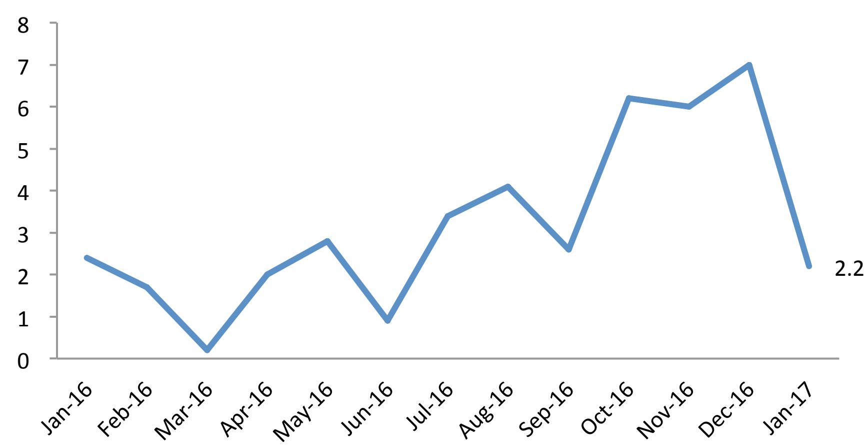
UK Monthly Retail Briefing: January 2017—Growth Softens

Here are our top takeaways from the retail sales figures for January:

1) Total retail sales growth slowed sequentially from 7.1% year over year in December to 2.2% in January. This was similar to the growth rates we had seen before recorded sales accelerated strongly in the final months of 2016.
2) Most sectors saw softer growth than in December. Although few sectors were down year over year, the key grocery sector registered negative growth.
3) Clothing specialists recorded an improved performance, with sales up 1.4% in January versus a 1.2% increase in December.
4) Internet pure plays and mail-order retailers, which had powered ahead in late 2017, recorded 15.2% growth in January, easing from 33.6% in December.

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

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

Clothing specialists enjoyed accelerating growth of 1.4%.

Internet pure plays and mail-order retailers grew sales by 15.2%

Health-and-beauty stores continued their strong run, up 8.3%.

Grocery retailers turned negative, down 1.1%, following a strong December.

Furniture stores registered a 6.0% fall in sales.

Source: ONS/Fung Global Retail & Technology

Retail in Detail

Data released earlier this month from the British Retail Consortium and Kantar Worldpanel had suggested a slowdown in year-over-year growth in January, and the ONS reported weaker growth rates across almost all sectors.

Grocery retailers turned negative. The sector enjoyed a strong Christmas period. Kantar data had flagged a return to lower growth, but that was at least marginally positive, at

DEBORAH WEINSWIG, MANAGING DIRECTOR, FUNG GLOBAL RETAIL & TECHNOLOGY
DEBORAHWEINSWIG@FUNG1937.COM US: 917.655.6790 HK: 852.6119.1779 CN: 86.186.1420.3016
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0.2% for the four weeks ended January 29. Today's ONS data suggest that grocery volume growth has been pinched by lower value growth and easing deflation.

Clothing specialists bucked the trend, with improving, although modest growth, of 1.4%.

Pure plays returned to the kind of growth, 15.2%, seen before the late-2016 boom.

Department stores/mixed-goods retailers were solid, at +3.1%.

Not included in our index below, **automotive fuel retail** sales were up 9.5%, driven by steep rises in fuel prices.

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

	November	December	January
Total (ex Automotive Fuel)	**6.0**	**7.0**	**2.2**
Grocery Retailers	1.4	3.8	(1.1)
Specialist Food Stores	7.3	(7.9)	(1.0)
Beverage and Tobacco Specialists*	16.2	13.3	7.0
Mixed-Goods Retailers/Department Stores	3.2	7.7	3.1
Clothing Specialists	(0.1)	1.2	1.4
*Large Clothing Specialists***	*2.8*	*3.5*	*1.6*
*Small Clothing Specialists***	*(25.3)*	*(19.4)*	*(0.9)*
Footwear Specialists	7.8	6.1	2.7
Furniture and Lighting Stores	5.3	3.5	(6.0)
Electrical Goods Specialists	0.9	(4.5)	2.9
DIY and Hardware Stores	11.4	6.7	1.3
Music and Video Specialists	(3.1)	(11.0)	(3.5)
Health and Beauty Specialists	5.7	7.9	8.3
Books and News Stores	(2.7)	7.6	(9.9)
Floor Coverings Specialists*	8.8	4.3	7.2
Computers and Telecoms Equipment*	2.7	11.0	6.3
Other Specialized Stores	10.9	11.1	10.4
Mail Order and Internet Pure Plays	30.3	33.6	15.2
Other Nonstore Retail*	16.4	22.4	14.4

** 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 Growth Moderates

Internet retail sales growth returned to more moderate levels in January. The increase of 9.2% was well below the 19.8% average across 2016, but that had been pushed upward by the boom recorded toward the end of the year.

The very strong 2016 growth appears to have been driven in part by the weakness of the pound, which flattered international sales made by UK Internet retailers and which encouraged online cross-border shopping.

DEBORAH WEINSWIG, MANAGING DIRECTOR, FUNG GLOBAL RETAIL & TECHNOLOGY
DEBORAHWEINSWIG@FUNG1937.COM US: 917.655.6790 HK: 852.6119.1779 CN: 86.186.1420.3016
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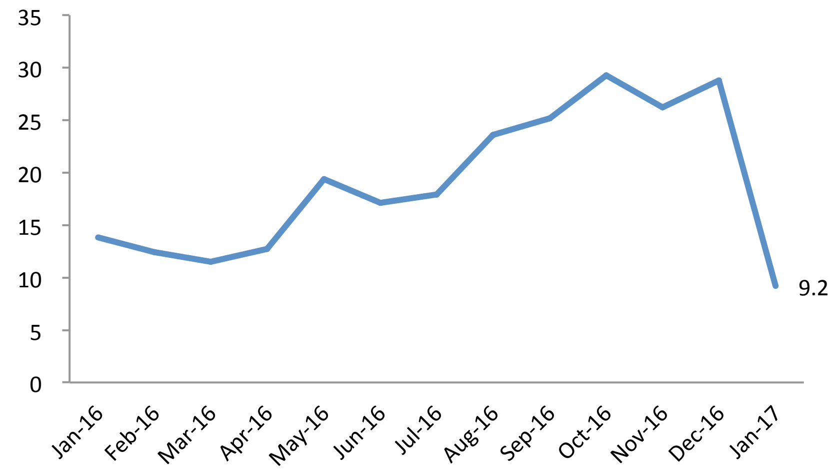
Figure 4. UK Internet Retail Sales: YoY % Change



Source: ONS

In line with the much weaker growth in the total grocery sector, online sales at food stores softened. Similarly, the acceleration in growth at clothing stores was seen online as well as in aggregate.

E-commerce accounted for 15.2% of all retail sales in January. The online channel's contribution was 16.4% at clothing and footwear specialists, 15.2% at department stores/mixed-goods retailers, 10.5% at household goods stores and 5.4% at food stores.

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

	November	December	January
All Internet Retail Sales	**26.2**	**28.8**	**9.2**
Food Stores	23.9	27.0	12.7
Mixed-Goods Retailers/Department Stores	15.7	14.3	20.0
Clothing and Footwear Specialists	10.3	6.0	8.6
Household Goods Stores*	34.5	15.7	11.3
All Other Stores	21.6	34.4	11.1
Nonstore Retailers	33.2	40.8	5.7

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

- We look ahead to the prospects for 2017 in our recent report *UK Consumer Outlook 2017—Will the Perpetually Deferred Downturn Materialize?* at bit.ly/UKconsumer17

DEBORAH WEINSWIG, MANAGING DIRECTOR, FUNG GLOBAL RETAIL & TECHNOLOGY
DEBORAHWEINSWIG@FUNG1937.COM US: 917.655.6790 HK: 852.6119.1779 CN: 86.186.1420.3016
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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

FungGlobalRetailTech.com

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