



**EUROPE**

# **The link between alcohol affordability, consumption and harms in the EU**

**Stockholm, 22 September 2009**

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## *Alcohol in Europe*

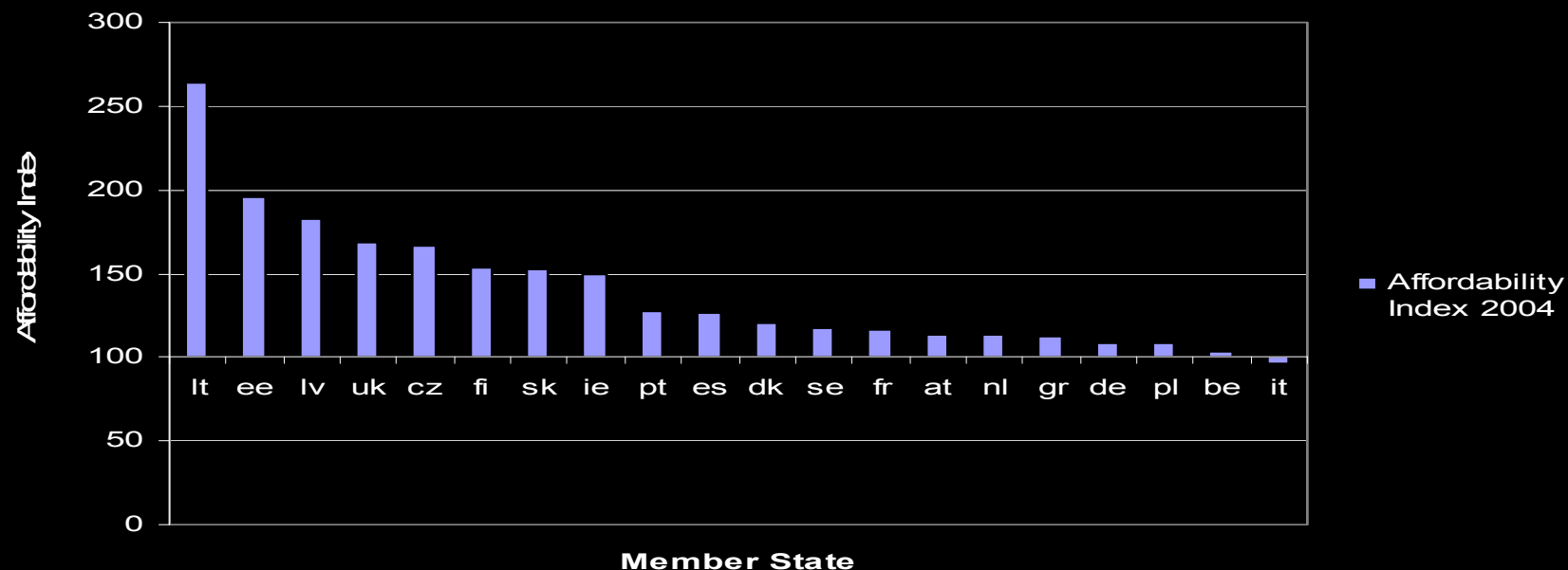
- **Alcohol contributes to EU economy, and many people enjoy it in a healthy way**
- **However, some alcohol consumption causes harms**
- **Alcohol harms is multi-factorial issue; cultural, social and economic trends matter**
- **DG SANCO commissioned RAND to examine one factor: alcohol affordability across the EU**
- **What are the policy implications of the study findings?**

# Alcohol affordability has gone up in most EU countries

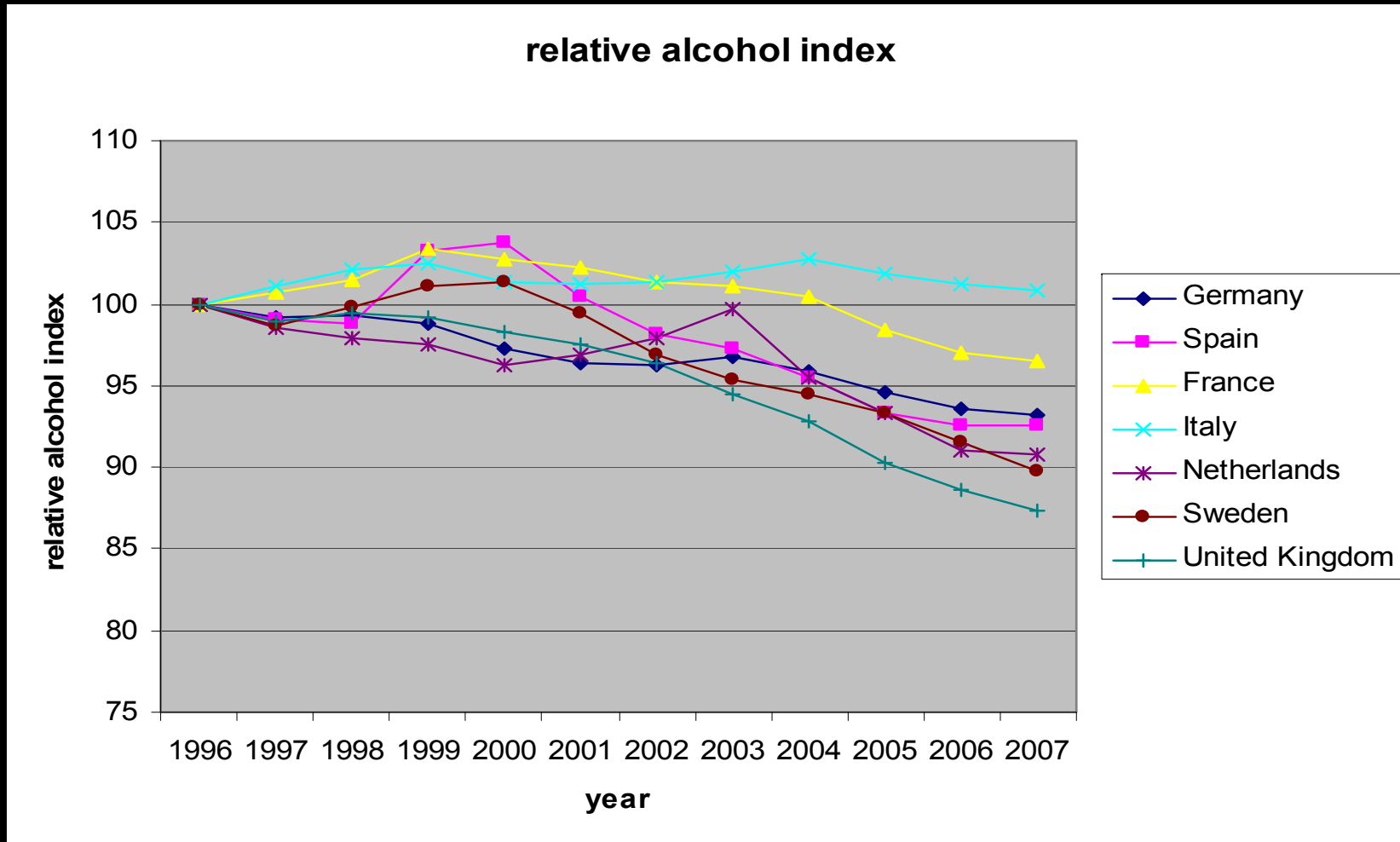
- Affordability is a function of relative price and disposable income:

$$\text{affordability\_index} = \frac{\text{real\_diposable\_income\_index}}{\text{relative\_alcohol\_price\_index}} * 100$$

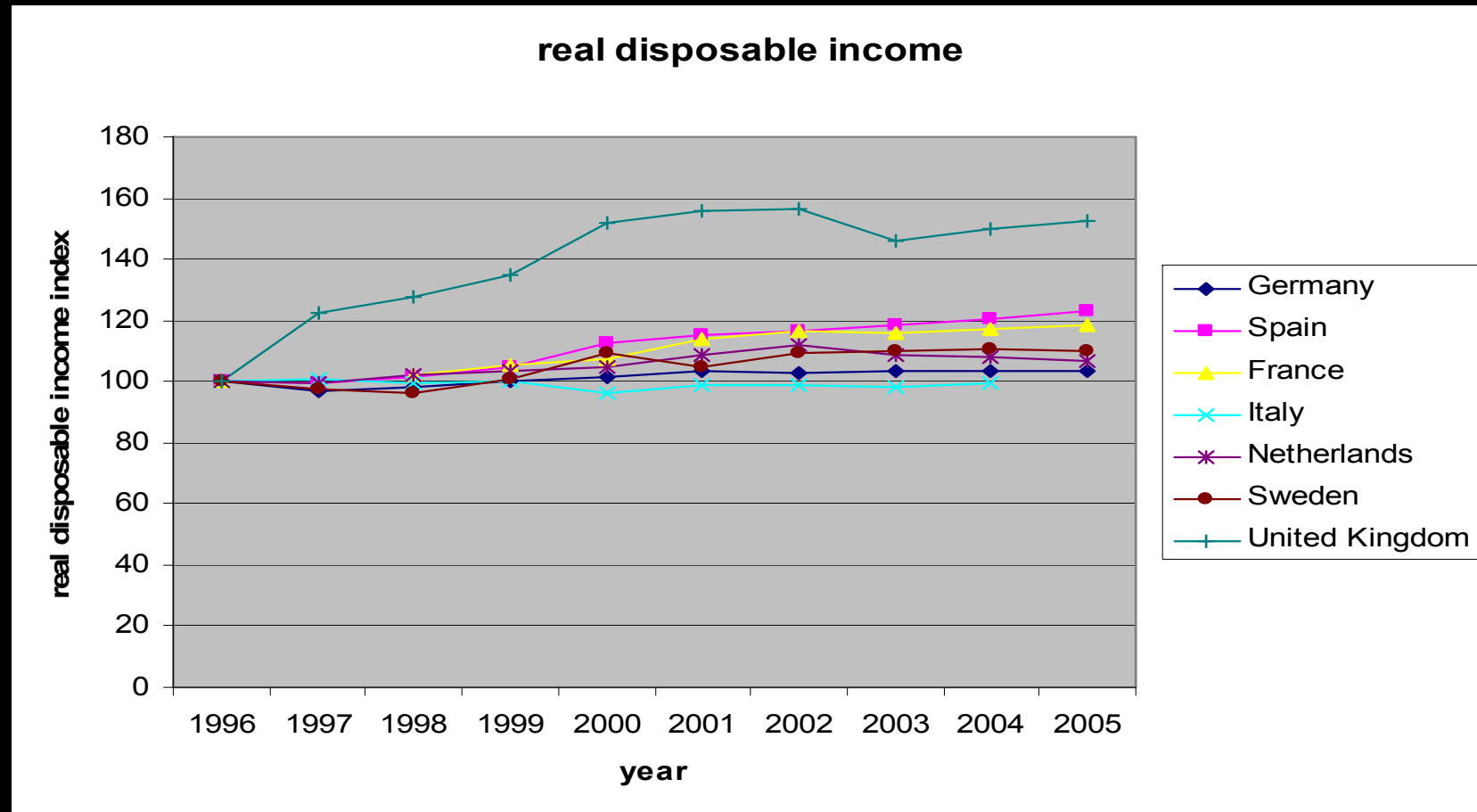
- Alcohol affordability has changed in the EU:



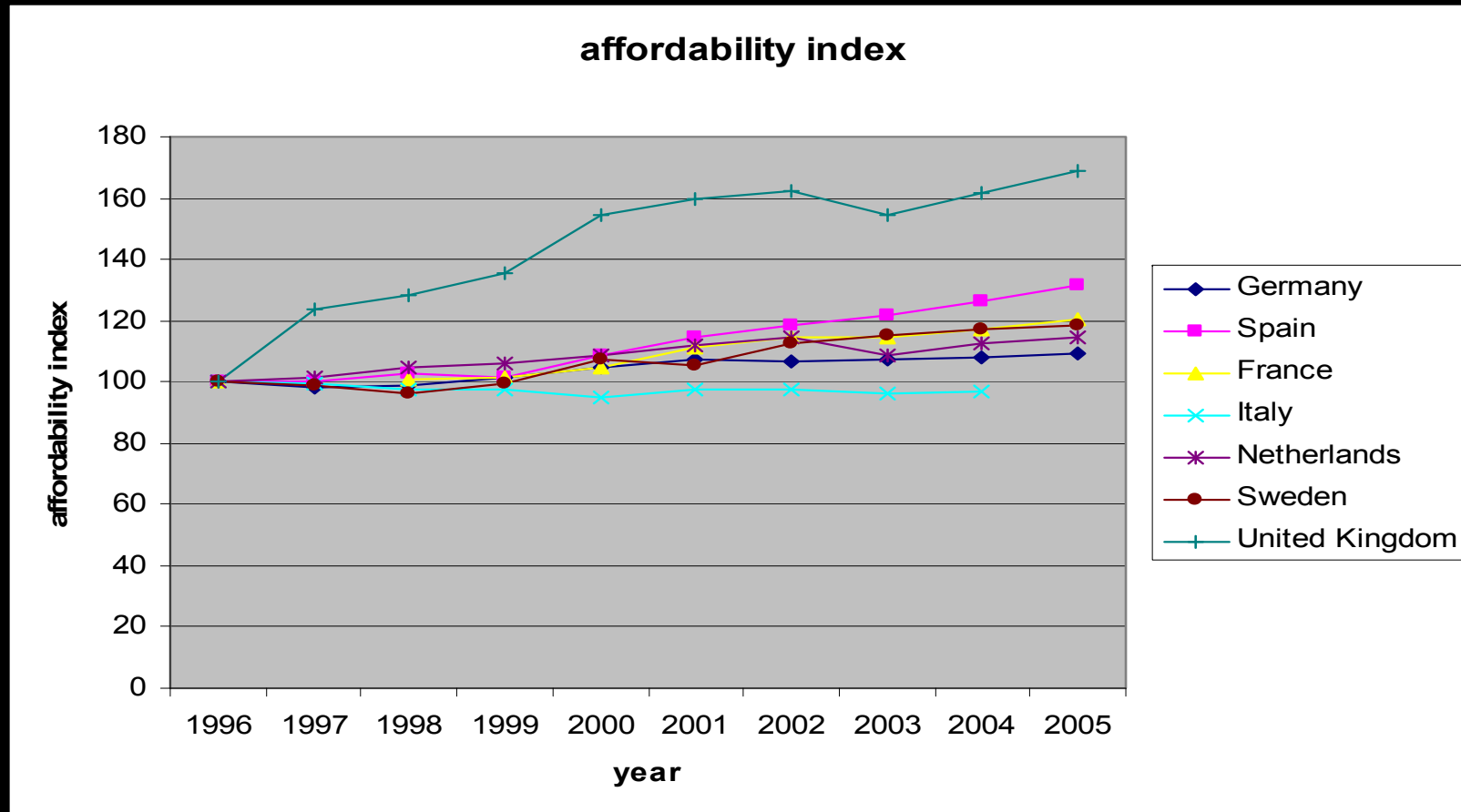
# Changes in relative price of alcohol in selected EU MS



# Changes in disposable income in selected EU MS



# Changes in affordability in selected EU countries



## *There is a positive relationship between alcohol affordability and consumption*

- Positive association between affordability and consumption
  - 1% increase in affordability associated with 0.22% increase in consumption in the short term, 0.32% in the long term
- Many studies demonstrate positive association between income and alcohol price on one hand and consumption on other
  - But variations among countries, population groups and type of beverage

## ***There is a positive relationship between alcohol consumption and three measures of harm***

- Positive relationship between alcohol consumption and three measures of harm: liver cirrhosis, traffic injuries and fatal traffic accidents
- 1% increase in consumption associated with:
  - 0.37% increase in chronic liver cirrhosis
  - 0.86% increase in fatal traffic accidents
  - 0.61% increase in traffic injuries.
- Consistent with existing research

## *What do these findings mean for policy?*

- Affordability is associated with levels of consumption
- But affordability does not link directly to a policy instrument
- Can change affordability indirectly by:
  - reducing income → undesirable measure
  - increasing price → appropriate policy lever

## ***Price can be a useful policy lever to tackle alcohol harms***

- Taxation
  - But some decrease in the *real value* of excise duty in most MS
  - Minimum excise duty rates not changed since 1992, a 25% reduction in their real value
- Retail controls
  - Growth in cheaper off-trade alcohol consumption
  - Sales promotions and discounts play a role in this
- Minimum prices
  - But not yet implemented in the EU
- Cross-border controls
  - But lower controls of cross-border alcohol purchases for personal use can make alcohol even cheaper

## *So what next?*

- Many goods became more affordable – but with alcohol more is not necessarily better
- Study suggests that:
  - reducing affordability can reduce alcohol harms
  - price is appropriate policy lever
  - there is scope in the EU to use price as part of policy mix to tackle alcohol harms
- Debate on pricing policy gaining pace across the EU
- Need to continue research to better understand impacts of pricing policies



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