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UK: RISING CONFIDENCE & SURGING RETAIL AHEAD OF SUMMER SPENDING SPREE

Berenberg Macro View

Spring has sprung for the UK economy: Led by a rapid recovery in domestic demand, the UK is building serious recovery momentum heading into the summer. Household confidence continued to rise in April, underpinned by rapid vaccine progress and easing virus restrictions, while monthly retail sales surged above their pre-pandemic level in March.

Huge excess savings, record household net wealth and stable employment income set the stage for a robust recovery in household spending – see [UK consumption outlook: scenario analysis](#).

The latest GfK consumer confidence survey shows a broad-based improvement in underlying sentiment (Table 1):

- Although headline consumer confidence only edged up by one point April to -15, households' current financial situation remained at a survey high of 31 – Chart 1
- Households' view of the general economic situation for the next 12 months jumped to -11 from -17 – its highest level since September 2016 – Chart 2
- Although still elevated, unemployment expectations declined further from 36 in March to 29 in April – down from a peak of 56 in October 2020 – Chart 3
- The latest quarterly survey for Q2 shows a sharp uptick to close to a survey high in household appetites to make major purchases on cars, homes and home improvement – Chart 4

Rising mood lifts demand – UK retail sales continued to recover strongly in March (Table 2):

- Despite the continued closure of non-essential retail stores across the UK, monthly retail sales jumped 5.4% mom following the 2.2% gain in February – Chart 5
- Although not yet as high as the summer 2020 peak when most restrictions were temporarily eased, March retail sales ex. autos were 3.4% higher than their pre-pandemic January level
- The sector enjoyed broad-based gains in March: department stores up 7.2% mom, textile, clothing and footwear up 17.5% and household good stores up 3.7%



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Chart 1

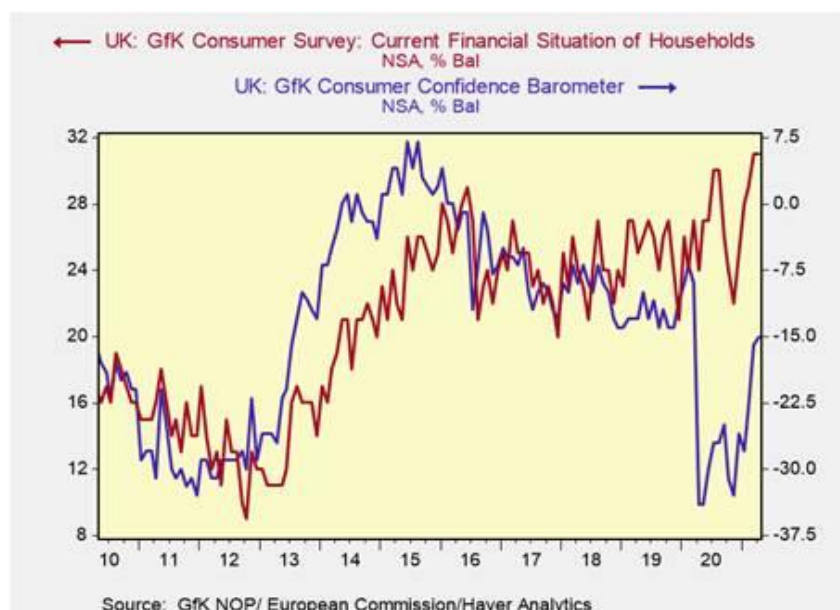


Chart 2





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Chart 3

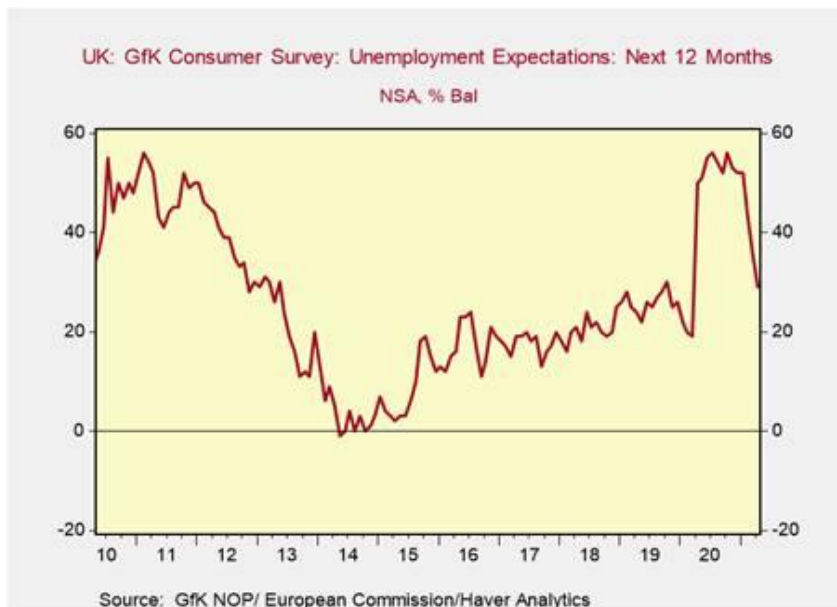


Chart 4





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Chart 5



Table 1: Consumer survey (% balance)	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21
Consumer confidence	-33	-26	-28	-23	-16	-15
Current financial situation	22	25	28	29	31	31
Financial situation next 12 months	-5	3	2	4	10	10
General economic situation next 12 months	-50	-35	-44	-30	-17	-11
Consumer prices next 12 months	88	89	92	87	90	89
Unemployment expectations next 12 months	53	52	52	44	36	29
Major purchases at present	-28	-22	-24	-19	-11	-12
Savings at present	11	17	18	19	21	22
Savings expectations next 12 months	18	22	25	26	31	28

Source: GfK



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Table 2: Real retail sales	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Total sales (% mom)	1.6	-4.3	0.4	-8.1	2.2	5.4
(% yoy)	6.1	2.2	3.1	-5.9	-3.6	7.2
Food stores (% mom)	0.0	2.7	-3.3	1.4	3.1	2.5
(% yoy)	3.5	6.9	4.4	4.8	7.7	0.6
Predominantly non-food stores (% mom)	1.6	-9.3	4.1	-24.2	4.1	10.0
(% yoy)	2.2	-7.0	-2.3	-27.1	-23.7	3.9
Department stores (% mom)	3.2	-2.4	-3.8	-14.2	16.4	7.2
(% yoy)	0.7	-0.2	-3.7	-18.1	-4.3	0.7
Textile, clothing and footwear stores (% mom)	-0.2	-20.0	21.7	-35.0	-9.3	17.5
(% yoy)	-12.4	-29.6	-13.9	-45.4	-50.2	-9.0
Household goods stores (% mom)	3.4	0.4	-2.2	-18.9	15.9	3.7
(% yoy)	15.8	15.0	13.1	-7.9	4.9	19.3
Other stores (% mom)	0.8	-11.7	2.2	-25.6	-4.2	13.4
(% yoy)	7.9	-4.5	-0.4	-27.7	-29.3	5.0
Non-store retailing (% mom)	6.7	-1.6	1.8	3.9	-1.8	1.3
(% yoy)	44.1	43.7	43.8	49.2	49.6	43.6
Automotive fuel (% mom)	0.1	-16.6	-0.8	-1.3	-0.8	11.1
(% yoy)	-11.5	-25.3	-27.1	-25.3	-26.5	0.1
Internet sales (% total sales)	28.4	36.3	31.4	36.4	34.6	32.8

Source: ONS

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