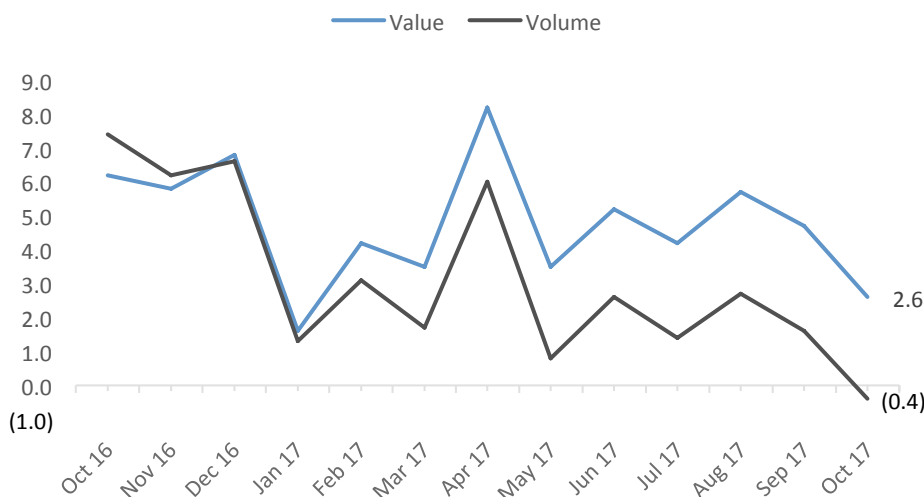




UK Monthly Retail Sales: A Soft October, as Expected

- Retail sales growth softened in October, as had been flagged by a number of retailers and by the British Retail Consortium earlier this month.
- We do not see the weak growth in October as heralding a meaningful short-term decline in retail growth.

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



All data in this report are not seasonally adjusted.
Source: Office for National Statistics (ONS)/FGRT

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



- Internet pure plays and mail-order retailers** enjoyed a 15.6% increase in sales.
- Grocery retailers** grew sales by 1.7%.
- Departments stores/mixed-goods retailers** saw growth strengthen to 1.4%.



- Clothing specialists'** sales growth of 1.0% was driven solely by a reported boost from smaller retailers.
- DIY and hardware stores'** sales fell 1.8%.

Source: ONS/FGRT

OUTLOOK FOR THE HOLIDAYS

October was weak, but we think it was an exception: the softening of growth was due in large part to unusually warm weather, and a weak month was reported by retailers elsewhere in Europe as a result of this: Zalando, for instance, was among those pointing to a weaker-than-expected October.

We think doom-and-gloom predictions of a weak Christmas for retail overall are likely to be wide of the mark. While some commentators focus on disappointing numbers reported by some legacy retailers, the likes of B&M European Value Retail, ASOS, Boohoo.com, JD Sports Fashion, Primark, Aldi and Lidl have continued to report strong top-line growth or have been recorded as growing robustly by data providers such as



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Kantar Worldpanel. Moreover, Marks & Spencer has improved the performance of its clothing division, and Tesco and Morrisons continue to report solid recoveries in revenue growth.

In the face of raised inflation, British shoppers have continued to spend, funded by reducing their rate of savings and increasing their borrowing. Indeed, just this week, the Bank of England’s Deputy Governor warned that further interest rate rises may be necessary because consumers continue to spend so freely.

As a result, we stand by our [Christmas retail forecast for approximately 5% year-over-year growth](#) in total retail sales across November and December, benchmarked to the ONS retail sales index.

Lastly, while we think that some of the ONS retail data can raise eyebrows (the data for small-businesses and for sectors that are more fragmented, in particular), we see it as directionally correct overall, and we think it cannot be dismissed—not least because it is by far the biggest UK survey of its kind, representing 93%–95% of UK retail sales.

RETAIL SALES GROWTH BY SECTOR

- **Grocery stores** were steady, at 1.7% year-over-year growth, underpacing sector inflation. Earlier this week, Kantar Worldpanel reported a similarly soft grocery growth rate of 1.6% for the four weeks ended November 5.
- **Clothing specialists**—notably large clothing retailers—were weak, in a month of warmer-than-usual weather.
- **Department stores/mixed-goods retailers** saw improved growth. This is a sector of two halves: discount variety stores and full-range department stores. In the past month, B&M has reported bumper UK revenue growth in the former segment, while John Lewis has reported revenue declines in the latter.

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

	August	September	October
Total (ex Automotive Fuel)	5.7	4.7	2.6
Grocery Retailers	3.1	1.6	1.7
Specialist Food Stores	1.2	13.0	(1.6)
Beverage and Tobacco Specialists*	(24.4)	(12.6)	(16.3)
Department Stores/Mixed-Goods Retailers	3.4	0.5	1.4
Clothing Specialists	9.3	10.3	1.0
<i>Large Clothing Specialists**</i>	4.6	6.8	(3.7)
<i>Small Clothing Specialists**</i>	46.1	40.5	52.1
Footwear Specialists	1.9	12.0	3.3
Furniture and Lighting Stores	(0.3)	5.4	5.0
Electrical Goods Specialists	14.1	7.7	10.2
DIY and Hardware Stores	0.0	2.0	(1.8)
Music and Video Specialists	1.7	(3.4)	3.2
Health and Beauty Specialists	4.9	11.7	9.8
Books and News Stores	3.8	0.4	1.1
Floor Coverings Specialists*	28.1	7.8	22.9
Computers and Telecoms Equipment*	(1.4)	(17.4)	(17.5)
Other Specialized Stores	11.2	(0.1)	1.3
Internet Pure Plays and Mail Order	21.0	24.1	15.6
Other Nonstore Retail*	7.3	(10.7)	5.2
<i>Automotive Fuel Retailers</i>	3.9	4.3	2.9

* A relatively small or fragmented sector, where reported figures have traditionally proved volatile.

** 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 GROWTH

Total Internet retail sales were up 10.5% year over year in October, versus an increase of 11.9% in September. In October, online sales grew by 8.4% at food retailers, 19.9% at department stores/mixed goods retailers, 18.2% at clothing and footwear specialists and 2.3% at household goods stores (such as furniture and DIY retailers).



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