

IGD Economics

## Viewpoint Quarterly

# *UK food inflation forecasts 2025-2027*

July 2025 | Issue 18





**This Viewpoint report explores the impact of rising costs on UK businesses and consumers and unveils our updated retail food inflation forecast, along with our retail and Away From Home market forecasts. It delivers sharp insights on the economic landscape, consumer sentiment and policy agenda.**

## Introduction

# UK food inflation forecasts 2025-2027





# Key questions answered

**Key questions answered to help you build a fuller picture of what is happening now and what might come next include:**

- How are businesses navigating rising costs?
- How are consumers adapting to rising food costs?
- What's the latest economic outlook amid global uncertainty?
- What does it mean for retail food inflation?
- What is the outlook for different grocery channels?
- How is spending changing both in and out of home?
- What opportunities exist for food businesses?
- What are the government's priorities, especially the food strategy?

# In this report

**Our “Viewpoint” is shaped by our deep industry knowledge and consumer insights, informed by multiple data sources.**

Our experts track and monitor multiple sources of information. Combined with our knowledge of the industry and consumer insights, this shapes our “Viewpoint”.

We provide this analysis as part of IGD’s Social Impact activity, because it supports businesses with better planning and decision-making, to the benefit of the consumers we serve and society as a whole.

We continue to monitor closely the longer-term impact of global events, price inflation, government policy and other major themes, keeping you up to date in future issues of this series.

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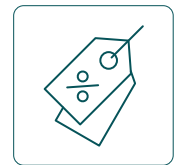
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# Five key findings



## Inflation

### Food inflation is set to rise further

Retail food inflation is expected to outpace general inflation, averaging 4.0% in 2025, up from our previous forecast of 3.4%. This is driven by regulations, extreme weather, and global commodity pressures.



## Health

### 10-year NHS plan creates opportunities

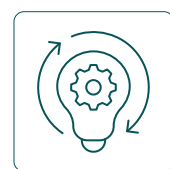
This provides an opportunity to face into the obesity and consumption challenges.



## Economy

### Economic malaise means there is a threat of stagflation

The UK faces weak growth and persistent inflation, with a high risk of stagflation. Despite weak government finances, further business tax hikes seem unlikely.



## Policy

### An update to the food strategy provides more clarity

The publication of the Good Food Cycle provides greater clarity to businesses and next steps in the development of the food strategy.



## Consumers

### Food inflation fears as income divide widens

More than eight in ten consumers are concerned about rising food retail (83%) and Away From Home (81%) prices. Financial confidence continues to show a clear divide between lower and higher earners.



*As rising costs squeeze margins and food inflation accelerates, the risk of stagflation casts a long shadow. To navigate this economic malaise, the food industry must act boldly, building resilience, rethinking supply chains, and staying agile to shifting demand.*

*Michael Freedman*  
**Head of Economic and Consumer Insight**



# Economic outlook



Economic outlook: Our viewpoint

**The UK economy is grappling with weak growth and stubborn inflation amid global uncertainty.**





## Economic outlook

# Our viewpoint

**From a diplomatic perspective, the geopolitical situation has improved somewhat since the April edition of Viewpoint, although it is still not ideal.**

However, conflict has spread through the Middle East. Instability and uncertainty continue to limit recovery from the economic shock of COVID-19.

The UK government is working to create economic growth. The plan is rational, but complex and expensive. Even if delivered effectively, it will be years before households and businesses see the benefits.

How the plan will be paid for is the key question. Taxes on businesses and households are likely to remain high for the foreseeable future, damping-down demand and limiting market performance.

“

*In a climate of subdued growth and persistent inflation, businesses that stay agile and anticipate structural change will find the greatest opportunity. Success now depends on strategic investment and the ability to navigate economic complexity with confidence.*

*James Walton*  
**Chief Economist**



## Economic outlook

# What's happening?

**As tensions ease, the UK has avoided an energy crisis; new trade deals offer promise amid global complexity.**

## Major disruption narrowly avoided

A major disruption to global energy supply has been narrowly avoided. Conflict between Israel and Iran escalated, drawing in the US and damaging energy infrastructure on both sides. Oil prices briefly spiked, but with a ceasefire now in place, markets have stabilised.

While the worst-case scenario, closure of the Strait of Hormuz, which carries around 20% of the world's oil and gas, didn't materialise, the threat was real. The ceasefire has eased short-term pressures on key maritime chokepoints like the Persian Gulf and Red Sea, but tensions remain unresolved.

This underscores the UK's strategic need for greater energy resilience and the secure supply of essential goods. The government is investing in new energy infrastructure, including nuclear, but how to protect food security remains an open question.

## Global trade is shifting, not simplifying

The UK has signed three new trade deals with the EU, US and India, signalling progress on access and opportunity, but also underscoring a more fragmented global trading system.

The EU pact may ease cross-border movement of agri-food goods over time. A limited UK-US deal grants preferential access for British metals and vehicles, while opening UK markets to US meat and biofuels. The UK government insists domestic food standards will be upheld, though how remains vague.

Meanwhile, a UK-India agreement has been warmly received by spirits producers, as Indian tariffs on those goods will be phased out.

Taken together, these moves support growth - but they don't reverse the wider trend: trade is more complex and less predictable than it was a year ago.



## Economic outlook

# What's happening?

## Spending Review

The UK government published its [Spending Review](#) (SR25) last month, outlining spending plans for the next five years. SR25 specifies major investments in transport infrastructure, energy and housing. There will also be investment in technology, skills and other elements needed to support modern industry.

With government finances already under severe strain, SR25 could have been much worse for the food system. Defra has seen real-term cuts to spending, but not to the extent many commentators feared.

For further insight, see our article, [Spending review, What it means for the food system](#).

## Slow growth – threat of stagflation

The UK economy is struggling to sustain growth. Gains were made in Q1 2025, but [April](#) and [May](#) were weak, likely due to the implementation of policy measures announced in the [Budget](#) 2024.

The Office for Budget Responsibility (OBR) [has warned that UK public finances are in a fragile state](#), with rising pension costs, higher borrowing, and unfulfilled fiscal plans undermining sustainability.

Various analysts have recently downgraded expectations for UK GDP growth in 2025.

- The Bank of England Monetary Policy Committee forecasts growth of 0.75%, half the rate expected in November.

- The [Organisation for Economic Co-operation and Development \(OECD\)](#) projects 1.3% growth - down from 1.4% in March and 1.7% in December - before slowing to 1.0% in 2026, dampened by heightened trade tensions, tighter financial conditions, and elevated uncertainty.
- The Confederation of British Industry ([CBI](#)) projects growth of 1.2%, down from 1.6% in December. For 2026, the CBI forecasts 1.0% growth, 0.5% less than in December.

With growth weak and inflation persistent, there is high risk that the economy will enter “stagflation” – a tough combination of weak growth and price increases which tends to erode wealth.





## Economic outlook

# What's happening?

### A weaker labour market

With lower growth, the UK [labour market](#) continues to weaken, slowly. Unemployment has been edging up since July 2024 and now stands at 4.7% for March to May 2025. This represents an increase of 124,000 in the number of unemployed people in the last year.

The number of unfilled vacancies is falling and is now below pre-COVID-19 levels. More positively, average wages continue to rise in “real terms”, but the rate of increase is slowing.

These changes are likely to be a reflection of a generally weak economy. This weakness predates changes announced in the last [Budget](#).

However, the rising cost of employing workers may be reducing employment intentions across the economy.

This can be seen in data from [CIPD](#) and also the Bank of England [Decision Maker Panel](#) - both suggest that employers are planning to cut back workforces.

### Inflation proving to be sticky

[All items inflation in June 2025](#) was 3.6% year-on-year, when measured by the CPI method. This marked an increase from 3.4% the previous month, mainly due to an increase in motor fuel and other transport prices.

Should conflict in the Middle East escalate further, it could sustain or intensify these transport cost pressures, which may result in a renewed upward trend in inflation. With inflation proving persistent, the Bank of England's Monetary Policy Committee held base [interest rates at 4.25%](#) in June. See section three for the food inflation outlook.





## Economic outlook

# Why it matters

**With instability dampening investment, disruption to global trade, and growing climate risks, localising food production may offer a path to resilience.**

## Uncertainty and instability

Geo-politics and the resulting uncertainty continue to dominate the news agenda, influencing the decisions made by both businesses and individuals. Even for those with ample funds, the lowest risk decision may appear to be “do nothing and wait”.

Caution makes sense for a single business, but when it is shared by multiple businesses, then development of a whole economy may be stifled. For this reason, the government’s new [Industrial Strategy](#) is intended to give businesses the confidence needed to make long-term decisions.

In theory, dangerous times should cause investors to move towards “safe” assets, which could include food and drink – it is often considered a defensive sector given that spending is largely essential. However, it is hard to see much sign that this is actually happening at present.

## Questioning globalisation

Global trade has brought many benefits, but it depends on free movement of goods. Movement has now been threatened for several years, especially in the Middle East.

This – coupled with climate change risk to key growing regions – may be an argument for bringing production and manufacturing closer to home.

## Everything depends on growth

Productivity is the key. Both general economic output and government efficiency must improve.

Investments may help, but results could be slow and insufficient to meet the scale of challenges ahead.



## Economic outlook

# Implications for your business

**Businesses will need to maximise opportunities to tackle labour shortages and stay flexible as economic shifts shape the road ahead.**

## Further business tax hike unlikely

[The Spending Review](#) shows that the government intends to expand spending, not reduce it. There is an argument to spend more – investment is needed in many areas and it will, hopefully, deliver growth.

However, this throws the spotlight onto speed and effectiveness of execution. The economic and social benefits of government spending plans are still years off and hard to quantify.

In the meantime, it will all have to be paid for – lenders will be watching closely and the events of 2022 show how important it is to maintain their confidence. Autumn Budget 2025 will be a critical event.

While major tax changes for businesses look unlikely, the Autumn Budget could still carry a sting. Anticipate potential excise hikes on alcohol and tobacco. These are levied on businesses - but it's consumers who will likely foot the bill. Look at contingency pricing strategies to remain competitive without alienating customers.

## Solving the recruitment challenge

Hiring may be cooling elsewhere, but food and drink businesses still face labour shortages; where hands-on roles can't be filled by algorithms or automation, and growing skills gaps are exacerbated by the growing use of technology.

To tackle this, IGD's [Mmmake Your Mark campaign](#), now in its second year, promotes UK food and drink careers, tackling labour shortages and uniting the industry to attract talent. Get involved and [create your social media plan](#) to not only raise the profile of your business, your career opportunities and your people but also be part of the movement that is driving impact.

To get involved, download the toolkit [here](#) or contact [mmmakeyourmark@igd.com](mailto:mmmakeyourmark@igd.com).



# Food inflation and market outlook



Food inflation and market outlook: Our viewpoint

**Food inflation is set to outpace CPI, driven by regulation, weather, and global cost pressures.**





## Food inflation and market outlook

# Our viewpoint

**IGD anticipates that retail food and drink inflation in the UK will average 4.0% in 2025, up from our previous forecast of 3.4%, when measured by the CPI method.**

Retail food inflation is projected to exceed general inflation throughout 2025, before easing considerably in 2026 and the first half of 2027.

In the near term, however, food prices will rise faster than the cost of other consumer goods.

This upward pressure is being driven by a combination of regulatory changes, extreme weather events, and volatility in global commodity markets.

With already tight margins across the sector, further price increases for consumers appear likely.

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*With inflation driven by global costs, climate, and regulation, food firms must build agility now.*

*James Walton*  
**Chief Economist**



Food inflation and market outlook

# What's happening?

## Food price inflation forecast

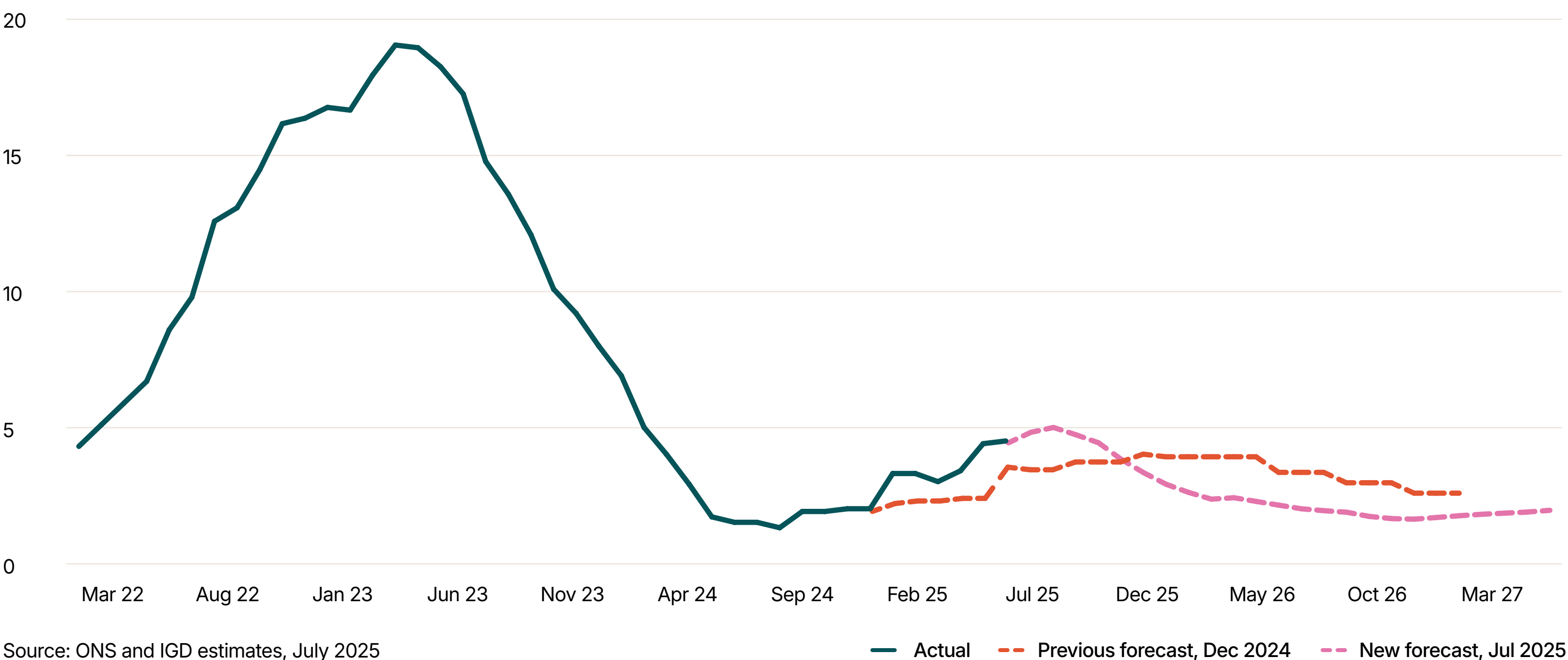
In December 2024, we forecast that retail food inflation would rise by 2.4-4.9% in 2025, with a mid-case average of 3.4%.

Now we have revised this upward. In our new forecast, food and drink prices rise by 3.5-5.0% in 2025, with a mid-case average of 4.0%. It is forecast to peak at 5.1% in late summer 2025.

Food inflation in 2026 is forecast to be 1.6-2.6%, down from the previous projection of 2.3-4.3%. Food inflation is expected to average 1.8% in the first half of 2027.

As always, there is a high level of risk and uncertainty in forecasting. IGD's range is deliberately "asymmetrical", with a high likelihood that price change will outpace this.

## UK food and drink inflation, CPI method





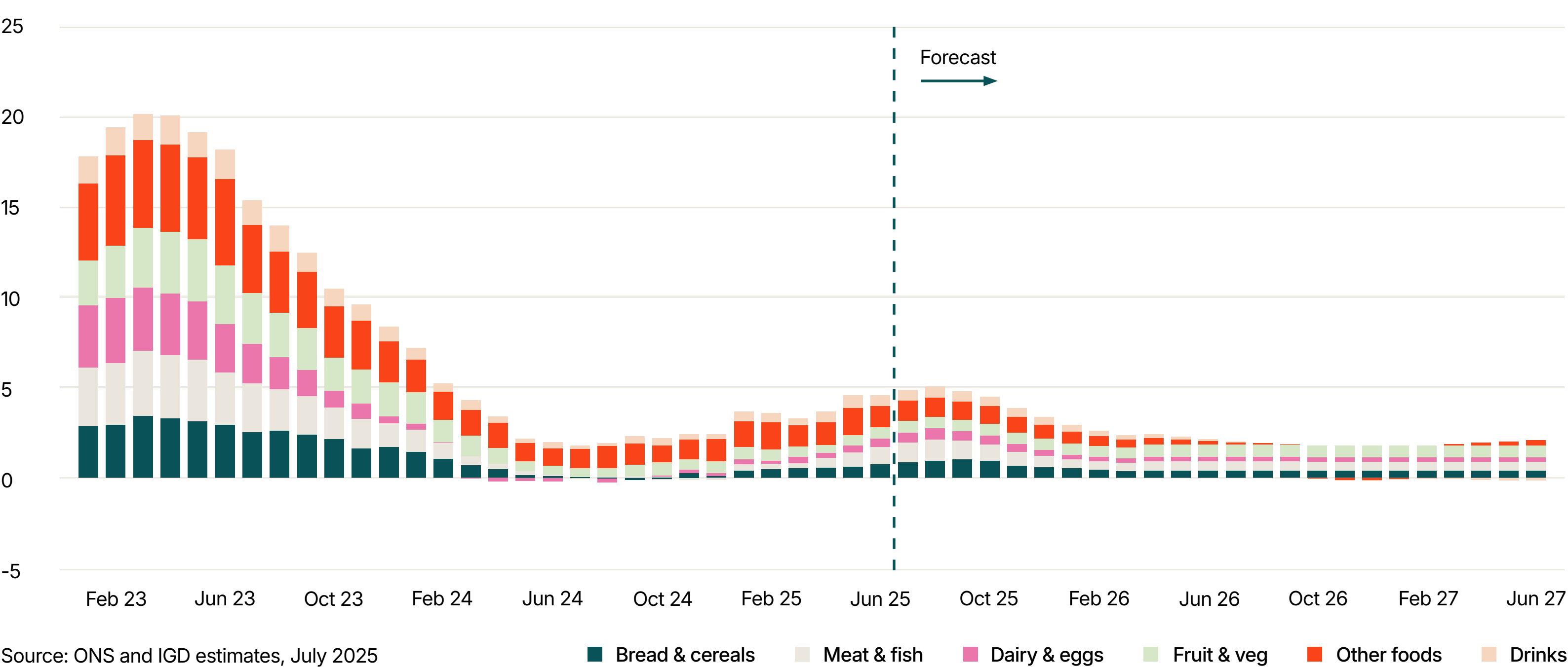
Food inflation and market outlook

# What's happening?

## Category differences

Food and drink categories are exposed to cost change in different ways and this results in different inflation effects. In the next 12-18m, IGD anticipates that the bulk of food and drink inflation will be driven by cereal products, meat (especially red meat), dairy and convenience foods (which are most affected by labour costs and the effect of government policy).

UK food and drink inflation contributions, CPI method





## Food inflation and market outlook

# What's happening?

## This increase in food inflation is principally due to four key factors.

### Higher business costs due to regulations

After a steady climb early in 2025, UK food retail inflation spiked to 4.4% in May - a sharp jump likely driven by businesses passing on costs from [Budget 2024](#). It further increased to 4.5% in June.

Surprisingly, there has been no matching rise in prices for Away From Home food and drink or for services generally. This may be because operators have managed to offset higher staffing costs, for the moment. IGD anticipates that Away From Home will see higher inflation later in 2025, however.

Looking ahead, several events will add to operational cost for food and drink businesses, most driven by regulatory change.

With margins for most businesses already very thin, it is likely that most cost increases will need to be passed on to consumers, at least in part:

- **Business rates** – Under the [revised business rate system](#), larger retail stores will incur higher rates, although smaller stores will benefit from lower rates
- **Budget 2025** – Although the government has offered reassurance on business taxes (e.g.: in the Industrial Strategy), Budget measures, especially excise duty, could be inflationary

- **Extended Producer Responsibility (EPR)** – See Circular economy in focus in section five for further details.
- **[EU Deforestation Regulation \(EUDR\)](#)** – This regulation requires that businesses placing goods on the market in the EU or exporting from the EU to ensure that they do not contribute to deforestation  
This means not only new administrative costs but also, perhaps, increased competition to acquire EUDR-compliant goods, if supply is limited.
- **Deposit Return Scheme (DRS)** – See Circular economy in focus in section five for further details.
- **National Living Wage (NLW)** – This will likely continue to rise each year. The [Low Pay Commission](#) (LPC) is responsible for advising government on changes



## Food inflation and market outlook

# What's happening?

### Extreme heat and dry weather

Extreme heat and dry weather has gripped the UK in 2025 - [and the impact on food production is already showing](#).

While some crops like asparagus and strawberries have arrived early with promising yields, core staples like wheat and potatoes are under threat.

Winter wheat prospects have deteriorated sharply in recent weeks, and spring wheat has been hit hard too. European weather hasn't offered much relief, with heatwaves stretching across the continent. Logistics have also stumbled, compounding the problem of getting fresh produce to market.

The Met Office has [reported](#) that the UK's climate continues to change. It [predicts](#) that the UK will experience increasingly extreme weather conditions in the coming years, whilst the Environment Agency [warns](#) that water shortages could become the new norm.

### Higher global commodity prices

Global agri-food prices have edged higher than early 2024 levels, according to the UN FAO [Food Price Index](#) - but it's a patchy picture beneath the surface.

Vegetable oil and dairy are driving the global uptick, while meat and cereals have held steady. Outside the Index, coffee and cocoa prices are very high, impacted by weather, disease, and tight supply.

Closer to home, UK farms are feeling the pinch: input costs remain at record highs, with fertiliser and vet bills climbing. There's some relief from cheaper energy and chemicals, but not enough to shift the dial.

Output prices are rising, fuelled by surging beef, lamb, and milk prices, even as poultry, potatoes, and vegetables slide.





## Food inflation and market outlook

# What's happening?

### Food prices to keep rising despite some bright spots

While operational costs for food businesses are forecast to rise, a few developments offer temporary relief:

- **Currency:** A stronger Pound against the US Dollar in early 2025 has helped shield UK buyers from some global commodity pressures - though its weakness against the Euro dampens that advantage.
- **Trade:** Improved relations with the EU have paused planned post-Brexit border changes, easing the cost burden on fruit and veg imports.

Still, food prices are unlikely to fall any time soon. Even if energy and commodity prices dip, as they might, given the right geopolitical and climate conditions, those savings are expected to be outpaced by rising regulatory and structural costs. With 2025 commodity prices mostly locked in and peace still distant, retail food prices are poised to rise steadily into 2026, even without new external shocks.





Spotlight

# UK Total Consumption Forecasts





Our total consumption forecasts are part of IGD's new *Away From Home* insight service. To find out more, visit the [Away From Home page](#).

# UK Total Consumption Forecasts



*Nichola Gallagher*  
**Senior Insight Analyst, UK**

Nic's focus is on developing IGD's *Away From Home* market forecasts and helping clients use this data as a foundation for decision making.





## Spotlight

# UK Total Consumption Forecasts

## What are the focus areas for innovation?

[IGD's Total consumption outlook 2025-2030](#) report forecasts a 3.8% increase in value for the overall food and drink market by the end of 2025 compared to 2024. The retail sector, categorized as "At Home," is expected to continue gaining market share from the "Away From Home" (AFH) segment, rising from 62.8% in 2024 to 63.3% in 2025. This trend has been ongoing since 2022. The shift is primarily driven by consumer uncertainty regarding their financial futures, which has led to more cautious spending habits. Many consumers are likely to save money by dining out less frequently, choosing to reserve those outings for special occasions.

The long-term forecast for food and drink sales up to 2030 suggests a modest increase across both channels, resulting in a compound annual growth rate (CAGR) of 3.5% from 2025 to 2030. This growth is primarily expected to be driven by inflation. Specifically, inflation in the Away From Home sector is predicted to peak in 2025, mainly due to rising labour costs in an industry that relies heavily on part-time, low-skilled workers. Additional contributing factors that are expected to drive some marginal gains include population growth and a gradual improvement in consumer confidence, reflected in improved real wages from 2028 onwards. This is likely to encourage some consumers to "trade up" for higher-quality products across various channels and sectors.

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*With conditions remaining challenging, channels blending value, convenience and memorable experiences will stand out. For example, in leisure, Aramark has partnered with Everton FC to 'revolutionise' their stadium's fan experience with tech-enabled experiences and 'world class' food and drink.*

*Nichola Gallagher*  
**Senior Insight Analyst, UK**



Spotlight

# UK Grocery Channel Forecasts



UK channel forecasts 2025-2030 report offers a comprehensive view of the UK grocery market, outlining how all channels will grow over the next five years.

# UK Grocery Channel Forecasts



*Alex Rowberry*  
**Senior Insight Analyst, UK**

Alex's focus is on helping clients understand the UK grocery market, the performance of its main channels and the strategies of its leading retailers.





Spotlight

# UK Grocery Channel Forecasts

As outlined in the previous section, businesses must prepare for weak economic growth to persist for the forecast period. With limited economic momentum, the UK grocery sector is expected to revert to its pre-2020 trajectory. This will see inflation drive most of the growth in the market, with underlying volume gains elusive.

The grocery market is expected to reach £297bn in 2030, representing a CAGR of 3.0%. Online will be the fastest-growing channel with a CAGR of 4.3%, followed by discount with a CAGR of 3.5%.

Supermarkets will grow in line with the market and will remain the largest channel overall, adding £17.3bn in value to reach an overall size of £125.8bn in 2030.

Convenience and hypermarkets are also expected to grow but underperform the market with CAGR of 2.9% and 2.5% respectively.

£256bn

The value of the UK grocery market in 2025

3.0%

CAGR for supermarkets

3.5%

CAGR for discount channel

£297bn

The value of the UK grocery market in 2030

2.5%

CAGR for hypermarkets

2.9%

CAGR for Convenience channel

4.3%

Compound Annual Growth Rate (CAGR) for Online channel



## Spotlight

# UK Grocery Channel Forecasts

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*Our forecast is more subdued than past years, reflecting the significant headwinds facing the industry and economy.*

*Encouragingly, the growing shift among shoppers towards prioritising quality over cost signals a positive opportunity. Retailers and suppliers who identify what quality means to their shoppers will come out on top.*

*Alex Rowberry*  
**Senior Insight Analyst, UK**





## Food inflation and market outlook

# Why it matters

**Expanding productive capacity is key to avoid stagflation.**

### Policy shifts continue to shape inflation outlook

Government policy has been a key contributor to business cost and food price inflation over the last year. This will continue for some time to come – older policies will drop out of annual comparisons, but new ones will continue to be added. The timing of these events is reasonably certain, even if the effects are not.

### Global events remain a wildcard

With large parts of the world still in turmoil and weather becoming increasingly extreme, “shock” events are likely to continue to lead to sudden changes to energy and food commodity costs. These changes will affect businesses at the top of the supply chain especially. Naturally, the timing and amplitude of such events is very hard to forecast.

### Stagflation nation

Stagflation – the combination of inflation and weak growth – may already be a feature of the UK economy. It is extremely damaging to both households and government, and it is hard to address via monetary policy. Raising interest rates to moderate inflation would depress growth, while cutting rates to stimulate growth would drive inflation higher. The only real way out is to expand productive capacity, which may create growth without inflation, but this has proved difficult to achieve.



## Food inflation and market outlook

# Implications for your business

**Tough conditions will require core excellence and innovative responses.**

## Weak market outlook

Reviewing key economic indicators, it is hard to find reasons for optimism. An increase in household prosperity and confidence still seems far off.

IGD's new forecasts for the future of the food market, at Retail and Away From Home, reflect this gloomy outlook with generally conservative growth expectations. Retailers and operators that strike a blend of value and convenience, as well as those that deliver memorable experiences, will stand out. See [IGD's Shopper marketing highlights](#) for in store initiatives and activations designed to drive demand and accelerate category growth from suppliers and retailers in the UK.





## Food inflation and market outlook

# Implications for your business

### Resilience

Extreme weather events and geopolitical shifts in 2025 are putting the UK food system under pressure. Both risks sit at the top of [IGD's assessment of risks to the UK food system](#) and the 2025 challenges are representative of a longer term shifts.

Neither is directly in the control of businesses, but assessing known risks and building risk mitigation plans can be effective, protecting businesses in a more volatile landscape. Strategies could include making long term strategic decisions regarding sourcing or risk transfer options to manage climate risk.

### Beyond price: the new rules of supplier value

With inflation set to continue and volume stagnating, suppliers must find innovative ways to engage shoppers and drive growth - while managing mounting pressure from customers on price and cost of goods.

The most successful suppliers are those who [build value](#) through bold moves like new product development and agile marketing, deliver trends with speed, and redefine value beyond price to disrupt the status quo. They also know how to unlock value in negotiations - leveraging test-and-learn support, reciprocal data sharing to optimise shopper journeys, and joint planning commitments with retailers.

At IGD, our consulting team offers a sharp lens on what winning retailers and suppliers are doing, the trends shaping global markets, and how to overcome barriers to growth. Ready to build your strategy for the future? Reach out to the IGD Consulting team at [mark.walker@igd.com](mailto:mark.walker@igd.com)





# Consumer outlook



Consumer outlook: Our viewpoint

**As higher taxation looms, anticipate intensified demand for value and versatility**





## Consumer outlook

# Our viewpoint

## Caution endures as fragility persists.

Despite a record spring sunshine, UK consumers remain cautious. Rising food prices, geopolitical tension, and anticipated tax hikes continue to weigh on sentiment.

Confidence dipped slightly in June, with few expecting their finances to improve. Most consumers have already made cost-cutting adjustments, limiting scope for further saving.

While Away From Home spending stays under pressure, small-scale at-home occasions are sparking modest growth. Higher earners remain more confident, preserving premium spend and offering pockets of opportunity. As the income divide grows, grocery cutbacks are easing, signalling subtle behavioural stability amidst uncertainty.

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*For businesses, the challenge is twofold: maintain relevance with value-driven consumers while unlocking growth from more resilient segments. With fiscal tightening likely in the next Budget, keeping close to fast-evolving consumer sentiment will be essential through the second half of the year.*

*Michael Freedman*  
**Head of Economic and Consumer Insight**



## Consumer outlook

# What's happening?

**June brings a dip in optimism as rising prices and geopolitical risks temper any springtime cheer.**

## Shopper confidence slips

IGD's Shopper Confidence Index dipped by 2 points in June 2025 to a modest score of 1, following months of relative stability. While the UK basked in its warmest spring on record, the economic mood remained cool. Worries about the impact of Middle East conflict have been unsettling for consumers, offsetting the usual feel-good factor associated with good weather.

## Financial outlook: tentative positivity, but uncertainty lingers

Despite the dip in headline confidence, some signs of optimism are emerging:

- Just 25% of shoppers expect to be worse off in the year ahead - the lowest level since May 2024.
- However, only 27% believe they'll be better off, highlighting a sentiment of cautious stability, rather than clear financial recovery.

This gap suggests a population still feeling stretched yet not bracing for further deterioration.





Consumer outlook

# What's happening?

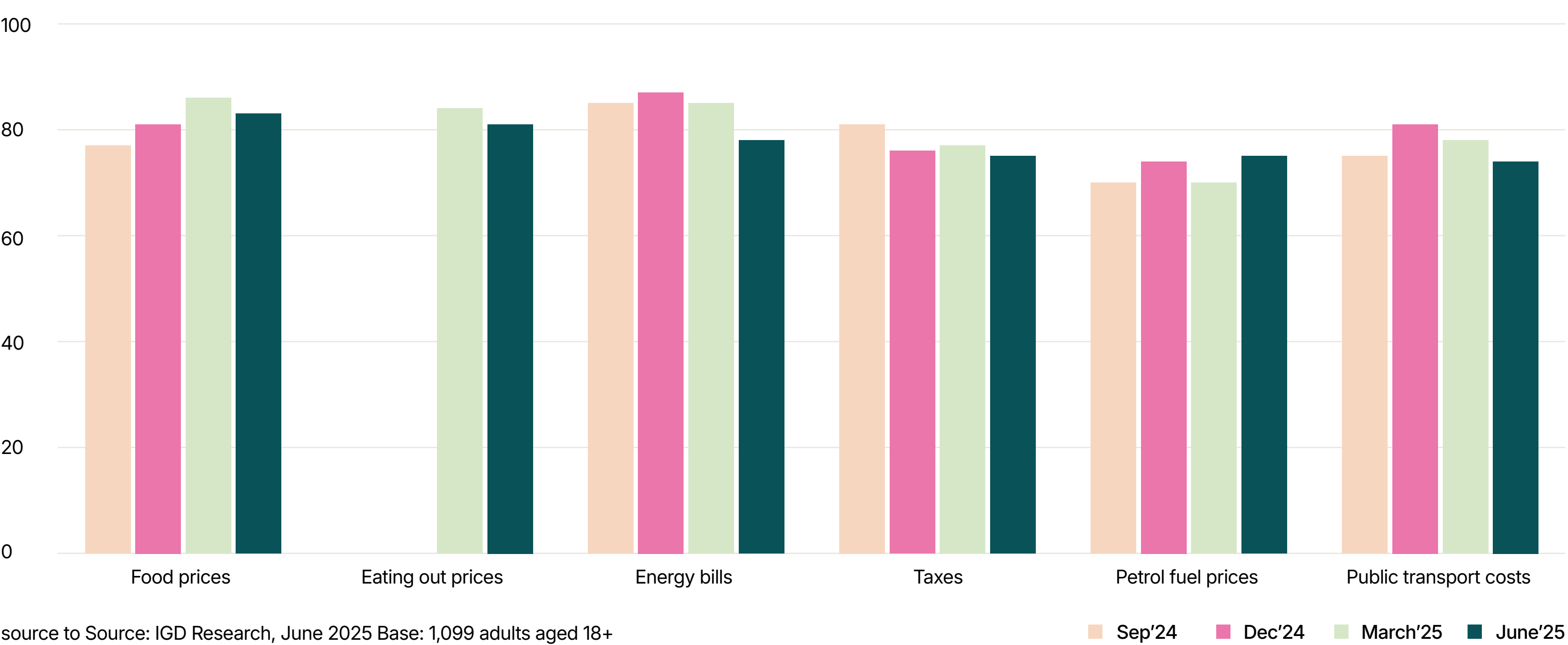
## Rising food costs now the #1 concern

More than eight in ten consumers are concerned about rising retail and Away From Home prices - both now outpacing concern over energy prices.

The shift reflects increases in food and Away From Home pricing, and recent cuts to the Energy Price Cap, providing temporary relief on utility bills.

Meanwhile, tax anxiety remains: three in four expect taxes to rise, after warnings in the lead-up to the next Budget.

% expecting the following bills to rise





Consumer outlook

# What's happening?

## Consumer behaviour: leaner habits set in

Despite concerns about rising food prices, just 29% plan to reduce grocery spending - a four point drop since March. Many have already tightened their budgets and have little room left to cut back further. Consumers are far more likely to cut spend on clothes and eating out. This shift away from dining out creates opportunities for retailers to capture spend through micro occasions - smaller, more frequent moments of indulgence or convenience within the food and grocery shop. These behaviours are explored further in the “Unlocking shopper spending” spotlight.

### % stating will definitely or probably reduce spend in the next few months

Category	%
1. Clothes	46
2. Eating out	43
3. Energy used	41
4. IT	39
5. Theatre/cinema	36
6. Treats (beauty)	35
7. Household goods	35
8. Home garden improvement	33
9. Holidays	31
10. Food and grocery shopping	29

Source: IGD Research, June 2025

Base: 1,099 adults aged 18+





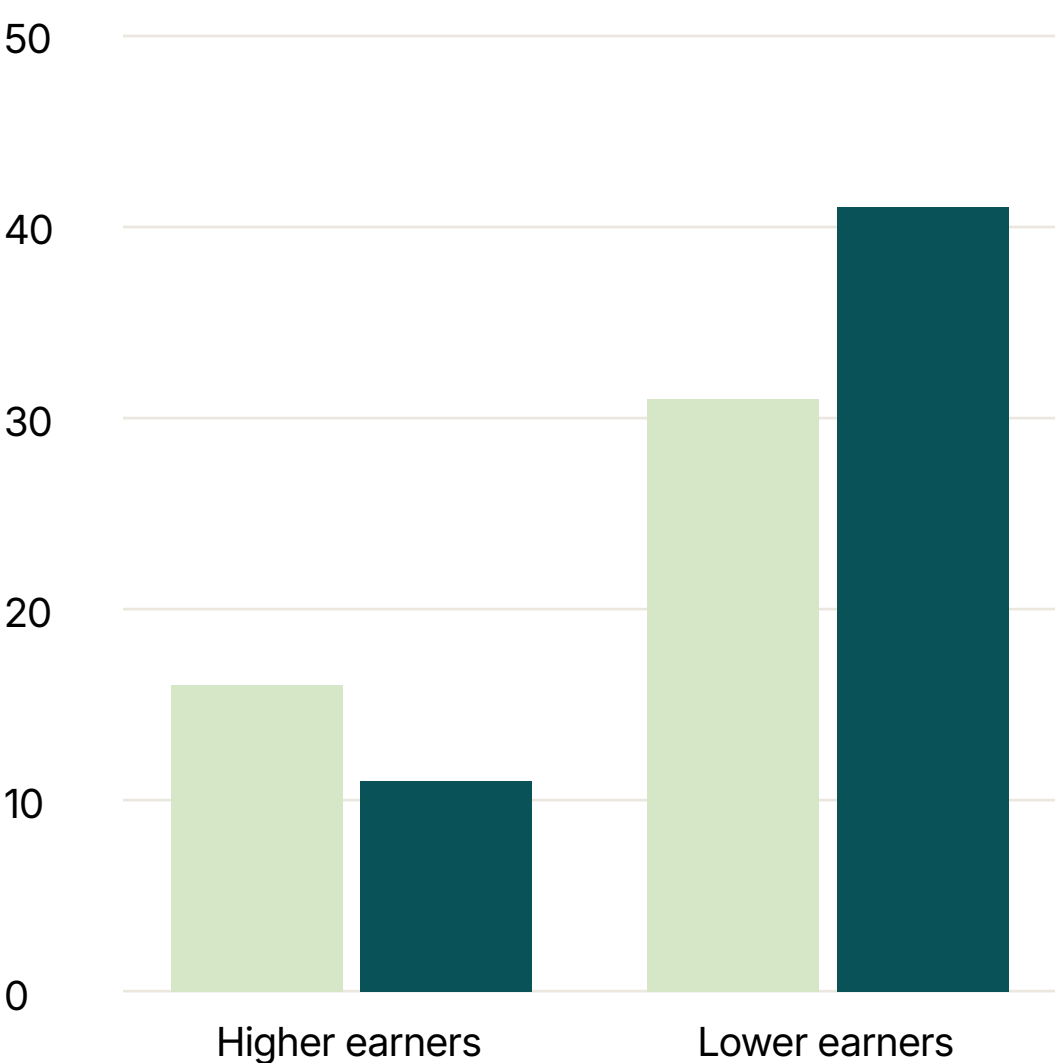
Consumer outlook

# What's happening?

## Financial concerns more pronounced

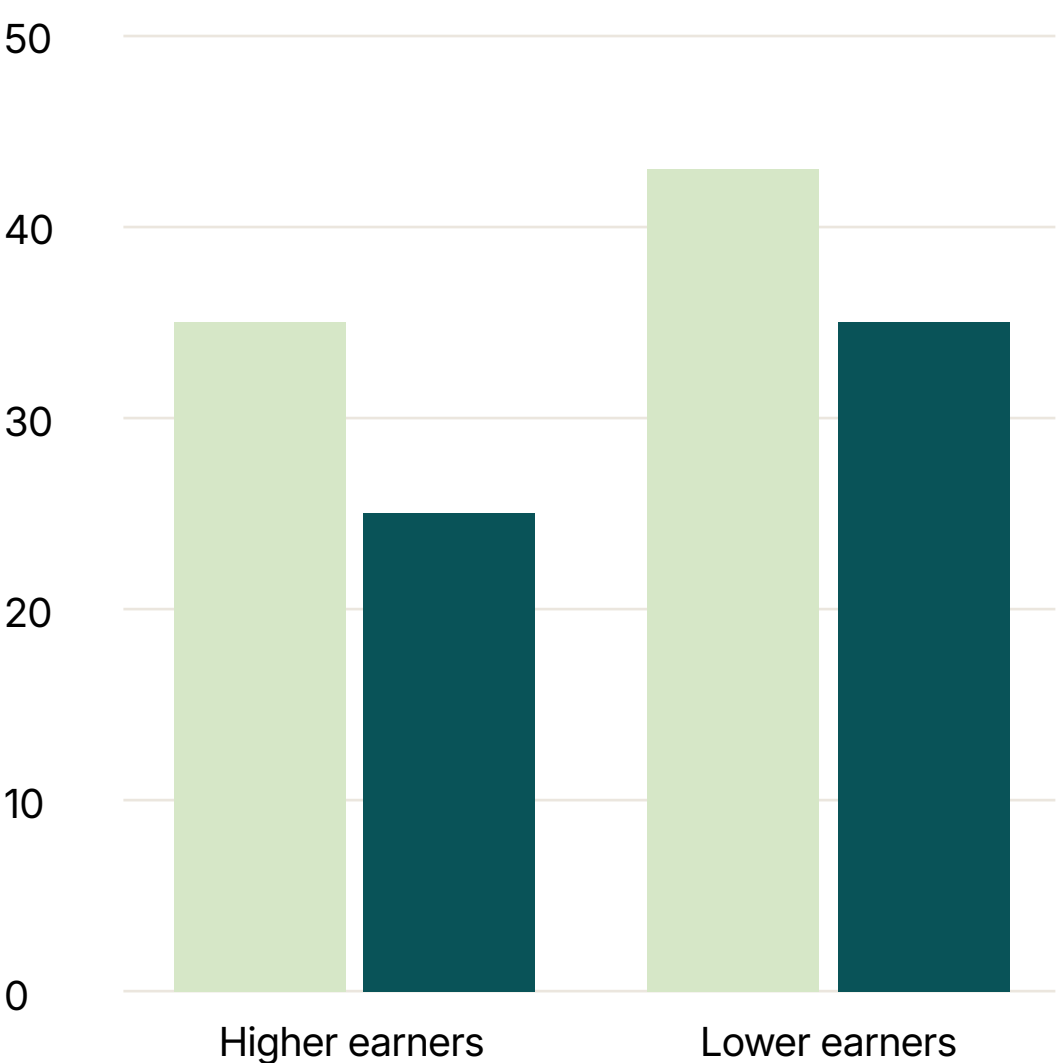
While one in four shoppers (25%) expect their financial situation to worsen over the next year, this jumps to 41% among lower-income households - up ten percentage points since May 2024. In contrast, just 11% of higher earners expect to be worse off, down five points. Lower-income consumers remain more likely to reduce both food spending and overall grocery volumes, while higher earners remain more resilient - especially on meals out. Still, the gap is narrowing, hinting at stabilising behaviour and potential opportunities among more financially secure consumers.

% consumers expect to be worse off in next year

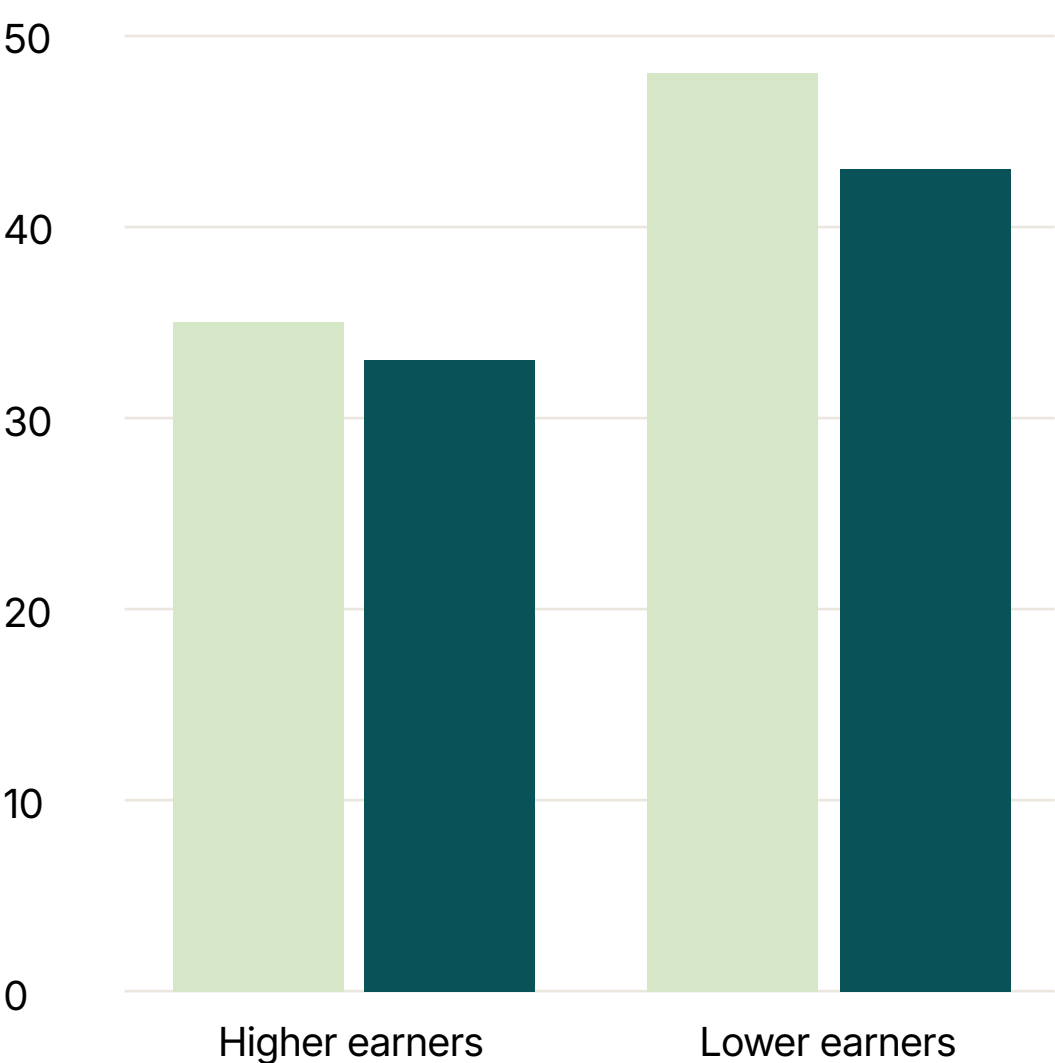


Source: IGD Research, June 2025    Base: 1,099 adults aged 18+

% consumers planning to reduce food and grocery spend in next few months



% consumers planning to buy less food and groceries



■ May'24    ■ June'25



Spotlight

# Unlocking shoppper spending



Small occasions, summer, and premium offers may reignite shopper spending.

# Unlocking shopper spending



*Bryony Perkins*  
**Senior Insight Analyst, UK**

Bryony contributes to our ShopperVista programme focusing on our future looking insight.





## Spotlight

# Unlocking shopper spending

Shoppers' wallets have been stuck in neutral, at best, over the past couple of years, and so has their behaviour. Private label sales have increased, impulse buys are dialled down, and indulgent aisles have been impacted. Even when the sunniest spring on record lifted our [Shopper Confidence Index](#) to +3, amidst a backdrop of rising bills and geopolitical uncertainty, we didn't see an increase in volumes.

If shoppers aren't spending more even when their confidence is higher, what will drive them to splash out again?

A hot summer will no doubt drive volume for certain categories. We've already seen early signs, and the influence of good weather on shopper behaviour can't be overlooked. Aside from relying on temperamental British weather, we have seen some other encouraging signals from shoppers.

## Small-scale occasions

While shoppers are cautious about spending, there are some exceptions to the rule. When it comes to small-scale occasions, we have seen these drive incremental spend from shoppers. Smaller-scale occasions can be anything from a weekend brunch at home to taking a bottle of wine to a friend's dinner party. The key to unlocking growth is to tap into the emotional connection between food, drink, and shared moments, while keeping it affordable.

When shoppers feel like they are celebrating an occasion, even on a small scale, they are more likely to trade up to a more premium category, tier or retailer. We have seen retailers and suppliers lean into this over the past year with in-store executions highlighting these smaller scale occasions. Executing this connection between food and socialising in-store through at-fixtured messaging and cross-category merchandising is likely to spark that extra spend for smaller occasions.



## Spotlight

# Unlocking shopper spending

## Higher-income shoppers

A group that has historically been more protected from rising costs are the higher-income households. We have seen this consistently translate into their shopping behaviour with an increased focus on quality and more confidence in their finances for the year ahead. Our latest [Shopper Outlook](#) highlights that half of this income group expect to be better off in the year ahead compared to just a fifth of the lowest income earners. For these shoppers, any financial concerns are more likely to impact larger spending like holidays, eating out and having days out.

This could benefit the food and grocery industry as shoppers seek new ways to treat themselves. Having a premium offering, especially for dine in meal solutions will appeal to this group in this scenario. If financially secure shoppers remain confident, they're likely to spend a little more on impulse and be more open to influence, creating fresh opportunities for growth.

## Looking ahead

In the years to come, changing most shoppers' habits will be tough. With little growth on the horizon, our [Shopper outlook 2025 report](#) highlights how stagnant the next few years could be. Driving growth may have to come from diversifying revenue streams rather than relying on shoppers to increase their day-to-day spending. However, there are still pockets of opportunity for growth. The rise of food-curious Gen Z will bring new opportunities especially when it comes to new and different cuisines.

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*Confidence is yet to take a hit from the uncertain environment this year, but with tax increases rumoured for the Autumn Budget, shoppers could face new pressures as the festive season arrives. The scale of any tax increases could still determine how successful Christmas 2025 feels for shoppers.*

*Bryony Perkins*  
**Senior Insight Analyst, UK**



## Consumer outlook

# Why it matters

## Rising tax risk and food inflation weigh on shopper confidence in 2025.

### Taxes and confidence

The Spending Review plans for government spending to grow, in real terms, over the next 5 years. Much of this will be paid for via new borrowing but some may need to be raised via taxes.

The detail of how funds will be raised is still lacking, so the next Budget – planned for autumn 2025 – will be critical.

It seems likely that households will need to supply at least some funds via higher taxation.

IGD's Grocery Shopper Confidence index fell noticeably following [Budget 2024](#). This was likely due to negative media coverage, since most tax changes hit businesses, not households.

If Budget 2025 affects households more directly, it is reasonable to expect a further downturn in confidence and in spending on food and drink.

### Food prices have psychological resonance

IGD's ShopperVista data shows food price inflation - real or anticipated - is a major driver of shopper confidence and behaviour, more so than tax hikes or rising housing costs. Shoppers remain laser-focused on quality without increasing spend, having built resilient, cautious habits during the cost-of-living crisis. That makes it tougher for industry to tempt them to trade up, particularly with rising inflation.



## Consumer outlook

# Implications for your business

**Tax pressure, polarisation, and curiosity to reshape shopper behaviour.**

## Prepare for further tax-driven demand softening

With public finances under strain, households face the prospect of rising taxes - possibly including income tax, national insurance, VAT, and duties on alcohol and tobacco. As inflation eases, taxation is set to become the main source of financial pressure, affecting spending across all categories. Businesses should prepare for renewed value-seeking and emphasise messaging around durability, flexibility, and long-term savings.

## Plan for polarisation

The gap between low- and high-income households remains stark. Businesses should prepare a dual-strategy approach, offering both entry-level affordability and premium indulgence to meet different ends of the spectrum without diluting brand equity.

## Embrace the food-curious consumer

From Gen Z's adventurous palates to consumers looking to recreate restaurant experiences at home, innovation in flavours, formats, and cuisines can drive interest. Use digital content, sampling, and influencer partnerships to build excitement and loyalty.

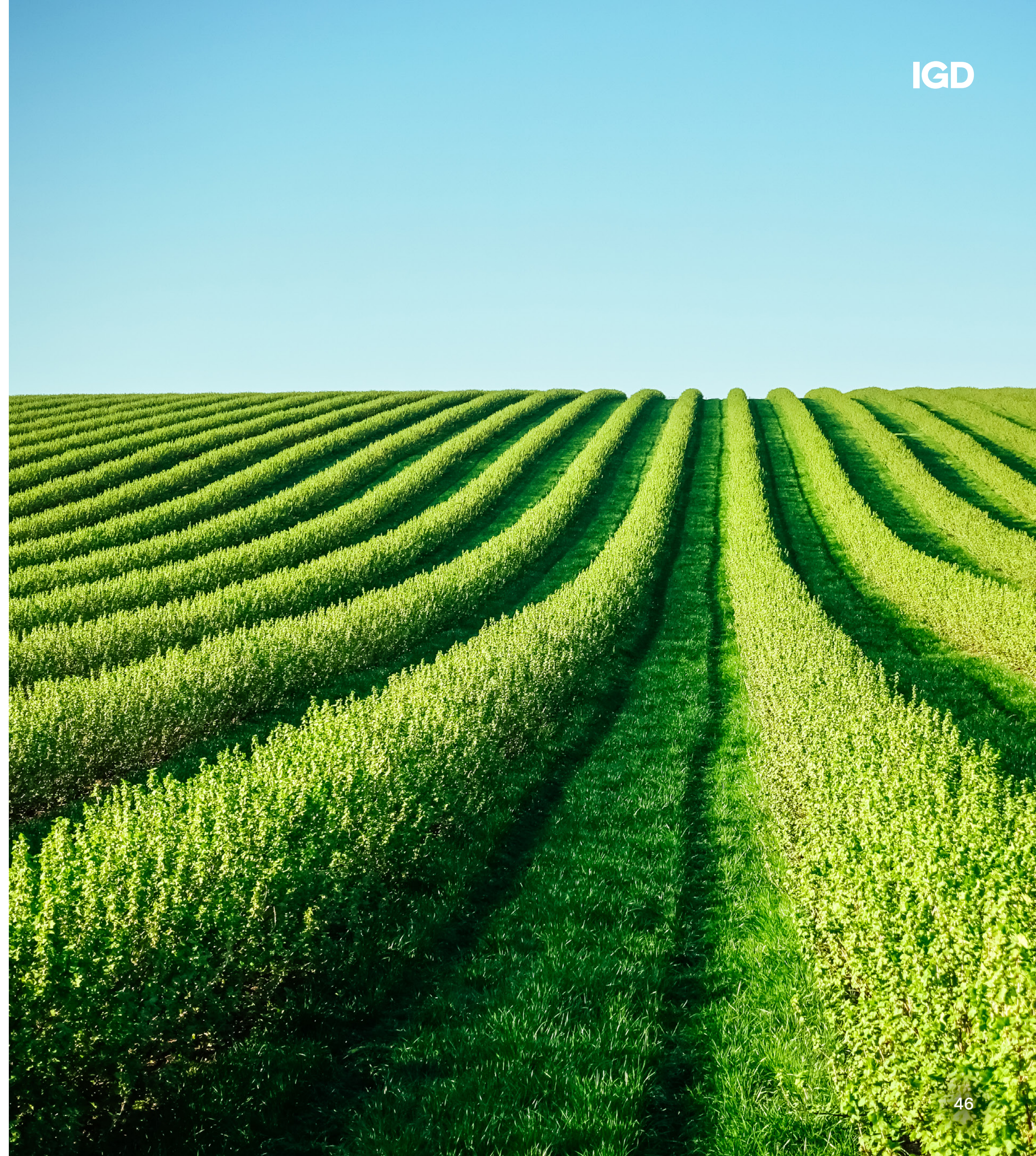


# Policy outlook



Policy outlook: Our viewpoint

# Publication of 'The Good Food Cycle' provides greater clarity.





## Policy outlook

# Our viewpoint

**Policy direction is becoming clearer for the UK food system as government aligns strategy across health, farming, and environment.**

Amid global uncertainty, the government has begun to set out a clearer policy path. The publication of the 'Good Food Cycle' is a key milestone, supported by the [NHS 10 Year Plan](#)'s push for healthier reformulation. With the upcoming Farming Profitability Review and Circular Economy Strategy, there's growing alignment that could reshape the food system for the long term.

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*After months of uncertainty, the government is setting a clearer course. The 'Good Food Cycle', NHS 10 Year Plan, and upcoming reviews on farming and the circular economy point to growing alignment - signalling a major shift for the UK food system.*

*Maeve McCormack*  
**Head of Corporate Affairs**



## Policy outlook

# What's happening?

## The food strategy gains momentum as cross-government focus sharpens

### Food Strategy momentum

IGD continues to support Defra in developing the Food Strategy as co-secretariat for its Advisory Board.

Although the government's [Industrial Strategy](#), published in June, omitted the food sector as a priority, the Food Strategy is filling the gap - supporting cross-government action for the industry.

The Government has now published the [Good Food Cycle](#) - setting out the next steps to deliver the Food Strategy. It has set out ten priority outcomes which are intended to enable good growth, access to healthier and more affordable food, a sustainable and resilient supply chain and vibrant food cultures.

As part of the IGD's role as co-secretariat to the Food Strategy Advisory Board, we have produced an easy-to-read [three minute summary of the document](#).





## Policy outlook

# What's happening?

## NHS 10 Year Health Plan ushers in wave of food regulation as health takes centre stage

### Health

The Government published its [10 Year Health Plan](#) for the NHS this month, signalling a raft of new measures targeting obesity.

Chief of these is the plan to introduce mandatory reporting of healthy food sales. This will be followed by mandatory targets. The Government has committed to the Food Strategy Advisory Board playing a part in sequencing these changes.

Alongside this, the Government will implement its 2018 Nutrient Profile Model. This means that products subject to existing HFSS restrictions will become subject to this more rigorous framework.

From June, GPs have been able to prescribe weight loss injections on the NHS initially for patients with a BMI over 40 and who have at least four other health conditions, but if the policy results in a fall in the number of people living with obesity it could be rolled out further. [As drugs alter eating habits](#) the food industry will have to respond to changing patterns of behaviour. Look out for IGD's new reports on weight loss drugs which will be published in the next month.

In other developments, the Government has delayed the HFSS TV and online advertising ban to January 2026, giving clarity that brand ads without identifiable products will still be allowed. Businesses will gain a final restriction-free golden quarter, though many will voluntarily comply from 1 October 2025.

The Department of Health and Social Care has added baby food guidance to its [NHS Start for Life website](#), advising parents to limit pouches and choose lower-sugar products. The move follows a BBC Panorama investigation, prompting many manufacturers to relabel and reformulate.

The Government has concluded its [consultation](#) on changes to the Soft Drinks Industry Levy, to milk-based drinks and lower the sugar threshold. If adopted, this could trigger another wave of reformulation - or force businesses to accept higher taxes passed on to consumers.



## Policy outlook

# What's happening?

## Countdown to EPR: Businesses need to brace for new costs and reforms in packaging rules

### Circular economy in focus

Businesses will pay their first bills under the reformed packaging Extended Producer Responsibility (EPR) scheme in October 2025. Defra has now published the [finalised fees](#) for Year One (2025-26) of the scheme. Many fees are lower than previously forecast. Even so, businesses in the UK will face new significant costs. Timing was signalled in advance, but there is only a short time between publication of finalised fees and the deadline for payment.

From 2026, “modulated” fees will be introduced which will create additional complexity, with different fee levels for each type of material, according to recyclability.

This will be assessed according to the [Recycling Assessment Methodology](#) (RAM), and Defra has now shared the structure for modulated fees for the next three years. Materials classed as ‘red’ will be subject to fees at double the rate of the base fee by 2029 – which could exacerbate inflationary pressures if businesses do not switch packaging materials.

Work is also underway to appoint a new Producer Responsibility Organisation (PRO) to operate within the EPR scheme, and to agree what powers this new body should have. The government reiterated in the Spending Review that EPR fees would go to local authorities in their entirety, but the PRO could play a role in directing how those funds are then spent, as well as in setting future fees for producers.

The Deposit Management Organisation for the Deposit Return Scheme (DRS) for England, Scotland and Northern Ireland has now been formally appointed, meaning that work can commence to get businesses ready for the launch of the DRS in 2027.

One key area it will need to address is how to facilitate interoperability of the scheme with the Republic of Ireland’s scheme (which went live in 2024) and with a future planned Welsh scheme.

Defra’s work on its Circular Economy Taskforce continues, with it set to report in the autumn. It will be important for priorities within the Circular Economy Strategy to align with those in the Food Strategy to ensure that businesses are clear about the behaviour changes which Government wants them to prioritise.



## Policy outlook

# What's happening?

## Employment Rights Bill advances – but welfare concessions shift focus to jobs push

### Labour and skills

The Employment Rights Bill has reached the House of Lords with few changes. However, [the government](#) faces a more challenging situation in the context of its planned welfare changes. Cuts to benefit payments were originally intended to follow on from a drive to 'Get Britain Working', but wider budget pressures meant the Government has sought to introduce the cuts before the changes to increase employment levels have taken effect. After opposition from over 125 Labour MPs, the government revised its plans: current recipients of Personal Independence Payments (PIP) and the health element of Universal Credit will retain support, while future claimants face the cuts. This revision adds £1.5bn in costs and ramps up pressure to increase employment.

### Agriculture

In May, the government committed to working with the EU on a new Sanitary and Phytosanitary (SPS) Agreement to ease agri-food trade. This could reduce costs and paperwork for businesses moving goods between Great Britain, Northern Ireland, and the EU. As a result, planned border checks on EU fruit and veg have been delayed from July 2025 to January 2027. While this raises biosecurity concerns, it gives businesses breathing room.

Meanwhile, Baroness Minette Batters will submit her Farming Profitability Review in October – an opportunity to reset and grow the UK farming sector.





## Policy outlook

# Why it matters

**New outcomes framework provides further clarity on the direction for the food strategy.**

## Food strategy update

The Good Food Cycle provides new missions for the Government to work towards to deliver a prosperous, more resilient and sustainable food industry which improves population health outcomes. Detailed policy development will happen over the coming months, but this framework gives greater certainty about the Government's priorities, and where future funding and/or regulation is likely to be directed.





## Policy outlook

# Implications for your business

### Collaboration to tackle obesity

With obesity rising it has opted to take more drastic interventions, and this means businesses will need to respond with reformulation and new product development to remain legally compliant. However, as the postponement of the HFSS advertising ban shows, the government is also willing to be pragmatic about implementing new measures, and to work with businesses to ensure regulation lands effectively. Businesses have an opportunity to engage constructively in the coming months.

### Weighing up EPR costs versus reformulation

With greater certainty about EPR fees and in the future, businesses can now begin to decide whether to pay higher fees or reformulate their packaging to reduce their bills. With the Circular Economy Strategy set to be published in the autumn this will hopefully provide an opportunity for the government to streamline more piecemeal circular economy initiatives into one clear pathway, again helping businesses to plan for the future.





Policy outlook

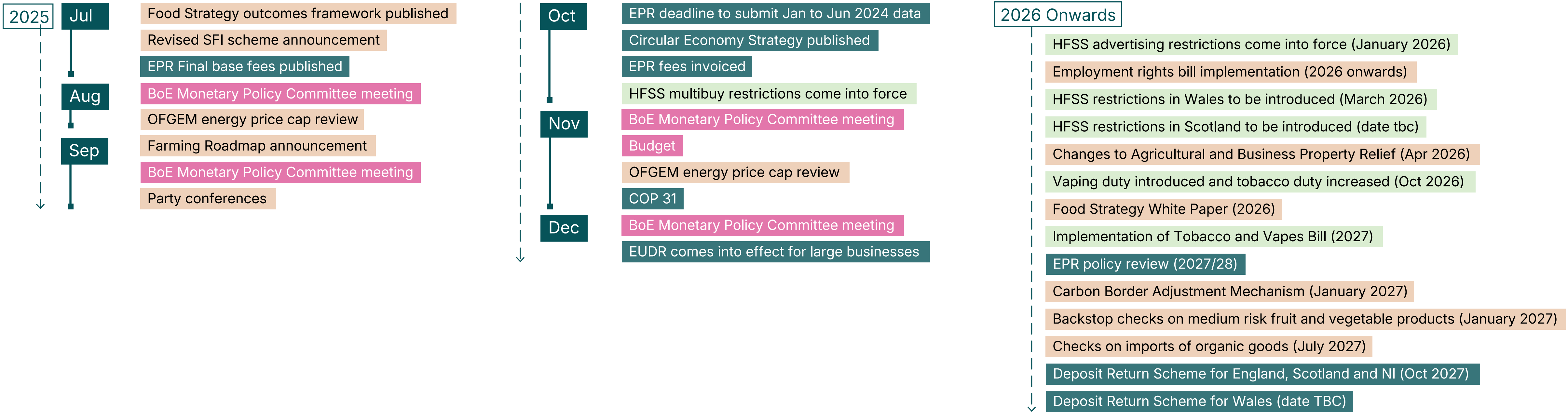
# Regulatory and policy landscape

Sustainability

Economics

Health

Hybrid





# Meet the team



*Naomi Kissman*  
**Social Impact Director**

Naomi leads the Social Impact team at IGD, working with industry leaders, uniting and inspiring businesses to address economic, social, and environmental challenges that matter to us all.

Contact Naomi



*James Walton*  
**Chief Economist**

James equips businesses to anticipate and deal with strategic change. Focused on economics, he also provides insights on geopolitics, technology and other forces shaping the future

Contact James



*Michael Freedman*  
**Head of Economic and Consumer Insights**

Michael delivers expert analysis on the latest economic and consumer trends relating to the food industry to drive better decision making.

Contact Michael



*Maeve McCormack*  
**Head of Corporate Affairs**

Maeve leads policy and regulatory analysis to assess impacts on the food system and works with Corporate Affairs stakeholder to align industry engagement with policy-makers.

Contact Maeve





# Appendix



## Economics bulletin newsletter

Sign up to our economics bulletin newsletter.

**Economics Signup** —————>



## Away From Home newsletter

Sign up to our Away From Home (AFH) and food-to-go newsletter.

**AFH Signup** —————>



## Food strategy newsletter

Sign up to our Food strategy newsletter to stay informed about the latest updates on the food strategy.

**Newsletter Signup** —————>



## Future of the Food System conference

Join our one-day conference to connect with industry leaders and explore strategies for accelerating progress towards a sustainable, resilient, and thriving food system.

**Book your tickets** —————>