

UK Clothing and Footwear

Monthly report

UK Retail Sales

1.8%

Retail sales rose by 1.8% in January, year-on-year, according to Retail Economics.

Online Sales

7.4%

Total online retail sales rose by 7.4% in January, value and non-seasonally adjusted, according to ONS.

Shop Prices

0.7%

Shop price inflation edged up by 0.7% in January, excluding fuel, according to ONS.

Clothing

2.1%

Clothing retail sales increased by 2.1% in January, year-on-year, value and non-seasonally adjusted, according to Retail Economics.

Average Weekly Sales

£690m

Average weekly sales for Clothing were £690m in January, according to Retail Economics.

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THE LATEST DATA



What you get from our UK Clothing & Footwear reports

- ✓ **A grasp of current retail trends from the latest available data**
- ✓ **Unbiased analysis of sector-specific data**
- ✓ **A holistic view of the clothing and footwear sector in the UK**
- ✓ **A competitive edge by understanding key economic factors**
- ✓ **A better understanding of the market to take the right actions**
- ✓ **Weather data to identify behavioural trends**
- ✓ **COVID-19 related commentary and insights**



COVID-19 Service

We conduct extensive research and analysis on the impact of coronavirus (COVID-19) on the UK retail and leisure industry. Our service consists of frequent, timely analysis and updates in a variety of formats so you can absorb the information quickly in a way that best suits you.

What you get

1. Impact assessment reports for UK retail and leisure

These reports provide an in-depth analysis of the COVID-19 impact on the UK retail and leisure industry including consumer panel surveys, economics analysis, forecasts and other insights.

2. COVID-19 Quick Responses

Get the latest updates from retailers and the wider industry on the impact of COVID-19 as an when it happens - delivered directly to your inbox.

3. Consumer panel research

For the critical duration, we conduct fortnightly surveys using a panel of over 2,000 households to measure: 1) Behavioural shifts 2) Confidence 3) Sentiment These extensive surveys have proved to be a very accurate indicator of future trading vulnerabilities for the industry.

4. Weekly newsletter

Every week we produce a summary of all the 'need-to-know facts and stats' related to the impact of coronavirus on the retail and leisure industry broken down by sector (e.g. clothing & footwear, food, home and more) and by channel.

5. Economic chartbook

Produced monthly, a summary of all the critical macroeconomic data and trends in an easily digestible chartbook format. Ideal for identifying trends.

[CLICK HERE TO EXPLORE SERVICE NOW](#)



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Sales growth ramps up following subdued festive trading

Sector Growth Rankings	Jan-20	3 month avg.	6 month avg.	12 month avg.
Food	2.8%	1.8%	2.2%	2.3%
Footwear	2.7%	0.9%	0.6%	0.3%
Health and Beauty	2.2%	0.2%	0.5%	0.8%
Clothing	2.1%	0.7%	0.6%	0.5%
Furn & Floor	1.8%	0.7%	-0.1%	0.4%
Electricals	-0.5%	-1.5%	-1.2%	-0.9%
Homewares	-0.9%	-0.8%	-1.0%	0.1%
DIY and Gardening	-1.8%	-2.3%	-2.1%	-0.5%

Source: Retail Economics

Spending steps up

- Clothing & Footwear sales ticked up going into the new year.
- Footwear sales stepped up by 2.7% in January on the back of strong womenswear sales.
- This is well above its 12-month average of 0.3%.
- Meanwhile, Clothing sales were up by 2.1% following a flat festive sales period.



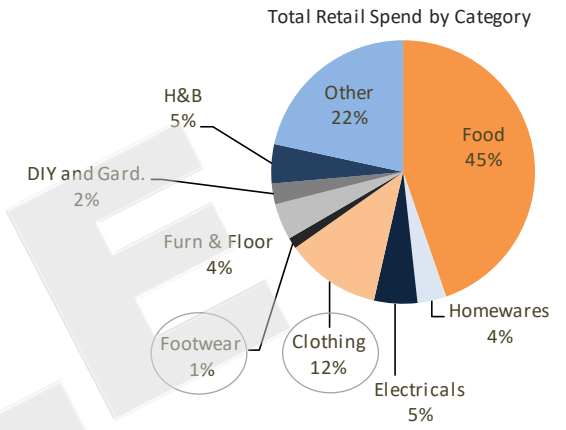
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Market composition

- Footwear recorded the strongest performance among non-food categories in January.
- The warmest January since 2007 (Met Office) came as spring lines began to hit shelves.
- However, shoppers continued to be predominantly attracted to January sales in the month, particularly in Clothing.
- Signs of discounting: ONS data shows that Clothing prices dropped 3.3% between December 2019 and January 2020.

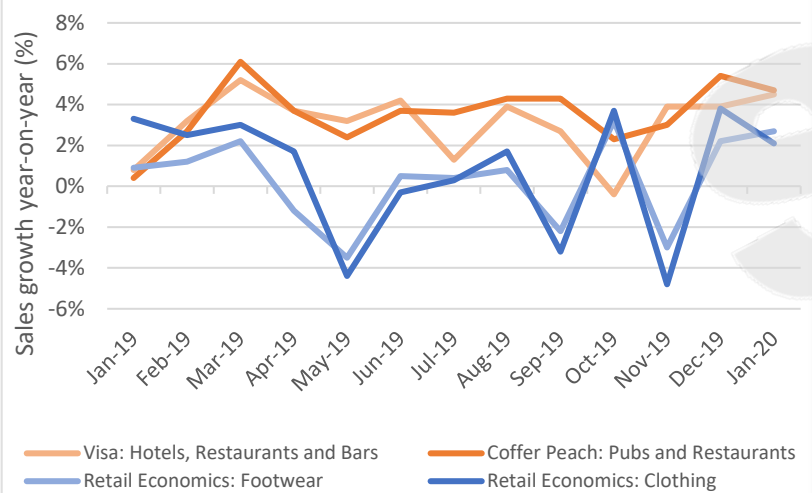
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Clothing & Footwear accounts for 13% of total retail



Source: Retail Economics

Wining and dining spend more robust than retail



Source: Retail Economics, Coffer Peach Business Tracker, Visa

Valuing experiences

- Households are in stronger financial positions compared to a year ago, with record high UK employment and sustained increases in real earnings.
- However, leisure categories appear to be benefiting more than retail, as consumers increasingly value experiences over possessions.
- The Coffer Peach Business Tracker reported total sales growth among managed pubs, bars and restaurants was up by 4.7% in January.

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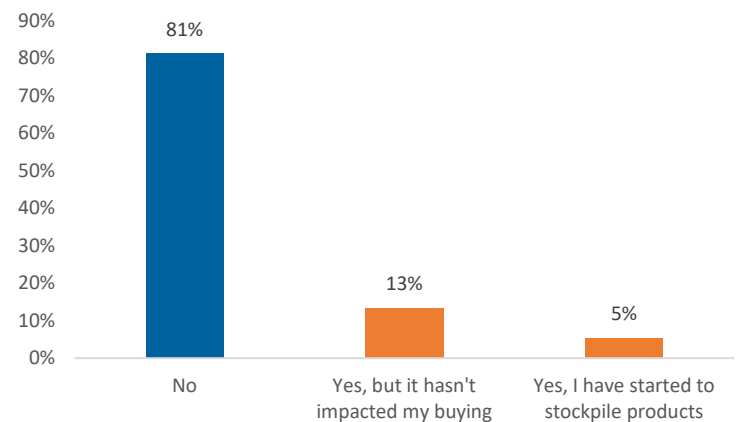
Coronavirus

- Our research shows there is confusion over the current level of threat that the coronavirus poses to UK health.
- A quarter (23%) of consumers believe the virus poses a high threat to UK health, while two fifths (42%) think its a low threat.
- The majority of shoppers (81%) are not worried about product shortages as a result of the coronavirus.
- However, retailers sourcing from China are currently grappling with mitigation plans to guarantee A/W stock.

4

Are you worried about product shortages as a result of the coronavirus?

Proportion of respondents:



Source: Retail Economics



Clothing – Retail Economics Index: January 2020

Clothing sales ticked up going into the new year, with sales up by 2.1% in January following a flat festive period.

The warmest January since 2007 (Met Office) came as spring lines hit the shelves, however shoppers continued to be mainly attracted to January sales throughout the month.

ONS data shows that Clothing prices dipped 3.3% between December 2019 and January 2020, with no evidence to suggest a reduction in the proportion of items being recorded on sale compared to a year ago.

Shoppers have come to expect discounts in the category. This comes at odds with households being in better financial health compared to a year ago; with the UK at record levels of employment and real wage growth sustained on the back of low inflation.

For example, John Lewis’s fashion sales were up 0.6% in January, with uplifts driven by Clearance and price matching competitors.

Such discounting will undoubtedly impact profit margins. But there has been some relief from UK factory gate prices stabilising, with Clothing input PPI broadly flat at -0.1% in January.

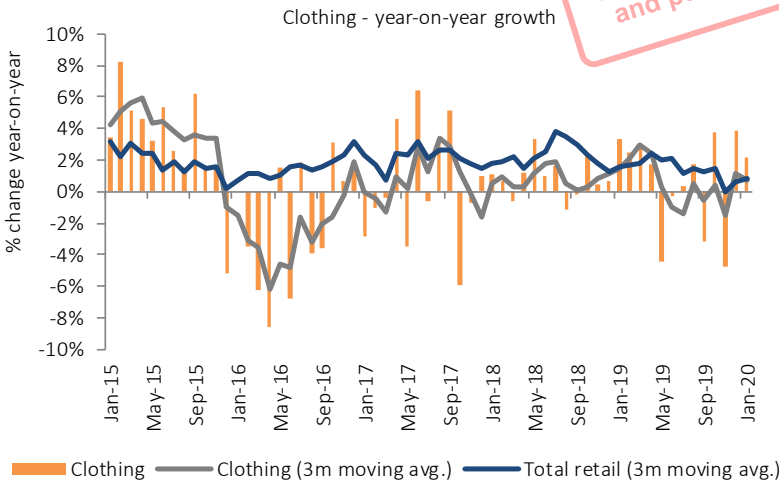
Supply under pressure

Supply chains going forward could face severe disruption from the coronavirus outbreak.

Research by Retail Economics towards the end of February shows there is confusion among consumers over the current level of threat that the coronavirus poses to UK health. Shoppers are divided on whether and how to safeguard themselves. If the virus persists, a staggering 48% of respondents would try to avoid buying online from international sellers that ship products directly from China.

However, this assumes shoppers will be able to get their hands on products from China in the intermediate future. Although the majority of shoppers (81%) are not worried about product shortages as a result of the coronavirus, retailers sourcing from China are grappling with mitigation plans.

Our time series graphs help you quickly identify trends and put data into context



Clothing

2.1%

Clothing sales increased by 2.1% year-on-year in January.

Three-Month Basis

0.7%

Clothing sales rose 0.7% on a three-month rolling basis.

Shoppers have come to expect discounts in the category. This comes at odds with households being in better financial health compared to a year ago; with the UK at record levels of employment.

Comparison of Clothing sales growth

	RE	ONS	BDO	Visa	BRC
Aug-19	1.7%	2.0%	5.7%	-6.2%	positive
Sept-19	-3.2%	1.5%	-0.6%	-7.2%	negative
Oct-19	3.7%	1.3%	4.9%	-1.0%	positive
Nov-19	-4.8%	-3.6%	-1.9%	-6.1%	negative
Dec-19	3.8%	-4.7%	4.5%	-0.2%	positive
Jan-20	2.1%	2.1%	7.7%	-5.0%	positive



The coronavirus outbreak (declared a public health emergency by the WHO late January) has seen fashion retailers and brands express concerns about whether Chinese factories will be able to deliver planned autumn-winter collections, following the disruption after the Lunar New Year.

China is a major producer of cotton, fabrics and silk. Its factories churn out garments for high street players such as H&M and Next, and is said to be a major source of fabrics for countries such as Bangladesh and Vietnam.

Although most retailers who source from China bought an excess of stock as a result of the Lunar New Year, Next has warned that it has about £20m of inventory at risk in the region. If deliveries arrive late for their intended season, it puts them at risk to mark down.

Chinese spending dwindles

Beyond supply issues, the virus impact is having an effect by fewer Chinese nationals spending internally and abroad due to travel restrictions.

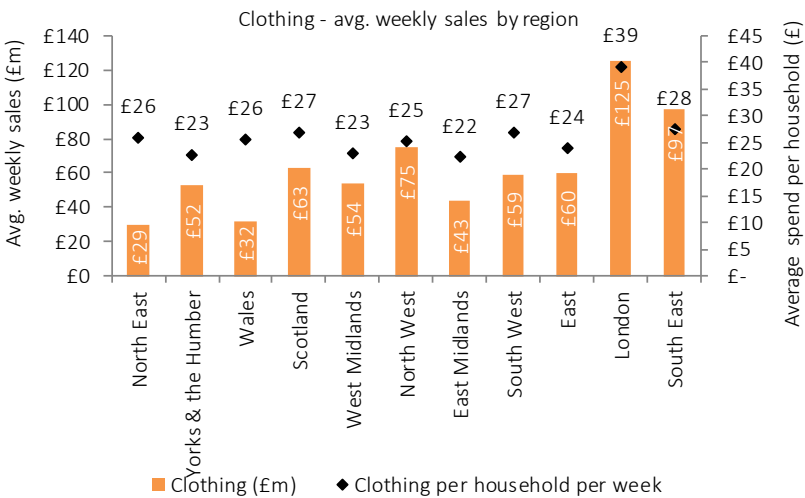
Burberry – which generates 40% of its sales in China – scrapped its full year guidance in February as a result of unprecedented sales declines in the region. At the start of February, Burberry closed 24 of its 64-strong store estate in mainland China, as footfall plunged 80% due to the outbreak.

Also, a reduction in tourist numbers to the UK will hit luxury retailers, particularly in the capital and other tourist locations such as Bicester Village. However, consumers have said they would shift more spend online if the virus persists; so retailers that have a good online proposition could benefit.

It remains difficult to predict how it will all evolve. The next month should be telling as to the scale of the problem and the extent fashion retailers will need to mitigate supply chain issues.

But as John Bason, finance director of Primark’s parent Associated British Foods, reassured markets in February: *“We are not going to have empty shelves... if the disruption continues for some months, then will some product lines be affected? Probably. Will customers notice? Probably not.”*

Primark – like other key players exposed to Chinese production – is considering moving more production to other locations such as South and Southeast Asia, Turkey and North Africa, a sentiment shared with many US



Clothing	Annual % growth	Avg. weekly spend (£m)
Aug-19	1.7%	£782
Sep-19	-3.2%	£775
Oct-19	3.7%	£828
Nov-19	-4.8%	£880
Dec-19	3.8%	£1,213
Jan-20	2.1%	£690

Source: Retail Economics: Retail Sales Series – value, non-seasonally adjusted. *Period aligned to ONS trading calendar 29 December 2019 – 01 February 2020. *Regional figures may not sum to total due to rounding

players who began moving production away from China last year following heightened trade wars between the US and the region.

Key call out stats for easy data intake

London

£125m

The average weekly spend on Clothing in London in January.

Average Weekly Sales

£690m

The average weekly spend on Clothing in the UK in January.

Next has warned that it has about £20m of inventory at risk in China. If deliveries arrive late for their intended season, it puts them at risk to mark down.



Footwear – Retail Economics Index: January 2020

Footwear recorded the strongest performance among non-food categories in January, with sales up by 2.7% in the month – well above its 12-month average of 0.3%.

Sales stepped up on the back of strong womenswear. Relatively mild temperatures brought no urgency to buy seasonally heavy shoes in January, which impacted sales across men's and children's segments according to the BRC. However, as boots are more of a fashion statement in the women's segment, sales were less impacted by weather factors.

Boris bounce?

The new year brought a marked uplift in confidence following December's general election. GfK's consumer confidence index increased by two points to -9 in January on the back of greater certainty over the general direction of the economy.

With many consumers feeling that Brexit is now behind us, it's led some to view gains in confidence and rebounds elsewhere (including the housing market) as a 'Boris bounce'.

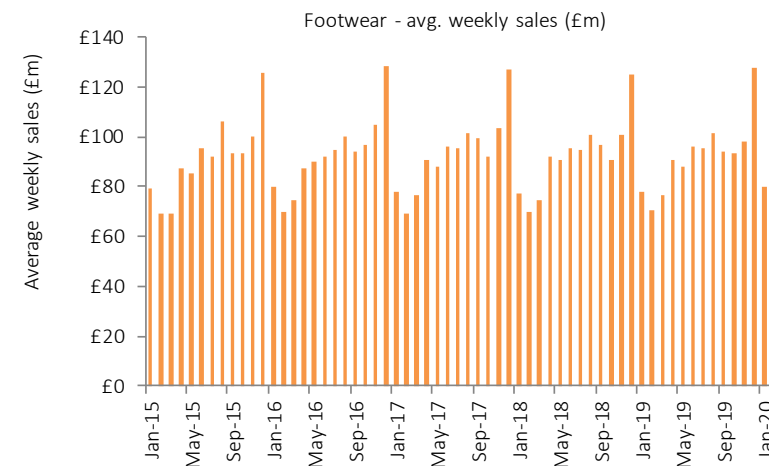
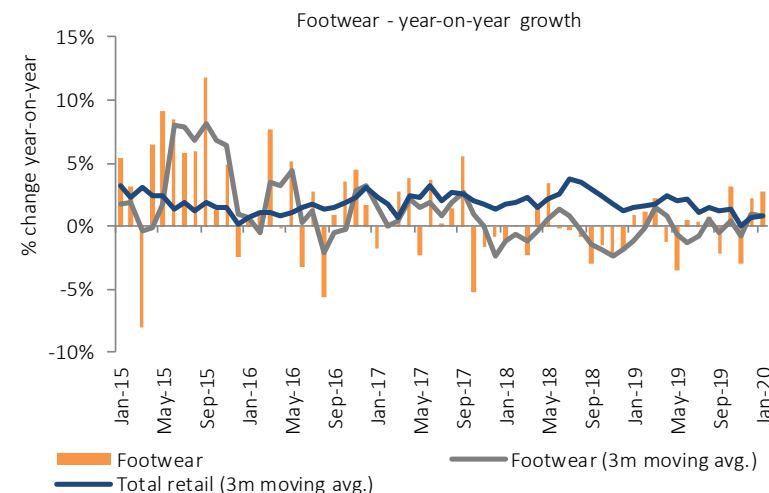
However, with the clock ticking to deliver new trade agreements by the end of the year, current uplifts could turn out to be a 'Boris blip'.

Bargain hunting increasingly seems engrained in consumers' mentality. And 2020 is arguably the year of confusion for consumers, which could undermine willingness to spend on non-essentials going forward.

Retail Economics' consumer sentiment survey continues to show that shoppers predominantly remain concerned about Brexit and lack of savings. Beyond that, how to shop in an environmentally sustainable way will be an evolving theme this year, as well as how to safeguard ourselves over the coronavirus in coming months.

Stronger personal finances

Ultimately, households are in stronger financial positions compared to a year ago. Latest ONS figures show that UK employment hit a record high, while earnings growth continues to outpace inflation which remains below the Bank of England's 2% CPI target.



Source: Retail Economics: Retail Sales Series – value, non-seasonally adjusted
*Period aligned to ONS trading calendar 29 December 2019 – 01 February 2020

Footwear sales

2.7%

Footwear sales increased by 2.7% year-on-year in January.

Three-Month Basis

0.9%

Footwear sales increased by 0.9% on a three-month rolling basis.

The new year brought a marked uplift in confidence following December's general election. GfK's consumer confidence index increased by two points to -9 in January.



Footwear – Retail Economics Index: January 2020 – continued

The longer term view is that inflation will creep up throughout the year, but remain at modest levels to support real earnings growth.

Latest ONS data shows some cooling in the labour market, with regular pay edging down by 0.2% points to 3.2% compared to the previous month. Additionally, there was an estimated 50,000 fewer job vacancies between November 2019 and January 2020 compared to the previous year. The Bank of England suggests future pay settlements are hovering between 2-3%, which indicates downward pressure on wages.

Leisure categories appear to be benefiting more from gains in personal finances than retail. To this end, data from Barclaycard shows spending on Entertainment was up by 6.8% in January, supported by a 22% rise in cinema spending following release of the box-office topping film 1917.

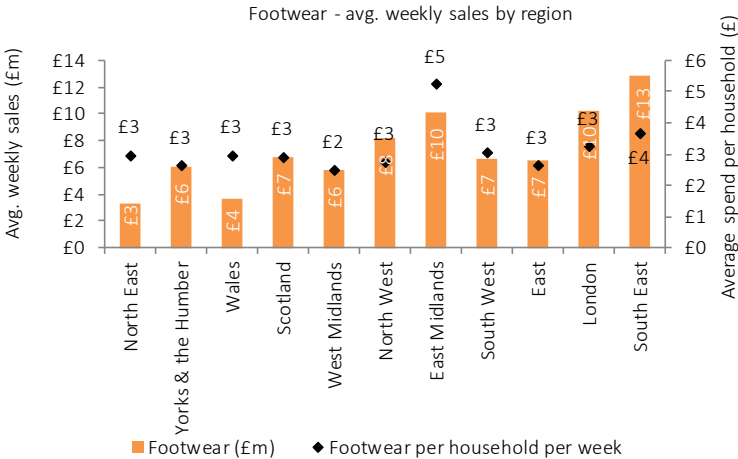
Stepping up spending

Encouraging anxious consumers to spend on retail, typically means driving value and offering something more in the form of ‘doing good’ and creating memorable experiences, as consumers attach less value to possessions.

Sustainable footwear brand Allbirds has arguably found a comfortable balance, opening its second London store near Regent’s Park in February.

Despite establishing online, the retailer has opened 16 other bricks-and-mortar stores in the past year. Its shops compliment their local surroundings, with its latest store opening claiming to be “quintessentially London” as it offers exclusive laces in colourways named Bakerloo Brown, Regent’s Park Green, and Lord’s Cricket White to drive store sales.

The London store aims to educate shoppers with information around its products’ natural materials, their provenance and low carbon footprint. It also has a host of experiences lined up in the spring to inspire more sustainable living, including workshops from London Terrariums and Print Club London.



Footwear	Annual % growth	Avg. weekly spend (£m)
Aug-19	0.8%	£101
Sep-19	-2.2%	£94
Oct-19	3.2%	£93
Nov-19	-3.0%	£98
Dec-19	2.2%	£127
Jan-20	2.7%	£80

Source: Retail Economics: Retail Sales Series – value, non-seasonally adjusted
*Period aligned to ONS trading calendar 29 December 2019 – 01 February 2020
*Regional figures may not sum to total due to rounding

South East

£13m

The average weekly spend on Footwear in the South East in January.

Average Weekly Sales

£80m

The average weekly spend on Footwear in the UK in January.

Encouraging anxious consumers to spend on retail typically means driving value and offering something more in the form of ‘doing good’ and creating memorable experiences.



Online Clothing & Footwear – Office for National Statistics – January 2020

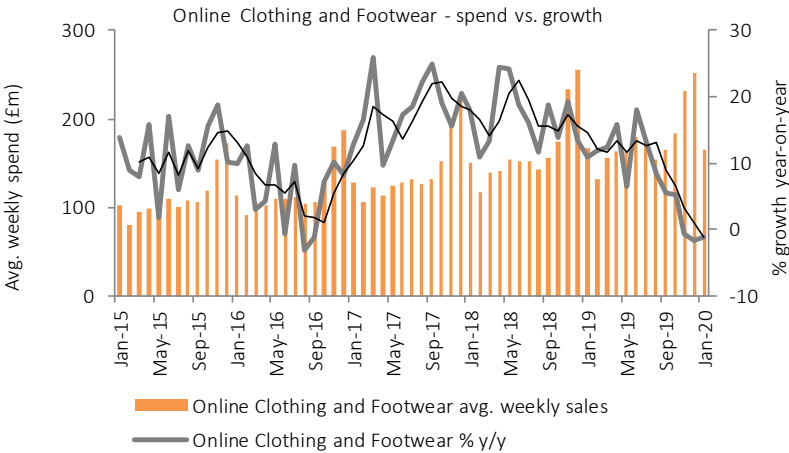
Online Clothing & Footwear sales fell for the third consecutive month in January, down 1.1% year-on-year against a 11.0% rise in the same month a year ago. This was a slight improvement on the 1.6% fall in December.

The decline was in line with the three-month of -1.1%, but was considerably weaker than the 12-month average (+7.8%).

The category continues to be impacted by the ongoing structural changes within the industry.

Online sales of Clothing & Footwear accounted for 20.0% of total retail sales in January, down 0.8 percentage points from the 20.8% proportion a year ago.

Average weekly spending for Online Clothing & Footwear stood at £165m in January, lower than the £167m average spent in the same month a year earlier.



Online Clothing & Footwear

-1.1%

Online Clothing & Footwear sales fell 1.1% in January, year-on-year.

Average Weekly Spend

£165m

The average online weekly spend for Clothing & Footwear was £165m in January.

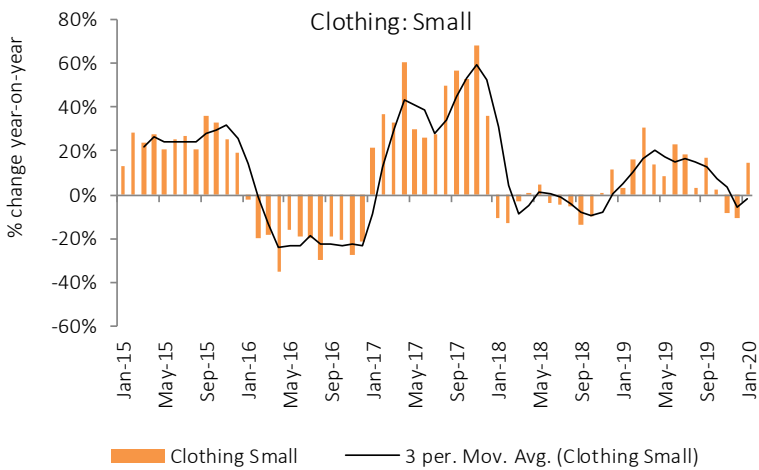
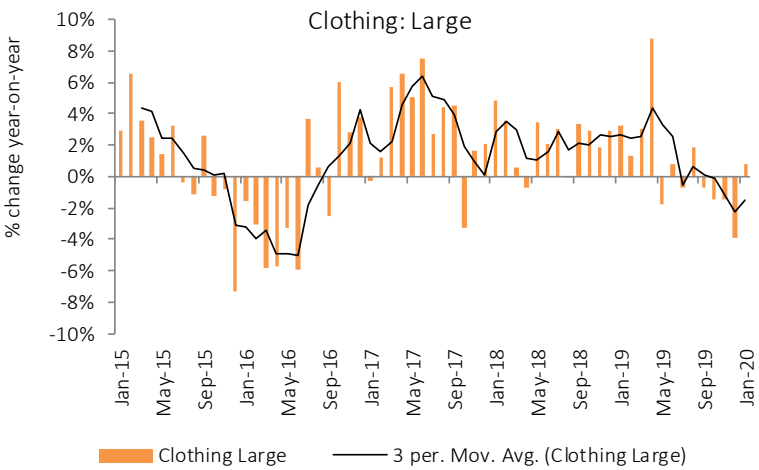
Online sales of Clothing & Footwear accounted for 20.0% of total retail sales in January, down 0.8 percentage points from the 20.8% proportion a year ago.

Online Clothing and Footwear	Annual % growth	Avg. weekly spend (£m)
Aug-19	8.5%	£154
Sep-19	5.6%	£165
Oct-19	5.4%	£183
Nov-19	-0.7%	£232
Dec-19	-1.6%	£252
Jan-20	-1.1%	£165

Source: ONS: Retail Sales Index – value, non-seasonally adjusted
*Period aligned to ONS trading calendar 29 December 2019 – 01 February 2020



By Size of Retailer –
Office for National Statistics: January 2020



Clothing: Large Retailers	Annual % growth
Aug-19	1.8%
Sep-19	-0.7%
Oct-19	-1.4%
Nov-19	-1.5%
Dec-19	-3.9%
Jan-20	0.8%

Clothing: Small Retailers	Annual % growth
Aug-19	2.8%
Sep-19	16.7%
Oct-19	2.4%
Nov-19	-8.7%
Dec-19	-10.9%
Jan-20	14.2%

Source: ONS: Retail Sales Index – value, non-seasonally adjusted
*Period aligned to ONS trading calendar 29 December 2019 – 01 February 2020

Large Clothing Retailers

0.8%

Large clothing retailers saw sales edge up by 0.8% year-on-year in January according to the ONS.

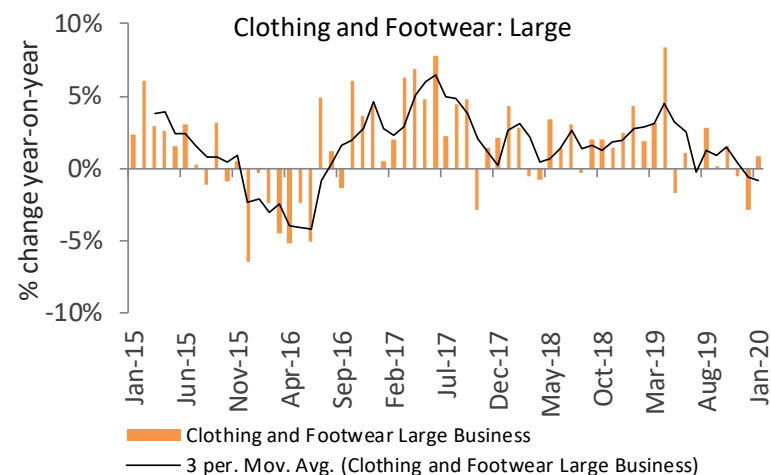
Small Clothing Retailers

14.2%

Small clothing retailers saw sales rocket 14.2% year-on-year in January according to the ONS.



By Size of Retailer – Office for National Statistics: January 2020



Clothing and Footwear: Large businesses	Annual % growth
Aug-19	2.8%
Sep-19	0.1%
Oct-19	1.5%
Nov-19	-0.5%
Dec-19	-2.8%
Jan-20	0.9%

Clothing and Footwear: Large

0.9%

Large Clothing & Footwear retailers saw sales inch up 0.9% year-on-year in January, according to the ONS.

Clothing and Footwear: Small

12.7%

Small Clothing & Footwear retailer sales accelerated by 12.7% year-on-year in January, according to the ONS.



Clothing and Footwear: Small businesses	Annual % growth
Aug-19	4.2%
Sep-19	18.3%
Oct-19	5.8%
Nov-19	-4.9%
Dec-19	-2.6%
Jan-20	12.7%

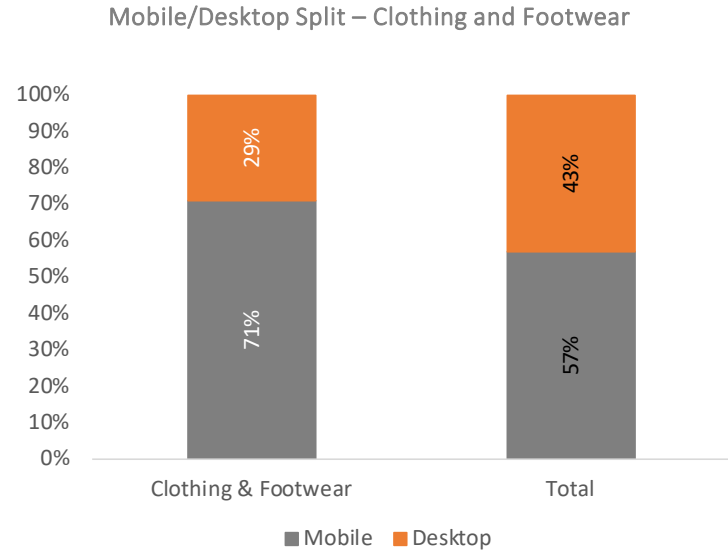
Source: ONS: Retail Sales Index – value, non-seasonally adjusted
*Period aligned to ONS trading calendar 29 December 2019 – 01 February 2020



Hitwise Online Traffic Index – Clothing and Footwear



Source: Hitwise, Retail Economics Analysis



Source: Hitwise, Retail Economics Analysis

Top 10 websites by visits - Clothing and Footwear

	Top 10 Clothing and Footwear Websites	Number of visits	YoY growth
1	www.next.co.uk	34,383,243	-5.3%
2	www.asos.com	22,380,139	-13.2%
3	www.jdsports.co.uk	16,035,425	65.2%
4	direct.asda.com	11,070,146	-0.7%
5	www.newlook.com	10,747,847	-17.6%
6	www.riverisland.com	10,189,702	16.3%
7	www.prettyprettything.com	9,436,107	-4.1%
8	www.sportsdirect.com	8,834,299	-12.1%
9	www.boohoo.com	8,485,478	22.9%
10	www.matalan.co.uk	7,683,183	5.5%

Source: Hitwise, Retail Economics Analysis

Top 10 search terms - Clothing and Footwear

Clothing and Footwear	Top 10 Search Terms
1	sex toys
2	bridesmaid dresses
3	lingerie
4	wedding guest dresses
5	dresses
6	prom dresses
7	maternity clothes
8	sexy lingerie
9	mens trainers
10	trainers

Source: Hitwise, Retail Economics Analysis

Retail Website visits

-1.0%

According to Hitwise, visits to Clothing & Footwear retailer websites dipped by 1.0% year-on-year in January.

Mobile Visits

71%

According to Hitwise, 71% of visits to Clothing & Footwear retailer websites were made on mobile devices.

Online sales tailed off in January following a flurry of activity over the festive period. Shoppers were driven online last year as snowfall kept consumers indoors towards the end of the month.



Macro Factors – Consumers

Consumer spending reached £331,372m in the fourth quarter of 2019, rising by 0.1% quarter-on-quarter. This marked a slowdown on the 0.4% quarterly rise in Q3.

On an annual basis, consumer spending rose by 1.3% in Q4 compared with the same quarter in 2019, unchanged from Q3.

Early indications suggest a modest ‘Boris bounce’ in consumer sentiment, with GfK’s Consumer Confidence measure increasing by two points to -9 in January.

Four out of the five components in the measure improved in the month. Consumers feel more positive about 2020 when reflecting on 2019, on the back of strong employment, real wage growth and low inflation.

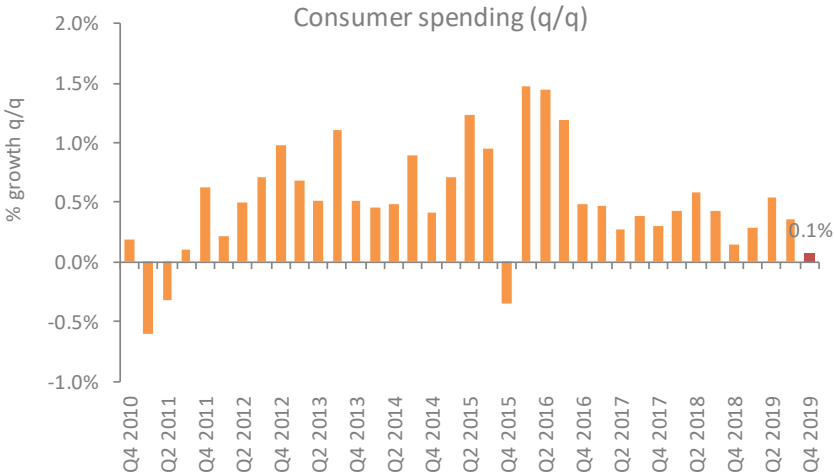
GfK’s Major Purchase Index was the only measure to decline, partly indicating January blues after splashing out at Christmas. It also reflects subdued non-essential sales that retailers have been facing, against what remains a critical year ahead for Brexit as we enter the transition period. Indeed, GfK’s index has been in negative territory for four years running.

Consumers’ perceptions of the general economic situation over the last 12 months increased by a further three points to -28 in January – seven points ahead of last year. The forward-looking component saw a robust three-point uplift to -24, which is a staggering 15 points higher than in January 2019.

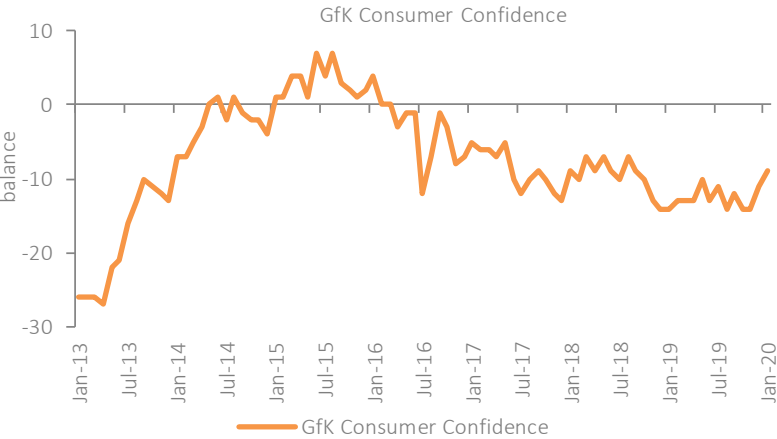
The backward-looking personal finances component increased by four points to +1 in January and is one point higher than a year ago. The forward-looking measure improved by three points to +6, which is five points higher than last year.

The major purchases index declined by two points to +1 in January – one point lower than a year ago.

The savings index was up by two points to +20 in January – six points ahead of last year.



Source: ONS



Source: GfK

Spending

£331bn

Consumer spending reached £331,372m in Q4 2019.

Confidence

-9

Overall consumer confidence rose two points to -9 in January, five points higher than last year.

GfK’s Major Purchase Index was the only measure to decline, partly indicating January blues after splashing out at Christmas.



Macro Factors – Ipsos Retail Performance

Latest figures from Ipsos Retail Performance (which measures footfall in over 4,000 non-food stores across the country) showed that footfall fell just 0.5% in January year-on-year. This was an improvement on the 7.2% fall in the previous month and above the three-month average rate of -5.0%.

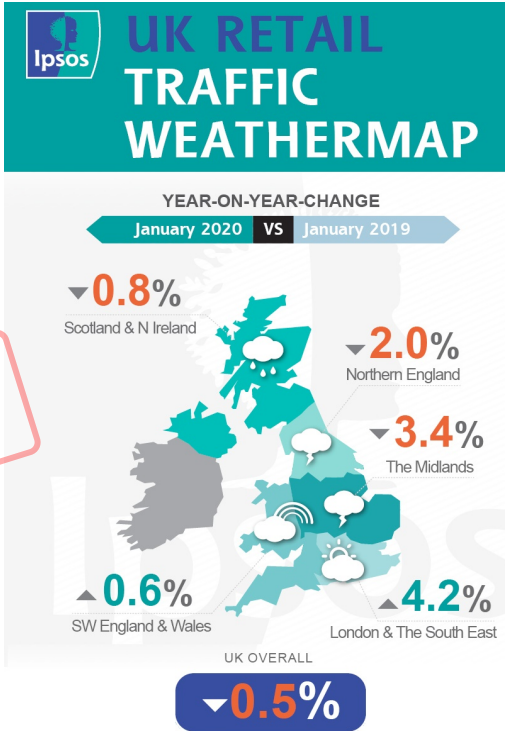
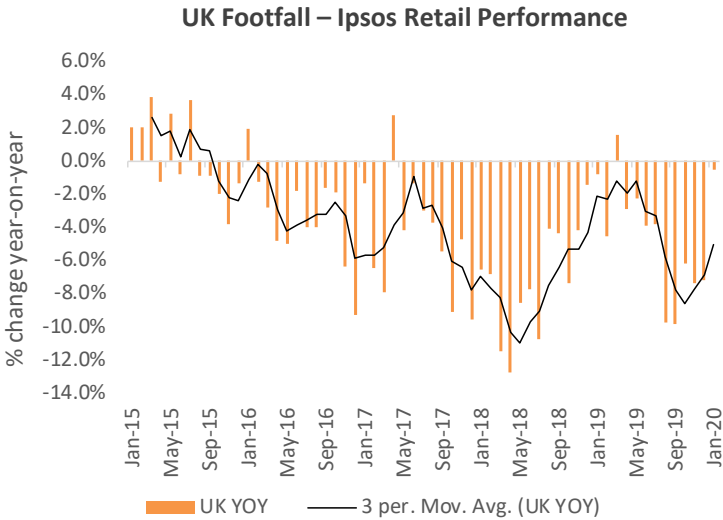
On a month-on-month basis, footfall fell 24.6%, slightly less than Ipsos' expectations of a 27.7% fall.

There was an improvement across the UK with two out of five areas reporting a rise in footfall growth. Indeed, London & The South East was the strongest performer with footfall growth increasing 3.4 percentage points to 4.2%, the best result in over eight years. Meanwhile South West England & Wales (+0.6%) reported its first rise in footfall growth since June 2016.

Elsewhere, despite reporting the sharpest decline in footfall, the Midlands demonstrated the strongest improvement overall with footfall growth improving 8.8 percentage points to -3.4%. Scotland & Northern Ireland also reported a marked improvement, with footfall declining just 0.8%.

Looking ahead to February, Ipsos expect footfall growth to remain in negative territory, albeit at a slightly improved rate than in the previous month, forecasting a 10.5% fall.

Apply footfall data to better inform your decision making processes



UK Footfall

-0.5%

According to Ipsos Retail Performance, footfall fell by 0.5% in January.

Northern England

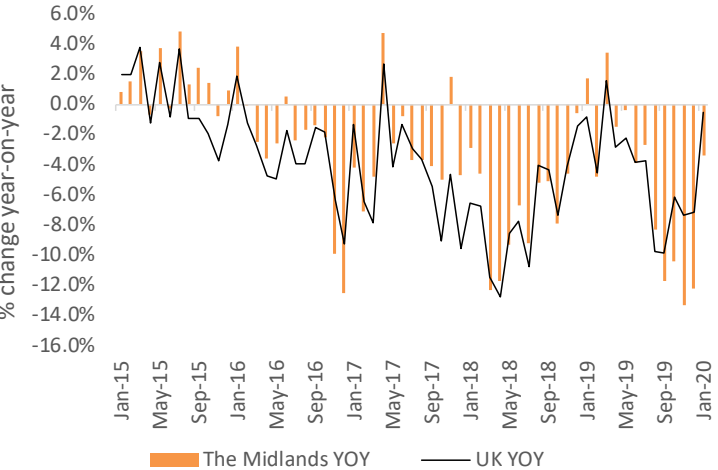
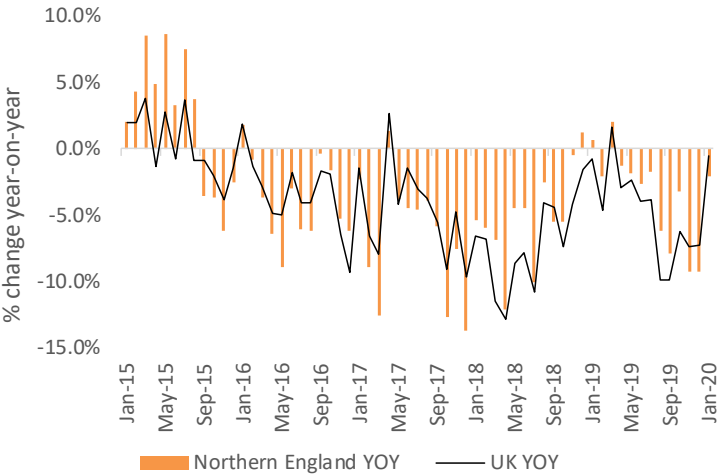
-2.0%

In Northern England, footfall fell by 2.0% compared with the previous year.

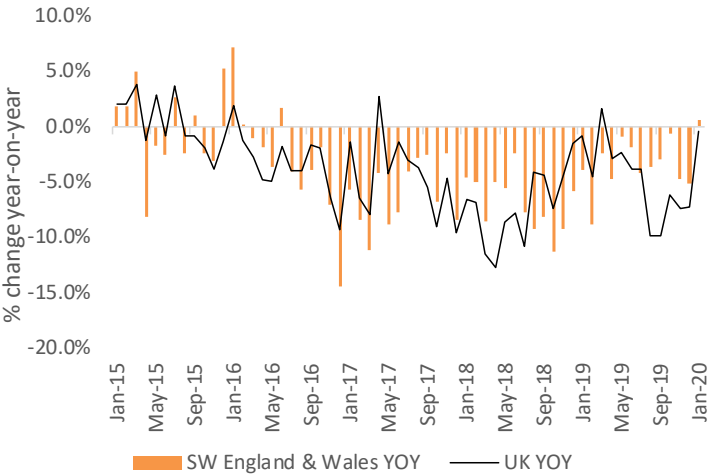
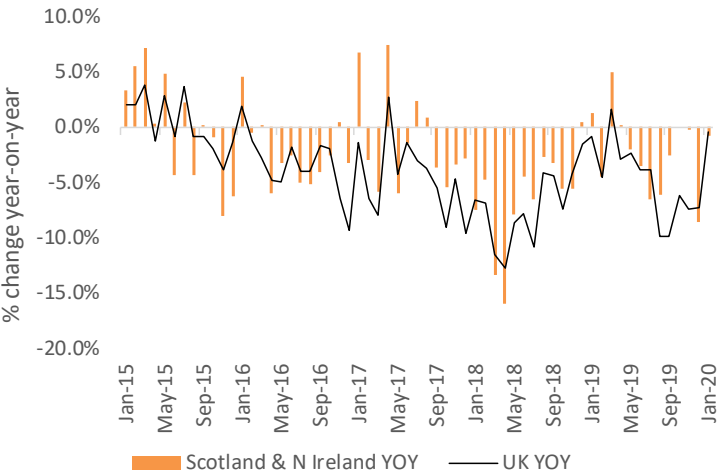
London & The South East was the strongest performer with footfall growth increasing 3.4 percentage points to 4.2%, the best result in over eight years.



Macro Factors – Ipsos Retail Performance



Source: Ipsos Retail Performance



Source: Ipsos Retail Performance

London & SE England

4.2%

According to Ipsos Retail Performance, footfall rose by 4.2% in London & SE England.

Scotland & Northern Ireland

-0.8%

Footfall growth fell 0.8% in Scotland & Northern Ireland compared with the previous year.

Footfall in South West England & Wales rose by 0.6% year-on-year in January.



Macro Factors – Labour Market

The UK labour market hit another record in the final three months of 2019, with the proportion of 16 to 64 year olds in work reaching an all-time high according to ONS data. However, earnings growth slowed to its lowest rate in over a year.

The employment rate hit a record high of 76.5% in the period, edging up by 0.4% points on the previous quarter and up 0.6% points on last year. This came as the employment rate for women hit a record high of 72.4% (while the employment rate for men edged up to 80.6%), and the number of full-time workers hit a high of 24.42 million. Overall, the number of people in employment rose to 32.93 million in the three months to December, up by 336,000 on last year.

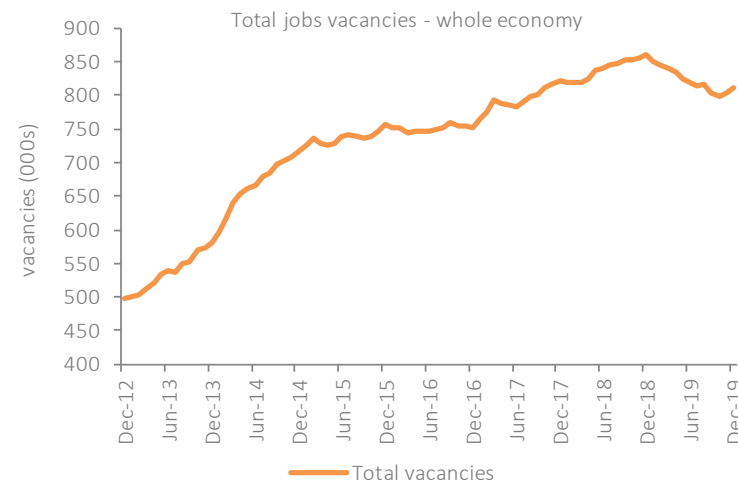
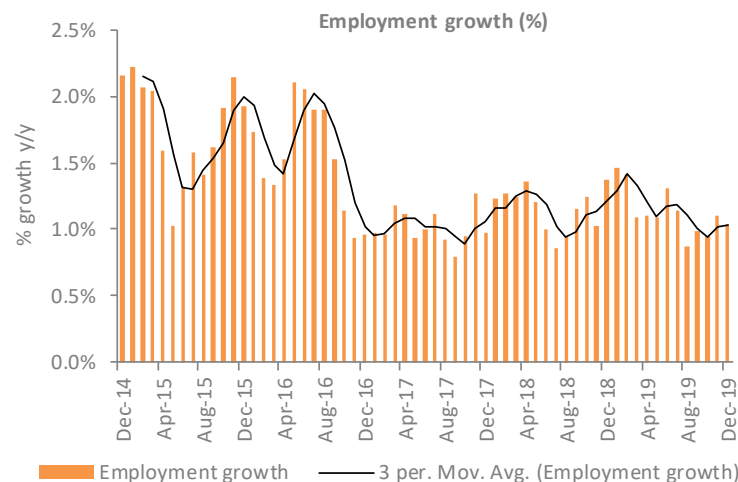
Meanwhile, the unemployment rate remained broadly unchanged in the quarter at 3.8%, but was down from 4.0% a year earlier. An estimated 1.29 million people were unemployed – 73,000 fewer than last year and 580,000 fewer than five years ago.

The number of people aged from 16 to 64 years old that are economically inactive (not working and not seeking or available to work) reached a record low of 20.5% – down 0.4% points compared to last year and down 0.3% on last quarter. This was mainly driven by record low activity among women at 24.8%.

Vacancies ticked up in the latest quarter following 11 consecutive quarterly falls. There was an estimated 810,000 job vacancies between November 2019 and January 2020 – up by 7,000 on the previous quarter, but 50,000 fewer compared to the previous year. This represents 2.7 job vacancies per 100 employee jobs across the economy.

The retail sector accounted for around 10.6% of all vacancies in the UK in the three months to January.

Earnings slowed yet again in the quarter to December. Average weekly earnings for employees edged down 0.2% points to 3.2% for regular pay (excluding bonuses) compared to the previous month, while total pay (including bonuses) weakened to 2.9% from 3.2% last month. Total pay came up against a strong comparative with unusually high bonuses given in October 2018.



Source: ONS

Unemployment

3.8%

The unemployment rate stood at 3.8% in December, unchanged from the previous period.

Employment levels

+180,000

Employment levels rose in the three months to December compared with the previous three month period.

The retail sector accounted for around 10.6% of all vacancies in the UK in the three months to January.



Macro Factors – Earnings

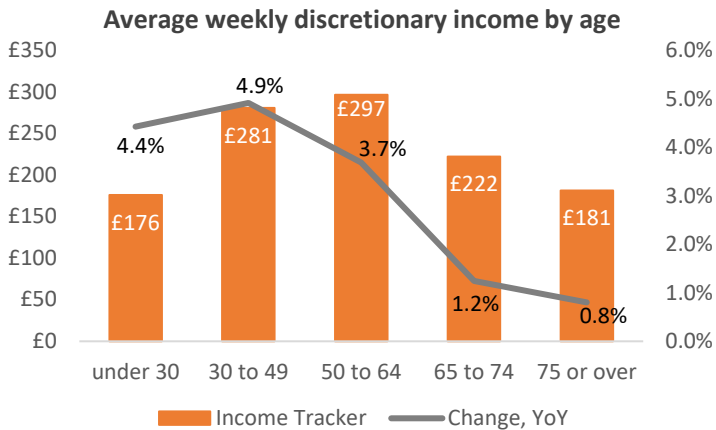
For December 2019, in nominal terms (i.e. not adjusted for price inflation):

- Average regular pay (excluding bonuses) for employees in Great Britain was £512 per week before tax and other deductions from pay, up from £496 per week for a year earlier
- Average total pay (including bonuses) for employees in Great Britain was £544 per week before tax and other deductions from pay, up from £529 per week for a year earlier

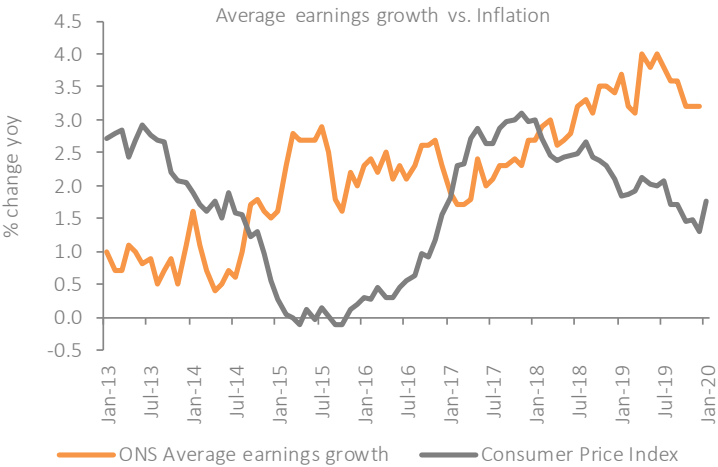
Asda Income Tracker – January 2020

The Asda Income Tracker showed households had £221 of discretionary income available each week in January. This is a 4.0% rise on the same month last year, equating to £8.52 per week more.

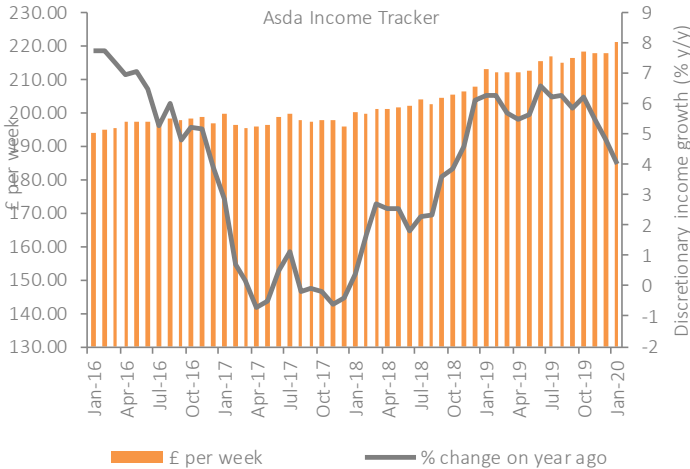
In terms age groups, it was the 30-49 year olds that saw the sharpest rise in average weekly discretionary incomes in January, rising 4.9% year-on-year. That said, this was the lowest rise for this age bracket since November 2018. Elsewhere the under 30s (+4.4%) and 50-64 years olds (+3.7%) also experienced a boost in average weekly discretionary incomes. It was those aged over 65 that experienced the lowest rise in discretionary incomes, with 65-74 year olds (+1.2%) and the over 75's (+0.8%), significantly underperforming all other age groups.



Source: Asda Income Tracker



Source: ONS



Source: Asda Income Tracker

Earnings Growth

+3.2%

Average regular pay rose by 3.2% in December, year-on-year.

Discretionary Income

£221

The average UK household had £221 per week of discretionary income in January.

The Asda Income Tracker showed households had £221 of discretionary income available each week in January. This is a 4.0% rise on the same month last year, equating to £8.52 per week more.



Macro Factors – Costs, Prices and Margins

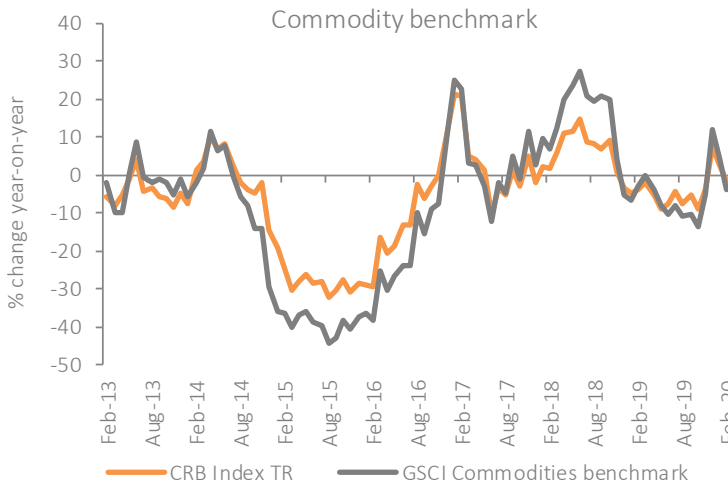
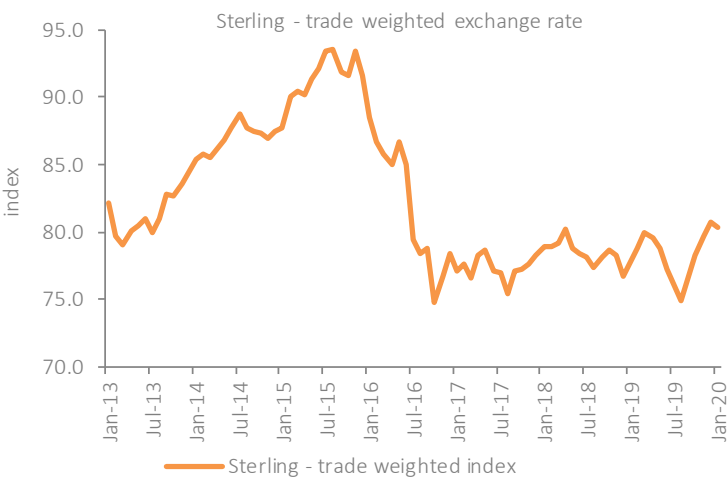
Sterling’s trade weighted index rose 3.3% year-on-year in January, but fell 0.3% on the month. The better than expected rise in inflation in January resulted in an uplift in sterling (against other currencies). That said, it remains vulnerable to ongoing EU-UK trade negotiations.

Both commodity benchmarks we follow fell back in February. Indeed, the Thomson Reuters CRB Index fell 1.8% year-on-year, compared with a 3.9% fall in the GSCI Commodities benchmark.

The Baltic Dry Index (indicative of shipping costs) continued to decline in February, down 38% on the previous month and 27% year-on-year (as of 27 February 2020). Falling rates of both capsized and panama segments exerted downward pressure on the index as demand continued to falter.

The average price of a barrel of oil stood at \$61 (as of 27 February), falling 5.9% on the month, and down 8.8% year-on-year. Concerns over the impact of the coronavirus outbreak on oil demand has weighed on prices in recent weeks.

	Nov-19	Dec-19	Jan-20	Feb-20
GSCI Commodities benchmark	-5.1	11.9	4.3	-3.9
Brent Oil (\$ per barrel)	63.0	71.6	64.4	60.6
CRB Index TR	-4.0	7.3	2.5	-1.8
Baltic Exchange Dry Index (BDI)	27.5	-16.5	-32.2	-26.8



Source: ONS, Bank of England

Sterling

3.3%

Sterling’s trade weighted index rose 3.3%, year-on-year in January.

Commodities

-1.8%

The CRB Index fell 1.8% in February compared with the previous year.

Sterling’s trade weighted index rose 3.3% year-on-year in January, but fell 0.3% on the month.



Macro Factors – Costs, Prices and Margins

The Producer Price Index (output) rose 1.1% year-on-year in January, from the 0.9% rise in the previous month. This is the second consecutive month to report a rise.

On a monthly basis, output inflation rose 0.3% in January, the first positive monthly reading since July 2019.

Petroleum products provided the largest upward contribution of 0.37 percentage points (pp) to the annual output rate, with inflation rising 4.9% year-on-year.

Computer, electrical and optical products made the second-largest upward contribution to the change in the rate at 0.17 percentage points.

Chemicals and pharmaceuticals made the only negative contribution to the annual output PPI rate at -0.14 pp.

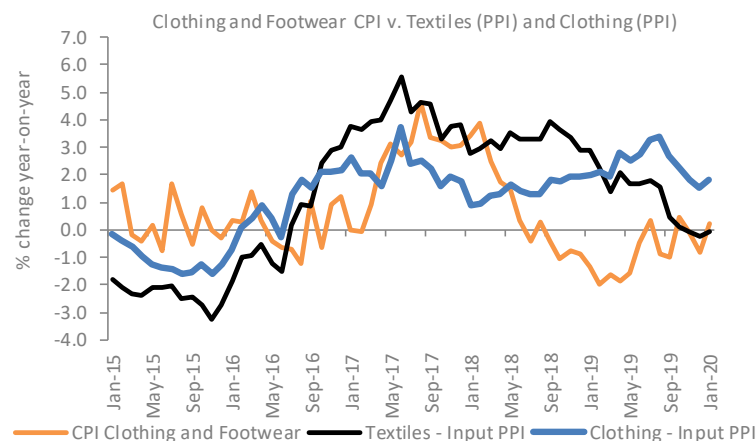
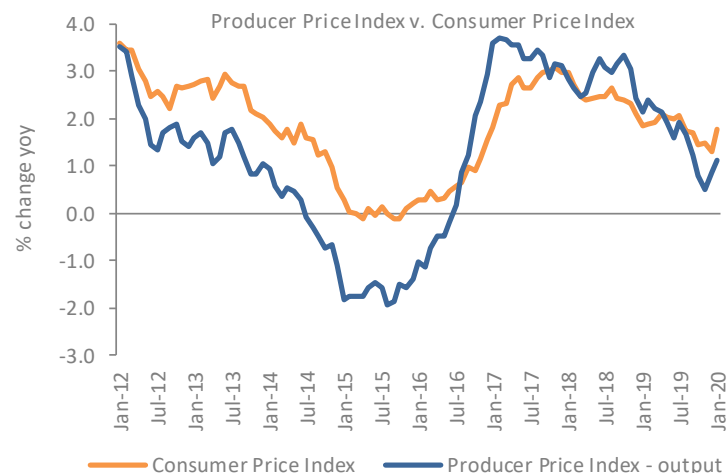
Meanwhile the PPI for inputs accelerated in January, rising 2.1% year-on-year from the 0.9% rise in the previous month. On a monthly basis, input PPI rose 0.9%, unchanged from the previous month.

The largest upward contribution came from crude oil (+1.8 pp) with annual price growth of 11.3%.

Imported metals made the second-largest upward contribution of 1.32 pp, with annual price growth rising 15.8%. This was driven by imported precious metals (non-EU) which rose 53.6% year-on-year.

Imported chemicals provided a large downward contribution of 0.96pp and negative annual growth of -7.1%.

Inflation of imported materials and fuels (which represents around two-thirds of input prices) rose 1.9% in January, year-on-year, rising from the 0.1% fall in the previous month.



PPI Output

1.1%

The Producer Price Index (output) stood at 1.1% in January.

PPI Input

2.1%

The Producer Price Index (input) stood at 2.1% in January.

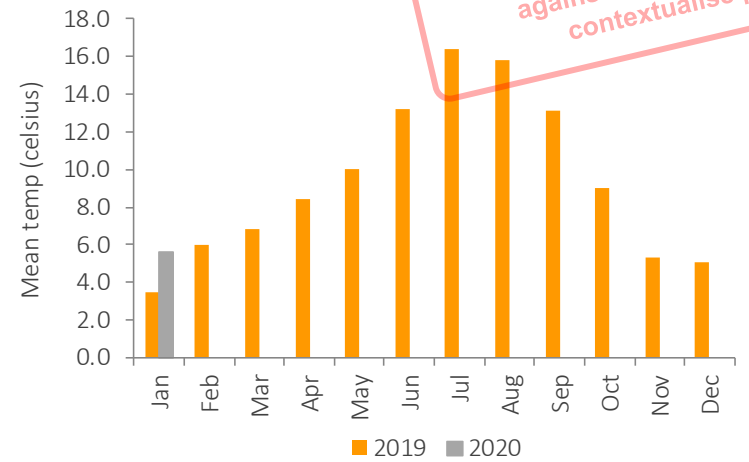
Sourcing costs specific to clothing and footwear from Textiles (-0.1%) was broadly flat, while Clothing (+1.8%) edged up in January.

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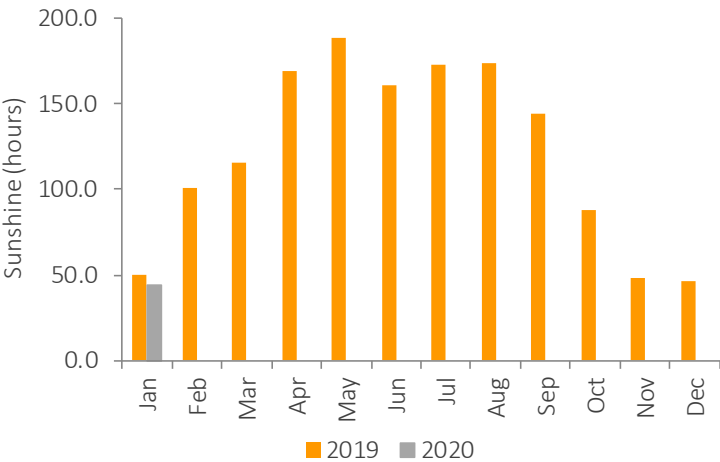
Weather Watch – Met Office

Weather can be a critical driver of short-term demand. A comparison against the previous year can help contextualise performance.



Mean Temp	2018	2019	2020
Jan	4.0	3.5	5.6
Feb	2.4	6.0	
Mar	3.8	6.8	
Apr	8.4	8.4	
May	12.1	10.0	
Jun	14.8	13.2	
Jul	17.3	16.4	
Aug	15.3	15.8	
Sep	12.4	13.1	
Oct	9.6	9.0	
Nov	7.3	5.3	
Dec	5.8	5.1	

Source: Met Office



Sunshine	2018	2019	2020
Jan	48.9	50.5	44.5
Feb	95.6	100.6	
Mar	85.0	115.6	
Apr	132.6	168.9	
May	246.0	188.5	
Jun	239.9	160.8	
Jul	237.6	173.2	
Aug	147.4	173.6	
Sep	134.1	144.0	
Oct	113.2	87.9	
Nov	63.0	48.1	
Dec	37.6	46.2	

Source: Met Office

Temperature

5.6°C

The mean temperature during January was 5.6°C, the warmest January since 2007.

Sunshine

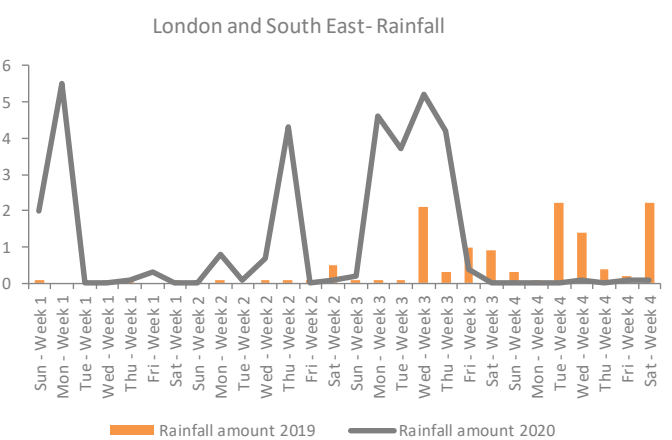
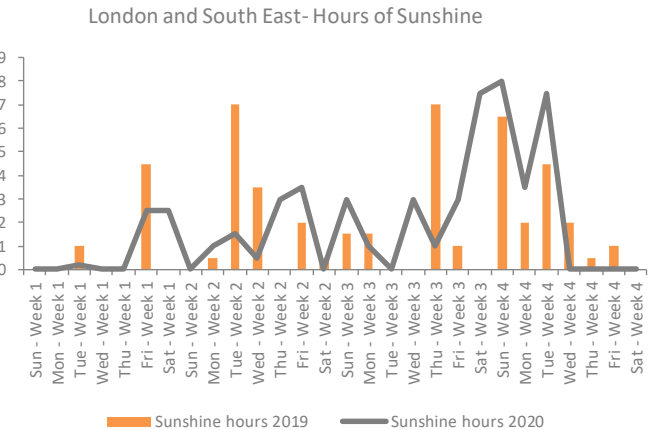
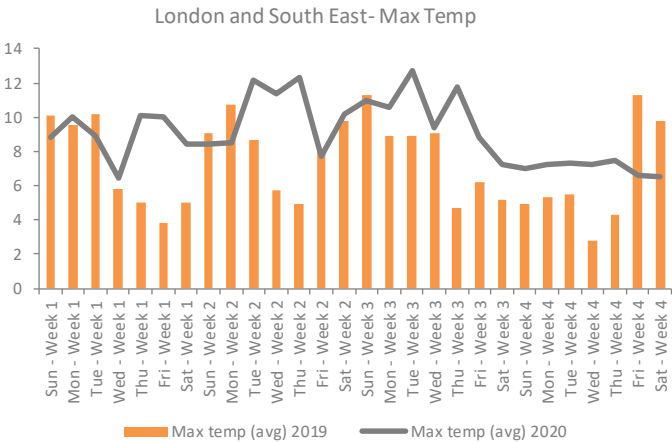
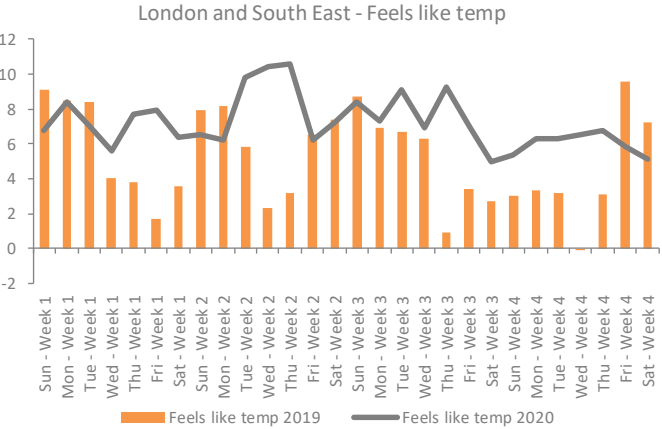
44.5

There were 44.5 hours of sunshine during January, the dullest January in four years.

It was the warmest January since 2007.



UK Weather by Region and Metric



Source: Met Office

Source: Met Office

Our monthly report, *UK Monthly Weather by Region* provides the following data for January 2020: Feels like temperature; Max temperature; Hours of sunshine; Rainfall.

For the following UK regions: East Midlands; East of England; London and the South East; North East England; North West England; Northern Ireland; Scotland; South West England; Wales; West Midlands.

[Click here to download the full UK Monthly Weather by Region report for January 2020](#)

Met Office Commercial Weather Services have been developed with retailers to support commercial, supply chain and insight teams in managing the impacts of weather on their business and offers value beyond the scope of weather data covered in this report.

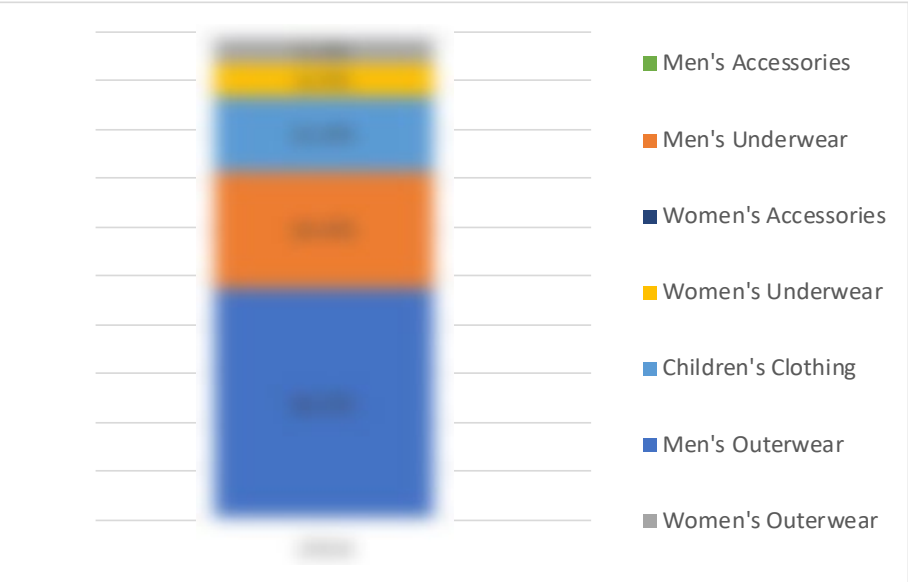
For further information, please contact retail@metoffice.gov.uk. www.metoffice.gov.uk/retail



Forecasts



Market Size



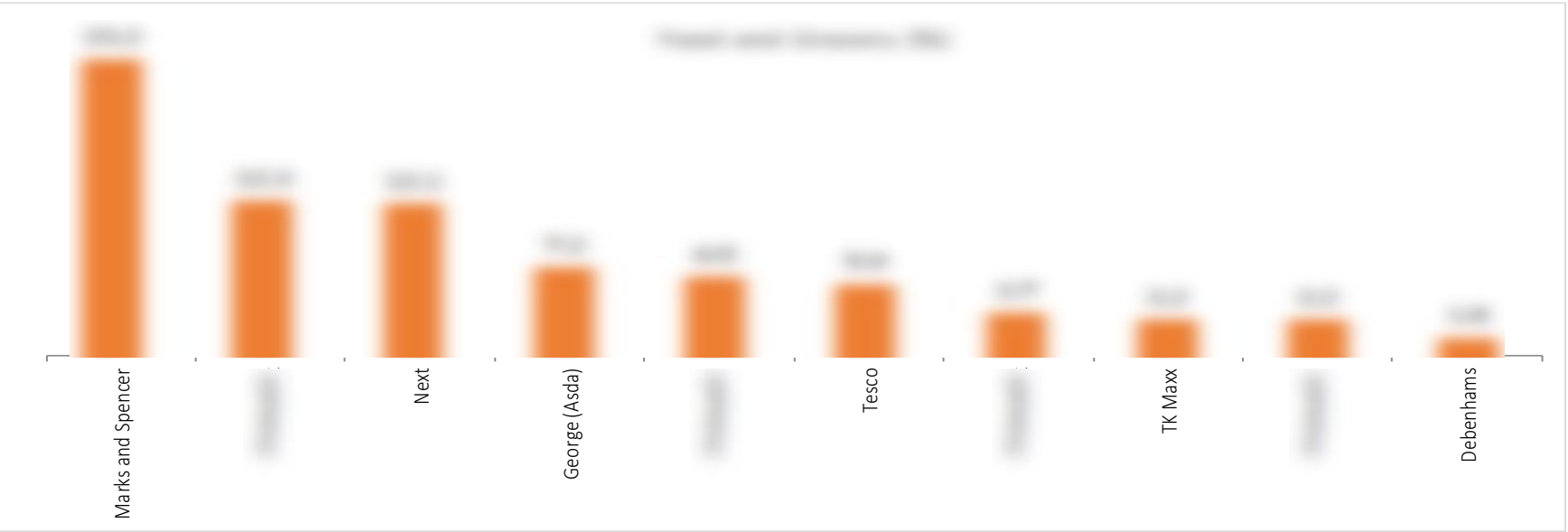
Key statistics



Forecasts

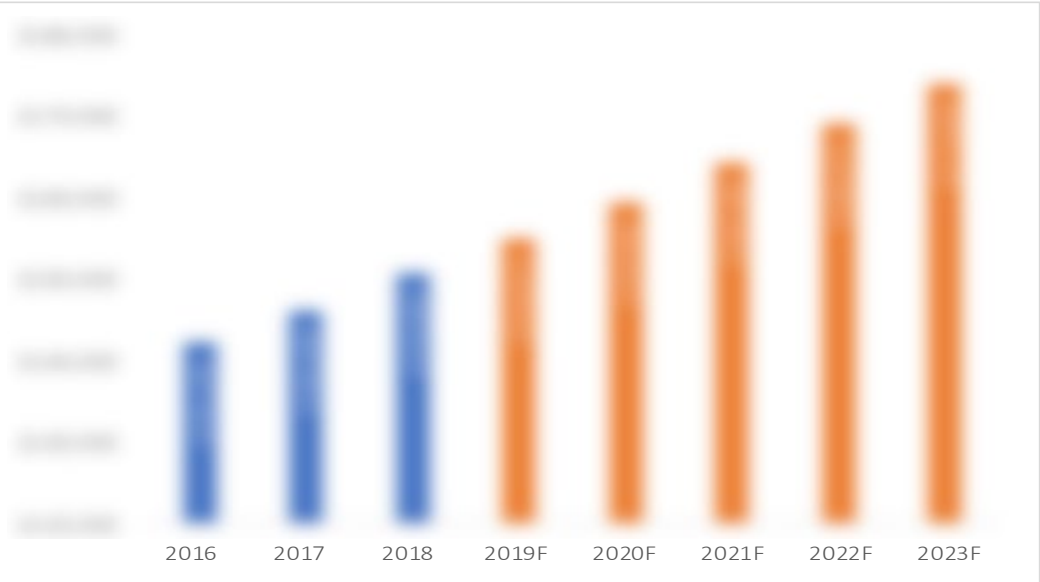
Year	Total market (£m)	Annual growth (%)
2016		
2017		
2018		
2019F		
2020F		
2021F		
2022F		
2023F		

% of Market Share

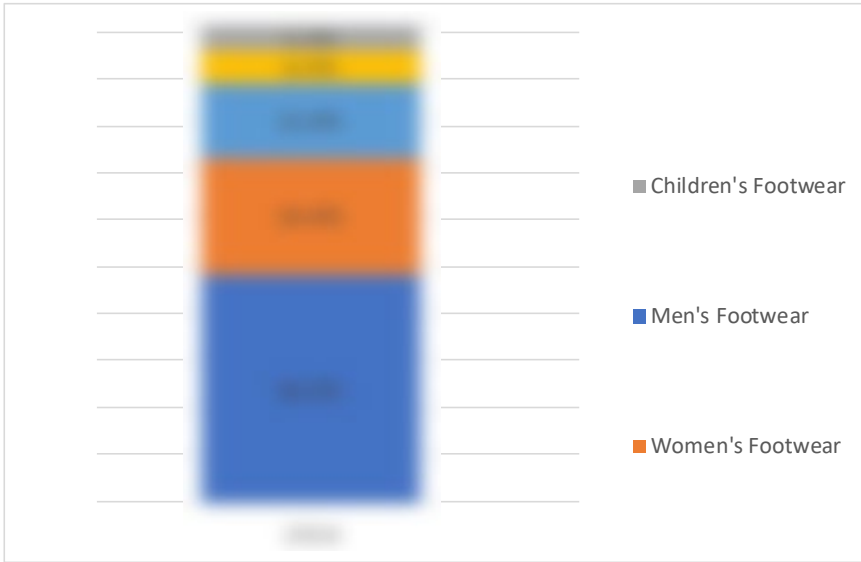




Forecasts



Market Size



Key statistics

Total Market

£17.5bn

2020 Forecast

£14.5bn

Forecasts

Year	Total market (£m)	Annual growth (%)
2016	1000	5.0
2017	1100	10.0
2018	1200	9.1
2019F	1350	12.5
2020F	1450	7.4
2021F	1550	6.9
2022F	1650	6.5
2023F	1750	6.1

% of Market Share



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Leading Clothing Retailers

Retailer	Market Share (%)	Future trend		Summary
		Previous	Q4 2019	
		>	<	
Primark		>	>	In September, Primark reported that it expects sales to be up 4% in the year to 14 September across Europe and the US, driven by 14 store openings as its like-for-likes slipped back 2%. UK sales rose 3% while like-for-likes dipped 1%. Its group operating margin will reportedly be up year-on-year despite the windfall from a strong dollar in the second half.
		>	>	
George (Asda)		>	>	Asda is ramping up its sustainability efforts with its Re-Loved shop-in-shop trial, which sells second-hand clothes and enabling shoppers to recycle unwanted clothing. All proceeds from the pop-up go to Asda's Tickled Pink campaign, supporting Breast Cancer Care and Breast Cancer Now. Earlier in the year, Asda's clothing brand George launched a range of products made from recycled polyester. Asda returned to growth in Q2, posting a 0.5% increase in like-for-likes in the three months to end-June, bolstered by the addition of Easter trading.
		<	<	
Tesco		>	>	Arcadia has had to take drastic measures to reshape its business amid torrid mid-market high street conditions. A CVA to close 23 stores and secure rent-cuts across nearly 200 others was approved, allowing the group to focus on ecommerce investment. The extent of the problems facing Topshop/Topman – the former darling of the group accounting 47% of group sales – were laid bare in September when it posted a pre-tax loss of more than half a billion pounds on sales down 9.3% at £846.8m for the year to end-August 2018.
		<	<	
TK Maxx		>	>	TK Maxx reported net sales increased by 6% year-on-year to £15.7bn in its second quarter to 3 August. TJX opened two new stores in the UK and Ireland during the period, taking its total estate to 374, while it expanded its international estate by eight stores to 703. Group gross profit margin slopped 0.7% points to 28.2%, attributed to a decrease in merchandise margin and higher supply chain costs.
H&M		>	>	TK Maxx reported net sales increased by 6% year-on-year to £15.7bn in its second quarter to 3 August. TJX opened two new stores in the UK and Ireland during the period, taking its total estate to 374, while it expanded its international estate by eight stores to 703. Group gross profit margin slopped 0.7% points to 28.2%, attributed to a decrease in merchandise margin and higher supply chain costs.
		<	<	

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Source: Retail Economics analysis, consumer panel data, financial reports



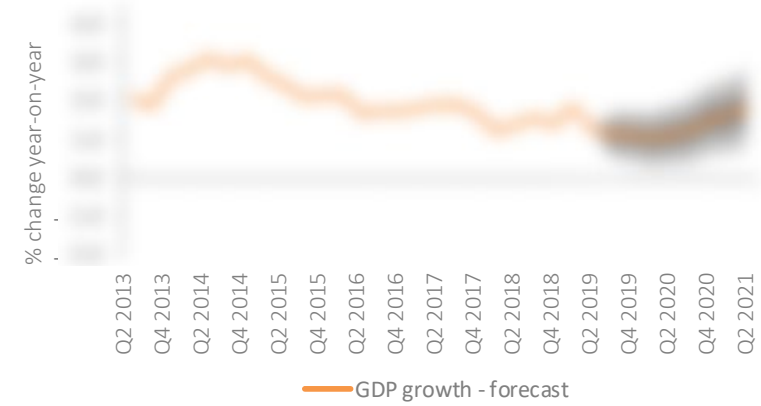
Leading Footwear Retailers

Retailer	Market Share (%)	Future trend		Summary
		Previous	Q4 2019	
Primark		↘	↘	
Marks and Spencer		↘	↘	
Office		↘	↘	
Schuh		↘	↘	
Primark		↗	↗	Primark reported in September that it expects its group operating margin will be up year-on-year, despite a strong dollar impacting sourcing costs in the second half. In order to bolster profitability going forward, in July it called on landlords to slash rents by 30%, as rivals slash property costs through CVAs.
Marks and Spencer		↘	↘	Marks & Spencer footwear is undergoing a revamp, including reducing its options across women's shoes, particularly formal, and driving greater value from its top performing lines going forward. This comes as part of M&S's plans to "restore style, fit and value" in its product offer, which was flagged a Capital Markets update in October.
Office		↘	↘	Office earmarked 15 stores out of its 139-strong UK estate for closure over the next two years in August, as the struggling retailer looks to boost profits. In a presentation to analysts, Office parent Truworths' chief executive Michael Mark said: "Closure of poor-performing stores remains a priority while enhancing the e-commerce offering to grow sales in a consumer environment trending towards online shopping – footwear is highly conducive to online retailing."
Schuh		↘	↘	In September Schuh called in consultancy firm Capa to review options for cutting its property costs across its 132-strong store estate. A month earlier, the retailer appointed KPMG to assess its options following a period of turbulent trading. Its pre-tax profit dropped 8.9% to £14.4m in 2017/18 – the latest full year results that are available.

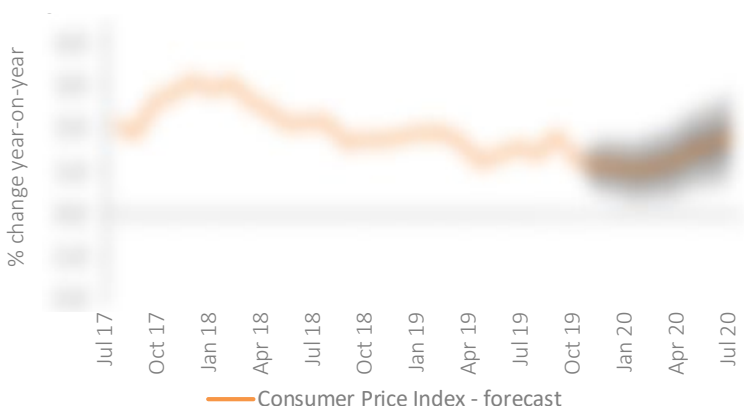
Source: Retail Economics analysis, consumer panel data, financial reports



GDP Forecast



Inflation Forecast



Inflation Forecast

XX%

Inflation forecast for Q4 2019

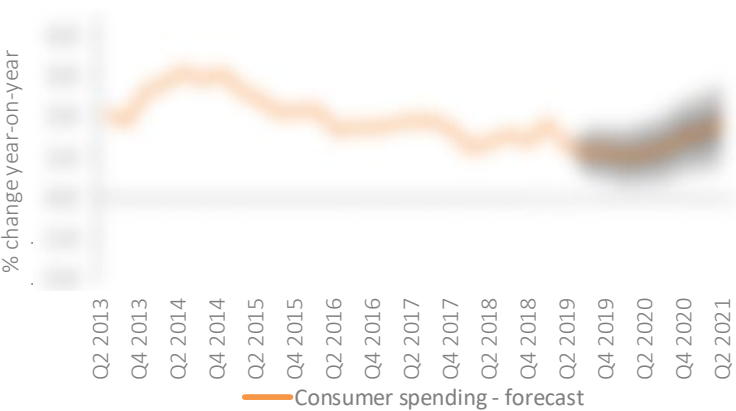
Real Wages Forecast

XX%

Real wage growth forecast for Q4 2019

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Consumer Spending Forecast



Real Wages Forecast



Source: Retail Economics

Source: Retail Economics

Source: Retail Economics analysis, consumer panel data, financial reports

Other reports and Services

Economic Retail Reports



UK Retail Sales

Monthly: covers a range of retail sales indices and category breakdowns including online retail sales, clothing and footwear, household goods, food, DIY and gardening, consumer electricals and more. [More info >](#)



UK Online Retail

Monthly: covers a range of online retail sales indices and category breakdowns including online retail sales, online growth rates by sector, online penetration rates, forecasts and market size estimates. [More info >](#)



UK Retail Inflation

Monthly: covers a range of retail inflation indices and category breakdowns including food inflation, non-food inflation, clothing and footwear, household goods, food, DIY and gardening, consumer electricals, commodity prices, exchange rates and more. [More info >](#)



UK Consumer*

Quarterly: analyses a range of UK consumer spending indicators including housing market data, consumer confidence, consumer credit, household inflation, labour market statistics, wage growth, retail sales and more. [More info >](#)



UK Retail Economic Briefing

Monthly: analyses a range of macroeconomic indicators including GDP, consumer spending, inflation, labour market, commodity prices, exchange rates, monetary indicators, credit and lending market data, house prices, mortgage data, retail sales and more. [More info >](#)



UK Retail Industry Outlook*

Quarterly: provides a forward-looking critical retail analysis. Predictive forecasts and insightful narrative draw upon our econometric models to help you identify the key risks and future opportunities to drive your strategic planning. [More info >](#)



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Homewares region spending data
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DIY & Gardening region spending data
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Electricals

Electricals retail sales index
Bespoke sector specific economic analysis
Consumer trends for online shopping
Analysis of key economic drivers such as disposable income growth, product launches etc.
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Health & Beauty retail sales index
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Media, PR & Comms

Maximise impact and media traction for your projects and campaigns using our extensive industry expertise and well-established networks.

Secure the attention your work deserves and achieve its intended impact. We assist and advise on: campaign creation and planning, media engagement, messaging, propositioning, events, trends, insight analysis, thought leadership and influencer targeting.



Advisory & Business planning

Accelerate and grow your business with intelligent planning, forecasting and risk management using our business advisory service.

We work with multiple retailers, institutional investors and government departments using robust data and expert advice on: business plans, propositioning, funding, marketing and strategy. We can also conduct market research for more informed planning.



COVID-19 Service

Better assess the impact of the coronavirus crisis; essential to inform critical decisions, mitigate risk and to plan ahead in such challenging times.

Keep abreast of the latest developments affecting the industry. Gauge consumer sentiment by sector and channel with proprietary data. Identify opportunities from the myriad of challenges facing the industry.



Brexit advisory service

Our Brexit advisory service arms you with critical insights needed to limit your risk and ensure Brexit readiness and beyond.

Brexit is affecting many industries above and beyond retail. Our specialist Brexit advisors can help you navigate the policy implications, bringing clarity to your planning strategies and ensure you are best placed going forward.

Get in touch



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Retail Economics is an independent economics research consultancy focusing exclusively on the UK retail and consumer industry. Our subscription service empowers you with a deeper understanding of the key economic drivers supporting the UK retail industry, providing a competitive edge needed to make critical business and investment decisions.

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