

Sainsbury's warns profits will be hit by cost of living crisis

Sainsbury's has warned that its profits this year will be hit by soaring inflation and a fall in customers' disposable incomes.

Britain's second-largest grocer behind Tesco said that its underlying profit before tax in 2022-23 was expected to be between £630m and £690m, compared to the £730m underlying profit it has reported for the year to 5 March 2022.

Millions of people in Britain are facing big increases in energy bills, council tax, and a national insurance tax rise – as well as [inflation hitting a 30-year-high of 7%](#).

And pay is not keeping up – employers offered an average 4% annual pay rise in April.

'Significant external pressure and uncertainties'

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In its financial results, the supermarket said: "The year ahead will be impacted by significant external pressures and uncertainties, including higher operating cost inflation and cost of living pressures impacting customers' disposable incomes.

"In that context we are determined to continue our consistent improvement in grocery value, innovation and customer service, funded by our comprehensive cost savings programme and we expect to continue our strong grocery volume market share performance."

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Non-food sales were hit hard by difficulties with supply chains during the year, with general merchandise sales falling 4.6%. Grocery sales were up 7.6%, however.

'Comprehensive cost-saving plans'

Chief executive Simon Roberts said: "We know just how much everyone is feeling the impact of inflation, which is why we are so determined to keep delivering the best value for customers.

"We have been able to drive more investment into lowering food prices funded by our comprehensive cost-savings plans.

"As a result, we continue to inflate behind competitors on the products customers buy most often.

"Last week we announced the next bold phase of investment, lowering prices across 150 of our highest volume fresh products."

He also said that Sainsbury's had spent £100m on pay rises for staff.

'All eyes are on the impact of inflation'

John Moore, senior investment manager at Brewin Dolphin, said: "Broadly speaking, Sainsbury's has posted a good set of results for the past 12 months, but all eyes are on the impact of inflation in the year ahead.

"The supermarket expects the higher cost of living to hit profits and it will have a difficult balance to strike between helping customers, upping staff pay, and maintaining its commitment to shareholders.

"But, with Argos and Habitat to lean on, the business has options to help it through this tricky period in a highly competitive grocery market.

"The self-help measures taken in recent years on debt reduction and cost management have also strengthened its balance sheet."