New York • London • Boston
DECISION ECONOMICS, INC.
Information for Decisions™

Western European Economic Indicators and Insights

September 20, 2012

Andrew Wroblewski
Chief Economist, Eurozone and UK

London
+44 20 7959 3244
awroblewski@decisioneconomicsinc.com

UK: Sales Edge Back Down

Improving Trend Intact!

Largely as expected this time around, real retail sales (including fuels) dropped back slightly in August, decreasing by 0.2% in M/M terms, albeit only partly unwinding the clear gains of the previous months including the 0.3% July rise.

The sector breakdown was distinctly mixed. Even so, the combination of rising food sales, offset by drops in store and non-store retailing, is very much consistent that this August correction was very much a result of the Olympics (held largely through August), with many stuck in front of TVs rather than visiting shopping malls. Indeed, despite the August setback, *the sales trend still seems upward, with the three-month upon three-month rate of change (a measure used by the likes of the BoE) still showing a respectable gain of 0.6%*, this possibly being a result of the solidity in the employment backdrop.

DE View: Despite the hit to August retail sales, the impact of the Olympics is still likely to be very positive overall for the whole economy, especially as the sales of tickets alone is likely to boost Q3 GDP by some 0.2 percentage point, making it *highly likely that the economy this quarter will reverse much, if not all, of the 0.5% Q/Q drop seen in Q2.*