

# Retail sales regain momentum in April

May 2023

**Retail sales regained some positive momentum in April, rising by 0.5% after having fallen in March. The latest figures should be interpreted with caution, as March's sales were negatively impacted by poor weather conditions; however, the recent resilience of the retail sector shows no sign of running out of steam just yet. Indeed, underlying momentum remains firm, with sales growing by 0.8% on a three-month-on-three-month basis (the quickest rate since August 2021).**

Indicators of consumer spending have proved surprisingly resilient this year, reflecting, at least in part, the income security provided by the tight labour market. The UK has around one vacancy for every unemployed person – remaining close to the record low seen in mid-2022 – and the unemployment rate remains very low by historical standards. The tight jobs market has pushed up wage growth, which has in turn supported spending (even as inflation remains high).

Retail sales will likely be supported by an improving consumer outlook going forward. GfK's consumer confidence index has gradually recovered since it plunged to an all-time low in September 2022, reaching its highest reading in over a year in May. Households will also see their energy bills fall from July due to the lower Ofgem price cap (set to fall by 17% relative to the government's current Energy Price Guarantee), which will ease some of the burden on incomes.

However, retailer and consumer-facing firms should remain wary of some ongoing headwinds. Inflation remains high (at 8.7% in April), and continues to outpace wage growth, which will likely continue to affect households' spending patterns (e.g., making them more likely to cut down on non-essentials). Additionally, many households with mortgages have yet to see their interest rates change since the Bank of England began raising rates in December 2022. This means that some consumers may see their budgets come under further pressure as their mortgage payments rise in the coming months.

## A closer look at April's retail sales figures

**Retail sales rose by 0.5% month-on-month (m/m) in April, following a fall of 1.2% in March.**

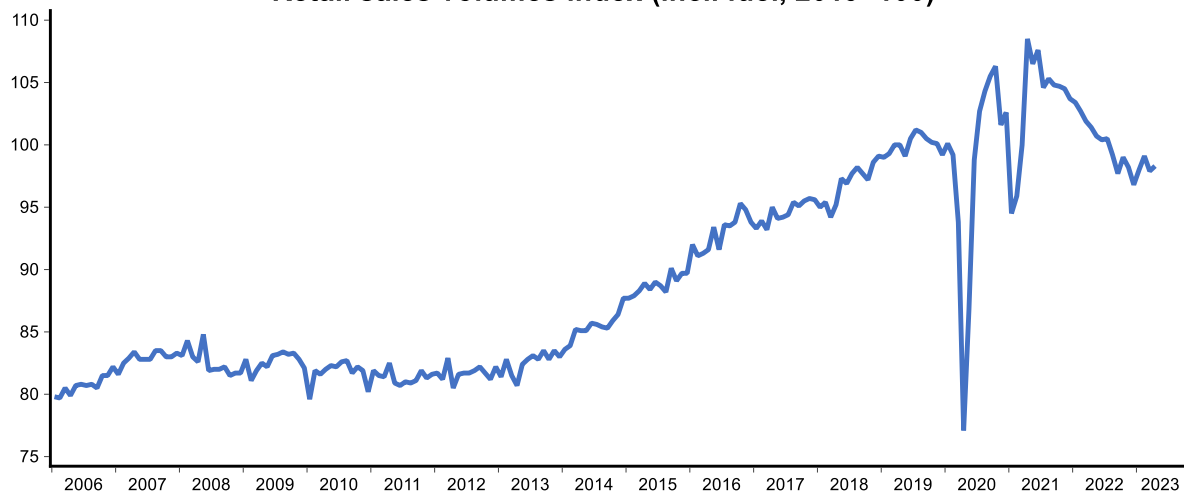
- Sales volumes grew by 0.8% in the three months to April when compared with the previous three months, which is the strongest three-month-on-three-month growth since August 2021.
- April's outturn leaves sales volumes 1.5% above their level at the end of 2022, but they remain 0.8% below their pre-pandemic level in February 2020.

**Food (0.7% m/m) and non-food sales (1.0% m/m)** led the growth in headline retail volumes, after unseasonably wet weather discouraged retail foot traffic in March.

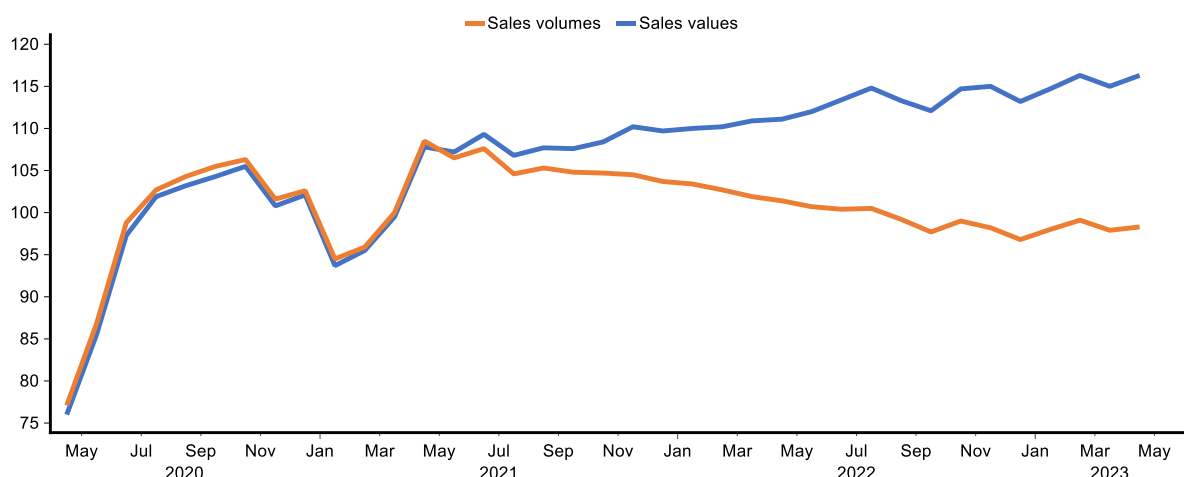
- Non-food volumes growth was driven by strong sales in two categories: other non-food stores (2.1% m/m) – principally watches & jewelry and sports equipment – and department stores (1.7% m/m).
- Despite food & non-alcoholic beverages prices rising at a near-record pace in the year to April, food stores' underlying sales momentum has been resilient. Volumes were up 0.2% in the three months to April when compared with the previous three months, marking the first rise in this series since August 2022.

**Fuel** sales were the sole drag on headline retail sales volumes this month (-2.2% m/m). Industrial action may have played a role in reducing travel and petrol usage, outweighing the impact of falling fuel prices. A household survey conducted by the ONS reported that 19% of adults affected by industrial action could not travel for holiday or leisure as planned in mid-April.

**Retail sales volumes index (incl. fuel, 2019=100)**



**Retail sales volumes and values, seasonally adjusted**



## GfK Consumer Confidence

