

BRC-KPMG Retail Sales Monitor June 2008

Covering the five weeks 1 June – 5 July 2008

Strictly Embargoed until 00:01 hrs – Tuesday 15th July 2008

SALES FALL AFTER EARLY SUMMER BLIP

JUNE	
Like-for-Like	Total
% change on year ago	
-0.4%	2.1%

APRIL – JUNE	
Like-for-Like	Total
% change on year ago	
-0.03%	2.5%

- UK retail sales values fell 0.4% on a like-for-like basis, compared with June 2007. Sales have now been lower than a year ago in three of the past four months, the worst since summer 2005.
- Changeable weather, after May's warm sun, hit sales in June. A few sunny days together with clearance events helped some but underlying trade remained tough, with widespread discounting.
- Food and drink was the only sector to show significant growth but that was against a weak June 2007. Clothing and footwear fell back sharply after May's sun-driven boost. Furniture and homewares, both large and small, weakened further below year-earlier levels, despite continued discounts and promotions.
- Consumer confidence has continued to fall, reaching new record lows. Increasing demands on household budgets and the weakness of the housing market mean shoppers are increasingly price-conscious and reluctant to spend on big-ticket items.

Stephen Robertson, Director General, British Retail Consortium, said:

"The negative result confirms fears May's modest like-for-like sales growth was a start-of-summer blip. While total retail sales grew in June, that was by less than half last month's figure. June saw like-for-like food sales up on a year ago but that was compared with suppressed sales in June 2007, the wettest on record. Almost all other retail sectors recorded falls with electricals, DIY and homewares the worst hit and furniture sales falling faster than for three years.

"Retailers are doing all they can to reassure customers, offering some of the strongest discounts and promotions in decades and keeping a lid on inflation. Surely Government should also be helping hard-pressed customers by not piling-on new tax burdens and resisting its instinct for costly new business regulation which ultimately pushes up prices."

Helen Dickinson, Head of Retail, KPMG, said:

"Although total retail sales grew by 2.1% in June, they continue to be impacted both by food inflation and the wider economic climate. Consumers are managing their budgets carefully to mitigate the effects of these inflationary pressures and the food retailers continue to focus on keeping consumer prices down through high-profile promotional activity, despite the increase in oil and commodity prices. This environment is a hugely challenging one for retailers - for the food retailers with their own costs continuing to rise, and for non-food retailers trying to win back a greater 'share of wallet'. For non-food, the highlights in June were few and far between with women's footwear being the only sector to show a reasonable level of growth compared with the previous year."



Food & Drink – Joanne Denney-Finch, Chief Executive, IGD, said:

"Despite widespread economic pessimism, collectively UK grocery stores are performing robustly. Sales in June benefited from drier weather, midsummer seasonal events such as Euro 2008, festivals and outdoor eating.

"Harder times often lead to consumers changing their shopping habits and retailers have been competing hard to retain existing customers and attract new ones. Without doubt, the fight is on for the high ground on value for money and retailers are battling to create summer excitement in store."



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The June 2008 Monitor covers the five weeks 1 June – 5 July 2008 and provides the most up-to-date reflection of recent retail performance.

The July 2008 Monitor, covering the four weeks 6 July – 2 August 2008, will be released at 00.01 am Tuesday 12 August.

The data is collected and collated for the BRC by KPMG.

BRITISH RETAIL CONSORTIUM
for successful and responsible retailing

The British Retail Consortium is the lead trade association representing the whole range of retailers, from the large multiples and department stores through to independents, selling a wide selection of products through centre of town, out of town, rural and virtual stores.

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12-month Moving Average Charts

The 12-month moving average chart shows the average growth rate for the 12 months ending with the latest month. For example, the March 2007 12-month moving average total sales growth is the sum of the 12 percentage total growth rates, one for each of the 12 months April 2006 - March 2007, divided by 12. It does not represent an annualised growth rate as no re-weighting of individual months has been undertaken. In order to maintain the robust basis upon which the Retail Sales Monitor is prepared, it was felt that re-weighting the monthly data would bring an unnecessary level of judgement to the calculation.

Notes

The BRC-KPMG Retail Sales Monitor measures changes in the actual value of retail sales from a sample of retailers. The Monitor measures the value of spending and hence does not adjust for price changes. If prices are rising, sales volumes will increase by less than sales values. In times of price deflation, sales volumes will increase by more than sales values.

Retailers report the value of their sales for the current period and the equivalent period a year ago. These figures are reported both in total and on a 'like-for-like' basis.

'Like-for-like' sales growth is the percentage change in the value of comparable store sales compared to the same period a year earlier. It excludes any spending in stores that opened or closed in the intervening year, thus stripping out the effect on sales of changes in floorspace. Therefore like-for-like sales growth will always be lower than total sales growth.

The like-for-like measure is often used by retailers, the city and analysts to assess the performance of individual companies, retail sectors and the industry overall, without the distorting effect of changes in floorspace.

Total sales growth is the percentage change in the value of all sales compared to the same period a year earlier. The total sales measure is used to assess market level trends in retail sales. It is a guide to the growth of the whole retail industry, or how much consumers in total are spending in retail – retail spending represents approximately one-third of consumer spending. It is this measure that is often used by economists.

The responses provided by retailers within each sales category are re-weighted (based on ONS weightings) to reflect the contribution of each category to total retail sales, thus making it representative of UK retail sales as a whole. Because the figures compare sales this month with the comparable period last year, a seasonal adjustment is not made. However, changes in the timing of Bank Holidays and Easter can create distortions, which should be considered in the interpretation of the data.

As well as receiving sales value direct from the retailers in the scheme the BRC-KPMG Retail Sales Monitor also receives food and drink sales value data from the IGD's Market Track Scheme.

In its role as sponsor of the BRC-KPMG Retail Sales Monitor, KPMG is responsible for the aggregation of the retail sales data provided by the retailers on a weekly basis. This data consists of the relevant current week's sales data and comparative sales figures for the same period in the prior year. The aggregation has been performed by KPMG on data for periods following 2 April 2000 and equivalent prior periods. The accuracy of the data is entirely the responsibility of the retailers providing it. The sponsorship role has been performed by KPMG since 10 April 2000 and save for the aggregation of comparative sales figures for the period from 2 April 2000 it is not responsible for the aggregation of any data included in this Monitor relating to any period prior to 2 April 2000. The commentary from KPMG is intended to be of general interest to readers but is not advice or a recommendation and should not be relied upon without first taking professional advice. Anyone choosing to rely on it does so at his or her own risk. To the fullest extent permitted by law, KPMG will accept no responsibility or liability in connection with its sponsorship of the Monitor and its aggregation work to any party other than the BRC.