

Snap | 15 February 2019

UNITED KINGDOM

# UK retail sales rebound masks tough climate on the high street

Despite an improvement in disposable incomes, the outlook for the high street remains clouded by the near-term uncertainty surrounding a 'no deal' Brexit



Source: Shutterstock

After a tough Christmas trading period – one that has been described by some as the worst for a decade – the British retail sector started the new year on a stronger footing. Excluding fuel, sales increased by 1.2% in January, echoing British Retail Consortium data which suggested shoppers were tempted out by post-Christmas discounts.

## Despite these better figures, there a couple of reasons to think the momentum may not continue over the next few months

Firstly, it's worth remembering that January is a month where a huge chunk of unwanted Christmas gifts get returned, while consumers also go out and spend their newly acquired gift cards. This impact on post-Christmas revenues isn't reflected in the retail sales numbers.

More importantly, though, Brexit uncertainty is likely to keep a lid on spending over the next few months. Despite an improvement in real wage growth, consumer confidence remains at the lowest level since 2013, led by concerns about both the economic climate and personal finances. There is a risk that, as the Brexit deadline draws nearer, nervousness about the

impact of 'no deal' will creep into the consumer mindset. At the very least, shoppers may opt against bigger ticket purchases in the short-term, instead choosing to maintain savings levels.

Of course, there's plenty of uncertainty surrounding all of this, but it is another reason why first-quarter economic growth is likely to be capped around 0.2% again. For the time being, the Bank of England will remain firmly on the sidelines.

### Author

#### James Smith

Developed Markets Economist, UK

[james.smith@ing.com](mailto:james.smith@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).