

## Press release

### **Never before people have smoked less - cigarette sales at a historic low**

(Berlin, February 8, 2023). Cigarette sales fell to 65.8 billion units in 2022. That is 8.3% less than in the previous year, when still 71.7 billion cigarettes were taxed. This is according to the figures on the tax stamp for tobacco products and substitutes for tobacco products published by the Federal Statistical Office today.

Cigarette sales have been declining steadily for years. In 2012, still 82.4 billion cigarettes were consumed. As a result of tobacco tax increases, but also price adjustments due to inflation, a pack of cigarettes (20pcs) in the top brand range, for example, became more expensive by over 5% in both 2022 and 2023, which is below the average inflation rate.

Cigarette consumers are very price sensitive, a portion of whom have switched to fine-cut tobacco or cut back on consumption since the pandemic. A small portion consumes novel nicotine products or heated tobacco products. "The fact is, people are smoking less in Germany, not more," notes Jan Mücke, Chief Executive of BVTE.

Although 2022 was the first year without corona-related travel restrictions, the share of cigarettes not taxed in Germany was 17.3%. The nationwide share is about 10% lower than the pre-crisis level in 2019 when the share of cigarettes not taxed in Germany was still 19.1%, meaning that lower domestic cigarette sales were also not fully compensated by cheaper purchases in Poland, the Czech Republic, Austria, Luxembourg, or by the black market. This is evident from the IPSOS empty pack survey, which examines approximately 185,000 discarded cigarette packets annually from disposal facilities and the street according to their origin.

The more tax-efficient fine-cut tobacco (RYO and MYO) remained stable at 25 080 tons compared to the previous year at 24 854 tons, with an increase of 0.9%. Cigars/ cigarillos show a minus of 8.9% compared to the previous year with 2.5 billion pieces. The pipe tobacco tax category, which in 2021 still included classic pipe tobacco, water pipe tobacco and tobacco heaters, now only indicates sales of classic pipe tobacco, which as a niche product only reached 324.5 tons. The volume for water pipe tobacco was 962.6 tons.

Shisha tobacco is a lifestyle product with growing potential, but since water pipe tobacco has been taxed similarly to cigarettes since 2022 and the package quantity has been limited to 25 g since July 2022 only in Germany, the industry is fighting for its existence in Germany. In the previous year, the quantity is likely to have been significantly higher. For tobacco heaters - with only two suppliers on

the German market - there are no published sales figures from the Federal Statistical Office for competitive reasons.

Since July 2022, nicotine-containing and nicotine-free liquids for e-cigarettes have been taxed at 0.16 euros/ml for the first time in Germany. The amount that has been taxed is 266 018 liters, which corresponds to a tax value of 42.6 million euros. The next tax increase for e-cigarettes is not due until 2024. No statements can yet be made about tax-induced evasion from consumers of liquids.

Effects of the tax increases will only be visible when the untaxed old stocks in the market may no longer be sold as of February 13. By 2026, the Federal Ministry of Finance expects e-cigarettes to generate revenues of 1 billion euros. "That doesn't seem very realistic to me," says Jan Mücke, "especially since the revenue forecast for all taxable products was already revised significantly downward in the first year after the tax increase."

According to the BMF monthly report of January 2023, the total cash tobacco tax revenues of the federal government in 2022 amounted to 14,229 million euros, which is 3.4% less than the previous year with 14,733 million euros in tobacco tax revenues - despite the tax increase.

Attachment: BVTE Graphic quantity of cigarettes taxed 2012-2022.

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