

United Kingdom

Retail sales fail to grow for second month running

- Retail sales unchanged in September after a flat August (revised up from 0.2% decline)
- Sales up 1.8% in Q3 due to July growth surge
- Household surveys suggest sales will come under pressure from rising prices and financial worries

UK retailers enjoyed the strongest quarterly sales growth for almost two years in the three months to September, but cracks may be appearing in the willingness of consumers to keep spending in the face of rising prices and wider financial worries.

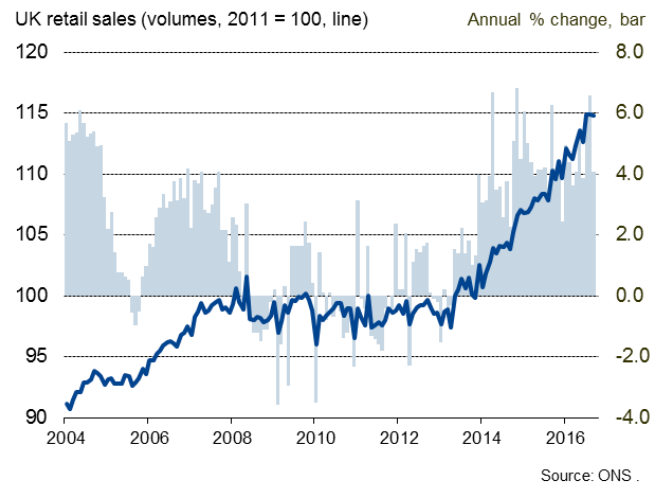
Retail sales volumes were up 1.8% in the third quarter as a whole, the biggest quarterly increase since the final quarter of 2014, suggesting the consumer appears to have provided an important source of growth to the economy in the immediate aftermath of the EU referendum. Compared to the same period of last year, sales were some 5.4% higher. The data add to the increasing body of news which point to the economy having maintained steady, albeit unexciting, growth in the third quarter.

However, the concern is that we may be starting to see signs that rising inflation, weak pay growth and job insecurity among households are all starting to subdue consumer spending. Sales were flat in both September and August, pointing to a possible fading of sales growth after a decent start to the quarter. Clothing sales suffered in particular in September, down 2.8% on August and down 6.4% on a year ago, potentially due to warm weather meaning people delayed the buying of new autumn seasonal items, though also likely due to rising prices.

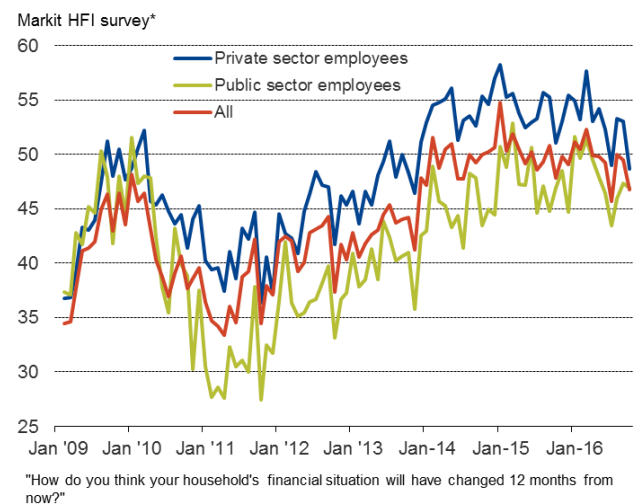
According to the [latest Markit HFI survey](#), financial worries rose especially sharply among households where the main earner is employed in the private sector, with government workers perhaps feeling more secure in their jobs due to recent suggestions that government spending may soon start to rise as austerity is reined-back. Private sector employees' view on their future finances fell to the lowest for almost three years in October, boding ill for retail sales at the start of the fourth quarter.

Concerns were linked to rising prices (with inflation rising to the fastest rate for nearly two years in September), further job insecurity, sluggish wage growth and the possibility of interest rates starting to rise.

Retail sales



Households' view on future finances



Source: IHS Markit.

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