

UK consumers struggle to cope with cost-of-living crisis

Article

The news: Inflation in the UK hit 9.1% in May—a 40-year high—as rising prices eat into consumers' spending power.

- The crisis is being compounded by a weak pound, which has made importing energy, food, and other goods more costly.

- As the cost of living rises, more workers are agitating for pay increases in line with inflation.

The stats:

- Average earnings minus bonuses were 3.4% lower year-over-year (YoY) in April when adjusted for prices, per the Office for National Statistics. That's the biggest drop since 2001.
- The average annual grocery bill is **set to grow by £380 (\$523)**, per Kantar, driving many shoppers to cut back on purchases and opt for budget labels over name brands.
- Approximately **1.2 million households** have food and energy bills that exceed their income, per the National Institute for Economic and Social Research.

What Actions Have UK Adults Taken to Reduce Their Grocery Costs in 2022?

% of respondents, Feb 2022



Note: n=988 ages 16-75; among main shoppers in household

Source: Ipsos, "The cost of grocery shopping polling: February 2022," March 2, 2022

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A tale of two halves: Not everybody has been equally affected by rising costs: Many private-sector workers have benefitted from rising wages thanks to a tight labor market.

- But public-sector workers are struggling. Pay for government employees was only 1.6% higher YoY in the three months ended in March 2022, per The Wall Street Journal.
- That's compared with an 8.2% YoY increase for employees in the private sector.

Workers protest: The cost crunch has led many public sector workers to go on strike for cost-of-living pay increases.

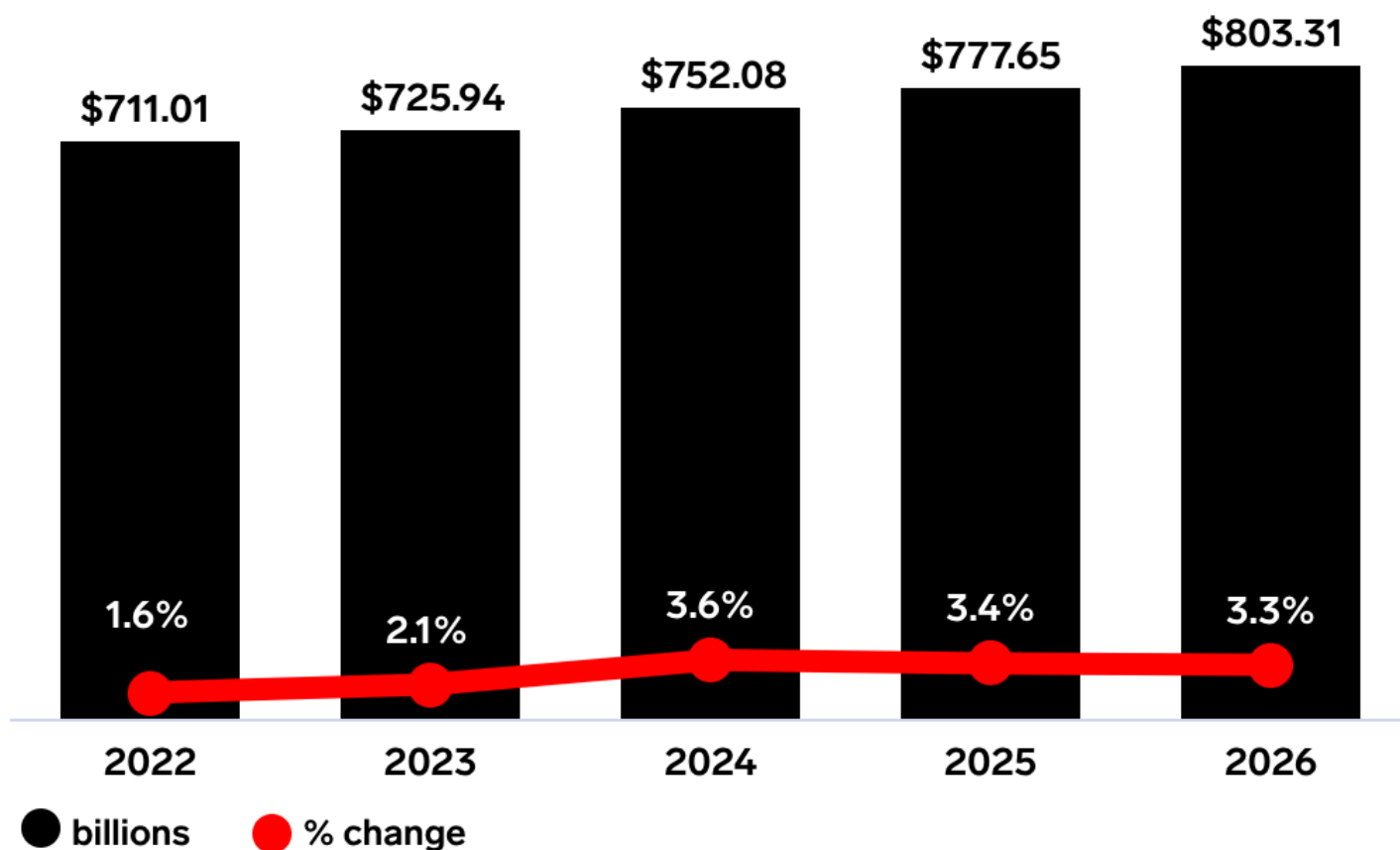
- The UK is grappling with its **biggest rail strikes in 30 years** as members of the National Union of Rail, Maritime, and Transport Workers fight for higher wages and job security.
- Some British Airways workers have voted to strike during the peak summer travel season after the airline refused to reverse pandemic-era pay cuts.

The impact on retailers: The hit to disposable income has caused shoppers to reduce discretionary purchases.

- UK retailers **reported a decline in sales volume in June**, a trend they expect will persist into July, per a survey by the Confederation of British Industry (CBI).
- That's left many with excess inventory that will either need to be discounted or discarded.
- Fashion retailers **Asos** and **Boohoo** reported higher returns rates as consumers adjusted their spending patterns.
- Strike action has also affected consumers' ability to get to shops: **Footfall in shopping areas across the UK was down 8.5%** week-over-week on the first day of the rail strike, per Springboard data reported by Fashion United.

Total Retail Sales

UK, 2022-2026



Source: eMarketer, June 2022

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Looking ahead: While the outlook for the UK's economy is gloomy, affluent consumers are still spending, noted **Bill Fisher**, eMarketer principal analyst at Insider Intelligence. That could help some retailers weather the storm—assuming they can [overcome supply chain challenges](#).

As lower- and middle-income households contend with squeezed budgets and the threat of a recession, retailers that can provide any sort of relief through discounts or enhanced value will benefit.

Go further: For more on the Era of Uncertainty, read our report [here](#).

