

United Kingdom

Retail sales remain on firm upward trend despite weather-hit January

- Retail sales fall 1.5% in January after 2.5% rise in December
- Sales up 1.1% in latest three months
- Rising household financial sentiment boosts spending

Retail sales fell more than expected in January, but once the decline is looked at in context of the atrocious weather seen during the month and the surprisingly strong rise that had been recorded in December, the underlying trend in the data suggests that a brightening mood among UK households is translating into higher consumer spending.

UK retail sales fell 1.5% in January according to the Office for National Statistics, but more importantly volumes bought were a buoyant 4.3% higher than the same time last year. December had seen a particularly marked upturn, with sales having surged 2.5% during the month to push volumes some 5.3% higher than a year ago.

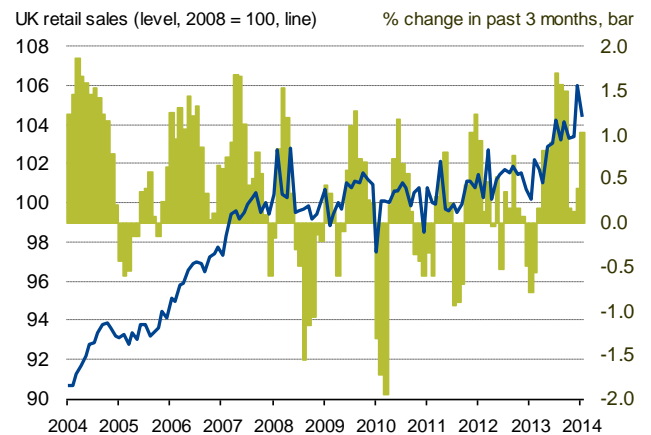
Over the latest three months, retail sales have risen 1.1% compared to the previous three months, which represents the fastest growth since September.

Sales in non-food stores jumped 8.0% on a year ago in January, led by a 9.8% upturn in sales at household goods stores. That was the largest rise since July 2007. The increase in part reflects heavy snowfall in January of last year, but is nonetheless reassuringly strong, given the storms this year.

However, food sales fell 3.4% compared to November and clothing and footwear sales dropped 3.5%.

The data therefore suggest that retail spending is on a firm upward trend, albeit showing some volatility, which is not unusual at this time of year, and especially when the country has been battered by succession of storms. The UK saw the wettest January on record according to the Met Office, with flooding causing widespread disruption to many parts of the country.

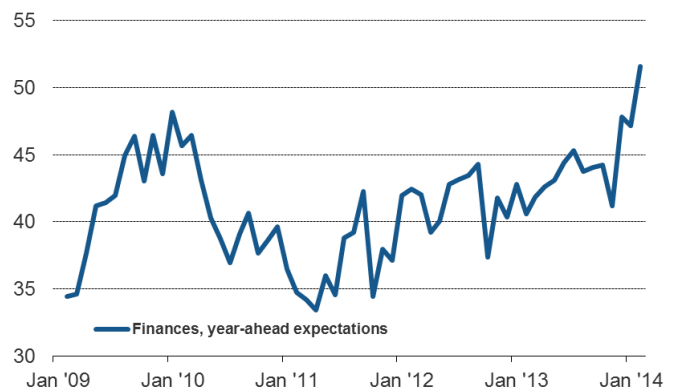
Retail sales



Source: Markit, ONS via EcoWin.

Household finances

Future HFI, 50 = no change in household finances (s. adjusted)



The positive trend in spending follows a growing improvement in household sentiment, which is in turn linked to the sharp fall in unemployment, signs of rising incomes and a brightening economic news flow in general. Markit's February [Household Finance Index](#) survey showed the number of people more optimistic about their finances in the year ahead outnumbering pessimists for the first time since data were first collected over five years ago.

Consumers should therefore continue to help drive the economic recovery in 2014, boosted as the labour market continues to improve, wages start to show stronger growth and inflation remains subdued.

Real wages growth



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