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# Impact of the 2008 Budget on the brewing industry?

September 2008

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## 1.1. Introduction

In the 2008 Budget, excise duty on beer was increased by 9.1%. This will add 4 pence to the price of a pint in 2008/9. In subsequent years, it is planned to increase alcohol duty rates by 2 per cent above the rate of inflation. This report investigates the impact the Budget changes on beer sales; excise duty, VAT and other tax receipts; and employment in the brewing and hospitality industries.

The main points are:

- In 2008/9, the increase in duty is estimated to reduce sales of beer by 995,000 barrels compared to the quantity that what would have sold if duty had been frozen at its 2007/8 level (Table 1). Most of the lost sales (698,000 barrels) are from the on-trade. The reduction in sales volume cost 14,610 people their jobs, mostly bar staff. HM Treasury is estimated to gain £51 million in extra tax (duty, VAT and employment) receipts.
- If the impact of the 2008 Budget changes are compared to a duty freeze over the next five years (2008/9 to 2012/13) just over 13,000,000 barrels of sales are lost. The lost sales are split roughly two thirds from the on-trade and one third from the off-trade. Over 43,000 people lose their jobs. Duty, VAT and employment tax receipts are £120 million lower than would have been the case if beer duty had been frozen.
- If the 2008 Budget duty rises are compared to an increase equivalent to the rise in RPI inflation, sales volumes are 646,000 barrels lower (again mainly lost from the on-trade) this financial year. Employment in the brewing, on-trade and off-trade is estimated to be 9,090 people lower. But total tax receipts are estimated to be £34 million higher.
- If the 2008 Budget changes are compared to RPI inflation rises over the next five years (2008/9 to 2012/13), just over 7,000,000 barrels of beer sales are estimated to be lost. This is predicted to cost just under 25,000 jobs. Tax receipts are expected to be £62 million lower.

**Table 1: Fiscal impact of the 2008 Budget**

|                              | Impact of the 2008 Budget compared to a duty freeze in 2008/9 | Impact of the Budget compared to RPI inflation only increase in duty 2008/9 | Cumulative impact of the 2008 Budget compared to a duty freeze between 2008/9 and 2012/13 | Cumulative impact of the 2008 Budget compared to RPI inflation only increases in duty between 2008/9 and 2012/13 |
|------------------------------|---|---|---|--|
| Sales – total (000s barrels) | -995  | -646  | -13,156   | -7,268   |
| Employment (people)          | -14,610   | -9,090  | -43,350   | -24,800  |
| Total tax gain (£ million)   | +51   | +34   | -120  | -62  |

Source: Oxford Economics

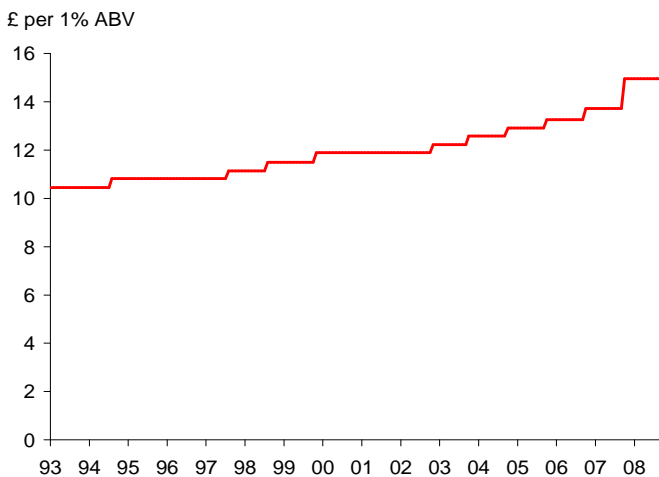
- HMRC predict the 2008 Budget changes will raise £160 million in 2008/9 and £600 million between 2008/9 to 2010/11 in duty and VAT in real terms. We predict the changes will lose £174 million this year and £639 million, respectively.

## 1.2. What impact will the 2008 Budget duty rises have on beer prices?

In the 2008 Budget, Alastair Darling announced that duty rates on beer (and all other alcoholic drinks) would increase by 9.1% on 17 March 2008. This equates to a £1.24 rise per hectolitre per 1% alcohol by volume (ABV). This is the largest increase in duty on beer (Chart 1), since the early 1990s (when the current duty system was established).

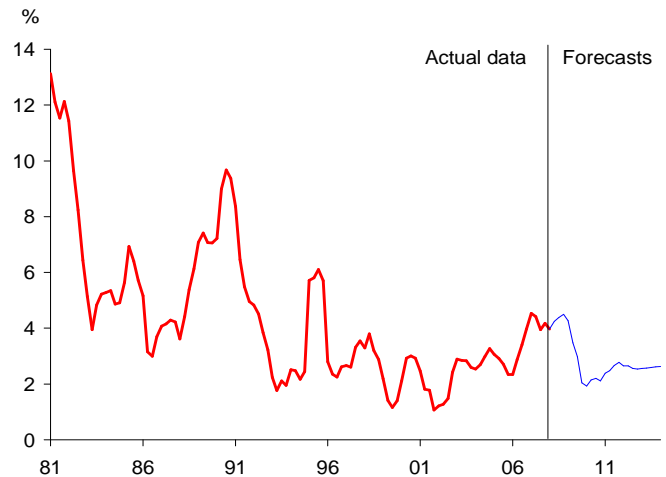
The Chancellor also announced he planned to increase alcohol duty rates by 2 per cent above the rate of inflation in subsequent years. Clearly, future rates of inflation are unknown at the present, but we can get an idea of what they are likely to be by using the latest economic forecasts. Oxford Economics UK macromodel forecasts the retail price index (RPI) will increase by 2.5% in the year to 2009Q3 (September is the month used for upgrading Budget forecasts). Thereafter, the annual rate of RPI inflation is predicted to fall within the range of 2.2% to 2.6% at each September over the next five year (Chart 2).

**Chart 1: Duty rates on beer**



Source : HMRC

**Chart 2: Annual retail price inflation**



Source : ONS and Oxford Economics

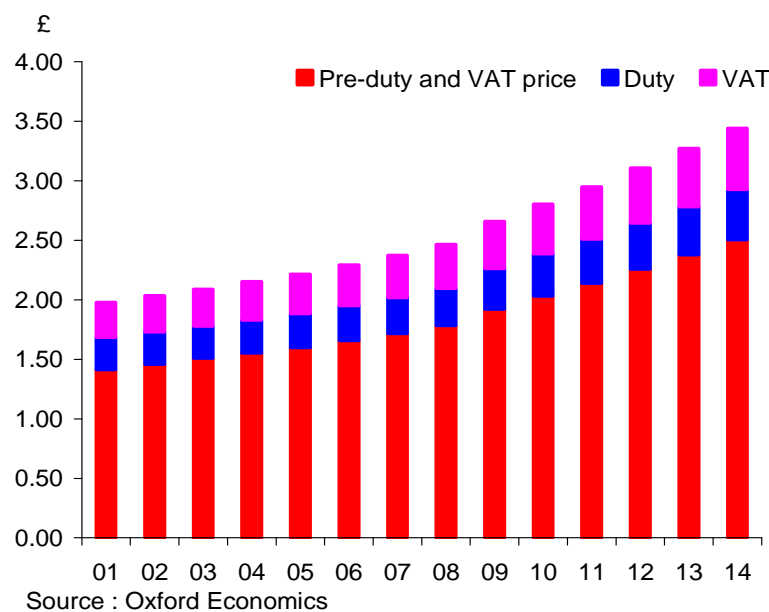
In what follows therefore, we have assumed inflation increases by 2% a year above Oxford Economics' forecasts for RPI inflation in September of each year. This means that alcohol duty rate increases by 4.5% in 2009/10. This equates to an increase of 67 pence per 1% by volume to £15.63 per hectolitre.

Chart 3 shows the price of a pint of beer in the on-trade. The figures up to 2008Q1 are calculated by using data from Nielsen on the actual price at 2008Q1 (£2.48 per pint). This point estimate is turned into a time series by applying the change in the retail price index (RPI) price of beer in the on-trade relative to 2008Q1. The pre-duty and VAT price are calculated by subtracting VAT (at 17.5%) and excise duty from the on-trade price. The forecast is generated by assuming pre-VAT and duty prices increase at their average rate over the last few years (up 3.5%), VAT remains constant at 17.5% and duty increases at the rates announced in the 2008 Budget if inflation follows Oxford Economics forecasts for the RPI in future years.

Using the results of past research by Oxford Economics, we assume duty pass through is 3.5 times.<sup>1</sup>

As at 3 September 2008, RPI data have been released up to July 2008. This shows us the initial response of the on-trade price of beer to the changes in excise duty on 17 March 2008. In April, the RPI price of on-trade beer rose by 2.2%. It rose a further 0.2% in May, 0.2% in June and 0.1% in July. This suggests the duty pass through to pub prices is hitherto incomplete, compared to the 9.1% rise in excise duty.

**Chart 3: Average price of a pint of beer in the on-trade**



In the fiscal year April 2007 to March 2008, the average price of a pint of beer was £2.46. In 2008/9, it is predicted to rise to £2.66. This is an increase of 19 pence (or 8%). Of this, 4 pence is due to the rise in excise duty alone. In 2009/10, the average price of a pint of beer is expected to increase by a further 14 pence to stand at £2.80. This compares to a 1.7 pence contribution from the increase in duty alone.

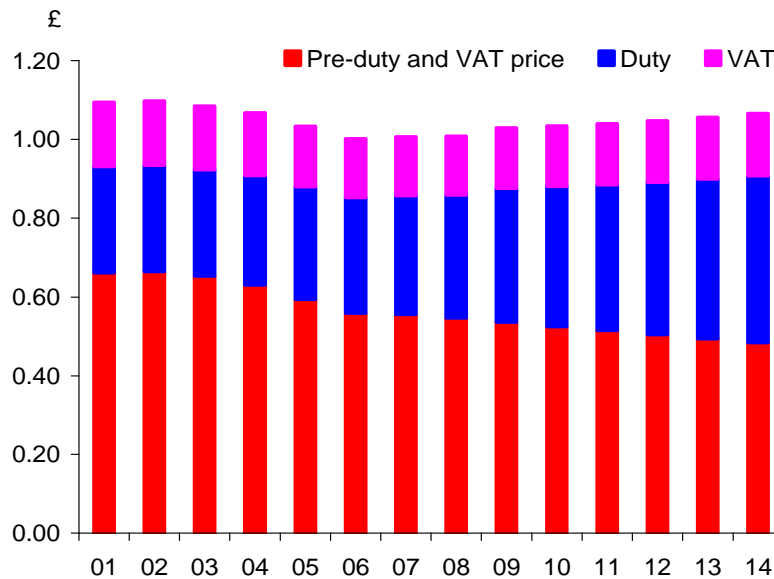
The immediate response of the RPI price series for beer in the off-trade to the Budget 2008 change in excise duty was more significant than its on-trade counterpart. Following the 9.1% rise in duty on the 17 March, off-trade prices rose by 4.4% in April and a further 0.7% in May. But it has subsequently fallen back 0.8% in June and a further 2.2% in July.

In contrast to the on-trade, the average price of beer in the off-trade has fallen slightly in recent years (Chart 4). In the fiscal year 2001/2 it stood at £1.10 per pint. In 2007/8, it was down to £1.01. The decrease in the price the consumer pays has been underpinned by a fall in the pre-VAT and duty price. We assume this will continue at a 2% decrease a year in the forecast (the average rate over the last few years). In 2008/9, the average price of beer in the off-trade is forecast to be £1.03, up 2 pence from the previous year. This is only half of the 4 pence rise in duty from the 2008 Budget change (implying some

<sup>1</sup> Oxford Economics (2004), 'Modelling the beer market: Final Report', December.

loss of margin for retailers or their supply chain if they are able to pass it on). Thereafter, the price the customer pays is expected to rise slightly, increasing by just 4 pence over the next five years. With the duty rises announced in the 2008 Budget - 2 per cent on top of inflation – this implies further margin loss for off-trade retailers or their supply chain.

**Chart 4: Average price of a pint of beer in the off-trade**



Source : Oxford Economics

### 1.3. What are the implications of these price trends for the brewing industry?

#### (a) Beer sales

We can use the forecasts for duty rates (based on the Oxford Economics’ predictions for RPI inflation) and prices to explore the potential impact of the Budget on the brewing industry. To do this, we begin by using the equations that underpin the Beer Monitor framework.<sup>2</sup> These produce forecasts for beer production and duty revenue.

As a brief recap, the Beer Monitor rests on two demand equations. The on-trade demand equation explains movements in the BBPA on-trade beer sales volume figures as being a function of the real<sup>3</sup> price of on-trade beer, the real price of two substitute drinks (wine and spirits), the sterling price of French beer (as a proxy for personal imports from the Continent) and total consumption. After the introduction of the Single European Market, on-trade beer is estimated to be price sensitive: for every 1% rise in the real price

<sup>2</sup> These are explained in Oxford Economics (2004) paper.

<sup>3</sup> The real price of on-trade beer is the price index for on-trade beer divided the general price index for consumer spending. The real price of on-trade spirits and wine are calculated analogously.

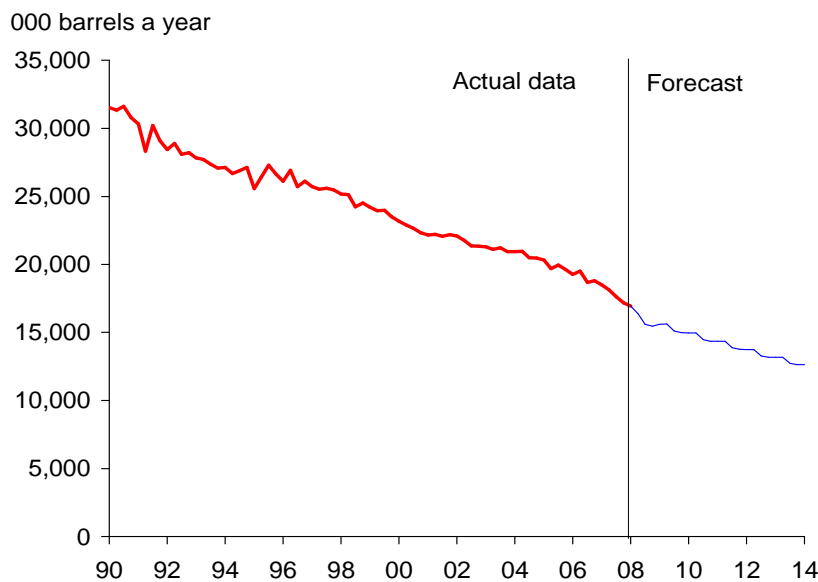
of beer, the volume of beer demanded falls by 1.5%.

The off-trade demand equation explains movements in the BBPA off-trade sales volume figures as a function of the real price of off-trade beer, the real sterling price of French beer, total consumption and a number of World Cup and other dummies. Off-trade beer is found to be less price sensitive than on-trade: for every 1% rise in the real price of off-trade beer, the volume demanded falls 1%.

To produce the Beer Monitor forecasts the coefficients from the two equations are combined with forecasts of the variables taken from Oxford Economics' UK macro-model to produce a forecast for on-trade and off-trade beer sales volume. These quantities are multiplied by future duty rates to produce a forecast of HMRC's excise revenue from beer.

Chart 5 and Table 2 show the predicted volume of beer sold in the on-trade following the 2008 Budget changes to excise duty. On-trade volumes are predicted to fall 9.8% in 2008/9 (or 1,709,000 barrels).<sup>4</sup> Thereafter, the rate of decline slows to between 3.8% and 4.3% a year. Overall, Chart 5 suggests that on-trade beer will return to near trend rates of decline after the acceleration caused by the smoking ban from July 2007 and 2008 Budget excise duty rises.

**Chart 5: Beer sales volume in the on-trade under the 2008 Budget changes (seasonally adjusted)**



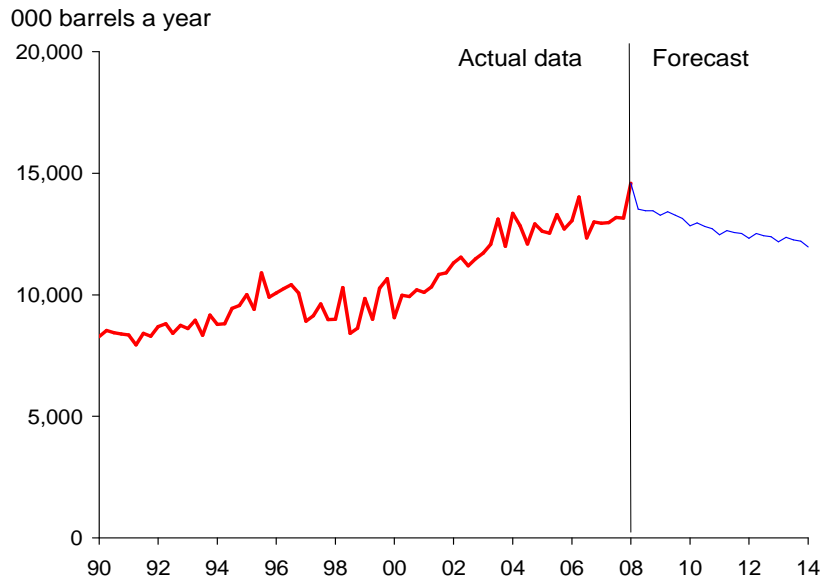
Source : BBPA and Oxford Economics

The forecast for the off-trade is slightly more dramatic in that it suggests volumes sold will decline marginally after increasing steadily for many years. In 2008/9, volumes are expected to fall by 0.3% (or

<sup>4</sup> This includes a 3.5% fall in 2008Q2 (April to June) on top of that predicted by the model in 2008Q2 reflecting the impact of the smoking ban.

43,000 barrels).<sup>5</sup> Thereafter, off-trade sales are predicted to decline by an average of 1.9% over the next five years (Chart 6).

**Chart 6: Beer sales volume in the off-trade under the 2008 Budget changes (seasonally adjusted)**

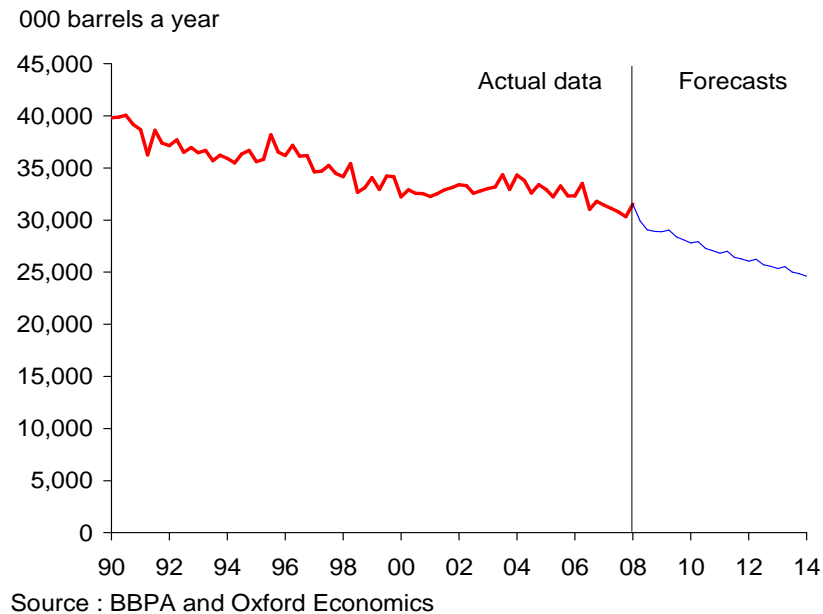


Source : BBPA and Oxford Economics

Adding the forecasts for on-trade and off-trade sales together suggests the total volume of beer sold in the UK will continue to decline (Chart 7). Unsurprisingly, the rate of decline is sharpest in 2008/9 at 5.7%. In the following five years when duty is predicted to increase by 2% above inflation, sales contract by an average of 3.0%, between a range of 2.7% and 3.7% a year.

To investigate the impact of the 2008 Budget changes, we have compared the sales volume predicted under the existing plans to a duty freeze and inflation only rises in duty. Inflation only rises equate to increasing duty on beer by our UK macroeconomic model's prediction for RPI inflation in September each year. The difference between the three policies are shown in Tables 2 and 3. Compared to a duty freeze, the 2008 Budget policy contributes to a 995,000 barrel loss in total sales in 2008/9. Compared to an RPI only increase, the 2008 Budget contributes to a 646,000 barrel loss in 2008/9.

<sup>5</sup> This includes a 2% rise in 2008Q2 (April to June) on top of that predicted by the model in 2008Q2 reflecting the impact of the smoking ban.

**Chart 7: Total beer sales volume under the 2008 Budget changes (seasonally adjusted)****(b) Excise revenue and VAT receipts**

The excise revenue HMRC receives is a function of sales volume and the level of excise duty. The impact of the 2008 Budget rise in excise duty is just sufficient to outweigh the impact of the price rises on demand. As a consequence excise duty is projected to rise by £35 million (or 1.1%) to £3,102 million in 2008/9 (Chart 7 and Table 2). HM Treasury's 2008 Budget forecast predicts beer and cider duties will raise £3,400 million. HMRC latest Beer and Cider Bulletin<sup>6</sup> showed beer receipts constituted 93.3% of combined excise revenue in 2007/8. If this percentage is maintained (and it appears fairly static over time), HM Treasury's Budget forecast implies beer excise duty will raise £3,172 million. Our forecast is £75 million below the Treasury's for beer receipts. Given the greater price sensitivity of our demand equation for beer in the on-trade (1.5 versus 0.5), our forecast being lower than HM Treasury's is to be expected in response to the rise in duty.

<sup>6</sup> HMRC (2008), 'Beer and cider bulletin', April.

**Table 2: Forecasts of beer sales volumes and excise revenue under the 2008 Budget changes, and alternatives of no change in duty and increasing excise duty in line with RPI inflation each year**

|                                       | 06/07  | 07/08  | 08/09f | 09/10f | 10/11f | 11/12f | 12/13f |
|---------------------------------------|--------|--------|--------|--------|--------|--------|--------|
| <b>On-trade sales (000s barrels)</b>  |        |        |        |        |        |        |        |
| Budget 2008                           | 19,334 | 17,903 | 16,193 | 15,599 | 14,970 | 14,366 | 13,772 |
| RPI duty rises                        | 19,334 | 17,903 | 16,645 | 16,408 | 15,957 | 15,511 | 15,057 |
| No change                             | 19,334 | 17,903 | 16,891 | 16,961 | 16,742 | 16,524 | 16,281 |
| <b>Off-trade sales (000s barrels)</b> |        |        |        |        |        |        |        |
| Budget 2008                           | 14,458 | 14,702 | 14,659 | 14,395 | 13,970 | 13,743 | 13,613 |
| RPI duty rises                        | 14,458 | 14,702 | 14,854 | 14,797 | 14,499 | 14,404 | 14,416 |
| No change                             | 14,458 | 14,702 | 14,957 | 15,061 | 14,904 | 14,965 | 15,151 |
| <b>Total sales (000s barrels)</b>     |        |        |        |        |        |        |        |
| Budget 2008                           | 33,792 | 32,592 | 30,839 | 29,980 | 28,927 | 28,096 | 33,792 |
| RPI duty rises                        | 33,792 | 32,592 | 31,486 | 31,192 | 30,443 | 29,902 | 33,792 |
| No change                             | 33,792 | 32,592 | 31,834 | 32,009 | 31,633 | 31,476 | 33,792 |
| <b>Duty (£ million)</b>               |        |        |        |        |        |        |        |
| Budget 2008                           | 3,072  | 3,067  | 3,102  | 3,120  | 3,123  | 3,141  | 3,161  |
| RPI duty rises                        | 3,072  | 3,067  | 3,056  | 3,073  | 3,067  | 3,074  | 3,083  |
| No change                             | 3,072  | 3,067  | 3,032  | 3,037  | 3,020  | 3,010  | 3,005  |
| <b>VAT (£ million)</b>                |        |        |        |        |        |        |        |
| Budget 2008                           | 2,484  | 2,428  | 2,390  | 2,408  | 2,407  | 2,419  | 2,432  |
| RPI duty rises                        | 2,484  | 2,428  | 2,384  | 2,432  | 2,441  | 2,462  | 2,484  |
| No change                             | 2,484  | 2,428  | 2,381  | 2,443  | 2,464  | 2,495  | 2,528  |

Source: BBPA, HMRC and Oxford Economics

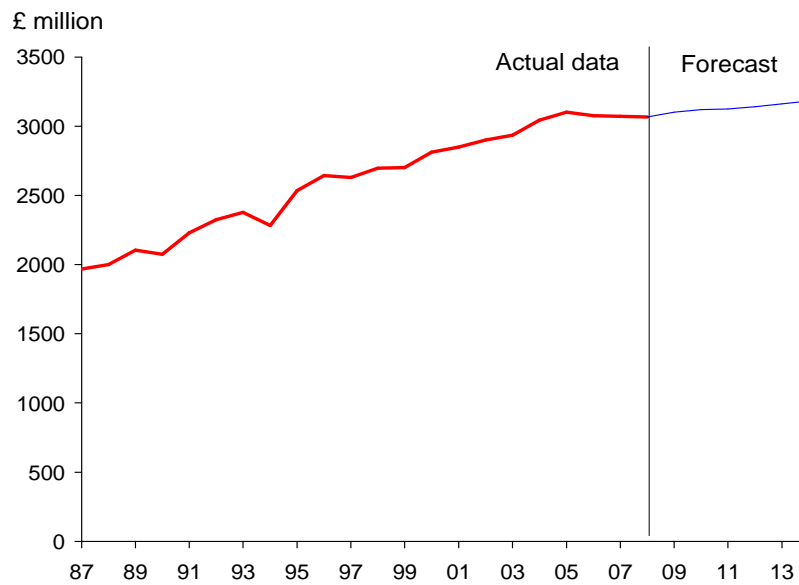
**Table 3: Difference from fixing excise duties at 2007/8 levels**

|                                       |   |   |      |        |        |        |        |
|---------------------------------------|---|---|------|--------|--------|--------|--------|
| <b>On-trade sales (000s barrels)</b>  |   |   |      |        |        |        |        |
| Budget 2008                           | 0 | 0 | -698 | -1,363 | -1,772 | -2,158 | -2,509 |
| RPI duty rises                        | 0 | 0 | -245 | -553   | -786   | -1,013 | -1,224 |
| <b>Off-trade sales (000s barrels)</b> |   |   |      |        |        |        |        |
| Budget 2008                           | 0 | 0 | -297 | -666   | -934   | -1,222 | -1,538 |
| RPI duty rises                        | 0 | 0 | -103 | -263   | -404   | -561   | -735   |
| <b>Total sales (000s barrels)</b>     |   |   |      |        |        |        |        |
| Budget 2008                           | 0 | 0 | -995 | -2,028 | -2,706 | -3,380 | -4,047 |
| RPI duty rises                        | 0 | 0 | -349 | -816   | -1,190 | -1,574 | -1,959 |
| <b>Duty (£ million)</b>               |   |   |      |        |        |        |        |
| Budget 2008                           | 0 | 0 | 70   | 83     | 104    | 131    | 157    |
| RPI duty rises                        | 0 | 0 | 24   | 37     | 48     | 64     | 78     |
| <b>VAT (£ million)</b>                |   |   |      |        |        |        |        |
| Budget 2008                           | 0 | 0 | 9    | -36    | -57    | -75    | -96    |
| RPI duty rises                        | 0 | 0 | 3    | -11    | -23    | -33    | -44    |

Source: BBPA, HMRC and Oxford Economics

In the five fiscal years following 2008/9, excise receipts from beer are projected to rise by an average of £16 million or 0.5% a year (Chart 8). As a result, excise receipts are projected to stand £94 million higher in 2012/13 than in 2007/8 when we have actual data (Table 2).

**Chart 8: Excise revenues from beer**



Source : HMRC and Oxford Economics

If the announcements over beer duty policy in 2008 are compared to the receipts earned from increasing beer duty rates by the inflation rate each year, the policy raises £46 million in 2008/9. By 2012/13, 2008 Budget receipts are projected to be £78 million higher than under the policy of inflation only rises in duty. If comparison is drawn with a hypothetical policy of holding duty rates constant, the 2008 Budget changes are estimated to earn an additional £70 million in 2008/9 and £157 million by the 2112/3.

The 2008 Budget rises are predicted to have an adverse impact on VAT receipts in 2008/9 (falling £38 million). This reflects the larger amount of VAT paid on a pint in the on-trade (39 pence in 2008/9) relative to the off-trade (15 pence). VAT receipts therefore respond negative to the 9.8% decline in on-trade sales volume which just offsets the 7.8% rise in on-trade prices. As a consequence, the BBPA/Oxford Economics model predicts excise duty and VAT receipts will fall marginally (£3 million in 2008/9) This compares to HMRC's forecast of £160 million in real terms (Table 4). Our model only predicts a combined duty and VAT rise of £35 million over the next three years. This is a £635 million loss in real terms relative to HMRC's forecasts of a £600 million gain in real terms.

**Table 4: Oxford Economics and HMRC predictions for the impact of the combined duty and VAT rises in the 2008 Budget (£ million)**

|                           | 2008/9 | 2008/9 to 2010/11 |
|---------------------------|--------|-------------------|
| Oxford Economics' nominal | -3     | +35               |
| Oxford Economics' real    | -174   | -639              |
| HMRC real                 | +160   | +600              |

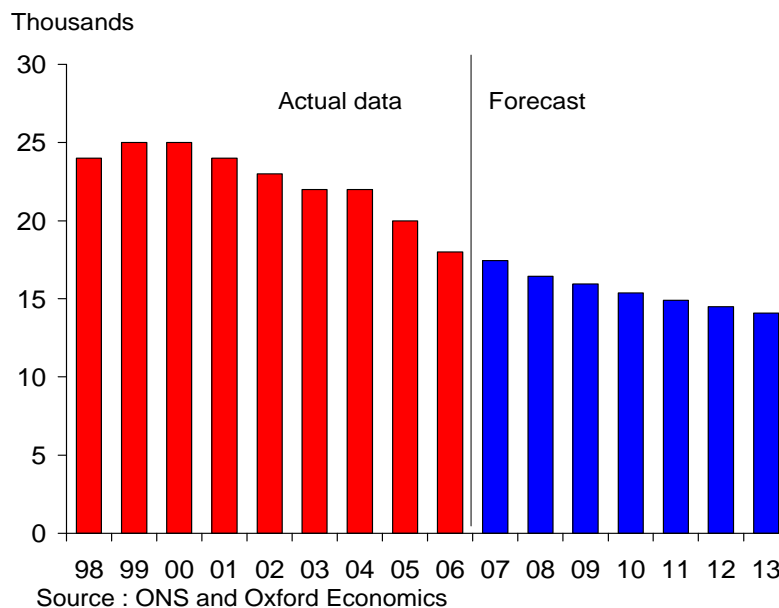
Source: Oxford Economics

**(c) Employment**

Office of National Statistics (ONS) data on employment in the brewing industry are unsatisfactory. The data collected for the Annual Business Inquiry are annual and are currently published between 1998 and 2006. It therefore does not have a particularly long run, nor is it particularly timely. The alternative is to use the quarterly Labour Force Survey data. Unfortunately, this is based on a small survey of households and therefore is very volatile. Neither dataset is very amenable to regression analysis.

To form a forecast of employment in the brewing industry, we have assumed that brewery worker's productivity is constant over time. We use this productivity assumption to form a forecast on the basis of the total beer sales volume predictions. On this basis, it shows employment in the brewing industry is expected to decline by 990 in 2008/9 (Chart 10). In subsequent years, labour shedding is expected to be smaller, with forecast job losses averaging just under 490 a year.

**Chart 10: Employment in brewing**



By using the output forecasts under the RPI inflation only rise scenario and duty freeze scenarios and the constant productivity assumption we can investigate the impact of the 2008 Budget on jobs in the brewing sector. The 2008 Budget duty regime is estimated to lower employment at brewers by 360 people in 2008/9 relative to an RPI only rise and 560 relative to a duty freeze. Over the next five years, the 2008 Budget duty rises decrease employment at brewers by an average of 240 a year relative to RPI only increases and 460 for a duty freeze.

The ONS collect data on average earnings in their Annual Survey of Hours and Earnings (ASHE). This suggests the average gross salary of someone working in the brewing industry in 2007 was £32,020. Scaling that up by 4.7% for the average growth in earnings in the year to 2008Q1 suggests brewery workers will earn an average of £33,540 in 2008. Under 2008/9 tax rates, they lose £5,620 in income tax and £3,090 in employee National Insurance Contributions (NIC) and £4,020 in employer's National Insurance Contributions. The loss of 990 jobs in the brewing industry in 2008/9 will therefore cost HM Treasury £5.6 million in lost income tax and £7.0 million in total NIC payments this financial year. Relative to the inflation only rise in 2008/9 and a hypothetical duty freeze, the 2008 Budget increase will cost HM Treasury £4.6 million and £7.1 million in lost tax and NIC receipts.

The Ernst and Young study on the economic impact of beer and brewing on Europe argues on-trade sales of beer supported 374,000 jobs in the hospitality sector (pubs, clubs, hotels and restaurants) in the UK in 2004.<sup>7</sup> Assuming these employees' productivity remains the same (namely, each person serves a constant amount of beer over time) the forecast reduction in on-trade beer sales in 2008/9 should cause a loss of 31,100 jobs. In the following five years, an average of 10,760 jobs are lost each year as a result of lower beer sales. This calculation assumes there is no switching to serving other drinks or foods. Comparing the 2008 Budget increases with the two hypothetical alternatives of RPI only increases or a duty freeze, suggests the Budget changes cost 8,230 jobs or 12,690 respectively this financial year (2008/9). The 2008 Budget costs an average of 3,490 and 7,740 respectively a year over the next five years.

In the 2007 ASHE survey, the average gross earnings of those working in bars was £11,170 per year. Scaling that up for earnings growth in 2008, suggests bar staff's average gross salary in 2008/9 was £11,690. Each hospitality job lost as a result of the 2008 Budget changes is liable to cost £1,250 in income tax, £680 in employee NIC payments and £780 in employer NIC payments. The loss of 31,100 jobs serving beer in the on-trade in 2008/9 is likely to have lost HM Treasury £38.9 million in income tax and £45.5 million in employee and employer NIC contributions. Relative to a policy of RPI only duty increases, the 2008 Budget's impact on on-trade employment tax receipts is a loss of £22.3 million in 2008/9. Compared with a duty freeze, the 2008 Budget cost HM Treasury £34.5 million in on-trade employment taxes this year.

Ernst & Young (2006) also argue 21,400 people employed in the retail sector (super markets and off-licenses) owe their jobs to the sale of beer in 2004. The predicted decline in off-sales in 2008/9 is liable to result in 70 job losses. When this is compared to inflation only rises in beer duty, the 2008 Budget is

<sup>7</sup> Ernst & Young (2006), 'The contribution made by beer to the European economy: Employment, value added and tax', January, page 192.

responsible for a loss of 330 jobs in 2008/9. If there had been a duty freeze, off-trade employment would have been 500 people higher than under the 2008 Budget changes.

The ASHE survey for 2007 finds employees working in the retail sale of alcoholic and other beverages sector earned an average gross wage of £10,180 a year. Scaling that up for the growth in average earnings in the year to 2008Q1 suggests they earned £10,660 before deductions. On this salary an individual would lose £1,050 in income tax and £570 in employee NICs and his employer pay £620 in NICs in 2008/9. Multiplying these figures by the projected job losses suggests HM Treasury will lose £0.2 million (both income tax and NICs) in 2008/9 as a result of the loss of off-trade sales. If the Budget 2008 plans are compared to inflationary only rises in duty, the policy costs £0.7 million in foregone income tax and NIC revenues. If compared to a duty freeze, it lowers tax and NIC by £1.1 million.

### **(e) Combined impact of the 2008 Budget on excise and tax revenues**

To summarise, we investigate the total fiscal impact of the 2008 Budget changes in 2008/9 and over the five years 2008/9 to 2012/3 (Table 5). The Budget changes are compared to duty increases of RPI only and a duty freeze. In 2008/9, the Budget changes raise £34 million and £51 million relative to the two hypothetical examples. But the small tax and gains are at the expense of sales of 646,000 barrels of beer and 9,090 jobs relative to a RPI only increase and 995,000 barrels and 14,610 jobs compared to a duty freeze.

Looking at the change in duty receipts over a five year period (2008/9 to 2012/13), the 2008 Budget changes are likely to reduce total fiscal receipts £62 million and £120 million relative to RPI only increases and a duty freeze. These results are however sensitive to what assumption is made about the rate at which people return to work after losing their job – we assume it takes a year. This view is based on the twin expectations that many of the job losses will occur in rural areas where there are fewer alternative sources of employment and the current economic climate does not give rise to much optimism over employment growth. Over the five year period, nearly 7,300,000 barrels of sales are lost and over 25,000 people lose their job relative to an RPI only increase in duty. Compared to a duty freeze over 13,000,000 barrels of sales are predicted to be lost and over 43,000 people lose their jobs.

**Table 5: Fiscal impact of the 2008 Budget**

|   | Impact of the 2008 Budget compared to a duty freeze in 2008/9 | Impact of the Budget compared to RPI inflation only increase in duty 2008/9 | Cumulative impact of the 2008 Budget compared to a duty freeze between 2008/9 and 2012/13 | Cumulative impact of the 2008 Budget compared to RPI inflation only increases in duty between 2008/9 and 2012/13 |
|---|---|---|---|--|
| Sales – on-trade (000s barrels)           | -698  | -452  | -8,499  | -4,677   |
| Sales – off-trade (000s barrels)          | -297  | -194  | -4,657  | -2,591   |
| Sales – total (000s barrels)              | -995  | -646  | -13,156   | -7,268   |
| Employment (people)                       | -14,610   | -9,090  | -43,350   | -24,800  |
| Excise duty (£ million)                   | +70   | +46   | +544  | +294   |
| VAT revenue (£ million)                   | +9  | +6  | -255  | -146   |
| Employment taxes (£ million) <sup>1</sup> | -28   | -18   | -409  | -210   |
| Net tax gain                              | +51   | +34   | -120  | -62  |

<sup>1</sup> Employment taxes are calculated by assuming each person who loses their beer-related job takes a year to find another job. So one years of income tax and NIC payments are lost.

Source: Oxford Economics