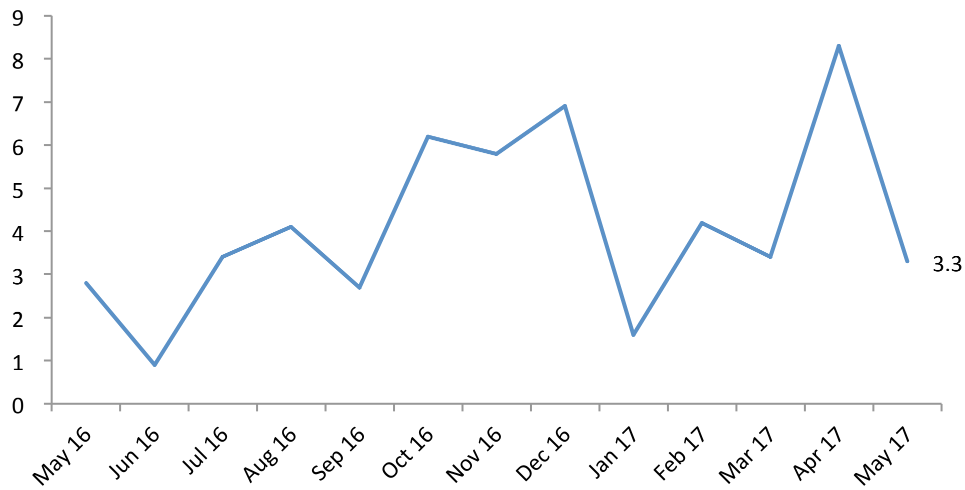
MONTHLY BRIEFING

UK Monthly Retail Sales: Raised Inflation Underpins Solid Growth in May 2017

1) Total UK retail sales grew by a solid 3.3% year over year in May.
2) This was slightly below the 4.2% rolling average for the preceding 12 months.
3) Strong performance by clothing specialists contributed to the sales growth figure.
4) Growth rates in March and April were distorted by a later Easter this year.

Figure 1. Total UK 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

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

Clothing specialists continued to grow sales strongly, with sales up 8.0%; large retailers in the sector saw sales rise by 5.0%.

Internet pure plays and mail-order retailers enjoyed an 18.1% increase in sales.

Health and beauty stores continued their strong run, with sales up 9.3%.

DIY stores returned to negative growth, with sales declining by 4.8%.

Department stores and mixed-goods retailers saw sales fall by 0.7%.

Structural declines continued for **books and news stores** and **music and video stores**.

Source: ONS/Fung Global Retail & Technology

Retail In Detail

In May, most sectors saw a sequential slowdown from April, as that month's sales were boosted by the late Easter holiday.

Total retail sales growth was supported by shop-price inflation increasing to 2.8% in May from 2.1% in April.

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Grocery stores registered decent year-over-year growth of 2.8%. However, inflation in the food retail sector climbed to 2.5% in May, according to the ONS, meaning that volume gains were minimal. Meanwhile, data from Kantar Worldpanel imply that the grocery sector is in volume decline: Kantar registered 1.8% total sector growth in the four weeks ended May 21, versus sector inflation of 2.9% for the 12 weeks ended May 21 (no four-week inflation figure was provided).

The ONS says that **clothing specialists** continued to enjoy strong growth in May, with large retailers (which constitute the bulk of the sector) recording 5% year-over-year growth. This was despite some unseasonably wet weather during the month.

Big-ticket specialists, such as **furniture stores**, **electrical goods specialists** and **DIY stores**, all registered declines.

Internet pure plays continued to grow strongly, with sales up 18.1%.

Department stores/mixed-goods retailers turned in a disappointing performance. This was reflected in the weekly sales numbers reported separately by John Lewis; the company's weekly results were tepid at best and varied from 2.3% growth in the week ended May 6 to a 5.6% decline in the week ended May 27.

Automotive fuel retailers saw sales increase by 10.8%, with sector inflation running at 7.3% in May.

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

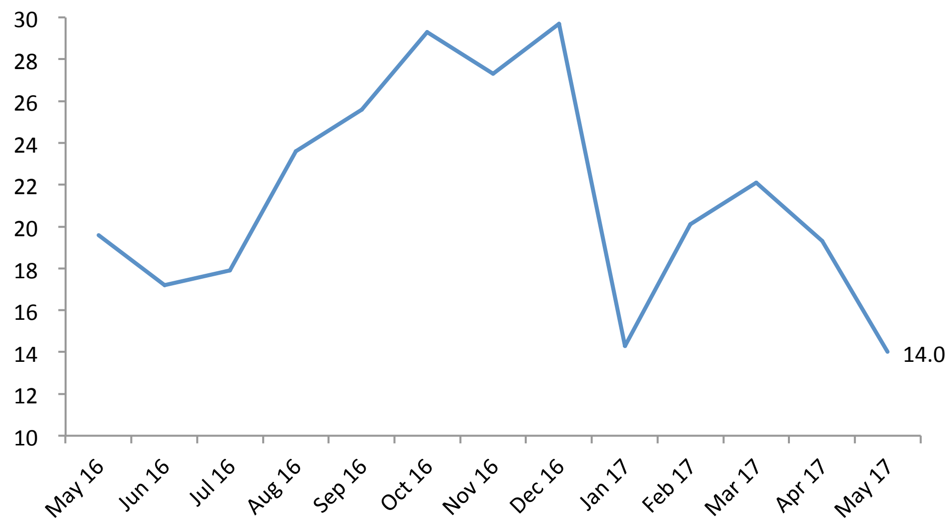
	March	April	May
Total (ex Automotive Fuel)	3.4	8.3	3.3
Grocery Retailers	1.3	7.3	2.8
Specialist Food Stores	(6.7)	2.4	4.2
Beverage and Tobacco Specialists*	(10.5)	(13.7)	(7.6)
Department Stores/Mixed-Goods Retailers	1.5	3.9	(0.7)
Clothing Specialists	8.9	12.2	8.0
*Large Clothing Specialists***	*6.3*	*6.6*	*5.0*
*Small Clothing Specialists***	*34.1*	*75.7*	*36.7*
Footwear Specialists	(0.7)	11.7	4.6
Furniture and Lighting Stores	(1.4)	1.7	(4.0)
Electrical Goods Specialists	6.0	24.3	(0.6)
DIY and Hardware Stores	(3.0)	21.9	(4.8)
Music and Video Specialists	(7.4)	(6.7)	(4.6)
Health and Beauty Specialists	16.3	15.4	9.3
Books and News Stores	(10.0)	(4.7)	(6.6)
Floor Coverings Specialists*	25.9	(6.1)	15.7
Computers and Telecoms Equipment*	(8.9)	(11.4)	(13.9)
Other Specialized Stores	(0.4)	5.5	2.8
Internet Pure Plays and Mail Order	25.1	23.8	18.1
Other Nonstore Retail*	1.1	(17.9)	(15.5)
Automotive Fuel Retailers	13.3	8.8	10.8

**Relatively small or fragmented 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

Online Retail Sales

Online retail sales continued their recent moderating trend, with total growth of 14% year over year in May.

Figure 4. UK Internet Retail Sales: YoY % Change



Source: ONS

Online growth slowed at grocery stores and accelerated at clothing and footwear specialists in May.

E-commerce accounted for 15.0% of all UK retail sales in May. The online channel's contribution was 14.1% at clothing and footwear specialists, 12.8% at department stores/mixed-goods retailers, 9.4% at household goods stores and 5.0% at food stores.

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

	March	April	May
All Internet Retail Sales	**22.1**	**19.3**	**14.0**
Food Stores	17.6	17.5	6.7
Department Stores/Mixed-Goods Retailers	13.5	8.2	6.9
Clothing and Footwear Specialists	27.2	10.0	14.7
Household Goods Stores*	18.2	10.7	0.2
All Other Stores	28.8	16.6	26.2
Nonstore Retailers	23.2	25.6	17.4

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

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