

Retail



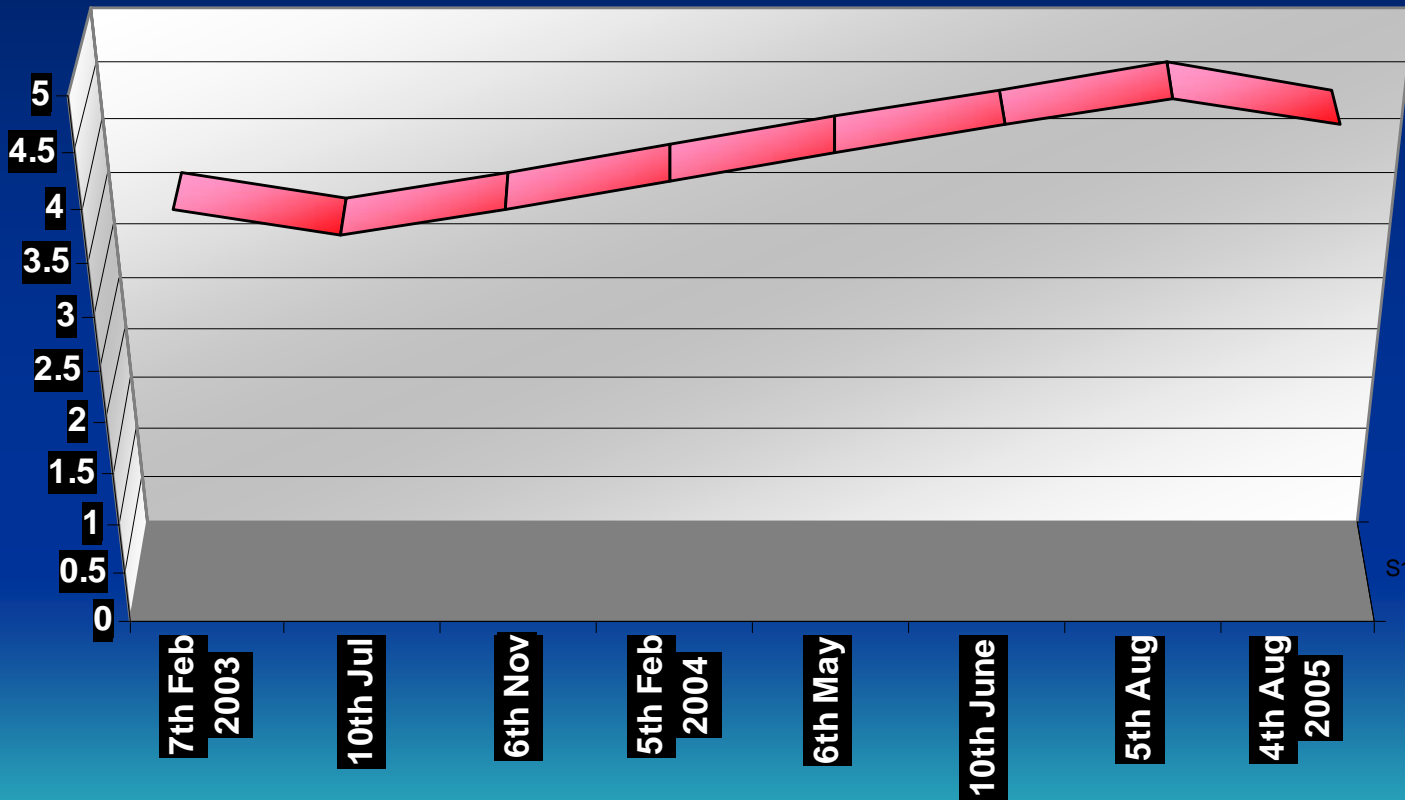
Interest Rates



- UK interest rates kept at 4.5% at the end January.
- Growth of sales slowed from the impact of interest rate dampening consumer confidence.
- UK consumers debt according from the British Bankers' Association (BBA) showed that lending rose by £1.1bn from £80.9bn,
- While mortgage lending rose by £3.9bn to £387.8bn.



Interest Rates





Interest Rates



- With ever increasing debt (refer to the topping effect) consumers are becoming increasingly price conscious.
- As interest rates increase consumer spending dampens creating a retail gloom.
- Retail analyst expected interest rates to drop following the run up to Christmas however the MPC kept rates at 4.5% causing a Christmas disaster!!!



The Retail Market



- Shopper numbers dropped 8% in the week to 1 January,
- Retail mood 'hits a 22-year low' according to a survey by the CBI.



However!!

- On a quarterly basis, sales were 1% higher in the three months to November according to the Office for National Statistics.
- Sales grew 0.7% last month, more than double the rate expected.



Clothing



- The increase was driven by a big rise in clothing and footwear sales
- Many retailers cut prices in the run up to Christmas to boost sales.

Example –



✓ A 3.2% fall in like-for-like sales for the five months to the end of December

✓ **Primark - king of no-frills fashion**

However, released in November, Primark annual profits up 30% and sales up 17% to more than £1b.

Surprising still as it comes at a time of retail gloom.



Supermarkets



- Morrisons :-
 - After integrating Safeway, Morrisons suffered Pre-tax losses year of £73.7m compared with a £121m profit in the previously.
 - Morrisons reported that its sales rose 2.8% over the key Christmas period ahead of market expectations.





Supermarkets

- Tesco, the UK's largest supermarket giant, was accused of having a near monopoly
- Share prices fell dramatically after Wal-Mart's Asda called for the government to launch an investigation into Tesco's domination of the UK supermarket sector.





The Competition Commission

- The Competition Commission warned supermarkets as they may be forced to sell off prime sites to rivals, if they are found to be operating local monopolies.
- However the Competition Commission announced earlier this month publicly that supermarkets were not making excessive profits.
- Despite this they were concerned that Tesco were able to charge high prices in areas where there was little competition.



The End

