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Western European Indicators and Insights

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# UK: Sales resilient?

**Better sales data may disguise on-going consumer declines**

Real retail sales (including fuels) rose by 0.6% in M/M terms in October, surprisingly building on the little-revised 0.5% bounce seen in the previous month. This rise was very much better than anticipated, albeit still keeping in place no better than a flat trend in sales volumes seen so far this year, this very much evident in the modest Y/Y reading, albeit with the latter picking up to 0.9%. A clearer indication of the fragility in sales came from the three-month comparison, which rose 0.4%, albeit implying that the current quarter may see a reversal of the Q/Q drop seen in Q3, the latter having been the first quarterly fall in sales volumes since the end of last year.

To what degree this further recovery in sales volumes in the last month was based on the impact of lower prices is unclear, although it is notable that the sales deflator did drop back further last month, this possibly being indicative of sales incentives by supermarkets that helped pull CPI inflation down.

Regardless, it remains the case that retail numbers may actually be offering an insufficiently downbeat a picture of overall household spending, the latter having very much undershot BoE expectations over the last year by showing ever-larger and successive Q/Q falls whilst retail sales have moved sideways. This may be a reflection of swings within consumer spending, ie with households reducing overall spending but switching purchases from categories of expenditure outside of retailing to within, eg eating out less but instead buying more up-market food from supermarkets. All of which may explain why retail sales may be holding up in the face of ever-gloomier consumer confidence readings.