

Warm Easter lifts UK retail sales

April's big rebound in retail sales is likely to prove temporary. We expect the squeeze on household incomes to hit spending over coming months



Source: iStock

April's retail sales data was clearly boosted by warmer weather and a late Easter, which helps retailers sell their summer wares (particularly clothing and household/garden items) in higher volumes, but also at more profitable prices. A rainy, cold early Easter makes the lives of retailers much trickier.

Whilst that is likely to account for much of April's 2% MoM gain in retail sales (ex. auto fuel), we have to remember that these figures are extremely volatile. It's very likely that there are seasonal adjustment issues, as statisticians struggle to keep pace with ever-changing consumer habits – the rise of Black Friday style sales is a good example.

2.0% Growth in retail sales (MoM%)

Better than expected

To us, today's data doesn't change the underlying story, where the squeeze in household incomes is starting to weigh on consumer activity. This week's surge in inflation (2.7%) and subdued wage growth (2.1%) means real incomes are now falling. It's also worth noting that much of the strength in consumption over the past few months has been driven in no-small-part by higher borrowing and lower savings, which is unlikely to prove sustainable.

For that reason, we don't expect the Bank of England to hike rates before 2019.

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