

UK Retail Sales

December 2022



We've streamlined this report for you!

We've given you all the 'need to knows' up front and included quick links to supplementary sections for the details (p.9)

Total Retail Sales
3.6%

Retail sales rose by 3.6% in November year-on-year, according to Retail Economics.

Consumer Confidence
-44

Overall consumer confidence stood at -44 in November.

Online Sales
-5.1%

Total online retail sales declined by 5.1% in November, value and non-seasonally adjusted, according to ONS.

Online Penetration
30.2%

Online accounted for 30.2% of total retail sales in November value non-seasonally adjusted.

Footfall
-11.2%

Footfall was down 11.2% in November compared to pre-pandemic levels, according to Springboard.

Report
at a glance



Softening sales

- Retail sales rose by a soft 3.6% YoY in November according to the Retail Economics Retail Sales Index (Fig 1).
- Extended Black Friday sales and the World Cup failed to lift overall retail sales volumes, as households continued to face declining discretionary budgets.

Mounting pressure on consumers

- CPI inflation only eased to 10.7% in November as food and energy prices soared.
- Despite regular pay growing at the strongest growth rate seen outside of the pandemic (+6.1% between August to October, ONS), discretionary budgets are being eroded for the average household (down by £104 per month in November according to Retail Economics' Cost of Living Tracker)
- Adding to pressure, the Bank of England hiked interest rates by 0.75 percentage points to 3% at the start of November – the biggest rise since 1989 – before rising again to 3.5% in December.
- This has seen GfK's consumer confidence remain below -40 for the eighth consecutive month heading into December.
- Rising rates has seen the middle classes come under pressure, particularly for the two million households looking to remortgage in 2023.

Focus on essentials

- This is leading to a readjustment of spending. Almost half (45%) of consumers are looking to purchase energy saving goods, supporting items such as air fryers, duvets and jumpers.
- Food sales stepped up 7.8% YoY in November, outperforming all other categories, as consumers looked to stock up early for Christmas and prepare for World Cup celebrations.

Online highs unwind

- Spending is shifting in-store as shoppers look to save on fees and minimum spends. Black Friday – typically an online sales event – failed to stem the unwinding of pandemic-induced online sales, with ecommerce slipping back 5.1% YoY in November.
- The proportion of retail sales made online was 30.2% in November – down from 32.8% a year earlier, but ahead of a pre-pandemic peak of 21.6% in November 2019.
- This coincides with price sensitivity, leading to investment in value across food and non-food.
- But such a focus on price comes at a time when businesses are facing heightened energy and labour costs, meaning retailers are having to make cuts elsewhere or changes to manage cash flow.

Five Christmas trends

- The high cost of energy, rising interest rates and fiscal tightening is shaping the backdrop of consumer spending this Christmas.
- Five key behaviours are emerging in the run-up to peak trading, including:
 - Spending limits on gifts across children and partners
 - Less impulsive buying
 - Alternatives to off-the-shelf products
 - Resilient gifting categories including children's toys
 - Alternatives to turkey this Christmas to cut costs

Retail Sales

+3.6%

November year-on-year, according to Retail Economics

Consumer Confidence

-44

Overall consumer confidence index in November (GfK)

Online sales

-5.1%

Decline in online retail sales in November, value and non-seasonally adjusted (ONS)

Online Penetration

30.2%

Proportion of online sales in November value non-seasonally adjusted (ONS)

Fig.1

Essentials drive demand

Source: Retail Economics

Sector Growth Rankings	Nov-22	3 month avg.	6 month avg.	12 month avg.
Food	7.8%	5.9%	5.5%	2.2%
Footwear	7.0%	6.7%	9.0%	21.7%
Health and Beauty	4.4%	3.9%	3.6%	7.2%
Furn & Floor	2.7%	2.4%	-1.0%	4.2%
Clothing	3.1%	2.6%	6.3%	19.7%
Homewares	-1.8%	-0.4%	-3.3%	-1.0%
Electricals	-3.8%	-3.3%	-3.7%	-3.8%
DIY and Gardening	-4.7%	-4.8%	-6.4%	-4.0%

Fig.2

Retail sales value and volume growth detach

Source: ONS, Retail Economics analysis

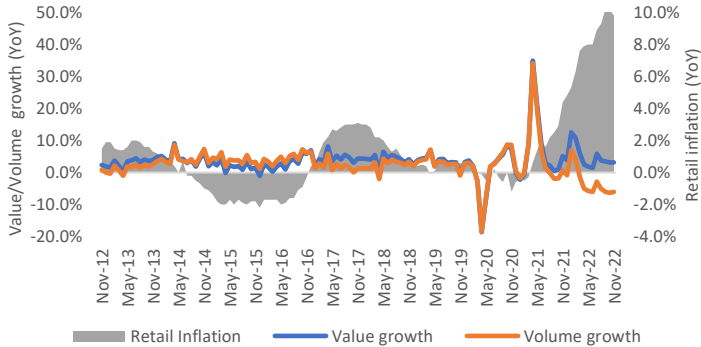
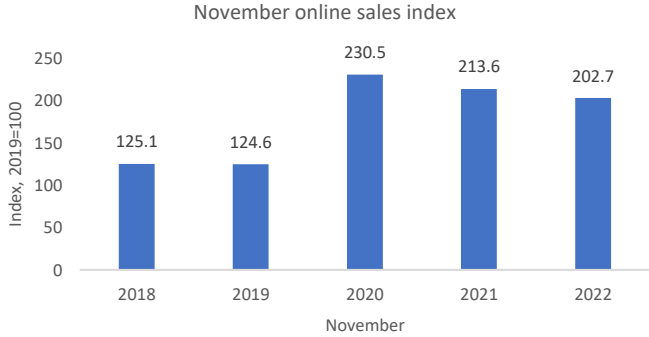


Fig.3

Black Friday unable to offset declining online sales

Source: ONS, Retail Economics analysis



Index	November 2022	Summary	Description of measure	Period covered
Retail Economics Sales Index (Year-on-year growth)	<ul style="list-style-type: none">+3.6% (Total)+7.8% (Food)-1.4% (Non-Food)	<ul style="list-style-type: none">Retail sales rose by a soft 3.6% YoY growth in November according to the Retail Economics Retail Sales Index (value, non-seasonally adjusted, exc. Fuel). It marks a volume decline after accounting for double digit inflation.Sales are being constrained by declining discretionary budgets as the macroeconomic backdrop harshens, supported by a cohort of consumers that can afford to make early preparations for Christmas.	<ul style="list-style-type: none">Value and non-seasonally adjusted, annual growth, year-on-year, excluding automotive fuel.Retail sales as defined by ONS Standard Industrial Classification.Econometric model to include multiple sources of retail sales data.Includes consumer survey panel data.	30 October – 26 November 2022
Office for National Statistics Retail Sales Index (Year-on-year growth)	<ul style="list-style-type: none">+3.1% value, non-SA-6.1% volume, non-SA-5.1% Online, non-SA (all exc. Fuel)	<ul style="list-style-type: none">Retail sales (value, non-seasonally adjusted, exc. fuel) rose by 3.1% year-on-year (YoY) in November according to the latest ONS data.In volume terms, retail sales fell by 6.1% YoY against a 0.6% uplift a year ago (non-seasonally adjusted, exc. fuel), marking the weakest November rate on record (since 1989).The proportion of retail sales made online was 30.2% in November – down from 32.8% a year earlier, but ahead of a pre-pandemic peak of 21.6% in November 2019.	<ul style="list-style-type: none">Value and non-seasonally adjusted, annual growth, year-on-year, excluding automotive fuel.Retail sales as defined by ONS Standard Industrial Classification.	30 October – 26 November 2022
BRC-KPMG Retail Sales Monitor (Year-on-year growth)	<ul style="list-style-type: none">+4.2% (total)+4.1% (like-for-like)*-0.4% (online, non-food) <p>*excluding temp. closed stores & inc. online.</p>	<ul style="list-style-type: none">Total sales rose by 4.2% year-on-year in the four weeks to 26 November 2022, against a soft 5.0% rise a year earlier.Like-for-like sales (LFLs) rose by 4.1% YoY in November, compared to a weak 1.8% rise last year.Food sales rose by 5.8% on a total basis, and by 5.5% on a LFL basis, outperforming the Non-Food sector which were flat on a total basis and declined 0.4% YoY on a LFL basis.	<ul style="list-style-type: none">Value and non-seasonally adjusted, annual growth, year-on-year, excluding automotive fuel.Retail sales as defined by ONS Standard Industrial Classification.Sample of c.70 retailers, sales data collected directly from retailers.	30 October – 26 November 2022
BDO High Street Sales Tracker (Year-on-year)	<ul style="list-style-type: none">+4.1% Total-0.2% Lifestyle+8.5% Fashion+1.2% Homewares+5.5% Non-Store	<ul style="list-style-type: none">Total like-for-like (LFL) sales increased by 4.1% in November from a base of 32.1% for the equivalent month last year.Total non-store LFLs increased 5.5% from a base of -5.3% last year.Fashion was the standout performer (+8.5%), followed by Homewares (+1.2%). Lifestyle (-0.3%) experienced its lowest total LFLs since February 2021.	<ul style="list-style-type: none">Like-for-like sales values, non-seasonally adjusted, excludes non-store sales. Results based on adjusted averages which exclude outliers.Sample of c.85 mid market retailers covering 10,000 individual stores.Annual LFL growth figures collected directly from retailers.	31 October- 27 November 2022
CBI Distributive Trade Survey – Retail	<ul style="list-style-type: none">-19%	<ul style="list-style-type: none">Retail sales volumes declined in the year to November (-19% from +18% in October). Retailers expect sales volumes to fall next month (-21%).Retailers' business confidence for the next three months remained low (-22%), to a similar extent to August (-22%).Online retail sales contracted in the year to November (-5% from -23% in October). Internet sales have now been flat or falling for 13 months	<ul style="list-style-type: none">The DTS is a qualitative survey which aims to capture short and medium-term trends in the UK Retail Sector.Sample of c.51 retailers responded to the survey.	November 2022

Note: Year-on-year data unless otherwise stated
For a more detailed explanation of the various methodologies and comparisons between measures, please contact us and ask to speak with one of our analysts.
Where possible, comparisons are made with consistent methodology, or as near as possible. For example, our base line is to use retail sales that are value, non-seasonally adjusted, excluding fuel and covering the ONS trading calendar period.



MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
24 October <ul style="list-style-type: none">Rishi Sunak announced as next PM, leading to cabinet reshuffle	25 <ul style="list-style-type: none">Payday for 21% of workers (CIPP – 25th of the month)	26	27 <ul style="list-style-type: none">Upcoming Autumn Budget delayed to 17 November, as £50bn of tax increases rumoured	28 <ul style="list-style-type: none">Payday for 20% of workers (CIPP – 28th of the month)Payday for 35% of workers (CIPP – last working day)	29	30
31 <ul style="list-style-type: none">Halloween	1 November	2	3	4	5	6
7 <ul style="list-style-type: none">National rail strike	8 <ul style="list-style-type: none">Eight million people on low incomes who receive certain benefits receive the second instalment of a targeted cost-of-living payment	9 <ul style="list-style-type: none">Tube strike	10	11 <ul style="list-style-type: none">UK GDP declines 0.2% in Q3	12	13 <ul style="list-style-type: none">Remembrance Sunday is said to be the warmest on record
14 <ul style="list-style-type: none">London Stock market loses its most valued position to France due to weak pound and recession fears	15 <ul style="list-style-type: none">Payday for 19% of workers (CIPP – 15th of the month)	16 <ul style="list-style-type: none">Inflation surges to 11.1% - a 41-year high	17 <ul style="list-style-type: none">Autumn Budget	18	19	20 <ul style="list-style-type: none">World Cup 2022 begins in Qatar
21 <ul style="list-style-type: none">England play their first World Cup game against Iran, winning by a convincing 6-2 score line	22 <ul style="list-style-type: none">Five-year mortgage rate drops below 6%New report from OECD suggests the UK economy will be the second-worst performer in the G20 next year	23	24	25 <ul style="list-style-type: none">Black Friday coincides with England's World Cup game against the USAPayday for 21% of workers (CIPP – 25th of the month)	26	27

Retail Sales – November 2022

- Retail sales rose by 3.6 YoY in November according to the Retail Economics Retail Sales Index (value, non-seasonally adjusted, exc. Fuel), compared to a 5.5% rise in the previous year.
- Extended Black Friday sales and the start of the World Cup this year failed to lift overall retail sales volumes, as households continued to face declining discretionary budgets.

Mounting pressure on consumers

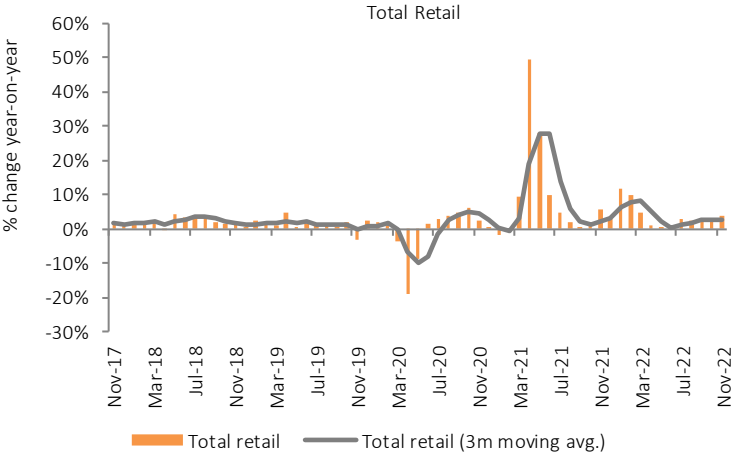
- CPI inflation only eased to 10.7% in November as food and energy prices soared – marginally down from the 41-year high of 11.1% in October.
- Although regular pay is growing at the strongest growth rate seen outside of the pandemic (+6.1% between August to October, ONS), continued double-digit inflation outpacing earnings growth has eroded discretionary budgets for the majority of households. This saw spare cash for non-essentials declined by £104 per month for the average household in November according to Retail Economics' Cost of Living Tracker.
- Adding to pressure among those needing to take out debt, the Bank of England hiked interest rates by 0.75 percentage points to 3% at the start of November – the biggest rise since 1989 – before rising again to 3.5% in December.
- This has seen consumer confidence remain below -40 for the eighth consecutive month heading into December, marking the longest period of extreme pessimism since GfK's survey began nearly half a century ago.

- Such harsh figures pave the way for a recession in 2023. Gross domestic product fell 0.3% in Q3 2022, with the Bank of England warning at the start of November that the economy is set to face the deepest recession for a century.
- Despite this, interest rates are on course to continue to rise in 2023, with more households set to be disadvantaged in the coming months. Over the last few months, the narrative around the challenges facing UK families has shifted from a crisis affecting the least affluent to one which will engulf the middle classes too. In particular, a year of interest rate rises is a concern for those looking to remortgage over the next year, which is likely to impact over two million households.
- Households are well aware of the challenges to come. A national poll (by Retail Economics and HyperJar in December) shows that three in five households are worried about their personal finances heading into 2023, as nine in ten (92.1%) consumers expect to be impacted by the impending UK recession.

Focus on essentials

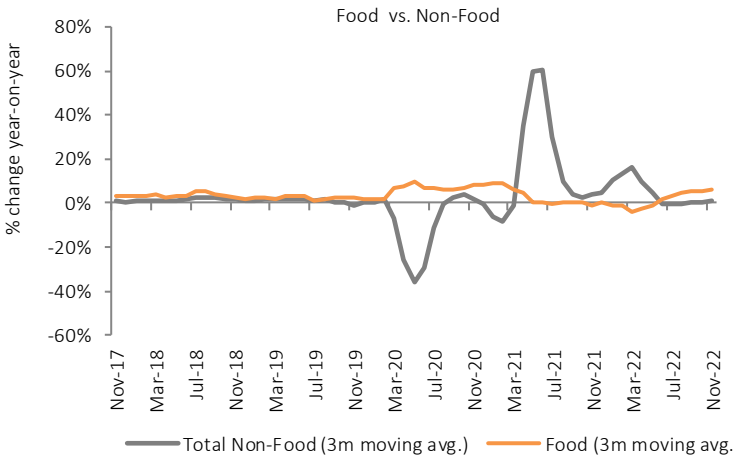
- This is leading to a readjustment of spending. Fear of the unknown is heightening consumers' anxieties about making big ticket purchases, particularly as the cost of debt rises. Meanwhile, a softening in house prices will discourage borrowing, with around a third (32.1%) of consumers delaying or cancelling major home-related projects next year as housing costs step up. This poses a key risk to categories such as Furniture & Flooring.

Retail Economics Retail Sales Index – Total Retail Sales (value, non-seasonally adjusted, YoY growth)



Source: Retail Economics - Retail Sales Index

Retail Economics Retail Sales Index – Food vs. Non-Food (value, non-seasonally adjusted, YoY growth)



Source: Retail Economics - Retail Sales Index

Retail Sales

Value

3.6%

Retail Sales rose by 3.6% YoY in November according to Retail Economics

Retail Sales

Volume

-6.1%

Retail sales by volume declined by 6.1%, YoY in November according to the ONS

Over the last few months, the narrative around the challenges facing UK families has shifted from a crisis affecting the least affluent to one which will engulf the middle classes too.

Retail Sales – November 2022 – continued

- What's more, in order to cut bills, almost half (45%) of consumers are looking to purchase energy saving goods next year. This has supported retail in recent months, with air fryers, duvets and jumpers typically outselling other electricals, homewares and apparel lines.
- It comes as households focus spending on essentials. Food sales stepped up 7.8% YoY in November, outperforming all other categories, as consumers looked to stock up early for Christmas and prepare for World Cup celebrations.
- But as food prices accelerated to a new 45-year high of 16.5% YoY in the month, consumers are trading down to cheaper alternatives and supermarket own brand. This has seen Lidl's sales increase by 22.0% YoY in the 12 weeks to 27 November (Kantar), hitting a record-high market share of 7.4%. Aldi saw sales increase 24.4% YoY, with an additional 1.5 million households shopping there compared to last year. Grocers that have been raising prices faster than their rivals risk losing market share, such as Morrisons.
- Black Friday – typically an online sales event – failed to stem the unwinding of pandemic-induced online sales, with ecommerce slipping back 5.1% YoY in November.
- The proportion of retail sales made online was 30.2% in November – down from 32.8% a year earlier, but ahead of a pre-pandemic peak of 21.6% in November 2019.
- Shoppers are looking to spread costs and shop with smaller basket sizes, which is most clearly seen across supermarket spending.
- Households went grocery shopping more than 48 times in the 12 weeks to 27 November (Kantar), the highest frequency recorded since April 2020, marking a return to pre-pandemic behaviour.

Price sensitivity

- More frequent shopping coincides with price sensitivity, leading to investment in value. By March 2023, Sainsbury's will have invested over £550m in prices. Meanwhile, Tesco rebranded its 'reduced to clear' sections to 'reduced in price-just as nice' in December, to make it easier to find discounts.
- It's not just happening in grocery either. Primark, Superdrug and The Perfume Shop are among retailers to have announced fresh price commitments in recent months.
- But such a focus on price at a time when businesses are facing heightened energy and labour costs means retailers are having to make cuts elsewhere or changes to manage cash flow.

Online highs unwind

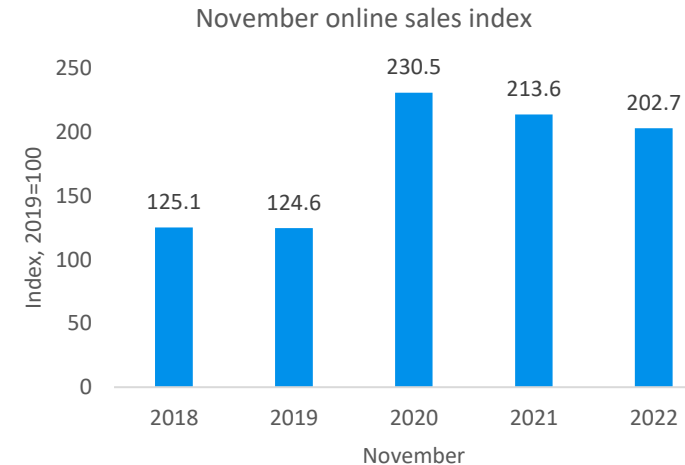
- Store-based retailers have also benefited from shoppers looking to avoid minimum spends and save on delivery and returns fees by shopping more in-store.

Comparison of changes in discretionary income by household income group, year-on-year, November 2022



Source: Retail Economics Cost of Living Tracker

Black Friday unable to offset declining online sales



Source: ONS, Retail Economics analysis
Index of online sales per week

Online
Year-on-year growth
-5.1%

Online sales fell in Nov, according to ONS

Online
Penetration
30.2%

Proportion of total sales that online accounted for

Store-based sales have benefited from shoppers looking to avoid minimum spends and save on delivery and returns fees.

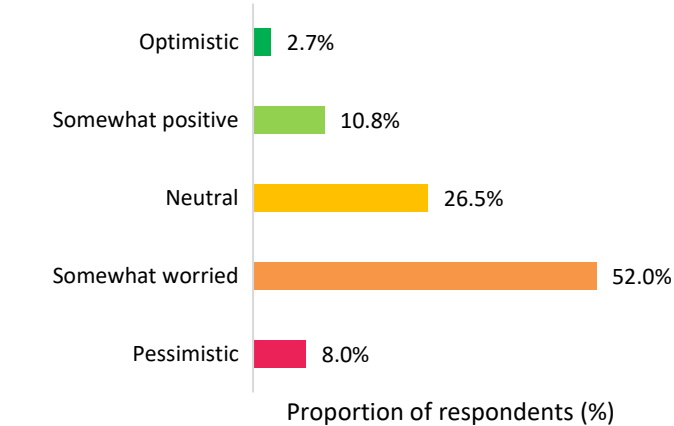
- This includes:
 - Waitrose operating “half lighting” in stores for the first two hours of trading on weekdays, while the temperature of branches, offices and warehouses across the John Lewis Partnership will be reduced by two degrees in order to make £9m in savings. It comes as the partnership was alleged to be facing an £18m overspend on energy without such changes.
 - Wilko, needing a cash injection as cost pressures intensify over the festive period, eased pressure by signing a 15-year agreement and leaseback deal on Wilko’s Nottinghamshire-based distribution site with DHL.
 - Boohoo extending its payment terms for suppliers and manufacturers to 60 days rather than 30 days.
 - H&M cutting 1,500 jobs to reduce costs and further improve efficiency, following profits of £43m in Q3, down 89% from the same period last year.

Pressure on retailers

- Changes in product demand over the crucial golden quarter has seen some retailers grapple excess stock, particularly for fashion retailers that face changing tastes and disrupted product lead times.

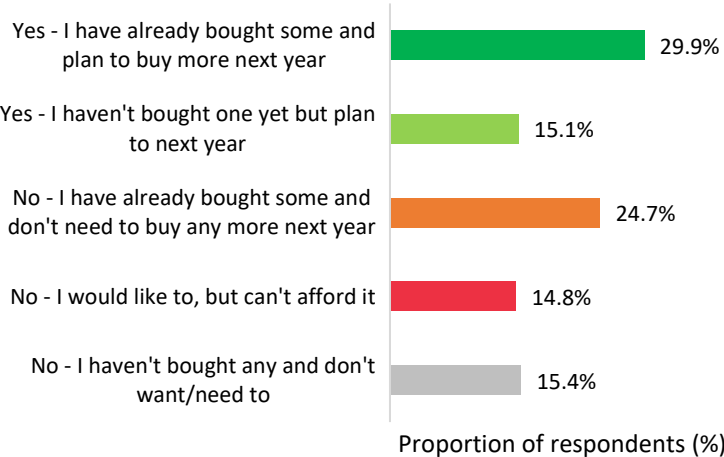
- Marks and Spencer postponed existing orders and delayed finalising orders for next year as the easing of supply chain disruptions results in excess stock levels. This comes as the retailer started discounting coats, jackets and boots by 20%, after milder weather in October and early November dented demand for winter ranges.
- Asos is planning to write off between £100m and £130m of out-of-fashion inventory to help refresh its brand, as inventories rose to almost £1.1bn at the end of August. This comes as the retailer recorded a £9.8m full-year operating loss in October.
- For some, the pressure and pace of change has been too intense. At the start of December Next acquired collapsed fashion chain Joules for £34m, partnering with Joules founder Tom Joule for the deal, which will ensure the survival of 100 stores and save almost 1,500 jobs.
- Meanwhile Marks and Spencer acquired the intellectual property of fashion personalisation website Thread, which collapsed into administration.
- The deal includes Thread’s source codes and algorithms that will be integrated into Marks and Spencer’s website, allowing the retailer to recommend clothes based on style, size and budget. 30 of Thread’s staff, including its founders, will be hired as part of the deal.
- Such a backdrop is leading to a Christmas like no other in recent history.

3 in 5 worried about their personal finances heading into 2023
How do you feel about your personal financial situation heading into 2023?



Source: Retail Economics Cost of Living Tracker, December 2022, n1,052

Nearly half of consumers plan to buy energy saving devices in 2023



Source: Retail Economics Cost of Living Tracker, December 2022, n1,052

Financial concern

60%

Of consumers are expressing worry about their personal finances heading into the new year

Energy saving

45%

Of consumers are looking to purchase energy saving goods next year

Changes in product demand over the crucial golden quarter has seen some retailers grapple excess stock, particularly for fashion retailers.

Retail Sales – November 2022

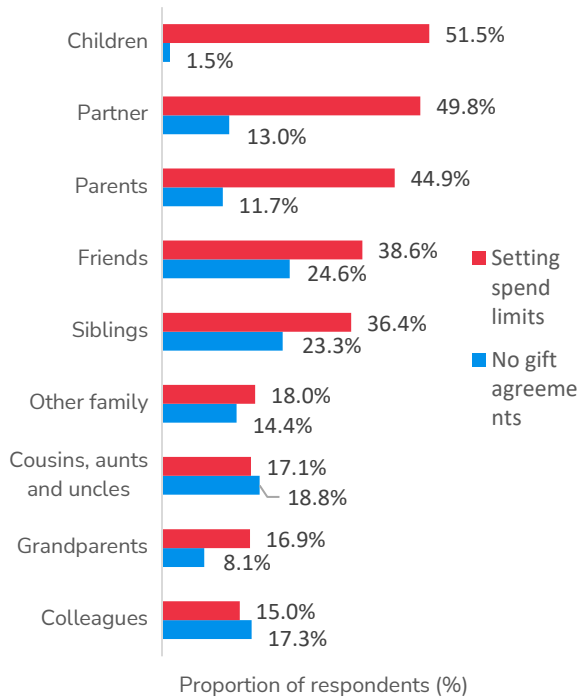
Five Christmas trends

- The high cost of energy, rising interest rates and fiscal tightening is shaping the backdrop of consumer spending this Christmas.
- As discretionary budgets have deteriorated for the majority of households this year, consumers are having to cut back and be less impulsive when gifting.
- Five key behaviours are emerging in the run-up to peak trading according to the monthly Retail Economics Cost of Living Tracker, including:
 - Spending limits on gifts:** Half of Christmas shoppers are setting spending limits on children and partners this year as budgets come under pressure.
 - Less impulsive buying:** To manage spending this Christmas, three fifths (60.8%) of households plan to shop at discounters and look for discounted gifts more than usual.
 - Alternatives to off-the-shelf products:** Nearly two in five (38.7%) of the least affluent Christmas shoppers plan to buy more second-hand gifts this year than normal, compared to a fifth (19.5%) among the most affluent.
 - Resilient gifting categories:** When people do spend, two-fifths (40.6%) are prioritising spending on children’s toys this year – well ahead of other key Christmas categories such as clothing, electricals, and edible gifts.

5. **Alternatives to turkey this Christmas:** As energy costs step up over the golden quarter, almost half (45.2%) of Christmas shoppers will limit using their oven over the festive period to save energy. This rises to well over half (55.1%) among the least affluent consumers.

Half of Christmas shoppers are setting spending limits on children and partners

Are you setting limits on Christmas present spending with any of these people as a result of rising living costs?



Source: Retail Economics Cost of Living Tracker, November 2022, n1,588

Comparison of retail sales measures

- Retail sales by value continued to edge up in low single digits across different sources on an annual basis in November.
- After accounting for inflation, small increases in value growth marks a volume decline.
- ONS figures importantly capture parts of the market that are facing some of the most significant changes, including the performance of discounters across food and non-food, as well as online players such as Amazon.
- By comparison, this is an area that the BRC under-represent. Meanwhile, BDO figures represent a relatively small cohort of mid-tier (typically physical) retailers. These figures should be treated with caution given the severe fluctuations that high street players have faced since the pandemic.
- But across sources, it’s become clear the pressure that retail is under across the board during the critical run-up to Christmas trading.

Source	Change in retail sales in August YoY
Retail Economics	+3.6% (vs. +5.5% in November 2021), total sales
Office for National Statistics (ONS)	+3.1% (vs. +5.1%), total (non-seasonally adjusted, exc. Fuel)
British Retail Consortium (BRC)	+4.2% (vs. +5.0%), total sales +4.1% (vs. +1.8%), like-for-like sales
BDO	+4.1% (vs. 32.1%), like-for-likes

Spending limits
51.5%

Plan to set strict spending limits on Christmas presents for children this year

Limit oven use
45.2%

Of consumers intend to limit their oven use this Christmas

Half of Christmas shoppers are setting spending limits on children and partners this year as budgets come under pressure.

Retail sales data comparison

- Retail Economics Retail Sales Index
- Office for National Statistics (ONS)
- BRC-KPMG Retail Sales Monitor
- CBI Distributive Trade Survey for Retail
- Coffe CGA Business Tracker
- BDO High Street Sales Tracker



UK Retail sales by category

All categories
Retail Economics Index



Food



Clothing & Footwear



Homewares



Furniture & Flooring



DIY & Gardening



Electricals



Health & Beauty



Online retail sales



Forecasts

- Retail Economics UK Retail Sales Forecast 2022 – 2026



Reports

Core Reports

Economic Retail Reports

UK Retail Sales Report→

UK Online Retail Report→

UK Retail Inflation Report→

UK Consumer Report→

UK Retail Economic Briefing→

UK Retail Industry Outlook→

Executive Report→

Retail category reports

Food & Grocery→

Clothing & Footwear→

Homewares→

Furniture & Flooring→

DIY & Gardening→

Electricals→

Health & Beauty→

UK Retail Sector Forecasts→

Express reports

Sector Snapshot Report

→

Monthly summary of all key retail categories with macroeconomic insights

Chartbook

→

Key economic charts published every month for the UK & other international markets

Other reports

Cost of Living Tracker

→

Monthly report measuring impact of inflation, earnings growth and discretionary income on different household income groups and resulting consumer behaviour

Retail Roundup Report

→

Retail industry news & updates in a nutshell to keep you abreast of industry developments

Thought Leadership Reports

→

Hard hitting research identifying industry trends to help you keep ahead of the curve

Services



Membership

→

Our membership service is a completely tailored, holistic, retail intelligence package.



Thought Leadership Research

→

Be a thought leader and command authority within your field by publishing hard-hitting thought leadership research with us.



CEO Presentations

→

Get the personal touch and interact face-to-face with the CEO Retail Economics (City AM Analyst of the Year 2019 nominee).



Media, PR & Comms

→

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



Data & Benchmarking

→

Using industry standard methodology and best practices, we provide bespoke proprietary data and benchmarking services allowing you to accurately measure and monitor performance.



Economic modelling

→

Better understand how your key industry variables affect your organisation: demography, socio-economic profiles, regional, sector, policy, industry and skills etc.



Advisory & Business planning

→

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

About

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



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