

Article

Impacts of Eat Out to Help Out on consumer prices: August 2020

How the Eat Out to Help Out scheme and reduction in Value Added Tax for restaurants have affected movements in UK consumer price inflation for August 2020.

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1 . Main points

- Consumer behaviour responded to Eat Out to Help Out (EOHO) with a higher proportion of restaurant transactions than usual at the beginning of the week, during August 2020.
- The 12-month growth rate of the Consumer Prices Index including owner occupiers' housing costs (CPIH) would have been approximately 0.9% in August 2020 if EOHO and the Value Added Tax (VAT) reduction had not been in effect, while the actual rate was 0.5%.
- This difference has largely been driven by EOHO with only a small proportion coming from restaurants passing on savings from the lower rate of VAT.

2 . Overview of Eat Out to Help Out

As part of the policy response to the coronavirus (COVID-19) pandemic, on 8 July 2020 the Chancellor of the Exchequer announced the introduction of the [Eat Out to Help Out \(EOHO\) scheme](#), which ran from 3 to 31 August 2020.

Under the scheme, participating restaurants could offer a 50% discount on food and non-alcoholic beverages consumed on the premises from Monday to Wednesday, up to the value of £10 per person, with the remaining 50% paid by the government. At the same time, the Chancellor also announced a temporary reduction to Value Added Tax (VAT) for firms in the hospitality sector – including restaurants – from 20% to 5%, which was introduced in mid-July.

[The annual rate of Consumer Prices Index including owner occupiers' housing costs \(CPIH\) inflation fell to 0.5% in August](#), from 1.1% in July, largely driven by restaurants, prices for which would have been pulled down by the EOHO scheme and the cut to VAT. We have worked with the fintech company Revolut to obtain insights from card transactions, which we used alongside price data to quantify this effect on consumer prices in August.

This article looks to draw out the relative impacts of EOHO and the VAT pass through on consumer price inflation in August 2020 and to estimate what inflation may have been if these discounts had not been in place.

3 . Business take-up of Eat Out to Help Out

Data from HM Revenue and Customs (HMRC) show that, at its peak, [around 85,000 restaurants in the UK were registered to take part in the Eat Out to Help Out \(EOHO\) scheme](#). They received claims for around 100 million covers (a diner who eats, or a meal that is served), to the value of £522 million. Table 1 shows the number of individual restaurant premises registered to take part in the scheme and the number and value of claims made throughout August 2020.

Table 1: Restaurants registered and meals claimed for under Eat Out to Help Out UK, August 2020

Date (as of midnight on)	Total number of registered individual restaurant premises	Total number of claims received by HMRC	Total amount claimed	Number of covers claimed for (millions)
9 August	83,000	14,000	£53.7m	10.5
16 August	85,000	48,000	£180m	35
23 August	84,000	87,000	£336m	64
31 August	84,700	130,000	£522m	100

Source: HM Revenue and Customs

Notes

1. The total number of claims received by HMRC is not those of unique businesses or individual restaurant premises.
2. The figure of total number of registered individual restaurant premises [84,700] is as of midnight 27 August 2020, not 31 August 2020.

4 . Consumer behaviour in response to Eat Out to Help Out

Using card transaction data from the fintech company Revolut we have been able to analyse the spread of transactions at restaurants across days of the week, and the value of expenditure for those transactions. This allowed us to weight the price data collected on different days of the week to reflect the likely overall expenditure on days when discounts were and were not applicable.

These data also illustrate how the Eat Out to Help Out (EOHO) scheme – and any other discounts – may have modified consumer behaviour in terms of the proportion of transactions taking place on different days of the week. Note that Revolut customers tend to be younger and more metropolitan than average, so their data may not be representative of the overall UK macroeconomic picture. However, as we are looking at individual level intra-week behavioural patterns here and Revolut has a customer base of several million in the UK, it can give us some useful insights into consumer behaviour.

Figure 1 shows the proportion of transactions taking place on each day of the week in the pre-coronavirus (COVID-19) period, during lockdown, in the week preceding the introduction of EOHO (when lockdown restrictions had already been lifted), during EOHO and for September 2020 , after the scheme ended.

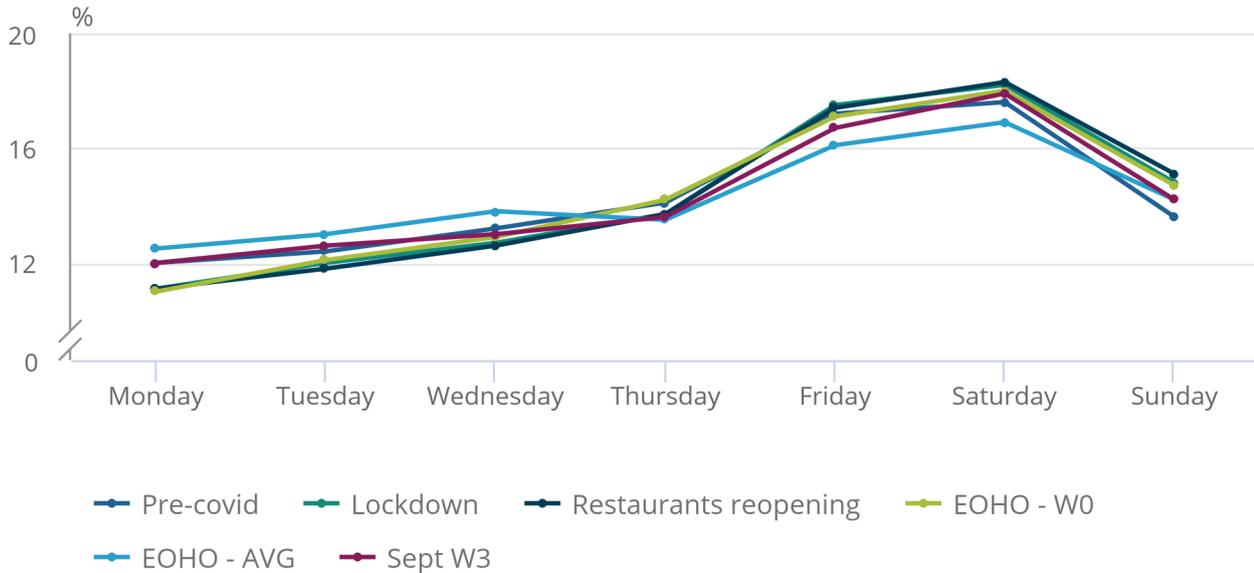
Note these data represent the proportion of transactions per week falling on each day. As such, a lower proportion on the weekend during EOHO does not necessarily imply that there were fewer transactions than in other periods, but rather that the proportion of transactions during EOHO had shifted more towards the beginning of the week.

Figure 1: A higher proportion of transactions were on Monday to Wednesday in August than in other periods

Proportion of restaurant transactions by day, UK, 2020

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Proportion of restaurant transactions by day, UK, 2020



Source: Revolut

Notes:

1. Pre-coronavirus = 7 Oct 2019 to 1 Mar 2020 (except three weeks around Xmas and New Year)
2. Lockdown = 30 Mar 2020 to 28 June 2020
3. Restaurants reopening = 6 July 2020 to 26 July 2020
4. EOHO - Week 0 = 27 Jul 2020 to 2 Aug 2020
5. EOHO - Average = 3 Aug 2020 to 30 Aug 2020
6. Sept W3 = 14 Sep 2020 to 20 Sep 2020

All periods show a similar trend, with fewer transactions at the beginning of the week, rising gradually from Monday to Thursday, and considerably more transactions on Friday and Saturday.

The average for August 2020, when the EOHO scheme was running, shows a flattening of this trend with a higher than usual proportion of transactions earlier in the week (Monday to Wednesday) and a lower proportion than usual at the weekend. This suggests that the discount offered earlier in the week may have incentivised some people to eat out on days when they otherwise would not have. The proportion of transactions also fell from Wednesday to Thursday during August, likely because the EOHO discount was not applicable on Thursdays and it also does not benefit from being a weekend day.

Some restaurants have continued to offer eat-in discounts on Monday to Wednesday since the end of the formal government scheme, although this is no longer subsidised by the government. These discounts have been included in September's consumer price statistics if they exactly match what was offered by restaurants in August.

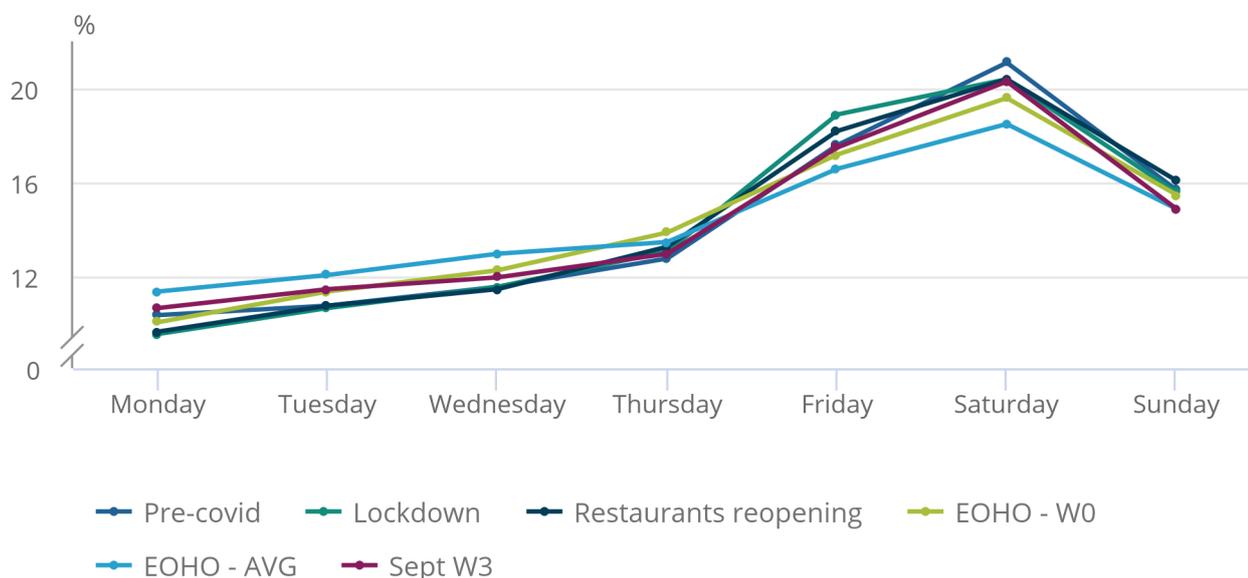
Figure 2 shows the proportion of expenditure on restaurants taking place on different days of the week, over the same periods as Figure 1.

Figure 2: A higher proportion of restaurant expenditure was on Monday to Wednesday in August than in other periods

Proportion of restaurant expenditure by day, UK, 2020

Figure 2: A higher proportion of restaurant expenditure was on Monday to Wednesday in August than in other periods

Proportion of restaurant expenditure by day, UK, 2020



Source: Revolut

Notes:

1. Pre-coronavirus = 7 Oct 2019 to 1 Mar 2020 (except three weeks around Xmas and New Year)
2. Lockdown = 30 Mar 2020 to 28 June 2020
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As with the transaction volumes, there is a generally consistent trend across the period, with a higher proportion being spent on the weekends than earlier in the week. The proportion being spent on Monday to Wednesday is also higher during August than at other periods, despite a 50% discount being in effect. This may partly reflect a change in the type of purchases being made at this time with a shift towards sit-down meals rather than takeaway sandwiches and the like.

These data include expenditure on smaller items that may typically be bought by office workers and so on during the workday – much of which has been reduced considerably with the rise of working from home during the pandemic. Under the EOHO scheme the expenditure being incentivised was specifically eat-in meals, which are likely to account for higher expenditure, even when the discount is factored in. The higher expenditure may also reflect factors such as consumers buying items that were not included in the discount (such as alcohol), or adjusting to the discounts by purchasing more or at higher-priced restaurants as their budgets stretched further.

5 . Removing the effects of Eat Out to Help Out and the VAT reduction pass through

When compiling the data for the Consumer Prices Index including owner occupiers' housing costs (CPIH) for August 2020, price collectors flagged whether a restaurant was taking part in the Eat Out to Help Out (EOHO) scheme and whether they had passed on any savings to customers from the reduced rate of Value Added Tax (VAT).

Using this information, we have been able to identify the extent to which each of these measures drove the rate of CPIH in August 2020. Figure 3 shows the 12-month growth rate of CPIH from January 2019 to August 2020 and includes alternative datapoints showing what the rate may have been for August 2020 in the absence of EOHO and the VAT reduction, and removing the effects of each measure separately.

We have included analysis of the VAT reduction pass through here as it is applicable to firms eligible to participate in the EOHO scheme. The VAT reduction also applies more broadly to other firms in the hospitality sector, which are not in scope of this analysis. Likewise, this analysis focuses on August 2020 as the month when EOHO was in effect and does not account for the rest of the period since 15 July 2020, during which the VAT reduction has also been applicable.

Figure 3: 12-month growth rates of CPIH and CPIH removing the effects of Eat Out to Help Out and the VAT reduction pass through

UK, January 2019 to September 2020

Figure 3: 12-month growth rates of CPIH and CPIH removing the effects of Eat Out to Help Out and the VAT reduction pass through

UK, January 2019 to September 2020



Source: Office for National Statistics – Consumer Prices Index including owner occupiers’ housing costs

The official 12-month growth rate of CPIH was 0.5% in August 2020, largely driven by the impacts of EOHO and some pass through of the reduced rate of VAT. If the combined effects of the EOHO scheme and the VAT reduction pass through from restaurants are removed from the series, the 12-month growth rate of CPIH is estimated to have been 0.9% in August 2020. This is slightly lower than the official 12-month rate of 1.1% in July 2020.

The majority of this difference comes from the EOHO scheme – removing only the effects of EOHO and retaining the effects of the VAT reduction pass through would result in a 12-month growth rate of around 0.8% in August 2020, while removing only the VAT reduction pass through results in a rate much closer to the official rate – at 0.6% (Table 2).

Table 2: 12-month growth rates of CPI and CPIH removing the effects of Eat Out to Help Out and the VAT reduction pass through
UK, August 2020

	Official	Without EOTHO & VAT effect	Without EOTHO	Without VAT effect
CPI	0.2	0.8	0.6	0.4
CPIH	0.5	0.9	0.8	0.6

Source: Office for National Statistics – Consumer Prices Index and Consumer Prices Index including owner occupiers’ housing costs

Figure 4 shows the contributions to the 12-month growth rate of CPIH with and without the EOHO and VAT effects for August 2020.

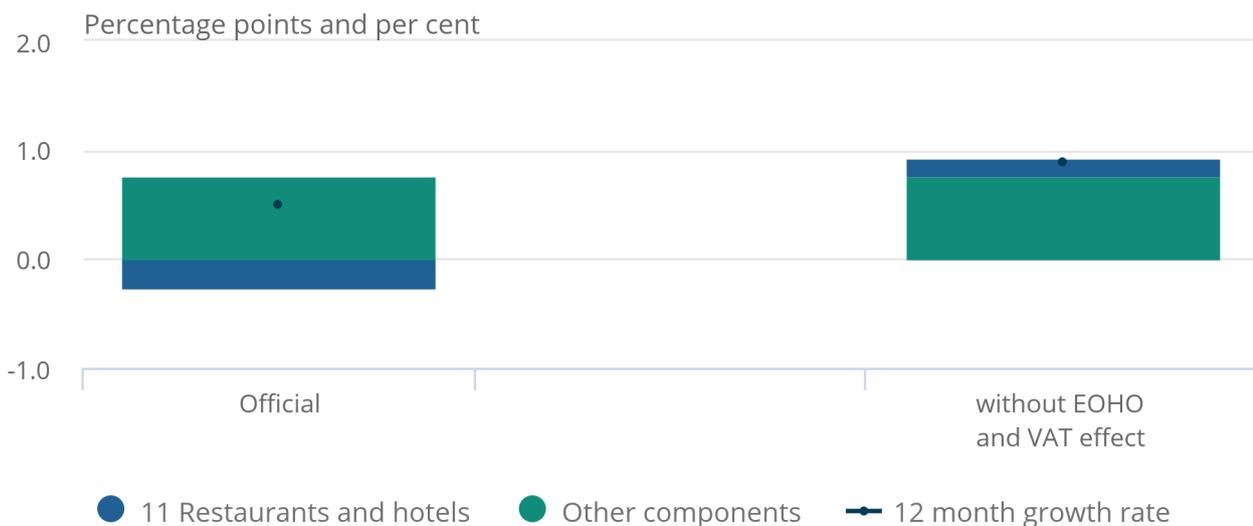
In the official series – which includes the effects of both EOHO and the VAT reduction pass through – the restaurants and hotels division made a large negative contribution to the 12-month growth rate of CPIH at negative 0.27 percentage points. This is the second-largest contribution of any category in absolute terms, with only recreation and culture making a larger (positive) contribution. When the effects of EOHO and the VAT reduction are removed, restaurants and hotels makes a positive contribution to the 12-month growth rate of CPIH at 0.17 percentage points.

Figure 4: Contributions to the 12-month growth rate of CPIH by division with and without the effects of Eat Out to Help Out and reduced VAT

UK, August 2020

Figure 4: Contributions to the 12-month growth rate of CPIH by division with and without the effects of Eat Out to Help Out and reduced VAT

UK, August 2020



Source: Office for National Statistics – Consumer Prices Index including owner occupiers’ housing costs

6 . Data sources and quality

When compiling the data for the Consumer Prices Index including owner occupiers' housing costs (CPIH) for August 2020, price collectors flagged whether a restaurant was taking part in the Eat Out to Help Out (EOHO) scheme and whether they had passed on any savings to customers from the reduced rate of Value Added Tax (VAT).

Prices for items in scope of these discounts were recorded according to the following framework:

- VAT1: Prices amended on menu or item
- VAT2: Reduction applied at till or when purchased
- VAT3: Reduction not passed on to customers
- VAT4: 50% eat out scheme in place

For a VAT2 scenario, prices were reduced by 12.5% reflecting the reduction in VAT from 20% to 5%. For a VAT1 scenario, recorded prices reflected the discounted price. For the EOHO scheme it was assumed that menus were not adjusted to reflect the discount where it was available. Prices were then adjusted to reflect the average price across the whole week:

$$\text{Adjusted price} = \% \text{ meals Mon to Wed} \times \frac{1}{2} \times \text{recorded price} + \% \text{ meals Thurs to Sun} \times \text{Recorded price}$$

or

$$\text{Adjusted price} = \% \text{ meals Mon to Wed} \times (\text{recorded price} - 10) + \% \text{ meals Thurs to Sun} \times \text{Recorded price}$$

if the recorded price was more than £20. The proportion of meals purchased reflected the first two weeks of the EOHO scheme in August, and was based on Revolut data on the number of meals transacted. The article, [Consumer price statistics: resuming a field-based price collection](#), describes our approach in more detail.

However, in practice there were a number of cases where it was not clear how the discount had been applied. For example, there were some cases of the EOHO discount being applied directly to menu prices. There were also cases where the price collector was unable to verify how the reduced rate of VAT was shown in the price. In these situations, it was necessary to make a manual adjustment based on extensive research, feedback provided by price collectors, and reviewing the price data. There is therefore likely to be an element of measurement error in these estimates, although this is unlikely to have a significant impact on this analysis.

For the analysis presented in this article, impact estimates were arrived at by reversing the adjustments described previously. For the impact of VAT, we want to show what inflation would have looked like had VAT remained at 20% for these prices, keeping other aspects fixed. Therefore, the EOHO discounts were left in, but any VAT reductions (whether VAT1 or VAT2) were undone. Similarly for the impact of the EOHO scheme, we left all VAT reductions in place, but reversed any EOHO price adjustments that were made, to reflect the meal price if the discount had not been offered. To show the combined impact of the EOHO scheme and VAT reductions, both EOHO and VAT adjustments were reversed.