

Tesco profits to hit £2.6 billion after bumper Christmas

TESCO today said it had defied rising [inflation](#) and supply chain issues to ensure customers had a great Christmas, something reflected in booming [sales](#).

Sales were well up on the pre-pandemic period and slightly up on a year ago, when there was [panic buying](#) and a lockdown that saw [Christmas](#) effectively cancelled for many.

Tesco, the UK's biggest grocer, now expects profits could top £2.6 billion, ahead of previous guidance.

Yesterday [Sainsbury](#) told a similar story, but was able to bump up profits forecasts by a higher percentage.

Like Sainsbury, Tesco also said its banking arm is doing well. All banks have benefitted from an improvement in the economy which means losses on loans are far less than expected.

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Chief executive Ken Murphy said: "We are delighted that we

were able to help our customers have a great Christmas.

“Despite growing cost pressures and supply chain challenges in the industry, we continued to invest to protect availability, doubled down on our commitment to deliver great value and offered our strongest ever festive range.

“This put us in a strong position to meet customers’ needs as, once again, COVID-19 led to a greater focus on celebrating at home. As a result, we outperformed the market, growing market share and strengthening our value position.”

In the 19 weeks to January 8, sales were up 8.6% on two years ago. They were up 2.4% on a year ago.

On a conference call, Murphy did concede that inflation could send food costs higher.

“It is possible that we will see inflation in food, we will do our best to minimise that,” he said.

Murphy noted that food is cheaper than it was ten years ago, partly thanks to competition in the sector.

Best sellers over Christmas included Tempura prawns, Yorkshire puddings and fizzy wine, including champagne.

Dan Lane at Freetrade said: “A cracking Christmas puts Tesco firmly at the top of the UK supermarket pile. The fight with the German challengers is far from over though. In terms of market share, over the past five years Tesco has given back 0.4 percentage points, while Aldi has stolen 1.7 pp from everyone else.”

Tesco shares moved up 6p to 287p.

John Moore, senior investment manager at Brewin Dolphin, said: “All cylinders are firing at the company: the core supermarket is growing its market share, online sales are significantly

ahead of where they were pre-pandemic, its wholesale arm Booker is posting good quarterly growth helping to maintain overall performance, and the bank is benefitting from action taken and a favourable backdrop.”