

# UK economy

## Retail sales rebound to record high in May

- UK retail sales volumes rise 1.9% on a year ago in May, up 2.1% compared with April
- Sales up 0.7% in three months to May, adding to signs of faster second quarter GDP growth

Improved consumer confidence helped drive retail sales to the highest ever in June, adding to signs that the UK economic recovery is gaining momentum. Economic growth in the second quarter is shaping up to be stronger than in the first quarter, with a rise of 0.5% looking likely. However, falling real incomes remain a concern and will weigh on the recovery, limiting the rate at which the economy can grow.

UK retail sales volumes rose 1.9% on a year ago in May, and were up 2.1% compared with April. The value of those sales jumped 3.1% higher than last year, also up 2.1% on April. Both measures (volume and value) are now at record highs.

All store types except department stores reported a rise in sales compared with April, pointing to a broad-based improvement in consumer spending, though food stores (predominantly supermarkets) led the increase, in turn often linked to seasonal promotions.

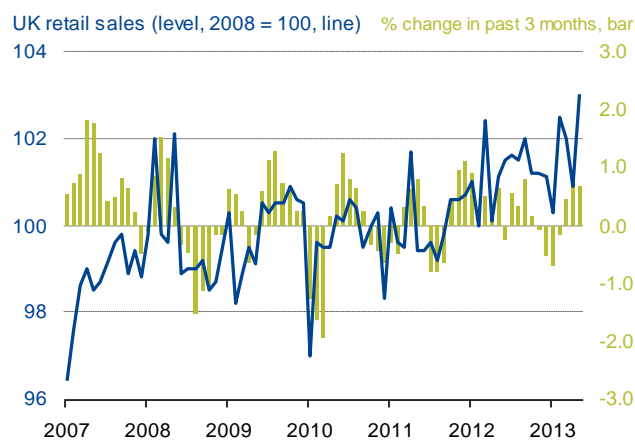
Looking at the underlying trend in sales, the increase in May followed two months of falling spending, leaving sales 0.7% higher in the latest three months compared to the prior three months. That compares with 0.4% in the first quarter, suggesting the consumer may have helped provide a larger boost to economic growth in the second quarter.

The upturn corresponds with a gradual revival of consumer confidence, which also suggest sales should rise again in June. [Households were the least downbeat](#) about their finances for three years in June, buoyed by fewer job security worries, being busier at work and rising house prices. However, the number of households expecting their finances to deteriorate over the coming year still exceeds the number expecting an improvement, largely because pay growth remains extremely weak at the same time as inflation is stubbornly high. Pay is rising at an annual rate of just

0.9% while [inflation has ticked up to 2.7%](#), with a further rise to 3.0% looking likely in coming months.

Falling real pay is therefore likely to weigh on consumer spending, hurting retailers as well as subduing the economic recovery.

### Retail sales




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