

News in Review

27 July 2022



“Food sales picked up due to the Jubilee celebrations, but this was the only sector to report an increase”

Retail sales edged lower last month as people reduced their fuel consumption, while households continue to struggle with fast rising prices. According to the most recent Office for National Statistics (ONS) data released last Friday, retail sales volumes fell by a smaller-than-expected 0.1% in June; economists surveyed in a Reuters poll had widely expected a 0.3% monthly decline. This follows a fall of 0.8% in May.

In the 12 months to June, UK inflation leapt to 9.4% from 9.1% in May, with petrol prices soaring by 18.1p per litre in the month, according to ONS. Average petrol prices reached 184p per litre in June, the highest since records began in 1990 and up from 129.7p one year earlier, the largest monthly rise on record. The price of food continues to climb, with eggs, milk and cheese seeing the largest rises in June.

Headline retail statistics for June revealed:

- Fuel sales volumes reduced by 4.3% with retailers indicating the decline was linked to record-high prices
- Food sales volumes increased by 3.1% with retailers confirming that the rise was due to the Queen's Platinum Jubilee celebrations
- Online retail sales declined to 25.3%, its lowest proportion since March 2020 (22.8%), continuing a downward trend since February 2021 (37.4%) peak.

Deputy Director for Surveys and Economic Indicators at ONS, Heather Bovill, commented on the findings, “After

taking account of rising prices, retail sales fell slightly in June and although they remain above their pre-pandemic level, the broader trend is one of decline.” She continued, “After a fall in May, food sales picked up due to the Jubilee celebrations, but this was the only sector to report an increase. Fuel sales fell back considerably with retailers reporting the record high prices at the pump hitting sales.”

Surge in sunscreen and ice cream sales

As the intense heat took hold last week, sales of sunscreen and ice cream soared according to data from Kantar. With the Met Office predicting extreme temperatures across much of the UK, households wisely stocked up on summer essentials to beat the heat. The last time the UK experienced a similar heatwave in July 2019, sales of fans, paddling pools and reusable water bottles shot up, 107%, 169% and 17% respectively, with almost £11m extra being spent during the hottest week on those three items. Fraser McKeivitt Head of Retail and Consumer Insight at Kantar commented, “We expect to see similar if not even bigger numbers this time around,” but he did caution that price rises will lead people to be “feeling the pinch during our first restriction-free summer since 2019.”

ECB rate hike – more on the cards

Last week, the European Central Bank (ECB) raised its key interest rate by 50 basis points to 0.0%, with plans for further rises on the cards this year, as worries about inflation surpassed growth concerns. In justifying the decision to increase rates, Christine Lagarde ECB President commented,

“Economic activity [in the eurozone] is slowing. Russia's unjustified aggression towards Ukraine is an ongoing drag on growth. We expect inflation to remain undesirably high for some time owing to continued pressure from energy and food prices and pipeline pressures in the pricing chain.” The ECB has signalled that it will take a “meeting-by-meeting” approach to raising rates, but that further rate hikes “will be appropriate.”

Markets

Markets remained stable at the end of last week after the ECB raised interest rates for the first time since 2011. The FTSE 100 ended the week with its highest Friday close for six weeks. This week, European stock markets have been mixed on the news that Gazprom plans a drastic cut in gas deliveries to the bloc because of a turbine problem – the daily supply will be about 20% of the pipeline's capacity. Wall Street kicked off the week on a promising note, having hit six-week highs last week. Weakness in the tech sector, was offset by an energy upturn, ahead of a Federal Reserve meeting later this week. After the IMF announced a cut in the UK's 2022 GDP target, from 3.7% in April to 3.2%, the FTSE 100 ended Tuesday down just 0.02 points at 7,306.28.

Here to help

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.