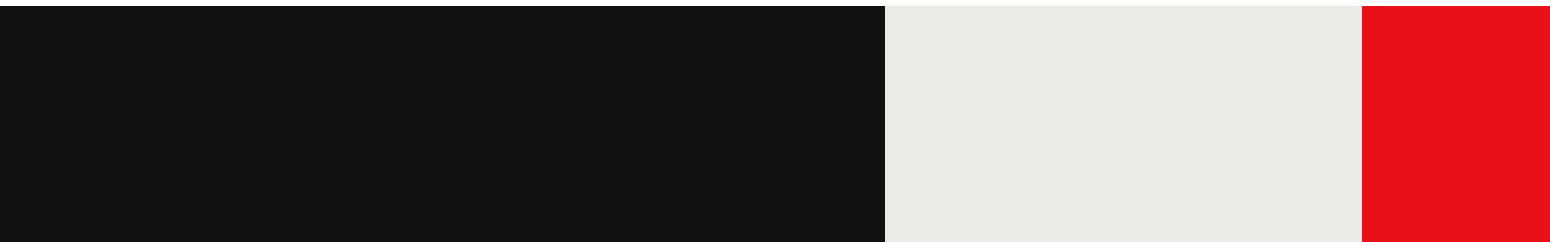



# UK retailers brace for uncertainty in 2025

## Article



**The insight:** UK retailers are pessimistic about their 2025 prospects due to weak consumer confidence and high costs stemming from the Labour government's budget.

- **Marks & Spencer** warned that “the external environment remains challenging” due to economic headwinds alongside a higher tax burden.
- Likewise, **Tesco** pointed to economic uncertainty, rising grocery inflation, and budget-related cost increases as challenges for the year ahead.

**The concerns:** British retailers ended 2024 on a sour note, as a late surge in spending failed to deliver a meaningful boost to [holiday retail sales](#). Pending increases in the minimum wage and in employers' National Insurance contributions are adding to retailers' angst, forcing many to consider price hikes and reduce hiring to mitigate rising costs.

- Business confidence is at its lowest level since autumn 2022, when concerns over then-Prime Minister **Liz Truss**' budget wreaked havoc on the UK economy, per the British Chambers of Commerce.
- The additional cost pressures are expected to drive inflation in 2025, despite efforts by retailers like Marks & Spencer and Tesco to absorb as much of the increases as possible.
- Over half (54%) of companies plan to raise prices as a result of the Labour government's budget, according to a Bank of England survey, while 61% expect profits to fall.
- The British Retail Consortium expects food prices to rise by an average of 42% in the second half of the year, "while nonfood will return firmly to inflation," chief executive **Helen Dickinson** said.

**Our take:** UK retailers have the unenviable task of dealing with an economic slowdown alongside a considerable tax hike, sparking fears of stagflation—an echo of the events that brought down Truss' government over two years ago.

While some—like Marks & Spencer, **Next**, and Tesco—have the scale and resources to navigate those headwinds, the combination of weak consumer confidence and rising costs could prove too much for others to handle.

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