

Next on track for £800m profits but warns on Christmas slowdown

NEXT reinforced its status as the King of the [High Street](#) today, with booming sales that leave it on track for year-end [profits](#) of £800 million.


But it had some words of caution on supply chains and Christmas demand that sent retail shares wobbling.

The pent-up demand that has seen [retailers](#) bounce back post lockdown is “likely to continue to diminish” warned chief executive [Simon Wolfson](#).

Sales in the last quarter are up 17% compared to two years ago, before the pandemic took its grip.

Online sales in the thirteen weeks to October 30 leapt 40%. But the fourth quarter will be worse, a word of warning for the entire sector.

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The typically downbeat Wolfson warned that stock availability

has “improved but remains challenging”.

Inflation is an issue. “Although consumer finances are in good shape, price increases in essential goods (such as fuel) may moderate demand for more discretionary purchases,” he added.

Next shares took a hit, off 246p at 8065p. Marks & Spencer followed, down 10p at 180p. Primark owner AB Foods and JD Sports also fell.

Online broker dabbl calculates that £400 million came off the value of non-supermarket retailers today.

City analysts note that if Next, widely regarded as the best run retailer, is wavering others may struggle.

Retailers, like hospitality firms, have lately struggled to recruit enough staff. The lack of HGV drivers is a particular problem.

Wolfson’s own proposed solution to that is to allow companies to hire from overseas, but pay an extra fee to the government when they do so, removing the incentive to hire cheaper workers. Boris Johnson rejected the idea as “not the way forward”.

Zoe Gillespie, investment manager at Brewin Dolphin, said: “Next is in good shape going into the key trading period building up to Christmas. There are no doubt bumps in the road ahead – with stock availability and labour shortages in the UK’s logistics network highlighted in today’s update – but Next continues to go from strength to strength and increasingly looks like one of the high street’s winners, adapting better than most to changes in consumers’ shopping habits.”

Peel Hunt said in a note to clients that it is “more positive” than the guidance from Next. “Reasons to shop increase into the first social Christmas for two years”.

It has the shares down as a “buy”.