

United Kingdom

Retail sales rise adds impetus to second quarter economic upturn

- Retail sales rise 0.2% in June, up 0.9% in second quarter
- Sales added 0.1% to Q2 GDP
- New car registrations also show best growth for three years in Q2

A further increase in retail sales in June rounds off a good second quarter for retailers, with spending growing at almost twice the rate seen in the first three months of the year. Data on new car registrations also showed a welcome upturn, suggesting car sales rose at the fastest annual rate for three years in the second quarter. The data add to evidence that the pace of economic recovery has clearly picked up since earlier in the year, and there are encouraging signs that momentum will be sustained as we move into the second half of 2013.

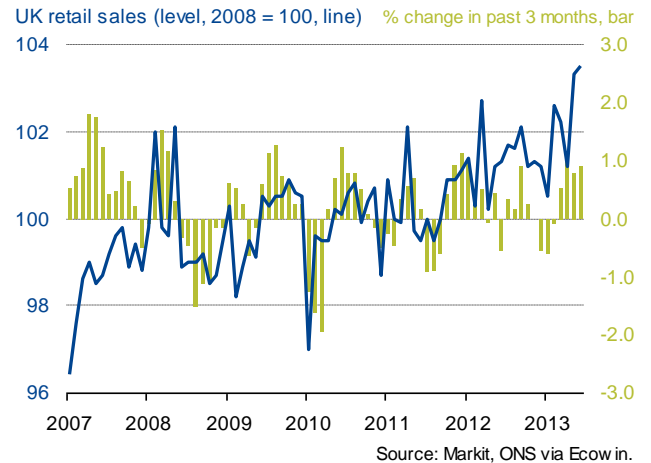
UK retail sales volumes rose 2.2% on a year ago in June, rising 0.2% compared to May, according to the Office for National Statistics. Data from the SMMT meanwhile showed new car registrations jumping 13.4% on a year ago in June. Over the second quarter, average year-on-year increases have been the highest since the second quarter of 2010.

Heavy discounting among the department stores provided a big impetus to the overall retail increase, highlighting how sales are often only being generated by price-cuts as consumers remain price-conscious. However, the improvement in spending follows signs that the financial clouds are starting to lift from households at the same time as the weather has improved. Consumer confidence rose to the highest for over three years in June, according to [Markit's Household Finance Survey](#), with attitudes to making major purchases the most buoyant since the financial crisis.

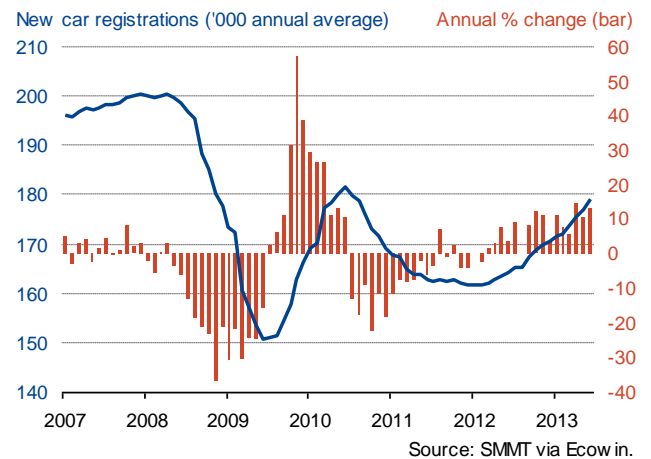
Good second quarter

The data round off a good second quarter for retailers, and for the economy as a whole. Sales were 0.9% higher in the second quarter, representing a significant

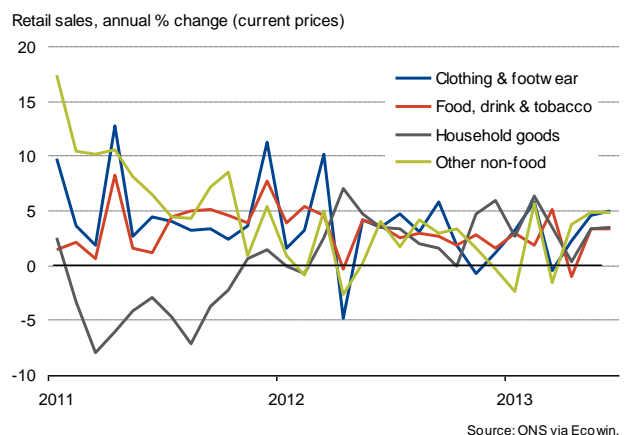
Retail sales



New car registrations



Retail sales breakdown



improvement on the 0.5% increase seen in the first three months of the year, which is estimated to have boosted second quarter GDP by 0.1%. We estimate that GDP is likely to have risen by 0.6% in the three months to June, twice as fast as the economy expanded in the first quarter.

Adding in signs from the surveys of improving growth in services, manufacturing and construction, the second quarter upturn is also looking encouragingly broad-based and therefore likely to carry over into the third quarter.

July in particular should also be a good month for retailers, with the better weather adding to the feel-good factor and boosting sales of seasonal goods such as summer clothes and outdoor goods.

The ongoing squeeze on incomes from stubbornly high inflation will continue to act as a dampener on consumer spending growth, but even this pressure should start to ease in coming months. The latest figures showed pay growth picking up slightly alongside a broader job market recovery.

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