

## UK

### Retail Sales Slip, Trend Solid

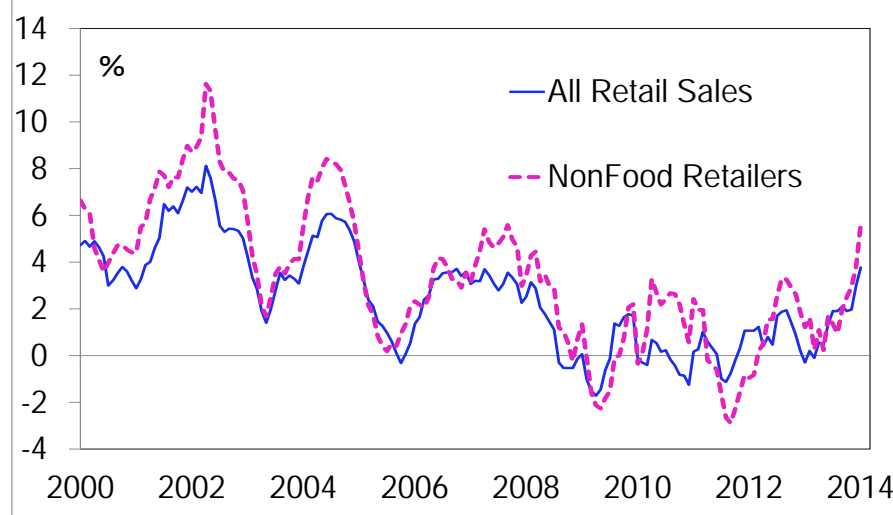
- The ONS report that retail sales volumes fell 1.5% MoM in January, midway between the consensus forecast (drop of 1.0%) and our forecast (drop of 2.0%). We regard this drop as the reversal of December's outsized gain (2.5% MoM) rather than a sign of adverse effects from the weather or deterioration in the underlying trend. The split shows that sales by food retailers fell 3.4% MoM in January, having surged by 2.5% MoM in December. By contrast, sales by nonfood retailers actually gained by 0.4% MoM in January after rising by 2.6% MoM in December. Within the nonfood category, sales by household goods' retailers surged by 5.4% MoM in January, the third biggest MoM gain of the last 20 years, after rising 2.0% MoM in Dec-13. Sales by household goods' retailers are up 9.8% YoY, the highest gain since 2007.
- This strength in spending on consumer durables probably reflects the rise in housing turnover and improving consumer confidence. By contrast, if the adverse weather was a factor in the drop in retail sales, one would expect that spending on consumer durables (for which purchase often can be postponed for a week or two) would suffer more than food sales. Over the last three months, retail sales volumes rose 1.1% QoQ and 3.8% YoY – the highest YoY growth since 2005. Nonfood volumes are up 5.6% YoY, the highest since 2004. With solid job growth and signs that pay is picking up, we expect the trend in retail sales will remain quite strong in coming months.

Michael Saunders

+44-20-7986-3299

michael.saunders@citi.com

Figure 1. UK — Retail Sales Volumes, Last Three Months YoY, 2000-14



Sources: ONS and Citi Research

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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