Mintel Christmas Retail Predictions:

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3% growth in retail sales this December in the UK

Mintel's Director of Retail Research, Richard Perks, details Mintel's exclusive UK Christmas 2012 retail predictions:

"The pattern of retail trade through the year follows a very predictable pattern. It can be disrupted in the first few months by the timing of Easter and bad weather, but the differences are minimal. The chart below shows the pattern of trade through year - the data is from the ONS and sales are indexed on January. The Christmas build up begins modestly in October and then steadily gains momentum."

"So far the year is following its predictable pattern, but as we have only just had the September retail sales figures, thatâ€™s not much help for predicting this Christmas. Looked at more carefully, there is quite a variation between years in terms of December relative to the previous January. One of the reasons for that has to be the performance of retail sales in January and that is subject to a wide variety of factors, though mainly the weather. Another way to look at it is to examine December as a percentage of the annual average."

"For the last three years of the boom, December sales were relatively high. Then from 2008, the first Christmas of recession, the proportion fell, but it stayed at around the 112% level for the next couple of years. Then, 2011 was not a year of boom, but it was a year with a very marked late rush. Consumers had been under pressure throughout the year; retail sales had grown, but were under pressure. Then with another tough year in prospect, consumers must have decided to make sure they had a good time and they went out and spent."

So what about 2012?
The run up to this Christmas is starting better than last year. The pressure is not off consumers but most factors are more positive.

â€¢ Consumer confidence is beginning to edge up, thanks in part to the feel good factors which came with the Olympics.

â€¢ Unemployment has been falling, though it remains to be seen whether employment was supported by short term jobs associated with the Olympics.

â€¢ The squeeze on incomes is much less than it was â€“ down from a difference of 5 percentage points between inflation and wages growth to under 1percentage point.

"We have long felt that what matters most to people is how they see their own finances. They do register what is in the press, but more as something that affects other people and not themselves. The next chart from Mintelâ€™s own consumer tracker data shows that the recovery in consumer confidence is well established. It has been going on for over a year and is much more soundly based than just a post-Olympic boost."

"Retail sales growth has averaged around 3% so far this year and as the pressures on consumers are, if anything, easing there is no reason to suppose that that rate cannot be maintained. So 3% should be the median forecast."

"On the downside one could argue that the boost last Christmas makes quite a big hurdle to cross, especially if Christmas trading reverts to a more â€˜normalâ€™ pattern and December is just 112% of the annual average this year. That would be the case if there is more demand in the run up to Christmas and less of a last minute surge. But on the upside, confidence is still improving, the squeeze on incomes falling and retail sales growth has recently been above the 3% average growth, even in August which should have been hit by depressed demand over the Olympics."

"Mintel therefore thinks that this forecast is much more likely to be too conservative than too optimistic."

2013 â€“ more of the same
"The threat of a major Eurozone break-up is receding. We will not get much help from the area, but at least it is unlikely to drag us back into a deep recession. The income squeeze should ease further, although the bad harvest will push food prices up."

"It seems right to expect further, though modest recovery. But there needs to be a warning for the retail sector. It seems to us that leisure spending has been cut much harder than retail spending and Mintelâ€™s tracker research strongly indicates that consumers most want to spend more on leisure. So any economic upturn will benefit retail proportionately less. Nor can there be much help from the depressed household goods sectors until there is some recovery in housing turnover."

Source: Mintel Oxygen Reports

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