

25 July 2024

Supplementary forecast information release

Alcohol duty elasticities

- 1.1 The OBR is releasing this information following a request for further detail in respect of the price elasticities used in our alcohol duty costings. Since the 2023 Autumn Statement we have used revised elasticities from those estimated in 2014.¹ These new elasticities were estimated using a double hurdle econometric model, based on the Living Costs & Food Survey (LCFS) dataset.
- 1.2 Table 1.1 below compares the own-price elasticities used now, and those estimated in 2014. The approach estimated in 2014 also used cross-price elasticities, which captured how the change in price of one alcohol type would affect the demand for another type. Cross-price elasticities were mostly found not to be statistically significant, so are not used in the new approach.

Table 1.1: Alcohol Duty price elasticities

Alcohol type	Trade	2014 results	2023 results	Change in 2023 vs 2014	More (+) or less (-) Elastic
Beer	On	-0.3	-0.7	0.3	+
	Off	-0.7	-1.2	0.4	+
Wine	On	-0.2	-0.7	0.4	+
	Off	-0.1	-0.3	0.3	+
Cider	On	-0.5	-0.6	0.1	+
	Off	-0.7	-1.0	0.3	+
Spirits	On	-1.2	-0.8	0.5	-
	Off	-0.4	-0.2	0.3	-
Ready-to-drink	On	-0.2	-0.2	0.0 ¹	N/A
	Off	-0.5	-0.4	0.1	-

¹The elasticity is unchanged since 2014 as no statistically significant term was found in the updated analysis.

- 1.3 These new elasticities were used to cost the Autumn Statement 2023 and Spring Budget 2024 alcohol duty freeze costings.

¹ For more information on the elasticities estimated in 2014, see HMRC's working paper "Estimation of price elasticities of demand for alcohol in the United Kingdom".