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Western European Indicators and Insights

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UK: Sales surge back.

Warm weather boosts spending: BoE optimism corroborated?

Providing a clear upside surprise, real retail sales (including fuels) surged 1.8% in M/M terms in March, more than unwinding the little-revised drop of 0.8% in the previous month. Indeed, the March surge was the strongest reading in 14 months and meant that sales volumes last quarter rose clearly by 0.8% Q/Q, ie a second successive Q/Q rise. Moreover, this relatively solid trend was also evident in the higher Y/Y reading, which actually tripled to 3.3%.

To what degree this March surge was a result of very warm weather during the month is unclear, although such a view is supported by the strength in clothing sales. In addition fuel sales were boosted by scares of possible future shortages. Poorer weather and less concern about fuel sales may therefore act to depress sales in the current month.

Data such as these will only serve to reinforce current BoE thinking that the economy is on a recovery footing regardless of whatever weakness may be evident in Q1 GDP data (due next Wednesday).