

Policy Brief

IMPOVERISHING EFFECT OF TOBACCO USE IN MONTENEGRO

BACKGROUND INFORMATION

In Montenegro, poverty remains a significant challenge, with 20.1 percent of the population and 27.3 percent of children at risk of poverty in 2023. The issue is particularly severe in rural areas, especially in the Northern region, where more than one-third of residents live below the poverty line. At the same time, Montenegro has one of the highest smoking rates in Europe, with 38 percent of adults using tobacco products. The economic burden of tobacco use is substantial, costing the country an estimated €307 million annually—equivalent to 7.3 percent of gross domestic product (GDP)—including health care expenditures, productivity losses, and premature deaths. The financial burden of smoking disproportionately affects low-income households, where tobacco expenditures account for approximately 5.6 percent of household budgets, limiting resources for essential needs such as food, health care, and education.

Given the widespread prevalence of smoking and its significant economic impact, this study examines how tobacco expenditures contribute to the worsening poverty in Montenegro. Specifically, it quantifies the number of individuals pushed into secondary poverty—households that, despite earning above the poverty threshold, experience severe financial pressure due to high tobacco spending. Additionally, the study measures the widening poverty gap, highlighting the increasing disparity between the incomes of impoverished groups and the national poverty line.

KEY FINDINGS

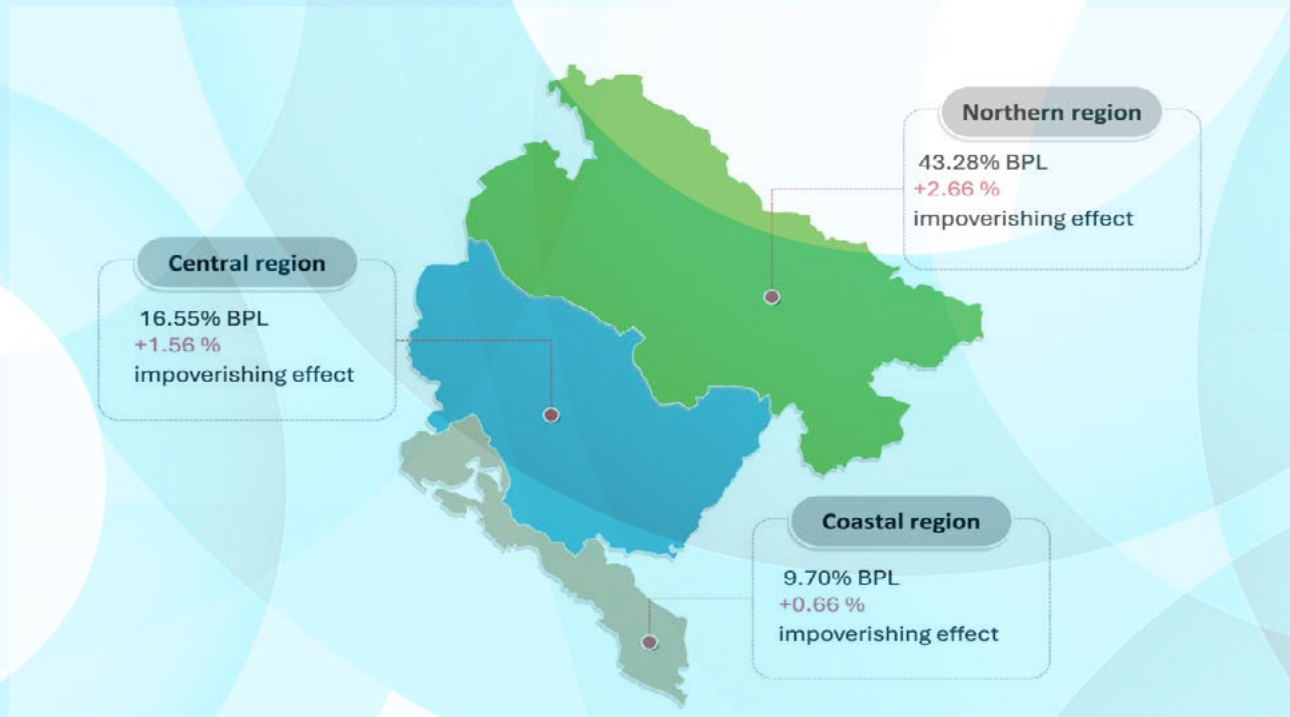
1. Tobacco use increases both the incidence and depth of poverty in Montenegro, pushing more than 10,000 individuals below the poverty line.

Spending on tobacco alone raises the national poverty rate by **1.01 percent**, and when health care costs are included, the total increase reaches **1.62 percent**. Children are particularly affected, with one in five individuals impoverished due to tobacco use being a child.

2. The Northern region experiences the most significant impact of tobacco use, with poverty increasing by 2.66 percentage points due to tobacco expenditures and health care costs, compared to 1.56 percentage points in the Central region and 0.66 in the Coastal (South) region, worsening existing regional economic inequalities.

Montenegro's Northern region already has the highest share of people below the poverty line (BPL), and tobacco-related expenses further intensify economic disparities. Households in the North spend a larger portion of their income on smoking compared to those in other regions, which deepens financial strain.

Figure 1. Tobacco use effect on the share of population BPL by regions



Source: Authors' calculations based on Household Budget Survey (HBS) data for Montenegro for 2021.

* BPL stands for the population below the poverty line.

3. Among low-income households, those just above the poverty line are hit the hardest— tobacco spending increases their risk of falling into poverty from 7.15 percent to 16.13 percent, leaving them financially vulnerable.

Tobacco expenditures significantly reduce disposable income for individuals earning just above the official poverty threshold. The second income quintile, which includes those with incomes ranging from 20 percent to 40 percent of the overall population income distribution, experiences the greatest impoverishing effects of tobacco use. Individuals who might otherwise remain above the poverty line face a heightened risk of financial distress.

Table 1. Impoverishing effect of tobacco in the second income quintile

	All	Center	South	North
Population BPL* (%)	7.15	6.56	11.07	6.69
Poverty gap (%)	0.07	0.07	0.05	0.06
The combined effect of tobacco expenditure and medical costs attributable to tobacco				
Population BPL (%)	16.13	16.36	15.14	17.93
Poverty gap (%)	0.43	0.44	0.08	0.56
Impoverishing effect (%)	8.98	9.80	4.07	11.24
Changes in the poverty gap (%)	0.36	0.37	0.03	0.50

Source: Authors' calculations based on HBS data for 2021

* BPL stands for the population below the poverty line.

4. Tobacco spending pushes the poorest households even deeper into poverty.

Among households in the lowest income quintile, tobacco use worsens their already fragile economic position by widening the poverty gap by **1.53 percent**. This is a particularly serious concern in the Northern region, where the poverty rate is the highest, as tobacco spending further undermines the already weak financial situation of those who are most disadvantaged.

POLICY RECOMMENDATIONS

1. Raise tobacco taxes to reduce poverty.

Raising excise taxes on tobacco is a powerful strategy to reduce smoking and ease financial strain on low-income households due to its progressive impact. Higher prices deter consumption, helping to prevent more individuals from falling into poverty because of tobacco-related expenses. At the same time, tobacco taxation lowers medical costs, improves health outcomes, and increases economic productivity, delivering a triple win for households, the health system, and the economy.

2. Strengthen tobacco control to safeguard low-income groups.

Implementing stricter tobacco control measures, like marketing bans and smoke-free policies, can effectively lower smoking rates, thus easing the economic burden on the poorest households.

3. Increase public awareness about the economic costs of smoking.

Targeted campaigns to motivate quitting, particularly among low-income populations, should stress how tobacco use exacerbates poverty and diverts resources away from essential needs.

4. Expand support for smoking cessation to ease the financial burden of tobacco use.

Offering affordable or free cessation services, such as counseling and nicotine replacement therapy, can assist smokers in quitting and mitigate the impoverishing effects of tobacco use. Additionally, integrating cessation support into primary health care, through frontline providers in local clinics, can make these services more accessible and sustainable than relying solely on specialized cessation centers.

5. Ensure stronger focus on tobacco-related poverty in the Northern region.

The Northern region, where poverty rates are highest and tobacco spending drives the greatest increase in poverty, requires targeted action. Doubling down on programs here, such as tailored public awareness campaigns and expanded access to cessation services, would help reduce regional disparities and ensure that national measures reach those most affected.



CONCLUSION

Tobacco consumption in Montenegro is not only a public health concern—it also presents an economic challenge by deepening poverty and worsening inequality. The evidence from this research highlights the need for policy action, particularly through increased excise taxes and more robust tobacco control measures. By adopting these policies, Montenegro can reduce its high rates of smoking, alleviate smoking's financial burden on low-income households, and promote economic equity.

Acknowledgments: ISEA is funded by the Economics for Health team at Johns Hopkins University to conduct economic research on tobacco taxation in Montenegro. JHU is a partner of the Bloomberg Philanthropies' Initiative to Reduce Tobacco Use. The views expressed in this document cannot be attributed to, nor can they be considered to represent, the views of JHU or Bloomberg Philanthropies.

The authors are grateful for comments from JHU.
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