

Fast Comment UK

Retail sales continue to languish

- Retail sales trend remains downward although m-o-m figures were more positive
- Consumers remain cautious as cost of living squeeze continues
- Online fell slightly, but remain supported by consumers seeking bargains

Longer term trend remains lethargic

UK Retail sales data for January has been released, sales were up 0.5% m-o-m, -5.1% y-o-y (Consensus -0.3% m-o-m, -5.5% y-o-y), sales excl. Fuel 0.4% m-o-m, -5.3% y-o-y (Consensus 0% m-o-m, -5.3% y-o-y). Non-food stores sales volumes rose by 0.6% in January, following a fall of 2.5% in December with what growth there was supported by sales promotions. Despite this pickup, sales volumes were 2.9% below their pre-pandemic levels. Food sales volumes fell by 0.5% in January 2023 following a fall of 0.7% in December due to customers buying less because of the increased cost of living and food prices. While at least a portion of these rises was due to increased amount spent (0.6%) and the increase in quantity bought was slightly lower (0.5%), there was clearly an actual increase not due to inflation.

Overall consumers continue to be hit by: higher energy costs (although nothing like as high as we had initially feared); tax rises (while there is scope for the Chancellor to reduce taxes in his budget in a few weeks, every indication is that he will be focused on business taxation, not personal); higher interest rates (although we think they have reached their peak); and higher inflation (which is finally falling and is set to do so for the rest of the year). All this is a long way from being all well and good, and these circumstances do explain why consumer confidence remains in the doldrums, and retail sales have reflected this.

Online sales remain 25% above pre-pandemic levels

Online sales came in at 25%, online sales volumes fell by 2.1% in Jan, although there was evidence of a degree of January sales promotions. Online had been 20% of retail sales prior to the Covid Pandemic, and now seems to be settling out at this level. Not only have consumers found online convenient, we expect that they are finding comparison shopping online easier and in strained financial times, this is naturally welcomed.

James Richard Sproule, james.sproule@handelsbanken.co.uk

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