

United Kingdom

Retailers enjoy best calendar quarter of sales growth for ten years

- Sales rise 0.1% in June but up 1.6% compared to first quarter
- Q2 saw steepest sales rise for a decade but signs of growth slowing will make policymakers cautious about early rate rises

UK retailers are enjoying their spell for a decade in terms of sales growth, despite seeing disappointing performances in May and June.

Sales volumes rose a meagre 0.1% in June, defying widespread expectations of a larger rebound from a 0.5% fall in May. However, sales had grown strongly in each of the previous three months, meaning sales volumes so far this year are some 4.1% higher than over the same period last year. This represents the best opening half to a year that retailers have seen since 2004.

Even with the disappointing performances in May and June, the second quarter as a whole also saw the largest calendar quarter jump in sales for ten years, with sales some 1.6% higher than in the first quarter and up 4.5% on last year.

Strong second quarter for the economy, but signs of growth slowing

The data therefore add to the prospect of the economy having grown strongly in the second quarter, building on the robust increases seen in previous quarters. GDP looks set to rise by at least 0.8% in the three months to June as rising household expenditure is accompanied by increased business spending and investment in what is an encouragingly broad-based upturn.

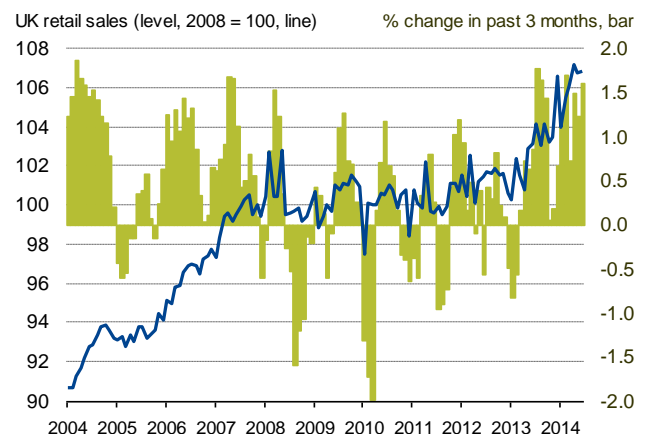
While the second quarter was strong, the easing in the sales trend in May and June supports the view at the Bank of England that economic growth will moderate as we move in the second half of the year. Such an easing leaves the door open for interest rates to remain on hold at least until early next year.

Markit's [Household Finance Index](#) has also shown consumers' optimism about their future finances

waning slightly in recent months, slipping further in July to the lowest seen since the start of the year.

However, the retail sales data are notoriously volatile and subject to wild swings due to factors such as the weather. Consumer sentiment about their finances also tells only part of the story. July's PMI data will therefore provide greater insight into whether the economy really is slowing in the third quarter.

UK retail sales



Source: Markit, ONS via Ecowin.

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