

## Policy intent

1. To support the economic recovery by stimulating consumption in the hospitality sector, with focus on businesses that sell food for immediate consumption on the premises, including restaurants, cafes, pubs and bars.
2. To incentivise consumers to return to the hospitality industry and consume sit-down meals out by reassuring people that is once again safe to consume and altering social behaviours that have become entrenched.

## Rationale

*Why support consumption, specifically in this sub-sector?*

3. **Supporting consumption will support the wider economic recovery.** Private household consumption is a major driver of the UK economy, contributing around 60% of UK GDP.<sup>1</sup> This measure seeks to increase consumer confidence and re-establish consumer behaviour by reducing the cost of consumption.

*Why target this sub-sector?*

4. **Spending on restaurants and fast food significantly has reduced during the period NPIs have been in place.** Spending was down 64.8% in May 2020 compared May 2019. We expect that demand will continue to be depressed by nervousness among consumers about eating out.
5. **The sector is a major employer, supporting 2 million jobs** (5.5% of UK), disproportionately occupied by young, female, part-time workers, in the bottom half of incomes. This scheme will universal to any person eating in an eligible business in the UK is expected to stimulate household consumption.
6. **Targeting this measure at one sub-sector allows us to support a higher discount, with greater behavioural impact.** This incentive will provide a [40%] discount on eligible spend, which we judge is a big enough incentive to break inertia and incentivise people to return to eating out. A cap on the maximum discount per meal, will ensure this policy is not regressive.
7. **This measure is targeted at a sub-sector where the value incentive represents a greater percentage of the total costs** when compared to other affected hospitality services e.g. travel and holidays. This sub-sector also allows us to target behaviour narrowly – e.g. by restricting to Monday-Wednesday.

*Why put this in place in August?*

8. **Putting this measure in place in August** will provide a boost to consumer confidence as NPIs and supply constraints lift, and firms move away from reliance on CJRD support. An August start date also provides a lead-in time for firms to prepare for additional demand. A time-limited scheme will have greater behavioural impact and

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<https://www.ons.gov.uk/economy/nationalaccounts/satelliteaccounts/bulletins/consumertrends/apriltojune2019>