

# Consumer Spending Outlook Q2 2025

June 2025

## Executive summary

### Q2 2025 Consumer Spending Model Insights

#### Macro Insights

**In our Q1 2025 report, we forecasted that UK consumer spending would grow by c.1.5%. Recent economic revisions of growth and fears around trade relations have led to a slower growth expectation at c.1.2% in our latest Q2 outlook. This remains stronger than the 2024 actual spend growth of 0.7%.**

Our revised assumptions come predominantly from stronger inflationary pressures which are set to generate a slower rate cutting cycle from the Bank of England. As a result, households are expected to have less benefit from falling mortgage costs than our Q1 forecast over 2025.

Our latest outlook shows that, while we expect economy wide growth to be at 1.2%, there is significant variation across consumer segments as households experience economic recovery asymmetrically across region, income level, age, and family composition. For example, young homeowners are likely to experience the highest growth in spending from 2024 at 2%, compared to an economy wide increase of 1.2%.

#### Consumer Insights

##### 1 Consumers go out to eat

Consumers will spend more on eating-out in 2025, particularly younger segments without children. Our outlook for restaurant spend is significant recovery from recent years subdued activity rising by 1.8% YoY. This aligns with Barclaycard data showing a positive trend across 2025 and return to growth YoY in April

##### 2 Recreation on the rise

Out of the home recreation spend has proved more resilient than anticipated. In Q1 consumer behaviour indicated that out-of-home recreation was highly susceptible to economic downturn and yet, despite revised projections, in Sports & Leisure and Entertainment, we see families prioritising spend. Couples and families will continue to disproportionately spend on holidays

##### 3 Fashion's split

Segments will continue to bifurcate across clothing, with lower affluence deciles more likely to prioritise spend than their more affluent counter-parts. Against this backdrop, we'd expect mass brands (e.g. Primark / M&S) to capture more of the market vs. their more expensive mid-market competitors. Luxury will remain buoyant.

##### 4 Supermarkets slow down

Growth in food spend will be c.16% of total consumer spend growth in 2025, but consumers are unlikely to prioritise this area, signalling a possible end to consumers treating themselves at home and a further shift towards big name discounters

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## Introducing the Baringa Consumer Spending Model

A series of social, economic and political crises have driven sharp changes in consumer confidence over the last 5 years. This unpredictability undermines the effectiveness of consumer surveys, which are widely used as a method to forecast longer-term consumer spending trends, as mindsets are impacted significantly by external events in real-time.

As a result we have developed the Baringa Consumer Spending Model which offers more granular and less sentiment driven consumer spending forecasts than traditional surveys. Our years of working in energy utilities and developing a UK household model to predict utility bills' default rate has given us critical insight into the state of the UK household and their financial health, supporting the rigorous development of our Consumer Spending Model. Baringa's Consumer Spending Model analyses expenditure patterns from the 28 million households in the UK. Unlike standard consumer surveys, our model is based on solid economic fundamentals, granular household level data and robust scenario analysis.

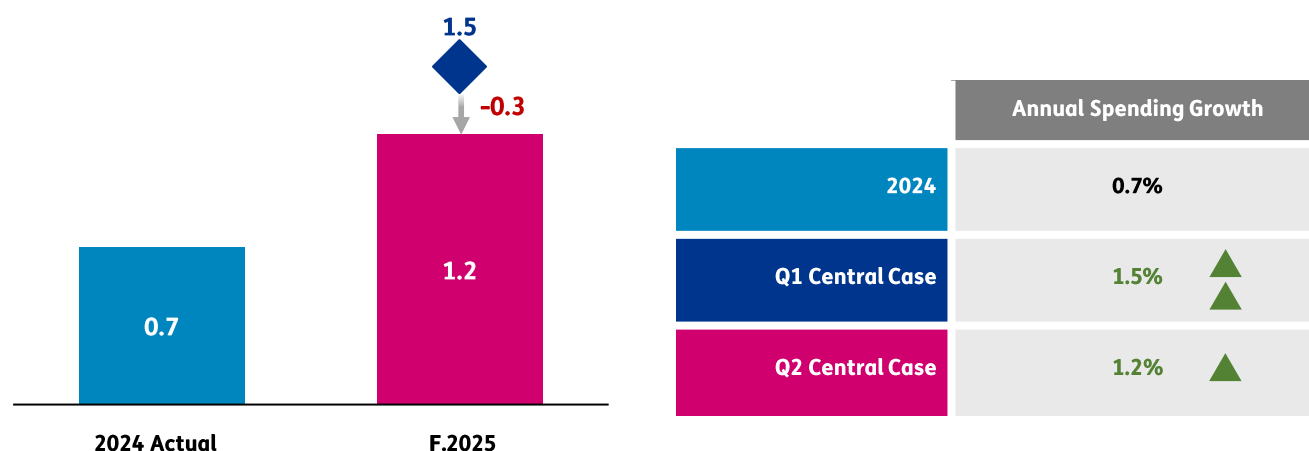
		Consumer Surveys	Baringa Consumer Spending Model
<b>Pros</b>	Timely	✓	✓
	Repeatable	✓	✓
	Driven By Economic Fundamentals (Accuracy)	✗	✓
	Scenario Tool	✗	✓
<b>Cons</b>	Sentiment Driven (Volatile)	✓	✗
	Self Perception Problem (Human Bias)	✓	✗

## Part 1: Macro Insight

### The Baringa Consumer Spending Model

In our Q1 2025 report, we forecasted that UK consumer spending would grow by c.1.5%. Recent economic revisions of growth and fears around trade relations have led to a slower growth expectation at c.1.2% in our latest Q2 outlook. This remains stronger than the 2024 actual spend growth of 0.7%.

*Across the UK, we expect consumer spend growth of c.1.2% 2025, down from 1.5% previously.*



### Higher inflation and rate expectations reduce consumer spending growth

Our revised assumptions come predominantly from stronger inflationary pressures which are set to generate a slower rate cutting cycle from the Bank of England. As a result, households are expected to have less benefit from falling mortgage costs than our Q1 forecast over 2025. We also expect higher utility and council tax bills as well as social and private rents than previously.

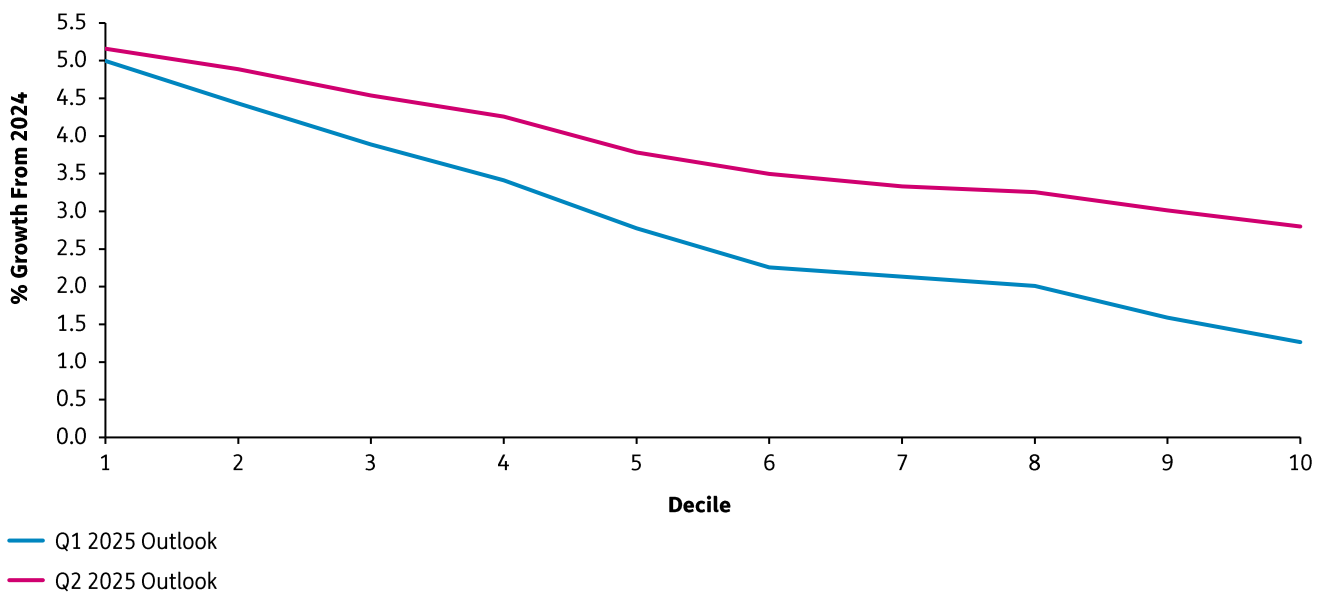
*Our Macroeconomic assumptions*

	Inflation	Pay	Rates	Utilities & Council Tax	Rents
2024 Base	2.5	6%	4.75%	5%	9%
Q1 Central Case	2.5% ▼	3% ▲	3.5% ▼	6% ▲	3-5% ▼
Q2 Central Case	3.2% ▲	3.5% ▲	3.75% ▲	8% ▲	3-6% ▲

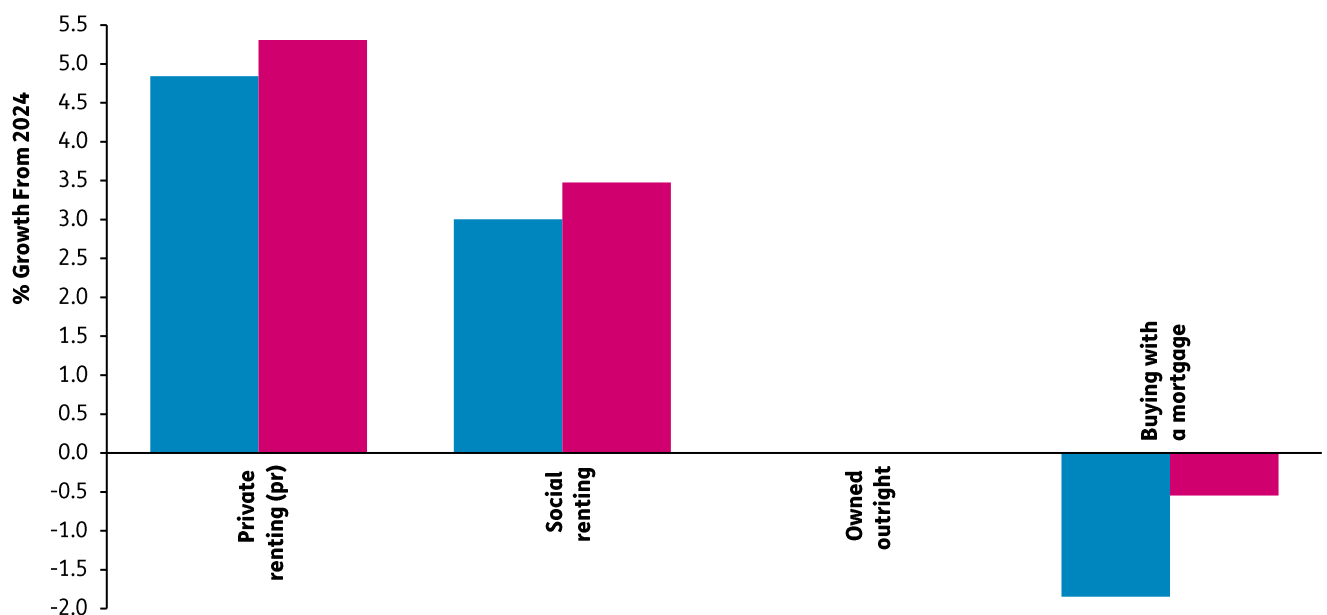
## Costs are expected to rise further in our Q2 outlook with mortgage cost reductions halved.

Due to higher inflation and rates, we expect households to have a higher cost base across deciles. This increase is most evident for higher decile earners who typically have larger mortgage values and have come to the end of their fixed mortgage contracts.

% change in household costs by decile



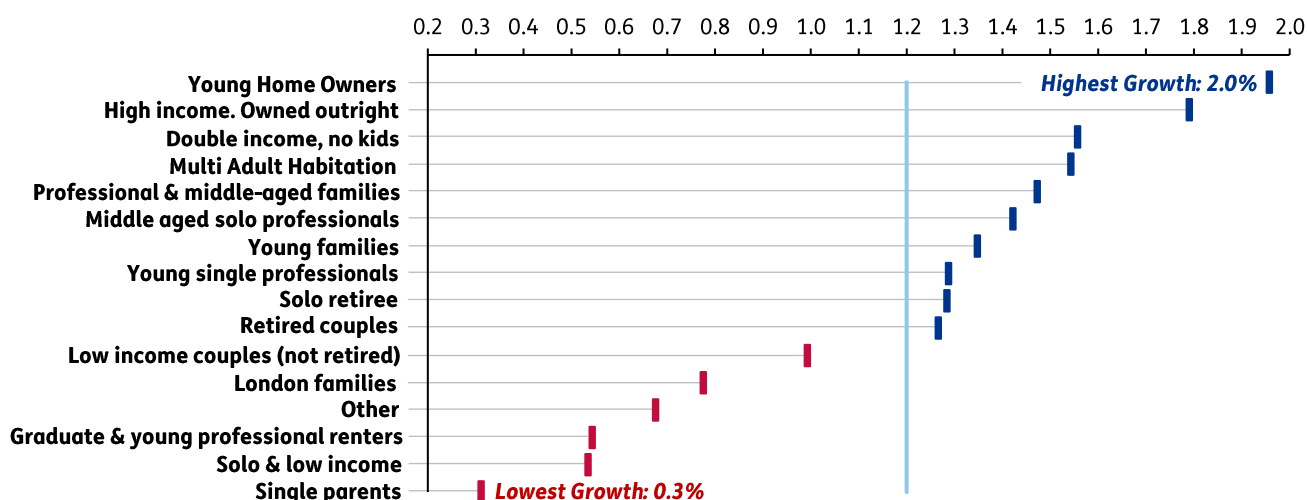
Average % change in monthly housing cost



## We still expect spending growth across our key consumer segments

Our latest outlook shows that, while we expect economy wide spending growth to be at 1.2%, there is significant variation across consumer group as households experience economic recovery asymmetrically across region, income level, age, and family composition. For example, young homeowners are likely to experience the highest growth in spending from 2024 at 2%, compared to an economy wide increase of 1.2%.

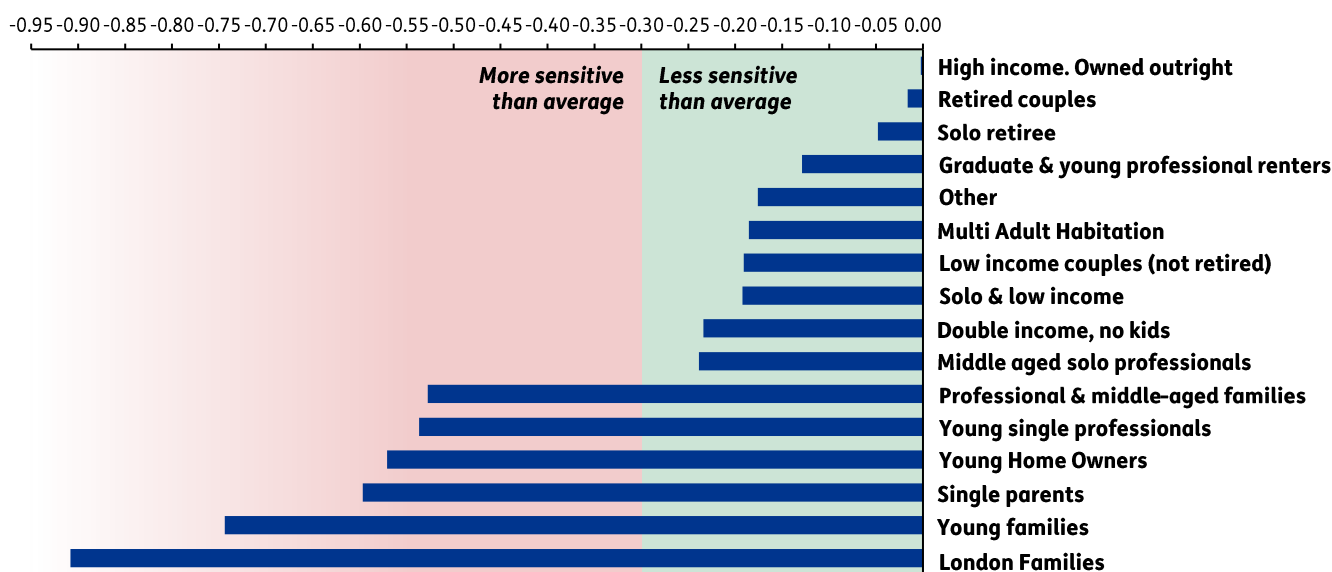
*Consumer Spending Growth 2024 to 2025, Q2 2025 Outlook*



## However, some consumers show greater resilience

In comparison to our Q1 outlook, some consumer groups are expected to see more significant downward growth revision than others. This revision reflects the groups spending sensitivity to changes in the economy, with London Families having the most significant change due to their higher cost base. Conversely our High Income, Owned outright segment experiences the least impact given their lower cost profile.

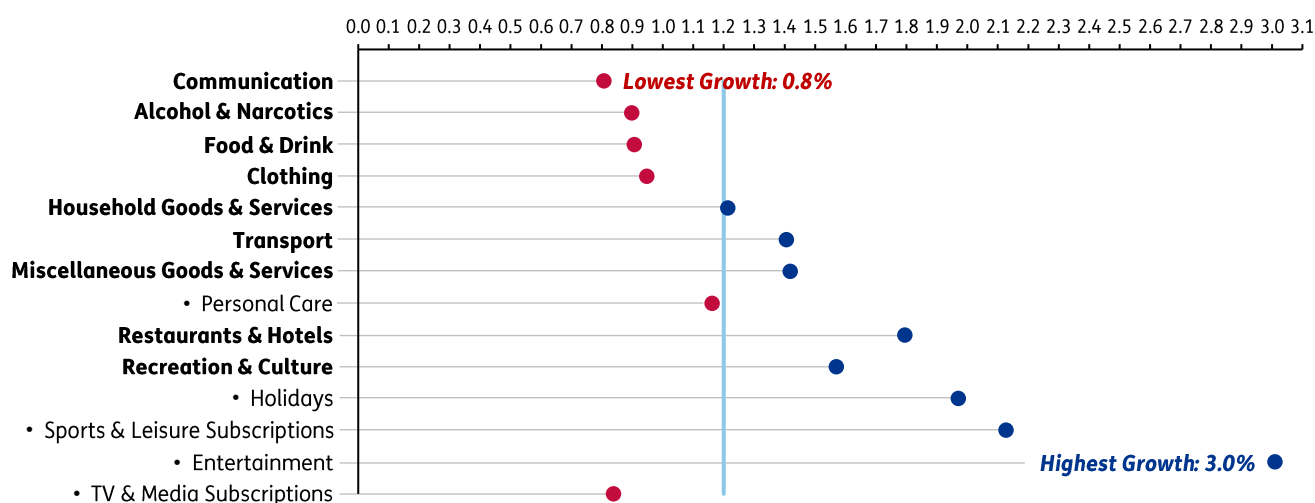
*Absolute Change in Consumer Spending Outlooks, Q1 2025 vs Q2 2025*



## Product categories show asymmetric growth

Product growth similarly sees significant variation in forecast growth, ranging from 0.8% for communications such as mobile and internet subscriptions and up to 3% for entertainment such as out of the house activities like cinema and museums. This divergence in spending across products is driven by difference in consumer priorities, which will be discussed in part 2.

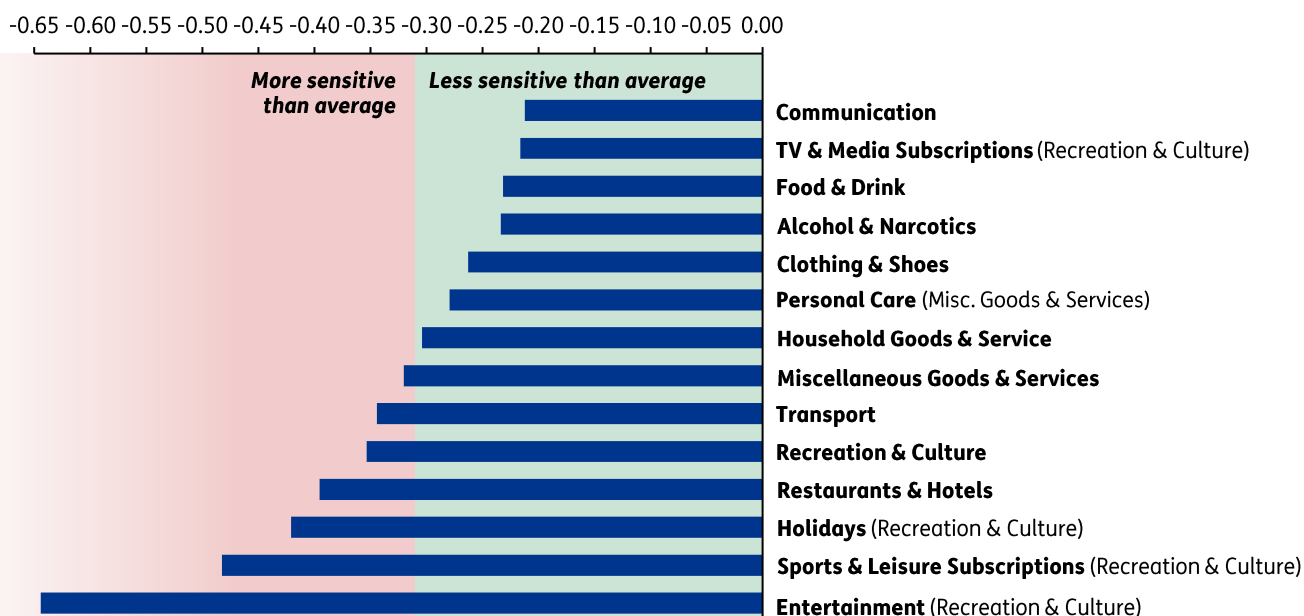
### Consumer Spending Growth 2024 to 2025 by Product, Q2 2025 Outlook



## With some categories more resilient to forecast cut

Discretionary product categories such as Recreation and Culture items are much more sensitive to spending growth reductions than staples such as Communication and Food & Drink.

### Absolute Change in Consumer Spending Growth Outlook, Q1 2025 vs Q2 2025



**Note:** Personal care is a subcategory of miscellaneous goods and services, while holidays, sports, entertainment and TV are all subsets of recreation and culture. Further product breakdowns available on request.

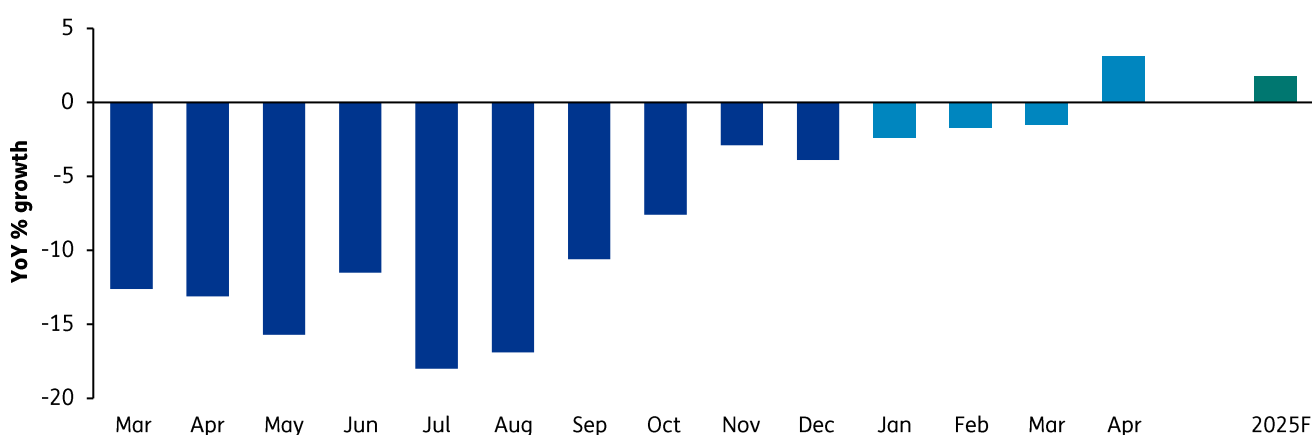
## Part 2: Consumer & Product Insights

### 1 Consumers go out to eat

Consumers will spend more on eating-out in 2025, particularly younger segments without children. Our outlook for restaurant spend is significant recovery from recent years subdued activity rising by 1.8% YoY.

This aligns with Barclaycard data showing a positive trend across 2025 and return to growth YoY in April .

*Barclaycard data for restaurants, cafes & bakeries (monthly) for 2025 (YoY % growth)*







**Note:** Historical data has been adjusted for methodological consistency.

**Source:** Barclays and Baringa Consumer Spending Forecast.

### 2 Recreation on the rise

Out of the home recreation spend has proved more resilient than anticipated. In Q1 consumer behaviour indicated that out-of-home recreation was highly susceptible to economic downturn and yet, despite revised projections, in Sports & Leisure and Entertainment, we see families prioritising spend.

Couples and families will continue to disproportionately spend on holidays

				
	Restaurants	Sports & Leisure	Entertainment	Holidays
<div><div>Prioritises most</div><div></div><div>Prioritises least</div></div>	1. Young Home Owners	1. London families	1. London families	1. Young Home Owners
	2. Multi Adult Habitation	2. Young Home Owners	2. Young Home Owners	2. Young families
	3. Middle Aged Solo Professionals	3. Young families	3. Young families	3. Professional & middle-aged families
	4. Double Income, No Kids	4. Professional & middle-aged families	4. Single parents	4. Single parents
	...	...	...	...
	16. London Families	16. High income. Owned outright	16. Solo & low income	16. High income. Owned outright
	<div><div></div><div></div><div></div></div>			
	Young & middle aged without children are prioritising restaurants	Young households & families prioritise sports & leisure and entertainment more		Couples & families tend to prioritise holidays

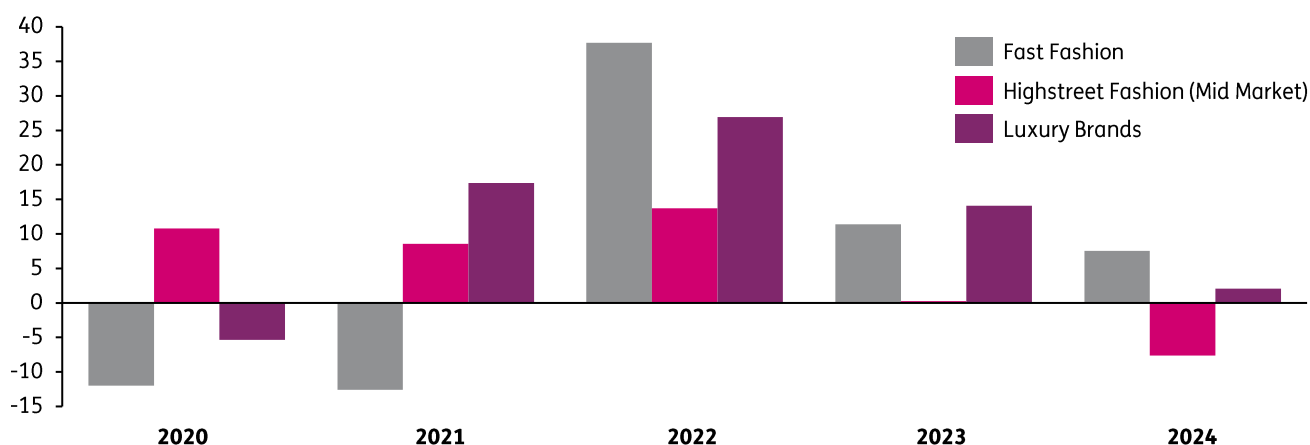


### 3 Fashion's split

Segments will continue to bifurcate across clothing, with lower affluence deciles more likely to prioritise spend than their more affluent counter-parts. Against this backdrop, we'd expect mass brands (e.g. Primark / M&S) to capture more of the market vs. their more expensive mid-market competitors.

Luxury will remain buoyant.

*Year On Year Sales Growth For Luxury vs Highstreet Clothing v. Mass Brands (public listed equities)*



### 4 Supermarket slow-down

Growth in food spend will be c.16% of total consumer spend growth in 2025, but consumers are unlikely to prioritise this area, signaling a possible end to consumers treating themselves at home and a further shift towards big name discounters

*Year On Year Actual Spending Growth on Food and Drink Specialists and Supermarkets*





## Appendix

### Consumer Segments

Segments	Descriptor
<b>1. Double Income, No Kids</b>	2 earning adults without children, with a combined income over £40,000 a year.
<b>2. Professional &amp; Middle-aged Families</b>	Mid-income level families (over £40,000), where the head of household is over 45. This household includes 2 or more adults and children.
<b>3. Solo Retiree</b>	Lone individuals above 65 who have retired.
<b>4. Young Single Professionals</b>	Young individuals in full time employment, living alone with no dependents (children or elderly)
<b>5. Middle Aged Solo Professionals</b>	Middle aged individuals in full time employment, living alone with no dependents. Aged between 45-64.
<b>6. Graduate &amp; Young Professional Renters</b>	Young individuals social or private renting as groups of 2 or more, without children or elderly dependents.
<b>7. Retired Couples</b>	Older generation individuals living as 2 adult households and without children.
<b>8. Single Parents</b>	Single adult household with children.
<b>9. Young Families</b>	Families with parents ages 16-40 and children.
<b>10. Solo &amp; Low Income</b>	Lone adult living below full time employment annual income above the age of 25.
<b>11. Low Income Couples (Not Retired)</b>	Adult couples living below minimum full time employment wage for both individuals, without children or elderly dependents.
<b>12. High Income, Owned Outright</b>	Households with income over 100k per year (pre-tax) and who own their housing outright, without a mortgage.
<b>13. Multi Adult Habitation</b>	Three or more adults living on a single property, where the head of household is over 45 years old.
<b>14. Young Home Owner</b>	Head of household is under 35 years old and has bought their property (owned outright or with a mortgage).
<b>15. London Families</b>	Households based in London with children and no elderly dependent.
<b>16. Other</b>	Any remaining households not captured by the above groupings.

### ONS Product Categories

Product	Descriptor
<b>1. Food &amp; Drinks</b>	All food and non-alcoholic beverages bought through shops (not restaurants)
<b>2. Alcoholic drink, tobacco &amp; narcotics</b>	Alcoholic drinks, tobacco products, and narcotics spending
<b>3. Clothing &amp; Shoes</b>	Men's, Women's and children's clothing, accessories and footwear
<b>4. Household goods &amp; services</b>	Furniture, furnishings, household appliances, utensils, equipment, and maintenance goods and services
<b>5. Transport</b>	Purchase of vehicles, operation of personal transport and transport services
<b>6. Communication</b>	Post, telephone, internet subscription fees and combined telecom services
<b>7. Recreation &amp; culture</b>	Equipment (e.g. TVs), gardens, pets, services (e.g. cinema), newspaper, books, package holidays
<b>8. Education</b>	Education fees and other ad hoc expenditure
<b>9. Restaurants &amp; hotels</b>	Catering services, accommodation services
<b>10. Personal care</b>	Beauty, toiletries, hairdressing
<b>11. Misc. goods &amp; services</b>	Personal effects, insurance, other services



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