

The Huge Economic Cost of Tobacco-Induced Diseases in Pakistan

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Based on

The Economic Cost of Tobacco-Induced Diseases In Pakistan. Durre Nayab, Muhammad Nasir, Junaid Alam Memon & Omer Siddique. 2021.

Despite the evidence that higher tobacco taxation discourages tobacco consumption, Pakistan has a highly lenient tobacco tax policy. Consequently, the tobacco industry enjoys a thriving customer base, currently comprising 24 million active tobacco users. In fact, the industry has created an illusion of being one of the largest taxpayers in Pakistan. Due to the absence of the calculated costs of tobacco consumption in Pakistan, policymakers cannot compare the true economic cost of tobacco consumption with the revenue receipts and submit to the industry's claims. In reality, tobacco use inflicts substantial costs on Pakistan's economy—way beyond any tax revenue collected from the tobacco industry. The current study estimates this cost.

Unveiling the true costs of tobacco consumption

Tobacco use has enormous direct and indirect costs. Direct costs include inpatient and outpatient hospital expenses, whereas indirect costs include the caregiving costs, the opportunity cost of the lost workdays of the patients and their caregivers, the cost of smoking-attributable deaths. A similar set of costs may also be considered for second-hand smoking to problematize the tobacco's cost-benefit equation further. This study estimates the smoking-attributable health and economic costs of cancer, cardiovascular, and respiratory diseases, besides estimating the total cost attributable to all smoking-related diseases in Pakistan.

Insights into true economic and health cost of tobacco consumption

1. The total cost attributable to all smoking-related diseases.

- The total costs attributable to all smoking-related diseases and deaths in Pakistan for 2019 are Rs 615.07 billion (US\$3.85 billion).
- The tobacco industry's total tax contribution (120 billion in 2019) is approximately just 20 percent of smoking's total cost.
- Indirect costs (morbidity and mortality) make up 70 percent of the total cost.
- Rural residents bear 61 percent, males bear 77 percent, and the 35–64 age group bears 86 percent of the total cost by region, sex, and age group, respectively.
- The major share (71 percent) of the total smoking-induced cost comes from cancer, cardiovascular, and respiratory diseases.

The health and economic costs of tobacco use are more than five times the tax receipts! Even though the tobacco industry is a major taxpayer in absolute terms, the tax contribution of the tobacco industry is a small fraction of what tobacco consumption costs the government and society.

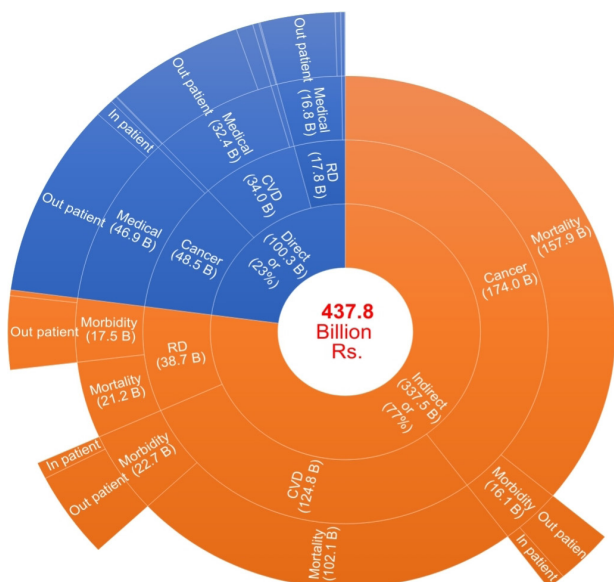
¹It is pertinent to mention that the study on which the brief is based does not calculate second-hand smoke costs.

- The total smoking-attributable costs are 1.6 percent of the GDP.

2. Smoking-attributable cost of three major diseases

- Smoking-attributable total direct and indirect cost of cancer, cardiovascular, and respiratory diseases amount to Rs 437.76 billion (US\$ 2.74 billion).
- The cost of these three diseases is 3.65 times higher than the overall tax revenue collected from the tobacco industry, which was Rs 120 billion in 2019.
- Of the total cost, the direct cost is 23 percent, and the indirect mortality cost is 64 percent.
- The smoking-attributable costs of cancer, cardiovascular, and respiratory diseases are 1.15 percent of the GDP.

Figure 1: Health and Economic cost of three major diseases



²The federal and provincial governments combined health spending in the FY2019 was Rs 421.8 billion (Pakistan Economic Survey 2019-20)

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Policy Recommendations

The claim that the tobacco industry contributes a substantial sum to revenues is only one side of the coin. The actual economic cost, which includes morbidity, mortality, and opportunity costs, is five-fold the tax revenue collected from the tobacco industry. The economic and health cost of tobacco use is even more than Pakistan's total yearly public health spending. Through a simplified single-tier taxation system, the government can reduce the industry's maneuvering space that it exploits to sell cheaper cigarettes and attract millions of new youths to join the list of its loyal consumers.

- Keeping in view the economic and health costs of tobacco consumption, an increase of four to five times the current tax rate is strongly recommended. However, as a start, it is imperative that the Federal Board of Revenue (FBR) raises excise taxes to meet the WHO's recommended threshold of 70 percent of the retail price of a cigarette pack.
- The FBR must narrow the tobacco industry's tax maneuvering space by gradually moving to a single-tier taxation system. The current tax structure enables the tobacco industry to sell cheaper cigarettes. A tax policy that effectively reduces tobacco affordability may save millions of youths from being trapped into an indeed expensive life-long loyalty.



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