PRICE ELASTICITY OF ALCOHOL DEMAND: AN ANALYSIS USING THE AUSTRALIAN ALCOHOL CONSUMPTION AND PURCHASING SURVEY 2013

Jiang H[1,2], Livingston M[1,3], Room R[1,4,5], Callinan S[1,2]

[1] Centre for Alcohol Policy Research, Turning Point, Melbourne, Victoria, Australia,
[2] Eastern Health Clinical School, Monash University, Melbourne, Victoria, Australia
[3] Drug Policy Modelling Program, National Drug and Alcohol Research Centre, The University of New South Wales, Sydney, New South Wales, Australia
[4] School of Population and Global Health, University of Melbourne, Melbourne, Victoria, Australia,
[5] Centre for Social Research on Alcohol and Drugs, Stockholm University, Stockholm, Sweden.

Introduction and Aims: Without understanding the price elasticity of demand, alcohol price based interventions or policies will not be formulated and appraised accurately. This study aims to estimate how changes in alcohol prices affect alcohol demand across different beverages, sectors, drinker types and income levels.

Design and Methods: Tobit analysis is employed to estimate own and cross-price elasticities of alcohol demand among 11 subcategories of beverage in both expenditure share and volume of purchased demand systems using data from the Australian Alcohol Consumption and Purchasing Survey 2013.

Results: The results of Tobit models suggest that demand for nearly all subcategories significantly responds to its own price change, except for mid-strength beer and Ready to Drink spirits (alcopops) in on-premise settings. Demand for on-premise beer and bottle wine are both significantly and negatively affected by the price of off-premise beer and off-premise bottled wine. Also, the demand for off-premise regular beer and off-premise cask wine were more strongly affected by price than other beverages. The price elasticities analyses also suggested that harmful drinkers and lower income groups were more price responsive than moderate drinkers and higher income groups.

Discussion and Conclusions: Our findings suggest that alcohol price policies, such as increasing alcohol taxes, introducing a minimum unit price or banning price-based alcohol promotions, can reduce alcohol demand. Price appears to be particularly effective for reducing consumption among harmful drinkers and lower income drinkers, which means price policies are likely to be effective at reducing alcohol-related harms as well as consumption.