

# Primark owner AB Foods set for profit fall next year amid cost-of-living crunch

Primark owner Associated British Foods (AB Foods) has warned that profits are set to fall next year amid soaring costs at the value fashion brand and pressure on customer budgets.

The consumer group told investors on Thursday morning that it expects profit margins in the Primark business to decline in the face of “volatile” energy costs and weakness in the pound.

Earlier this year, the group lifted some prices at Primark but said it will hold off from further increases as shoppers see their spending power impacted by rising energy bills.

In a statement, the company said: “Against this current volatile backdrop and a context of likely much reduced disposable consumer income, we have decided not to implement further price increases next year beyond those already actioned and planned.

“We believe this decision is in the best interests of Primark and supports our core proposition of everyday affordability and price leadership.”

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Nevertheless, Primark expects sales to increase on the back of its continued store expansion plan and planned price increases for its autumn/winter ranges.

AB Foods also owns grocery brands including Twinings, Ryvita and Patak's (Alamy/PA)

It came as AB Foods said Primark sales are expected to increase by 40% to £7.7 billion for the latest financial year, which is set to complete on September 17.

The firm said it has seen strong sales in the UK amid the continued recovery of high streets following the impact of pandemic restrictions.

However, it also highlighted that Primark sales were "weaker than expected" in continental [Europe](#) over the current quarter.

Meanwhile, the company's food business is expected to post higher profits next year following price increases.

The group said the grocery operation – which owns brands including Twinings, Ryvita and Patak's – delivered sales growth over the latest quarter compared with the previous year, as price increases were used to offset major cost inflation.

AB Foods' Allied Bakeries business, which makes Kingsmill bread, reported higher sales but also increased losses due to "significantly higher costs for wheat, energy and distribution".

Elsewhere, sales of Twinings saw "a return to more normal levels of demand" after they were boosted by shoppers spending more time at home during the pandemic.

AB Foods said the group expects to see a “significant increase” in adjusted operating profit over the year to September 17, as it held firm on previous guidance.