Primark rules out further price increases ahead to protect sales in tough economy

Primark has ruled out further price increases “beyond those already actioned and planned”, in a bid to protect sales in the tough economy.

The discount retailer’s parent firm Associated British Foods (ABF) made the announcement as it warned of lower group profits for its next financial year, which begins later this month.

The company said that it expected Primark, which has **implemented price hikes this year** to reflect surging energy costs, to face a spending slowdown due to the **cost of living crisis** hitting customers in its core UK market.

It said that while recent UK sales had proved resilient in its current fourth quarter – outperforming those in wider European destinations – they remained at around pre-COVID levels.

ABF said energy bills, the weak pound and euro relative to the dollar and its decision to limit further price hikes would hurt Primark and its margins next year.

The price action will be seen as a bid to protect its market share as shopper demand is tested.

It was revealed hours before the new Liz Truss-led government prepared to reveal an **energy price freeze** to help shield consumers and businesses from future bill shocks.

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“We expect sales growth to be driven by the increase in retail selling space and like-for-like growth resulting from both the price increases implemented for autumn/winter this year and those planned for spring/summer next year”, its statement read.

“Primark has already been managing the challenges of supply chain disruption, inflation in raw material and energy costs and in labour rates, alongside the higher purchasing costs which have resulted from the strengthening of the US dollar over this financial year against sterling and the euro.

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“To mitigate these pressures, in addition to the price increases mentioned above, there are also plans to improve store labour efficiency and deliver lower operating costs.”

It added: “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.”

It expected Primark’s profit margin for next year to be lower than the operating profit margin of 8.0% expected for the second half of this current financial year, which ends on 17 September.

Shares fell 8% in early deals.

The group retained its outlook for 2021/22, with its food business – including Twinings and Allied Bakeries – seeing stronger revenue due to higher demand and prices of ingredients.