# Retailers warn of deeper job cuts and rising prices as tax hikes bite



Retailers across the UK are bracing for a challenging period as a recent survey reveals expectations of increased prices, job cuts, and reduced investment. The Confederation of British Industry (CBI) indicates that sentiment in the sector has plummeted sharply, matching the steepest fall since the pandemic. This survey reflects a net balance of companies predicting a deterioration in business conditions, which has shifted from minus 19% in February to minus 29% in the latest report.

The driving forces behind this downturn are largely linked to rising costs resulting from governmental policy changes, particularly the increase in National Insurance contributions which took effect in April. This tax, impacting the cost of hiring staff, coupled with an uptick in the national living wage, has exacerbated the burden on retailers. Ben Jones, Lead Economist at the CBI, described the latest findings as a stark indication of the challenges confronting the retail and broader distribution sectors. He noted, "Firms are feeling the impact of higher National Insurance and the national living wage increase," suggesting that many in the industry are struggling with fragile consumer demand, despite online sales showing some resilience.

The economic environment has been marked by stagnating consumer confidence, which hit a record low in April. Retailers have reported a persistent decline in employment, with the CBI noting a continued decrease in the number of jobs for six consecutive quarters. Looking ahead, firms anticipate a further contraction in headcount, projected to reach minus 20% next month, alongside a substantial drop in investment plans, with a net balance of minus 47%.

Despite these setbacks, there is a conditional optimism among some retailers who noted a slower decline in sales earlier this year. For instance, February saw a slight improvement from the previous months, suggesting that while the immediate outlook remains bleak, the landscape may not be entirely without hope. This tempered perspective is supported by insights from the British Chambers of Commerce, which noted that 16% of businesses had reported workforce reductions late last year—the highest since early 2021. Concurrently, many firms are contending with escalating expenses, leading to an average price increase that retailers anticipate will accelerate in the upcoming months.

The corporate environment for UK businesses has been notably turbulent, affected not only by tax hikes but also by an array of economic pressures such as inflation and higher wage demands. Recent statements from Rupert Soames, chair of the CBI, acknowledged that while businesses might accept certain tax rises, they should be accompanied by measures that support growth and mitigate financial strain.

In summary, as retailers navigate these turbulent times marked by heightened operational costs and diminishing consumer confidence, they confront significant challenges that could shape the future of the retail landscape in the UK. Stakeholders within the industry remain concerned about the dual pressures of rising taxes and ongoing uncertainties, which could further suppress investment and employment in a sector that is already under strain.

## Reference Map:

* Paragraph 1 – [[1]](https://www.theindustry.fashion/retailers-expect-more-job-cuts-amid-plummeting-sentiment-following-tax-rises/), [[2]](https://www.theindustry.fashion/retailers-expect-more-job-cuts-amid-plummeting-sentiment-following-tax-rises/)
* Paragraph 2 – [[1]](https://www.theindustry.fashion/retailers-expect-more-job-cuts-amid-plummeting-sentiment-following-tax-rises/), [[5]](https://www.reuters.com/world/uk/uk-firms-cut-headcount-response-tax-hike-survey-shows-2025-01-13/)
* Paragraph 3 – [[3]](https://www.reuters.com/business/retail-consumer/uk-retailers-report-sales-slump-eased-february-cbi-says-2024-02-26/), [[6]](https://www.ft.com/content/03f36048-5d86-4a5e-b251-fb2df4e71d06)
* Paragraph 4 – [[1]](https://www.theindustry.fashion/retailers-expect-more-job-cuts-amid-plummeting-sentiment-following-tax-rises/), [[4]](https://www.ft.com/content/5a10e8a9-5e6f-4c7d-938f-e07cef31c9ba)

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.theindustry.fashion/retailers-expect-more-job-cuts-amid-plummeting-sentiment-following-tax-rises/> - Please view link - unable to able to access data
2. <https://www.theindustry.fashion/retailers-expect-more-job-cuts-amid-plummeting-sentiment-following-tax-rises/> - Retailers anticipate price hikes, job cuts, and reduced investment due to a significant decline in sector sentiment, the sharpest since the pandemic. The Confederation of British Industry (CBI) reports a net balance of companies expecting business to worsen over the next three months at minus 29%, down from minus 19% in February. Ben Jones, Lead Economist at the CBI, highlights the challenges facing the retail and distribution sector, noting the impact of higher National Insurance contributions and the national living wage increase. Despite these challenges, online sales appear to be holding up better.
3. <https://www.reuters.com/business/retail-consumer/uk-retailers-report-sales-slump-eased-february-cbi-says-2024-02-26/> - In February, the decline in UK retail sales slowed, with the CBI reporting a rise in its monthly retail sales balance from -50 in January to -7, marking the least significant fall in ten months. Retailers, however, anticipate a marginal increase in sales decline in March to -15. Despite a bounce-back in consumer spending in January, retailers are planning to cut headcount and reduce investments, though these investment cuts are the least negative in two years. Employment in the sector has decreased for six consecutive quarters, but firms expressed slightly more optimism about the future. ([reuters.com](https://www.reuters.com/business/retail-consumer/uk-retailers-report-sales-slump-eased-february-cbi-says-2024-02-26/?utm_source=openai))
4. <https://www.ft.com/content/5a10e8a9-5e6f-4c7d-938f-e07cef31c9ba> - The chair of the Confederation of British Industry (CBI), Rupert Soames, has indicated that UK businesses might accept a rise in national insurance contributions if they are accompanied by pro-business measures in the Budget. Soames suggests reforms to business rates and the apprenticeship scheme could mitigate the impact of tax increases. This comes as the CBI reported an £8.3 million loss for the previous year due to a governance crisis and severe allegations against some staff, which led to a significant drop in membership and revenues. Despite these challenges, the CBI has been able to attract some members back and aims to break even by 2025. ([ft.com](https://www.ft.com/content/5a10e8a9-5e6f-4c7d-938f-e07cef31c9ba?utm_source=openai))
5. <https://www.reuters.com/world/uk/uk-firms-cut-headcount-response-tax-hike-survey-shows-2025-01-13/> - A recent survey by the British Chambers of Commerce (BCC) revealed that around one in six British companies reduced their workforce late last year, the highest proportion since early 2021. The survey, conducted between November 11 and December 9, indicated that 16% of companies cut jobs in the fourth quarter, up from 13% in the third quarter. The findings showed that 75% of businesses were facing pressure to raise prices due to increasing labor costs, the highest since records began in 2017. This follows the October 30 budget by finance minister Rachel Reeves, which introduced a 25 billion-pound increase in payroll taxes to be effective in April. Business confidence has been adversely affected by the budget, with concerns about rising employment costs including national insurance and minimum wage hikes. The survey also noted a reduction in investment in staff training by nearly one in five companies. The report aligns with other business surveys and highlights the economic impact and uncertainties surrounding upcoming tax changes. ([reuters.com](https://www.reuters.com/world/uk/uk-firms-cut-headcount-response-tax-hike-survey-shows-2025-01-13/?utm_source=openai))
6. <https://www.ft.com/content/03f36048-5d86-4a5e-b251-fb2df4e71d06> - Businesses have expressed concerns over the potential negative impact of Labour's new £25bn tax measures on employment. Chancellor Rachel Reeves announced an increase in employers' national insurance contributions and a higher minimum wage. Although these measures aim to boost economic growth, businesses, particularly in high-employing sectors such as retail, hospitality, and leisure, fear these changes will result in higher costs and possibly lead to job losses. The Office for Budget Responsibility estimates that changes in business behavior might offset about a third of the expected revenue increase. Some sectors, like oil and gas, saw less severe tax increases than anticipated. The British Chambers of Commerce and other business groups have called the budget tough, highlighting the additional financial burden on businesses already struggling with high inflation and wage increases. Adjustments to investment allowances and relief measures offer some reprieve, but overall, the increased tax burden may hinder investment and hiring efforts. ([ft.com](https://www.ft.com/content/03f36048-5d86-4a5e-b251-fb2df4e71d06?utm_source=openai))