

Consumer Confidence Falls in July as Inflation Pressures UK Economy

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Consumer confidence weakened in July as the United Kingdom's economy contracted for the second month running, according to new data from the British Retail Consortium (BRC). Rising inflation, particularly in essential goods such as food, has placed added strain on household budgets, while retail spending expectations have risen as families brace for higher prices.

The BRC-Opinium report revealed that consumers' outlook on the UK economy over the next three months declined to -33 in July, compared to -28 in June. Expectations for personal financial situations also dropped to -7, down from -5 the previous month. However, in a sign of mounting price concerns, shoppers' expectations for retail spending edged up to +3, with overall spending expectations climbing to +16 from +12 in June. Personal saving expectations also showed a small improvement, moving to +3 in July from -4 the previous month.

Helen Dickinson, Chief Executive Officer (CEO) of the BRC, said:

“With the UK economy shrinking for the second consecutive month, it is little surprise that consumer confidence fell in July. Rising inflation, particularly for food, has put more pressure on personal finances, increasing the cost of living. This has caused spending expectations to rise, particularly for groceries, as households anticipate higher prices at the till.”

She added that persistent retail inflation is partly driven by higher operational costs following the Chancellor's last Budget, which increased employment costs across the sector. Dickinson warned:

“Further tax rises hitting the retail industry at the next Budget would likely fan the flames of inflation as retailers are forced to increase prices. The Chancellor has the opportunity to support households and high streets: the proposed business rates reforms could make the system fairer, provided government ensures that no store pays more as a result.”

The latest figures underline the ongoing squeeze on household incomes. Research from the Asda Income Tracker shows that 40% of UK households experienced a decline in spending power growth in June, with inflation climbing to 3.6%. The lowest-earning households have been hit hardest, with spending power growth falling 8.1% year-on-year.

Additional data from Worldpanel by Numerator (formerly Kantar Worldpanel) suggests that UK grocery bills could rise by as much as £275 annually, with inflation reaching its highest level since January.