
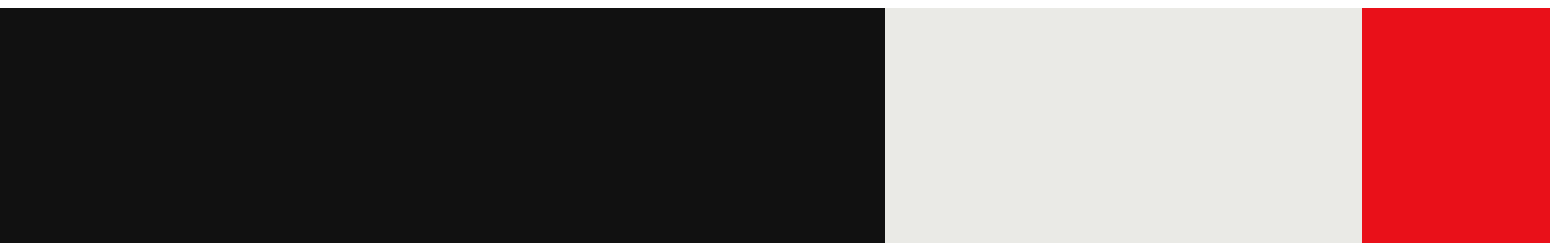


UK retailers sound the alarm amid weak consumer environment

Article



The news: More UK retailers are raising alarms as cost pressures and sinking confidence weigh heavily on their businesses.

- **Sainsbury's** plans to cut over 3,000 jobs—roughly 2% of its workforce—as well as shutter its in-store cafes and eliminate pizza and hot food counters in response to rising costs stemming
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from the [Labour government's budget](#).

- **Primark** owner **AB Foods** lowered its sales outlook for the fast-fashion retailer after a challenging holiday quarter in which it lost market share.
- **Pepco** is exploring strategic options for UK discounter **Poundland**, including a potential sale, after like-for-like sales at the retailer fell 7.3% YoY during the Christmas quarter.

Stormy seas: The struggles at Primark and Poundland are particularly noteworthy given that both should—in theory—be poised to benefit from cautious spending trends, particularly as more retailers threaten to raise prices to counter rising insurance and labor expenses. But the slide in consumer confidence has led to a sharp pullback in discretionary spending.

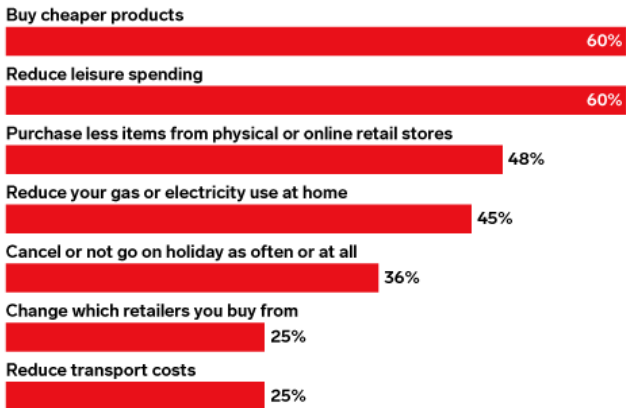
- **Holiday sales were subdued.** Sales during the last three months of the year fell 0.8% compared with the previous quarter, per the Office of National Statistics. On a YoY basis, Q4 sales were up 1.9%, less than the annual rate of inflation (2.5%).
- **Consumers brace for an economic downturn.** Nearly half (48%) of UK consumers expect the economy to worsen in the next three months, according to a January survey by the British Retail Consortium. That's up 6 percentage points from December and 10 percentage points from November.

Looking ahead: The [UK retail landscape](#) looks bleak—which is why so many retailers are turning to international markets to spur growth.

- Primark expects its US and European expansion to contribute roughly 4% to sales growth in fiscal 2025.
- **Next** is banking on a 14% increase in overseas online sales in the 12 months to next January—compared with just a 1.4% rise in UK full-price sales.
- And footwear and accessories brand **Kurt Geiger** plans to establish 50 North America stores, with five already in development for early 2025, after seeing a 100-fold increase in sales since 2018.

Ways UK Adults Plan to Reduce Spending, June 2024

% of respondents



Note: n=2,000; in the next 3 months; top 7 responses shown
Source: British Retail Consortium (BRC), "Consumer Sentiment Monitor," June 27, 2024

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