

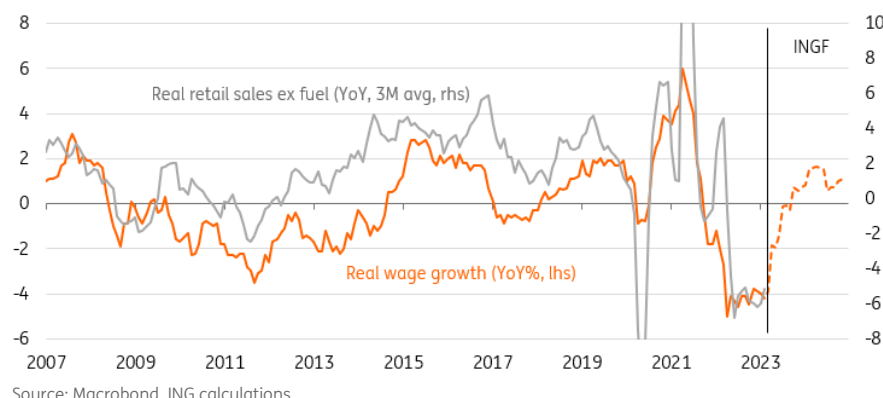
## Worst behind us for UK retail despite fall in sales

Pressure on real wages is set to ease over coming months and consumer confidence has risen from its lows. That suggests the worst is behind us for the UK high street, despite a fall in March sales



UK retail sales were a tad worse than expected in March, falling by 1% (excluding fuel) across the month. Food sales were down, which the ONS loosely attaches to shortages of certain products, but it was a bad month in general for non-essential sales, too. These figures are known for being volatile though, and on a three-month basis, retail volumes have still actually marginally risen. The recent trend looks like flat-lining.

## Real wage growth is set to become less negative over coming months



Volumes are down 6% since late 2021 but up almost 8% in value terms, a neat encapsulation of the cost of living crunch which has seen Brits spend more and receive less in return. But the worst is probably behind us for UK retail. The real wage story, if we look at it crudely by simply taking headline inflation from weekly earnings growth, is set to improve dramatically over coming months. Currently around -4% on a year-on-year basis, this measure of real wages is set to turn slightly positive by year-end.

It's therefore not totally surprising that consumer confidence has begun to improve, up to -30 in this morning's data, from a low of -49 last September (and compared to a pre-Covid level in the region of -10).

Admittedly, none of this points to a rapid rebound in retail activity, but is another piece of the jigsaw that suggests the UK economy will dodge a technical recession in the first half of the year. First quarter GDP currently looks set to come in marginally positive, and the second slightly negative. As a result, the recent activity data is of little consequence for the Bank of England which remains squarely focused on inflation. And after this week's hotter-than-expected wage and CPI data, it looks like the Bank is heading for one more 25 basis-point rate hike next month.

### Author

**James Smith**

Developed Markets Economist

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

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