

United Kingdom

Retailers suffer worst quarterly sales fall for seven years

- **Official data retail sales down 1.8% in March**
- **Three-month trend is worst since 2010**
- **Data follow news of household finances being hit by higher prices**

An ugly March meant retailers suffered their worst quarter for seven years, with sales down 1.4% in the first three months of 2017. The extent of the sales decline in the first quarter is the clearest indication yet from the official data as to how rising prices are hitting consumer spending and hurting economic growth.

Retail sales fell 1.8% in March, according to the Office for National Statistics, the fourth fall in the past five months. The retail data follow news that consumer prices rose 2.3% in March, the joint-highest rate of increase since September 2013.

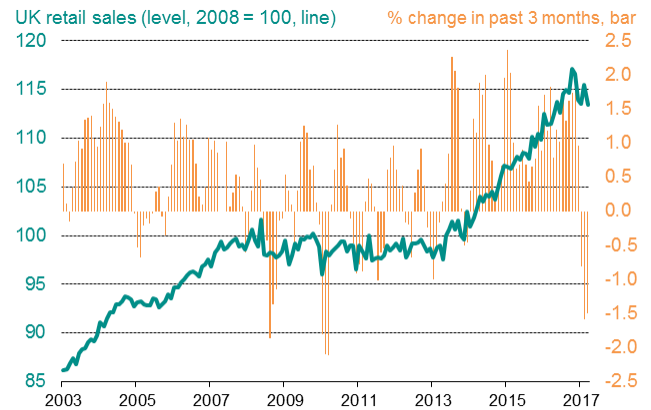
The March sales downturn means the retail sector acted as a drag on the economy in the first quarter (shaving 0.1% off GDP growth, according to the ONS). The quarterly decline in sales was the first since the closing quarter 2013 and the largest since the opening quarter of 2010.

Business surveys have already indicated that the pace of economic growth looks to have waned to 0.4% in the first quarter, warning that the slowdown was being caused mainly by weaker consumer spending.

The consumer is clearly coming under increasing pressure to rein in spending amid rising prices and weak pay growth, a trend which looks to have continued into the second quarter. [Latest survey data](#) showed the amount of cash that households had available to spend fell in April to the greatest extent for two-and-a-half years, blamed on rising living costs as inflation accelerates, as well as stubbornly subdued pay growth.

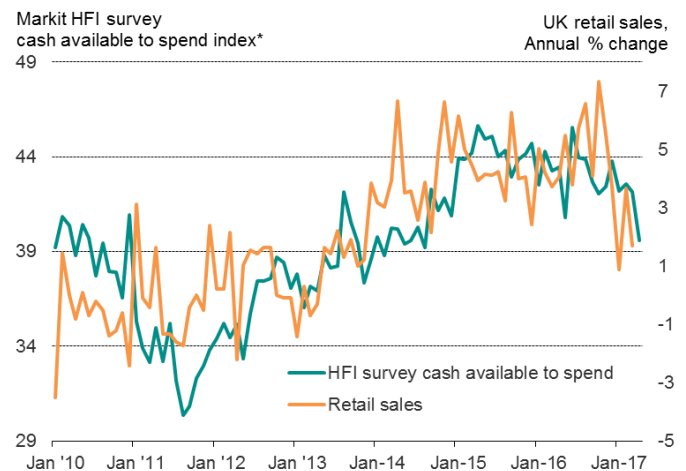
The survey showed spending was supported by households eating further into their savings and taking on more debt. Official data have already shown the household savings ratio to have fallen to a record low of 3.3% in the fourth quarter of 2016. Such spending is clearly unsustainable in the long run, and it's looking likely that the economy has lost one of its main pillars of growth as households pull back on their spending.

Retail sales



Source: Markit, ONS via Datastream.

Household finance survey



Based on monthly survey of 1500 households. Seasonally adjusted index, 50 = no change
* Compared to one month ago how has the amount of cash your household has available to spend changed?

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