Title:

The Price Impacts of the Introduction of South Africa’s Tax on Sugar-Sweetened Beverages

Background:

In response to a severe and growing burden of obesity and diet-related disease, South Africa, as of April 2018, has joined a number of LMIC countries in introducing an excise tax on sugar-sweetened beverages (SSBs). SSBs are linked to the onset of obesity, diabetes, and other metabolic conditions. The primary pathway through which SSB taxes are hypothesized to incentivize decreased SSB intake is through increased retail SSB prices consumers face with a tax in place.

Aims:

This study aims to estimate the impact of the introduction of South Africa’s tax on the retail prices of taxed and un-taxed soft drinks.

Methods:

This study draws on non-alcoholic beverage price data collected by South Africa’s national statistical agency on a monthly basis from January 2016 through July 2018 from a panel of retail outlets in urban areas of South Africa (N=36,231). All prices are in South African Rands (ZAR) per litre and are deflated to 2016 ZAR using the consumer price index to account for inflation. A pre-post regression strategy is adopted that includes province- and time-period fixed effects, with regressions estimated separately by beverage category with real prices as the outcome of interest.

Findings:

Among taxed beverages we find an average increase in price of 0.97 (0.59 – 1.36) ZAR per litre on carbonated beverages and 2.70 (0.49 – 4.92) ZAR per litre on liquid concentrates. Whilst among untaxed beverages, we see no statistically significant change in price on bottled water (-0.66 – 0.24) and 100% fruit juices (-0.22 – 2.12) post the introduction of the tax.

Conclusion:

South Africa’s recently introduced tax on sugar-sweetened beverages resulted in an increase in the prices of taxed beverages, while untaxed beverage prices’ did not change in a statistically significant sense. This is increase in the price of SSBs and increase in the price of SSBs relative to healthier options could incentivize healthier beverage consumption and reduced beverage-sugar intake.