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Snap

## UK retail sales dip as consumer caution grows

After another bumpy week for Brexit, today's UK retail sales data is a timely reminder that all is not particularly well in the UK economy

### Christmas was tough for the high street

Excluding fuel, retail sales fell by 1.3% in December, although admittedly the last couple of months of every year are generally particularly volatile periods for spending data. The constantly evolving nature of Black Friday means getting a clear picture is difficult.

Having said that, this latest decline echoes the British Retail Consortium and the Visa Spending Index, both of which pointed towards a fairly torrid time for UK high streets over Christmas. We suspect the first few months of 2019 could be equally bumpy.

### The outlook remains deeply uncertain

While consumer fundamentals have improved over recent months – real wage growth is gradually rising, while the jobs market has stayed resilient – individuals are becoming increasingly nervous about the outlook for their finances and the overall economic situation.

Confidence is the lowest since 2013, and there is at least a risk this deteriorates further. While markets have taken comfort in the fact that an Article 50 extension is becoming more likely, as things stand the fact that the UK will leave the EU on 29 March, with or without a deal, hasn't changed. Until something shifts, we're likely to see increasing signs of businesses performing contingency actions, and there's a possibility this gradually slips into the consumer mindset. For instance, we may see households build some precautionary savings over coming weeks, particularly if some nervousness surrounding job security begins to creep in.

Of course there's plenty of uncertainty surrounding all of this, but one way or another we think the economy will continue to perform sluggishly. For now, thoughts of further Bank of England tightening are firmly on the backburner.

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