

# Retail Cost Base Index

Q1 2022

Access the latest data with a free membership trial or full membership →



## Food Retailers

**5.1%**

(Q1 2022 vs. Q1 2021)

## Non-Food Retailers

**4.1%**

(Q1 2022 vs. Q1 2021)



### Labour Costs

**▲ 3.4%**

Retail labour costs rose by 3.4% in Q1 2022, year-on-year, rising on the previous quarter.



### Rents

**▲ 0.1%**

Rents rose by 0.1% in Q1 2022 compared with a year earlier, increasing on the previous period.



### Distribution

**▲ 13.6%**

Distribution costs rose by 13.6% in Q1 2022 compared with the same quarter last year.



### Business Rates

**-%**

Business rates were broadly flat in Q1 2022 compared with a year earlier supported by government relief.



### Central Costs

**▲ 3.1%**

Advertising and Central Costs rose 3.1% year-on-year in Q1 2022, up from 2.4% in the previous quarter.



### Utilities

**▲ 31.0%**

Utility costs rose by 31.0% in Q1 2022 on the previous year.

## At a glance

Component	Annual % Change	Summary	2-Year Sparkline
Labour Costs	3.4%	<p>Labour costs rose 3.4% in the first quarter of 2022 compared with the previous year – accelerating on the 1.4% rise in Q4 2021.</p> <p>Labour shortages within the sector has pushed up wages to attract new workers and retain current workforces. Upward pressure is also being exerted by the rising cost of living with some retailers increasing their base salaries to ease the strain on employees household budgets.</p>	
Retail Rents	0.1%	<p>On average, rental costs rose marginally in Q1 2022 compared with the previous year, improving on the previous period.</p> <p>Performance was mixed within with Retail Warehouses driving much of the rise, supported by strong investor sentiment, particularly of bulky retail warehouses. High street shops and shopping centres continued to record a decline in rental values YoY, although shopping centres reported an improvement on a quarterly basis.</p>	
Distribution & Fuel	13.6%	<p>Distribution costs rose by 13.6% in Q1 2022 compared with the previous year – broadly unchanged from the previous quarter (+13.5%).</p> <p>Considerable upward pressure was exerted by the fuel component which has risen steeply off the back of the Russia-Ukraine conflict with more pressure expected for the remainder of the year.</p>	

### Labour

# 3.4%

Retail labour costs rose by 3.4% in Q1 2022 compared with the previous year.

### Distribution & Fuel

# 13.6%

Distribution & fuel costs rose by 13.6% in Q1 2022, broadly unchanged from the previous period.

Distribution costs rose by 13.6% in Q1 2022 compared with the previous year – broadly unchanged from the previous quarter (+13.5%).

## At a glance

Component	Annual % Change	Summary	2-Year Sparkline
Business Rates	+0.0%	<p>Pressure from business rates was broadly flat compared with the previous year in the first quarter of 2022.</p> <p>In Q2, Business Rates Relief will support eligible retail and leisure businesses in the 2022/23 tax year period who will receive a 50% discount off rates up to a value of £110,000 and a freeze in the multiplier for the same period. However, support for large businesses will be limited as they typically pay considerably higher rates than their smaller counterparts.</p> <p>Reform of the business rates system remains a top priority for retailers with large store estates, particularly as the shift towards the online channel accelerated during the pandemic. The government recently ended a consultation on whether an online sales tax should be introduced to ease the burden of business rates on high street stores.</p> <p>Advertising and Central Costs rose by 3.1% in Q1 2022 compared with the same period last year – rising on the previous period.</p>	
Advertising and Central Costs	+3.1%	<p>All components recorded rises in Q1 with the Professional Services and Information and Communication components contributing the greatest amount of uplift. Elsewhere, notable rises were recorded in the Accommodation &amp; Food and Administrative &amp; Support Services categories.</p>	
Utilities	+31.0%	<p>The cost of utilities accelerated by 31.0% Q1 2022, from 33.0% in the previous quarter.</p> <p>A sharp rise in the price of importing gas has supported the increase in utility costs in recent months, with the acceleration in gas prices outpacing the rise reported for electricity.</p>	

## Business Rates

# +0.0%

Business rate bills were flat in Q1 2022 compared with a year earlier.

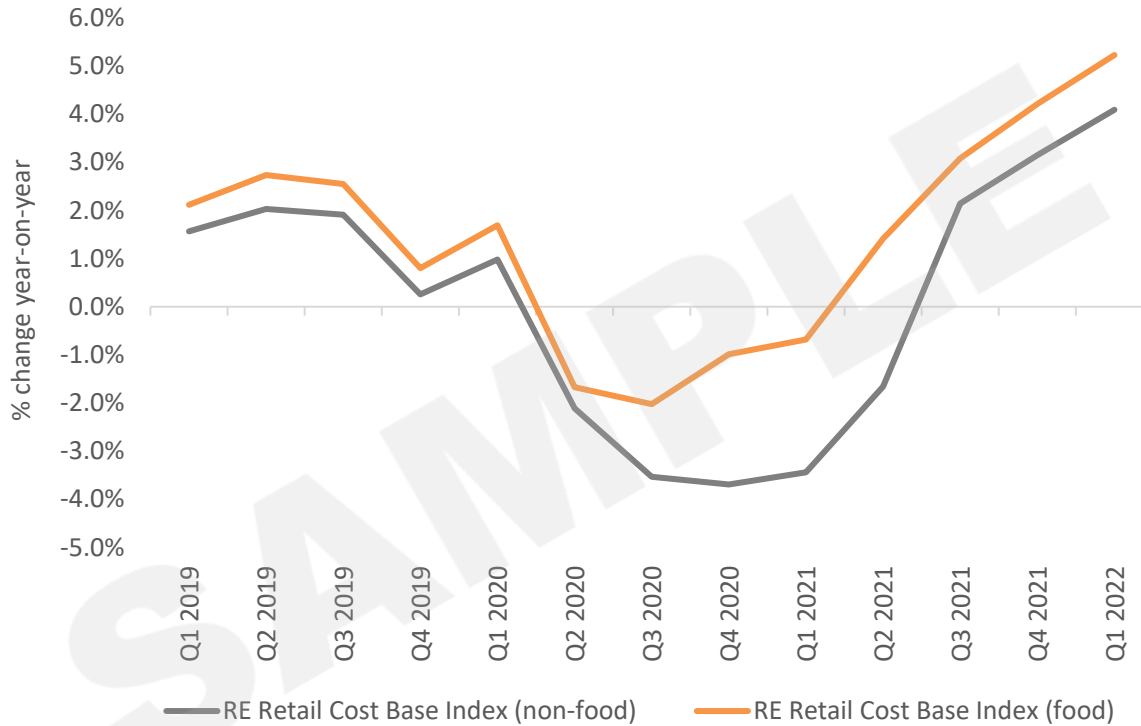
## Utilities

# +31.0%

Utility costs rose by 4.1% in Q1 2022 compared with a year earlier.

A sharp rise in the price of importing gas has supported the increase in utility costs in recent months.

## Operating costs facing Food and Non-Food retailers



**Food**  
**5.1%**

Operating costs facing food retailers rose by 5.1% in Q1 2022.

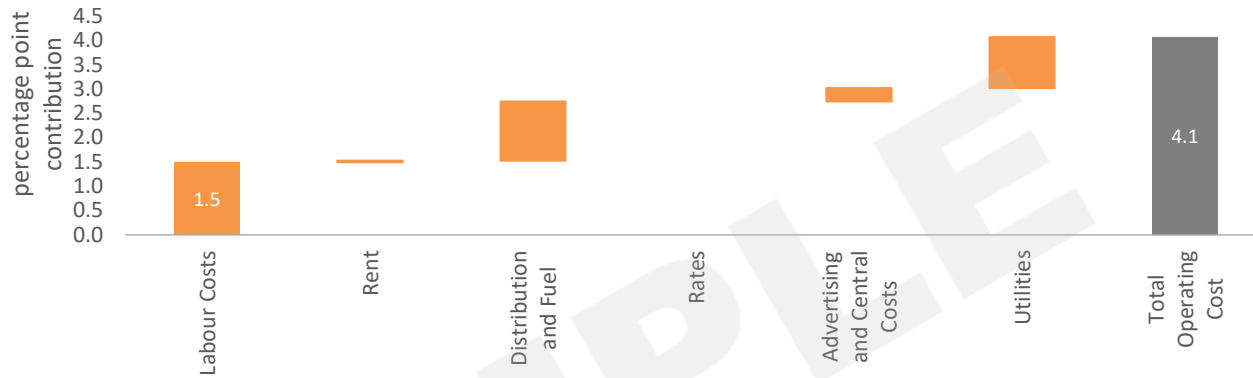
**Non-Food**  
**4.1%**

Operating costs facing non-food retailers fell by 4.1% in Q1 2022.

Operating costs for food retailers rose sharply on the previous quarter.

Source: Retail Economics Cost Base Index

## Contribution to operating costs: Food



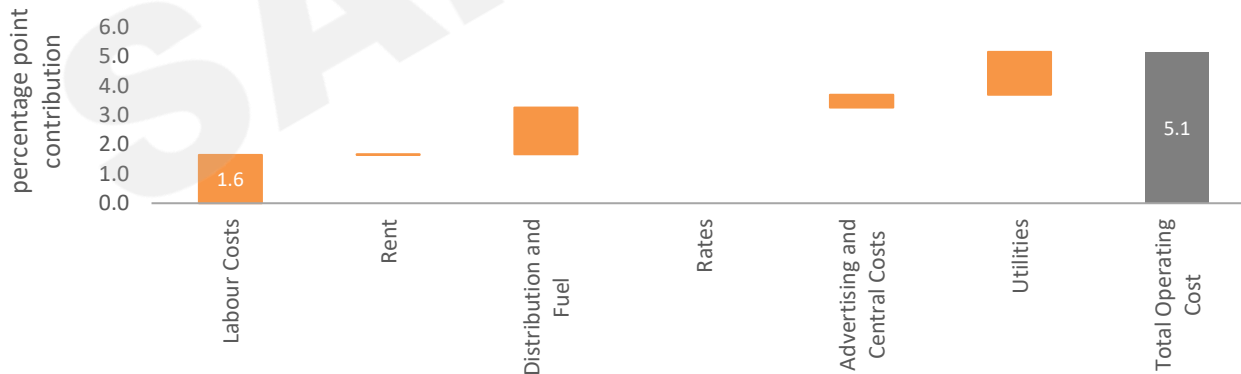
**Labour**  
**1.6**

Labour costs made a positive contribution of 1.6 percentage points to non-food retailers operating costs in Q1 2022.

**Utilities**  
**1.0**

Utilities costs contributed 1.0 percentage points to food retailers operating costs in Q1 2022.

## Contribution to operating costs: Non-Food



The contribution to operating costs of distribution and fuel accelerated in Q1 2022.



# Why Retail Economics

We're trusted. We're independent. We're an authority within the industry



We're trusted by world class corporations...

...and we're frequently in the media



See what some of our **clients** think →

See us in the **media** →

Retail Economics  
4<sup>th</sup> Floor  
86-90 Paul Street  
London  
EC2A 4NE

 +44 (0)20 3633 3698

 [www.retailconomics.co.uk](http://www.retailconomics.co.uk)

 [amy.yates@retailconomics.co.uk](mailto:amy.yates@retailconomics.co.uk)

 [@retailconomics](https://twitter.com/retailconomics)

 [linkedin.com/company/retail-economics](https://linkedin.com/company/retail-economics)

Retail Economics is an independent economics research consultancy focusing exclusively on the UK retail and consumer industry. Our subscription service empowers you with a deeper understanding of the key economic drivers supporting the UK retail industry, providing a competitive edge needed to make critical business and investment decisions.

Disclaimer: The articles and opinions contained in this publication do not necessarily reflect the views of Retail Economics. Whilst Retail Economics endeavours to ensure that the information in this publication is accurate and that the articles contain nothing prejudicial to the position or reputation of any party, Retail Economics shall not be liable for any damages (including without limitation, damages for loss of business or loss of profits) arising in contract, tort or otherwise from this publication or any information contained in it, or from any action or decision as a result of reading this report. (C) Retail Economics (2022). The contents of this report and those of all ancillary documents and preparatory materials are the sole property of Retail Economics and are not to be copied, modified, published, distributed or commercially exploited other than with the express permission of Retail Economics. All rights reserved.

Access the latest data with a free membership trial or full membership →

