# Grocery inflation surges to 4.1% as Aldi and Lidl gain ground in UK market



The recent announcement from Kantar has sent ripples through the UK grocery sector, revealing that grocery inflation has surged to 4.1% in May, its highest level since February 2024. This increase, up from 3.8% the previous month, marks a troubling trend for households already grappling with rising costs. Fraser McKevitt, a retail and consumer insight expert from Kantar, emphasised the growing strain on consumers, noting that the shift in buying behaviour is typically accelerated when inflation climbs beyond the 3% to 4% threshold. “Households have been adapting their buying habits to manage budgets for some time, but we typically see changes in behaviour once inflation tips beyond this point,” he stated.

The driving factors behind this inflationary spike include notable increases in the prices of essentials such as butter, chocolate, and sun cream. Despite these challenges, consumers have sought refuge in discounts and own-label products, with premium own-label lines experiencing significant growth—an indicator that many shoppers are opting for value in the face of rising prices. A projection from the Institute of Grocery Distribution suggests that food inflation could escalate further to nearly 5% this year, compounding already heightened financial pressures on families.

In tandem with these economic developments, Asda has faced ongoing struggles, particularly as its market share dipped to 12.1%, marking a decline from 13% a year ago. Recent reports highlight that, despite a modest improvement in sales performance—the best in over a year—Asda is still seen as struggling in a competitive landscape. Acknowledging the challenge, Executive Chairman Allan Leighton indicated that while addressing product availability and customer satisfaction remains a priority, regaining market share is crucial. He aims to widen the price difference between Asda and its rivals, targeting a 3% to 6% advantage to attract price-sensitive consumers.

The contrasting fortunes of discount retailers Aldi and Lidl amplify the challenges for traditional supermarkets. The discounters reported combined growth of 8.4%, with Aldi's market share rising to 11.1%, signalling a shift in consumer preferences towards value-oriented shopping. While Aldi’s CEO dismissed claims of a price war as exaggerated, the stark reality of grocery inflation remains, with limited price-cutting evident across the industry.

Amidst these grocery sector changes, Tesco’s recent introduction of AI-assisted checkout cameras has sparked debate among customers. Reactions have ranged from concerns about data privacy to playful comparisons to contentious VAR decisions in sport. Critics have expressed worries over the invasive nature of such technology, underscoring a broader discussion about the regulation of facial recognition in the UK, which experts and privacy advocates argue is urgently needed.

Meanwhile, in food safety news, the impact of microplastics on the environment and health has come to the fore, with alarming findings indicating that these contaminants have been found within various insect species in the UK. Researchers who conducted the study warned that this suggests a wider ecological issue, extending fears beyond marine environments and into terrestrial food chains.

These dynamics in grocery inflation, market competition, technological innovations, and environmental concerns paint a complex picture of the current state of food retail in the UK. As families adjust their shopping habits amidst rising prices, supermarkets are forced to reconsider pricing strategies, customer engagement, and their long-term sustainability in a challenging marketplace.

## Reference Map:

* Paragraph 1 – [[1]](https://www.thegrocer.co.uk/news/media-bites-29-may-inflation-tesco-cameras-and-microplastics/705010.article), [[2]](https://www.reuters.com/business/retail-consumer/uk-grocery-inflation-hits-highest-level-15-months-2025-05-28/)
* Paragraph 2 – [[1]](https://www.thegrocer.co.uk/news/media-bites-29-may-inflation-tesco-cameras-and-microplastics/705010.article), [[3]](https://www.ft.com/content/29b26146-f7d5-4eb8-be50-175c85250c36)
* Paragraph 3 – [[4]](https://www.reuters.com/world/uk/uk-supermarket-asda-seeing-green-shoots-recovery-2025-05-29/), [[5]](https://www.reuters.com/world/uk/there-is-no-uk-supermarket-price-war-says-aldi-boss-2025-05-29/)
* Paragraph 4 – [[1]](https://www.thegrocer.co.uk/news/media-bites-29-may-inflation-tesco-cameras-and-microplastics/705010.article), [[6]](https://www.kantar.com/uki/Inspiration/FMCG/2024-wp-British-grocery-price-inflation-drops-again-as-minds-turn-to-the-summer)
* Paragraph 5 – [[1]](https://www.thegrocer.co.uk/news/media-bites-29-may-inflation-tesco-cameras-and-microplastics/705010.article), [[7]](https://www.bbc.com/news/articles/c0xxwz00nz9o)

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## Bibliography

1. <https://www.thegrocer.co.uk/news/media-bites-29-may-inflation-tesco-cameras-and-microplastics/705010.article> - Please view link - unable to able to access data
2. <https://www.reuters.com/business/retail-consumer/uk-grocery-inflation-hits-highest-level-15-months-2025-05-28/> - UK grocery price inflation rose to 4.1% in the four weeks to May 18, 2025, marking its highest point in 15 months, according to market researcher Kantar. This increase, up from 3.8% in the previous month, is attributed to heightened supermarket payroll taxes and a national minimum wage hike implemented in April. The Institute of Grocery Distribution predicts food inflation might reach nearly 5% this year. Despite inflation, grocery sales climbed 4.4% year-on-year, with consumer behaviours shifting notably when inflation exceeds the 3% to 4% range. Prices surged most in chocolate confectionery, suncare, and butters and spreads, while declining most in pet food and household paper goods. Among retailers, Tesco led with 5.9% sales growth, followed by Sainsbury's at 4.7%. Asda lagged with a 3.2% sales drop but showed improved performance. Discounters Aldi and Lidl recorded their strongest combined growth since January 2024 at 8.4%. Online grocer Ocado experienced the fastest growth among all, with a 14.9% increase, and Marks & Spencer posted a 12.3% rise despite a cyberattack.
3. <https://www.ft.com/content/29b26146-f7d5-4eb8-be50-175c85250c36> - Asda has reported a 5.9% drop in revenues to £5 billion and a 4.5% fall in like-for-like sales in the first quarter of 2025, as it continues losing market share to competitors amid efforts to revive its fortunes. Asda now holds 12.1% of the UK food market, down from 13% a year ago. Allan Leighton, who rejoined as chair in November 2024, emphasized that improving overall business performance takes precedence over market share concerns. Asda has faced challenges with product availability, customer experience, and store cleanliness but has begun addressing these issues. In a bid to attract customers, the company has implemented substantial price cuts, aiming to widen its price gap with rivals to 7–10% over the next year. While inflation concerns persist, Leighton believes rising prices may highlight Asda's value-focused strategy. Despite some positive indicators, such as the best sales performance since May 2024, analysts remain cautious, suggesting Asda’s recovery remains distant, especially as the broader UK grocery market experienced modest growth of 1.4% during the same period.
4. <https://www.reuters.com/world/uk/uk-supermarket-asda-seeing-green-shoots-recovery-2025-05-29/> - Asda, the UK’s third-largest supermarket, reported signs of recovery with a slower decline in like-for-like sales, down 3.1% for the first four months to April 30, compared to a 4.2% drop in the previous quarter. Executive Chairman Allan Leighton, recently reinstated by majority owner TDR Capital, credited the improvement to reduced prices and enhanced product availability. Asda has slashed prices on about 10,000 products—over a third of its range—aiming for a 3% to 6% price advantage over competitors, fulfilling Leighton’s strategy to undercut rival chains, albeit with the expectation of reduced profits. Product availability has risen from 90% in January to 95%, boosting customer satisfaction. Encouragingly, further improvements were noted in May, with industry data showing a 3.2% decline in sales and a market share dip to 12.1%. However, this was Asda’s best performance since May 2024, suggesting recovery momentum.
5. <https://www.reuters.com/world/uk/there-is-no-uk-supermarket-price-war-says-aldi-boss-2025-05-29/> - Aldi UK CEO Giles Hurley has dismissed suggestions of a supermarket price war in Britain, calling it a "phoney price war" due to inflation and limited actual price slashing across the industry. Despite reports that major grocers like Asda are cutting prices and accepting profit hits to regain market share, Hurley argues that there has been more rhetoric than action. He highlighted that grocery inflation reached 4.1% in May, the highest in 15 months, indicating limited overall discounting. Aldi continues to maintain a significant price advantage over its competitors and is experiencing strong growth, with UK sales rising 6.7% in the 12 weeks to May 18, climbing its market share to a record 11.1%. The discount retailer, owned by Germany's Aldi Sud, now sells more food and drink than Asda and plans to expand its UK presence further. Aldi will invest £650 million in 2025 to open 40 new stores, refresh existing ones, and aims for a total of 1,500 stores long-term.
6. <https://www.kantar.com/uki/Inspiration/FMCG/2024-wp-British-grocery-price-inflation-drops-again-as-minds-turn-to-the-summer> - Grocery price inflation has fallen for the fifteenth month in a row to 2.4%, the lowest level since October 2021. Take-home grocery sales rose by 2.9% over the four weeks to 12 May, according to Kantar's latest figures. Grocery price inflation is gradually returning to what is considered more normal levels, now sitting only 0.8 percentage points higher than the 10-year average of 1.6% between 2012 and 2021. Typically, an inflation rate of around 3% is when marked changes in consumers’ behaviour are observed, with shoppers trading down to cheaper items when the rate goes above this line and vice versa when the rate drops. However, after nearly two and a half years of rapidly rising prices, it could take a bit longer for shoppers to unwind the habits they have learnt to help them manage the cost of living crisis. Own-label lines are proving resilient, for example, and they are still growing faster than brands, making up over half (52%) of total spending. Sales of premium own-label ranges continue to increase too, up by 9.9% compared with a year ago.
7. <https://www.bbc.com/news/articles/c0xxwz00nz9o> - Food price rises are returning to "more normal" rates, research suggests, although shoppers are still seeking out cheaper own-brand goods. Grocery price inflation has fallen to 2.4%, according to research firm Kantar, the lowest since October 2021. The findings come ahead of official figures due on Wednesday which are expected to show a sharp drop in overall inflation. The easing of price rises has raised expectations that the Bank of England will cut interest rates this summer. Kantar said that despite the easing of food price rises, shoppers were still following money-saving habits. "Typically, an inflation rate of around 3% is when we start to see marked changes in consumers’ behaviour, with shoppers trading down to cheaper items when the rate goes above this line and vice versa when the rate drops," said Fraser McKevitt, head of retail and consumer insight at Kantar.