SRC-KPMG SCOTTISH RETAIL SALES MONITOR JULY 2022

STEADY GROWTH AS SHOPPERS MAKE MOST OF SUNSHINE

Covering the four weeks 3 – 30 July 2022

Strictly Embargoed until 00:01 hrs – Wednesday 17th August 2022

JULY: LIKE-FOR-LIKE
% change year on year

2.0%

In July, Scottish sales increased by 2.0% on a Like-for-like basis compared with July 2021, when they had increased by 6.2%. This is below the 3-month average increase of 2.0% and the 12-month average increase of 12.1%.

JULY: TOTAL
% change year on year

4.4%

Total sales in Scotland increased by 4.4% compared with July 2021, when they had grown of 7.4%. This was above the 3-month average increase of 3.5% and below the 12-month average increase of 15.0%. Adjusted for inflation, the year-on-year change was 0.0%.

JULY: TOTAL FOOD
% change year on year

5.3%

Total Food sales increased by 5.3% versus July 2021, when they had increased by 1.8%. July was above the 3-month average of 3.2% and the 12-month average growth of 0.5%. The 3-month average was above the UK level of 2.3%.

JULY: TOTAL NON-FOOD
% change year on year

3.7%

Total Non-Food sales increased by 3.7% in July compared with July 2021, when they had increased by 12.1%. This was below the 3-month average increase of 3.8% and the 12-month average of 27.1%.

JULY: TOTAL ONLINE ADJUSTED NON-FOOD
% change year on year

1.9%

Adjusted for the estimated effect of Online sales, Total Non-Food sales increased by 1.9% in July versus July 2021, when they had increased by 11.7%. This is above the 3-month average growth of 0.3% and below the 12-month average of 18.3%.

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Ewan MacDonald Russell, Head of Policy & External Affairs | Scottish Retail Consortium

"In real terms Scottish retail sales flatlined in August as a modest rise in the value of sales was wiped out by the impact of record rising inflation. Food sales rose by 5.3 percent as shoppers increased their grocery budgets – but that hides the reality that customer's pounds are buying fewer products. Retailers did see shoppers changing their food shopping to purchase more outdoor food to take advantage of the sunshine – but that was instead of other purchases.

"It was a similar story for high street retailers. Whilst summer clothing and items sold well, that was very much at the expense of other items. It appears customers are laser-focused on what they need at the moment when purchasing. That meant even heavily discounted out-of-season or discretionary products were ignored in favour of shoppers only buying what they feel is necessary right now. This is further reflected in continued very weak sales of homeware, furniture, and large electrical items.

"All the evidence suggests the cost-of-living crisis is already hitting the high street. The more shoppers cut back on discretionary spending the more difficult things will become for already beleaguered retailers. Those businesses are also dealing with huge inflationary pressures which are exacerbating the difficult trading environment. Unless the Scottish and UK Government take swift action it may be a bitter winter for Scotland's shopkeepers."

Paul Martin, Partner, UK Head of Retail | KPMG

"Scottish consumers continued to spend at the tills in July, despite consumer confidence polls being at an all-time low. Scots were determined to enjoy delayed holidays and a first unrestricted summer with good weather.

"While this growth is positive, it's likely to change as consumers arrive back from summer breaks to holiday credit card bills, another energy price hike and rising interest rates. With these stronger cost-of-living headwinds on the horizon, consumers will have to prioritise essentials, and discretionary product spending will come under pressure.

"As margins continue to be challenged, and costs continue to rise, a significant drop in demand during the autumn will negatively impact the health of the retail sector. Successful retailers will need to carefully anticipate customer buying patterns in the months ahead, and make sure they balance their offering with the right products, prices and promotions."

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BY JAMES HARDIMAN, SENIOR ANALYST

SECTOR PERFORMANCE (TOTAL SALES YEAR-ON-YEAR, NON-ONLINE-ADJUSTED)

CATEGORY	UP/ DOWN JULY 2022		GROWTH RANKINGS (TOTAL SALES)				
	LFL	TOTAL	JUL 2022	JUN 2022	JUL 2021	3M AVG	12M AVG
Clothing & Footwear	▲	▲	1	1	1	1	1
Food & Drink	▲	▲	2	2	3	2	3
Other Non-Food	▼	▲	3	3	2	3	2

Source: SRC-KPMG RSM

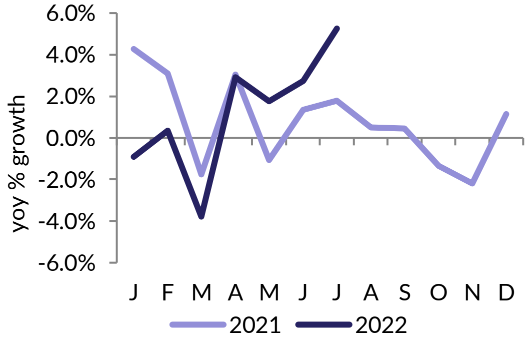
OVERVIEW

Retail sales growth remained at 4.4% for the second consecutive month in July. However, when delving into the categories the month's performance was not equal. Food sales saw stronger growth, as people were looking to take advantage of the good weather mid-month with barbecues. As a result of the ongoing cost-of-living crisis, this left little discretionary spend available for Non-Food goods, which saw little improvement from the previous month. The effects of the crisis are highlighted when taking inflation into account, as the BRC-NielsenIQ Shop Price Index recorded 4.4% for July, so adjusting for this leaves sales flat at 0.0%.

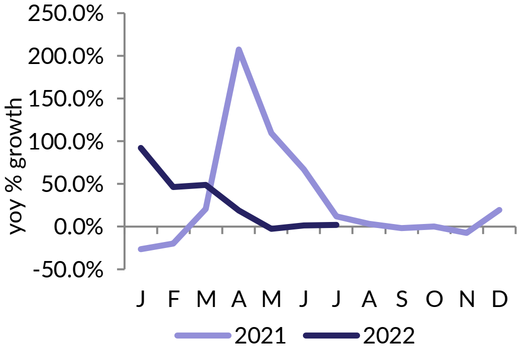
The first week of July was mostly cool and unsettled, followed by a drier and warmer period. It was hot around the 18th/19th, before turning rather more unsettled again in the closing days of the month. Provisional monthly mean temperatures were slightly above average, with the eastern side being warmest relative to average. Rainfall amounted to only half the average in parts of the east and south but was slightly above average in the north-west. Sunshine was just above average in parts of the south but below average in the north-west.

James Hardiman, Senior Analyst

TOTAL SALES: FOOD



ONLINE ADJUSTED NON-FOOD



Source: SRC-KPMG RSM

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FOOD

Food sales growth rose to 5.3% on a year-on-year basis in July, which is the highest seen since March 2020 when people were stockpiling ahead of the first lockdown. The good weather played a key role in this improved performance, as people were looking to make the most of the sunshine by socialising around the barbecue, which helped sales of light bites and refreshments. However, the summer sun was not the only factor, as Food price inflation remains on the rise. When correcting for the impact of price rises, it leaves real Food sales in a decline of 1.8% for the month.

NON-FOOD

While growth for the more discretionary Non-Food perpetuated in July, it was once again far below the longer-term average, as consumers continue to tighten their belts due to the ongoing cost-of-living crisis. When taking the effects of online sales into account, Non-Food growth was 1.9% for the month, well below the 12-month average of 18.3%. Once again, the Fashion side of the category outperformed that of Home-related goods, as enjoying the outdoors was certainly on the agenda at the height of summer.

CLOTHING AND FOOTWEAR

Source: SRC-KPMG RSM (online-adjusted figures)

Clothing & Footwear performed well, once again, in July, albeit continuing the slowing trend that began in April. Casualwear was higher on consumer priority lists in July, as enjoying the sunshine took precedent over more formal occasions, which was a stark change from the recent trend.

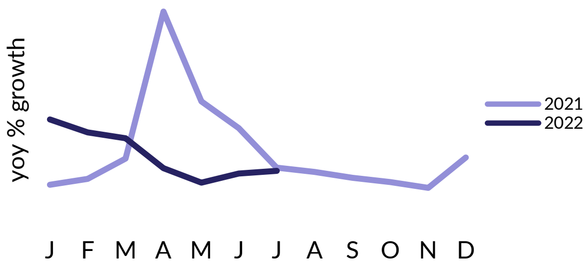
CLOTHING

While demand for formal wear was said to hold up in July, thanks to the ongoing wedding season, casualwear was the star of the show for the month. Summer dresses, shorts and t-shirts were said to be flying off the pegs as the well-forecast sunshine approached, as people had more than enough time to prepare beforehand. For children, the end of the month saw back-to-school sales begin to ramp up, with a variety of retailers stating that the season was already outperforming recent seasons.

FOOTWEAR

In a similar fashion to Clothing, Footwear sales were more concentrated on casual ranges as opposed to formal shoes in July. For children's shoes, the back-to-school rush occurred later in the month than usual according to several retailers, as consumers seem to be holding off making purchases until necessary and waiting until payday more than in previous years.

OTHER NON-FOOD



Source: SRC-KPMG RSM (online-adjusted figures)

Other Non-Food was, once again, the worst performing category in July, remaining in decline for the third consecutive month. The category continues to suffer due to two primary factors, its previous success during the depth of the pandemic where consumers were focussed on home improvements, also the squeeze on households discretionary spending power as the cost-of-living crisis is forcing people to rein in spending by either trading down or holding off on purchases.

Other Non-Food includes in particular:

FURNITURE AND FLOORING, HOME ACCESSORIES, HOUSE TEXTILES, OUTDOOR LIVING AND DIY

This segment has seen demand wane considerably during the ongoing cost-of-living crisis experiences across the nation, and July saw no respite for home improvements. Larger items of Furniture were the most acutely affected during the month, as consumers are ever-more cautious when making major purchase decisions. Smaller items and Home Accessories were said to see a slight pick-up in demand in the month, but they remain below expectations. The GfK Consumer Confidence Index for Major Purchases rose slightly from June, to -34 in July. One area that was reportedly selling well, particularly as the temperatures rose mid-month, was Outdoor Furniture as people prepared their gardens to enjoy the sunshine.

ELECTRICALS & ELECTRONICS

As with larger items of Furniture, white goods continued to see little demand due to the relative lack of home improvement activity at the moment and the reluctance from consumers to make significant outlays unless replacing worn out items. TVs and their accompanying audio equipment sales were said to be low, but expected due to the delay of the World Cup until the winter this year. However, there is considerable uncertainty whether the timing of the tournament during the golden quarter will dilute sales in the run-up to Christmas. The heatwave that arrived in the middle of the month drove considerable sales of fans and air-conditioning units for the UK overall, as temperatures were forecast to hit record-breaking heights. However, as Scotland escaped the 40°C levels seen in the south, the boost to sales didn't hit the heights retailers in this sphere were hoping for.

HEALTH & BEAUTY

The segment improved slightly in July, as sun block and other skincare products with an SPF rating were reportedly in demand ahead of the mid-month sunshine. Moisturisers and after-sun skin care products also saw sales rise in July. Cosmetics were also said to see demand rise, thanks to a combination of the return of wedding season and people looking to socialise at beer gardens and barbecues during the good weather.

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RETAIL SALES YEAR-ON-YEAR PERCENTAGE GROWTH

	SCOTLAND						UK	
	LIKE-FOR-LIKE			TOTAL			LFL	TOTAL
	FOOD	NON-FOOD	ALL SALES	FOOD	NON-FOOD	ALL SALES	ALL SALES	
2021 Jul	1.0	10.5	6.2	1.8	12.1	7.4	4.7	6.4
Aug	-0.2	6.3	3.4	0.5	5.4	3.2	1.5	3.0
Sep	-0.8	2.6	1.1	0.4	2.1	1.3	-0.6	0.6
Oct	-5.5	4.1	-0.3	-1.3	4.8	2.0	-0.2	1.3
Nov	-2.6	5.5	1.8	-2.2	6.7	2.6	1.8	5.0
Dec	-0.6	25.2	13.4	1.2	27.7	15.6	0.6	2.1
2022 Jan	-0.7	88.5	47.8	-0.9	108.9	58.8	8.1	11.9
Feb	0.3	57.4	31.4	0.4	65.6	35.9	2.7	6.7
Mar	-3.2	55.0	28.5	-3.8	68.6	35.6	-0.4	3.1
Apr	0.7	22.8	12.7	2.9	25.7	15.3	-1.7	-0.3
May	-0.3	0.8	0.3	1.8	1.5	1.6	-1.5	-1.1
Jun	-0.1	6.2	3.3	2.7	5.8	4.4	-1.3	-1.0
Jul	2.8	1.3	2.0	5.3	3.7	4.4	1.6	2.3
3m avg	0.7	3.0	2.0	3.2	3.8	3.5	-0.5	0.0
12m avg	-0.9	22.9	12.1	0.5	27.1	15.0	0.8	2.7
	UK							
3m avg	1.8	-2.5	-0.5	2.3	-2.0	0.0		

Source: SRC-KPMG RSM (not online-adjusted), BRC-KPMG RSM for UK data (including Food data from IGD)

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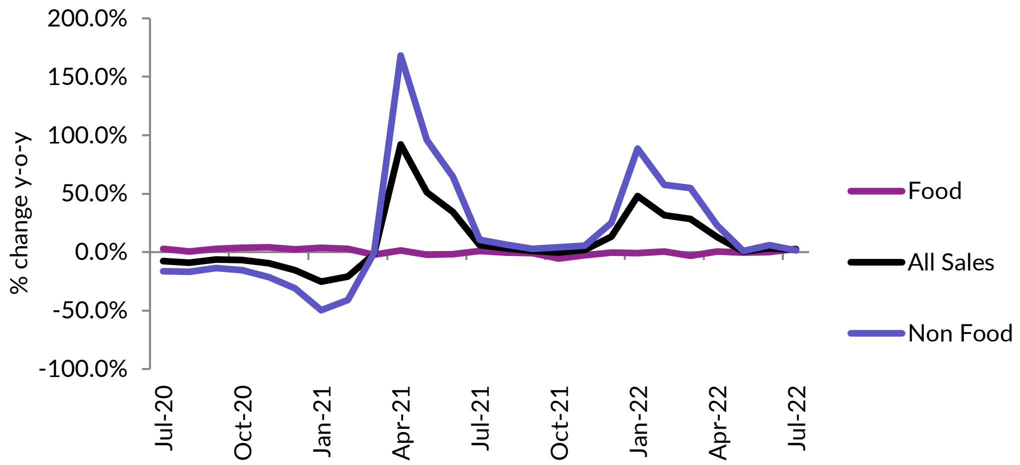
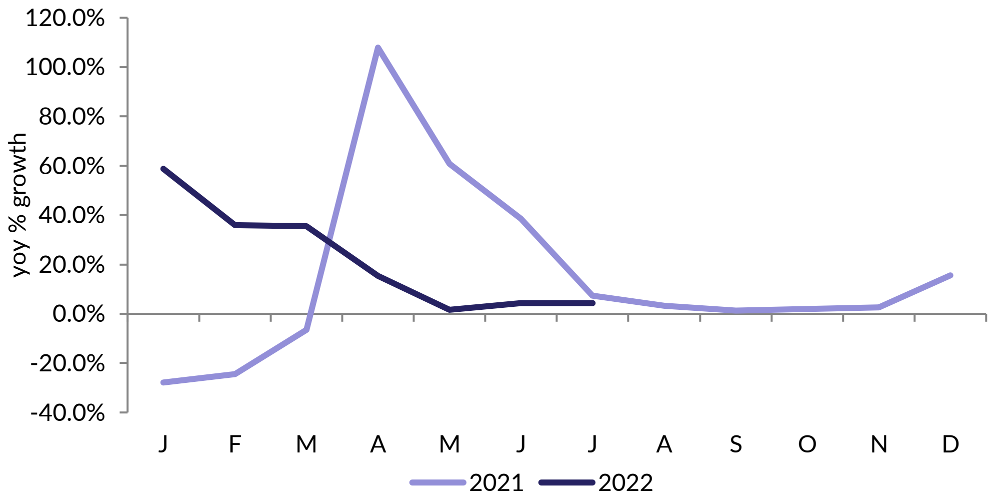
LIKE-FOR-LIKE SALES: % CHANGE YEAR-ON-YEAR



Source: SRC-KPMG RSM (not online-adjusted)

MONTHLY TOTAL SALES GROWTH YEAR-ON-YEAR



Source: SRC-KPMG RSM (not online-adjusted)

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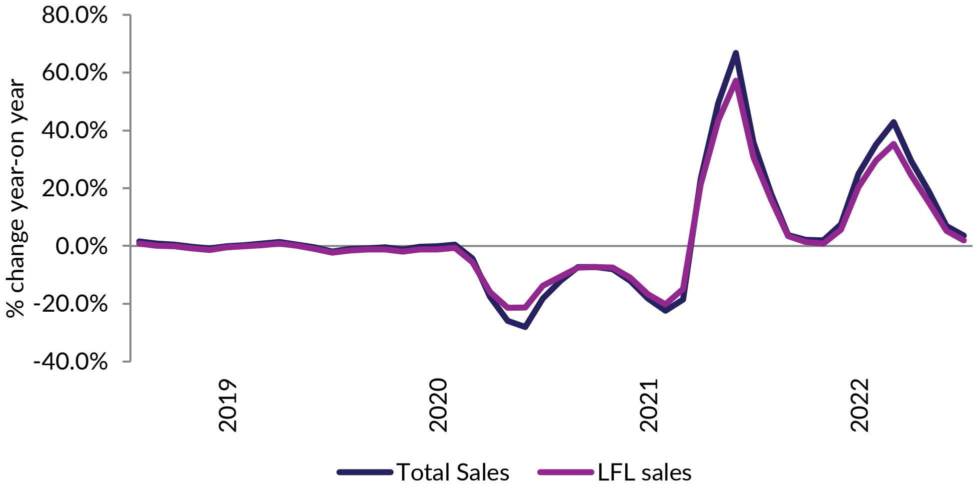
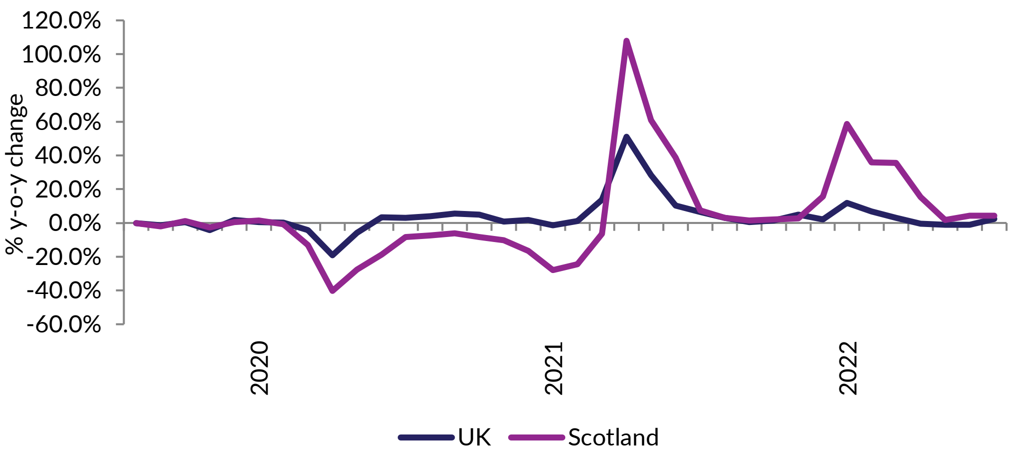
SCOTLAND 3M ROLLING AVERAGE GROWTH OVER FIVE YEARS



Source: SRC-KPMG RSM

SCOTLAND VERSUS UK TOTAL SALES GROWTH COMPARISON



Source: SRC/ BRC-KPMG RSM (including Food data from IGD).

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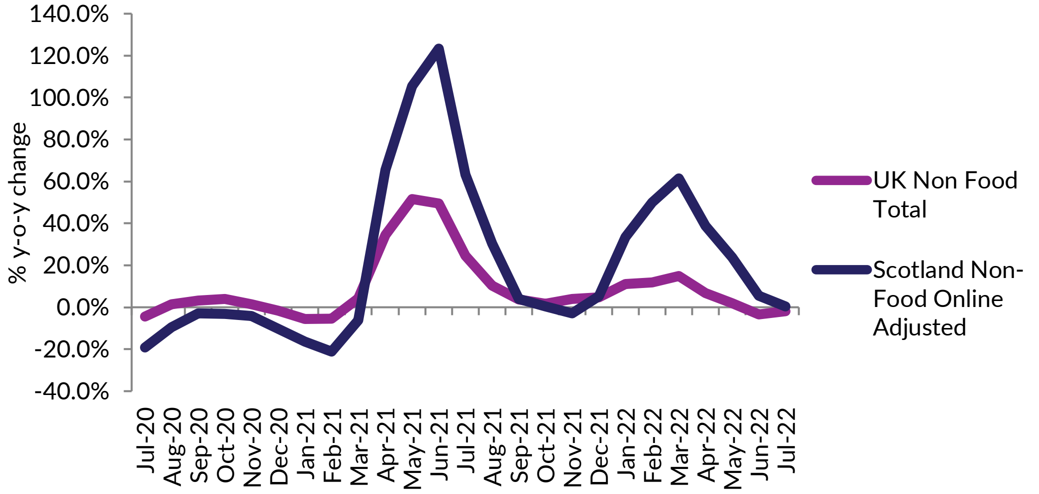
NON-FOOD SALES GROWTH INCLUDING EFFECT OF ONLINE SALES (YEAR-ON-YEAR)

MONTH	SCOTLAND				UK	
	MONTHLY		3 MONTH AVERAGE		3 MONTH AVERAGE	
	LFL	TOTAL	LFL	TOTAL	LFL	TOTAL
2021 Jul	10.1	11.7	55.3	63.1	17.6	24.6
Aug	4.1	3.1	28.1	30.4	6.8	10.3
Sep	-1.1	-1.7	3.9	3.9	1.6	3.8
Oct	-0.3	0.4	0.7	0.4	-0.3	1.8
Nov	-8.7	-7.5	-3.2	-2.8	0.9	3.9
Dec	17.0	19.5	3.8	5.3	1.4	4.8
2022 Jan	71.8	92.1	26.0	33.5	6.5	11.1
Feb	37.9	46.1	40.3	50.0	6.9	12.0
Mar	35.5	49.1	47.4	61.4	8.6	14.9
Apr	15.9	18.8	30.2	38.8	1.8	6.9
May	-3.3	-2.6	17.5	23.9	-1.0	2.0
Jun	-8.7	1.4	4.6	5.5	-4.2	-3.3
Jul	-8.7	1.9	-0.4	0.3	-2.5	-2.0

Source: SRC-KPMG RSM, BRC-KPMG RSM for UK data and online adjustment (figures are rounded to the first decimal point)

UK VERSUS ONLINE-ADJUSTED SCOTLAND NON-FOOD SALES GROWTH - 3-MONTH AVERAGE



Source: SRC/ BRC-KPMG RSM. Scotland is adjusted for the estimated effect of online sales.

NOTES

The SRC-KPMG Retail Sales Monitor measures changes in the actual value (including VAT) of retail sales excluding automotive fuel. The Monitor measures the value of spending and hence does not adjust for price or VAT changes. If prices are rising, sales volumes will increase by less than sales values. In times of price deflation, sales volumes will increase by more than sales values.

Retailers report the value of their sales for the current period and the equivalent period a year ago. These figures are reported both in total and on a ‘like-for-like’ basis.

Total sales growth is the percentage change in the value of all sales compared with the same period a year earlier. The total sales measure is used to assess market level trends in retail sales. It is a guide to the growth of the whole retail industry, or how much consumers in total are spending in retail – retail spending represents approximately one-third of consumer spending. It is this measure that is often used by economists.

'Like-for-like' sales growth (LFL) is the percentage change in the value of comparable sales compared with the same period a year earlier. It excludes any spending in stores that opened or closed in the intervening year, thus stripping out the effect on sales of changes in floor space. Many retailers include distance sales as a component of like-for-like comparable sales. The like-for-like measure is often used by retailers, the city and analysts to assess the performance of individual companies, retail sectors and the industry overall, without the distorting effect of changes in floor space.

Online (including mail order and phone) sales of non-food are transactions which take place over the internet, or via mail order or phone. Online sales growth is the percentage change in the value of online sales compared to those in the same period a year earlier. It is a guide to the growth of sales made by these non-store channels. It should be noted that online sales are still a small proportion of total UK retail sales. Estimates based on ONS figures show about 15 per cent of total UK retail sales (food and non-food) are achieved via the internet.

The responses provided by retailers within each sales category are re-weighted (based on ONS weightings) to reflect the contribution of each category to total retail sales, thus making it representative of Scottish retail sales as a whole. Because the figures compare sales this month with the comparable period last year, a seasonal adjustment is not made. However, changes in the timing of Bank Holidays and Easter can create distortions, which should be considered in the interpretation of the data.

In its role as sponsor of the SRC-KPMG Scottish Retail Sales Monitor (SRSM), KPMG is responsible for the aggregation of the retail sales data provided by the retailers on a weekly basis. This data consists of the relevant current week’s sales data and comparative sales figures for the same period in the prior year. The aggregation has been performed by KPMG on data for periods from June 2009 and equivalent prior periods. The accuracy of the data is entirely the responsibility of the retailers providing it.

The sponsorship role has been performed by KPMG since June 2009 and, save for the aggregation of comparative sales figures for the period from June 2009, it is not responsible for the aggregation of any data included in this Monitor relating to any period prior to June 2009. Between its inception in January 1999 and June 2009 the aggregation of the SRSM data was carried out by the University of Edinburgh.

To the fullest extent permitted by law, KPMG will accept no responsibility or liability in connection with its sponsorship of the Monitor and its aggregation work to any party other than the SRC/BRC.

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The August 2022 Monitor, covering the four weeks 31 July – 27 August 2022, will be released at 00.01am Wednesday 14th September 2022.

The Scottish Retail Consortium (SRC) is Scotland's leading retail trade association. It represents the full range of retailers, large and small, multiples and independents, food and non-food, online and store based.

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Detailed weekly data by category is available to retailers who contribute to the monitor:

If you would like to participate in the Retail Sales Monitor, please contact:
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