

UK Furniture and Flooring Monthly report

UK Retail Sales

1.8%

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

Shop Prices

0.7%

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

Average Weekly Sales

£264m

Average weekly sales for Furniture & Flooring were £264m in January, 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.

Furniture & Flooring

1.8%

Furniture & Flooring retail sales increased by 1.8% in January year-on-year, value and non-seasonally adjusted, according to Retail Economics.

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THE LATEST DATA



What you get from our UK Furniture & Flooring reports

- ✓ **A grasp of current retail trends from the latest available data**
- ✓ **Unbiased analysis of sector-specific data**
- ✓ **A holistic view of the furniture and flooring 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.

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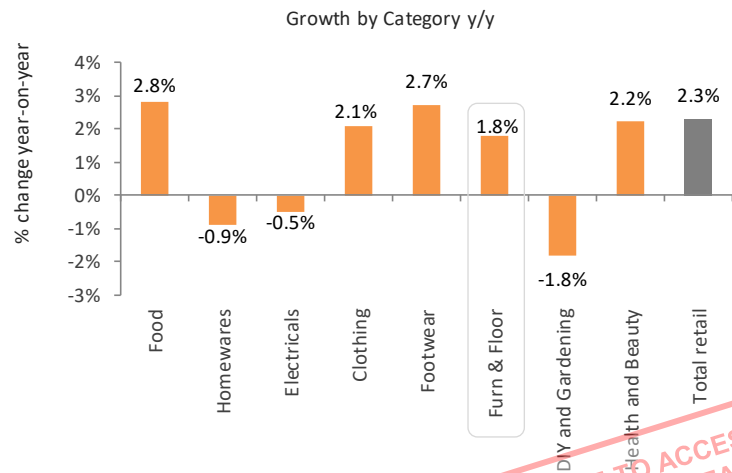


| | |
|---|-----------|
| Executive Summary | 3 |
| Sector Analysis | 4 |
| Furniture and Flooring – Retail Economics Index | 4 |
| Online Retail Traffic Index | 6 |
| Macro Factors | 7 |
| Mortgages and Savings | 7 |
| Credit and Borrowing | 8 |
| Household Spending | 9 |
| Consumers | 11 |
| Footfall | 12 |
| Labour Market | 14 |
| Earnings | 15 |
| Costs, Prices and Margins | 16 |
| Weather Watch | 18 |
| Average Temperature | 18 |
| Average Sunshine Hours | 18 |
| Average Rainfall | 19 |
| UK Weather by Region and Metric | 20 |
| Market Intelligence quarterly supplement | 20 |
| Retail Economics | 23 |





Furniture sales continue to rise



Source: Retail Economics

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Furniture sales rise

- Furniture & Flooring sales rose by 1.8% in January against a 2.2% rise a year earlier, as discounts continue to drive sales.
- This is ahead of the category's broadly flat -0.1% performance on a six-month basis.
- Growth in 2019 averaged at a lacklustre 0.4% as the category was impacted by a weak housing market and economic uncertainty.

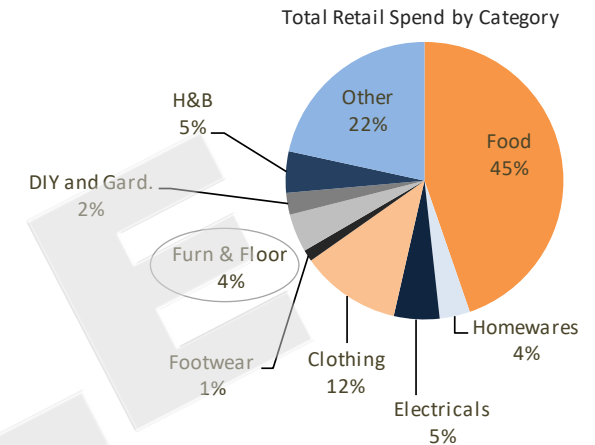
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Market composition

- Big ticket items performed well during January sales, as shoppers continue to make the most of discounts.
- For example, John Lewis' Home sales were down 9.3% in the week to 25 January as the end of its Clearance sale coincided with competitors running promotions.
- Reportedly, furniture such as beds outperformed items such as sofas in the month, suggesting that purchases predominantly remain needs-based.

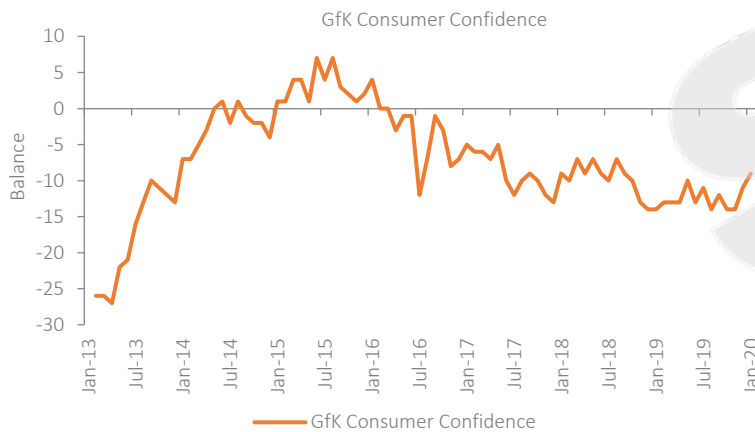
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Furniture & Flooring accounts for 4% of total retail sales



Source: Retail Economics

Post-election consumer confidence boost



Source: Retail Economics

Boris bounce

- Following the large Conservative majority victory in December, confidence has seen a gradual lift.
- GfK's consumer confidence index increased to -9 in January, which compares to -14 before the election was confirmed.
- Consumers feel more positive about the year ahead when reflecting on 2019, on the back of strong employment, real wage growth and low inflation.

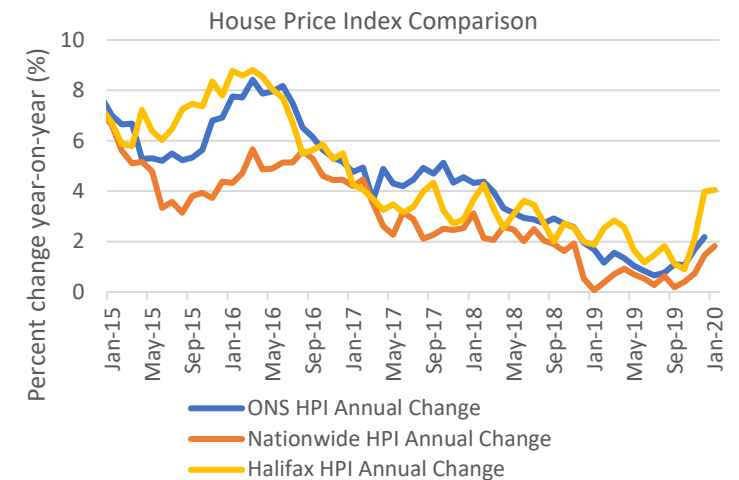
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House prices accelerate in January

- House prices in January increased at their fastest pace since February 2018, up by 4.1% year-on-year according to Halifax.
- Data from Nationwide shows a more modest 1.8% uplift in prices in the month – but still at its fastest pace since late 2018.
- This follows subdued activity in the market since 2016, after changes to stamp duty and the EU referendum. Halifax's house price inflation went from a recent year-on-year high of 8.8% in March 2016 to a low of 0.9% in October 2019.

4

January's house prices rise at fastest rate since 2018



Source: ONS, Nationwide, Halifax, Retail Economics analysis

Furniture & Flooring – Retail Economics Index: January 2020

Shoppers continued to make the most of discounts in January, which saw Furniture & Flooring sales rise by 1.8% year-on-year in the month, well-ahead of the category’s flat performance on a six-month basis.

Home-related categories were among the British Retail Consortium’s top five growth rankings table in January. The trade body noted that upstairs furniture such as beds outperformed downstairs items such as sofas in the month, hinting that purchases continue to be driven by necessity.

However, data from Hitwise suggests that sofas were among the top searched for furniture and flooring items online in January. This could suggest shoppers are moving away from ‘needs based’ purchases and are becoming increasingly interested in making more ‘discretionary’ purchases going forward.

Households are ultimately in stronger financial positions compared to last year, benefiting from over a year of real earnings growth, record high UK employment and access to cheap credit.

But convincing shoppers to spend on big ticket items when consumer confidence is negative proved challenging for retailers last year, particularly when the political outlook was at risk of swinging between ‘get Brexit done’ Conservatives and socialist Labour.

January joy

Following the large Conservative majority victory in December, confidence has seen a gradual lift. GfK’s consumer confidence index increased to -9 in January, which compares to -14 before the election was confirmed.

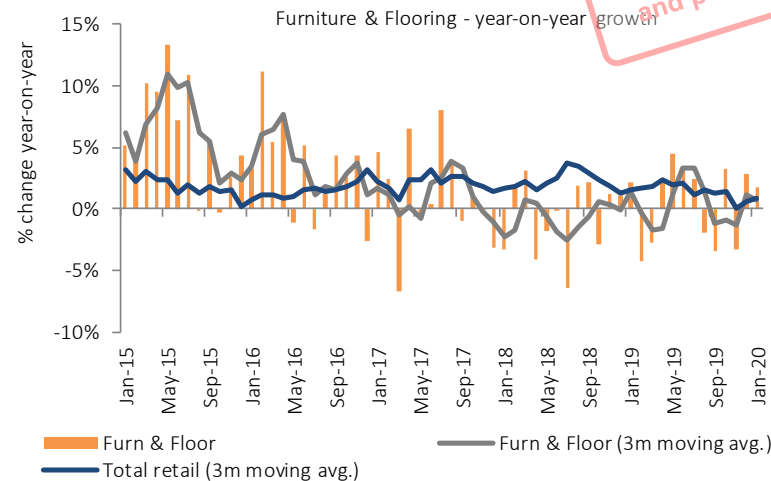
Consumers feel more positive about the year ahead when reflecting on 2019, on the back of strong employment, real wage growth and low inflation.

This has also been reflected in Retail Economics’ January Consumer Sentiment Survey, with 28% of respondents expecting the economy to strengthen over the next three months, up from 17% in October.

There are early signs of activity picking up in the housing market too; this could provide a boost to the category.

RICS estate agents feel more positive about the market, with a sharp rise in new buyer enquiries and house price expectations over the past couple of months. Additionally, new instructions for house sales are rising at the fastest rate in over six years, following declines in all but two months of 2019.

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



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

Furniture & Flooring

1.8%

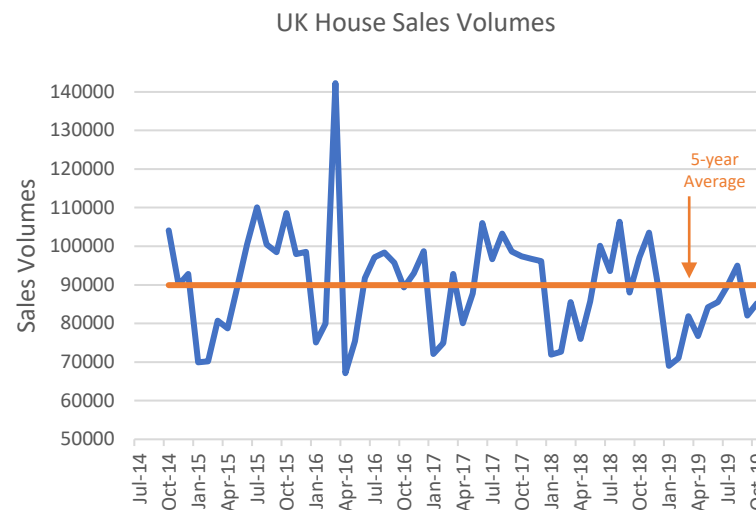
Furniture & Flooring sales increased by 1.8% year-on-year in January.

Three-Month Basis

0.7%

Furniture & Flooring sales increased by 0.7% on a three-month rolling basis in January.

RICS estate agents feel more positive about the housing market, with a sharp rise in new buyer enquiries and house price expectations over the past couple of months.



Source: ONS, Retail Economics analysis
Latest available sales volume data at time of publishing

Furniture & Flooring – Retail Economics Index: January 2020 – *continued*

Housing activity boost

House prices in January continued to increase at their fastest pace since February 2018, up by 4.1% year-on-year according to Halifax. Although this marks a modest 0.4% increase month-on-month, prices have risen by 2.3% on a quarterly basis.

This follows subdued activity in the market since 2016, after changes to stamp duty and the EU referendum. Halifax’s house price inflation went from a recent year-on-year high of 8.8% in March 2016 to a low of 0.9% in October 2019.

Looking back further, Halifax data shows house prices have almost tripled since 2000, while earnings have risen by less than 80%. This can be largely attributed to: low interest rates during the past decade, population growth, a rise in single households and a fall in new builds after the financial crisis.

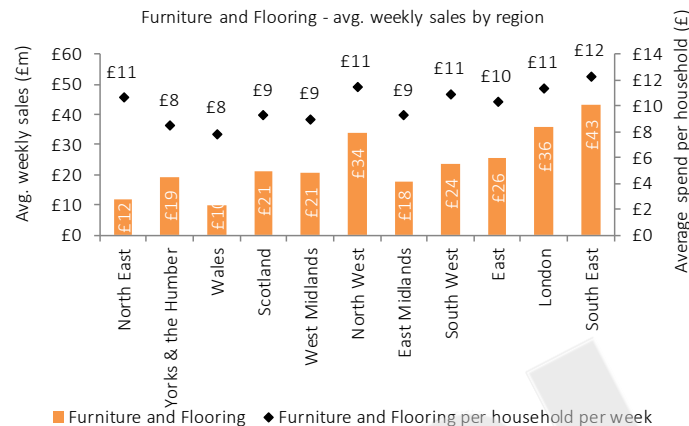
The pace of house price gains over the past decade seems less sustainable going forward though. Rates for instance, do not have much room to fall. More concerningly, a working paper by the Bank of England suggests that a sustained increase of 1% in long-term interest rates could lead to a 20% fall in house prices.

But with over a third of household wealth tied up in property, prices tend to be sticky-down (no owner wants to lose money) – unless there’s desperation to sell or a glut of houses for sale (e.g. in the immediate aftermath of the financial crisis).

Policies such as Help to Buy on new builds are designed to support first time buyers. However, this in turn can support prices and has a ripple effect across the market. Latest ONS data shows that newly-built dwellings are less affordable than existing houses.

The year ahead brings its own challenges though, marking a critical year for Brexit as we enter the transition period. Additionally, large deposits and stamp duty continues to put pressure on affordability in London and the South East, while rising rental costs challenge the ability for some first-time buyers to save.

But with mortgage rates and new housing stock expected to remain low, only modest gains in house prices are expected in 2020. Even if gains of the past decade are behind us, following last year’s turbulent outlook, any signs of the market moving forward is clearly welcoming news for retailers in the sector.



South East

£43m

The average weekly spend on Furniture & Flooring in the South East in January.

Average weekly sales

£264m

The average weekly spend on Furniture & Flooring in the UK in January.

The year ahead brings its own challenges though, marking a critical year for Brexit as we enter the transition period. Additionally, large deposits and stamp duty continues to put pressure on affordability in London and the South East.

| Furniture and Flooring | Annual % growth | Avg. weekly spend (£m) |
|------------------------|-----------------|------------------------|
| Aug-19 | -2.0% | £239 |
| Sep-19 | -3.4% | £255 |
| Oct-19 | 3.3% | £285 |
| Nov-19 | -3.3% | £282 |
| Dec-19 | 2.8% | £260 |
| Jan-20 | 1.8% | £264 |

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





Macro Factors – Housing Market and Savings

Mortgage approvals rose to 67,241 in December, up from 65,514 in the previous month and above the previous six-month average of 65,918 and higher than the consensus view. This was the highest level since July 2017. On an annual basis, approvals rose 4.6%.

The number of re-mortgaging approvals also improved, rising to 49,680 in December from 48,629 in the previous month. This was above the previous six-month average of 48,865.

Rising optimism in the housing market was supported by data from RICS which reported renewed activity amongst buyers and sellers in January.

The number of homes being listed for sale increased in January, with a net balance +19% of respondents reporting a rise. This rose at its fastest rate since August 2013. But the average number of listings remains low at 43 properties per estate agent.

Building on last month's pick up, new buyer enquiries lifted to +23% of respondents reporting an increase in demand during January.

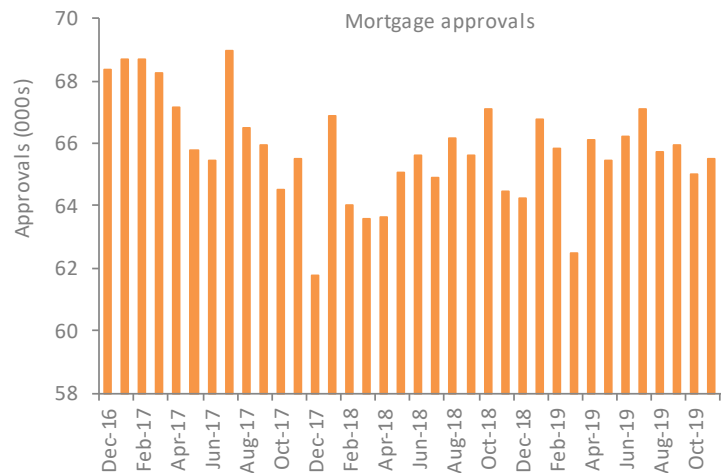
Agreed sales rose for a second month with a net balance of +21% of agents reporting an increase. Most parts of the UK were said to have seen solid growth in sales.

With activity picking up, house prices appear to be moving forward again, with RICS's headline price balance rocketing to +17% in January from -2% in December. This follows Halifax reporting last week that house prices rose by 4.1% year-on-year in January.

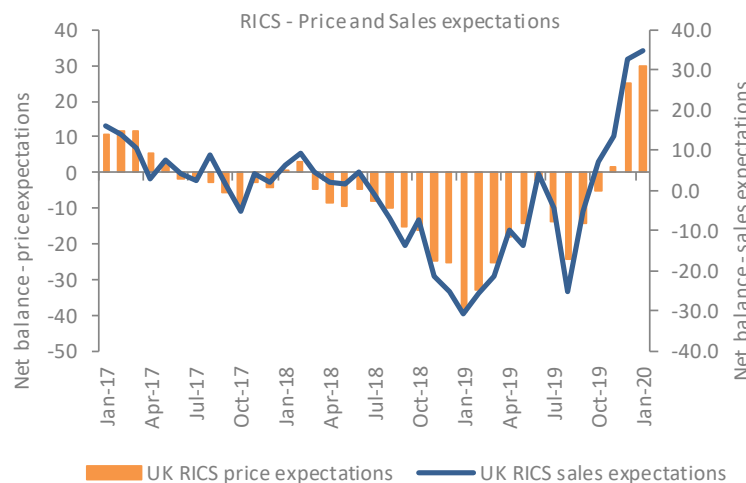
RICS noted that the growth was driven by a turnaround in London and the South East, previously facing a slowdown from the prospect of a disorderly Brexit. To this end – for the first time since February 2016 – a majority of agents said prices in London were on the up.

Looking ahead, price increases are expected across the UK. A net balance of +30% anticipate price rises over the next three months, marking the strongest expectations in price rises in three years.

Sales expectations are also positive across the UK, with a 35% net balance expecting an uplift in the near term. A net balance of +20% of respondents reported that the level of market appraisals undertaken in January was higher than a year ago – the first positive reading since its introduction in 2017.



Source: Bank of England



Source: RICS

Key call out stats for easy data intake

Mortgage Approvals

67,241

Mortgage approvals rose to 67,241 in December, up 4.6% on the previous year.

New Instructions

18.7%

New instructions being listed for sale rose 18.7% in January, year-on-year.

Rising optimism in the housing market was supported by data from RICS which reported renewed activity among buyers and sellers in January.

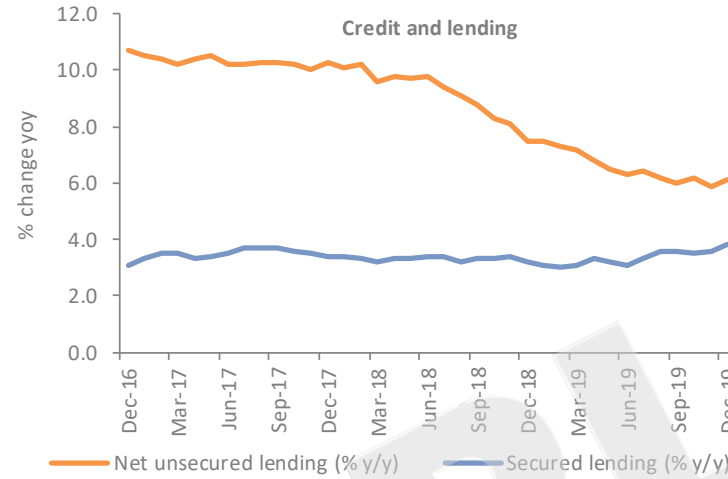
Macro Factors – Credit and Borrowing

Activity in mortgage markets improved in December, according to the latest Bank of England figures. The additional amount households borrowed rose by £0.4 billion to £4.6bn, above the previous six-month average of £4.2bn. That said, the annual growth rate in secured lending remained at 3.4% for the second consecutive month.

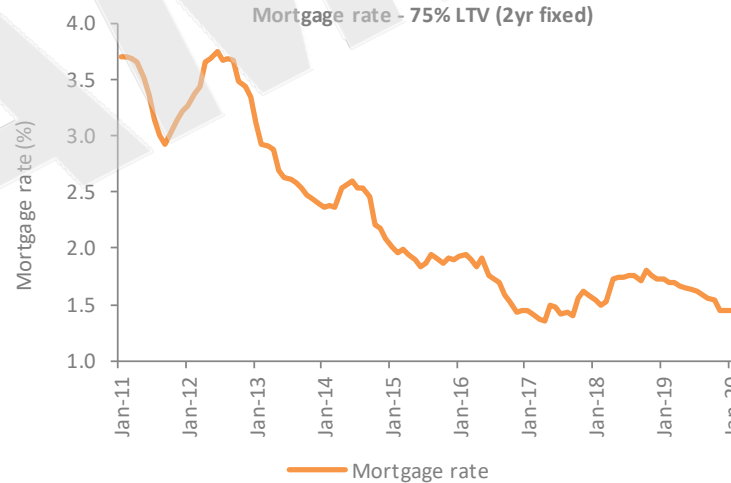
Meanwhile, the additional amount borrowed in net lending to individuals rose by £5.8bn in December. This was above the previous six-month average of £5.2bn, while the annual growth rate rose to 3.8%.

Growth in unsecured lending to individuals rose in December, up 6.1% year-on-year, from 5.9% in November. The actual change in consumer credit rose to £1.2bn, above the previous six-month average at £1.0bn.

This was driven by a recovery in net borrowing on credit cards (up £0.4bn) in December after debts fell in the previous month for the first time since July 2013. Net borrowing for other loans and advances rose £0.8bn, unchanged from the previous month. On an annual basis, credit card borrowing rose by 4.5% year-on-year, while other loans and advances posted a 6.9% rise.



Source: Bank of England



Source: Bank of England

Unsecured Credit

6.1%

Unsecured borrowing rose 6.1% year-on-year in December.

Household Borrowing

£4.6bn

Households borrowed an additional £4.6 billion in December.

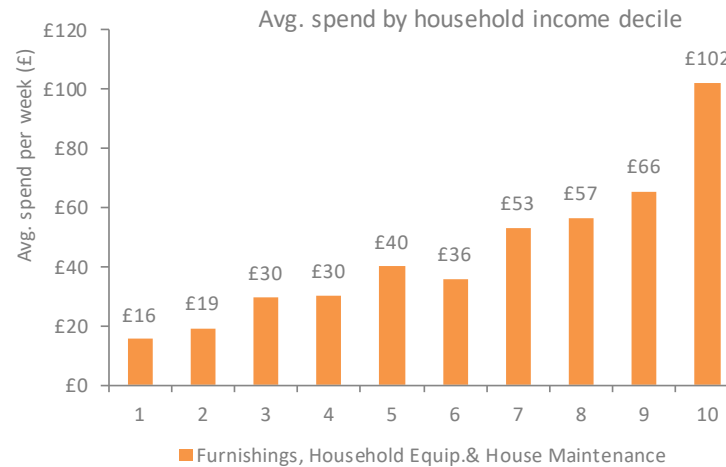
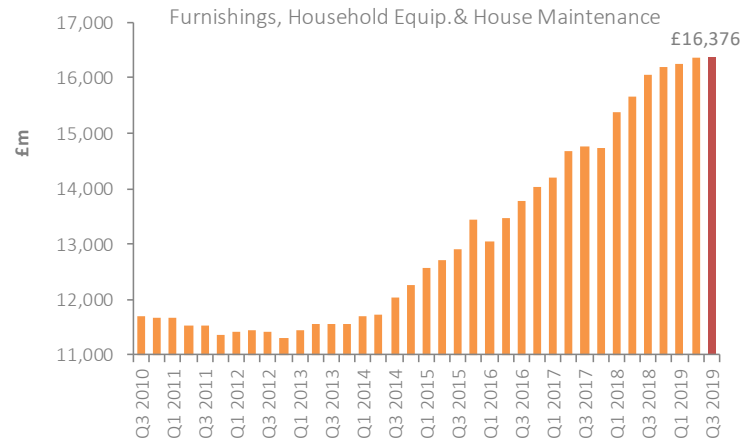
Growth in unsecured lending to individuals rose in December up 6.1% year-on-year, from 5.9% in November.

Macro Factors – Household Spending

Consumer spending on furnishings and household equipment totalled £16,376m in Q3, this was little changed on the previous quarter and a slowdown on the 0.7% rise in the previous quarter.

On an annual basis, spending continued to grow, rising by 2.0%.

The Furnishings and Household Equipment category is supported by housing market activity which is being impacted by ongoing political and economic uncertainty.



Source: ONS, Retail Economics analysis

Note: Household spending is not restricted to just sales of furniture and flooring. Furnishings, Household Equipment and House Maintenance also includes the sales of household appliances, goods and services for household maintenance and tools for house and garden.

Household Spending

0.7%

Spending on Furnishings, Household Equipment and House Maintenance in Q3 2019 rose by 0.7% on the previous quarter.

Least Affluent

£16

The least affluent households spent on average £16 per week on Furnishing, Household Equipment and House Maintenance in Q3 2019.

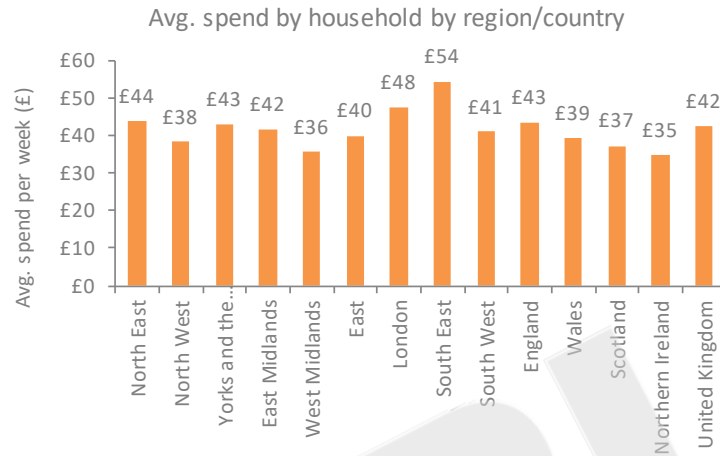
On an annual basis, spending continued to grow, rising by 2.0%.

Macro Factors – Household Spending

The average household spent £45 per week on this category in Q3 2019.

Households in the South East spent the most at £54 per week, while households in Northern Ireland spent the least at £35 per week which was closely followed by the West Midlands (£36).

In terms of household income decile, the most affluent households spent on average £102 per week, compared with just £16 per week for least affluent households.



Source: ONS, Retail Economics analysis

Note: Household spending is not restricted to just sales of furniture and flooring. Furnishings, Household Equipment and House Maintenance also includes the sales of household appliances, goods and services for household maintenance and tools for house and garden.

South East

£54

The average household in the South East spent £54 per week on Furnishings, Household Equipment and House Maintenance in Q3 2019.

In terms of household income decile, the most affluent households spent on average £102 per week, compared with just £16 per week for least affluent households.

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.

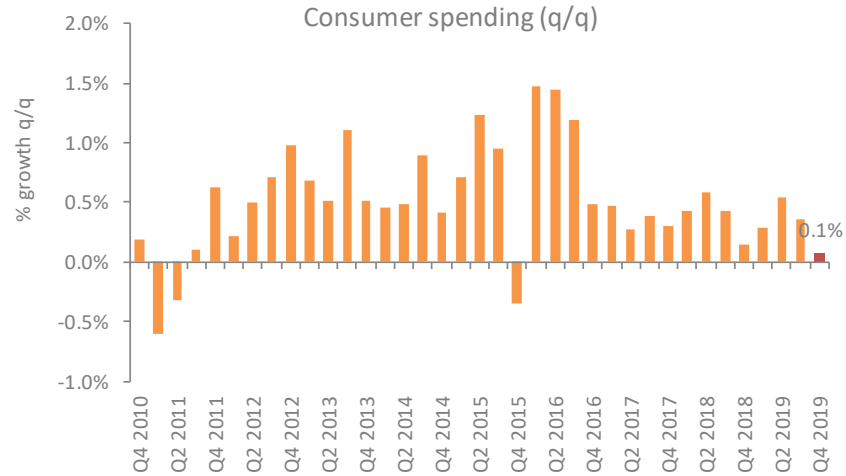
GfK’s Major Purchase Index was the only measure to decline, partly indicating January blues after splashing out at Christmas. It also reflects subdued non-essential sales that retailers have been facing, against what remains a critical year ahead for Brexit as we enter the transition period. Indeed,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

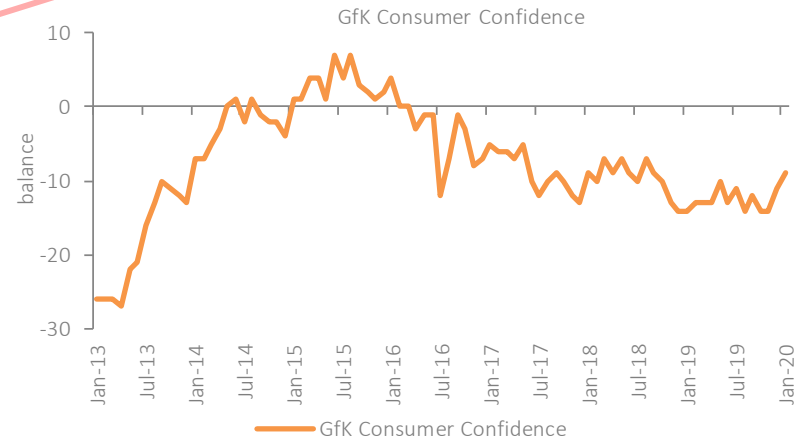
The major purchases index declined by two points to +1 in January – one point lower than a year ago.

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



Source: ONS

Analysis of different industry data to give you an accurate view



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%.

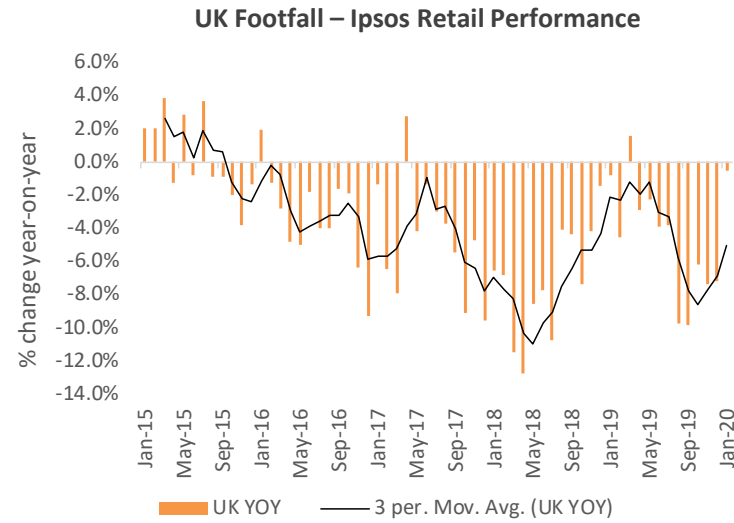
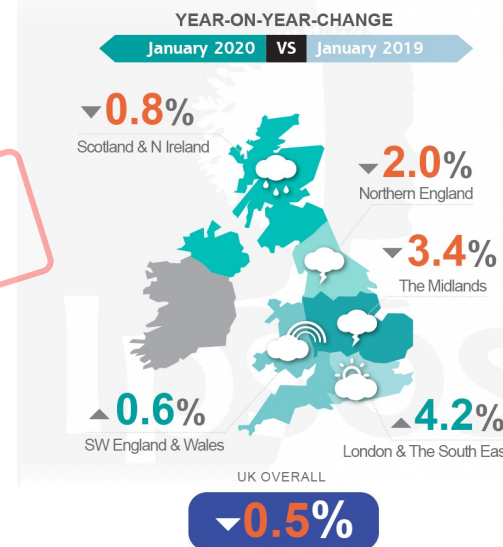
On a month-on-month basis, footfall fell 24.6%, slightly less than Ipsos' expectations of a 27.7% fall.

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

Source: Ipsos Retail Performance

UK Footfall

-0.5%

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

Northern England

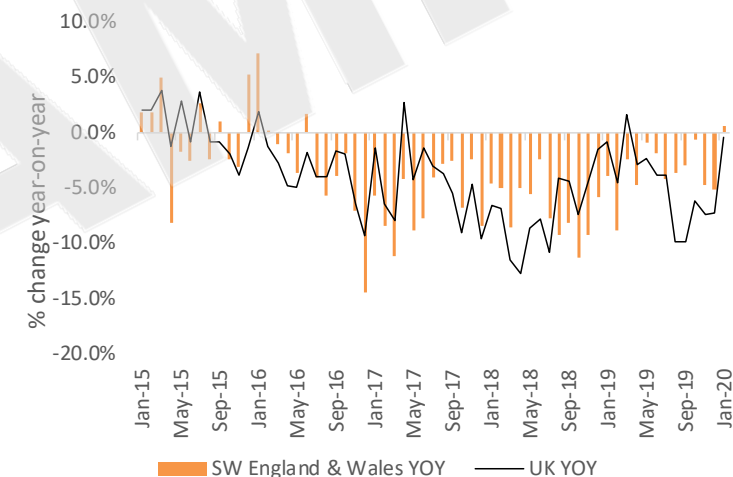
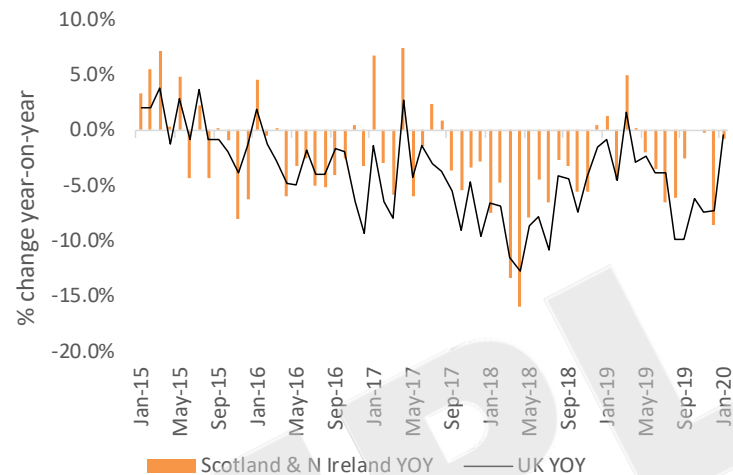
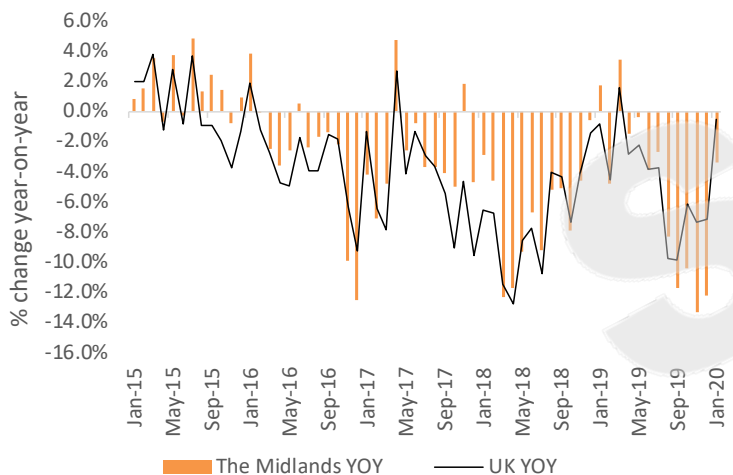
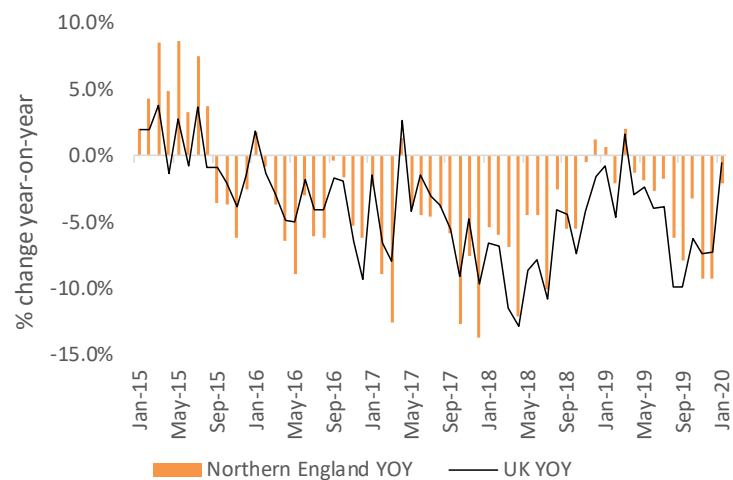
-2.0%

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



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.

Source: Ipsos Retail Performance

Source: Ipsos Retail Performance

T: +44 (0) 20 3633 3698 E: amy.yates@retaileconomics.co.uk
Data provided by Ipsos Retail Performance: <https://www.ipsos-retailperformance.com/resources/retail-weathermap/>

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.

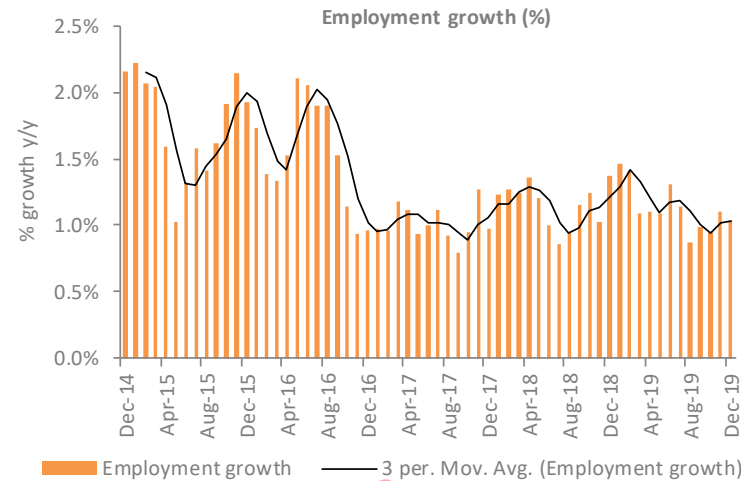
Meanwhile, the unemployment rate remained broadly unchanged in the quarter at 3.8%, but was down from 4.0% a year earlier. An estimated 1.29 million people were unemployed – 73,000 fewer than last year and 580,000 fewer than five years ago.

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%.

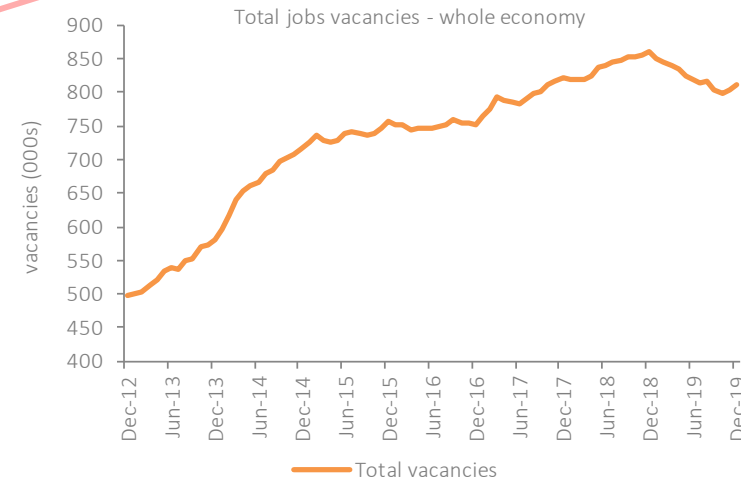
Vacancies ticked up in the latest quarter following 11 consecutive quarterly falls. There was an estimated 810,000 job vacancies between November 2019 and January 2020 – up by 7,000 on the previous quarter, but 50,000 fewer compared to the previous year. This represents 2.7 job vacancies per 100 employee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



We assess the labour market and interpret how changes affects demand



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

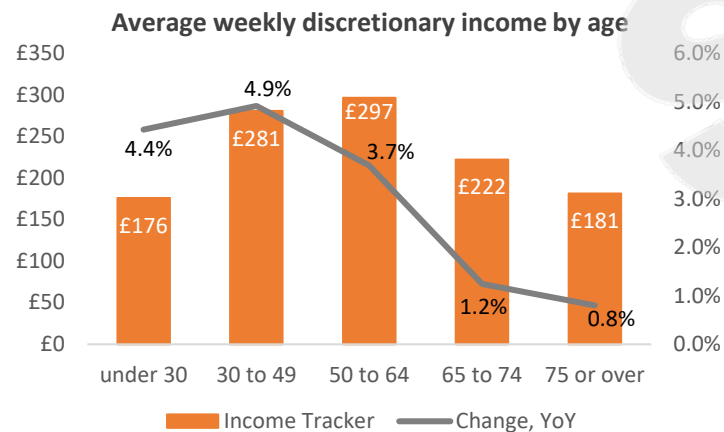
For December 2019, in nominal terms (i.e. not adjusted for price inflation):

- 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

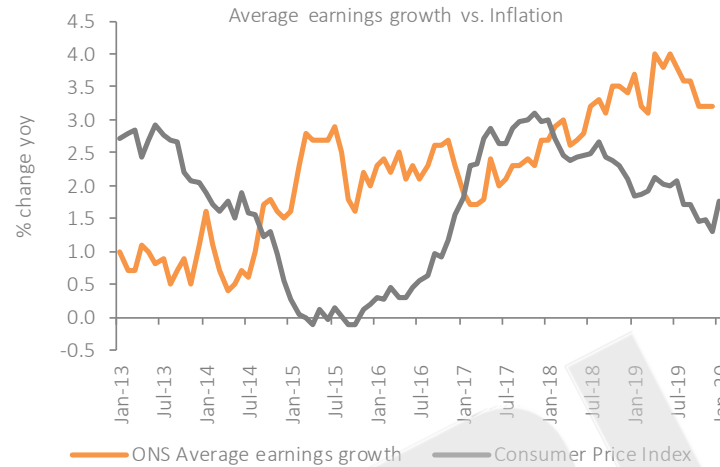
Asda Income Tracker – January 2020

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.

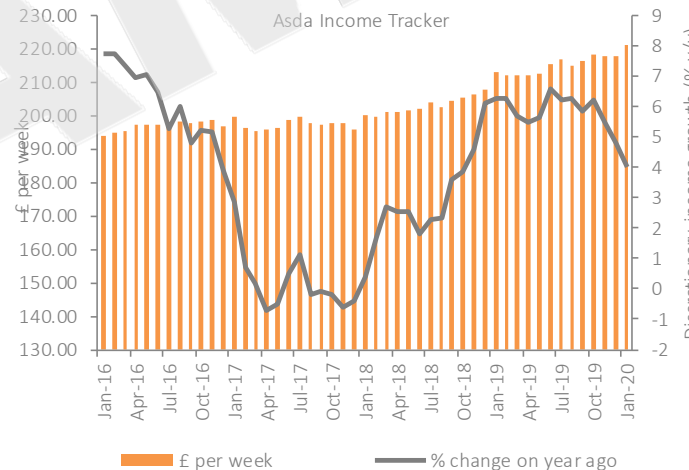
In terms age groups, it was the 30-49 year olds that saw the sharpest rise in average weekly discretionary incomes in January, rising 4.9% year-on-year. That said, this was the lowest rise for this age bracket since November 2018. Elsewhere the under 30s (+4.4%) and 50-64 years olds (+3.7%) also experienced 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

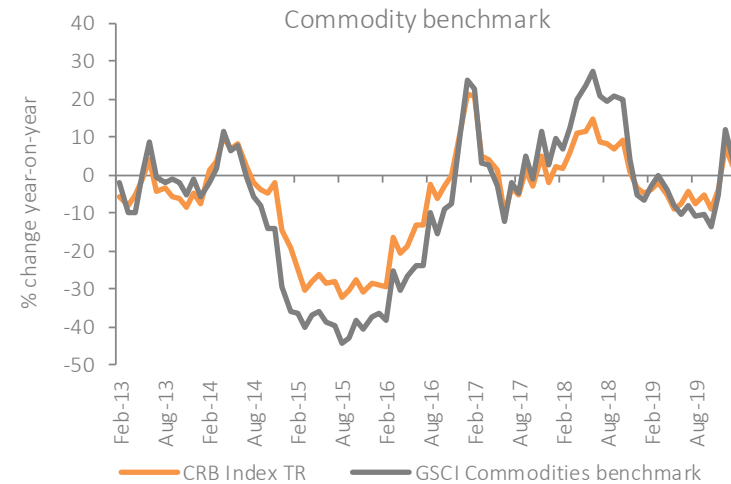
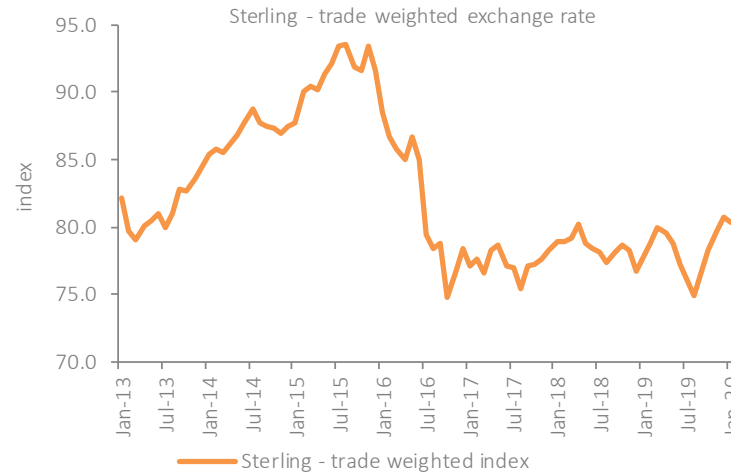
Sterling’s trade weighted index rose 3.3% year-on-year in January, but fell 0.3% on the month. The better than expected rise in inflation in January resulted in an uplift in sterling (against other currencies). That said, it remains vulnerable to ongoing EU-UK trade negotiations.

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 capsize 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.

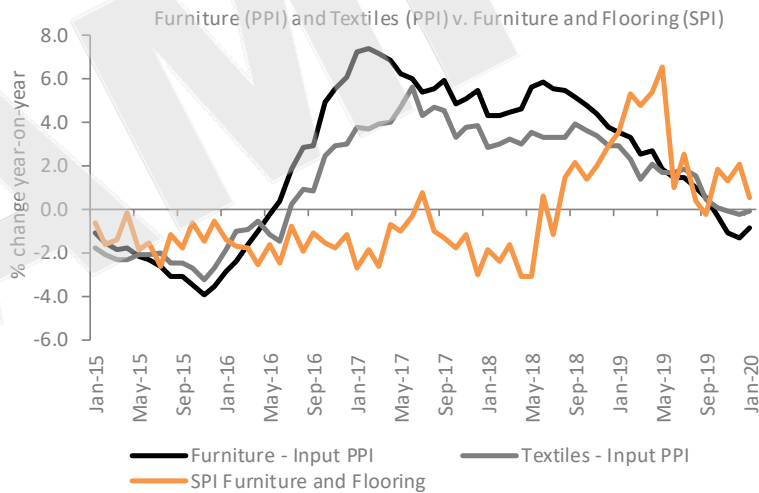
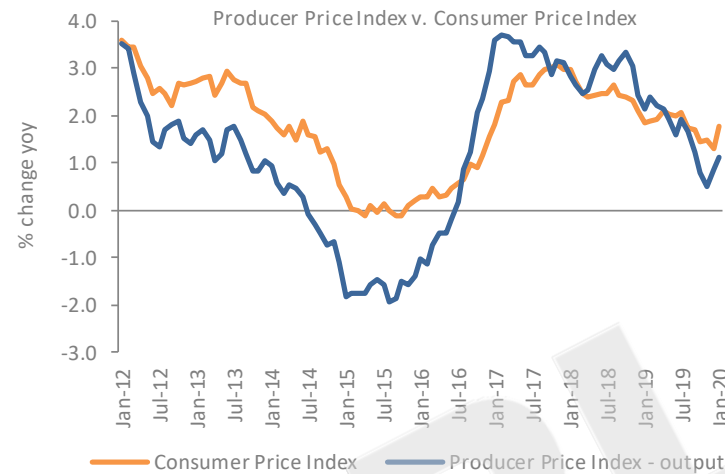
Meanwhile the PPI for inputs accelerated in January, rising 2.1% year-on-year from the 0.9% rise in the previous month. On a monthly basis, input PPI rose 0.9%, unchanged from the previous month.

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.



Source: ONS

PPI Output

1.1%

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

PPI Input

2.1%

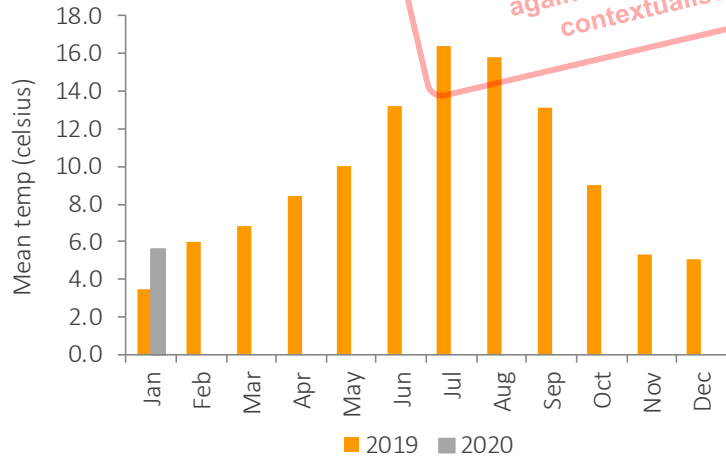
The Producer Price Index (input) stood at 2.1% in January.

Sourcing costs specific to Furniture & Flooring from Textiles (-0.1%) and Furniture (-0.8%) continued to ease in January.

Sourcing costs specific to Furniture & Flooring from Textiles (-0.1%) and Furniture (-0.8%) continued to ease in January.

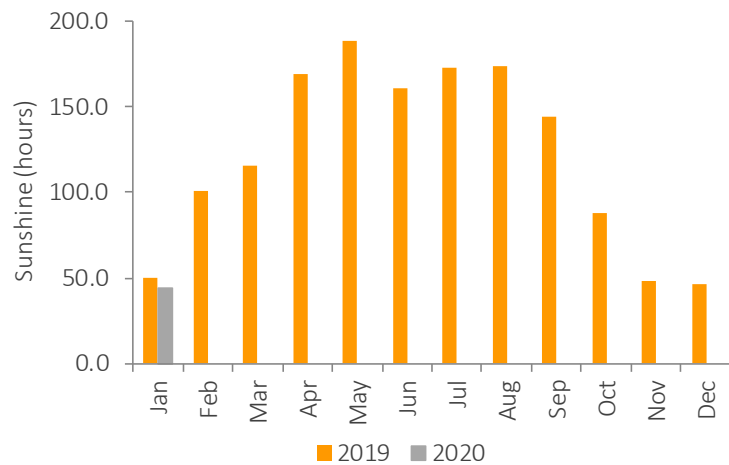
Weather Watch – Met Office

👍 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.

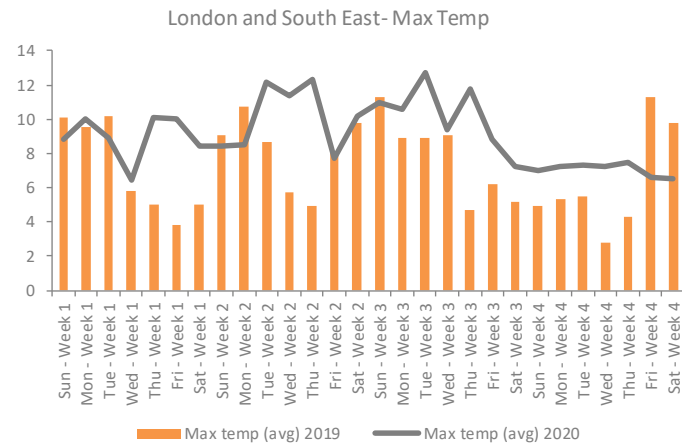
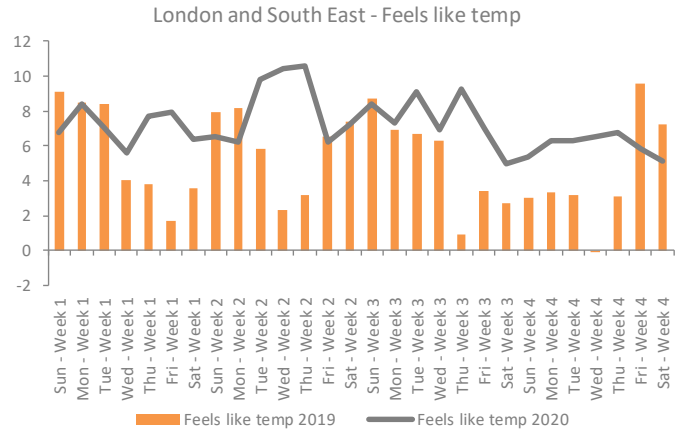
Sunshine

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



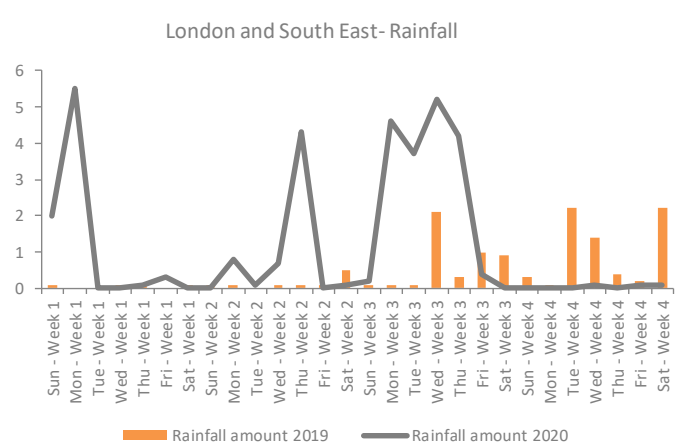
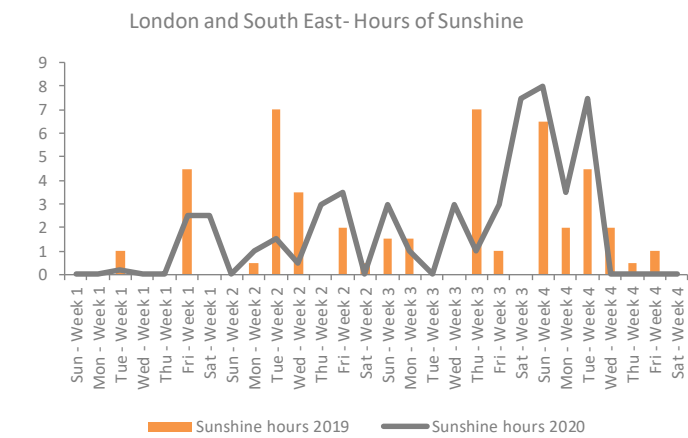
Our monthly report, *UK Monthly Weather by Region* provides the following data for January 2020: Feels like temperature; Max temperature; Hours of sunshine; Rainfall.

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 or www.metoffice.gov.uk/retail



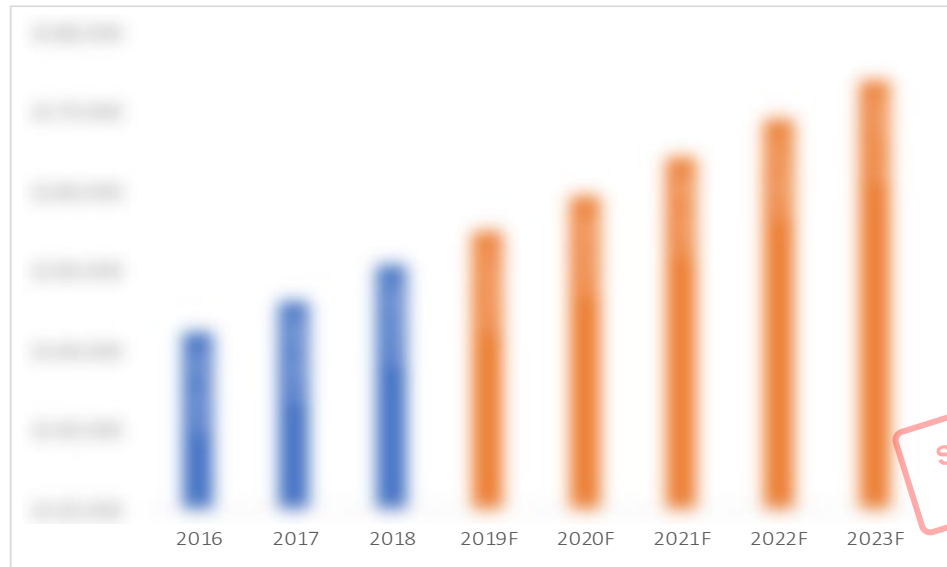
Source: Met Office

Source: Met Office

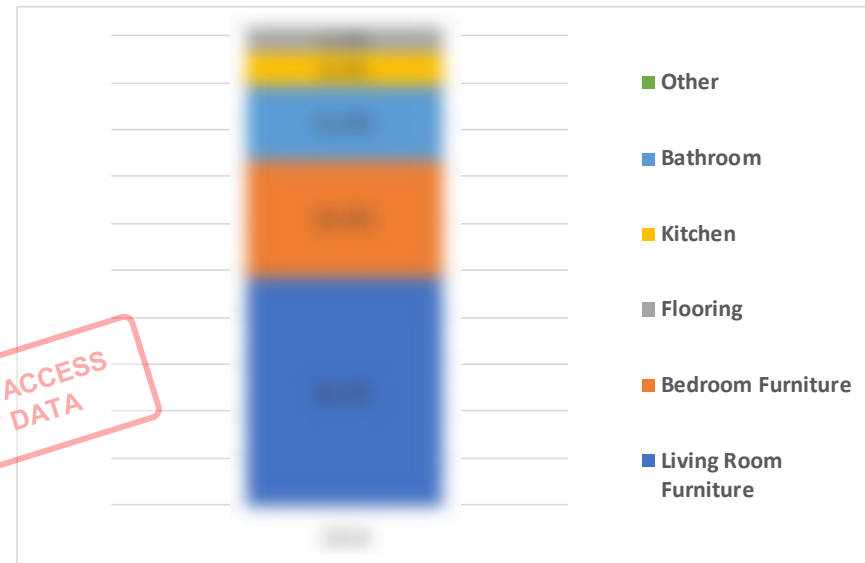




Forecasts



Market Size



Total Market

2020 Forecast

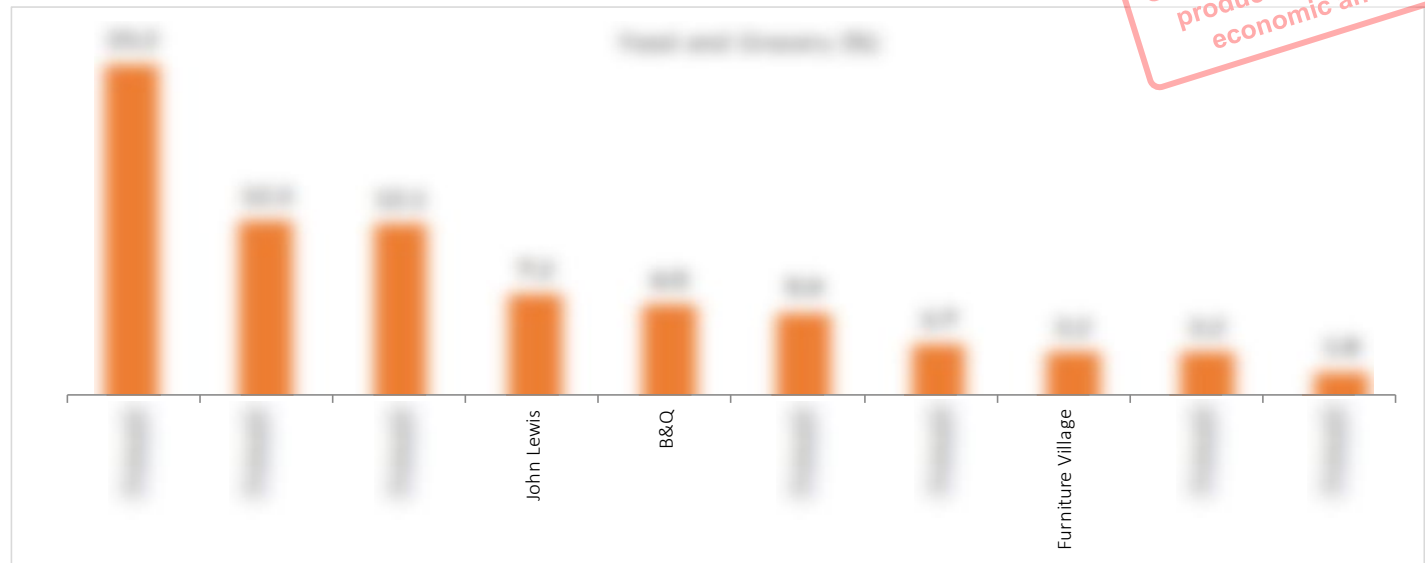
SUBSCRIBE TO ACCESS THE LATEST DATA

Our forecasts are bold and produced using robust economic analysis

Forecasts

| Year | Total market (£m) | Annual growth (%) |
|-------|-------------------|-------------------|
| 2016 | 100 | 0 |
| 2017 | 110 | 10 |
| 2018 | 125 | 14 |
| 2019F | 145 | 16 |
| 2020F | 160 | 10 |
| 2021F | 175 | 9 |
| 2022F | 190 | 8 |
| 2023F | 205 | 8 |

% of Market Share



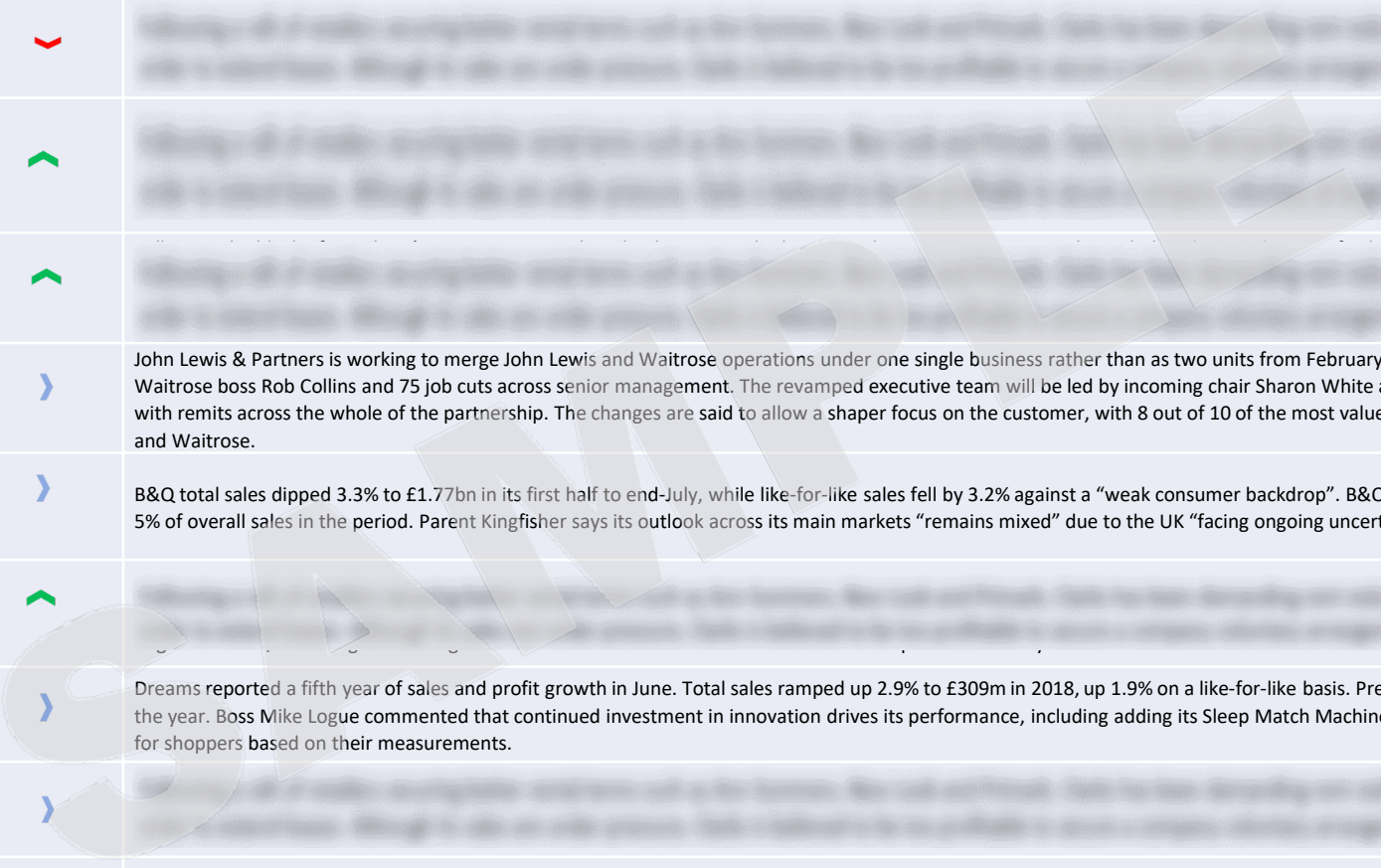


Leading Furniture & Flooring Retailers

| Retailer | Market Share (%) | Future trend | | Summary |
|------------|------------------|--------------|---------|---|
| | | Previous | Q4 2019 | |
| | | ▼ | ▼ | |
| | | ▶ | ▲ | |
| | | ▲ | ▲ | |
| John Lewis | | ▼ | ▶ | John Lewis & Partners is working to merge John Lewis and Waitrose operations under one single business rather than as two units from February 2020. This involves the departure of Waitrose boss Rob Collins and 75 job cuts across senior management. The revamped executive team will be led by incoming chair Sharon White and comprise seven new director roles, with remits across the whole of the partnership. The changes are said to allow a sharper focus on the customer, with 8 out of 10 of the most valued customers loyal across both John Lewis and Waitrose. |
| B&Q | | ▲ | ▶ | B&Q total sales dipped 3.3% to £1.77bn in its first half to end-July, while like-for-like sales fell by 3.2% against a “weak consumer backdrop”. B&Q’s online sales grew by 10% to represent 5% of overall sales in the period. Parent Kingfisher says its outlook across its main markets “remains mixed” due to the UK “facing ongoing uncertainty”. |
| | | ▲ | ▲ | |
| Dreams | | ▶ | ▶ | Dreams reported a fifth year of sales and profit growth in June. Total sales ramped up 2.9% to £309m in 2018, up 1.9% on a like-for-like basis. Pre-tax profit rocketed 11.7% to £32.7m in the year. Boss Mike Logue commented that continued investment in innovation drives its performance, including adding its Sleep Match Machine to stores, which calculates the best bed for shoppers based on their measurements. |
| | | ▼ | ▶ | |
| SCS | | ▶ | ▶ | Value retailer ScS continues to shine as homeowners opt to trade-down on big ticket items. The retailer reported gross sales rose 1.8% to £333.3m in the year to end-July 2019, with like-for-likes up by 4.2%. It posted a pre-tax profit of £14.2m in 2018/19, up from £13.2m last year, with ScS’s margin strengthening by half a point to 4.3%. |
| | | ▶ | ▶ | |

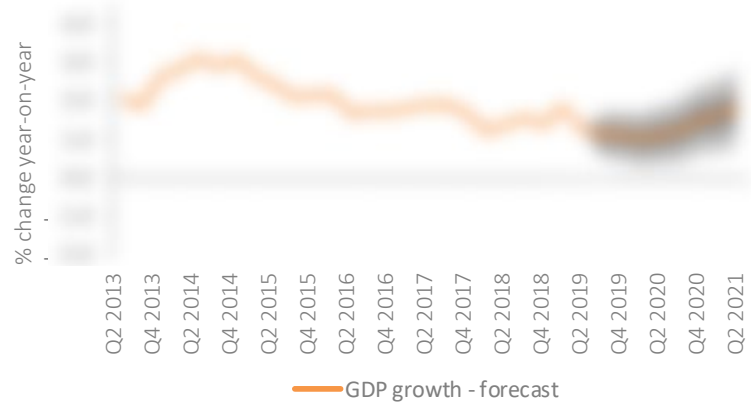
Source: Retail Economics analysis, consumer panel data, financial reports

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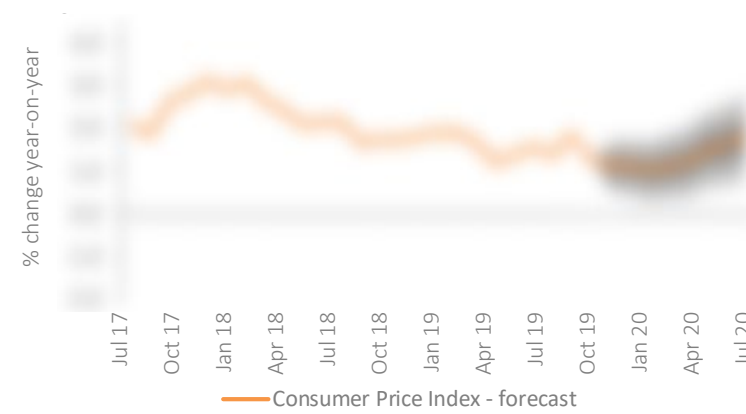




GDP Forecast



Inflation Forecast



Inflation Forecast

XX%

Inflation forecast for Q4 2019

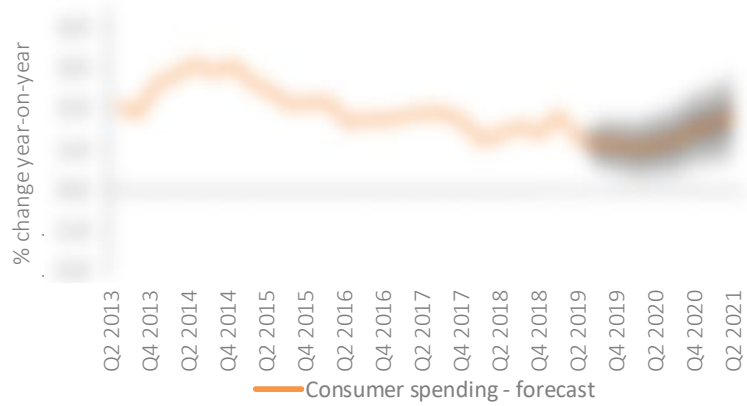
Real Wages Forecast

XX%

Real wage growth forecast for Q4 2019

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Consumer Spending Forecast



Real Wages Forecast



Source: Retail Economics

Source: Retail Economics

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Food & Grocery retail sales index
Bespoke sector specific economic analysis
Food online sales and penetration rates
Market share data
Food inflation analysis and more. [More info >](#)



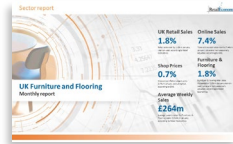
Clothing & Footwear

Clothing & Footwear retail sales index
Bespoke sector specific economic analysis
Clothing online sales and penetration rates
Consumer trends for online shopping
Spend on clothing by region and more. [More info >](#)



Homewares

Homewares retail sales index
Bespoke sector specific economic analysis
Homewares region spending data
Analysis of key economic drivers such as house moves, personal finances etc.
Weather data and more. [More info >](#)



Furniture & Flooring

Furniture & Flooring retail sales index
Bespoke sector specific economic analysis
Consumer trends for online shopping
Analysis of key economic drivers such as consumer confidence, credit and lending
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Bespoke sector specific economic analysis
DIY & Gardening region spending data
Analysis of key economic drivers such as weather data, 'improve not move' trends
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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.
Electricals inflation and more. [More info >](#)



Health & Beauty

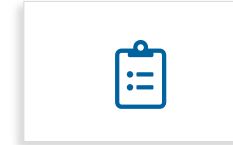
Health & Beauty retail sales index
Bespoke sector specific economic analysis
Health & Beauty shopper trends such as 'lipstick effect', own-brand cosmetics etc.
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Get in touch



Retail Economics
4th Floor
86-90 Paul Street
London
EC2A 4NE

 +44 (0)20 3633 3698
 www.retaileconomics.co.uk
 amy.yates@retaileconomics.co.uk
 @retaileconomics

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