

Data Alert: UK retail sales

Latest ONS release

February 2011

Introduction

These data alerts highlight key economic statistics as they are released and relate the messages they convey to the SW economy.

This particular alert considers the UK retail sales just released. The main message for SW business is that weather effects have been important recently and that on-line sales are growing much more strongly than high street sales, especially foods.

Data Headlines

Retail spending was not buoyant over Christmas but leapt up in January. The 1.9% month-on-month (mom) and 5.3% year-on-year (yoy) increase in sales volumes in January 2011 was largely a statistical bounce however, reflecting how bad sales were a year earlier (-3.9 mom and -2.8% yoy in January 2010) and how low they were in December (-1.4% mom and -0.7% yoy). In both cases, January 2011 only looks good in comparison with the weather-affected sales volumes of the previous equivalent periods.

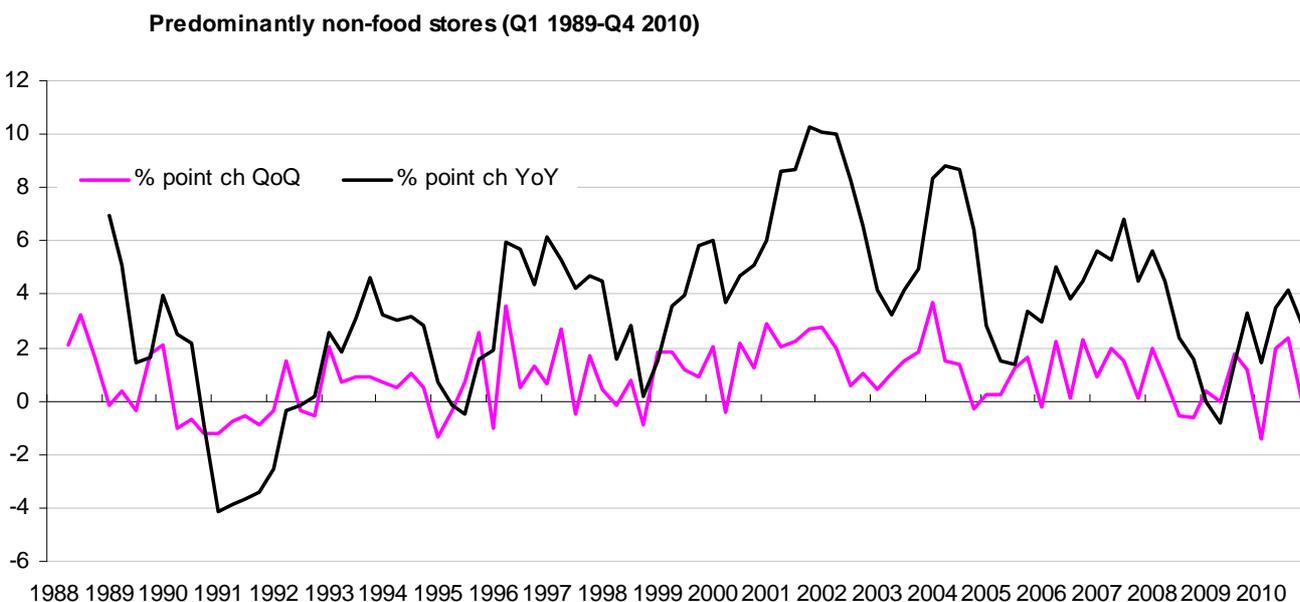
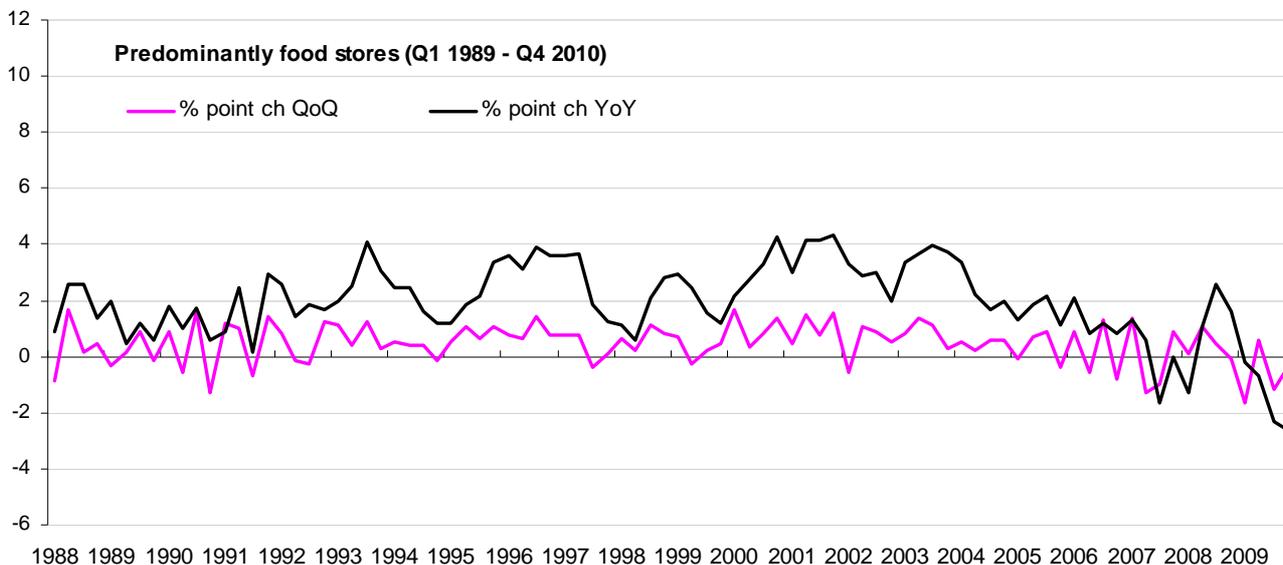
More generally, the retail series, in volume terms, show rather moderate trends over the winter, and this is expected to continue through the spring, as VAT and Council tax increases, cost inflation for necessities (energy and foods), public sector unemployment and falling real incomes more widely all take their toll on discretionary expenditure patterns.

Within the aggregate figures, sales were most robust in non-food retailing (+9.5% yoy in January) and negative in food stores (-2.3% yoy). Within the former, textile and clothing volumes (+2.9%) grew much less than other categories. In contrast, non-store retailing increased by 22.1% yoy, showing how on-line sales continue to grow rapidly, steadily taking market share from elsewhere.

Recent surveys and anecdotal evidence suggest the VAT increase implemented on 4th January 2011 has yet to work fully through the supply chain but has had a somewhat depressing effect on retail activity in many areas, especially on some SW high streets. Marketing based on discounting remains rife but, with input costs rising strongly, some outlets face margin squeeze. Closures are still occurring in the shop stock.

The two charts below show the food and non-food sectors' performance over the longer run and reveal strong volatility in the series and the effects of the downturn on the trends. The negative picture for food stores is unusual as reflected by a comparison with the series during the last recession (1990-91). In contrast, non-food stores have been less badly affected this time around

UK retail sales volumes: (% change, year-on-year)



Prospects

Once retail sales stop bouncing around because of weather effects and tax changes (VAT increase), downward pressures on household real incomes from inflation and unemployment will be important constraints on retail activity. SW high streets, shopping malls and other outlets are experiencing mixed fortunes with anecdotal evidence on footfall and spend per visit suggesting some areas doing well and others not. The switch in market share to on-line buying looks set to continue.

Nigel Jump, February 2011

The Economy Module of the South West Observatory provides a dynamic source of economic and business research and intelligence, with comprehensive data and analysis to support regional development and evidence based decision making. To improve the availability of regional data the Economy Module has developed a set of Regional Accounts which are freely available to all. For further information please visit the Economy Module website (www.swo.org.uk/economy).

The South West Regional Observatory's Economy Module and the South West RDA use a wide range of information and data sourced from third party suppliers within its analysis and reports. Neither body can be held responsible for the accuracy or timeliness of this information.

Neither the Economy Module nor the South West RDA will be liable for any losses suffered or liabilities incurred by third parties' use or reliance, in any way, on the information contained in this publication.

Contact information for the Module:

Name: Allison McCaig
Tel: 01392 229 602
Email: Allison.McCaig@southwestrda.org.uk

South West RDA
Corporate Headquarters
Sterling House
Dix's Field, EXETER
Devon, EX1 1QA

Tel:01392 214 747
Fax:01392 214 848

Enquiries@southwestrda.org.uk
www.southwestrda.org.uk