

# United Kingdom

## Retail sales revive in November, but trend has weakened

- Retail sales rise 0.3% after 0.9% fall in October
- Sales showing weaker trend in Q4, but recovery broadening out beyond consumers

A welcome revival in retail sales in November provides further encouraging news that the economy is undergoing a robust and broad-based upturn, though there are signs that the expansion of the economy has moved away from the consumer towards business spending.

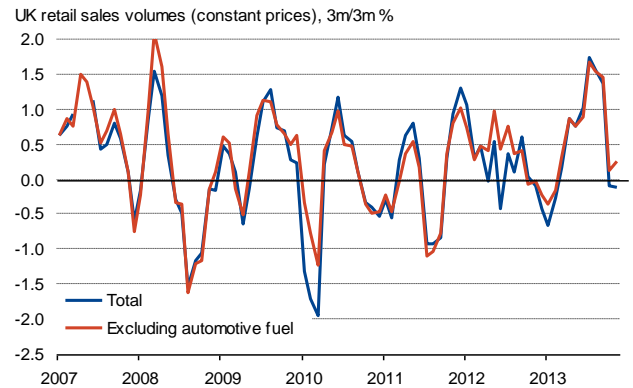
Retail sales volumes rose 0.3% in November, the largest rise since November 2010. The data are volatile, however, and the upturn follows a 0.9% fall in October. Sales were 2.0% higher than a year ago, up from 1.8% in October, but unchanged in the latest three months compared to the previous three months. Excluding fuel, the underlying three month growth rate picked up to 0.3%, but that's still well below the 1.5% quarterly increase seen in the third quarter and the 0.9% rise seen in the second quarter. Total retail sales volumes are in fact so far running 0.6% behind the average seen in the third quarter.

There was a mixed bag of performance within retail. Sales of clothing and footwear, for example, jumped by 3.8% but department stores saw a 3.1% fall. It looks like the colder weather boosted winter clothing sales.

### Broad-based upturn

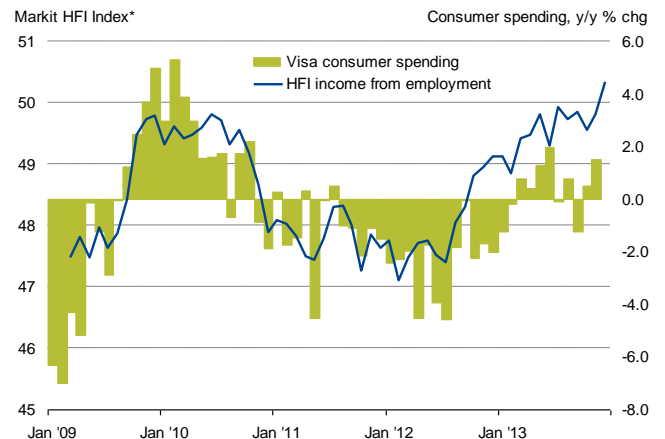
The weaker sales trend compared to earlier in the year supports survey evidence which shows the economy gaining growth momentum in the final quarter of the year on the back of rising business spending and investment, with consumers playing a secondary role. Most encouragingly, orders for plant and machinery are growing at the fastest rates for 15 years, and companies are also boosting their marketing spending to the greatest extent since 2000. Meanwhile, the construction industry is now seeing activity for commercial building and civil engineering growing at the fastest rates for six years in recent months. All reflect an increased willingness for companies to spend due to rising confidence and reduced uncertainty.

### Retail sales quarterly growth rate



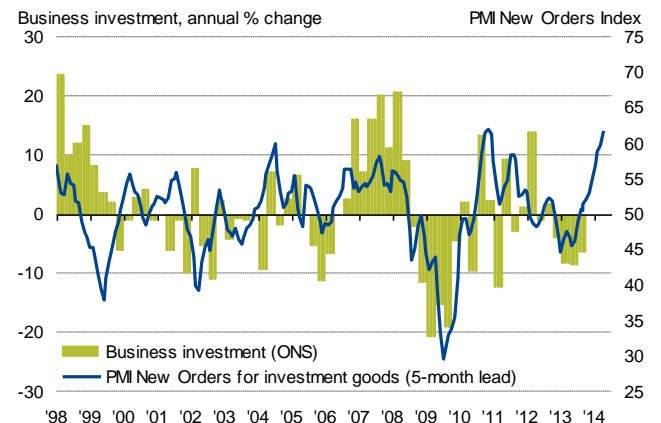
Source: ONS via Ecwin.

### Survey data on income from employment



\* Monthly survey of 1500 households. Seasonally adjusted. Index based on 50 = no change on prior month.

### Business investment



Source: Markit, ONS.

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At the same time, consumer spending is continuing to rise as households are reporting less insecurity about their jobs, while at the same time reporting higher incomes. [Markit's Household Finance Index](#) showed the underlying trend in incomes from employment rising in December at the fastest rate seen since data were first collected in 2009. People are not only busier at work and taking home more pay, but there are of course also a lot more people now in work. Both survey and official data are now showing some of the largest employment gains on record. On this basis, it seems likely that the retail sales data will show a further robust rise over the all-important Christmas period.

The signs are, therefore, that this is a broad-based upturn, reflecting rising consumer and business spending, which adds to the likelihood of it becoming self-sustaining. It is by far the most encouraging picture of an all-round recovery that we have seen since the financial crisis struck.

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