

ABSTRACT

Thesis Title : The Demand for Cigarettes in Thailand
A Case Study of the Thailand Tobacco Monopoly

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The objective of this research is to study the demand for cigarettes in Thailand, in particular Thailand Tobacco Monopoly. The research is divided into two aspects: an overview of the cigarette industry and an analysis of factors influencing the demand for cigarettes.

The cigarette industry generates income and employment for both agricultural and industrial sectors. The industry is also a source of foreign currency and government revenue. In agriculture, farmers receive income from tobacco leaf plantations. During 1993-1996, tobacco leaf exports accounted for about 0.2 percent of Thailand's total exports. In industry, employment is created through cigarette production, and the government receives revenue through excise tax. During 1987-1996, the amount of tax revenue that the government received from this industry was about 2 percent of total revenue.

From 1986 to 1996, the demand for cigarettes increased steadily at an annual rate of 4 percent. About 95 percent of smokers were male, and most of

them were above 20 years old and had education at or below primary school level. The average market price of cigarettes increased from 7 baht per pack in 1986 to 22 baht per pack in 1996, while its real price remained constant.

Besides the positive impacts of the cigarette industry on employment and government revenue, the negative impacts were also caused by the industry through health damage and productivity decline. Since 1992, the government and private sectors have cooperated and campaigned in order to reduce smoking and increase public awareness about the negative impacts.

The relationship between the demand for cigarettes produced by Thailand's Tobacco Monopoly and factors influencing the demand was analyzed by using the ordinary least squares (OLS) technique. The factors were cigarette price, income, time trend, cigarette demand in the previous year and anti-smoking campaign. The period studied was 20 years from 1977 to 1996. The results show that income was positively and statistically significant in influencing the demand. Although the relationship between the cigarette price and cigarette demand was not statistically significant, it indicated the correct sign, which was negative. Thus, in order to conform with the demand theory, the income and price factors were kept in the model. The forecast of the demand for cigarettes for the 5-year period from 1997 to 2001 show that the demand for cigarettes decreased in 1997, but will increase at the annual rate of 3.4 percent from 1998 to 2001.