

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.

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