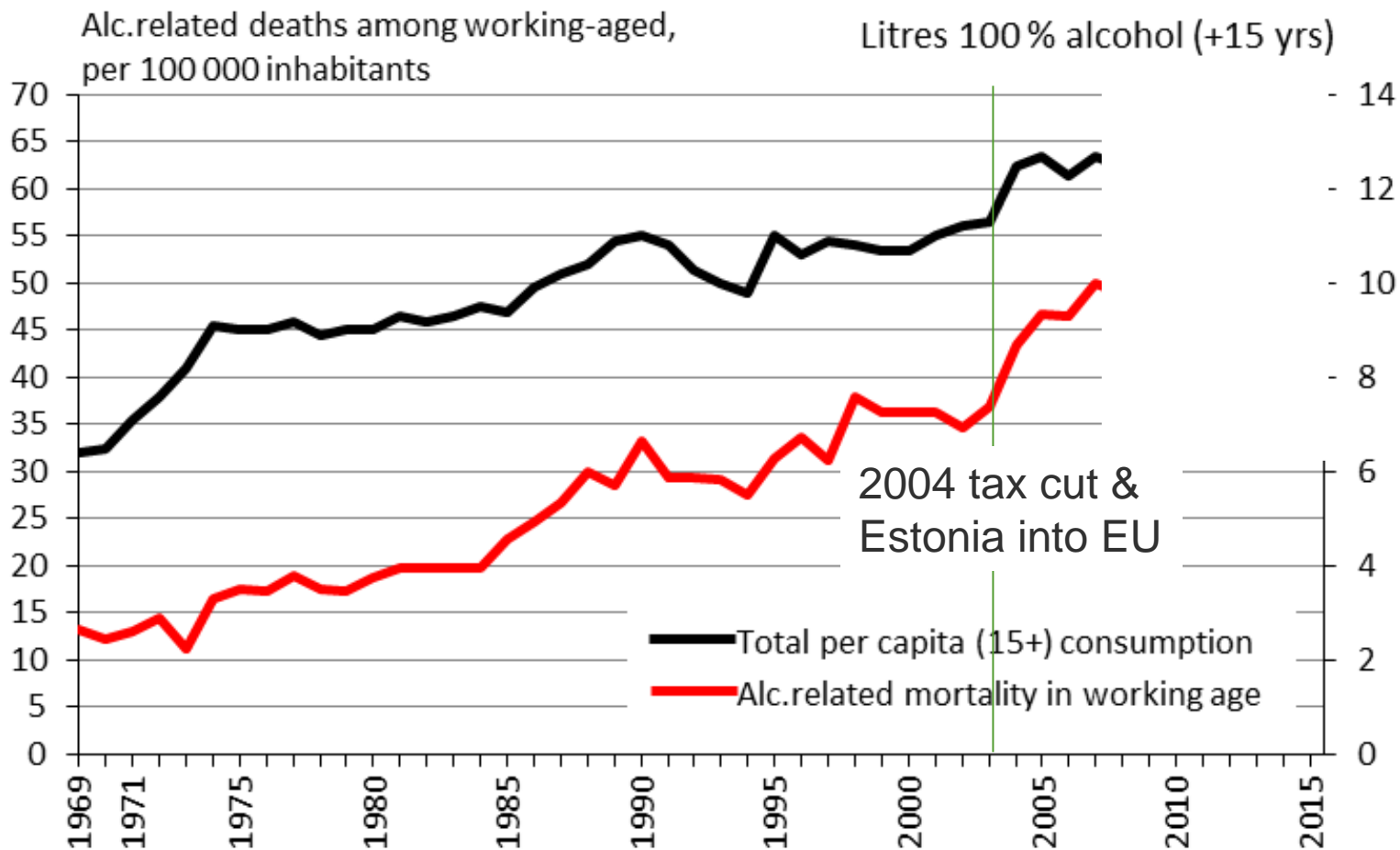
Hotspots in travellers' alcohol imports in Europe



The case of Finland in 2004

- Quotas for travellers' imports ended in January
-> unlimited imports for personal use from other EU-countries
- Estonia joined the EU in May
-> Finland suddenly had a close-by southern neighbour with clearly cheaper alcohol
- Finland tried to combat travellers' imports by cutting alcohol excise duties by 33% on average (in March)
- Sweden faced similar situation with travellers' imports from Denmark but did not cut taxes

Per capita alcohol consumption and alcohol-related mortality among the working-aged

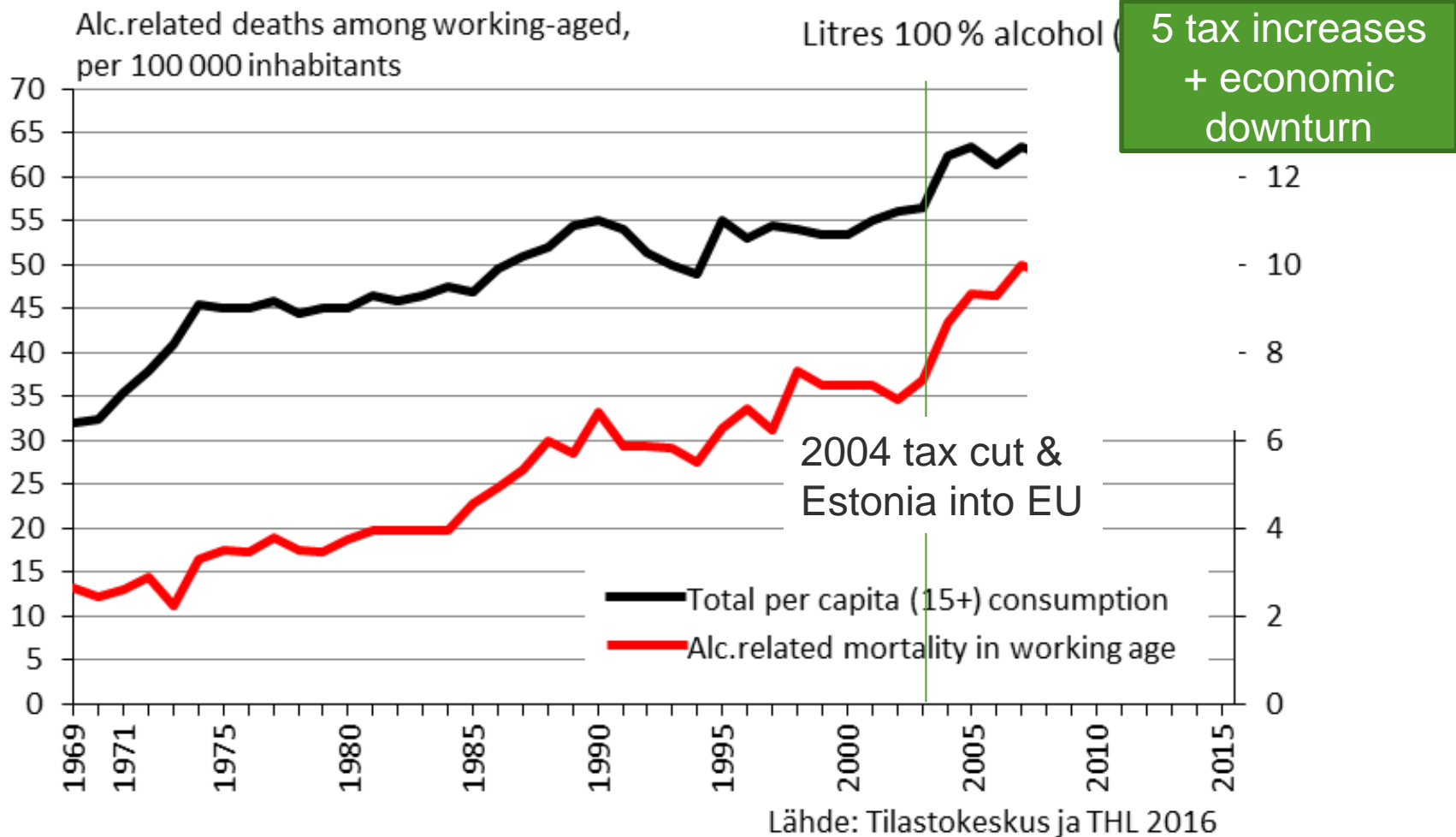


Lähde: Tilastokeskus ja THL 2016

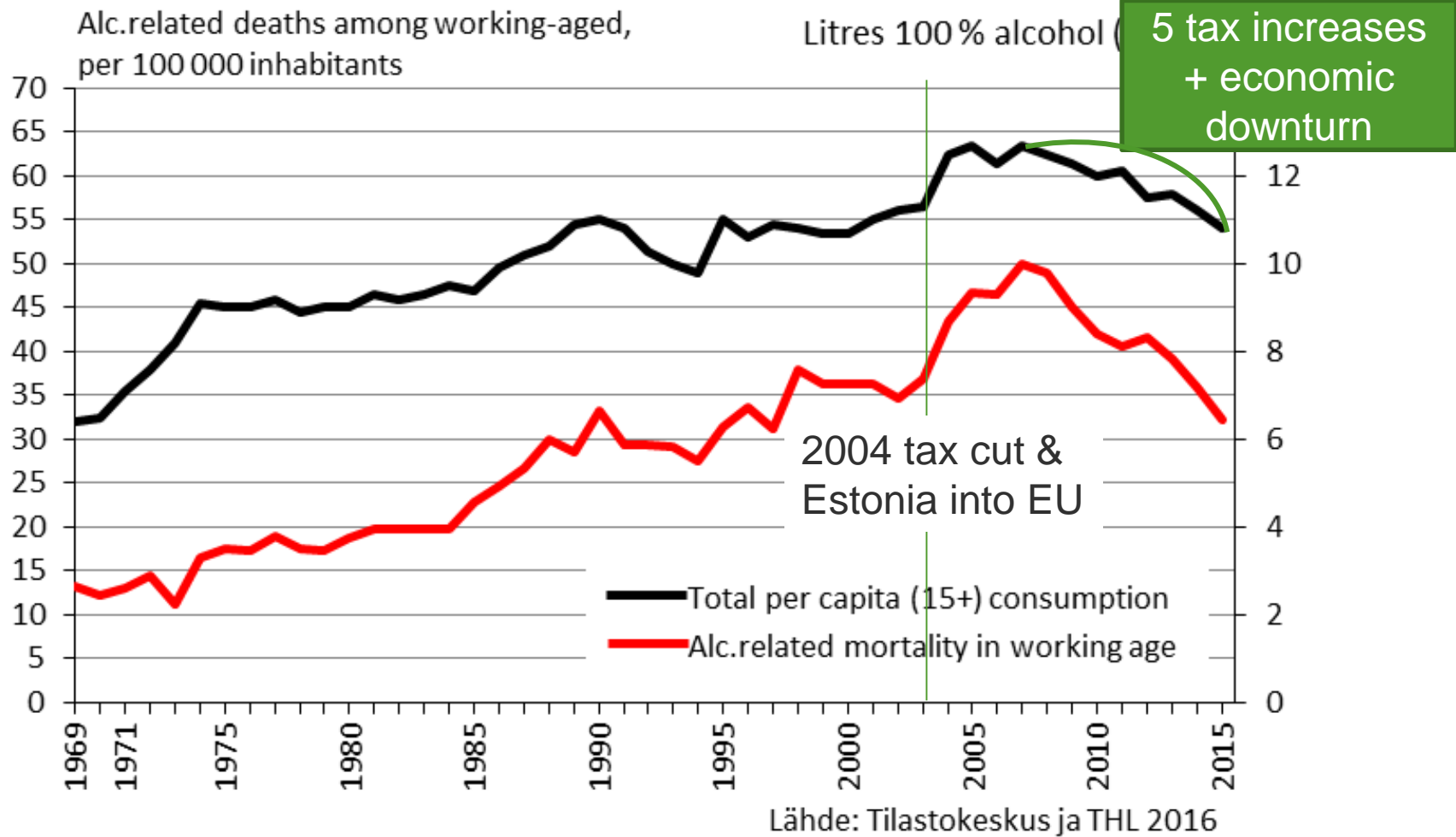


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Per capita alcohol consumption and alcohol-related mortality among the working-aged



Per capita alcohol consumption and alcohol-related mortality among the working-aged



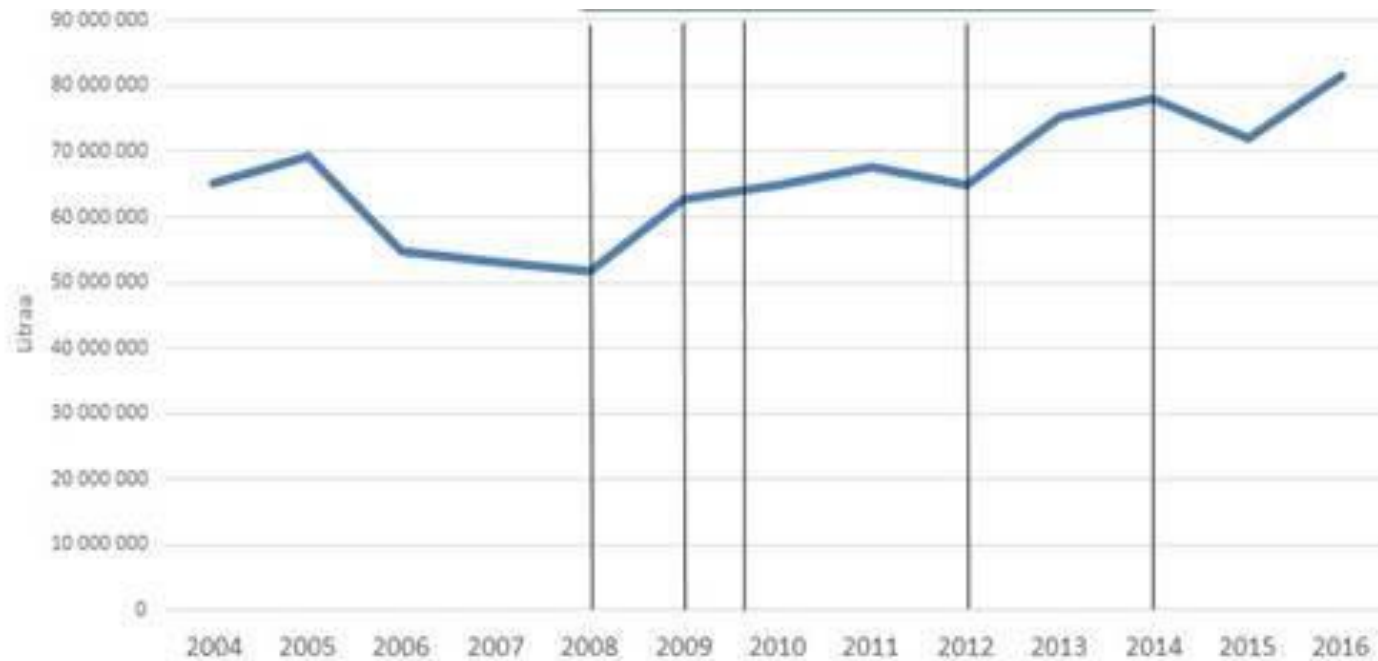
Experience from Sweden

- Alcohol imports made a large proportion of alcohol consumption in Southern Sweden
- However, per capita consumption did not increase, nor did mortality
- The general conclusion in these two countries has been that Sweden's approach (not to lower alcohol taxes) resulted in a better outcome in those circumstances

Travellers' alcohol imports to Finland and taxes: the alcohol industry's point of view

Travellers' imports, litres

Alcohol tax increases
In 2008, 2009 x 2, 2012 & 2014



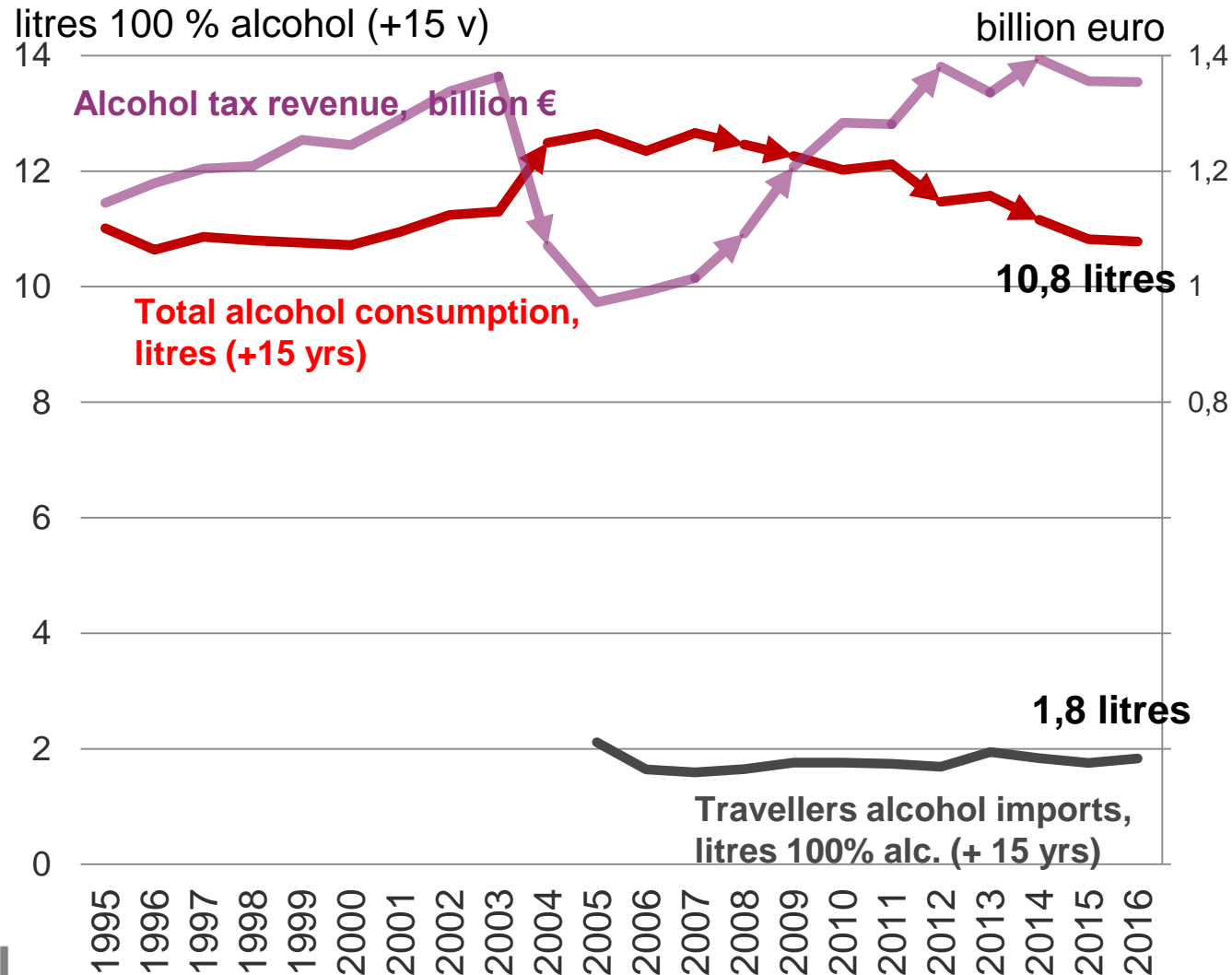
Lähde: THL ja Valtiovarainministeriö



Litres of beverage \leftrightarrow dominated by beer

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Travellers' alcohol imports to Finland and taxes – in perspective



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Recent changes in Finnish alcohol policy

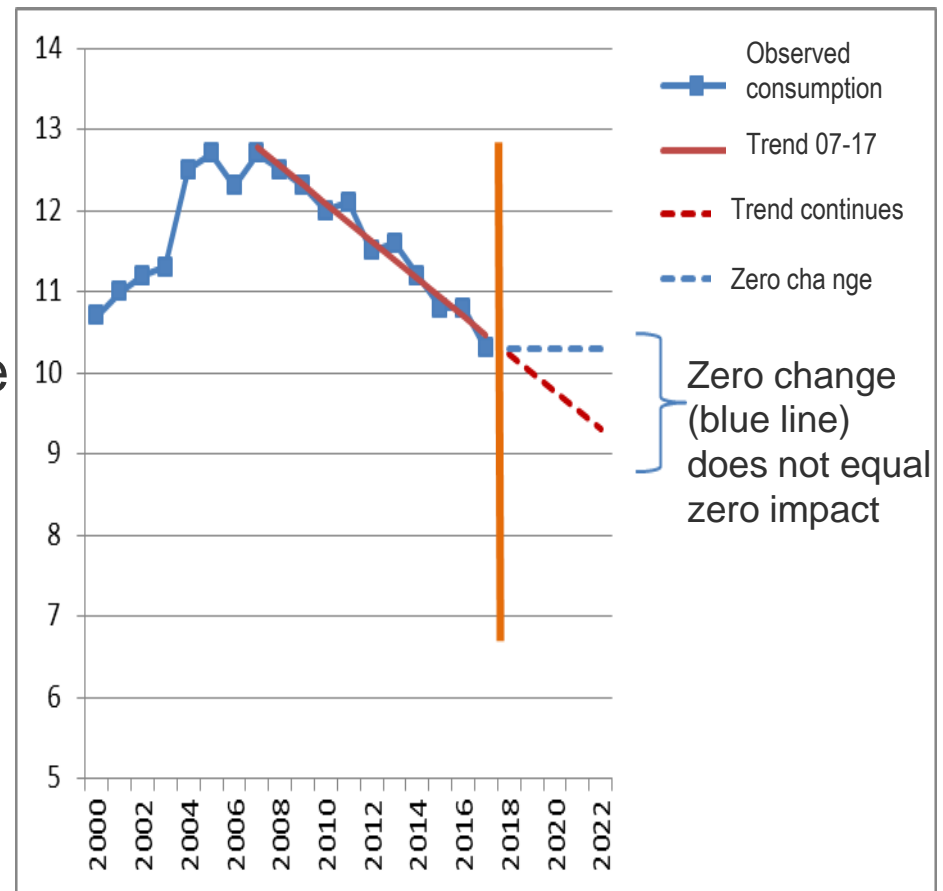
- A new Alcohol Act came into force 1.1.2018
 - Only decided upon just before the Christmas break
 - Main changes about sales in grocery stores:
 - max alcohol limit 4.7% -> 5.5%
 - Pre-mixed, spirits-based drinks / "long drinks" allowed
 - Other changes: less red tape for restaurants, lengthened bars' opening hours etc. (1.3.2018 ->)
 - Other smaller changes

What else impacted consumption in 2018?

- In 2007–2017 a constant decreasing trend, altogether -18% (due at least to 5 alcohol tax increases & poor economic development)
- In 2018: alcohol tax increase by 10% (decreases consumption)

On the other hand:

- Exceptional heat wave (increases consumption)



What have we observed so far?

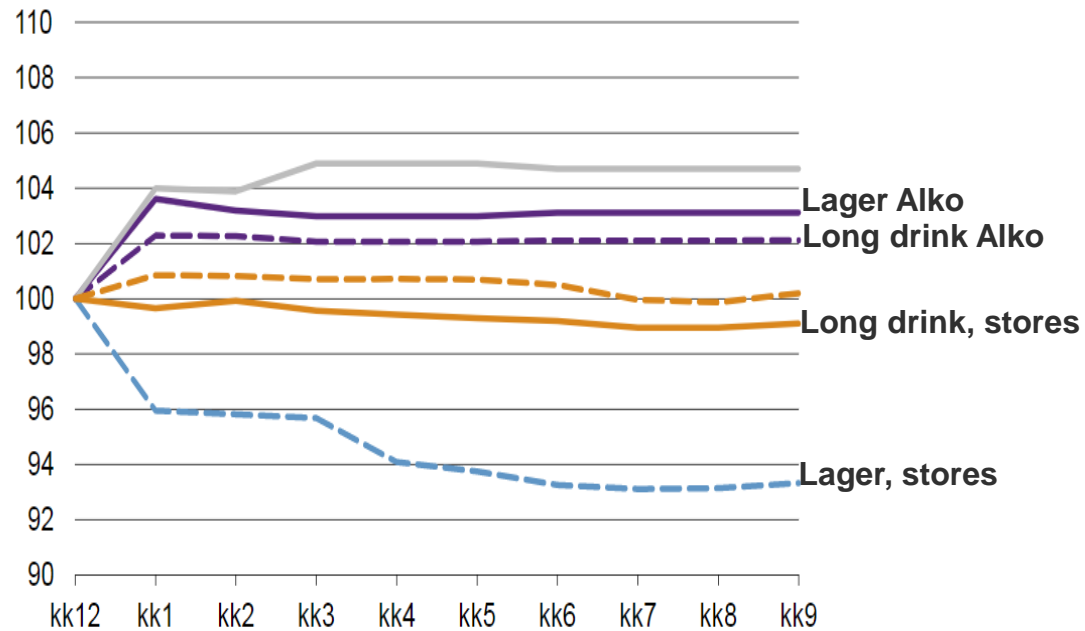
Observed I-VIII/2018 vs. I-VIII/2017:

- Registered sales: +1%
- Beer: a slight movement towards stronger beer (not as much as THL predicted)
- Retail sales of all types of Long drinks combined: +48%

If change will turn out to be less than expected: did prices change as expected (-40%) by both public health and alcohol industry?

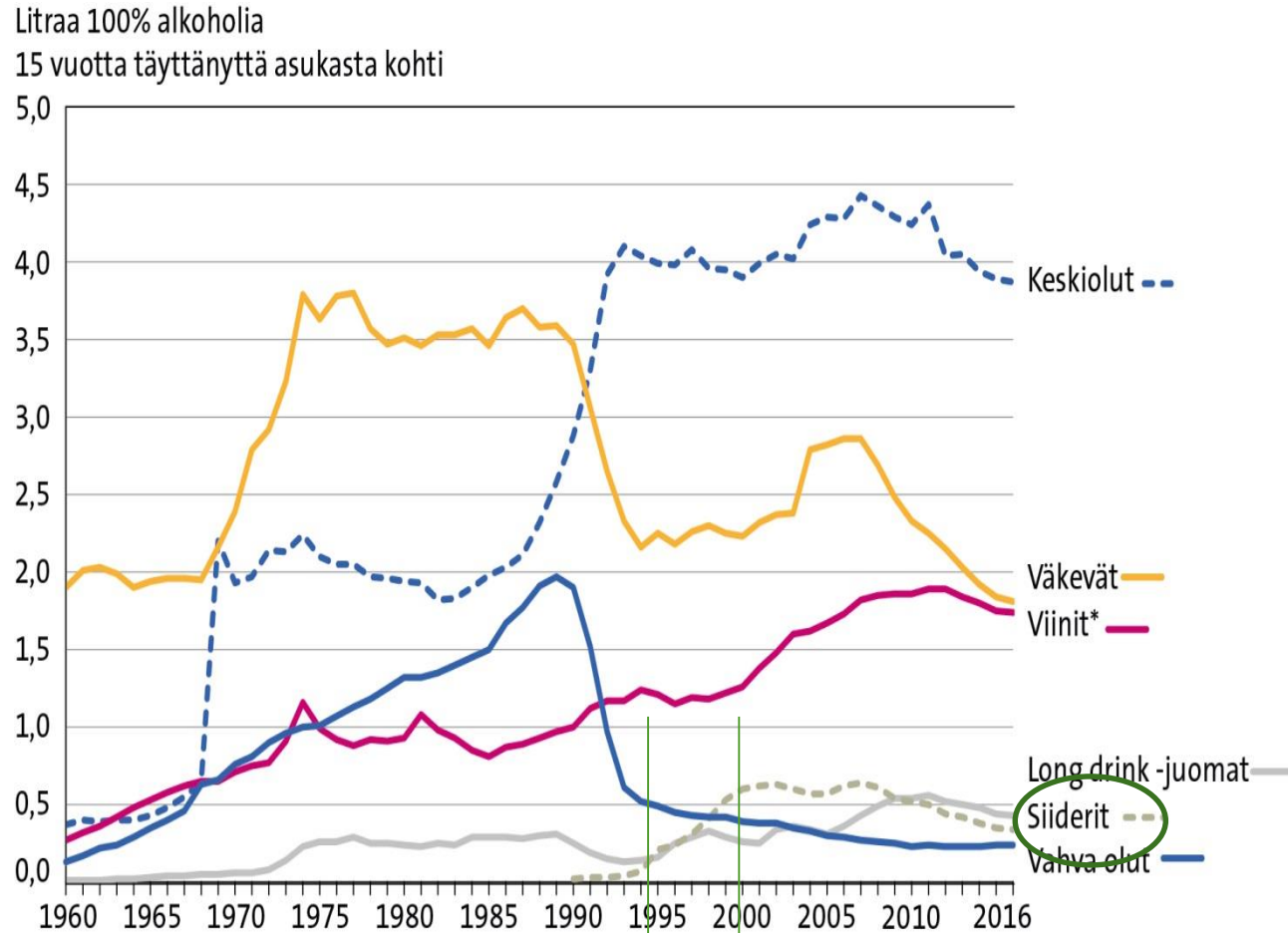
Alcohol price index in Alko stores and in grocery stores for "strong" alcoholic beverages (4,7-5,5%)

Index, December 2017 Alko prices=100



Source: consumer price index, Statistics Finland

When should the impact be visible? Compare: introduction of cider to stores in 1995



* Miedot viinit ja 15–22 tilavuusprosenttia sisältävät tuotteet yhteensä.

Lähde:THL

Short-term impacts are better assessed for the whole of 2018.

Better estimate of impacts after 2-3 years.

Time series analysis should be used to tease out the impact of the Law from impacts of economy, tax, heat wave, pre-existing trend etc.