

Next cheers better-than-expected Christmas but warns over tough year ahead

Retail chain Next has hiked its annual profit outlook after better-than-expected Christmas trading, but warned of further price rises and falling profits in a difficult year ahead.

The high street giant posted a 4.8% rise in full-price sales for the nine weeks to December 30, with growth surging to 17% in the final two weeks, as the cold snap and resilient shopper confidence boosted its performance.

It had previously guided for a 2% fall in sales over the festive period.

[Shares](#) in the group jumped more than 7% higher as Next said it now expects full-year sales of £4.6 billion, up 6.9% on the year before, and for pre-tax profits to rise 4.5% to £860 million against the £840 million it pencilled in last November.

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But the fashion group said the year to January 2024 would be tougher as the cost-of-living crisis bites, guiding for pre-tax profits to fall 7.6% to £795 million on sales 1.5% lower.

It said the group remains “cautious in our outlook for the year ahead”, pointing to consumer demand being impacted by the cost-of-living and energy crisis, rising mortgage costs and its own price hikes.

Further price rises are also expected and set to peak at about 8% in the spring, but will ease back thereafter to “no more than” 6% in the second half as currency pressures and freight costs decline, Next predicted.

Speaking to the PA news agency, chief executive Lord [Simon Wolfson](#) said festive trading was given a boost by pent-up demand after an unseasonably warm autumn.

But he added consumer spending was also better than predicted in the face of painful cost pressures.

He said: “[Employment](#) has held up very strongly – that’s unusual in a recession.

“That has given people the confidence to spend through the Christmas period.”

He said shoppers were also dipping into savings built up in the pandemic, while also keeping a tight rein on their energy usage to try and keep bills down.

However, he cautioned: “Next year is going to be a difficult year.”

Prices, which are already rising by about 8%, will remain at the same level into spring and summer, but fall back thereafter with further declines “almost certain” in the early part of 2024.

“There is going to be continued pressure on prices, but we can see light at the end of the tunnel,” said Lord Wolfson.