

United Kingdom

Retailers enjoy best quarterly sales growth for five years

- Retail sales rise 1.5% in third quarter
- Strongest quarterly rise since Q1 2008
- Data add to signs of robust economic growth

Retail sales showed a welcome revival in September, after dipping in August, adding further to mounting evidence that the economy grew strongly in the third quarter. The three months to September have been the best quarter the retail sector has seen since the start of 2008, suggesting an encouraging lead-up to the all-important Christmas season.

Sales rose a stronger than expected 0.6% during September, helping to make up for a 0.8% decline in August, according to the Office for National Statistics. Analysts polled by Reuters had been expecting a 0.4% rise. The increase left sales 2.2% higher than a year ago.

Retail sales over the third quarter as a whole were up 1.5%, compared with a 1.1% increase in the second quarter. This was the best quarterly performance the sector has seen since early 2008, just prior to the downturn resulting from the financial crisis.

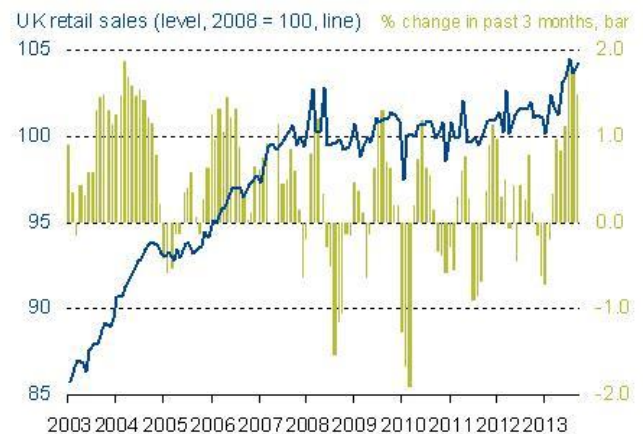
The upturn corroborates data from [Visa](#), which showed a wider measure of total consumer spending was up a buoyant 1.5% during September.

The increase in retail sales is being fuelled by a marked improvement in [consumer confidence](#), which has risen sharply in recent months largely because people have been busier at work, driving incomes higher and providing greater job security. [Employment](#) jumped higher in August, pushing the number of jobless benefits claimants down at the fastest rate since 1997. Rising house prices have also added to the feel-good factor.

While there has been a lot of focus on whether the economy is managing to 'rebalance' away from consumption, we should remember that the sheer size and importance of the consumer spending in the UK economy means that rising retail sales form an essential part of any economic recovery. Happily, we

are also seeing surging growth in construction, manufacturing and services alongside these improving retail sales numbers. These data therefore add to evidence that the economy is set to see strong growth in the third quarter, with GDP rising by 1.0% or more. Moreover, the broad-based nature of the upturn means the stage is set for robust growth to persist in coming months.

UK retail sales



Source: Markit, ONS via Ecwin.

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