

Better UK retail sales mask tough times on the high street

With consumer confidence back at post-referendum lows, Christmas looks set to be a tricky time for retailers as shoppers become more nervous about Brexit



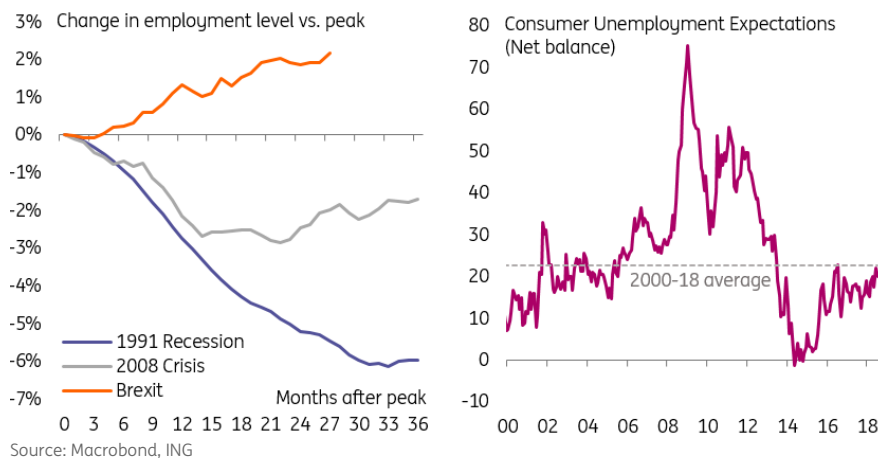
Source: Shutterstock

On the face of it, a 1.2% increase in UK retail sales (ex-fuel) during November should bring a little relief after a week of concerning headlines from the high street. But as is often the case though; it's worth treating these numbers with some caution.

Away from the official data, the general sense from the British Retail Consortium and Visa is that Black Friday was relatively lacklustre this year. However, it's worth remembering, Black Friday and Cyber Monday are still relatively new phenomena to the UK, making it a nightmare for statisticians to accurately seasonally adjust the data.

Whatever the case, it's seems clear that the Christmas trading period has been a particularly challenging one for retailers. Consumer confidence has fallen below the immediate post-referendum lows, perhaps suggesting that individuals are becoming more nervous about the potential risks of a 'no deal' Brexit. Importantly, unemployment expectations – which have remained relatively low since the 2016 vote – could begin to creep upwards if the volume of negative headlines continues to increase over coming weeks.

Unemployment expectations have been low - but that could begin to change



Source: Macrobond, ING

Overall, we expect the economy to continue to lose momentum over the winter months. This means the Bank of England will have no choice but to remain on the sidelines until there is greater clarity on the path for Brexit.

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