



Ethical Markets Report 2023

The **co-operative** bank
Ethical then, now and **always**

ethical
consumer

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Introduction

The 2023 Ethical Markets Report has been compiled from data collected by Ethical Consumer in the year prior to publication. This data tracks the total UK ethical expenditure, and has done so every year for nearly a quarter of a century. In that time, ethical markets have outstripped growth elsewhere and consumer spending on ethical products has increased from £17bn in 1999 to over £141bn in 2023.

The 2023 iteration of this report has shown us that the ethical market is not immune to the wider uncertain economic backdrop, with growth slowing significantly across many sectors for the first time since 1999. However, it's important to note that the total ethical market value has remained resilient. There is also evidence that certain sectors in particular are weathering the economic storm well, even thriving, including the second-hand clothing market and spending on electric cars.

Key Findings

The second-hand clothes market is particularly well-positioned to weather an economic challenge and is often seen as an easy ethical choice for consumers to make. In the past year, the market has boomed as people across the country look for ethical alternatives to fast fashion and a cheaper way to shop through the cost of living crisis. Charity shops are visited more frequently than ever before, with a 147% growth in sales and separately pre-loved purchases have also soared by 49% to over £1.2 billion with the growth of apps like Vinted, Depop and Facebook Marketplace.

Similarly, spending on electric cars increased by 80%. It's clear that in spite of the cost of living crisis, there are consumers who are taking positive steps to decrease their own carbon footprint and make more ethical choices.

The opinion survey, conducted in tandem with market research, also demonstrates that amidst the cost of living crisis people are still very interested in making ethical choices. In fact, environmental impact was the primary reason why respondents reported they had avoided purchasing certain products.

The money in ethical banking and investment grew by only 1.5%. In a year where even mainstream investments grew by only 1% and retail deposits broadly declined, it's encouraging to see any increase. As consumers face uncertain economic circumstances it's important that ethical banks continue to demonstrate their point of difference, whilst also ensuring that consumers do not have to choose between market-leading rates and ethics.

Nick Slape, CEO at The Co-operative Bank:

"It's clear that, unfortunately, the rise in cost of living and the extra pressure on household budgets has led to changes in consumption habits. But it's not all doom and gloom for ethical markets."

"The boom in charity shop and pre-loved clothing sales shows us that ethical and environmental concerns continue to be key in informing decisions around spending, as well as demonstrating how people can shop ethically whilst keeping prices low."

"At The Co-operative Bank, we're committed to playing our part in protecting the environment and we're proud to support individual, business and charity customers up and down the country in doing so too."



Executive Summary

The Ethical Markets report has shown impressive year-on-year growth for ethical products and services since 1999. Over the years we have seen ethical markets outstripping growth elsewhere as they take a bigger and bigger part of UK consumer spending.

	2010 £m	2021 £m	2022 £m	% Growth 2021-22
Ethical Food & Drink	4,223	11,232	12,080	7.6 %
Green Home	4,943	9,619	12,218	27.0 %
Eco-travel & Transport	1,641	7,546	12,381	64.1 %
Ethical Personal Products	823	1,783	2,147	20.4 %
Community	11,130	11,845	11,966	1.0 %
Total Basket	22,760	42,025	50,792	20.9%
Boycotts	2,485	3,341	2,860	-14.4 %
Total Basket and Boycotts	25,245	45,366	53,652	18.3%
Ethical Money	21,947	86,219	87,473	1.5 %
Total	47,192	131,586	141,125	7.2%

The latest (2022) figures above show the growth faltering significantly across most sectors for the first time since 1999. Although this is not obvious from the figures above, we will explain why this is.

There were two big growth areas where spending increased significantly:

- spending on electric cars increased by 80 %
- spending on green electricity tariffs increased by 40 %

These played a key role in pushing the overall value of the ethical market up by 7 % in 2022.

However, in a year when inflation was running at 9.2 % , most other sectors saw little growth or real terms declines (growth less than inflation).¹ Exceptions to this were:

- spending on solar panels increased by 282 %
- sales of second-hand clothes increased by 49 %

We recorded a 15 % increase in people buying second-hand clothes for environmental reasons, and more being spent by everyone involved. 45 % of all women and only 19 % of men were involved. As well as rising environmental concern around fast fashion, other drivers included the cost of living crisis. Second-hand clothing is one area where the most ethical choice is also the cheapest.

The faltering growth elsewhere should be seen in the context of a year when most retail business, ethical or otherwise, saw sales volumes decline by 3 %.² Many ethical businesses are simply struggling, like everyone else, in the most turbulent economic times we have seen since this research began.

Total ethical market value remains significant at £141 billion. And our opinion survey, which is conducted in tandem with our market research, shows no decline of interest in making ethical choices.

The money in ethical banking and investment grew by only 1.5 % in 2022. This was the smallest rise since 2017. Again this should be seen in the context of a year when even mainstream investments grow by only 1 % and retail deposits declined everywhere as people faced difficult economic circumstances.

Overall the report reminds us that, although there continues to be a long-term trend towards ethical market growth in the UK, ethical businesses are not immune to the turbulence we see everywhere.

Britons are poorer and spending more on energy to stay warm. Those that can, are taking positive steps to re-adjust to a world where the climate is changing, by buying electric cars and installing solar panels.

Those that can't, are buying more second-hand items which, of itself, is also helping to reduce emissions.

As previous markets reports have shown, when the government chooses to offer subsidies for positive ethical choices, they can scale up rapidly across all sections of society.

¹ www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/december2022

² www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/december20223

³ See Ethical Money section below.

Ethical Food and Drink

Ethical Food & Drink	2010 £m	2021 £m	2022 £m	% Growth 2021-22
Organic	1,475	2,846	2,859	0.5 %
Fairtrade	1,094	1,992	2,309	15.9 %
Free Range Eggs	419	1,041	1,098	5.5 %
Vegetarian & Plant-based Alternatives	541	1,085	1,158	-2.3 %
RSPCA Assured (Freedom Food)	573	3,341	3,691	10.5 %
Sustainable Fish	121	827	965	16.6 %
Subtotal	4,223	11,232	12,080	7.6%

The value of the market for ethical food and drink grew in 2022 to over £12 billion.

In most years, growth of 7.6 % would be impressive. However 2022 was the year when food and non-alcoholic beverage prices in the UK rose by an astonishing 16.9 %.⁴

This means that the sales figures we use for this report are likely to be, in most cases, simply recording rising prices.

This also means that in all six markets that we are looking at, we are likely to be seeing overall sales volumes going down.

Of course, each total market figure is hiding complex trends and developments. The Fairtrade Foundation, for example, has pointed out that in 2022 Fairtrade gold sales volumes rose by 24 %, honey by 19 %, apples by 38 % and rice by an impressive 107 %.⁵

And the Soil Association pointed out: “Despite this short-term setback, organic still outperforms non-organic over the long term. Looking at the past eight years, organic food and drinks’ compound annual growth rate is 5.4 %, compared to 1.8 % for non-organic. This points to a positive future beyond short term challenges.”⁶

In its 2022 Report, market research firm Mintel offered some suggestions to explain the fall in vegetarian and vegan product sales. “Sales fell as at-home meal occasions declined in the absence of COVID restrictions. [And]...As household incomes have come under growing pressure, the relatively high price of these products appears to have made them prime candidates to cut back on, [with] legumes and vegetables offering a cheaper way to create a meat-free meal”.⁷

⁴ www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/december2022

⁵ Fairtrade Foundation Annual Report and Financial Statements 2022

⁶ 2023 Organic Markets Report. Soil Association.

⁷ Mintel: Meat Substitutes - UK - 2022: Market Size and Performance

Green Home

Green Home	2010 £m	2021 £m	2022 £m	% Growth 2021-22
Energy Efficient Appliances	2,068	1,768	1,885	6.6%
Micro Generation	249	178	680	282.1%
Energy Efficient Light Bulbs	43	153	128	-16.2%
Ethical Cleaning Products	42	74	60	-18.6%
Sustainable Timber and Paper	1,655	1,291	1,465	13.5%
Buying for Reuse – Household	823	895	1,038	16.0%
Green Electricity Tariffs	63	4,589	6,441	40.4%
Heat pump installations	-	539	422	-21.7%
Home insulation installations	-	133	99	-25.6%
Subtotal	4,943	9,619	12,218	27.0%

The value of the Green Home sales that we record rose sharply to over £12 billion in 2022. Almost all of this increase can be accounted for by the 40% increase in the value of Green Electricity Tariffs, which now accounts for more of half the spend in this category.

The Russian invasion of Ukraine on February 24th 2022 caused oil and gas prices to jump due to concerns about disruption to supply. Although there was some government support, typical household energy bills increased by 54% in April 2022 and [another] 27% in October 2022.⁸

The number of customers on the Green Tariffs that we record actually fell by 415,000 from the previous year, so the increase we are seeing is of price rather than uptake.

Also of note in this section was the 282% increase in spend on solar panels. The green electricity supplier Good Energy suggested that these were driven by people attempting to avoid the volatile energy market by producing renewable energy at home.⁹

The falls in spend on home insulation and heat pump installations in 2022 have led the government to be roundly criticised for their failure to offer coherent incentives in a time of rising concern over climate change.¹⁰ This subject is discussed at greater length in Ethical Consumer's Climate Gap 2023 Report and elsewhere.¹¹

⁸ Domestic energy prices: Research Briefing. Published Wednesday, 13 September, 2023 <https://commonslibrary.parliament.uk/research-briefings/cbp-9491/>

⁹ www.solarpowerportal.co.uk/2022-sees-near-record-levels-of-solar-installations-says-good-energy/

¹⁰ See e.g. <https://www.greenpeace.org.uk/news/nationwide-energy-saving-home-insulation-scheme-could-inject-almost-7bn-into-economy-and-slash-bills/>

¹¹ www.ethicalconsumer.org/climate-gap-report

Lower Emissions Travel and Transport

Lower Emissions Travel and Transport	2010 £m	2021 £m	2022 £m	% Growth 2021-22
Electric Vehicles	n/a	6,294	11,307	79.6 %
Low-emission Cars	846	1		-100.0 %
Bicycles	795	1,251	1,074	-14.1 %
Subtotal	1,641	7,546	12,381	64.1%

The big increase in demand for electric cars in 2022 was the sole contributor to the growth in our transport sector. Adding only £309m to the alternative-fuelled vehicles sector in 2017, it has grown to become the single biggest contributor to overall UK ethical market value in just five years.

This has been widely reported and commented on elsewhere.¹²

This year we have re-designed what we measure in the cars section of this report. Previously we had been recording sales of hybrid electric vehicles too. However a major new 2021 study by the International Council on Clean Energy (ICCT) looked at real-world driving of around 100,000 plug-in hybrids.¹³ As we reported in Ethical Consumer magazine, “they found emissions to be two to four times higher than that claimed by official values, because they weren’t really being charged very often and so the battery wasn’t being used much. That brings their lifetime emissions more in line with conventional ICE vehicles.”¹⁴

This year, we therefore re-defined this section to measure only purely electric vehicle sales. We re-stated last years figures too (against this measure) and, in 2022, included sales of second-hand electric cars for the first time.

This provides quite a good example of how what we record in the Ethical Markets reports needs to change over time as society’s understanding of what constitutes an ethical choice grows and develops.

¹² See e.g. www.autotraderinsight-blog.co.uk/auto-trader-insight-blog/used-car-prices-analysis

¹³ <https://theicct.org/no-time-to-lose-for-the-european-commission-to-make-plug-in-hybrid-co2-emission-values-more-realistic-and-no-need-to-wait>

¹⁴ www.ethicalconsumer.org/transport-travel/shopping-guide/ethical-cars-electric-cars

Ethical Clothing and Cosmetics

Ethical Clothing and Cosmetics	2010 £m	2021 £m	2022 £m	% Growth 2021-22
Organic Textiles	63	79	93	17.4 %
Buying for Reuse – Clothing	321	857	1,279	49.2 %
Ethical Cosmetics	439	846	774	-8.5 %
Subtotal	823	1,783	2,147	20.4%

The big growth area in this sector is in second-hand clothing sales which rose by an impressive 49%. We generate the figures from our annual YouGov survey which asks people to estimate how much they spent in the preceding 12 months on certain ethical items.

Some of this growth will be due to the ending of COVID 19 lockdowns in 2022 and the consequent rise in charity shop sales (also recorded below).

Some will also be due to a genuine change of behaviours. The Guardian reported that there were “signs that the popularity of fast fashion is on the wane. The boom in pre-loved clothes has largely been driven by generation Z. A research project by Boston Consulting Group and resale site Vestiaire in 2022 showed that this demographic of consumers were most likely to buy (31%) and sell (44%) second-hand items, with millennials close behind. Depop reports that 90% of active users are under the age of 26 and the hashtag “vintage” has 28.7bn views on generation Z’s favourite app, TikTok.”¹⁵

Our survey confirmed that:

- 32% of people were buying second-hand clothing this year for environmental reasons, up from 28% last year;
- They were also spending more;
- 45% of all women were buying second hand clothes compared to 19% of men;
- Slightly more younger people were involved, but buying was popular across all age groups;
- Buying second-hand clothes was strongest in Wales with 40% of people involved;
- It was also popular with families with children, involved 37% nationally.

Some of this will also be due to the cost of living crisis. Second-hand clothing is one area where the most ethical choice is also the cheapest.

Some of it will also be due to more suppliers and innovators entering the market. In 2022 it was reported that eBay saw a 24 per cent increase of circular fashion businesses join their site, and searches for pre-loved clothing on eBay UK skyrocketed 1600 per cent during that period.¹⁶

¹⁵ www.theguardian.com/fashion/2023/feb/12/secondhand-clothes-uk-fashion-cheap-cool-kind-to-nature

¹⁶ www.cityam.com/slow-fashion-retailers-embrace-second-hand-clothing-to-draw-in-thrifty-eco-conscious-fashion-lovers

Community

Community	2010 £m	2021 £m	2022 £m	% Growth 2021-22
Local Shopping	2,330	3,015	2,578	-14.5%
Charity Shops	468	273	674	147.0%
Charity Donations	8,332	8,557	8,715	1.9%
Subtotal	11,130	11,845	11,966	1.0%

Our figures show charity donations remaining flat (or falling in real terms when inflation is taken into account). Our research focuses on the larger UK charities only.

The big growth area in the Community section is in charity shop sales. As discussed under second-hand clothing above, some of this will be due to 'bounce back' after COVID, some to the cost of living crisis, and some due to concern for the environment and ethics. This is all despite a reported struggle to fill staff and volunteer vacancies to cope with demand.¹⁷

The fall in the value of money spent locally for ethical reasons is calculated from responses to our YouGov survey conducted in October 2023.

¹⁷ www.thirdsector.co.uk/charity-shop-income-15-per-cent-year/fundraising/article/1825032

Ethical Money

Ethical Money	2010 £m	2021 £m	2022 £m	% Growth 2021-22
Ethical Banking	9,043	21,389	20,621	-3.6 %
Ethical Investment	11,300	61,170	62,721	2.5 %
Credit Unions	1,552	3,390	3,849	13.5 %
Ethical Share Issues	52	270	282	4.3 %
Subtotal	21,947	86,219	87,473	1.5%

Our Ethical Money Section grew by an impressive 50 % in 2021 with a surge of interest in ESG (Environmental Social and Governance) investing.

In 2022 it was back down to earth, showing growth of only 1.5 % in a turbulent year with the Russian invasion of Ukraine creating much stock market volatility.

Indeed, mainstream investments and banking fared no better, with the FTSE 100 share index ending the final trading day of 2022 only 1 % higher than it began the year.¹⁸ Germany's DAX fell by 12.3 % and France's CAC index lost 9.5 % too.

The fall in value of retail deposits at ethical banks also mirrored that of the wider banking sector, as people began to draw on savings during difficult times.¹⁹

The rise of activity at credit unions was likely to have the same cause. Although deposits (not including Northern Ireland) rose by 8 %, loans increased by 19 %.²⁰

¹⁸ www.theguardian.com/business/2022/dec/30/ftse-100-2022-up-share-index-pound-dollar

¹⁹ www.thebanker.com/UK-banks-face-dropping-deposits-168906166

²⁰ Facts and Statistics - Association of British Credit Unions Limited. Accessed 10/10/23

Boycotts

Boycotts	2010 £m	2021 £m	2022 £m	% Growth 2021-22
Food and Drink	1,084	981	1,085	10.6%
Transport	1,068	1,966	1,310	-33.4%
Personal	333	394	466	18.1%
Subtotal	2,485	3,341	2,860	-14.4%

The Ethical Markets report has also tracked the value of consumer boycotts since 2001. It does this through questions in its YouGov survey. For the second year in a row there has been a decline in the boycott value measured here as active campaigns decline.

Other YouGov survey questions

This question asked people in October 2023 whether they had been buying ethical products more or less since the cost of living crisis which began in February 2022. We have now asked this for two years in a row and, for the second time, it has not suggested a net fall.

	2023	2022
A lot more	4%	3%
A bit more	13%	8%
About the same amount	53%	73%
A bit less	8%	9%
A lot less	5%	7%
Don't know/ can't recall	17%	n/a

We also asked which of the following reasons explain why people had avoided buying or using products.

	2023	2022
Poor labour standards	15%	19%
Tax avoidance	9%	14%
Negative impact on the environment	23%	29%
Poor animal welfare standards	19%	29%
Poor human rights record	15%	18%
Unethical corporate practices	16%	20%
Political reasons	12%	15%
Other	2%	2%
Don't know	8%	10%
Not applicable	52%	39%

This appears to back up the boycotts survey data, which suggests fewer people in 2022 were engaging in boycott activity.

Ethics and Sustainability at The Co-operative Bank

For over 150 years, The Co-operative Bank has been underpinned by co-operative values and ethics. Today, the bank's practices, actions and decisions are guided by its unique customer-led Ethical Policy, which has been informed by the views of over 370,000 customers since 1992 and is regularly updated to reflect their changing priorities. Listening to its customers helps the bank to shape its commitments to the planet, people and communities.

Sustainability is central to The Co-operative Bank's practices. The bank seeks to operate in ways that minimise further environmental harms, takes action to improve biodiversity and supports organisations that are having a positive impact on the environment. As a Fossil-Free Banking Alliance member, The Co-operative Bank has not financed fossil fuel extraction or production for over 25 years and its operations have been 'beyond carbon neutral' since 2007.

The Co-operative Bank is also committed to acting in a way that supports individuals to live freely, equitably and safely. Fair customer treatment is a cornerstone of the bank's operations and as an ethical employer, it has recently increased its minimum annual salary in line with the latest changes to the Real Living Wage rate which reflects the real cost of living, while also aiming to create a workforce that is truly representative of modern society. Alongside its charity partners, the bank also strives to tackle urgent issues such as youth homelessness and economic abuse, as well as standing up for human rights across the world.

Working to improve all communities whether domestic, international or remote and supporting them in getting stronger and more resilient is another key Co-operative Bank commitment. The bank awards grants to community and charity customers across the UK to support crucial projects, with £100,000 donated in 2023, while also providing specialist business support to co-operatives nationally. Elsewhere, the bank has backed the Disasters Emergency Committee's appeals to help rebuild communities left devastated by conflict and natural disasters.

Just as it has been since 1872, The Co-operative Bank is committed to values and ethics in line with the principles of the co-operative movement that empower us all to make a real positive difference to the world around us.

About this Report

The Ethical Markets Report has been produced annually since 1999 and is designed to act as a barometer of ethical spending in the UK.

The EMR monitors consumer spending in areas where there is a clear ethical choice on three particular issues: environment, animal welfare and human rights. The report covers retail consumer spending only with corporate ethical purchasing and investment excluded.

Report data is primarily comprised of consumer sales figures. There is also a survey of attitudes, behaviours and boycotts. Values for product boycotts and some other ethical choices are then calculated and included in the ethical spend figures.

The UK Ethical markets Report was researched and produced by Ethical Consumer Research Association and, this year, was sponsored by the Co-operative Bank.

Previous reports are available at:

www.ethicalconsumer.org/research-hub/uk-ethical-consumer-markets-report

For further information contact: enquiries@ethicalconsumer.org

With thanks to

ABCUL, British Egg Information Service, Carbon Co-op, Charities Aid Foundation, DVLA, Ecovia Intelligence, EIRIS Foundation, GfK Retail and Technology UK, Kantar Worldpanel, Irish League of Credit Unions, Mintel, The Marine Stewardship Council (MSC), Ofgem, RSPCA Assured, SEDBUK, SMMT, Suma Wholefoods, The Fairtrade Foundation, The Grocer, The Soil Association, Triodos Bank, YouGov.

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