

RETAIL SALES

**Press briefing for May 2008
(to accompany First Release)**

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CONTENTS:

	Page
Headline results	2
Changes in annual growth rates	3
Implied price deflator	4
Summary of records	5
Revisions	7
The Retail Sales Index	8
Description of published categories	10

Next publication, Retail Sales, June 2008
to be published 09.30 am Thursday 24 July 2008

Overview

Retail sales in May boosted by the food and clothing sectors

Headline results

1. The seasonally adjusted **volume** of retail sales in the three month period March to May:
 - a. rose by 1.8 per cent on the previous three months;
 - i) three-monthly growth in sales volume was 0.7 per cent for predominantly food stores;
 - ii) three-monthly growth in sales volume for predominantly non-food stores was 2.5 per cent, the highest growth since June 2006 when it was 2.6 per cent;
 - within predominantly non-food stores the highest three-monthly growth was for other stores (which includes games stores and mobile phone stores) where sales grew by 5.4 per cent, the highest growth since the series began in 1986;
 - iii) three-monthly growth in sales volume was 2.2 per cent for the non-store retailing and repair sector, the lowest growth since October 2007 when it was also 2.2 per cent. The last time it was lower was in January 2007 (1.5 per cent);
 - b. was 5.4 per cent higher than in the same period a year ago, the highest growth since March 2008 when it was also 5.4 per cent. The last time it was higher was in November 2004 (6.2 per cent);
 - i) sales volume for predominantly food stores was 2.6 per cent higher than a year ago, the highest growth since October 2006 when it was 2.7 per cent;
 - ii) sales volume for predominantly non-food stores was 6.2 per cent higher than a year ago;
 - growth increased in all sectors with the strongest growth in other stores (which includes games stores and mobile phone stores) where sales grew by 10.7 per cent, the highest growth since March 2008 when it was also 10.7 per cent. The last time it was higher was in July 2004 (11.0 per cent);
 - iii) sales volume for the non-store retailing and repair sector was 16.9 per cent higher than a year ago.
2. The seasonally adjusted **volume** of retail sales in the month of May:
 - a. rose by 3.5 per cent between April and May, the largest increase since the series began in 1986;

- i) sales volume for predominantly food stores increased by 3.3 per cent, the largest increase since the series began in 1986;
 - ii) sales volume for predominantly non-food stores increased by 3.9 per cent, the largest increase since March 1991 when it rose by 6.2 per cent;
 - within predominantly non-food stores the largest contribution to the growth came from textile, clothing and footwear stores where sales increased by 9.2 per cent following two previous consecutive falls. This is the highest growth since the series began in 1986;
 - iii) sales volume for the non-store retailing and repair sector increased by 0.4 per cent;
- b. was 8.1 per cent higher than a year ago, the highest growth since April 2002 when it was 9.1 per cent;
- i) sales volume for predominantly food stores was 4.7 per cent higher than a year ago, the highest growth since January 2005 when it was 5.1 per cent;
 - ii) sales volume for predominantly non-food stores was 9.9 per cent higher than a year ago, the highest growth since April 2002 when it was 12.6 per cent;
 - within predominantly non-food stores the strongest growth was in other stores (which includes games stores and mobile phone stores) where sales increased by 11.6 per cent and in textile, clothing and footwear stores where sales increased by 11.2 per cent following a fall of 3.9 per cent. This is the largest increase for this sector since May 2004 when it was also 11.2 per cent. The last time it was higher was in August 2002 (15.4 per cent);
 - iii) sales volume for the non-store retailing and repair sector was 15.6 per cent higher than a year ago.
3. For the three months ending in May the **value** of retail sales non-seasonally adjusted was 4.2 per cent higher than in the same period a year ago.
4. The total **value** of sales for the month of May is estimated at £21.0 billion, 7.0 per cent higher than the same month last year. This is the highest growth since March 2002 when it was 8.0 per cent.
5. May was a four week trading period running from 4 May to 31 May 2008.

Changes in annual growth rates for May

6. For the seasonally adjusted **volume** of retail sales:
- a. Annual growth for all retailing accelerated to 8.1 per cent from 3.8 per cent in April, the highest growth since April 2002 (9.1 per cent);

- b. Annual growth for predominantly food stores accelerated to 4.7 per cent from 1.0 per cent in April, the highest growth since January 2005 (5.1 per cent);
 - c. Annual growth for predominantly non-food stores accelerated to 9.9 per cent from 4.6 per cent in April, the highest growth since April 2002 (12.6 per cent);
 - i) within predominantly non-food stores, the largest contributions to the growth were from other goods stores where sales increased by 11.6 per cent and in textile, clothing and footwear stores where sales increased by 11.2 per cent, the highest growth since May 2004 when it was also 11.2 per cent. The last time it was higher was August 2002 (15.4 per cent).
 - d. Annual growth for the non-store retailing and repair sector decelerated to 15.6 per cent from 16.8 per cent in April.
7. For the **value** of retail sales non-seasonally adjusted:
- a. Annual growth for all retailing accelerated to 7.0 per cent from 1.5 per cent in April, the highest growth since March 2002 when it was 8.0 per cent;
 - b. Annual growth for predominantly food stores accelerated to 7.8 per cent from 3.2 per cent in April, the highest growth since January 2002 when it was also 7.8 per cent. The last time it was higher was in May 2001 (8.7 per cent);
 - c. Annual growth for predominantly non-food stores accelerated to 6.4 per cent from a fall of 1.1 per cent in April, the highest growth since March 2007 when it was 6.8 per cent;
 - i) within predominantly non-food stores the largest contributions to the increase came from other stores, which grew by 9.0 per cent and textile, clothing and footwear stores where sales grew by 7.3 per cent, the highest growth since April 2007 when it increased by 10.2 per cent;
 - d. Annual growth for the non-store retailing and repair sector decelerated to 5.3 per cent from 12.1 per cent in April.

Implied price deflator

The implied price deflator for May 2008 is 0.3 per cent lower than May 2007. The fall continues to be driven by decreases across all sectors except predominantly food stores.

Summary of records for May 2008: Volume seasonally adjusted

Indicator and publication category	Latest month %	Record since	Previous record growth %
Latest 3 months on previous 3 month			
All retailing	1.8	No record this month	n/a
Predominantly food stores	0.7	No record this month	n/a
Predominantly non-food stores	2.5	June 2006	2.6
Other stores	5.4	Highest in the series	
Non-store retailing and repair	2.2	October 2007 January 2007	2.2 1.5
Latest 3 months on same period a year earlier			
All retailing	5.4	March 2008 November 2004	5.4 6.2
Predominantly food stores	2.6	October 2006	2.7
Predominantly non-food stores	6.2	No record this month	n/a
Other stores	10.7	March 2008 July 2004	10.7 11.0
Non-store retailing and repair	16.9	No record this month	n/a
Latest month on previous month			
All retailing	3.5	Highest in the series	
Predominantly food stores	3.3	Highest in the series	
Predominantly non-food stores	3.9	March 1991	6.2
Textile, clothing and footwear	9.2	Highest in the series	
Non-store retailing and repair	0.4	No record this month	n/a
Latest month on same month a year earlier			
All retailing	8.1	April 2002	9.1
Predominantly food stores	4.7	January 2005	5.1
Predominantly non-food stores	9.9	April 2002	12.6
Textile, clothing and footwear	11.2	May 2004 August 2002	11.2 15.4
Non-store retailing and repair	15.6	No record this month	n/a

Note: The retail sales index began in 1986

Summary of records for May 2008: Value non-seasonally adjusted

Indicator and publication category	Latest month %	Record since	Previous record growth %
Latest 3 months on same period a year earlier			
All retailing	4.2	No record this month	n/a
Predominantly food stores	5.4	No record this month	n/a
Predominantly non-food stores	2.8	No record this month	n/a
Non-store retailing and repair	7.4	No record this month	n/a
Latest month on same month a year earlier			
All retailing	7.0	March 2002	8.0
Predominantly food stores	7.8	January 2002 May 2001	7.8 8.7
Predominantly non-food stores	6.4	March 2007	6.8
Textile, clothing and footwear	7.3	April 2007	10.2
Non-store retailing and repair	5.3	No record this month	n/a

Revisions

Revisions to the indicators are mainly due to late returned data, revised returns, seasonal adjustment, the latest month's data and annual updating of the business register.

Revisions to the growth rates for the latest 3 months and the most recent month a year earlier for the volume seasonally adjusted

Volume seasonally adjusted								
	3 months on previous 3 months		3 months on same period a year ago		Month on previous month		Month on same month last year	
	Was	Now	Was	Now	Was	Now	Was	Now
Apr 2008	1.5	1.5	4.8	4.6	-0.2	-0.3	4.2	3.8
Mar	1.9	2.0	5.5	5.4	-0.2	-0.3	4.7	4.4
Feb	1.1	1.2	4.9	4.9	0.9	0.9	5.7	5.8
Apr 2007	1.2	1.4	5.0	5.0	0.3	0.2	4.5	4.6

Revisions to the growth rates for the latest 3 months and the most recent month a year earlier for the value non-seasonally adjusted

Value non-seasonally adjusted				
	3 months on same period a year ago		Month on same month last year	
	Was	Now	Was	Now
Apr 2008	4.3	4.0	1.9	1.5
Mar	5.2	5.1	4.5	4.1
Feb	2.7	2.7	6.5	6.5
Apr 2007	5.3	5.3	5.0	5.0

The Retail Sales Index

1. The Retail Sales Index (RSI) is derived from a monthly survey of 5,000 businesses in Great Britain. The sample represents the whole retail sector and includes all large retailers and a representative panel of smaller businesses. The achieved response rate each month represents approximately 85 to 90 per cent of total retail sales.
2. The RSI sample is subject to monthly reviews so that it remains representative of the whole retail sector. This ensures that growth areas in retailing, such as that for specialist internet retailers, are reflected in the RSI results.
3. The monthly survey collects one figure from each sampled business: total retail sales for the standard trading period. Respondents receive specific instructions to include internet sales in the total sales figures they provide.
4. The RSI covers sales only from businesses registered as retailers according to the Standard Industrial Classification (SIC), an internationally agreed convention for classifying industries. The retail sector is division 52 of the SIC 2003 and retailing is defined as the sale of goods to the general public for household consumption. Consequently the RSI includes all internet businesses whose primary function is retailing and also covers internet sales by other British retailers, such as online sales by supermarkets, department stores and catalogue companies. This means that the RSI covers three of the main types of household internet spending
 - a) spending on goods from specialist internet retailers
 - b) spending on goods from store-based retailers
 - c) spending on goods from catalogue-based mail order retailers
5. The RSI does not cover household spending on services bought from the retail sector as it is designed to only cover goods. Respondents are asked to separate out the non-goods elements of their sales, e.g. income from cafeterias. Consequently on-line sales of services by retailers, such as car insurance, would also be excluded.
6. Retailers specialising in providing material for downloading over the internet, such as music and mobile phone ringtones, are covered by the RSI if they are purely retailers only and are not also involved in the production or processing of such material. Sales of downloads by store-based retailers would be included in their total sales figures.
7. The value of internet spending cannot currently be separately identified within the RSI's results. This is because the survey only collects data on total retail sales and it is not broken down by type of sales outlet. For example, the survey would collect total retail sales for a supermarket but the internet and non-internet elements would not be collected separately. Some large businesses do publish figures for internet sales in their annual reports. For instance, Tesco publicly reported internet sales in the UK of almost £1 billion in their 2005-06 financial year.
8. In published RSI results, internet sales by retailers are included in the relevant store category. For example, online sales by supermarkets would be included in the predominantly food stores category while sales by specialist internet retailers are included in the non-store retailing and repair category along with sales by catalogue-based mail order retailers.

9. The volume or constant price series are constructed by removing the effect of price changes from the value series. The Retail Prices Index (RPI) is the main source of the information required on price changes. In brief, a deflator for each type of store (5 digit SIC) is derived by weighting together the RPI's for the appropriate commodities, the weights being based on the pattern of sales in the base year. These deflators are then applied to the value data to produce volume series. The implied overall RSI price deflator can be derived by comparing the value and volume data non-seasonally adjusted, in general, this implied price deflator should be quite close to the retail component of the RPI.

10. Seasonally adjusted estimates are derived by estimating and removing systematic calendar related effects from the non-seasonally adjusted estimates. Seasonal adjustment is performed each month using the standard, widely used procedure, X-11-ARIMA. The annual seasonal adjustment review is performed using X-12-ARIMA. In the Retail Sales series, calendar related effects are known as seasonal (e.g. increased spending in December as a result of Christmas) and trading day influences (arising from the varying length of each month and the varying number of Sundays, Mondays, Tuesday, etc. in each month). Prior adjustments are made to returns that do not comply with the standard trading period. The seasonally adjusted estimates also have corrections for bank holidays, Easter effects which are caused when Easter falls late in March or early in April, and the day of the week Christmas occurs. Other prior corrections are applied as necessary. Corrections are estimated and applied where there is a statistically significant effect.

Retail sales index categories and their percentage weights

Publication category	Percentage of All retailing	SIC*	Description
Predominantly food stores	43.0		
Non-specialised food stores	37.1	52.11	Non-specialised stores with food, beverages or tobacco predominating (e.g. supermarkets)
Specialist food stores	3.1	52.21 52.22 52.23 52.24 52.27	Fruit and vegetables Meat and meat products Fish, crustaceans and molluscs Bread, cakes, flour confectionery and sugar confectionery Other food, beverages and tobacco in specialised stores
Retail sale of alcoholic drinks, other beverages and tobacco	2.8	52.25 52.26	Alcoholic and other beverages Tobacco products
Predominantly non-food stores	51.3		
Non-specialised stores	9.1	52.12	Non-specialised stores where sales of food, beverages and tobacco is not predominant (e.g. department stores)
Textile, clothing and footwear stores	13.4	52.41 52.42 52.43	Textiles Clothing Footwear and leather goods
Household goods stores	13.4	52.44 52.45 52.46	Furniture, lighting equipment and household articles not elsewhere classified Electrical household appliances and radio and television goods Hardware, paints and glass
Other non-food stores	15.4	52.47 52.48/1 52.48/2 52.31 52.32 52.33 52.48/4 52.48/5 52.48/9 52.50	Books, newspapers and stationery Floor coverings Photographic, optical and precision equipment, office supplies and equipment (including computers and mobile telephones) Dispensing chemists Medical and orthopaedic goods Cosmetic and toilet articles Jewellery, clocks and watches Sports goods, games and toys, stamps and coins Other specialised stores not elsewhere classified Second-hand goods in stores
Non-store retailing and repair	5.7		
Mail order houses	4.3	52.61	Mail order houses (including internet retailers)
Non-store retail and repair excluding mail order	1.4	52.62 52.63 52.70	Stalls and markets Other non-store retail sale Repair of personal and household goods

*UK Standard Industrial Classification 2003