

Warm weather boosts June UK retail sales

Respite for retailers is likely to be temporary as falling real wages continue to bite.



Source: iStockphoto

Warm weather saw UK shoppers get summer-ready

The second warmest June on record, combined with the earlier timing of Eid celebrations this year, led to a reasonable rebound in UK retail sales in June. The recovery was relatively broad-based, with a pick-up in sales of clothing and household goods, confirming British Retail Consortium's finding that there was increased interest in summer collections.

This does not change the fact that the household squeeze is intensifying

But it's also worth noting that retail sales data has been extremely volatile for some time now. The increasingly rapid changes in the way consumers shop is making life difficult for statisticians.

The rise of events such as Black Friday, and most recently Amazon Prime Day, mean that households are spending their money in very different ways and frequencies, making seasonal adjustment more difficult.

0.9%

UK retail sales (MoM%)

(Excluding auto fuel)

Better than expected

The spending squeeze continues to bite

Today's rebound in sales does not change the fact that the household squeeze is intensifying as real wages continue to fall. Recent data from payments firm Visa suggested that spending in the second quarter was the most sluggish since 2013. That's also evident from the annual rate of retail sales growth, which at 3%, is considerably lower than the near-8% increases recorded towards the end of last year.

That's a key reason why we don't anticipate a Bank of England rate hike this year.

Author

James Smith

Developed Markets Economist, UK

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.