



WeldingWorld

Retail volumes stay flat in first month of the new decade

Retail sales volumes were flat for the third consecutive month in the year to January with no growth expected next month. Sales were seen as poor for the time of year, but to a lesser degree than in December. They are expected to remain below seasonal norms in the year to February.

Stock levels in relation to sales rose above the long-run average to January. Concurrently, orders placed with suppliers fell, with decline accelerating from December and retailers expecting a further fall next month.

Sales performance varied across the retail sector. In contrast to flat overall sales volumes, growth in internet sales picked up to the long-run average and is expected to accelerate slightly further next month.

By sub-sector, the biggest positive contribution to volumes growth came from non-specialised stores (i.e. department stores). This was offset by negative contributions from retailers of other normal goods (i.e. jewellery, flowers and watches), household furniture, and from hardware & DIY stores.

Business conditions in other parts of the distribution sector were more promising. Wholesalers reported the fastest rate of growth in 12 months, with sales seen as good for the time of year for the first time since October 2019, and business volumes expected to expand further next month.

Motor traders saw sales volumes holding steady for the second month running, following sharp falls through much of last year, with an improvement in sales volumes expected next month.

Overall, underlying momentum in the UK economy remains subdued at the start of 2020, but we continue to expect a mild improvement over the course of the year. Household spending is set to remain a key driver of GDP growth, though slower growth in employment and real earnings will act as a restraint. Households' disposable incomes are expected to grow by just 0.6% this year, which would be the weakest pace since 2016.

Retailers

- Retail sales volumes posted no growth in the year to January (0%, unchanged from December). Retailers expect sales volumes to remain unchanged in the year to February (0%).
- Orders placed with suppliers fell further in the year to January (-17% from -10%), with a broadly similar pace of decline expected next month (-19%).
- Sales were seen as poor for the time of year, but to a lesser extent than in December (-7%, from -31%). Sales are expected to be poor for the time of year next month (-9%).
- Internet sales growth bounced higher in January (+46%, from +18%) and is expected to tick-up a little further in February (+50%).

Wholesalers

- Wholesaling sales volumes returned to growth in the year to January (+26%, from -10%; av. +21%). Wholesalers expect a further expansion of volumes in February (+15%).
- The volume of orders placed with suppliers also grew slightly in January (+4%), but orders are expected to be broadly flat in February (-2%).

Motor traders

- Motor traders' sales volumes held up in the year to January for a second month running (+4% from +3%) and are expected to pick up in the year to February (+17%).