

Tobacco: Quarterly Statement Q4 2020

December 2020

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Scope

Euromonitor International and COVID-19: forecasts and analysis Tobacco COVID-19 data and reporting timeline Key findings

DRIVERS

Drivers of tobacco market performance through COVID-19 The full economic impact of the pandemic may yet to be felt COVID will amplify consumer price sensitivity and downtrading Regulatory interference distorted markets throughout 2020 In the medium term, taxation will increase pressure COVID-19 alters near term use of time and space, in favour of cigarettes Travel restrictions return volumes to legal domestic markets Regulatory scrutiny had weakened e-vapour pre-COVID-19 Future prospects for vapour remain uncertain

ECONOMIC OUTLOOK

Summer was more optimistic, but the pandemic starts the second wave In our baseline view, economies start rebounding in 2021 Three scenarios examining the impact of a more severe outbreak Our view in short Forecast real GDP growth in 2020 under different scenarios

Q4 TOBACCO UPDATE

Prospects for cigarettes weakened in 2020 US: red letter year for the cigarettes category Russia: no end in sight for cigarette declines South Africa: a live experiment in tobacco prohibition Indonesia: excise increase and pandemic response sink cigarettes South Korea: more private time and vapour doubts fuel cigarettes

OPPORTUNITIES AND CONCLUSION

What this means for tobacco and CPG company strategy post-COVID-19 The rising appeal of tobacco-derived nicotine pouches The new world of benefit territories will impinge on tobacco The rise and rise of legal cannabis offers an alternative avenue

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