

BRC RETAIL OUTLOOK

DECEMBER 2024



VIEW THE FULL REPORT

CFOs and FDs from each retail member were invited to respond to the survey between 15th November and 9th December 2024. In recognition of the time and effort in providing their input, survey participants have been provided exclusive early access to the full version of the report. This report is a non-participant version, which provides a high-level summary of findings only. For this reason, readers will see various sections obscured.

To receive the full version of the Retail Outlook report going forward, please help us to receive a response from your business. The next survey goes live on the **13th of June**.



CFO SENTIMENT

We surveyed Chief Financial Officers (CFOs) and Finance Directors (FDs) of members, to understand their perspective on the Autumn Budget impact on their business, their sentiment toward industry trading conditions, and their view on sales and prices in 2025.

The survey was live from 15 November to 9 December 2024. Responses were received from 52 members whose businesses turnover £65bn per year, employing 478,000 people and operating 17,536 stores across the UK.

We thank CFOs and their colleagues involved in supporting the BRC with this effort.

Response to the Autumn Budget

More than half of members reported to have taken or intending to take at least 4 measures to address the NIC cost increase. Two thirds indicated that they would raise prices in response. The next two most popular responses were reducing the number of hours worked or overtime, and

What actions have your business taken/intends to take as a result of changes to employer NICs (% of respondents)?



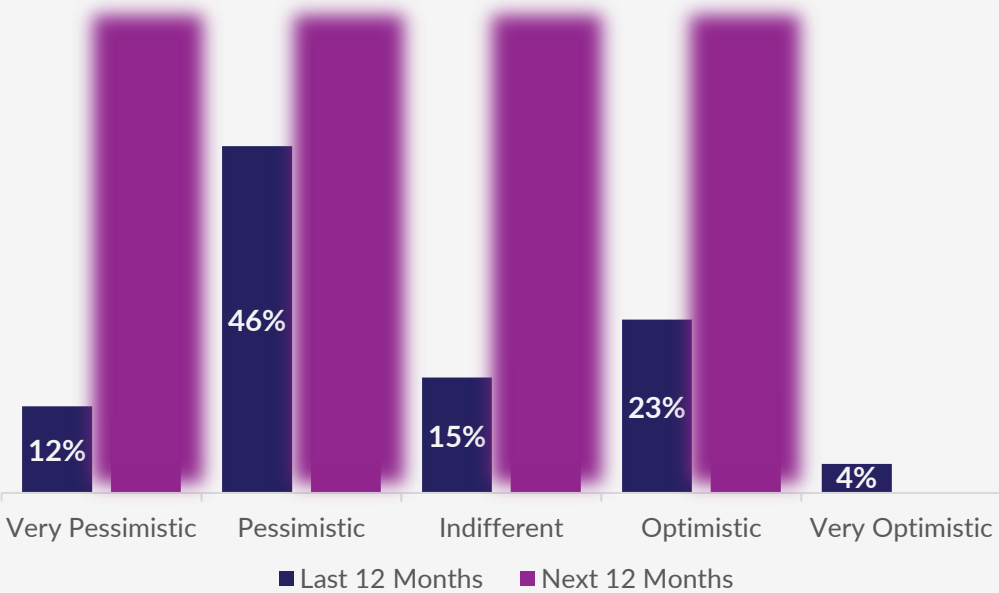
Trading Conditions and Top Concerns

CFOs were asked their sentiment towards industry trading conditions in the last 12 months and for the next 12 months.

Only 13% of CFOs were optimistic or very optimistic for the year ahead. This compares to 27% who reported the same for the previous 12 months.

Conversely, 70% of CFOs report being pessimistic or very pessimistic about trading conditions over the year ahead, which is a deterioration from the same response for the prior 12 months of 58%.

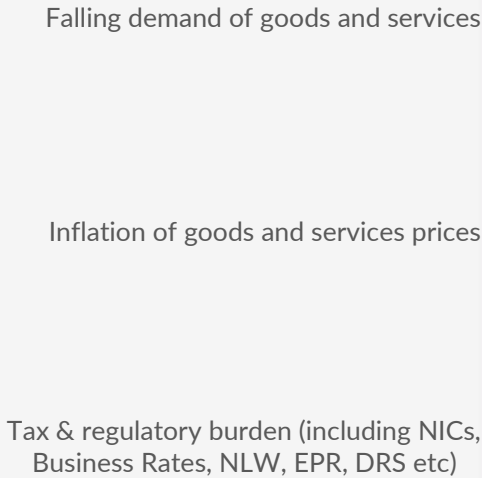
Describe your sentiment towards trading conditions in the retail industry (% of respondents).



We also asked CFOs to rank their top 3 concerns over the upcoming 12 months. 79%

Retailers have been burdened with high input costs since the energy price shock in 2022, with many goods commodities continuing to see high price levels. This is anticipated to continue, with no sign of a let-up in input costs faced by retail businesses, whether raw materials prices or taxes incurred.

Rank the top concerns for your business over the next 12 months (% of respondents).

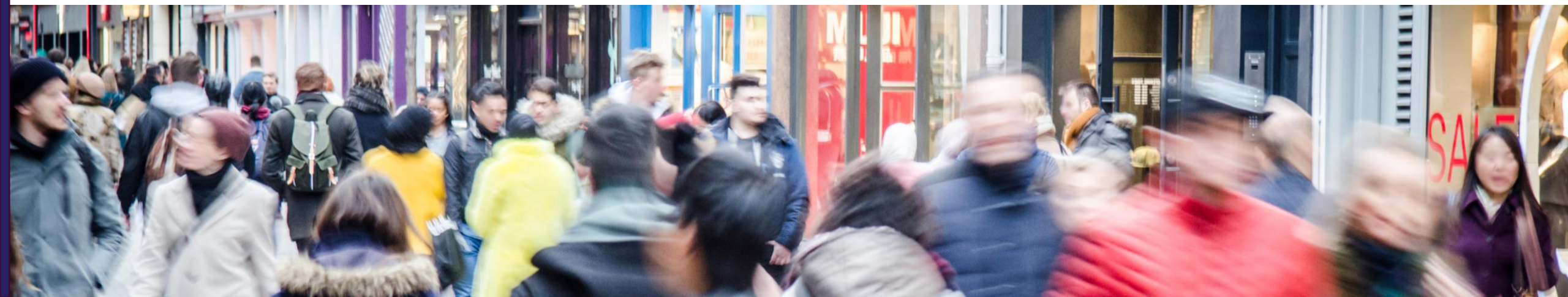
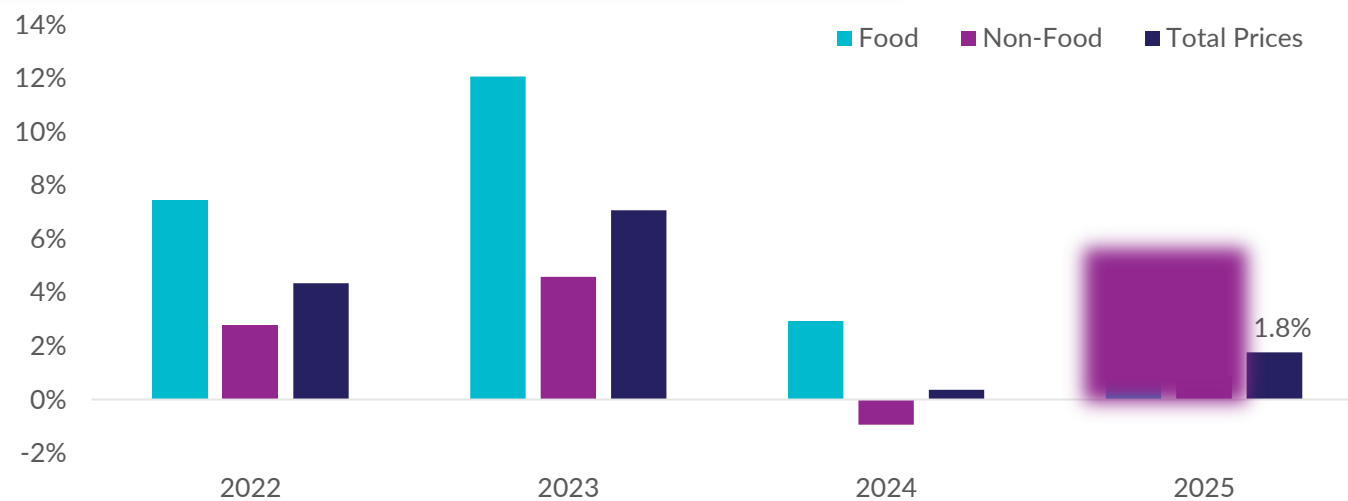


PRICES & SALES FORECASTS

The BRC produced an economic forecast for retail sales and prices using public data such as GDP, employment and sentiment. These forecasts are shown in the appendix. We presented them to the CFOs and asked them for their estimates on the same. This allowed us to recalibrate our estimates to provide a finalised forecast presented here and on the sales forecast page.

SHOP PRICE INFLATION FORECAST

The BRC's forecast (informed by CFO sentiment) for overall Shop Prices is 1.8% growth in 2025, following growth of 0.4% in 2024 ([BRC – NIQ Shop Price Index](#)).



SHOP PRICE INFLATION FORECAST

- Food prices are forecast to grow 3.5% in 2025, following growth of 2.9% over 2024. Although food is an essential item, food retailers find themselves in a challenging position, as well, wanting to improve volume sales despite high input costs.
- We estimate in H1 2025 that food inflation will pick up to
- Non-Food prices are forecast to rise by 0.9% in 2025, following deflation of -0.7% in 2024. With

Shop Price Inflation Forecast – H1 & H2 (2025)

	Actual			Forecast		
Year-on-year growth	2022	2023	2024	H1	H2	2025
Overall Prices	4.3%	7.1%	0.4%			1.8%
Non-Food	2.8%	4.6%	-0.9%			
Food	7.4%	12.1%	2.9%			

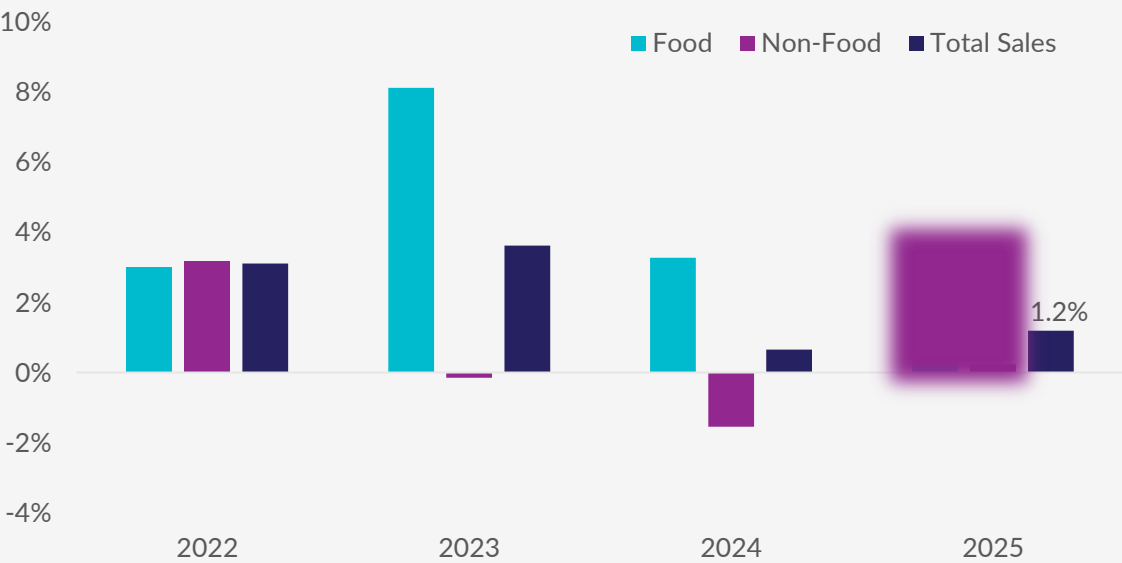


RETAIL SALES FORECAST

The BRC’s forecast (informed by CFO sentiment) for total retail sales in 2025 is 1.2% growth, following growth of 0.7% in 2024 ([BRC – KPMG Retail Sales Monitor](#)). The first half was weaker, with growth of 0.2% in H1, and a stronger 0.7% in H2.

Overall, and in comparison, to the BRC’s econometric model, CFOs were more pessimistic. As a result, this implies a slightly stronger decline in volume growth, once their expectations of higher inflation are factored in.

- Food sales are forecast to grow 2.4% in 2025, following growth of 3.3% in 2024. The primary driver of growth in 2023 and into 2024 was high food inflation which has pushed up sales figures in nominal terms, and easing inflation is expected to weigh on sales growth ahead. Hence, sales are expected to slow to
- Non-Food sales are forecast to grow 0.2% in 2025, following a 1.5% contraction over 2024. Non-food accounts for the majority of discretionary purchases, so it is more exposed to the downward pressure on real household disposable incomes over 2025. Sales growth is expected to remain subdued into 2025,



Retail Sales Forecast – H1 and H2 (2025)

	Actual			Forecast		
Year-on-year growth	2022	2023	2024	H1	H2	2025
Total Sales	3.1%	3.6%	0.7%			1.2%
Non-Food	3.2%	-0.1%	-1.5%			
Food	3.0%	8.1%	3.3%			

APPENDIX

The data shown below is the output from the BRC’s econometric model. This was presented to CFOs in the Sentiment Survey to ask for their own view on sales and pricing.

Shop Price Inflation Forecasts (BRC model)

	Actual						Forecast		
Year-on-year growth	2019	2020	2021	2022	2023	2024	H1	H2	2025
Total Sales	-0.2%	-1.4%	-1.0%	4.3%	7.1%	0.5%			1.2%
Non-Food	-1.2%	-3.0%	-1.7%	2.8%	4.6%	-0.7%			
Food	1.6%	1.3%	0.3%	7.4%	12.1%	2.9%			

Retail Sales Forecasts (BRC model)

	Actual						Forecast		
Year-on-year growth	2019	2020	2021	2022	2023	2024	H1	H2	2025
Total Sales	-0.1%	-0.2%	9.9%	3.1%	3.6%	0.7%			1.4%
Non-Food	-1.3%	-5.0%	15.6%	3.2%	-0.1%	-1.5%			
Food	1.4%	5.4%	3.1%	3.0%	8.1%	3.3%			



FORECAST METHODOLOGY

BRC Market Intelligence, the data arm of the British Retail Consortium, has created a bespoke set of econometric models to help predict future food as well as non-food sales. Utilising regularly published figures via the [BRC-KPMG Retail Sales Monitor \(RSM\)](#) and [BRC-NIQ Shop Price Index \(SPI\)](#), the set of models utilises various historical economic relationships to provide forecasted projections of the future trajectory of retail sales. Our models utilise a range of indicators of economic activity, encompassing GDP, household disposable income, employment trends, consumer confidence, interest rates, and the transformative rise of online retail.

This report currently only provides projections for the first and second halves of 2025, though future iterations of the report may extend beyond this horizon and develop to include a wider set of measures. An uncertain backdrop implies strong risks to the BRC's central projections. The heightened geopolitical risks mentioned imply that there is a wider confidence interval around our projections.



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