

# UK retail sales sink in Black Friday aftermath

The latest UK spending data indicates that retailers had a tough time around the Christmas period



Source: Shutterstock

**-1.6%** UK retail sales (MoM%, excl auto fuel)

Worse than expected

## Tough time for retailers

A sharp fall in UK retail sales during December has rounded off what was a very tough year for both consumers and retailers. That said, the 1.6% month-on-month fall in spending during December should be treated with some caution, not least because the change in shopping habits initiated by Black Friday makes the data a nightmare to seasonally adjust. But those difficulties aside, the latest data does suggest the festive period was a tough time for retailers, many of whom had to offer steep discounts in the final weeks before Christmas at the expense of margins.

Looking ahead, [we see few catalysts](#) for a recovery in spending over the next few months. Whilst prices in general have largely adjusted to the post-Brexit weakening in the pound, food and fuel

costs are continuing to rise. And whilst signs of skills shortages in certain sectors have prompted the Bank of England to forecast a sharp acceleration in wage growth, there is also a risk that some firms remain cautious, as economic demand and other input cost pressures continue to bite. Putting this together, real disposable incomes are likely to remain at best flat over the next few months.

## What it means for interest rates

This gives the Bank of England a conundrum. Admittedly, the Bank's forecasts already incorporate further weakness in spending, but given that the consumer represents such a large share of UK growth, the slowdown can't be fully ignored. We very narrowly think the Bank of England will remain on hold this year, although if it does opt to hike again, we think May's meeting is the most likely opportunity.

## 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 <http://www.ing.com>.