The Rt Hon Jeremy Hunt MP,
Chancellor of the Exchequer,
HM Treasury,
1 Horse Guards Road,
London,
SW1A 2HQ

8 September 2023

Dear Chancellor,

UK retailers call for freeze to business rates multiplier to minimise cost inflation

We are writing ahead of this year's Autumn Statement to ask you to support our efforts to tackle inflation by freezing the business rates multiplier at its current level. This would also help us to increase investment, directly supporting your aim to grow the economy.

The retail industry strongly welcomed your decisive action on business rates last autumn. This helped to ensure that bills better reflected underlying economic conditions and meant that the industry did not face additional costs this year which, at least in part, would have fed into shop prices.

Retailers have worked hard to absorb as much additional cost as possible amidst record cost inflation over the past 18 months. Operating profit margins have significantly contracted as a result, as the CMA reported in July. This effort is starting to bear fruit as BRC's data shows that shop price inflation fell to 6.9% in August, part of a downward trend from a peak of 9.0% in May. An inflationary increase to business rates would add over £400m to the industry's cost base next year, severely undermining this progress.

It would also have a much wider impact, threatening the viability of many shops and hindering the industry's capacity to invest:

- According to the BRC-LDC Vacancy Monitor, there were 6,000 fewer stores in Q2 2023 compared with five years earlier.
- In a survey of members in 2022, BRC found that for two-thirds of stores lost in 2019-21, business rates had a material impact in the decision-making process.
- In a survey carried out in August 2023:
  - 68% of retailers report being 'very concerned' about an inflation-linked business rates increase next April.
  - All retailers expect an increase to place 'some' pressure on shop prices, with 59% saying they expected it to add 'significant' pressure.
  - All retailers said that an increase would hold back investment in communities, including the opening of shops and warehouses, which creates jobs.

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Global supply chain issues are already likely to increase costs in the months ahead, including Russia's withdrawal from the Black Sea Grain Initiative and targeting of Ukrainian grain silos, plus restrictions on Indian rice exports and ongoing labour market challenges. The introduction of new customs and border processes under the Windsor Framework (from October 2023) and Border Target Operating Model (from January 2024) will also increase pressure on resource and cost in the same timeframe.

Against this backdrop, the government should not make the situation worse by adding significantly to our cost base – freezing the business rates multiplier at its current level would avoid this. It would also support the government's own objective to "double down" on inflation and boost growth.

We would be delighted to meet with you to discuss our concerns in more detail, and how the system can be reformed in the longer term to support communities, investment and future growth.

Yours sincerely,

Helen Dickinson OBE,
Chief Executive,
BRC

Giles Hurley,
CEO,
Aldi UK & Ireland

Michael Gleeson,
Chief Financial Officer,
ASDA

Graham Bell,
CEO,
B&Q

Andrew Goodacre,
CEO,
British Independent Retailers Association

Sebastian James,
President and Managing Director,
Boots

Nigel Murray,
Managing Director,
Booths

Mireille Baumgart,
Chairman,
Concept Living

Shirine Khoury-Haq,
Group Chief Executive Officer,
Co-op

Alex Baldock,
Group CEO,
Currys

Eric Mazillier,
CEO and Managing Director,
Decathlon UK

Chris Holden,
Director,
Deichmann

Tim Stacey,
Group CEO,
DFS

Andrew Rennie,
Chief Executive Officer,
Domino's Pizza Group plc

Andrew Hinds,
Chairman,
F Hinds

Muntazir Dipoti,
National President,
Federation of Independent Retailers

Roisin Currie,
CEO,
Greggs plc

Manju Malhotra,
CEO,
Harvey Nichols

Damian McGloughlin,
CEO,
Homebase

Fran Barnes,
Chief Executive,
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Peter Jelkeby,
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KFC UK & Ireland

Thierry Garnier,
CEO,
Kingfisher

John Brodie MBE,
Chief Executive,
Lakes & Dales Co-operative

Ryan McDonnell,
CEO,
Lidl

Stuart Machin,
CEO,
M&S

John Colley,
Executive Chair and CEO,
Majestic Wine

David Potts,
CEO,
Morrisons

Mark Neale,
CEO,
Mountain Warehouse

Michael Rolland,
Managing Director,
The Paint Shed

Howard Saycell,
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Julie Abraham,
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Richer Sounds

Kyron Keogh,
Co-founder and Managing Director,
Rox

Simon Roberts,
CEO,
Sainsbury's

Malcolm Stalker,
Estates Manager,
SCS

Colin Temple,
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schuh

John Mewett,
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Mark Smith,
CEO,
Southern Co-op

Jason Tarry,
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Rob Parker,
CEO,
Topps Tiles plc

Onur Köksal,
Managing Director,
Vision Express

David Wood,
CEO,
Wickes

Gavin Peck,
CEO,
The Works

CC.

The Rt Hon Kemi Badenoch MP, Secretary of State for Business and Trade

Kevin Hollinrake MP, Minister for Enterprise, Markets and Small Business

The Rt Hon Michael Gove MP, Secretary of State for Levelling Up, Housing and Communities