



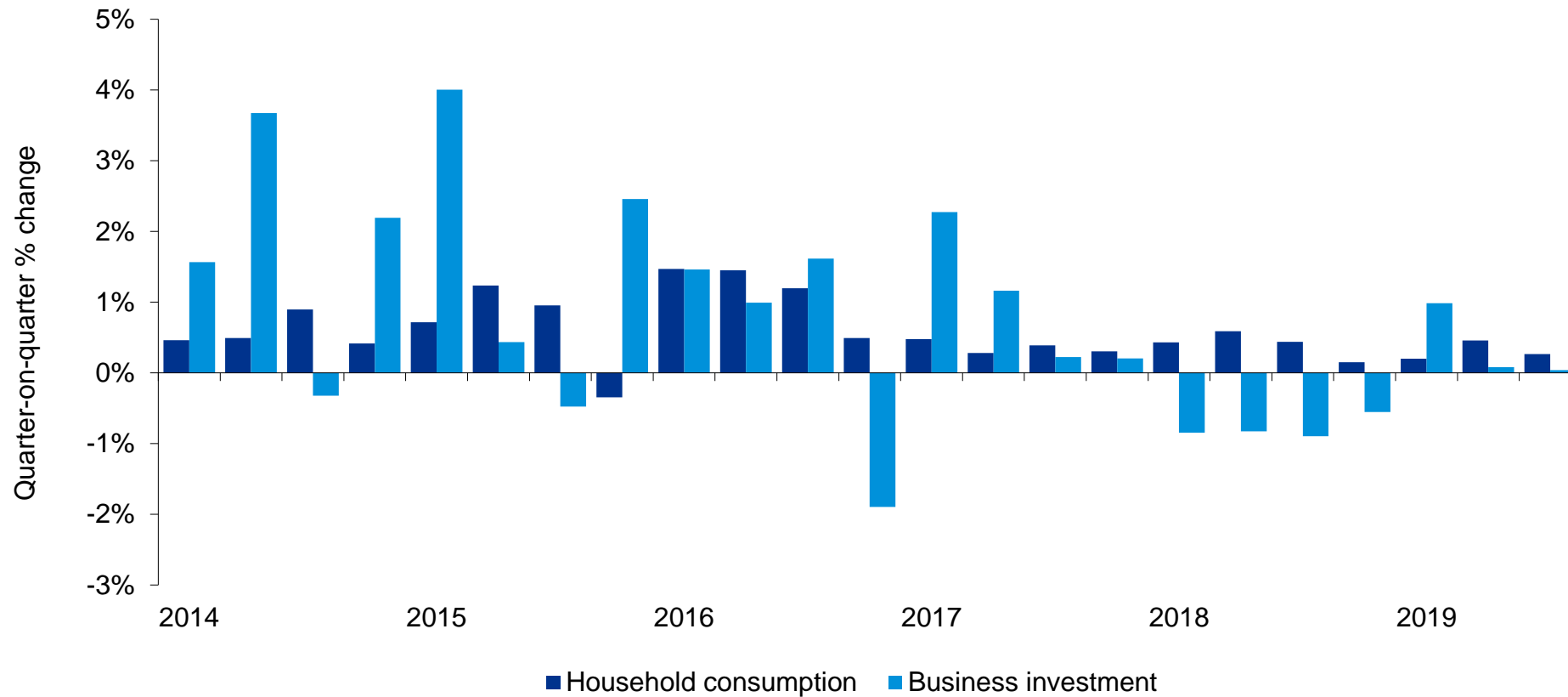
Retail sector update

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March 2020



Sluggish consumption and investment growth both contribute to GDP slowdown

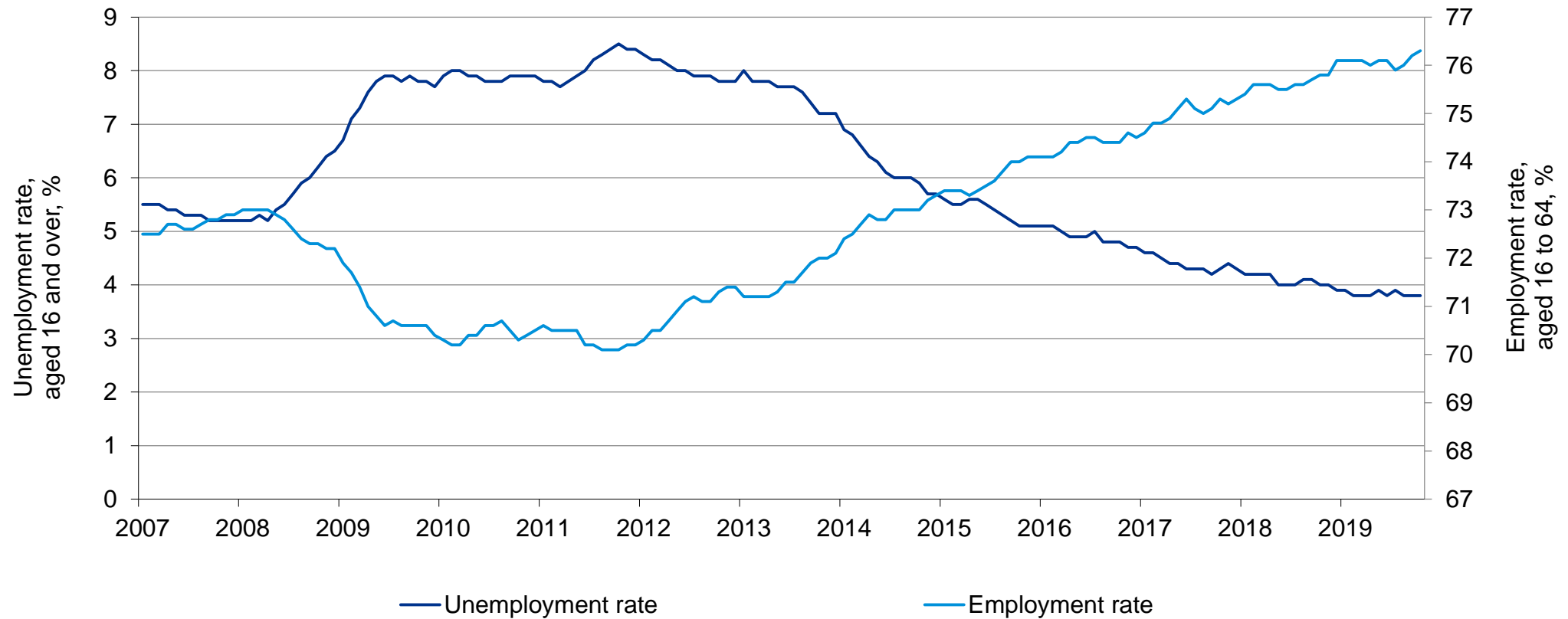


Source: ONS via Haver



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Labour market remains tight

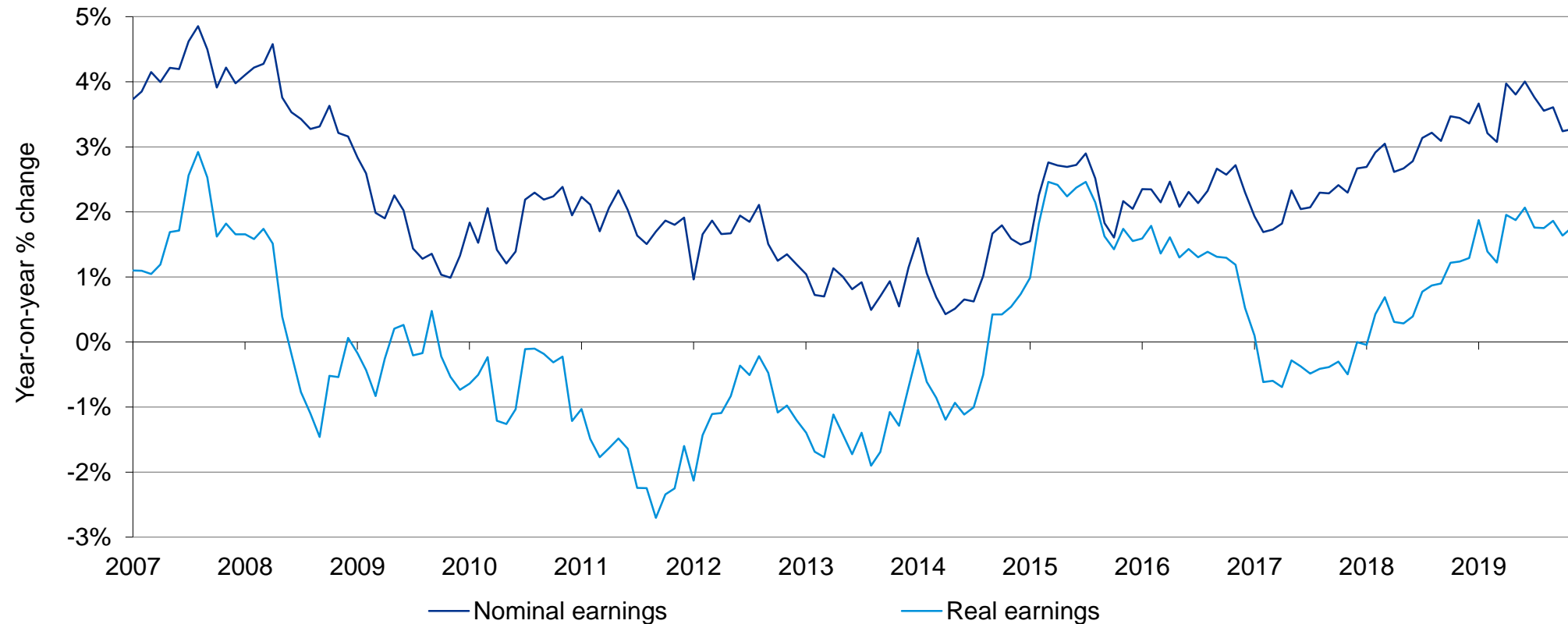


Source: ONS via Haver



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Earnings growth slowing down from the peak in mid-2019



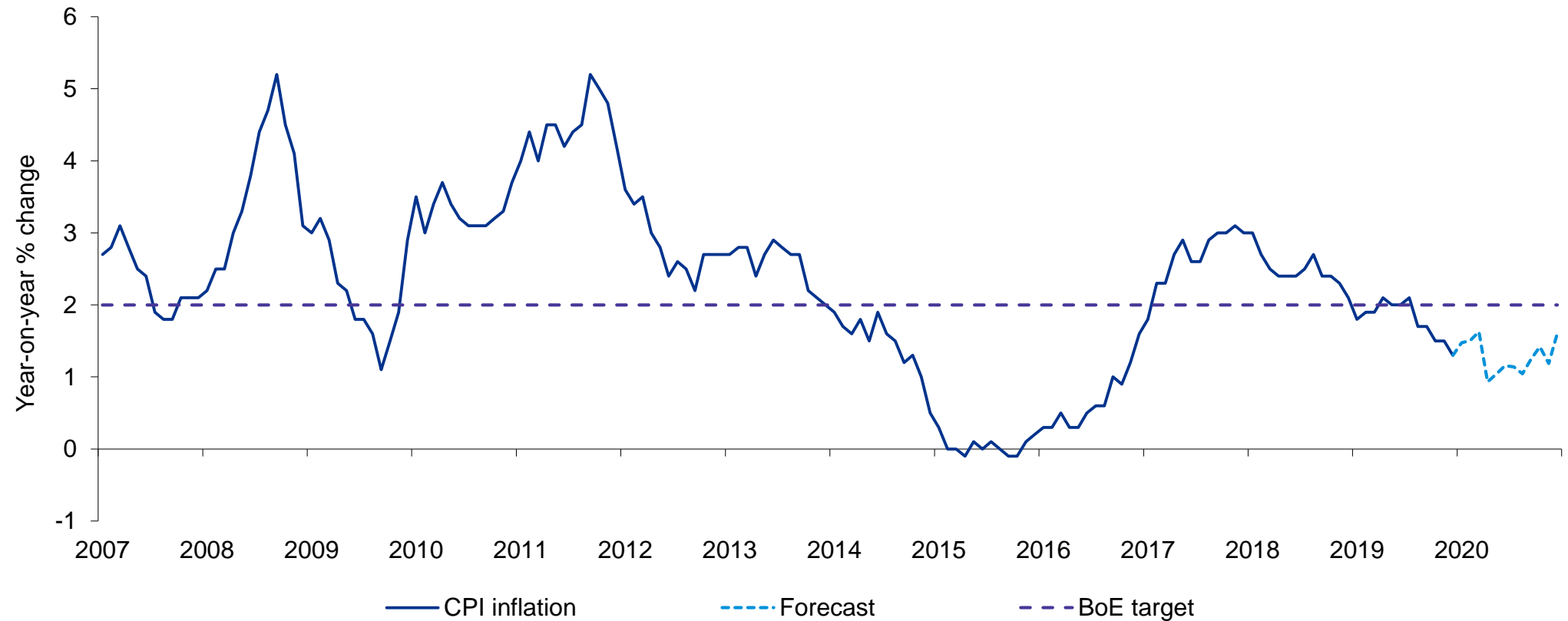
Source:ONS via Haver.

Nominal and real earnings figures only account for regular pay excluding bonuses.



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Inflation stays below target



Source: ONS and KPMG Macroeconomics forecast



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UK economy expected to see growth slowdown in 2020

| | 2018 | 2019 | 2020 |
|---------------------------|------|------|------|
| GDP | 1.3 | 1.3 | 1.1 |
| Consumer spending | 1.6 | 1.2 | 1.1 |
| Investment | -0.2 | 0.7 | 0.8 |
| Unemployment rate | 4.1 | 3.8 | 3.9 |
| Inflation | 2.5 | 1.8 | 1.3 |
| Base interest rate | 0.75 | 0.75 | 0.75 |

Source: ONS, KPMG forecasts. Average percentage change on previous calendar year except for unemployment rate, which is average annual rate, and interest rate, which represents level at the end of calendar year.

Investment represents Gross Fixed Capital Formation, inflation measure used is CPI and unemployment measure is LFS.





Christmas trading

Christmas trading – Considerations



Christmas 2019

Winners

| Retailer | 2019 LFL Christmas sales |
|----------------------------------|--------------------------|
| Sosandar | 136.0%* |
| Boohoo | 44.0%* → |
| Asos | 20.0% ^{AA} |
| Mountain Warehouse | 16.2%* ↑ |
| Fortnum & Mason | 13.00% ↑ |
| Hotel Chocolat | 11.0% ^{AA} ↓ |
| Lidl | 11.0%* ↑ |
| Naked Wines | 11.0%* |
| Greggs | 8.70% |
| Aldi | 7.9%* ↓ |
| Pets at Home | 7.20% ↑ |
| Gear4music | 7.0%* ↓ |
| Shop direct (now the Very Group) | 6.10% ↑ |
| Dobbies | 6.00% ↓ |
| Hobbycraft | 5.30% ↓ |
| Next | 5.2%** ↑ |
| Dunelm | 5.00% ↓ |
| Selfridges | 5.0%* ↓ |
| Primark | 4.5%* → |
| Majestic Wine | 4.30% ↓ |
| Holland & Barrett | 3.30% |

| Retailer | 2019 LFL Christmas sales |
|--------------------------|--------------------------|
| Burberry | 3.00% ↑ |
| Booths | 2.70% → |
| Spar UK | 2.60% |
| The Works | 1.50% ↓ |
| Marks and Spencer (food) | 1.40% ↑ |
| The Fragrance Shop | 1.2%* ↓ |

Neutral performance

| Retailer | 2019 LFL Christmas sales |
|-----------------|--------------------------|
| Halfords | 0.80% ↑ |
| Matalan | 0.6%* ↓ |
| Tesco | 0.40% ↓ |
| Waitrose | 0.40% → |
| B&M | 0.30% ↑ |
| Dixons Carphone | 0.00% ↓ |

Underperformers

| Retailer | 2019 LFL Christmas sales |
|-------------------------------------|--------------------------|
| Superdry | -15.8% ^{AA} ↓ |
| Quiz | -9.3% ^{AA} ↓ |
| Topps Tiles | -5.40% ↓ |
| Joules | -4.5%* ↓ |
| N Brown | -4.0%* ↓ |
| Moss Bros | -3.20% ↓ |
| John Lewis | -2.00% ↓ |
| Marks and Spencer (Clothing & Home) | -1.70% ↑ |
| Morrisons | -1.70% ↓ |
| WHSmith | -1.00% ↓ |
| Sainsbury's | -0.70% ↑ |
| Card Factory | -0.60% ↑ |

Source: Publicly available press releases, Retail Week, as at 7 January 2020

* Indicates total sales

**Indicates Full-price sales

^Indicates In-store sales

[^]Group Revenue

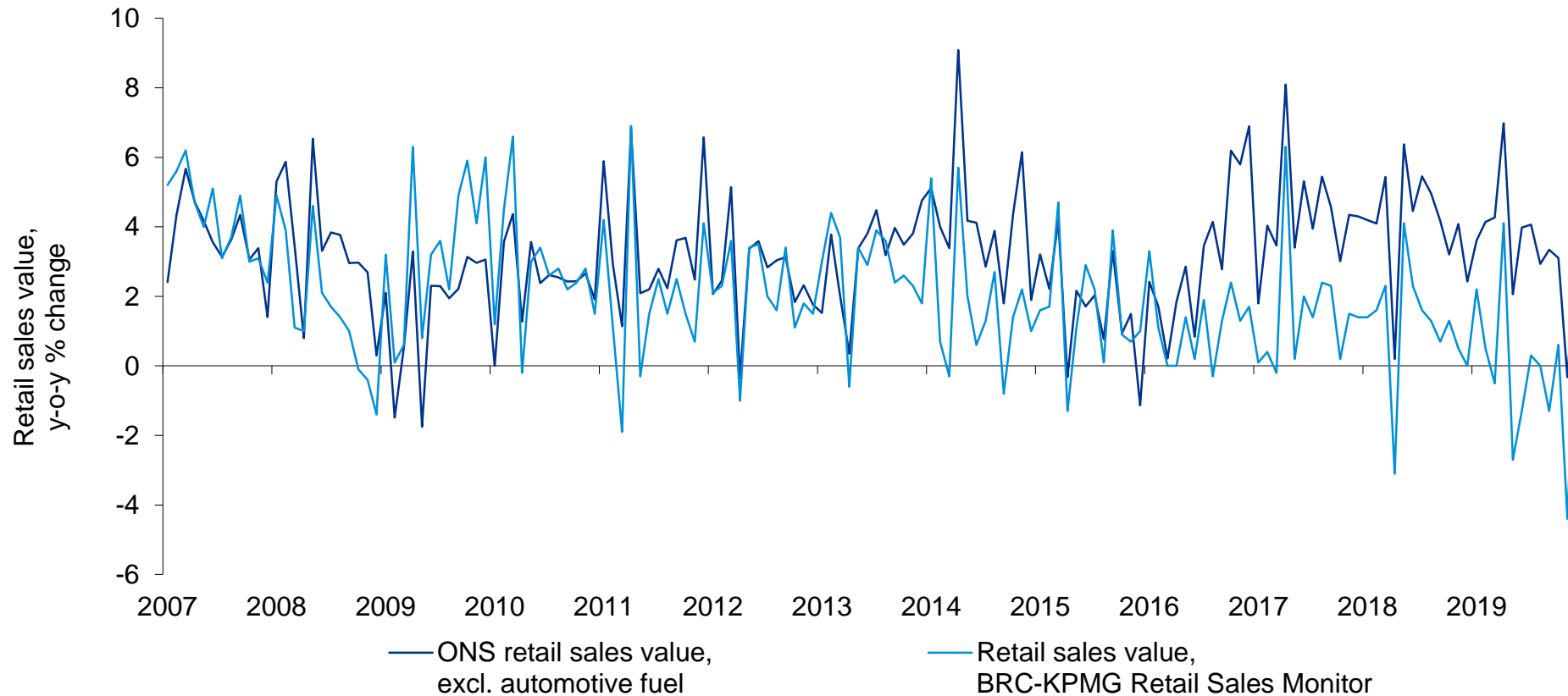
^{AA} UK retail sales

^{***}Total UK Store Sales



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Weakening retail sales growth towards the latter half of 2019



Source: ONS via Haver; BRC-KPMG Retail Sales Monitor

BRC-KPMG retail sales monitor

Covering the five weeks 24 November – 28 December 2019

| December 2019 | |
|-----------------------|-------|
| % change on year ago | |
| Like-for-Like | Total |
| All categories | |
| 1.7% | 1.9% |

1.7% increase in UK retail sales on a like-for-like basis compared to December 2018, where they had decreased by 0.7% from the previous year

| October – December: 3-month weighted average | | | | | |
|--|----------|------|----------------|----------|------|
| % change on year ago | | | | | |
| Like-for-Like | | | Total | | |
| All categories | Non-food | Food | All categories | Non-food | Food |
| (0.7)% | (1.6%) | 0.0% | (0.4%) | (1.4%) | 0.7% |

| 3 month weighted average | |
|--------------------------|--------|
| % change on year ago | |
| Total Non-Food | |
| In-store | Online |
| (3.5%) | 3.4% |

Over the
03
months

to December, in-store sales of non-food items declined by (3.5%). Non-Food witnessed y-o-y growth in December, which was positively distorted by the timing of Black Friday

| 12 month average to 31 December | | |
|---------------------------------|----------|------|
| % change on year ago | | |
| LFL | | |
| All categories | Non-food | Food |
| (0.1%) | (1.3%) | 1.4% |

12 month average witnessed a decline of (0.1%) on a LFL basis, compared to 1.2% increase in 2018

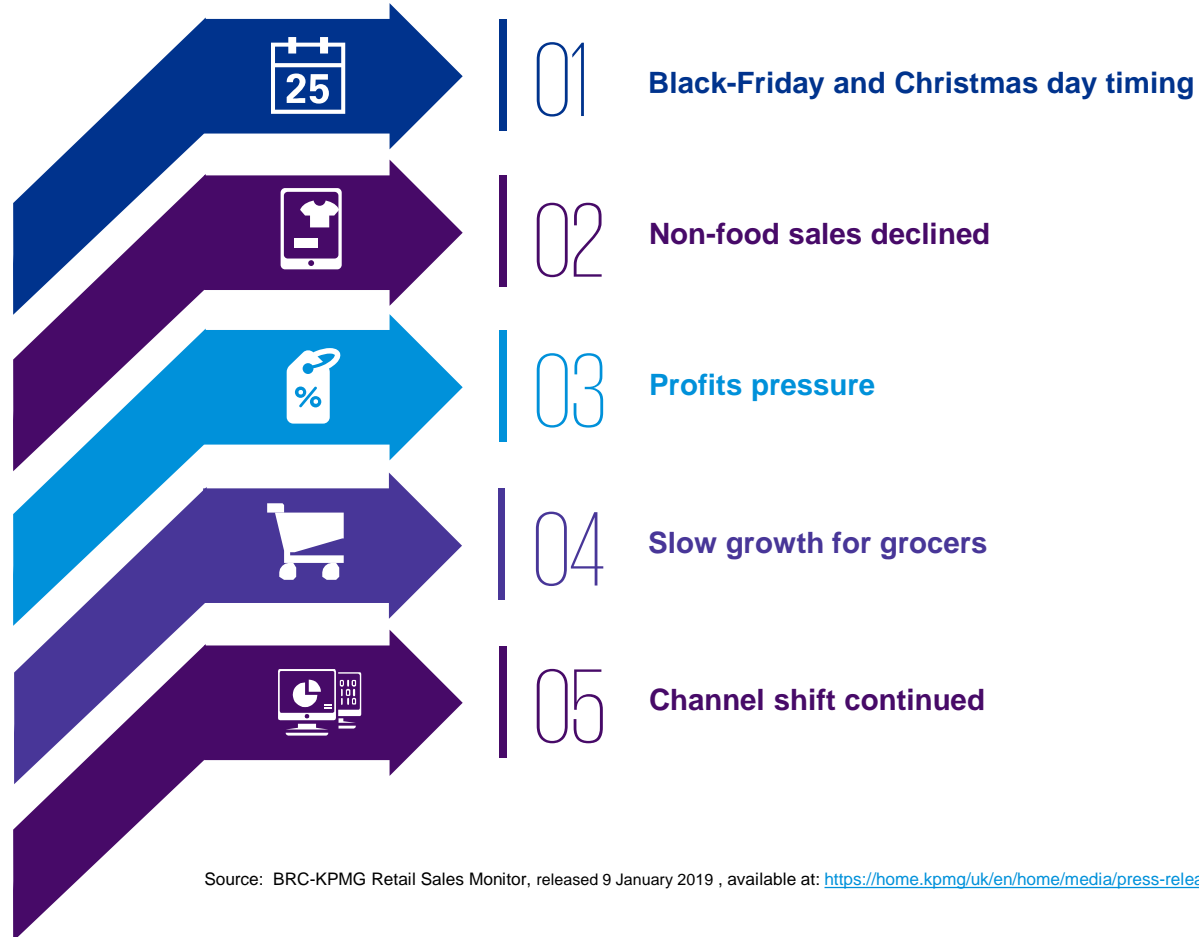
Note: Numbers in brackets denote negative

Source: BRC-KPMG Retail Sales Monitor, released 9 January 2019 available at: <https://home.kpmg/uk/en/home/media/press-releases/2020/01/worst-year-on-record-for-retail.html>



Christmas trading review – 2019

2019 was the worst year on record for UK retail industry since 1995, with the sector witnessing an overall decline in retail sales for the first time since then



Source: BRC-KPMG Retail Sales Monitor, released 9 January 2020, available at: <https://home.kpmg/uk/en/home/media/press-releases/2020/01/worst-year-on-record-for-retail.html>

Sector by sector performance

2019 value of retail sales – year on year growth



- Non-store retailing remains the fastest growing category, experiencing a 15.1% year on year growth of retail sales at current prices, non-seasonally adjusted for 2019
- Maximum y-o-y decline witnessed in household goods stores (-2.7%), due to decline in y-o-y sale of hardware and paints (-9.5%) and music recording equipment (-6.6%)

| YoY growth in percentage | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------------------------------|-------|-------|-------|-------|-------|-------|-------|
| Predominantly food stores | 3.0% | 1.1% | 0.1% | 1.8% | 2.4% | 3.3% | 2.7% |
| Non-specialised stores | 4.5% | 5.4% | 4.1% | 5.3% | 1.9% | 2.0% | -1.7% |
| Textiles, clothing and footwear | 2.4% | 3.6% | 3.1% | -2.1% | 6.3% | 0.9% | 2.1% |
| Household goods stores | -3.1% | 5.6% | 5.3% | 1.0% | 1.6% | 6.1% | -2.7% |
| Other stores | 2.8% | 7.0% | -1.4% | 6.1% | 3.3% | 3.5% | 4.9% |
| Non-store retailing | 16.8% | 11.4% | 9.2% | 16.6% | 17.6% | 11.5% | 15.1% |

Note: ONS, Retail Sales Index December 2019, Table 4A; value of retail sales at current prices non-seasonally adjusted.

Retail sector performance from a GCVA perspective

| | LFL growth |
|------------|------------|
| H1 2019 | 0.3% |
| H2 2019 | -0.5% |
| Total 2019 | -0.1% |