

United Kingdom

Poor December means retail sales growth halves in fourth quarter

- UK retail sales drop 1.5% in December – worst decline since June 2016
- Sales volumes up just 0.4% in fourth quarter
- Data add to signs of economic growth being hit by higher prices and weak pay growth

There was very little Christmas joy for retailers as sales slumped in December, according to the latest official data, rounding off the worst year since 2013.

Data from the Office for National Statistics showed retail sales falling 1.5% in December, far more than the 0.6% decline that analysts had expected. However, warning shots had been fired by non-official data such as that provided [by Visa](#) (compiled by IHS Markit), which had shown a broader measure of consumer spending falling by 1% year-on-year in December, which was the seventh decline in eight months, capping off the worst year since 2012.

For the year as a whole, retail sales were up 1.9% in 2017, but that represents the worst annual performance since 2013.

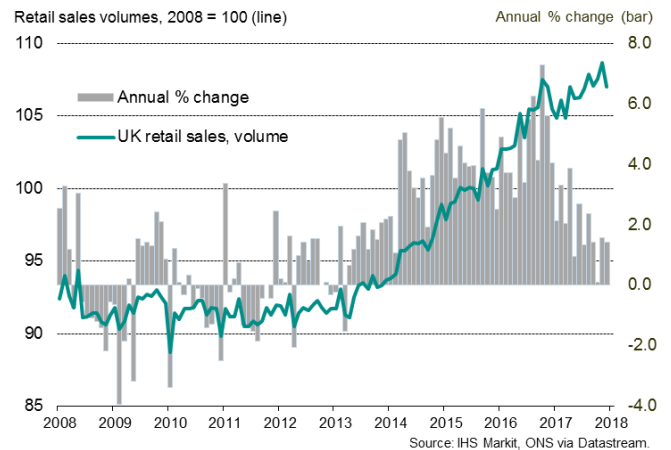
The monthly December retail sales decline was the worst for seven years, though traditional spending patterns have been distorted by Black Friday discounts boosting sales in November in recent years. That said, sales over the fourth quarter as a whole were up only 0.4%, representing a halving in the rate of growth seen in the third quarter. As such, retail sales will have had a negligible impact on economic growth in the closing quarter of 2017.

The data add to signs that rising prices and stubbornly weak pay growth continue to erode consumer spending power and will act as a drag on the economy in 2018. Although inflation is likely to moderate in 2018, the weak pound and higher oil prices will continue to push prices higher. The outlook for pay is more uncertain: signs have appeared of the tighter labour market pushing up wage deals, notable for new hires, as evident by the [REC recruitment industry survey](#). But this could be yet another false dawn, as wider pay

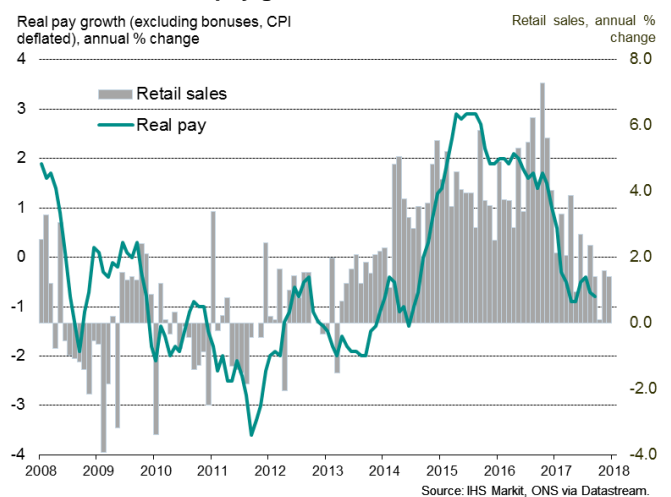
pressures for workers not changing jobs remain subdued.

More will be known about pay growth next week while Monday sees the release of the January UK Household Finance Index, which provides the first snapshot of consumer wellbeing each month.

UK retail sales



UK retail sales and pay growth



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