

A CRITICAL REVIEW OF HMG'S IMPACT ASSESSMENT ON SHIFTING TO NPM 2018 FOR PROMOTION AND ADVERTISING RESTRICTIONS

A REPORT FOR THE FOOD AND DRINK FEDERATION

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EXECUTIVE SUMMARY

The Government is currently consulting on a proposal to apply the 2018 Nutrient Profile Model (NPM 2018) to existing regulations that restrict the promotion and advertising of “less healthy” food and drink products. If implemented, this change would substantially increase the number of products subject to these restrictions, with implications for both health and economic outcomes across the UK.

In this context, the Food and Drink Federation (FDF) has commissioned Oxford Economics to conduct an independent review of the Impact Assessment (IA) that was published alongside the consultation announcement. This research is underpinned by a survey of FDF members, consultations with industry stakeholders, and a detailed review of the IA's methodology. The key findings are as follows:

- **The increase in restricted products may be substantially higher than estimated.** Our survey suggests there could be a 40% increase in restricted products if NPM 2018 is implemented—almost double the IA's 22% estimate. This implies substantially higher costs to the food and drink sector than estimated in the IA.
- **The impact on calorie consumption is unclear.** The IA assumes reductions in checkout sales for in-scope products range between 16% and 90%, while the compensation rate (the extent to which consumers offset reduced purchases by making alternative food and drink purchases) ranges from 0% to 100%. The breadth of these ranges indicates that there is considerable uncertainty regarding the policy's impact on calorie consumption.
- **One-off costs to manufacturers are systematically underestimated.** Our survey indicates that average one-off costs per newly affected product are around 50 times higher for manufacturers than those assumed in the IA. In the IA, one-off manufacturer costs are estimated at just £53 per product, whereas our survey suggests average one-off costs of around £2,800 per product.
- **The IA assumes that neither one-off nor ongoing compliance costs are passed on to consumers.** However, empirical evidence suggests that cost pass through is both likely and significant. In many cases, industry wide cost increases are, at least partially, and sometimes fully, reflected in consumer prices.
- **Shifting to NPM 2018 will have a detrimental impact on investment—and there are signs this is already materialising.** Surveyed manufacturers indicate that the change would lead to a 6% fall in investment, with some firms already delaying investment in anticipation of the change.
- **Consumer choice will be hit.** Over one in 10 products from surveyed manufacturers are expected to be withdrawn, reflecting the difficulty of reformulating to meet NPM 2018. This risks a “two-extremes” outcome, where products are either fully compliant or remain clearly non-compliant, which may have adverse health outcomes for those shifting from relatively healthier withdrawn products to less healthy alternatives.
- **The sizeable health benefits in the IA are based on a series of highly uncertain assumptions which are based on limited empirical evidence.** As highlighted above, the impact on food and drink consumption—and therefore on health outcomes—is highly uncertain. This uncertainty is

further compounded by a lack of robust evidence on whether reductions in calorie intake would be sustained over the long term.

The evidence base underpinning the IA is limited, with material uncertainties and evidence gaps that have important implications for the overall cost-benefit assessment. This results in a material gap in the overall cost-benefit assessment. The absence of post-implementation evaluation evidence on the effectiveness of the current regulatory regime reflects a gap in the policy cycle and limits the evidence base that can be used to inform the IA. This reinforces the importance of robust ex-post evaluation in narrowing these uncertainties and providing an empirical basis for refining assumptions in future assessments.

The Government has committed to producing a final impact assessment following the consultation. This review provides a series of proof points that should be considered within that document, as well as within broader policy design and implementation.

SECTION 1. INTRODUCTION

The UK Government has introduced a series of policy interventions aimed at improving diets, including restrictions on the advertising and promotion of food and drink products high in fat, sugar, and salt (HFSS). These measures have been implemented progressively over time, beginning with the April 2007 ban on HFSS advertising during children's programmes and, most recently, promotion restrictions by location (2022), volume price promotion restrictions (2025), and advertising restrictions (January 2026).

The 2004/05 Nutrient Profiling Model (NPM 2004/05) is currently used to determine products that are classified as HFSS and therefore in scope of restrictions. The Government is now proposing to apply the 2018 Nutrient Profiling Model (NPM 2018) to advertising and promotions restrictions, which effectively extends the number of products that fall within scope of these restrictions. The Government has published a draft Impact Assessment (IA) which estimates some of the expected implications of applying the NPM 2018 to these regulations. However, concerns have been raised by industry stakeholders regarding key methodological assumptions and the scope of impacts considered in the IA.

In this context, the Food and Drink Federation (FDF) commissioned Oxford Economics to conduct an independent assessment of the IA. The aim of this report is to critically evaluate the Government's methodology and assumptions, and to develop new evidence to better understand the likely impacts of the proposed policy on manufacturers and the wider economy.

The analysis underpinning this report is based on two complementary workstreams:

- First, we undertook desk research to conduct a detailed review of the Government's IA, focusing on the underlying modelling framework, key assumptions, and data sources used to estimate the costs and benefits of the proposed policy. This includes identifying areas of uncertainty and limitations in the scope of the analysis.
- Second, we generated new evidence through a survey of FDF-member manufacturers of in-scope products and targeted stakeholder consultations. This work provides new insights into the likely number of products brought into scope of the restrictions, the costs faced by businesses, and the broader impacts on prices, investment, innovation, product choice, and reformulation behaviour.

These two strands of analysis are brought together in this report which is structured as follows:

- **Section 2**—provides a short overview of the Government's IA.
- **Section 3**—presents new evidence gathered through a combination of survey data and interviews with FDF-member companies, and a review of the literature. These findings are compared against the assumptions set out in the Government's IA, highlighting evidence gaps and key areas of uncertainty.
- **Technical annex**—sets out details on the survey design and response rates.

SECTION 2. IMPACT ASSESSMENT OVERVIEW

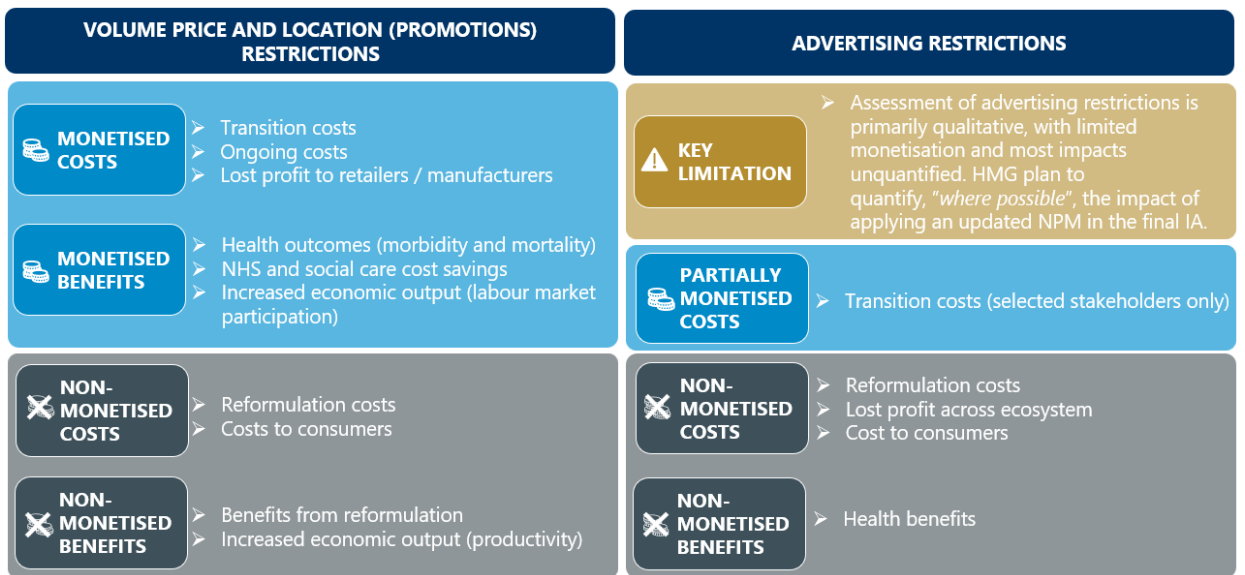
Figure 1 summarises the treatment of costs and benefits in the Government’s IA across promotions and advertising restrictions. The IA explicitly recognises that many elements of the analysis are subject to significant uncertainty, reflecting gaps in available data and evidence. Many key assumptions—such as those relating to consumer responses, cost pass-through, and long-term health effects—are based on limited (or no) empirical evidence and therefore rely on highly stylised or simplifying assumptions.

In addition, several important channels of impact are not fully monetised—most notably those relating to advertising restrictions, which are a central component of the proposed policy change—and are instead assessed qualitatively. While Department of Health and Social Care (DHSC) has indicated plans to quantify these impacts “where possible” in the final IA, their current treatment creates an asymmetry in the coverage of impacts and limits the completeness of the overall cost-benefit assessment at the consultation stage.

Furthermore, while the policy framework builds on existing HFSS regulations underpinned by the NPM 2004/05, there is limited evidence on how effective these earlier measures have been in practice. In line with both HM Treasury’s Green Book and Magenta Book guidance, ex-ante appraisal is intended to be complemented by ex-post evaluation to strengthen the evidence base and inform future policy design. In this case, the limited availability of ex-post evaluation evidence partly reflects the relatively rapid sequencing and updating of policies, with DHSC indicating plans to carry out further evaluation within recommended timelines. Nonetheless, the current absence of comprehensive evaluation evidence on the effectiveness of earlier interventions—particularly in terms of sustained behavioural change and long-term health outcomes—reflects a gap in the policy cycle and limits the robustness of the evidence base used to inform the IA.

Taken together, these factors highlight that the evidence base underpinning the IA is limited and characterised by multiple layers of uncertainty. As a draft consultation-stage assessment, it represents an initial estimate of impacts—covering only a subset of relevant effects—rather than a definitive quantification, with material uncertainties and evidence gaps that have important implications for the overall cost-benefit assessment.

Figure 1: Summary of costs and benefits captured by the Government’s Impact Assessment



Source: Oxford Economics

SECTION 3. RESEARCH FINDINGS AND CRITIQUE OF THE IA

This section identifies key areas where the IA is subject to significant uncertainty or does not provide a complete assessment of the policy's economic implications. Where possible, it provides alternative estimates to help address these gaps. Drawing on novel survey evidence, stakeholder engagement, a review of the wider literature, and a detailed review of the IA, the analysis highlights both limitations in the underlying evidence base and broader gaps in the treatment of impacts.

The survey analysis within this section is underpinned by data from 17 companies, collectively representing approximately 15,000 Stock Keeping Units (SKUs) across food and drink product categories within scope of the legislation and around £10.7 billion in UK revenue across these products. While the survey is skewed towards larger UK food and drink manufacturers, the insights remain valuable given the substantial number of SKUs produced by the respondents and the fact that both the advertising and promotion restrictions include carve-outs for smaller manufacturers.

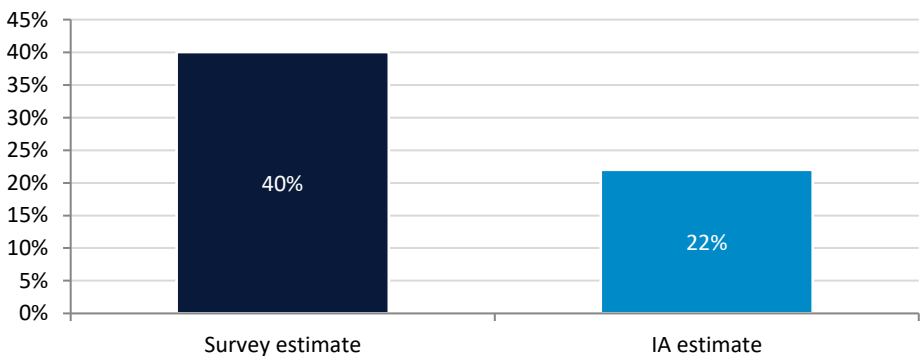
All costs are reported in 2023 prices unless otherwise stated, comparable to the price based used in the IA.

3.1. UNCERTAINTY IN PROFIT LOSS MODELLING

3.1.1. THE NUMBER OF PRODUCTS IN SCOPE OF THE LEGISLATION

Survey responses from FDF member companies indicate a 40% increase in the number of products in scope of the legislation under NPM 2018—almost double the IA's estimate of 22%. In addition, the survey indicates an even larger impact from a revenue perspective, with an approximate 70% increase in respondents' revenue falling within scope of the legislation.

Figure 2: Estimated increase in the number of products in scope of legislation under NPM 2018



Source: Oxford Economics

The difference appears to be driven, in part, by the methodology used to estimate product coverage in the IA. The Government's 22% estimate is based on a proxy dataset, which maps purchasing data (from Worldpanel

by Numerator Take Home Data¹) to estimated nutrition data. As set out in the IA, there is currently “no single source of data” with ingredient information detailed enough to calculate NPM 2018 scores. As a result, the analysis relies on approximations to derive nutrient profiles at a product level. The IA itself highlights this limitation, noting that “we will need to see how the commercial sector responds to these new requirements”,² underscoring the uncertainty surrounding the underlying data and approach. Another key issue with the 22% estimate is that the estimation approach relies on derived rather than observed nutritional data. Given the central role of free sugars in the NPM 2018 scoring system, the classification of products is particularly sensitive to these assumptions. However, the IA does not appear to explicitly test this sensitivity.

These issues are especially important in the context of NPM 2018, where relatively small differences in estimated free sugar content can materially affect whether a product is classified as “less healthy”. As a result, any uncertainty or approximation in the underlying data may have a disproportionately large impact on the estimated number of products falling within scope.

While survey responses may have come from manufacturers that would be disproportionately affected by the switch to NPM 2018, the magnitude of the difference in these estimates is significant. On balance, this suggests that the IA likely underestimates the scale of the policy’s reach across the product landscape. Given the central role of product coverage in driving the wider cost-benefit assessment, this has important implications for the overall estimated impact of the policy.

3.1.2. UNCERTAINTY IN ASSUMED LOSS IN SALES FROM LOCATION RESTRICTIONS

Profit loss estimates for promotion restrictions—specifically location-based restrictions—are driven by assumptions regarding the reduction in sales resulting from changes in product placement. The IA assumes that moving products from high-visibility locations (such as checkouts) to standard aisle positions reduces sales by between 16% and 90%, with a central estimate of 70%.

This assumption is critical in determining both the estimated costs to businesses (through lost sales and profits) and the projected health benefits (through reduced consumption). However, it is not directly evidenced within the current IA and instead traces back to an earlier IA on which the methodology is based, where it is explicitly acknowledged as being “unevidenced”.³ This indicates a lack of robust empirical support for the central estimate, which underpins the IA’s broader economic and health impact projections.

The wide range adopted further highlights the degree of uncertainty. A reduction of 16% implies a relatively modest impact on consumer behaviour, whereas a 90% reduction suggests a near-complete loss of demand from these locations. The central estimate of 70% has no clear empirical basis.

3.1.3. UNCERTAINTY IN ASSUMED COMPENSATION RATE (CONSUMER BEHAVIOURAL RESPONSE)

A further key assumption relates to the “compensation rate”—that is, the extent to which consumers offset reductions in purchases of restricted products by increasing consumption elsewhere.

The IA assumes a broad range for this parameter, from 0% to 100%, with a central estimate of 40%. This reflects significant uncertainty in how consumers respond to changes in product availability and promotion. A compensation rate of 0% implies that all reductions in consumption of HFSS products translate into a net

¹ Unpublished DHSC analysis constructing an analytical dataset from Worldpanel by Numerator GB Take Home Panel Data, which records household food and drink purchases and is weighted to be representative of the GB population (~30,000 households).

² Para. 308, page 79 of the IA.

³ Department of Health and Social Care, [Impact assessment of restricting checkout, end-of-aisle, and store entrance sales of food and drinks high in fat, salt, and sugar \(HFSS\)](#), November 2020.

reduction in consumption, whereas a rate of 100% implies full offsetting, with no net impact on overall consumption.

The IA does not directly evidence this assumption; rather, it draws on an assumption used in an earlier IA where it is explicitly acknowledged as being "based on limited evidence".⁴ More specifically, this assumption is derived from a single study dating back over four decades (1982), which may not be reflective of current consumption patterns. The study is based on a very small sample (n=6) consisting of a narrow group of normal-weight men, while the proposed policy change in relation to NPM 2018 explicitly targets overconsumption of HFSS products among both children and adults.

The wide range applied in the IA therefore reflects this underlying uncertainty. However, as with the assumptions on sales reductions, the choice of estimates used has a material impact on the economic costs and health outcomes. This reinforces the importance of robust ex-post evaluation in narrowing these uncertainties and providing an empirical basis for refining assumptions in future assessments.

3.2. UNCERTAINTY IN ESTIMATED COSTS TO MANUFACTURERS

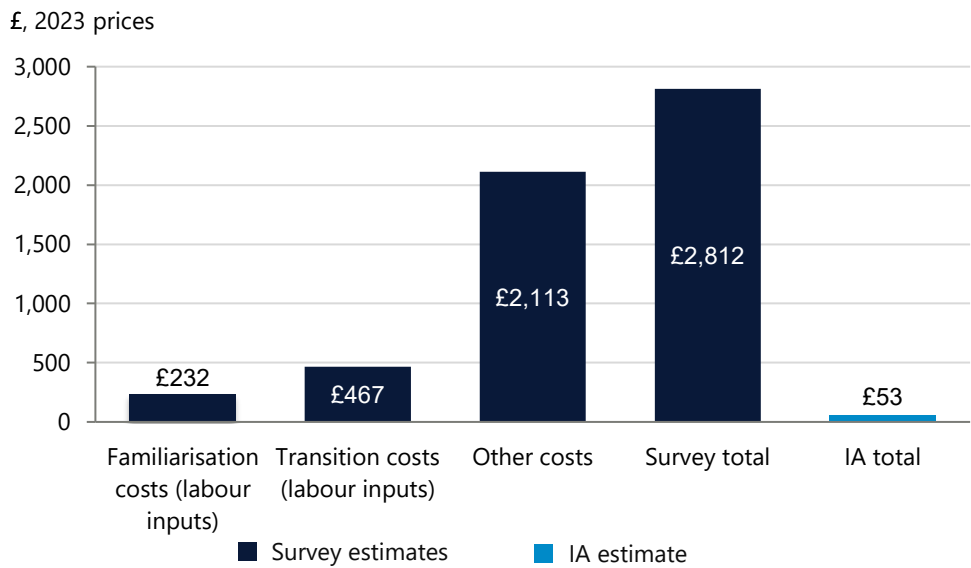
Our survey indicates that the IA materially underestimated the costs faced by manufacturers in complying with the proposed policy. More specifically, survey findings indicate that average one-off costs per product are around 50 times higher for manufacturers than estimated in the IA. As shown in Figure 3, in the IA, one-off costs are estimated at just £53 per product,⁵ whereas our survey suggests average one-off costs of approximately £2,812 per product—equivalent to between £75 and £135 million in total across the food and drinks manufacturing sector⁶. This reflects the IA's narrow treatment of costs, both in terms of staff time and the omission of wider non-staff costs.

⁴ Department of Health and Social Care, [Impact assessment of restricting checkout, end-of-aisle, and store entrance sales of food and drinks high in fat, salt, and sugar \(HFSS\)](#), November 2020.

⁵ This estimate is derived from assumptions set out in the IA. It is derived by allocating the central estimate for total transition costs to manufacturers (£1.38 million; paragraph 167, table 3) across the assumed 1,049 manufacturers in scope in England, each assumed to have 25 in-scope products under Option 2, on average—implying an average one-off cost per product of approximately £53.

⁶ Based on the average cost per product. The lower bound estimate is based on the number of impacted companies and average impacted products per company in the IA. The upper bound estimate inflates the number of products affected to reflect that the survey indicated a 40% increase in restricted products if NPM 2018 is implemented, which is higher than the 22% increase estimated in the IA.

Figure 3: Estimated one-off costs to manufacturers, per product



Source: Oxford Economics

The IA assumes that firms require approximately 8.2 hours in total to familiarise themselves with the regulatory changes and sharing that knowledge internally.⁷ This appears to significantly understate the operational complexity involved. For example, the IA assumes that a single production manager at head office spends just 2.2 hours reviewing the technical guidance. This implicitly assumes that an approximately 10,000-word document is read once by a single individual and fully understood without the need for re-reading or interpretation. Knowledge sharing is also assumed to occur only between a production manager and production technicians, and is assumed to take only 90 minutes.

Evidence from manufacturer interviews highlights why these transition assumptions are unrealistic. In particular, the introduction of “free sugars” is technically complex and ambiguous: manufacturers emphasised that free sugars cannot be directly measured, require the use of proxies, and involve subjective judgement about when sugars are “released” during processing (e.g., whether chopping, puréeing, or other stages qualify). This creates significant uncertainty and requires detailed interpretation, often involving multiple functions (e.g., nutritionists, R&D) rather than a single individual.

Similarly, interviews indicate that even trained professionals may arrive at different conclusions when applying the new definitions, and that firms would be required to manually generate and validate new data to comply with the model. This reinforces that transition is an iterative and collaborative process involving a wide group of staff in contrast to the assumptions which underpin the IA.

In addition, the IA assumes no external or non-staff costs associated with implementation (e.g., on external consultancy, IT system or data infrastructure updates). Survey evidence suggests that these costs would be material in practice, averaging around £2,100 per product.

⁷ This estimate is derived from assumptions set out in the IA. Paragraphs 145 and 147 assumes that, for manufacturers, a single production manager within head office spends 2.2 hours reading the technical guidance, implicitly assuming that the approximately 10,000-word document is read only once and fully understood without the need for re-reading. Paragraph 152 assumes a further 1.5 hours for one production manager to share this information internally with production technicians. The IA reports a total familiarisation and knowledge-sharing cost of £138,000 across 1,049 manufacturers; backing out implied labour inputs—based on these assumptions and the standard wage rates used by the IA for “planning, process and production technicians”—suggests an additional 4.5 hours of production technician time.

The survey also suggests that there are ongoing compliance costs for manufacturers associated with a switch to NPM 2018. This is not included in the Government's IA. The survey shows that ongoing costs—such as monitoring product specifications, updating systems, and managing reformulation cycles—are non-negligible and persistent over time. These recurring costs are estimated at approximately £400 per product on average each year, indicating that the IA may underestimate the long-term cost burden on firms.

Taken together, these findings suggest that the IA's treatment of cost impacts is both narrow in scope and based on assumptions that may underestimate the true scale of costs faced by manufacturers.

3.2.1. EVIDENCE OF GREATER COST PASS-THROUGH TO CONSUMERS

The IA assumes that neither one-off nor ongoing compliance costs are passed on to consumers. However, empirical evidence suggests that cost pass-through is both likely and significant. For example, an international meta-analysis commissioned by the World Health Organisation found that taxes on sugar-sweetened beverages are passed through to prices at an average rate of 82%.^{8,9} Moreover, in the Strengthening the Soft Drinks Industry Levy (SDIL) consultation, the Government explicitly acknowledges that manufacturers who do not reformulate are likely to pass the tax on to consumers at a rate of 100%.¹⁰

More broadly, economic theory and empirical evidence indicate that cost pass-through is not limited to taxation: firms typically adjust prices in response to changes in marginal costs, with the extent of pass-through depending on market structure, demand conditions, and the degree of competition. In many cases, industry-wide cost increases—such as those associated with regulatory intervention—are at least partially, and sometimes fully, reflected in consumer prices (and in some cases, may even exceed 100% pass-through).¹¹

Taken together, this evidence suggests that it is unrealistic to assume zero pass-through. Firms are already operating in a challenging macroeconomic environment with inflationary pressures and ongoing geopolitical uncertainty—including global supply disruptions linked to conflicts such as the war in the Middle East—which continue to place upward pressure on input costs. Evidence from interviews reinforces that manufacturers are already operating under significant strain: interviewees highlighted the cumulative burden of recent regulatory changes, including proposed mandatory health reporting, the introduction of the Deposit Return Scheme, the rollout of Extended Producer Responsibility, and developments related to the EU–UK Sanitary and Phytosanitary Agreement. In this context, firms are unlikely to be able to absorb additional policy-related costs in full. This, in turn, implies potential upward pressure on prices.

3.3. LIMITED CONSIDERATION OF IMPACTS ON INVESTMENT, REFORMULATION, AND INNOVATION

The analysis further highlights that the IA places relatively limited emphasis on dynamic responses by firms, including impacts on investment, product strategy, and innovation.

3.3.1. EVIDENCE OF NEGATIVE IMPACT ON UK INVESTMENT

The IA does not consider the potential impact of the policy on investment decisions within the food and drink sector. However, survey evidence suggests that applying the NPM 2018 as proposed will have a negative impact on manufacturers' investment, and that some are already adjusting their behaviour.

⁸ Average rate across 62 studies meeting relevant selection criteria.

⁹ Tatiana Andreyeva et al., [Outcomes Following Taxation of Sugar-Sweetened Beverages: A Systematic Review and Meta-analysis - PMC](#), June 2022.

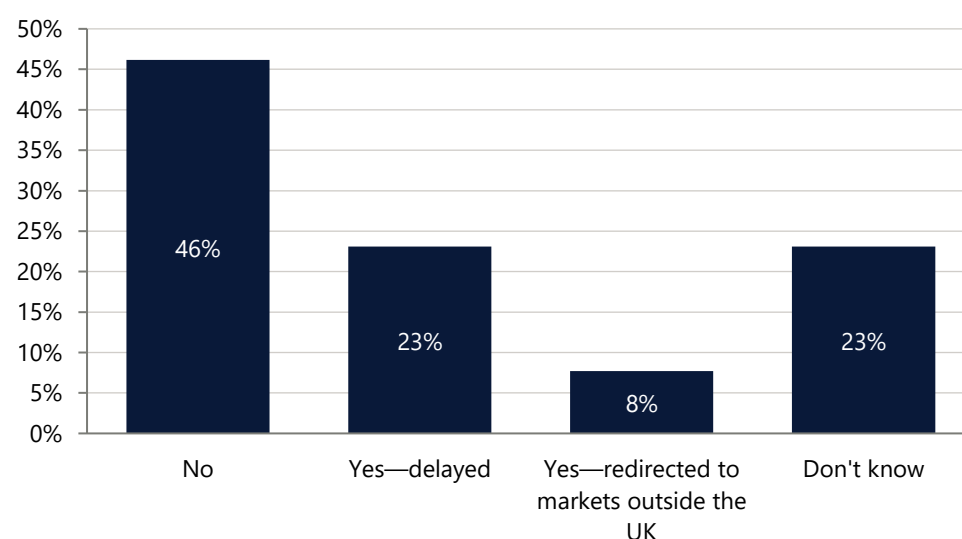
¹⁰ Department of Health and Social Care, [Strengthening the Soft Drinks Industry Levy consultation - GOV.UK](#), November 2025.

¹¹ RBB Economics, [Cost pass-through: theory, measurement, and potential policy implications](#), February 2014.

Survey responses indicate that investment in in-scope food and drink categories is expected to decline, with an average reduction of approximately 6%.

Evidence also suggests that policy uncertainty is already influencing firm behaviour. Around a quarter of surveyed companies reported delaying planned investment as a result of the uncertainty surrounding the proposed changes. Quantitative findings from the survey are reinforced by stakeholder interviews, which highlight that increasing policy uncertainty in the UK is delaying investment decisions. In some cases, stakeholders also speculated that this could push investment away from the UK and towards international markets with more stable and predictable food policy environments.

Figure 4. Proportion of surveyed manufacturers indicating that their organisation has delayed or redirected any planned UK investment or marketing spend as a result of NPM 2018 related policy uncertainty



Source: Oxford Economics

This is particularly salient given that surveyed firms report having already invested significant resources—often in excess of £10 million—in reformulating products to comply with the existing NPM 2004/05 framework. In aggregate, this amounts to approximately £200 million across surveyed firms over the last five years. The proposed shift to NPM 2018 risks rendering much of this investment redundant, further discouraging future investment. This was also a consistent theme emerging from stakeholder interviews, with manufacturers emphasising concerns about repeated policy changes undermining past investment and reducing confidence in future UK investment decisions. In particular, stakeholders noted that the UK is increasingly perceived as an outlier in its approach, with NPM 2018 representing a framework that is not applied in other markets.

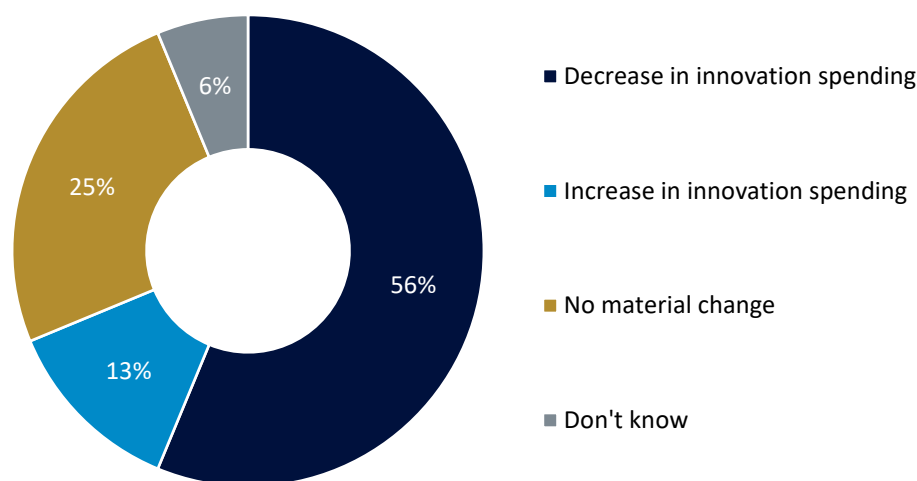
These findings highlight a key gap in the IA: while it focuses on static cost impacts, it does not fully capture the dynamic responses of firms, particularly in relation to investment behaviour. This may lead to an underestimation of the policy's longer-term economic impacts.

3.3.2. EVIDENCE ON REFORMULATION ACTIVITY AND INNOVATION

The IA recognises reformulation as a potential mechanism through which health benefits may be realised, but does not fully assess its implications for firms or for market outcomes. Survey evidence indicates that the move to NPM 2018 is expected to lead to products being delisted, reflecting the difficulty of reformulating certain products to meet the updated criteria. Overall, more than one in 10 products are expected to be delisted or withdrawn.

Moreover, a net balance of respondents stated that they expected the reform to result in a decrease in innovation spending.

Figure 5. Proportion of surveyed manufacturers indicating how moving to NPM 2018 will affect their spending on product innovation within in-scope categories



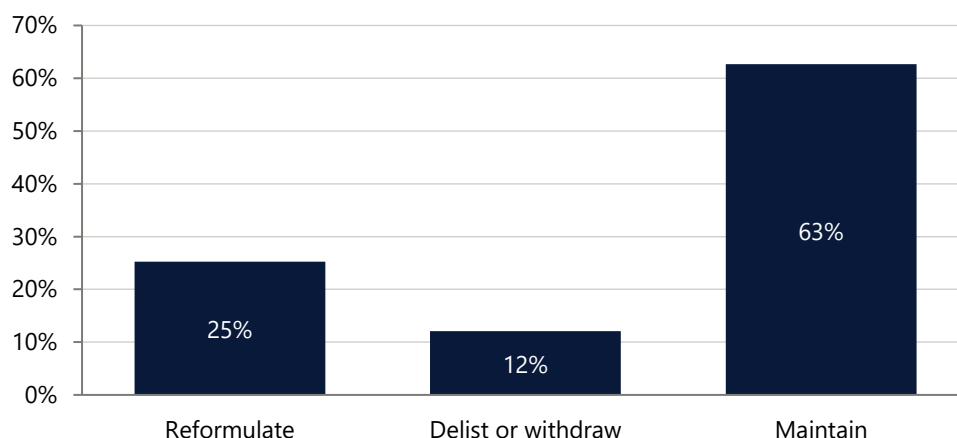
Source: Oxford Economics

At the same time, while some firms will attempt reformulation, there are limits to this strategy—particularly where taste, consumer acceptance, or technical constraints are binding. Evidence from stakeholder engagement reinforces this, highlighting practical challenges in reformulating certain products (for example, where changes materially affect taste or product characteristics), as well as uncertainty around how consumers respond to reformulated products. In some cases, manufacturers suggested that the policy may contribute to a “two-extremes” outcome—where products are either fully compliant or remain clearly non-compliant—reducing the viability of products in the middle which are classed as “healthy” under NPM 2004/05 but “less healthy” under NPM 2018. This raises the possibility of reduced product variety, product withdrawal, and shifts in consumer behaviour towards alternative or more indulgent options. Consistent with this, over one in 10 products from surveyed manufacturers are expected to be withdrawn or delisted. These impacts on product diversity and consumer choice are not explicitly captured in the IA.

In addition, the survey indicates that over half of firms expect to reduce spending on innovation as a result of the proposed policy. This reflects both the direct cost burden of compliance and a reduction in incentives to invest in product development within regulated categories.

Figure 6. For newly “less healthy” products under NPM 2018, how do you expect your organisation to respond?

Expected response of surveyed manufacturers, weighted by number of newly “less healthy” products



Source: Oxford Economics

These findings suggest that the policy may have broader implications for innovation, product development and consumer choice than reflected in the IA.

3.4. CROSS-CUTTING UNCERTAINTIES AND EVIDENCE GAPS

3.4.1. UNCERTAINTY IN ESTIMATION OF HEALTH BENEFITS

There is also significant uncertainty surrounding the estimation of health benefits that arises from compounding layers of uncertainty.

- First, the estimated impact of the policy on sales is inherently uncertain, as described in Section 3.1, including the rate at which consumers offset reductions in purchases of restricted products by increasing consumption elsewhere.
- Second, reduced calorie intake is assumed to be sustained at a constant rate over the lifetime of individuals, despite limited evidence on the persistence of behavioural change. The IA explicitly acknowledges this limitation, noting that it “lack[s] robust evidence to suggest whether behaviour is or is not maintained in the long term”. As a result, estimated health benefits are derived from simplified and stylised assumptions that do not fully capture real-world behavioural dynamics or differences across population groups.
- Third, the IA does not appear to explicitly model changes in the mix of products available to consumers. Our survey evidence indicates that over one in 10 products that are currently classified as healthy under NPM 20024/05 are likely to be delisted or withdrawn. This implies a potential reduction in the availability of relatively “healthier” alternatives, which could have negative implications for consumers diets and therefore health outcomes.

Taken together, these layers of uncertainty—relating to (multiple) uncertainties regarding the impact on sales, behavioural compensation effects, and how this feeds through into changes in calorie intake—mean that estimated health benefits are derived from a set of simplified and stylised assumptions that may not fully capture real-world behavioural dynamics. Again, this reinforces the importance of robust ex-post evaluation in narrowing these uncertainties and providing an empirical basis for refining assumptions in future assessments.

3.4.2. LIMITED ASSESSMENT OF THE IMPACT OF ADVERTISING RESTRICTIONS

The IA does not provide a full quantitative assessment of the impacts associated with applying NPM 2018 to advertising restrictions. Instead, these impacts are assessed qualitatively, reflecting a stated lack of data required for robust modelling. The IA explicitly recognises this approach as "high risk" (para. 138), given the important role that advertising plays as a key driver of demand. This results in a material gap in the overall cost-benefit assessment, with no monetisation of business impacts and an incomplete treatment of wider economic effects.

SECTION 4. APPENDIX

4.1. METHODS

Survey

To inform the analysis in this report, Oxford Economics, on behalf of the FDF, designed and distributed a survey of FDF-member UK food and drink manufacturers. The survey gathered evidence on the potential impacts of applying the 2018 Nutrient Profiling Model (NPM) to existing advertising and promotion restrictions. The final sample comprised 17 firms, collectively representing approximately 15,000 SKUs within scope of the legislation and around £10.7 billion in UK revenue across these products.

The survey collected information across several key areas: company characteristics (including in-scope product categories, the number of SKUs within those categories, and associated UK revenues); product classification under the NPM (including the share of products expected to be newly classified as “less healthy” under NPM 2018); cost impacts (covering one-off and ongoing costs); investment impacts (including changes to relevant UK investment and the effects of policy uncertainty); firms’ expected responses to the policy change (including reformulation, product withdrawal, or maintaining existing formulations); and wider impacts on innovation and product development.

Cost estimates were derived using firms’ reported inputs on both one-off and ongoing impacts, with each category broken down into internal staff time and external and non-staff costs:

- **One-off costs** capture familiarisation and transition activities associated with implementing the NPM 2018.
 - One-off internal staff costs reflect the total time spent by employees on familiarising all relevant teams with the NPM 2018 and associated restrictions, and—following initial familiarisation—the time spent updating internal processes and practices accordingly.
 - One-off external and non-staff costs capture any additional one-off expenditures, including spending on external consultants, legal or regulatory advice, nutrition or reformulation specialists, external advertising or media companies, as well as any other non-staff costs such as investments in IT systems or data infrastructure.
- **Ongoing costs** capture any recurring costs incurred by manufacturers after initial familiarisation and transition, as a result of applying the NPM 2018 as proposed.
 - Ongoing internal staff costs reflect the recurring time required for activities such as monitoring and updating product specifications, managing reformulation activity, and maintaining internal systems and guidance.
 - Ongoing external and non-staff costs include recurring expenditures on items such as external advisors, as well as any recurring expenditure on IT systems, software, and other non-staff resources.

For internal staff costs, respondents were asked to provide estimates of total staff time (in hours), while external and non-staff costs were reported in monetary terms. Internal staff time was converted into cost estimates using appropriate hourly wage rates (uprated to account for non-wage costs) sourced from the IA’s methodology. This approach provides a conservative estimate of staff costs. External and non-staff costs were

deflated to 2023 prices using the GDP deflator to ensure consistency with the price base used in the IA. Total costs were then calculated separately for one-off and ongoing categories as the sum of internal staff and external/non-staff components.

In addition to direct firm costs, the survey captured expected impacts on investment, reformulation, and product strategy. Firms were asked to estimate changes in UK investment linked to in-scope product categories, including any delays or reductions due to policy uncertainty. The survey also collected data on how firms expect to respond to newly classified "less healthy" products, including the extent of reformulation, product withdrawal, or maintaining existing formulations.

Finally, the survey explored broader innovation impacts, distinguishing between reformulation activity undertaken to meet NPM requirements and wider product development and innovation spending. Responses were used to develop an evidence base on both direct cost impacts and wider behavioural responses to the proposed policy change.

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