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# The Cost-of-Living Crisis & Impact on UK Retail

**Richard Lim**

CEO, Retail Economics

SAMPLE

## About us

Retail Economics is an independent economics research consultancy focusing exclusively on the UK retail and consumer industry. Our subscription service empowers you with a deeper understanding of the key economic drivers supporting the UK retail industry, providing a competitive edge needed to make critical business and investment decisions.



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A Retail Economics membership offer a complete retail intelligence solution for your business:

- Monthly retail insights at your fingertips
- In-store & online retail sales trends
- Industry analysis by category
- Make better, data-driven decisions
- Get proprietary data for a competitive advantage

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## Retail consultancy

We produce hard hitting research that resonates across the retail industry. We can help you:

- Develop an authoritative voice to help raise your profile
- Get media exposure with press releases
- Demonstrate expertise within the industry
- Launch your project with industry events

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 +44 (0)20 3633 3698

 [www.retaileconomics.co.uk](http://www.retaileconomics.co.uk)

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**Carl Cowling, Group Chief Executive, commented:**

"2022 has been a successful year for WHSmith and we enter the new financial year with the Group in its strongest ever position as a global travel retailer with multiple growth opportunities across the world.



**Stuart Machin, Chief Executive said:** "Trading in the first half has been robust with both businesses growing ahead of the market, reflecting the beginnings of a reshaped M&S.



**George Weston, Chief Executive of ABF, said:** "Sales, margin and profits at Primark increased significantly as more normal customer behaviour resumed after the pandemic. Significant progress was made in building out Primark's digital capability, which will be a key element in the future development of Primark.



Greggs continued to trade well over the third quarter of 2022 with total sales up 14.6% and like-for-like sales in company-managed shops rising by 9.7% when compared with the same period in 2021.

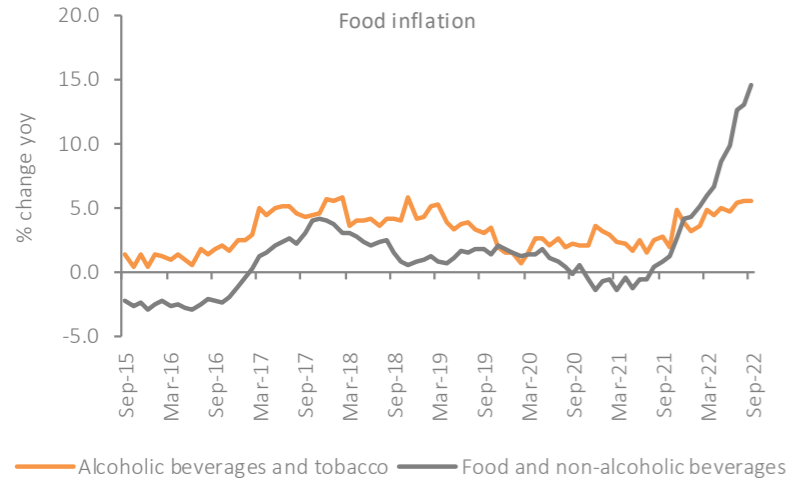
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## Inflation is expected to fall steeply through 2023 and into 2024



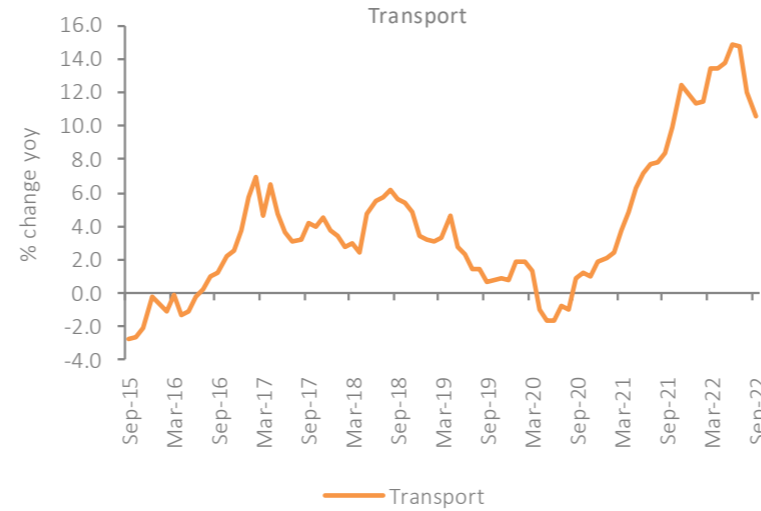
Source: Bank of England

## Food & Non-alcoholic Beverages



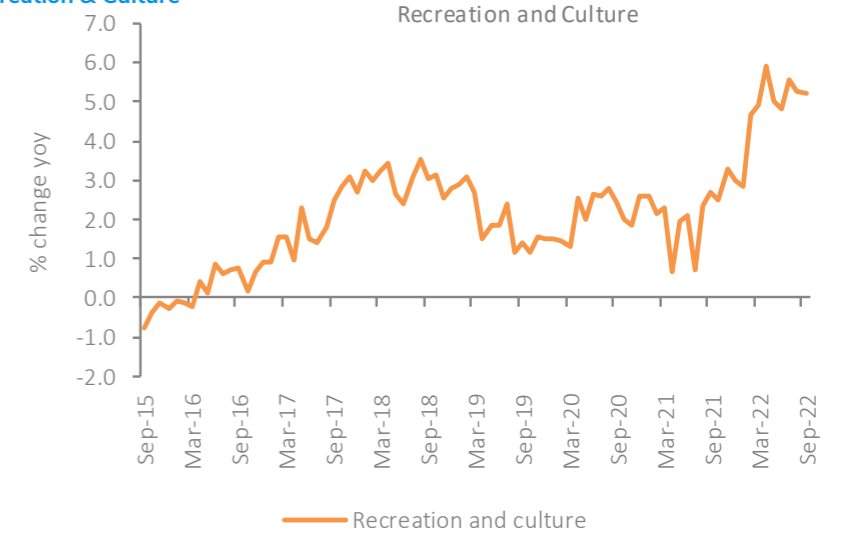
Source: ONS

## Transport



Source: ONS

## Recreation & Culture



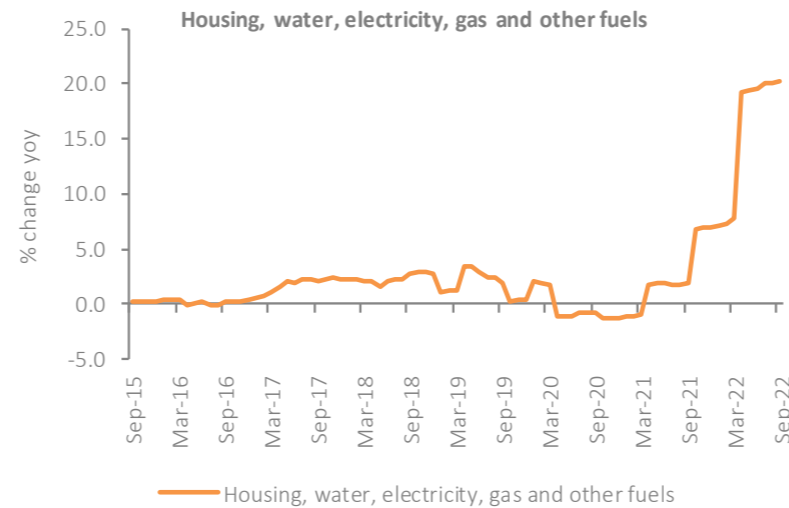
Source: ONS

## Clothing & Footwear



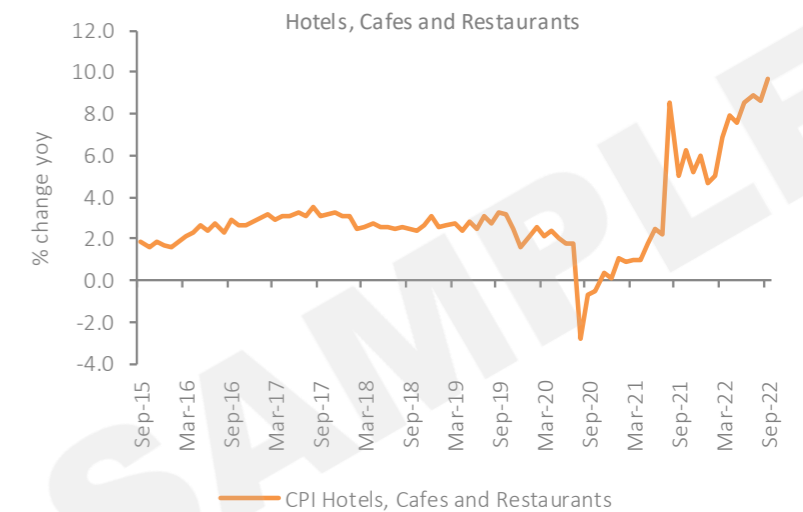
Source: ONS

## Housing, Water, Electricity, Gas & Other fuels



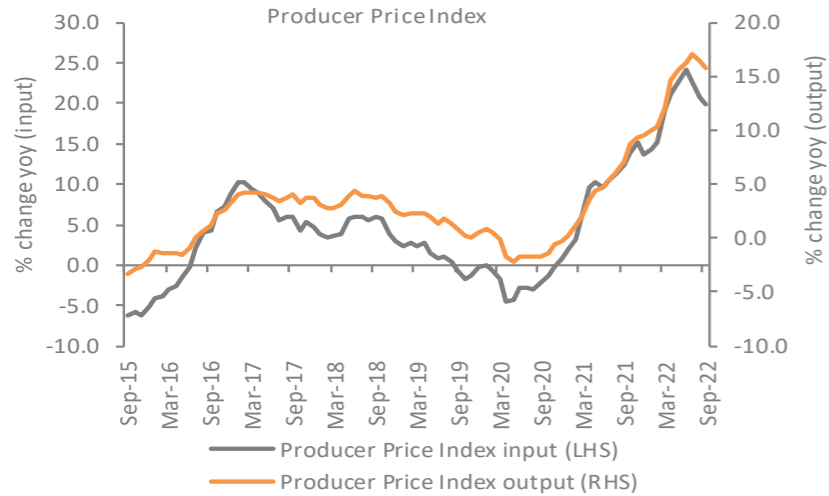
Source: ONS

## Restaurants & Hotels



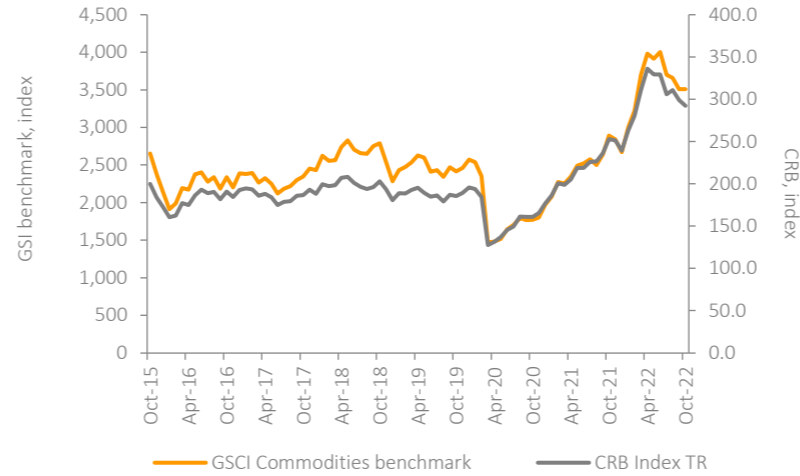
Source: ONS

## Producer Prices



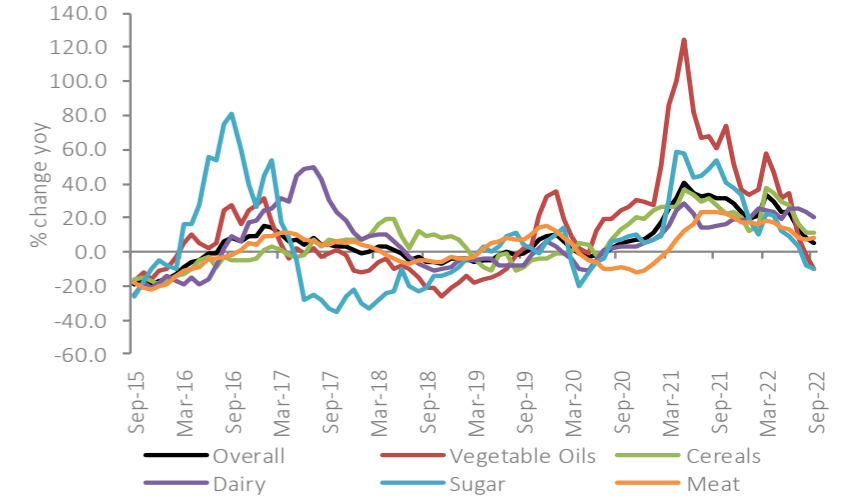
Source: Datastream

## Commodities



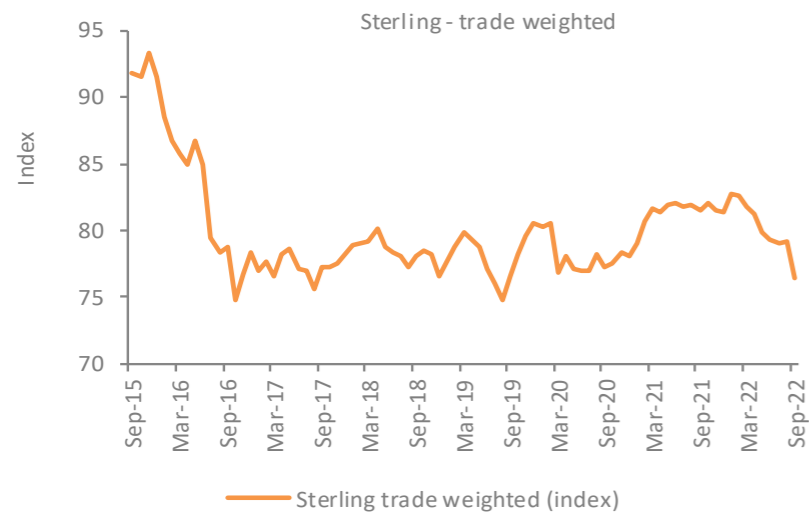
Source: Datastream

## UN-FAO Food Price Index



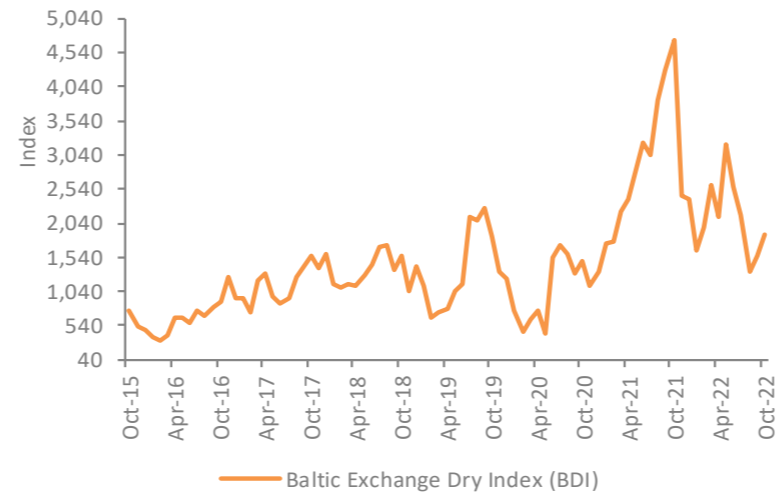
Source: UN-FAO Food Price Index

## Exchange Rates



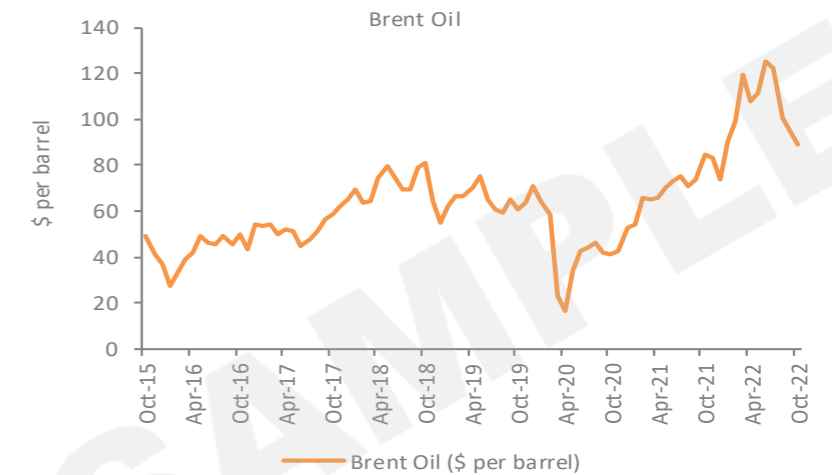
Source: Datastream

## Baltic Dry Index



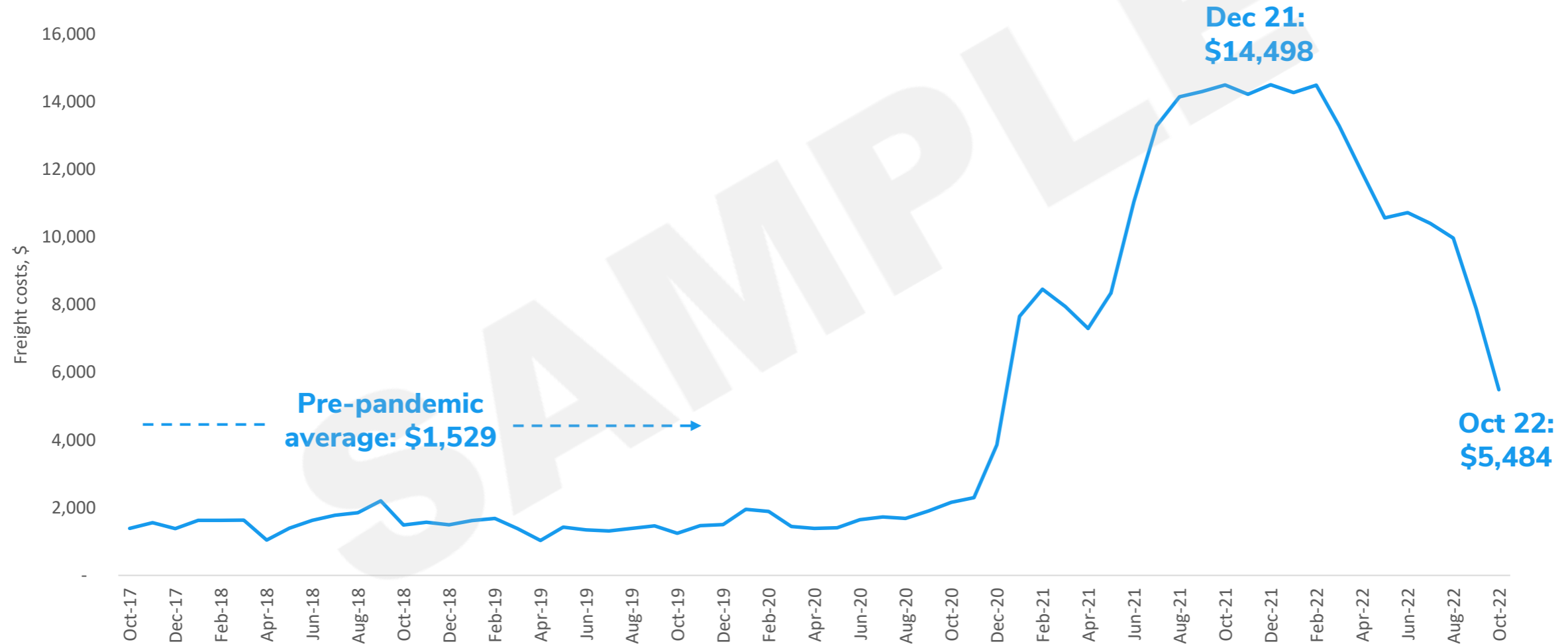
Source: Datastream

## Oil Prices



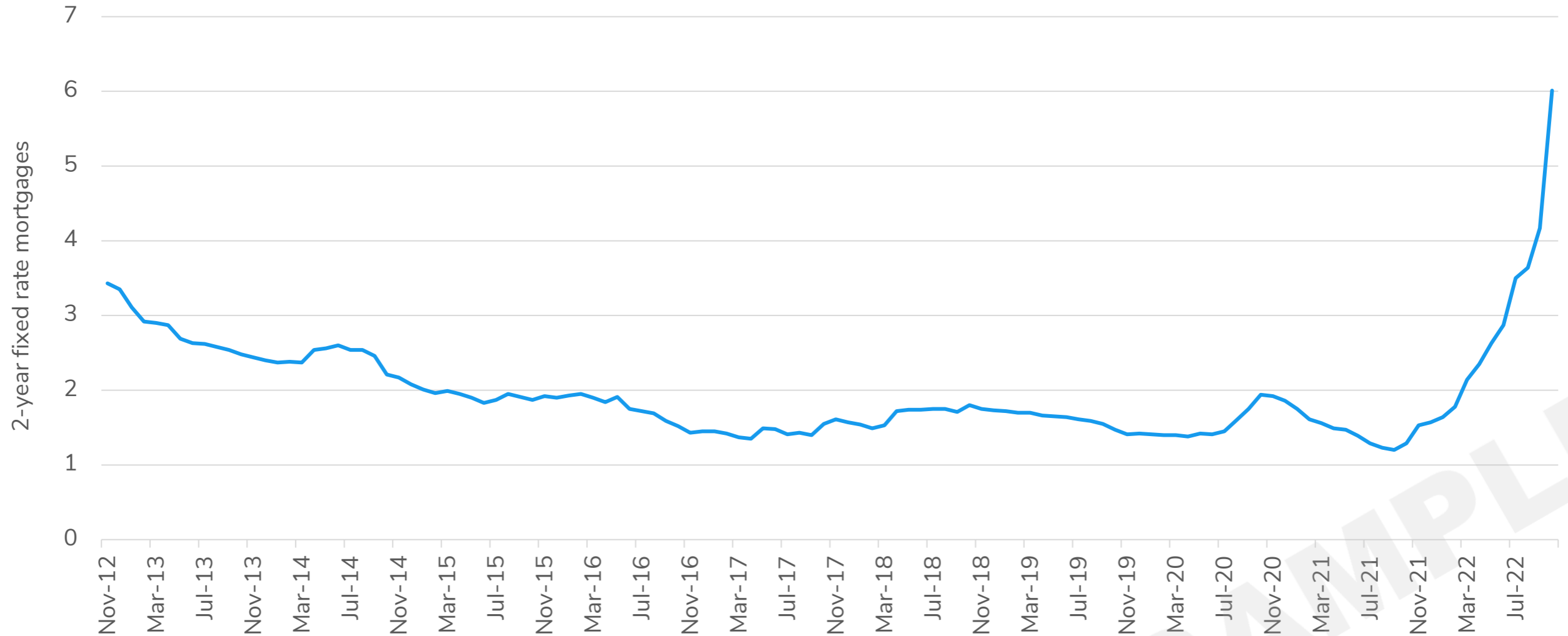
Source: Datastream

## Freight costs: China to North Europe



Source: Freitas

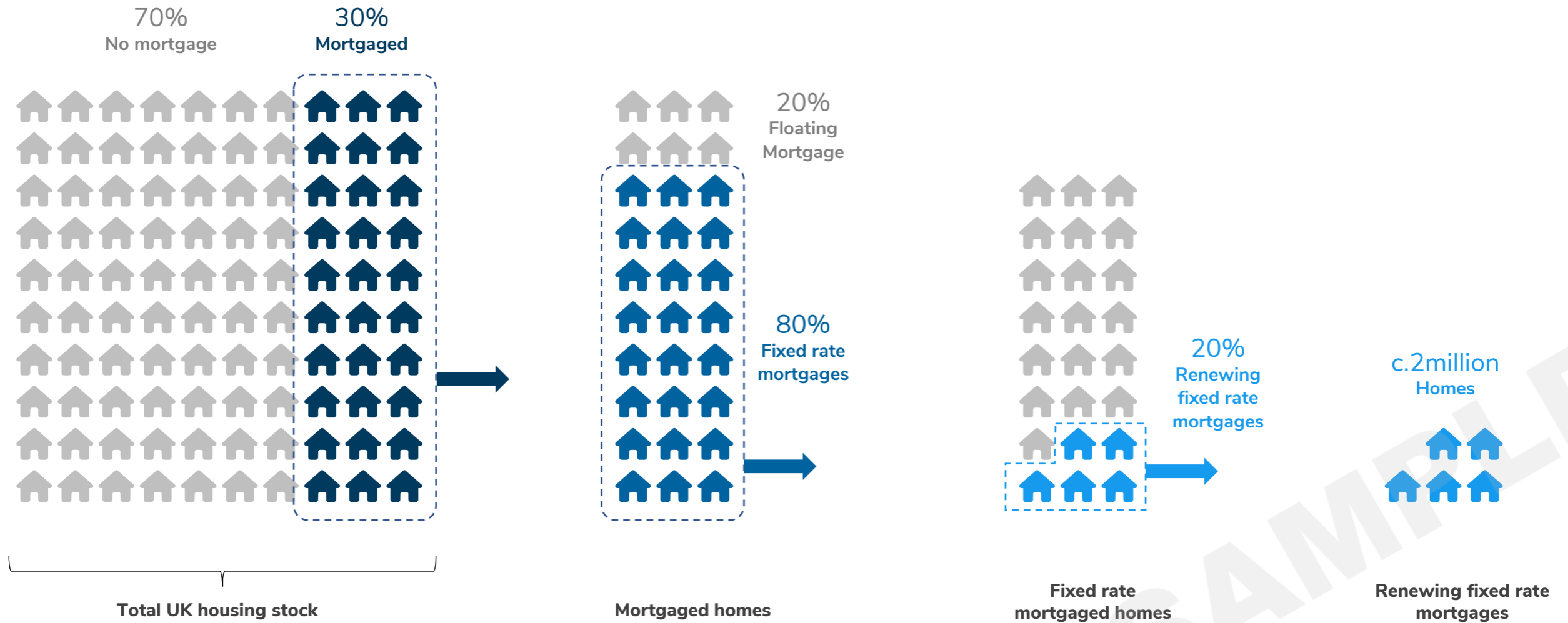
## Average 2-year fixed mortgages have risen to decade high levels



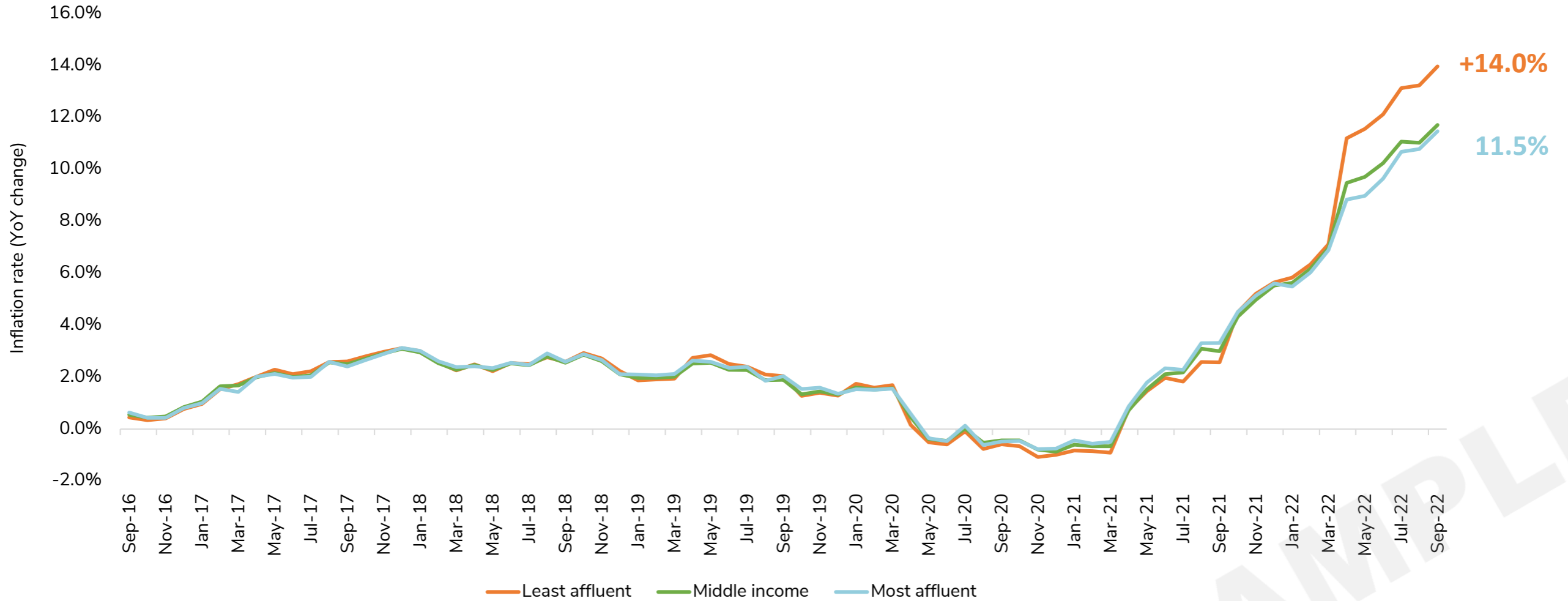
Source: Refinitiv



## Around 2 million households will be impacted in the next 12 months



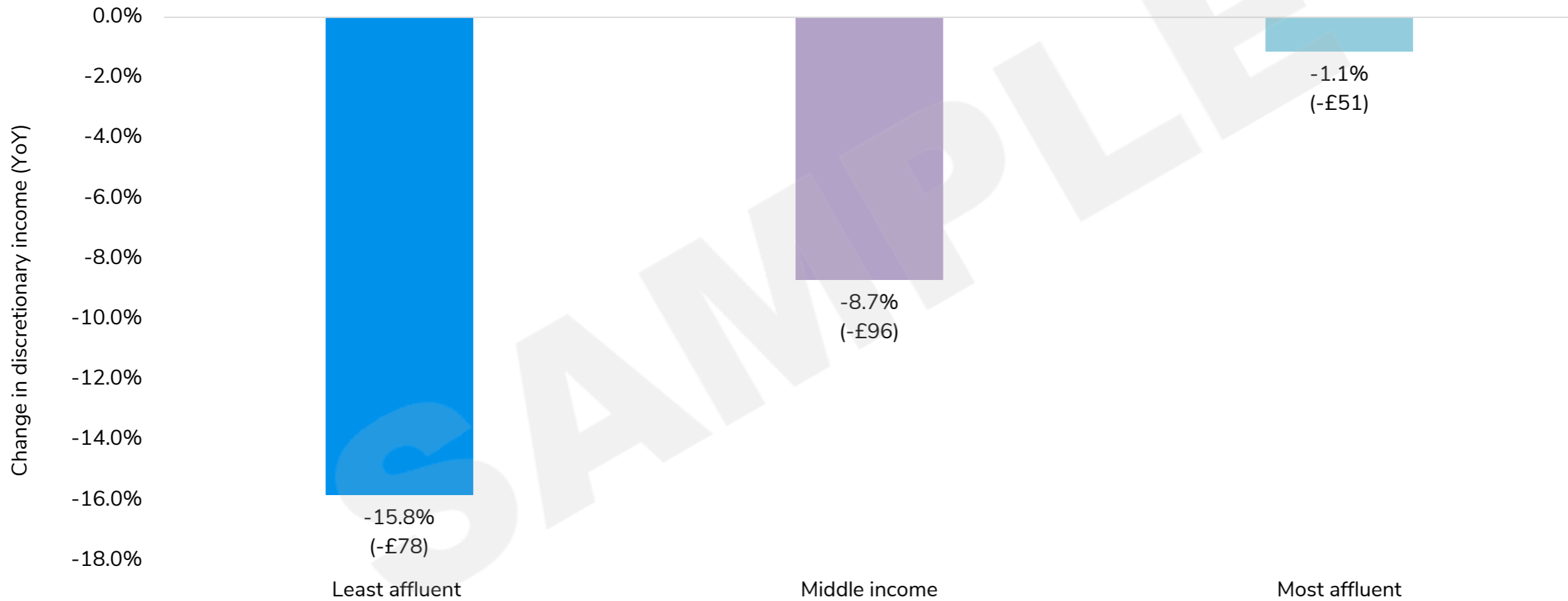
## Low-income households experiencing higher inflation

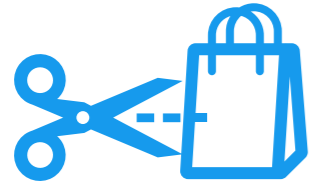


Source: Retail Economics Cost of Living Tracker, HyperJar

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## Change in discretionary income by household income group – September 2022

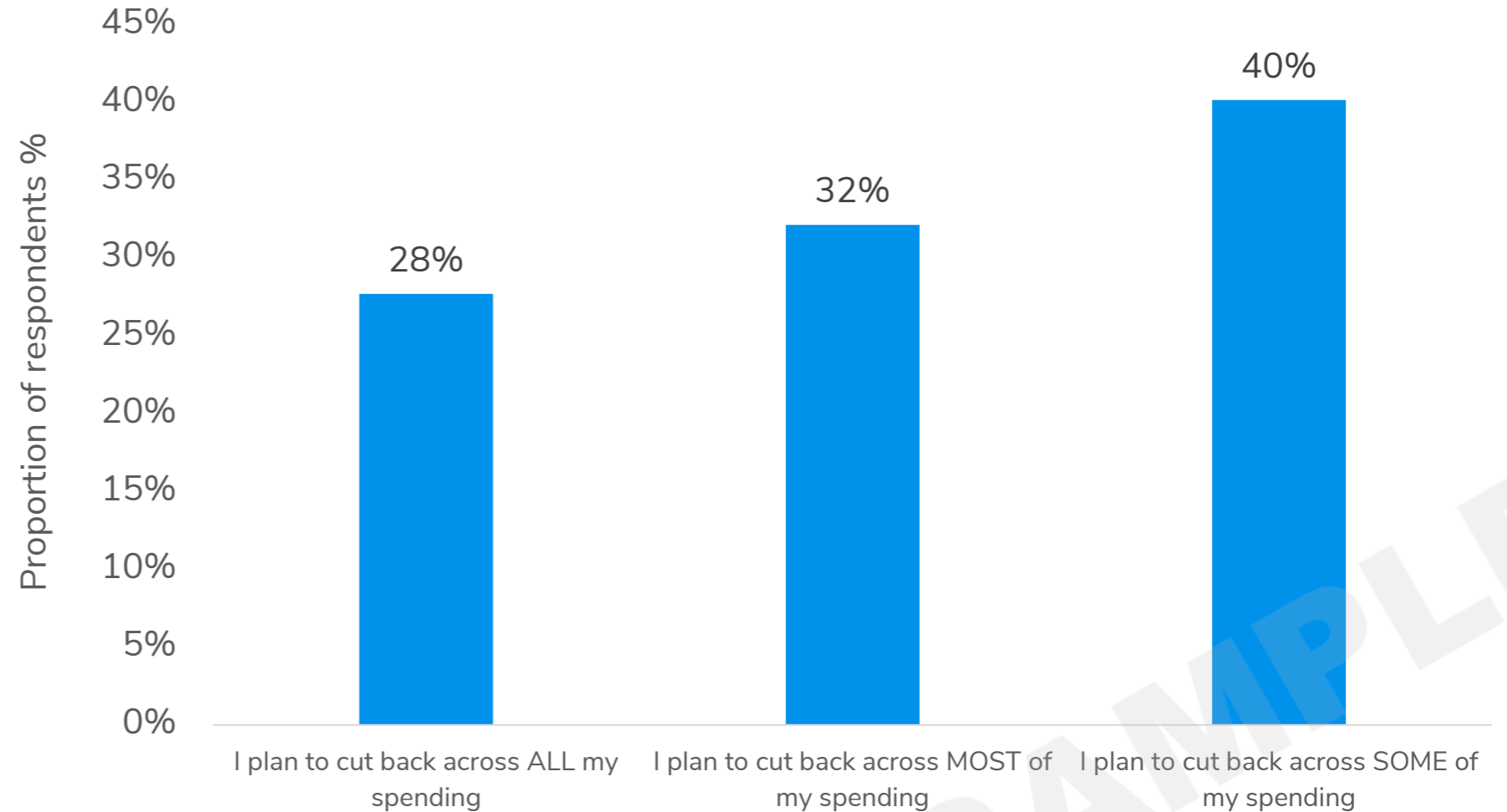




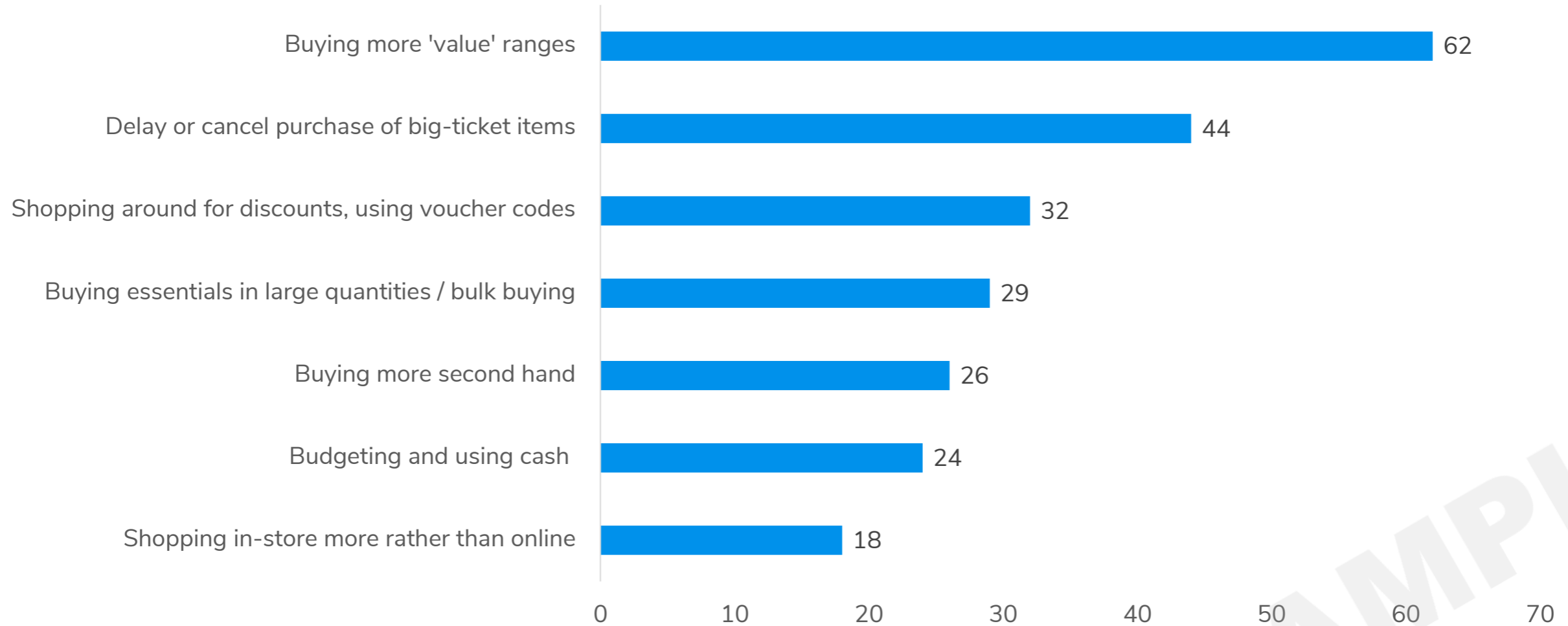
## 86%

of consumers say  
set to cut back their  
spending over next  
twelve months due  
to the rising cost of  
living

### Of those cutting back....

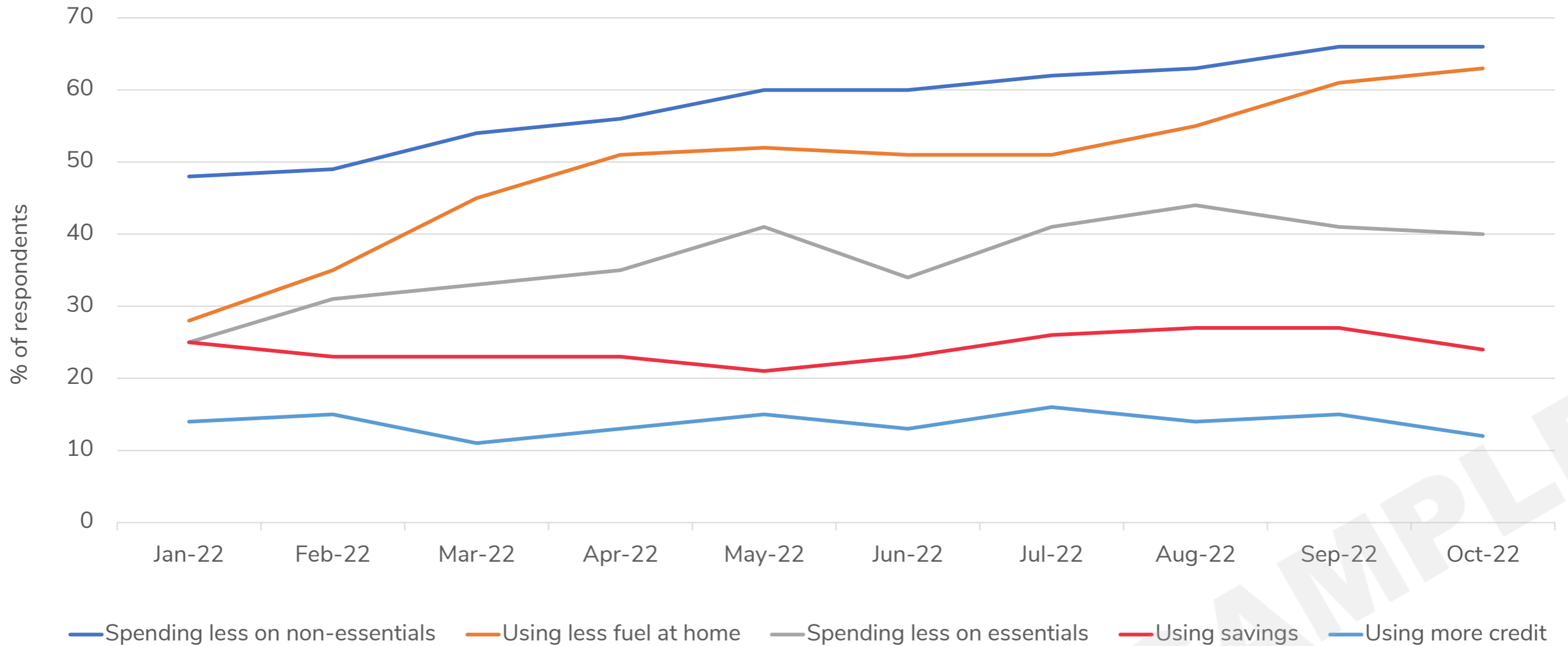


## 1 in 3 'Financially Distressed'

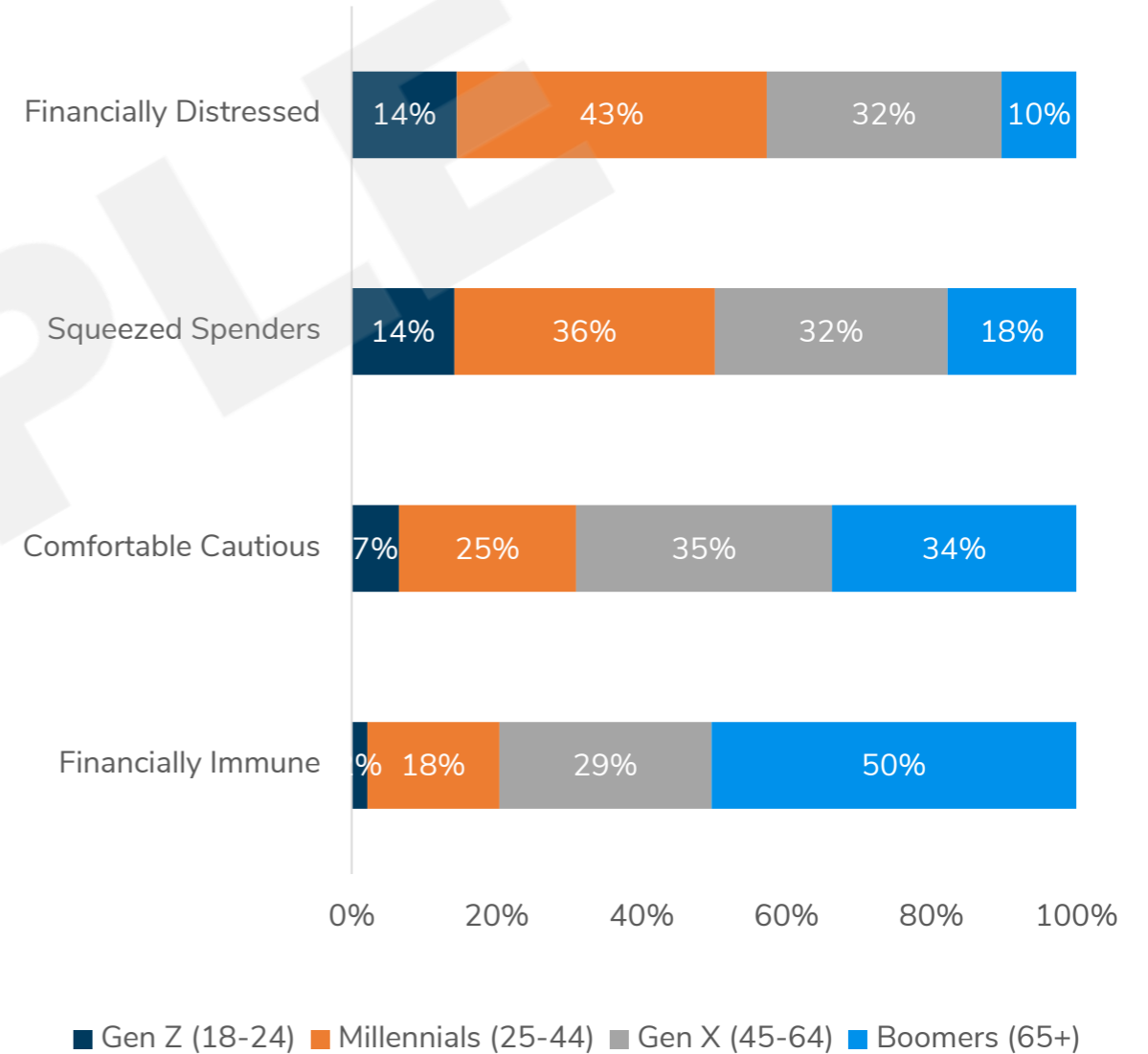
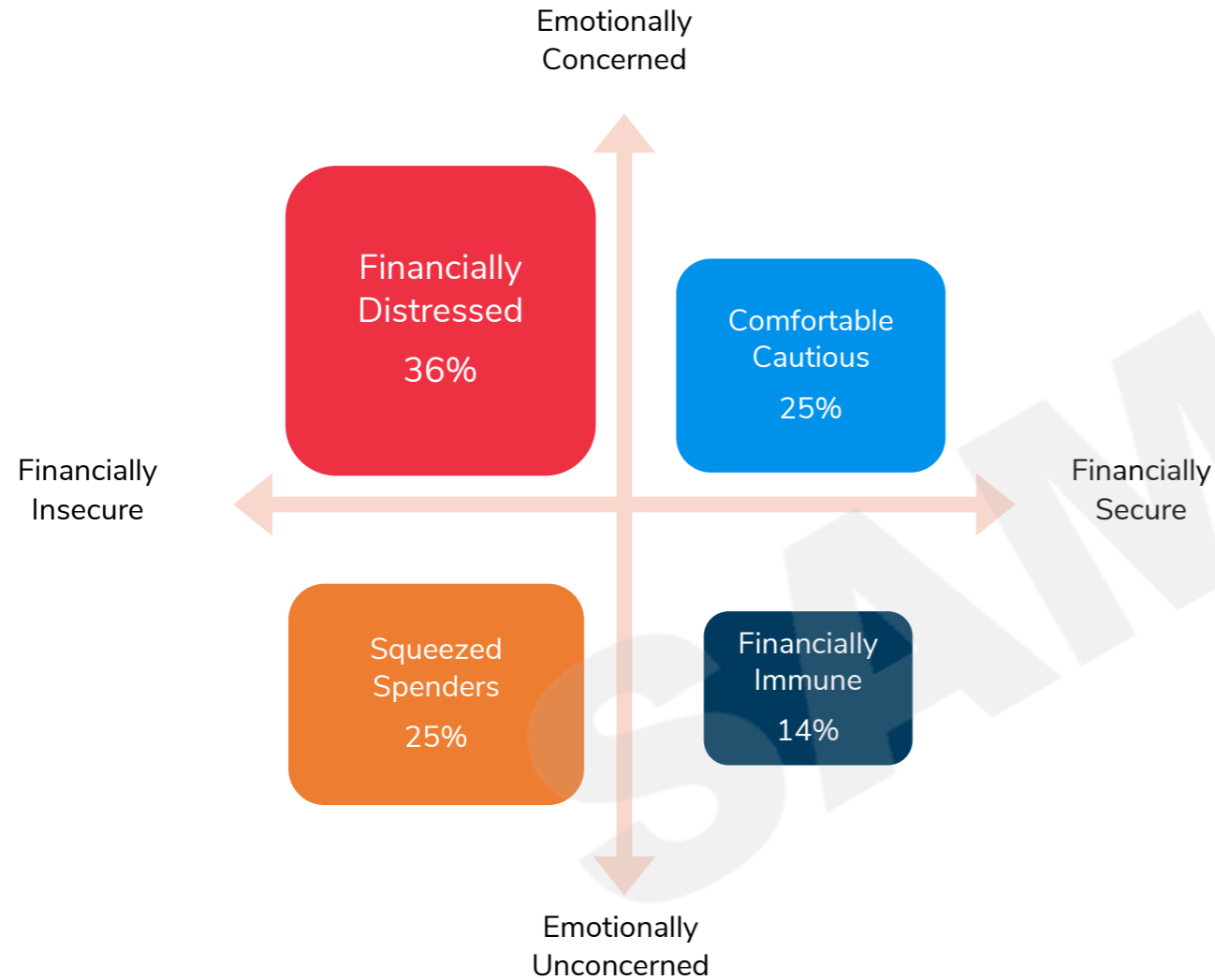


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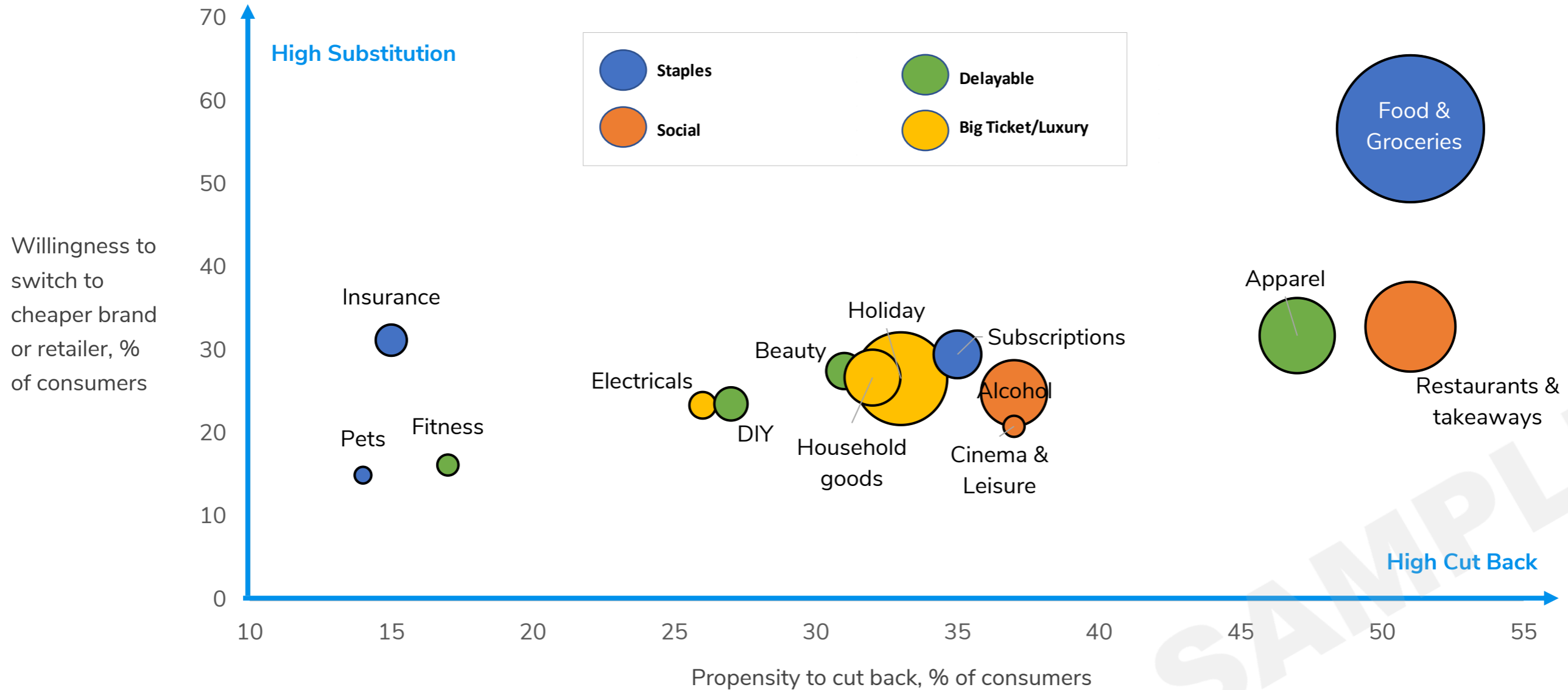
## Consumers are spending less in response to the cost-of-living crisis



## 1 in 3 'Financially Distressed'

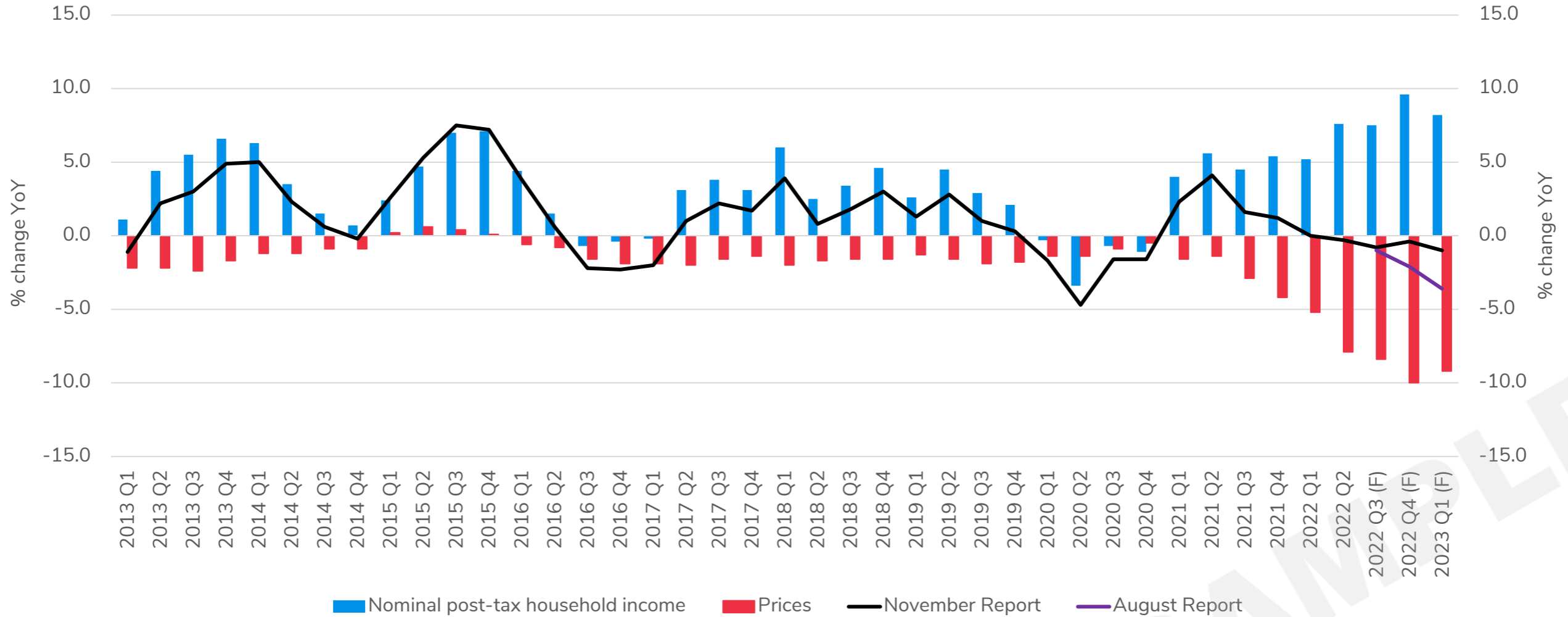


## Correlation between cut back propensity and willingness to trade down

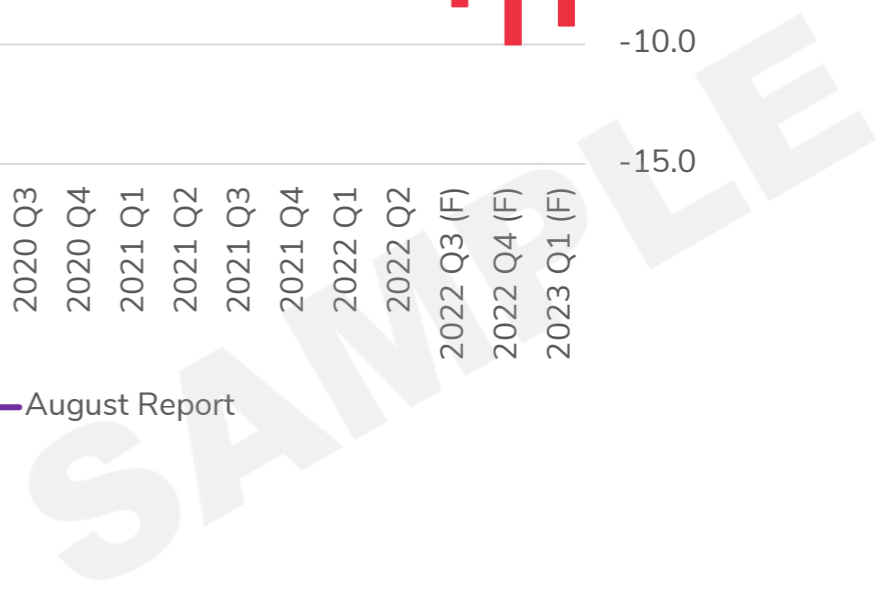




## Energy Price Guarantee will provide significant support for household incomes



Source: Bank of England





“Retail brands that are attuned to consumer sentiment will adapt their brand messaging accordingly to align with shifts in consumer values.”



“Successful companies will be those that strike a careful balance between using the right tone with their core customer base, while simultaneously reaching out to new cohorts who are ‘untethered’ and exploring new brands that might resonate with their values.”

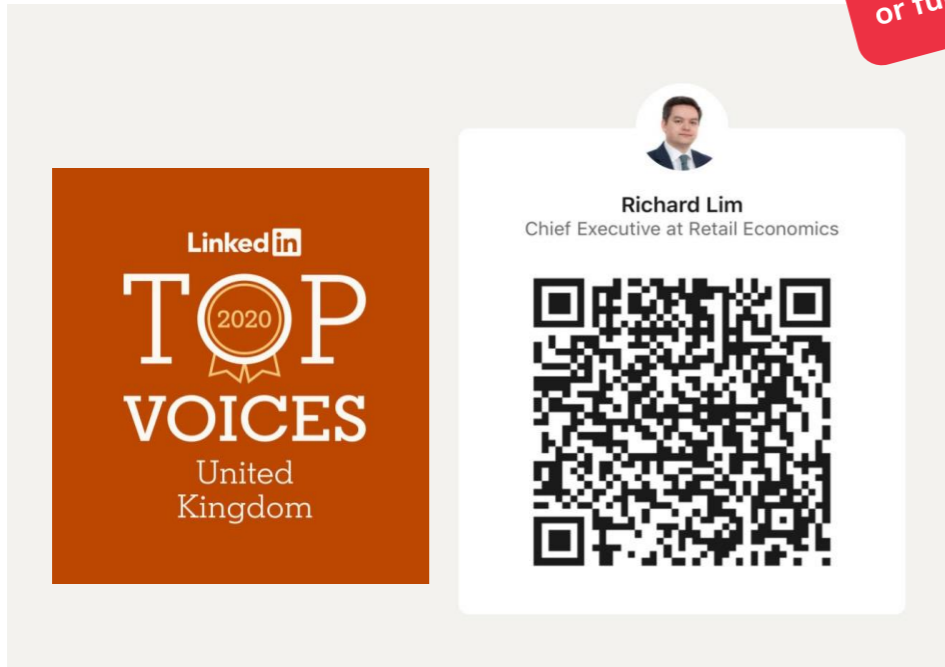


“More than ever, as budgets become increasingly squeezed, leveraging authentic and empathetic communication will help to form long-lasting relationships.”

- [Iceland Foods](#) recently launched their Food Club. Members apply for interest-free microloans (£25-£100) on a pre-loaded card, which can be spent in any Iceland store. They have also provided free workshops with energy firm Utilita for hints and tips to save on energy bills.
- [Asda](#) launched its “Just Essentials” range which replaced Smart Price. They also have ‘kids eat for £1’ offer in Asda cafes, and has since served up more than 330,000 children’s meals. They also launched their £1 ‘winter warmer’ soup, roll and unlimited tea or coffee offer for over 60s in its 205 cafes.
- Very ([Shop Direct](#)) has launched its new own-brand collection ‘Everyday’, featuring over 700 clothing and home products, including school uniforms.
- [Halfords](#) dropped prices across car care products and pledged that its 600 Autocentres will provide MOTs and servicing up to 25% cheaper than competitors.
- [Boots UK](#) has committed to freezing the price of over 1,500 Boots own-brand products ‘to ensure they remain affordable’, at least until the end of the year.
- [Primark](#) committed to keeping their prices on hold next year beyond what had already been implemented and planned.




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**TOP VOICES**  
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Richard Lim  
Chief Executive at Retail Economics



✉ [richard.lim@retaileconomics.co.uk](mailto:richard.lim@retaileconomics.co.uk)

<https://www.linkedin.com/in/richard-lim-42527726/>



☎ +44 (0)20 3633 3698

🌐 [www.retaileconomics.co.uk](http://www.retaileconomics.co.uk)

✉ [amy.yates@retaileconomics.co.uk](mailto:amy.yates@retaileconomics.co.uk)

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