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Covid-19 impact: Cigarette sales may see steepest decline in 20 years

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The last steepest decline the sector had witnessed was in 2015 when sales volume contracted by 8.2 per cent at 88.1 billion sticks – a 15-year low then

Cigarette sales volumes may fall by 10 per cent this year owing to a rise in taxes and the ongoing slowdown hitting manufacturing and sales directly, according to market research firm Euromonitor International. If this happens, it would be the steepest decline in sales in the last two decades.

“The current situation, in conjunction with the rise in the National Calamity Contingent Duty (NCCD) at the beginning of 2020, will have a negative impact of close to 10 per cent on cigarette volumes during 2020 overall”, Euromonitor International said.

The sector witnessed the last steepest decline in 2015 when sales volume contracted by 8.2 per cent to 88.1 billion sticks – a 15-year low then. Thereafter, the decline was less steep.

Data sourced from Euromonitor revealed that during 2016, the decline was 3.6 per cent at 84.9 billion sticks, while in 2017, cigarette volumes fell by 4.2 per cent at 81.3 billion sticks, but recovered by 1.5 per cent in 2018 at 82.5 billion sticks. Last year, sales volume fell by a per cent to 81.7 billion sticks.

Given this trend, a 10 per cent fall in sales volume will be huge for the sector.

“Although there is no data available right now, it is a serious concern which can impact sales volume. There is currently a high demand in the market, but as things ease, the demand might ease”, an industry official said.

In a report titled The Impact of Coronavirus on Tobacco, Euromonitor noted that some consumers may increase their consumption during periods of economic distress.

However, “post Covid-19, the tobacco industry will be confronted with consumers who, on an average, will be more conscious of their health, inhabit public spaces less frequently, consider their interactions with others more carefully, scrutinise the value of their consumption more zealously and (perhaps most of all) be looking for a way to escape doing all of the above,” the market researcher noted.

“Under the government guidelines, the ceased distribution and retail sales of tobacco is negatively impacting the bottom line,” Euromonitor said.

During the 9 months ended December 31, 2019, ITC posted a 6.31 per cent rise in its income from cigarettes, at Rs 17,928.69 crore, while profit from cigarette sales rose by 7.59 per cent to Rs 12,188.58 crore.

Source: https://www.business-standard.com/article/economy-policy/covid-19-impact-cigarette-sales-may-see-steepest-decline-in-20-years-120042600427_1.html