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Western European Indicators and Insights

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Andrew Wroblewski
Chief Economist, Eurozone and UK

London
+44 20 7959 3244
awroblewski@decisioneconomicsinc.com

# UK: Mixed messages?

Real retail sales (including fuels) slipped 0.2% in M/M terms in August, exactly reversing the rise of the previous month. This rise was largely as anticipated, still keeping in place the flat to slightly softer trend in sales volumes seen so far this year, the latter very much evident in the flat Y/Y reading.

To what degree this slip back in sales volumes was based on the impact of higher prices is unclear, although it is notable that the sales deflator did increase last month. In addition, the data last month may have been hit by poor weather. All of which means more data will be needed to establish just how weak the consumer sector may be, with it highly likely that (flat) retail numbers may actually be offering too upbeat a picture of overall household spending, the latter having very much undershot BoE expectations over the last year.

Meanwhile, and according to the latest quarterly BoE/GfK NOP inflation attitudes survey (polled through August), household inflation expectations (one year ahead) rose afresh, rising 0.3 percentage point to 4.2%, the highest in exactly three years. Meanwhile, perceived inflation was up similarly, but at 4.8% was the highest since November 2008.

The rise back in the expectations for inflation in this survey is in contrast to the message from EU Commission survey data, with the latter still producing results which have actually moved back in line with the long-term averages. Even so, the rise in the BoE compiled data may perturb some MPC members, but most will take solace from the fact that financial market determined measures of inflation expectations, like those compiled by the EU, remain close to their long-term averages.