

Retail chief warns of return of inflation after tax-raising Budget

The head of the British Retail Consortium (BRC) has cautioned that the tax increases announced in the latest [government](#) may trigger a resurgence of inflation in the UK.

Despite shop prices remaining in deflation in November, down 0.6 per cent month on month from a deflation of 0.8 per cent in the previous month, and shop price annual growth at its lowest rate since September 2021, Helen Dickinson warned of “significant price pressures on the horizon,” as reported by [City AM](#).

She suggested that November’s figures “may signal the end of falling inflation.”

Dickinson added that “Retail already operates on slim margins, so these new costs will inevitably lead to higher prices,” This warning follows BRC data indicating that the retail industry could face an additional £7bn in costs by 2025 due to changes in employers’ national insurance contributions (NICs), business rates, an increase in the minimum wage, and a new packaging levy. The BRC highlighted in a letter last week that retail businesses would be particularly impacted by the changes to employer NICs due to their heavy reliance on part-time workers, many of whom were previously exempt from the tax as their pay didn’t reach the old threshold.

The wage threshold for [employers](#) to start paying NICs has been reduced from £9,100 to £5,000, while the overall tax rate has increased by 1.2 per cent to 15 per cent.

Sophie Michael, head of retail and wholesale [at BDO](#), has highlighted the risks associated with widespread discounting

in the retail sector. “The reliance on discounted online sales to drive growth is not only putting huge pressure on retailers’ margins, but it is also a very costly way of doing business because of the high level of returns. It simply isn’t sustainable,” she explained.

This comes alongside a caution from the British Retail Consortium (BRC) and follows comments from Clare Lombardelli, [Bank of England](#) deputy governor, who recently stated that the future of wages and services prices—key indicators of inflationary trends—remains “unclear”. These discussions emerge in the wake of new data showing a rebound in inflation to 2.3 per cent in October, with a notable increase in services inflation to 5.0 per cent, while wage growth continues to exceed targets at 4.8 per cent.

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