



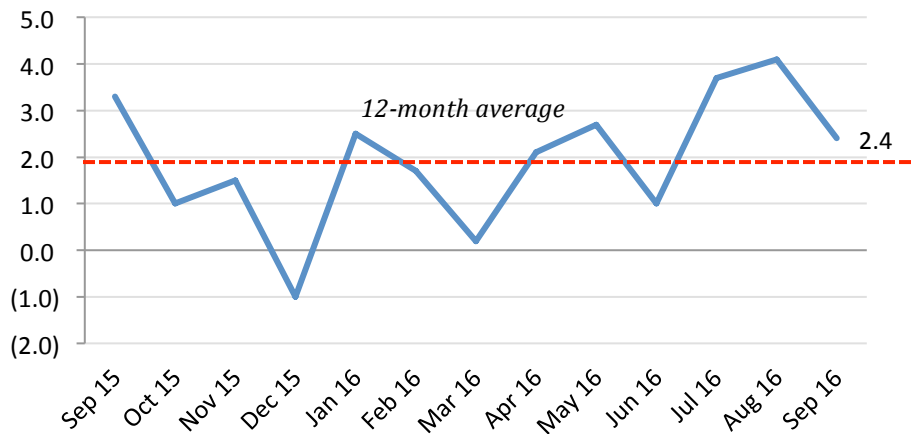
MONTHLY BRIEFING

UK MONTHLY RETAIL BRIEFING: SEPTEMBER 2016 — SOFTENING SALES

A WEAK MONTH FOR APPAREL...AGAIN...

- Total UK retail sales rose by 2.4% year over year in September, marking the softest performance since June 2016 and above the 12-month average of 1.9%.
- Total sector performance was held up by a 21.9% surge in Internet sales, which registered very strong growth across all sectors except online clothing and footwear
- Clothing sales were once again challenged, showing a meaningful sales decline of 6.1% in September. Surprisingly, the fall in online clothing and footwear sales deepened during the month, as sales fell by 5.1% in September, on top of a 3.5% decrease in August.

Figure 1. UK Total Retail Sales (ex Automotive Fuel): YoY % Change



All data in this report are nonseasonally adjusted.

Source: Office for National Statistics (ONS)/Fung Global Retail & Technology

NOTABLE WINNERS AND LOSERS

Figure 2. UK Retail Sales: Notable Rising and Falling Sectors in September



Internet pure plays and mail-order retailers' sales jumped by 18.8%.

Health and beauty specialists grew by 9.2%, posting positive sales growth for the ninth consecutive month.

Mixed-goods retailers/department stores continued their solid run, with sales up 6.0%.



Clothing specialists declined meaningfully, with sales down 6.1%.

Music and video specialists continued their decline, with a sharp fall of 11.2% in September, the seventh straight month of falling sales.

Books and news stores also continued to decline, with sales down 7.1%.

Source: ONS/Fung Global Retail & Technology



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RETAIL IN DETAIL

September was a decent month for retail, although sales grew at a weaker pace than in August and July. Store-based retail sales were flattered by continued strong growth in online retail sales. Clothing store retail sales decreased meaningfully by 6.1%, and the store decline was further exacerbated by negative growth for clothing and footwear in the online channel. Furthermore, the September apparel sales decline is even more remarkable, given that clothing and footwear September inflation turned positive at 1.0%, vs prior monthly deflationary trends. It appears the apparel category continues to be negatively impacted by consumers' current preference for spending their discretionary income on leisure services rather than on goods.

Away from apparel, grocery stores reported surprisingly soft sales, with sales up a meagre 0.4% in September. Deflationary trends in the food and non-alcoholic beverages sector continued, with sector CPI at (2.3)% in September.

Another callout in September was the very robust sales growth of 18.8% in mail order and internet pure plays, highlighting the continued momentum of the retail sales channel shift from brick and mortar to e-commerce.

Also noteworthy is that September marked another month of rising automotive fuel sales, which were up 6.7%. September fuel sales have increased at the highest monthly level since March 2012, likely reflecting rising inflation rates in the UK. We exclude fuel from our main index.

Figure 3. UK Retail Sales, by Sector: YoY % Change

	July	August	September
Total (ex Automotive Fuel)	3.7	4.1	2.4
Grocery Retailers	1.7	3.2	0.4
Specialist Food Stores	3.0	9.2	8.5
Beverage and Tobacco Specialists*	18.4	19.4	6.7
Mixed-Goods Retailers/Department Stores	5.3	7.1	6.0
Clothing Specialists	1.2	(3.5)	(6.1)
<i>Large Clothing Specialists**</i>	3.6	0.7	(4.1)
<i>Small Clothing Specialists**</i>	(14.5)	(26.1)	(20.2)
Footwear Specialists	15.0	0.8	1.8
Furniture and Lighting Stores	(7.2)	6.5	1.0
Electrical Goods Specialists	(3.9)	(6.5)	2.2
DIY and Hardware Stores	11.6	(7.5)	(5.5)
Music and Video Specialists	(5.2)	(4.1)	(11.2)
Health and Beauty Specialists	10.9	16.9	9.2
Books and News Stores	(11.7)	(14.6)	(7.1)
Floor Coverings Specialists*	(3.5)	(7.5)	(5.9)
Computers and Telecoms Equipment*	4.1	2.6	4.1
Other Specialized Stores	11.4	9.9	8.5
Mail Order and Internet Pure Plays	10.6	17.9	18.8
Other Nonstore Retail*	(2.7)	6.1	5.2

**Relatively small sector, where figures may be distorted by methodological issues such as changes in the survey sample.*

***A small retailer is defined as one with fewer than 100 employees or with revenues of £60 million or less per year; all others are large retailers.*

Source: ONS

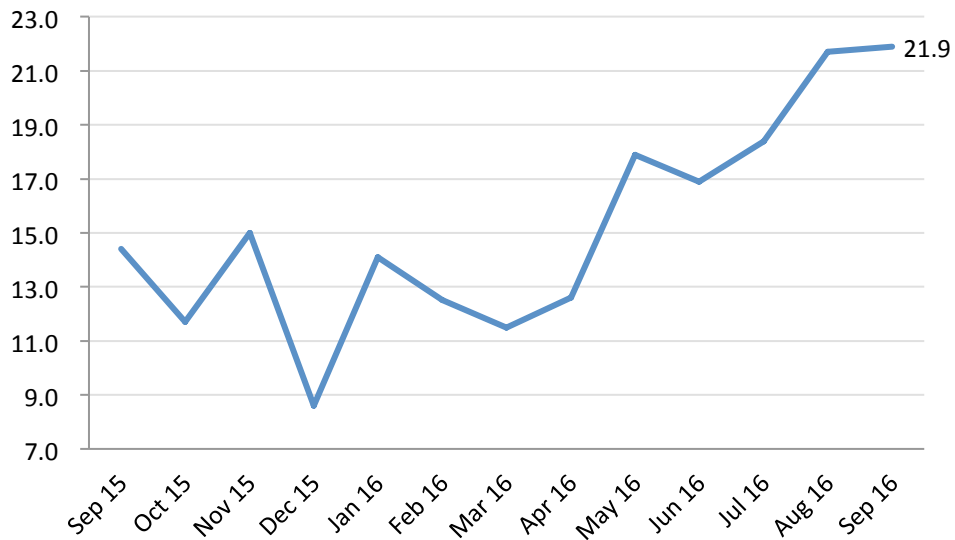


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ONLINE RETAIL SALES

Jumping by 21.9% year over year, Internet sales held up overall retail performance in September. This growth rate edged up 20 basis points over August's rate, and up 750 basis points over the previous year. The channel accounted for 14.4% of all UK retail sales in the month.

Figure 4. UK Internet Retail Sales: YoY % Change



Source: ONS

The stronger online growth in September was spread across all sectors except clothing and footwear specialists, which saw a deepening decline in e-commerce sales growth of 5.1%. Another standout was online food sales, which posted strong growth of 15.9% year over year. The Internet captured 12.2% of clothing and footwear specialists' sales in September.

Figure 5. UK Internet Retail Sales, by Sector: YoY % Change

	July	August	September
All Internet Retail Sales	18.4	21.7	21.9
Food Stores	13.6	11.5	15.9
Mixed-Goods Retailers/Department Stores	22.7	18.0	19.9
Clothing and Footwear Specialists	9.9	(3.1)	(5.1)
Household Goods Stores*	39.2	52.9	43.7
All Other Stores	22.5	33.4	30.2
Nonstore Retailers	18.6	28.2	28.1

*Includes furniture and lighting specialists, electrical goods retailers, DIY and hardware stores, and music and video retailers.

Source: ONS



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Deborah Weinswig, CPA

Managing Director
Fung Global Retail & Technology
New York: 917.655.6790
Hong Kong: 852.6119.1779
China: 86.186.1420.3016
deborahweinswig@fung1937.com

John Mercer
Senior Analyst

HONG KONG:

8th Floor, LiFung Tower
888 Cheung Sha Wan Road, Kowloon
Hong Kong
Tel: 852 2300 4406

LONDON:

242–246 Marylebone Road
London, NW1 6JQ
United Kingdom
Tel: 44 (0)20 7616 8988

NEW YORK:

1359 Broadway, 9th Floor
New York, NY 10018
Tel: 646 839 7017

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