

Impact of Saudi Arabia's Sugary Drink Tax on Prices and Purchases (P10-066-19)

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Objectives: Consumption of sugar-sweetened beverages (SSBs) has been associated with weight gain and an increased risk of type 2 diabetes and cardiovascular disease. Use of governmental policies, such as taxation, to reduce SSB consumption, has been successful in a number of global settings. However, the impact of such tax has not been examined in Arab Gulf countries where prevalence of obesity is high, and a unified excise tax was adopted in 2016. This tax increased the price of soda and energy drinks by 50% and 100% respectively, making it the largest beverage tax to date. Saudi Arabia was the first of the six Arab Gulf countries to implement these taxes in June 2017, followed by the United Arab Emirates, Bahrain, Oman, and Qatar. Saudi Arabia additionally added a 5% value added tax (VAT) to their beverage tax in 2018. We describe the impact of these excise taxes by examining price changes and purchases of taxed beverages pre-post taxation in Saudi Arabia

Methods: This is an observational study of a natural experiment with a pre-post design. The Saudi General Authority for Statistics' national-level monthly survey of average prices for soda from 2009–2018 was used to describe the changes in the prices of the taxed beverage before and after the tax's implementation. The 2004–2018 Euromonitor annual volume sales data for Saudi Arabia was used to describe the changes in soda and energy drink sales.

Results: Post beverage and VAT implementation, annual purchases (volume per capita) of soda and energy drinks were reduced by 41% and 58%, respectively in 2018 compared to 2016. During the same time period, soda prices increased by 67% compared to the announced 55% tax rate (price per can from 1.5 to 2.5 Saudi Riyals). Prior to the implementation of excise taxes, soda prices have been consistent in Saudi Arabia, except for one price increase by manufacturers in 2010 (Figure 1).

Conclusions: These results highlight the substantial impact of excise taxation on the reduction of soda and energy drink sales in Saudi Arabia and contribute to the growing body of global evidence on the effects of SSB taxation on consumption, especially in other Arab Gulf countries that have implemented a similar tax structure.

Funding Sources: Reem Alsukait is a doctoral student supported by King Saud University, Saudi Arabia.

Supporting Tables, Images and/or Graphs:

