STATE OF TRADE

QUARTER 2 2021

JULY 2021

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INTRODUCTION

'STATE OF TRADE' REPORT

'As we enter the second half of 2021, the vaccination program has continued apace and the industry has benefitted from the post-lockdown release of demand. The 'route out' for retail is in sight but not without some further short-term pain for most 'non-essential' retail.

There are questions over the future of stores, with online shopping up 40-70% on pre-covid levels for almost all categories, and given that the ability to remote work will likely persist even once the pandemic is over.

The government must act to ensure a fair and even playing ground for retail as we slowly return to some semblance of normality, helping balance costs such as business rates against a lower level of footfall and demand that may be permanent in some locales.'

Kyle Monk
Director of Insight

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WHY THE REAL RETAIL DISRUPTION IS STILL TO COME

How Will Freedom Day Effect Retail? The AlixPartners Disruption Index shows…

- Now that Freedom Day is upon us, we will finally see how much sticks for the new normal, plus how the high street responds to final restrictions relaxing, alongside permanent evolutions to hybrid working models and the effect this will have on city-centre footfall. Also, behind the curtain of COVID-19, we should not forget that the ramifications of Brexit may only just be bubbling to the surface now, amid reports of significant logistics and broader labour challenges for many industries in the UK, including retail.
- Retail is subject to multiple concurrent disruptive forces and is one of the most disrupted sectors analysed – second only to financial services. In fact, the level of disruption facing the sector is so multi-faceted that the pandemic ranks far below other challenges. COVID-19 has been an accelerant, but there are bigger concerns keeping executives awake at night.
- The most cited disruptor by the retail executives we surveyed was the increased shift to e-commerce. However, the stakes are high, the complexity is challenging and the returns on investment relatively modest. Add to that a lack of clarity around the 'stickiness' of changed consumer shopping habits and it appears that some large, calculated risks will need to be taken.

Is business age hindering agility?

- The second top concern for retailers is the emergence of new competitors. They can combine hyper-targeted marketing – often driven through social channels – with the agility to switch gears without significant levels of additional investment. This is particularly useful as e-commerce grows. Where established retailers spent considerable sums on the technological infrastructure that powered the initial tentative forays into e-commerce, more recent market entrants have deployed software as a service and cloud hosting.
- As with so many causes of disruption in consumer-facing businesses, rapidly evolving consumer attitudes and priorities present an additional challenge. Concerns continue to grow around the environmental impact and social contribution (or otherwise) of the products they buy and the businesses they buy from. This adds a new dimension to what we have previously termed the 'self-centric consumer'. As well as ease of access, personalisation, the right price and a seamless service, consumers increasingly want authentic values to lie behind their purchases.
- In terms of disruption, these are just the tip of the iceberg for retailers. The bad news is that disruption is the new economic driver. Retailers, like so many other businesses, will need to engineer previously unseen levels of agility into their operations and business models to navigate both known disruptors and those yet to materialise. And, while many are deploying new technology to counter some of these challenges, this in itself presents a host of other challenges around automation, data privacy and cybersecurity.

Retail Executives are confronted by disruption more than ever

87%

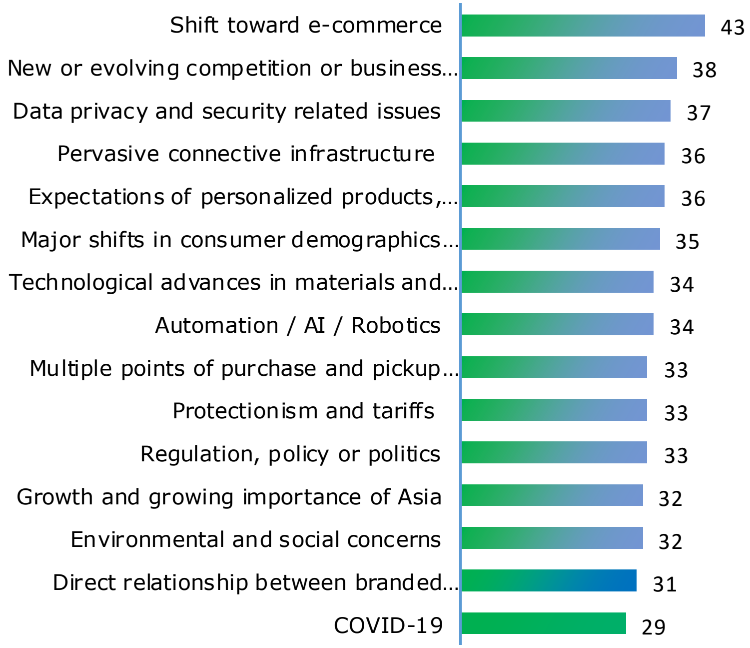
Agree

Disruption is what keeps executives awake at night

Disruption is the primary strategic challenge confronting business and society as a whole

But surprisingly, COVID-19 wasn't the top concern

(percentage selected very or extremely impactful)



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REDISCOVERING "ESSENTIAL" IN RETAIL

Talent, tech and the need for radical transformation

- With only 38% of retail executives in our study reporting high confidence that their businesses can manage the current levels of disruption, it does not bode well for the sector. Add to that increasing concerns around talent gaps in the industry, exacerbated by the fact that multiple industries are now competing for similar skills in technology, data analytics and software engineering, and it is clear that there is much to do.
- Fortunately, it's not all doom and gloom. Crises bring opportunities and retailers are at a once-in-a-generation inflection point. Those that commit to radical transformation, focused on the next generation of retail – agile, technology powered, data-driven, and relentlessly consumer-focused – will prosper.
- Those that take tentative steps post-Freedom Day are far less likely to. Uncertainty will endure for some time and disruption is here to stay. The retailers who recognise and embrace this paradigm will be those that are fit for the future – whatever it may bring.

By sector[4] (percentage "very confident")

Confidence in ability to withstand disruptive forces[1]

Are **very confident** in their organization's ability to withstand disruptive forces

38%

By level[2]	43% C-Suite	35% Senior	35% Mid-Senior	
By region[3]	42% US/Canada	39% Europe	57% China	15% Japan

1. How confident are you in your organization's ability to withstand disruptive forces?; Shown: % Very confident
2. Level: C-suite n=157; Senior n=118; Mid-Senior n=118
3. Region: US/Canada n=53; Europe n=237; China n=52; Japan n=51
4. See Appendix for sector breakdown

Source: AlixPartners Disruption Index 2021 survey

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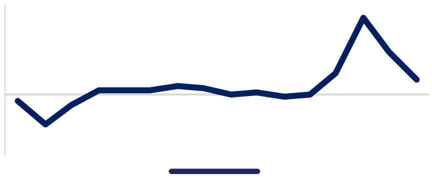
PART 1: RETAIL INDICATORS: EXECUTIVE SUMMARY

10.4%
TOTAL RETAIL SALES GROWTH Q2 (YO2Y)

RETAIL SALES



Sales surged throughout the second quarter, thanks to the release of pent-up demand built up during the lockdown in the prior three months.

- The return of stores to the retail landscape breathed life into the industry, with many products benefitting from consumers able to sample the goods before purchasing.
- Over the course of the quarter social restrictions also eased significantly, which gave a boost to consumer confidence.
- Many of the category trends seen since the beginning of the crisis perpetuated through Q2, with household goods still leading the way. Increased numbers of people still working from home and decreased levels of tourism have driven these tendencies.

-0.8%
SHOP PRICE DEFLATION Q2 (YOY)

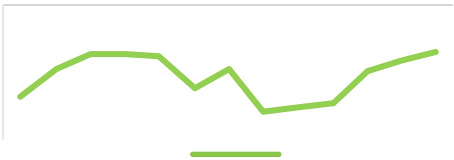
PRICES

While remaining in deflation throughout the second quarter, shop prices saw their shallowest rate of decline since Q1 2020, with a rate of only -0.8% year on year.

- Food prices dropped into deflationary territory for the first time since January 2017, which was surprising given the labour shortages facing the supply chain since the crisis started.
- Non-Food price deflation slowed to its shallowest rate since May 2019, due to a surge in demand released by the reopening of stores on the one hand and restrictions in supply of key goods, thanks in part to the Suez blockage on the other. Furniture was the most inflationary of the Non-Food categories, which was particularly affected by these supply issues.

-31.3%
TOTAL UK FOOTFALL Q2 (YO2Y)

FOOTFALL

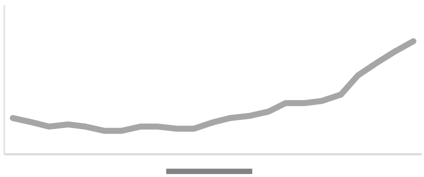


The recovery of UK footfall continued in Q2, spurred on by the return of stores to the retail landscape. However, there remains some reluctance to return to 'business as usual' thanks to the ongoing crisis.

- UK Retail Footfall recovered somewhat from the steep decline seen in Q1, when compared to the more normal levels seen in 2019. However, with a rate of -31.3%, traffic remains significantly behind that seen pre-pandemic.
- Retail Parks continued to see the strongest recovery towards normal trading patterns in comparison to both High Streets and Shopping Centres. Consumers remained more comfortable visiting Retail Parks and they are also endowed with more essential stores than the others.

14.5%
GB SHOP VACANCIES Q2

VACANCY RATES



Shop Vacancies continued to rise in Q2, despite stores reopening for the quarter. However, the rate of change was once again slower than earlier in the crisis period.

- Retail Parks continued to see the lowest proportion of vacant properties, which is in part due to the presence of a large number of essential retail outlets.
- Shopping Centres saw the largest increase in vacancy rates during Q2, rising to 19.4% properties vacant. The crisis has been particularly tough on these locations, with those in town centres faring worst due to consumers avoiding confined areas and non-essential retail outlets closed for significant periods.

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SECTION 1 RETAIL SALES

- The second quarter annualised against the depths of the first strict lockdown period of 2020, which naturally provided a significant challenge in terms of benchmarking the performance of the retail industry. However, comparing against the more normal trading conditions of 2019 alleviated this concern.
- The beginning of the quarter saw stores once again allowed to open their doors to the public, following Q1's lockdown. This contributed to a significant release of pent-up demand over the course of the second quarter, with an average growth of 10.4% recorded for the three months to June on a 2-year basis.
- Surprisingly, this release of demand in the market did not arrive all in one go, as had been anticipated beforehand. This was largely due to the remaining apprehension from a large portion of consumers to visit crowded areas, which led to them holding off from visiting the shops until after the initial wave had broken.
- Food sales remained strong over the course of the quarter, with growth of 7.9% in comparison to the levels of trading in 2019. Even against the highly inflated sales during the same period in 2020, there was still growth year on year. This was in spite of the reopening of pubs and restaurants during Q2, which provided stiff competition for supermarkets.
- This was also testament to the uncertainty regarding the virus remaining in the minds of consumers when, who have not flooded back to eating out as anticipated.
- However, the biggest shift in spending patterns came on the more discretionary Non-Food side of consumer spending. Although Non-Food was in growth in Q1, with 2.7% on a two-year basis, in Q2 this growth accelerated significantly, to 10.4%.
- When it came to the categories that comprise Non-Food, much of the trends seen throughout the coronavirus crisis period so far remained for yet another quarter. On a two-year basis, Furniture was the strongest performing category, as consumers were once again allowed back into stores and experience these larger items up close before making their purchasing decisions. Computing sales were also still flying high in Q2, as home-working has continued for many.
- On the other hand, the categories to suffer the most in the quarter were also those that fared worse previously – those in the fashion industry. These continued to be hampered as a consequence of consumers remaining at home for much more time than normal, with formal ranges seeing little demand.
- On a two-year basis, Online retailing once again surpassed that of the pre-crisis trading levels, with growth of 40.3% for Q2. However, the return of Stores to the retail landscape saw them almost return to pre-crisis levels, with a decline of only 3.1%.

FIGURE 1: TOTAL SALES 3-MONTH AVERAGE YEAR-ON-YEAR CHANGE

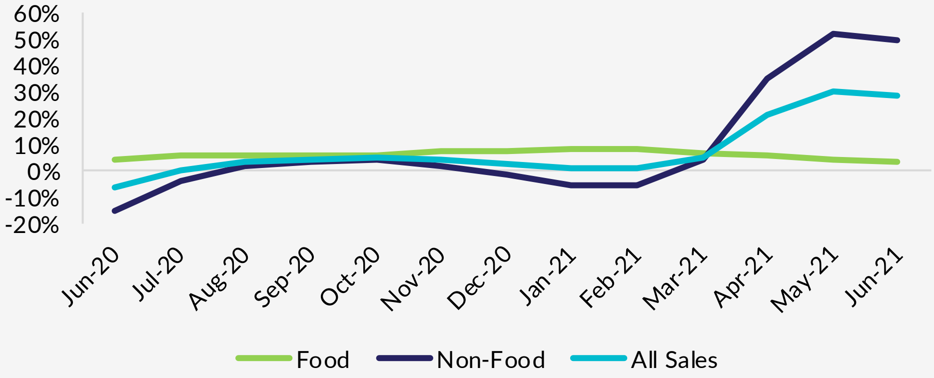
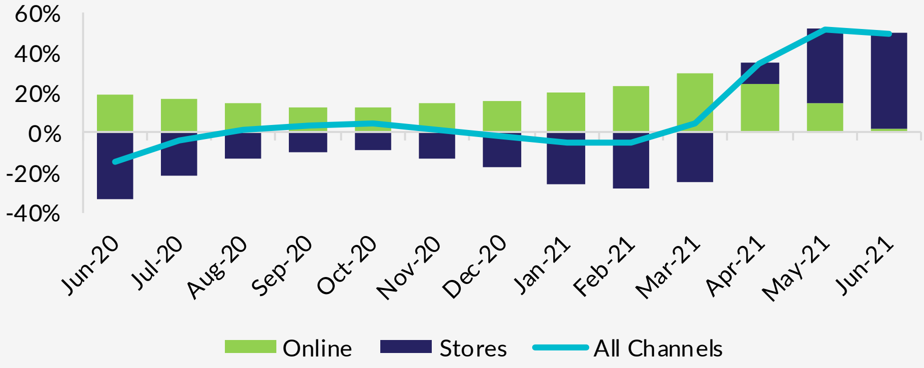


FIGURE 2: CONTRIBUTIONS TO NON-FOOD FROM STORES & ONLINE



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SECTION 1 SHOP PRICES

- The second quarter of the year saw the fall in shop prices soften significantly from the rate seen in the first three months of the year. The three-month average decline of 0.8% was the shallowest fall in prices since Q1 2020. This large step towards inflation was in no small part due to the glut of demand that returned to the marketplace since the reopening of stores, which outstripped supply in many key categories.
- This result was of course a shallower rate of decline than both the six and twelve month averages of 2.5% and 2.9%, respectively. In comparison, the ONS' Consumer Price Inflation (CPI) saw average inflation of 2.1% over Q2. As the CPI includes a broader range of goods and services, together with a difference in composition of goods than our SPI, the CPI tracks at a higher rate; although both tend to move in the same direction.
- The most interesting – and perhaps surprising – change in trend seen over the last three months was that Food prices fell into deflationary territory for the first time since January 2017, with a fall of 0.4% for Q2. This was a surprising result given the continued labour shortage facing crop farming since the country left the EU. The increased costs to farmers was more than counterbalanced in Q2 by increased price sensitivity of consumers who were looking for discounts when buying food than before.
- Non-Food prices were the most effected by the dramatic increase in demand during the second quarter of the year. However, Furniture (the category contributing the most upward pressure to Non-Food prices overall) supply also continued to be constrained in Q2, with the Suez blockage considerably delaying stock from reaching retailers.

Non Food	-1.2%
Furniture & Flooring	2.5%
Books, Stationery & Home Entertainment	1.0%
Electricals	0.0%
Other Non Food	-0.2%
Health & Beauty	-0.3%
DIY, Gardening & Hardware	-0.7%
Clothing & Footwear	-7.6%

FIGURE 3: SHOP PRICE AND CONSUMER PRICE INFLATION (YEAR-ON-YEAR CHANGE)

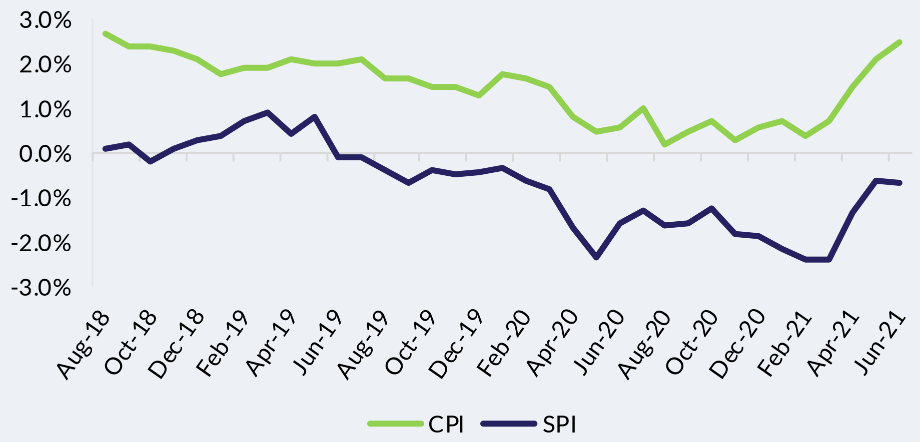
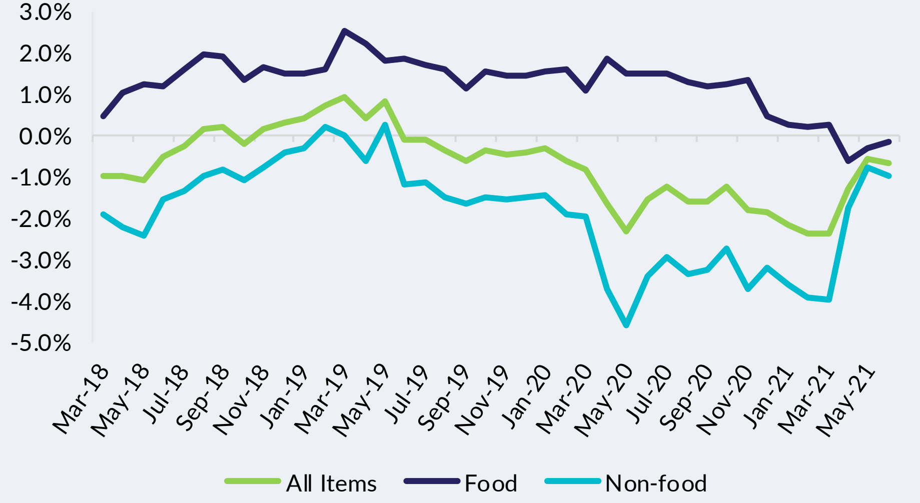


FIGURE 4: SHOP PRICE INDEX INFLATION (YEAR-ON-YEAR CHANGE)



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SECTION 1 STORE FOOTFALL

- For meaningful comparisons to changes in footfall, all 2021 figures are compared with 2019 (pre pandemic). This means our 2021 figures are now year on two years (Yo2Y), rather than year on year (YoY). With many retail outlets bouncing between being opened and closed in 2020, comparison with 2020 would not provide any useful insight.
- The second quarter saw shops previously deemed non-essential open their doors once again, so retailers were able to get back to broadly normal trading conditions – albeit with maintaining social distancing provisions. This naturally gave a welcome boost to Footfall levels across the country, with only a 31% decline for Q2 on a two year basis. Interestingly, with social distancing measures in place, the Footfall levels plateaued somewhat in the last two months. They reached what appears to be a 'new-normal' level of 28% decline against the pre-pandemic levels.
- Consumer behaviour has also seen a distinct change since the arrival of the coronavirus crisis. Shoppers are still making fewer shopping trips, but are generally spending more per trip as average basket size has increased during this time, while making more considered purchases. Therefore, the relationship between footfall changes and retail sales is not like for like.
- While all shopping locations saw improvements in footfall in Q2, albeit still some way behind the more normal trading patterns seen pre-pandemic, there also remains a distinct disparity between the speed of recovery between them.
- Once again, Retail Parks continued to show the shallowest levels of decline across the entire quarter, culminating in a decline of only 8% in comparison to the same point in 2019. They are primarily located outside of town / city centres, mostly without the need to take public transport to visit. Also, their wide open spaces and a higher proportion of supermarkets allow easier social distancing, and therefore, greater comfort for consumers.
- Shopping Centres remain the location with the worst average decline over the three months to June, but with -36% only 3 percentage points below High Streets (-33%). However, the gap between these two locations narrowed in Q2 in comparison to the previous quarter that was under lockdown, as fashion (which occupies a greater proportion of stores in Shopping Centres) recovered.

FIGURE 3: UK FOOTFALL BY RETAIL LOCATION (2021 = % YEAR-ON-2-YEAR CHANGE)

FIGURE 4: OVERALL UK RETAIL FOOTFALL (2021 = % YEAR-ON-2-YEAR CHANGE)

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SECTION 1 SHOP VACANCIES

- Shop vacancy rates continued their upward trend in the second quarter of 2021, reaching 14.5% overall in Great Britain. This increase was primarily driven by the ongoing coronavirus crisis, with the reopening of stores now highlighting those that have failed to return to the retail landscape after the latest lockdown.
- For the second consecutive quarter the vacancy rate only increased by 0.4 percentage points from the previous quarter. This is evidence that the worst of the effects on store numbers from the crisis may be behind us, as the change was some way below the steep increases seen last year.
- In line with the overall increase in vacancy rates, all retail locations (Shopping Centres, High Streets and Retail Parks) saw increases in their respective shop vacancies.
- Shopping Centres bore the brunt of the aforementioned increase in shop vacancy rates once again, increasing by 1.0 percentage points from 18.4% in Q1 to 19.4% in Q2. This is a consequence of there being a higher proportion of fashion related outlets within Shopping Centres than other locations and their proximity to town and city centres, which have seen higher than average declines in shopper numbers.
- High Streets were the most insulated from the increase in vacancies during this period for the third consecutive quarter, increasing by only 0.4 percentage points from Q1, to 14.5% in Q2.
- The increase in overall GB vacancy rate was also not evenly spread across the regions of the country. However, all regions saw increases in their respective vacancy rates
- Scotland recorded the highest increase since Q1, rising by 0.8 percentage points to 16.1% in Q2.
- In contrast, the Greater London recorded the lowest increase once again, rising by 0.4 percentage points to 11.1% in Q2, with the region now also having the lowest rate in Great Britain.

FIGURE 8: GB STORE VACANCY RATES (%)

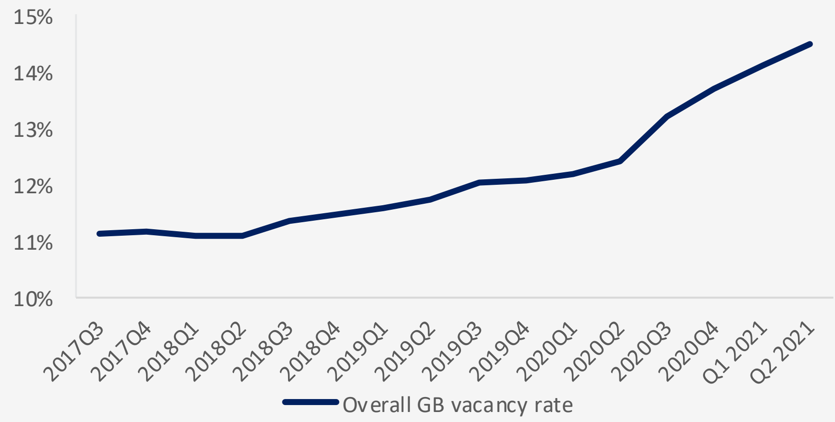
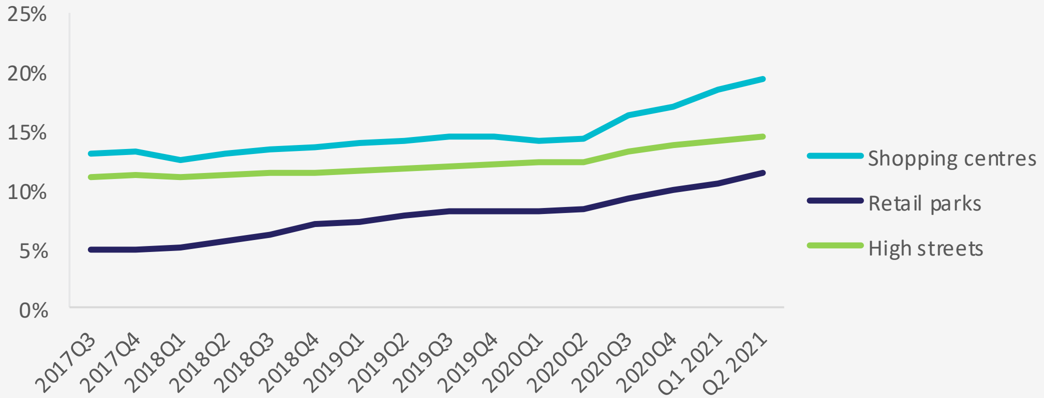


FIGURE 9: GB VACANCY RATES BY SHOPPING LOCATION (%)



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SECTION 1 FORECASTS

We forecasted sales and shop price inflation produced by our analysts in May. Forecasts are of the year-on-year growth for BRC-KPMG Retail Sales and year-on-year inflation of the BRC-Nielsen Shop Price for 2021 and 2022.

- We have revised our sales forecasts significantly compared to our Q1 projections. Both Food and Non-Food Sales were stronger in March and April than what we had expected in January, and we now expect higher spending for the following months than we did in Q1. We now project Total Sales to increase by 5.9%, with Food sales rising by 2.0%, and Non-Food sales increasing by 9.1%

- During the lockdown, Food retailers enjoyed strong demand, as eat-out places were closed. But when restaurants and pubs were open, some volumes shifted back to the hospitality industry. However, with social distancing measures in place and many people fearful of eating out, spending in restaurants and on take-out meals lags significantly behind normal level. This translates into higher demand for groceries for as long as the virus is present.

- In producing these forecasts, we have assumed that restrictions will lift according to the Roadmap, that there would not be another lockdown and that the vaccination rollout will continue at pace.

- Spending on Non-Food remains highly polarised, as the post-lockdown spending and the "new working from home normal" boosted some Non-Food sectors and completely wrecked some others. Furniture, Homewares and Fashion were the star performers of Q2. The Fashion related categories are likely to see a resurgence during the rest of the year, as people return to work and become ever more comfortable socialising than they have since the beginning of the crisis.

For 2022 we forecast Total Sales to decrease by 3.4%, with Food sales projected to fall by 1.0%, while Non-Food sales projected to decline by 5.4%.

- The biggest upside risk to prices, in particular to Food prices, remains the frictions caused by the UK's exit from the EU. The new border requirements, in the form of new checks and paperwork, are costly, putting upward pressure on prices. Global shipping costs have been rising since November due to a shortage of empty containers in the right ports (a result of the fall in global trade at the start of the pandemic). Food prices also face upward risks from the evolution of global food prices, which have persistently risen from mid-2020 to reach their highest level in six years in December. This is due to poor weather conditions in different regions of the world, as well as large purchases by China, of cereals, in particular.

FIGURE 8: RETAIL SALES ANNUAL GROWTH, OUTTURN AND FORECASTS

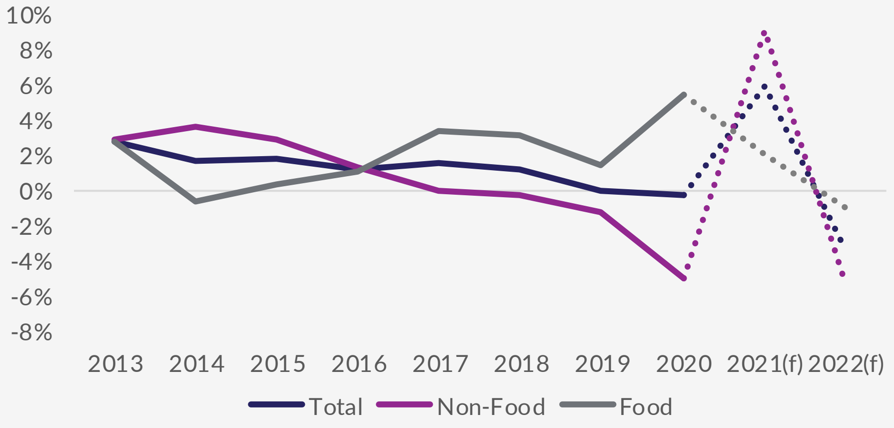
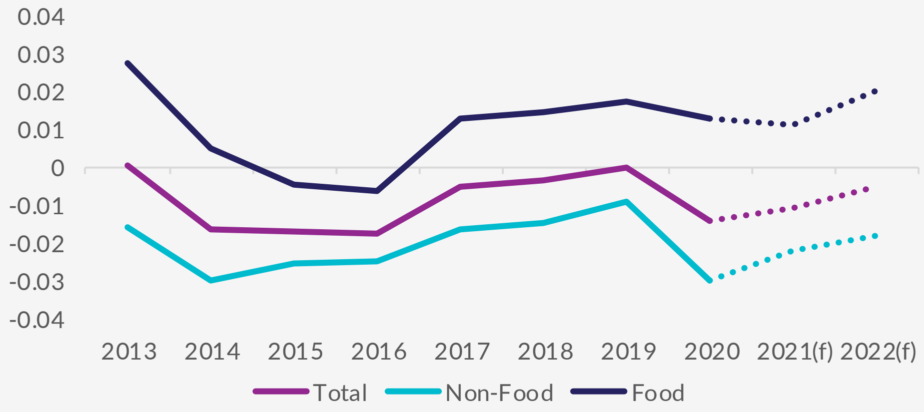


FIGURE 9: SHOP PRICE INFLATION, OUTTURN AND FORECASTS



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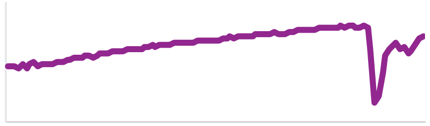
PART 2: ECONOMIC CONDITIONS EXECUTIVE SUMMARY

-1.5%
GDP GROWTH Q1 (QOQ)

GDP



UK GDP decreased by 1.5% in Q1 2021. With the country returning to lockdown conditions, this was by no means a surprise, given the constraints on economic activity – particularly on consumption.

- The service industry was the main driver of growth in April and May, as the easing of restrictions built a good momentum for the wholesale & retail and the hospitality industries.
- Forecasts for GDP growth in the UK for the rest of the year may be behind that of some other developed nations, but beyond that into 2022 growth is expected to outperform the rest of the G7.

16.1%
HOUSEHOLDS' SAVINGS RATIO (%) Q4

DEMAND INDICATORS

It's estimated that UK households have amassed around £160bn since the pandemic started to February. In Q1, household savings ratio rose by 19.6%, the second highest ratio since records began in 1963 — just behind the Q2 2020 figure of 25.9%.

- The big question is what share of the accumulated savings will be spent. Initial relaxation of restrictions are likely to trigger some "euphoria", it's not clear what longer-term behaviour will be.
- The CJRS scheme has been extended to the end of September, with February furlough uptake remaining high. But it's really the evolution of employment which will deliver a release of pent-up demand in the economy.

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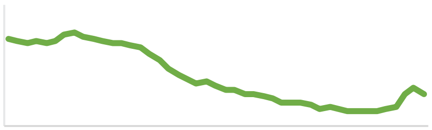
BUSINESS SENTIMENT IN THE THREE MONTHS TO APRIL

BUSINESS SENTIMENT



As the economy reopens, rising business confidence brings renewed hopes of a fast economic rebound.

- Consumer Credit remains low in comparison to pre-pandemic averages. Although, in Q2 it was no longer a case of consumers paying off the debt they had accumulated in the years prior, rather a reluctance to take on new debt on average.
- The labour market shows signs of improvement, with the number of payroll employees increasing for the sixth consecutive month in May. It is however 553,000 below levels seen before pre- pandemic.

1.0%
OUTPUT PRICE INFLATION Q1 (YOY)

BUSINESS COSTS

Cost pressures are gathering pace. Higher prices for commodities, global food, oil, shortage of inputs and global supply disruptions pushed business costs up in 2021.

- Sterling has seen a slight appreciation through the quarter. However, it remains significantly below the levels seen pre-Brexit.
- Higher prices for commodities, global food, oil, shortage of inputs and global supply disruptions pushed business costs up in 2021.

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SECTION 2 GDP

- 2020 UK GDP was 9.8% smaller than in 2019. The pandemic wiped out six years' worth of growth, with 2020 output reaching a similar level to the one of 2013.
- In Q1, GDP was 1.5% lower than in Q4 2020. On a quarterly basis, this is the most up to date data available. However, on a monthly basis, estimates suggest that since the end of lockdown the economy has begun to rebound. The service industry was the main driver of growth in April and May, as the easing of restrictions built a good momentum for the wholesale & retail and the hospitality industries.
- The UK economy grew for the third straight month in April. Output rose by 2.3%, the highest pace since July 2020, as restrictions were scaled back. This puts the April's GDP 3.7% below the level of February 2020, but 1.2% above its initial recovery peak in October 2020. The service sector grew by 3.4%, but construction slipped by 2% in April after strong growth in March, while production slumped by 1.3% as shutdowns in many car plants and large-scale oilfield maintenance work held back stronger growth in the economy.
- In Europe, the picture is quite different, with output in the Eurozone shrinking by 0.6% in Q1, following a 0.7% contraction in Q4 2020. This reflects less fiscal stimulus spending, as well as a botched vaccination rollout, bringing longer and more restrictions, and dampening sentiment. German GDP shrank by 1.7%, the Italian one by 0.4%, the Spanish GDP by 0.5%, while French output rose by 0.4%. Vaccination rates appear now to have taken off in Europe, leading to increased expectations that the Euro area would grow for the remaining of the year to reach a growth rate of 4.0% (ECB forecast) in 2021. Growth would mainly be supported by rises in household consumption, as households are expected to draw on the savings realised since the pandemic started. The eurozone annual inflation gathered pace in April, with prices rising by 1.6% up from 1.3% in March.
- The EU is now debating proposals to distribute funds from a pandemic rescue fund of €800bn, which should further stimulate growth. One can expect it to be a tedious process, slowed by the difficult political process within the EU.

FIGURE 10: GDP, MONTHLY INDEX, 2018 = 100

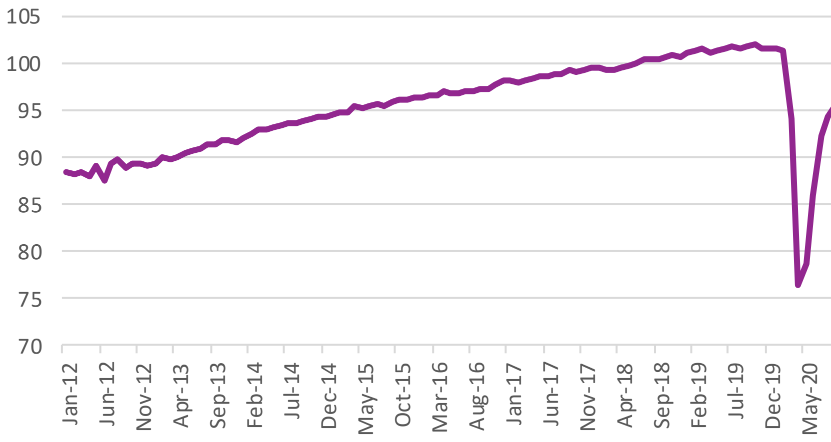
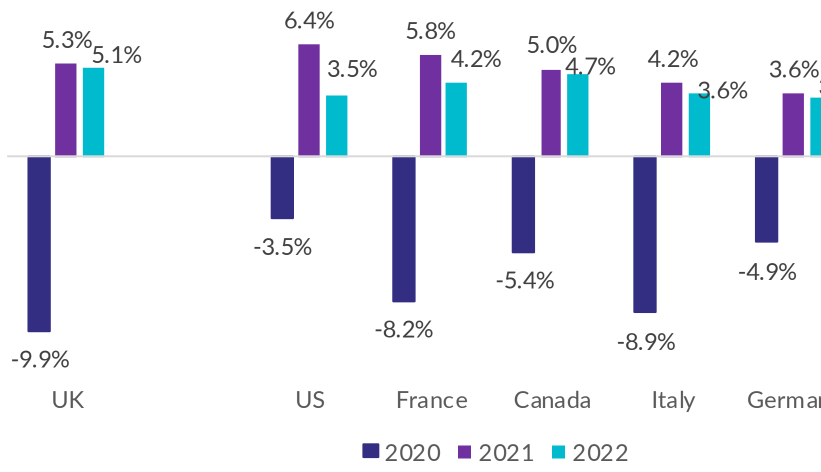


FIGURE 11: GDP GROWTH, APRIL FORECASTS



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SECTION 2 DEMAND INDICATORS

- It's estimated that UK households have amassed around £160bn since the pandemic started to February. The OBR estimates that savings will have increased by £180bn between Mar-20 and June-21. This is an astounding figure by historical standards, amounting to almost 10% of last year's GDP. In Q1, household savings ratio rose to 19.6%, the second highest ratio since records began in 1963 — just behind the Q2 2020 figure of 25.9%.
- The big question is what share of the accumulated savings will be spent. Most agree that the initial relaxation of restrictions will trigger some "euphoria", as many people have waited to treat themselves. The bigger question, on which there is no consensus, is whether we'll see a consumption frenzy longer-term.
- The labour market shows signs of improvement, with the number of payroll employees increasing for the sixth consecutive month in May. It is however 553,000 below levels seen before pre- pandemic. Total hours worked increased as well, but they too remain below pre-pandemic levels. The unemployment rate reached 4.7% in the three months to April, 0.3 percentage points lower than in the previous quarter. But the real indication of solid developments in the job market will be the unwinding of the furloughing scheme.
- Starting July, employers have to contribute the first 10% of the 80% of the wages that furloughed employees receive. In August, that contribution rises, and the scheme ends at the end of September. There were still 3.6 million employees on furlough at the end of April, majority of those being from the arts and hospitality sectors, which remain the most vulnerable sectors to rises in infections and potential fresh government restrictions.

FIGURE 12: HOUSEHOLDS' SAVINGS RATIO

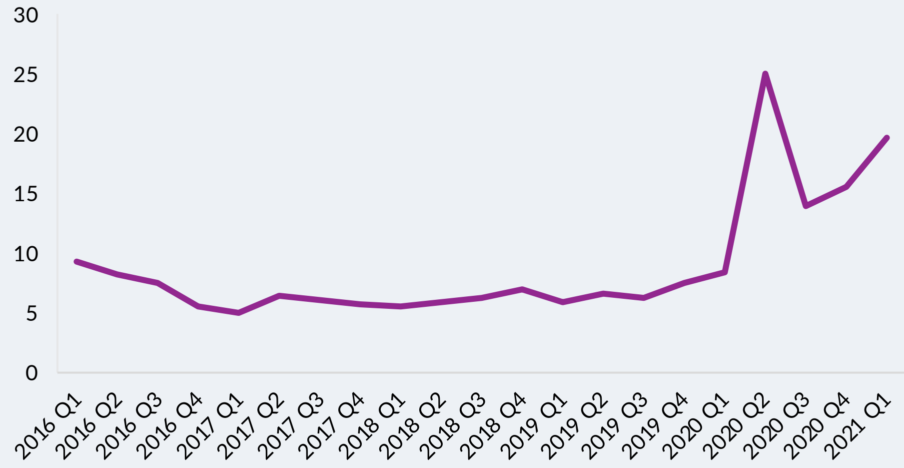
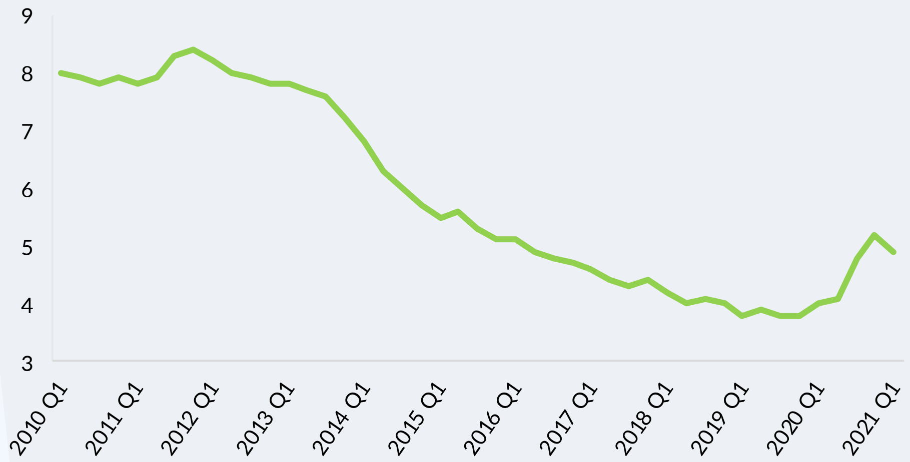


FIGURE 13: UNEMPLOYMENT RATE (%)



CONTENTS

SECTION 2 BUSINESS SENTIMENT & COSTS

- Despite considerable uncertainty for the future of the economy, coupled with increased wage insecurity, credit uptake has continued to be broadly positive in Q4.
- Secured lending continued to recover during the period, returning to the monthly levels seen pre-crisis. This buoyancy in the housing market will have provided some upward impetus for the homewares side of consumer spending, which in turn was a cause for optimism as there is clearly latent demand in the system.
- However, Consumer Credit remains low in comparison to pre-pandemic averages. Although, in Q2 it was no longer a case of consumers paying off the debt they had accumulated in the years prior, rather a reluctance to take on new debt on average.
- Sterling has seen a slight appreciation through the quarter. However, it remains significantly below the levels seen pre-Brexit. The slide in effective exchange rate of approximately 4% since February has erased roughly half of the gains made in the second half of 2019.
- Cost pressures might temper optimism. Higher prices for commodities, global food, oil, shortage of inputs and global supply disruptions pushed business costs up in 2021. The ONS producers' prices show production prices have increased in Q1 2021.

FIGURE 17: NOMINAL AND REAL WAGE GROWTH (% YEAR ON YEAR)

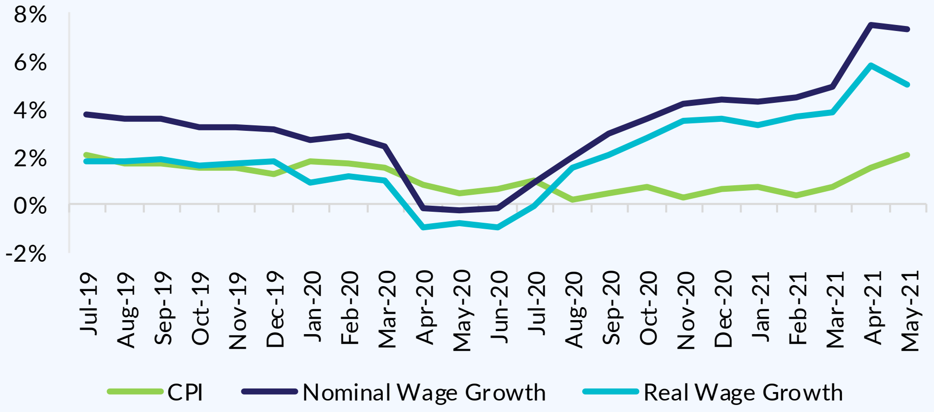


FIGURE 15: SECURED AND UNSECURED CONSUMER CREDIT

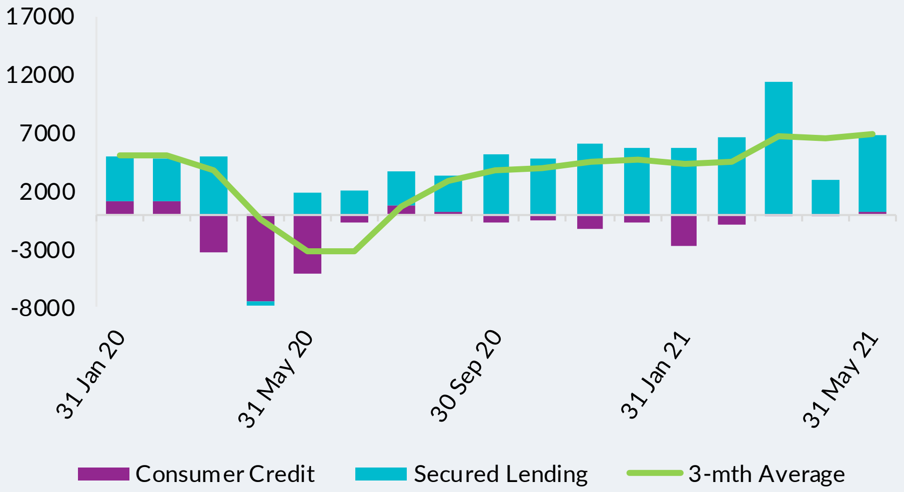
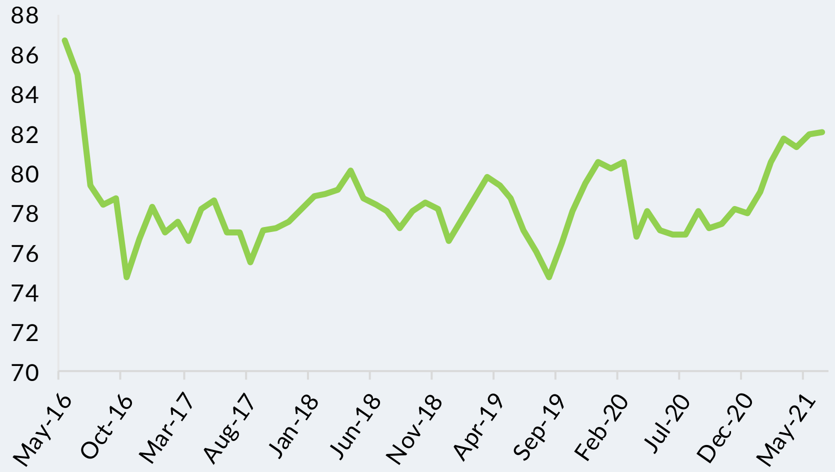


FIGURE 16: STERLING EFFECTIVE EXCHANGE RATE (INDEX JAN 2005 = 100)



SECTION 2 REGIONAL FACTORS

- In 2019 Gross Value Added per head (a measure for standard of living, through economic output per person) was highest in England, which was 12% higher than that of Scotland, 36% higher than in Northern Ireland and 42% higher than in Wales (Figure 18).
- Differences in GVA per head are reflected in the difference in workers' pay. In 2020 England had the highest median pay of all the UK's nations with £13.79 per hour, Scottish workers earn £14.05, in Wales its £12.40 and in Northern Ireland £11.93.
- The absolute levels only tell part of the story, however, as pay growth shows how the nations are developing over time. England's hourly pay for all industries grew by 3.2% over the last year, while Wales' and Northern Ireland's grew at a lower rate, with 2.1% and 1.8% respectively. Scotland's on the other hand, showed higher growth with 5.6%.
- Whilst jobs in retail pay a lower median rate than for all industries on average, structural change in the industry fuelled by technological advances have led to higher growth rates in many areas. The UK's retail pay grew by 3.9% from 2019 to 2020, with Northern Ireland at 3.4%. However, Scotland and Wales outpaced this change with 4.7% and 4.3% growth respectively.
- The decline in Scottish retail sales was in stark contrast to the UK average in Q2, with a decline of -6.0% against the UK's growth of 10.4%, both on a 2-year basis. Over the period our SRC-KPMG Scottish Retail Sales Monitor shows Food growth of 3.1% below 7.9% for the UK and an Online adjusted Non-Food decline of -12.1% below growth of 12.4% for the UK.
- The variation in policy regarding the crisis by the devolved governments also led to contrasting results for the nations in terms of the average Footfall levels in the all important final month of the year. Of the devolved nations, Northern Ireland saw the shallowest decline of 30% on a 2-year basis. In contrast, Wales saw decline of 31% year on 2-year. Scotland saw the steepest footfall decline of the devolved nations, with -35% in Q2 year on 2-year.
- Of the UK's nations, Northern Ireland saw the largest fall in shop numbers since 2019, with a 2.5% decline to 8,475 stores in 2020. In contrast, Scotland saw the lowest decline, with a 0.7% decline since 2019, to 20,815 stores in 2020. Store numbers in Wales fell by 1.4%, to 11,435 stores in 2020.

FIGURE 18: GVA PER HEAD IN THE UK'S NATIONS 2019 (£)

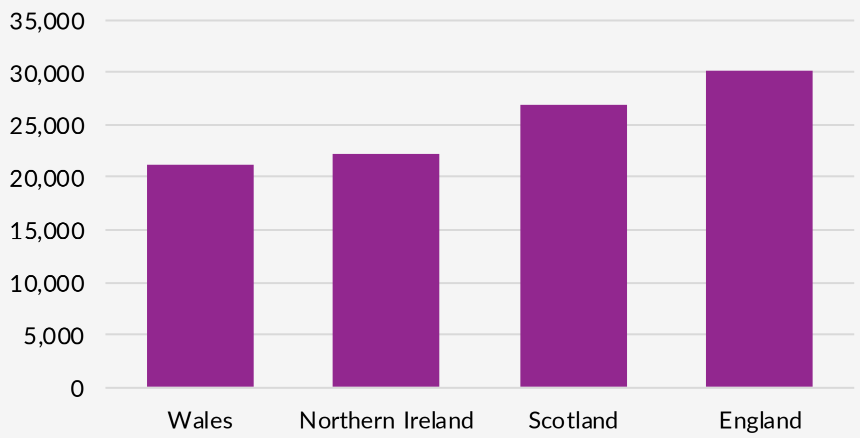
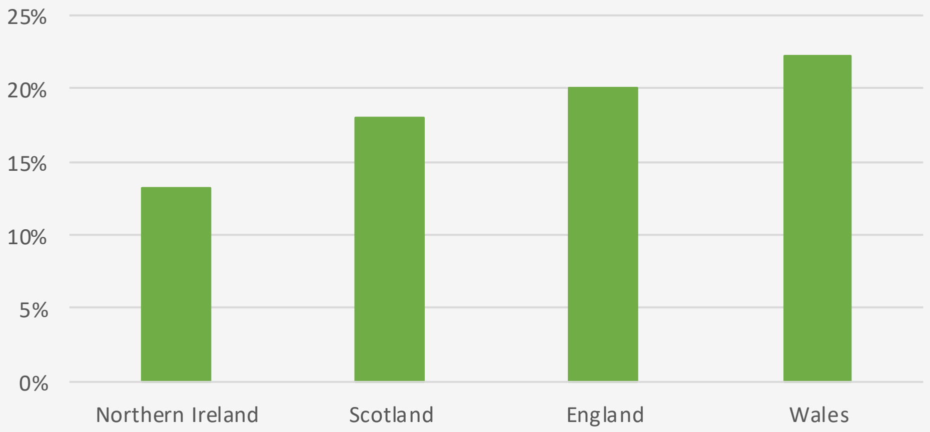


FIGURE 19: RETAIL GVA GROWTH SINCE 2007 (%)



SECTION 2
REGIONAL FACTORS

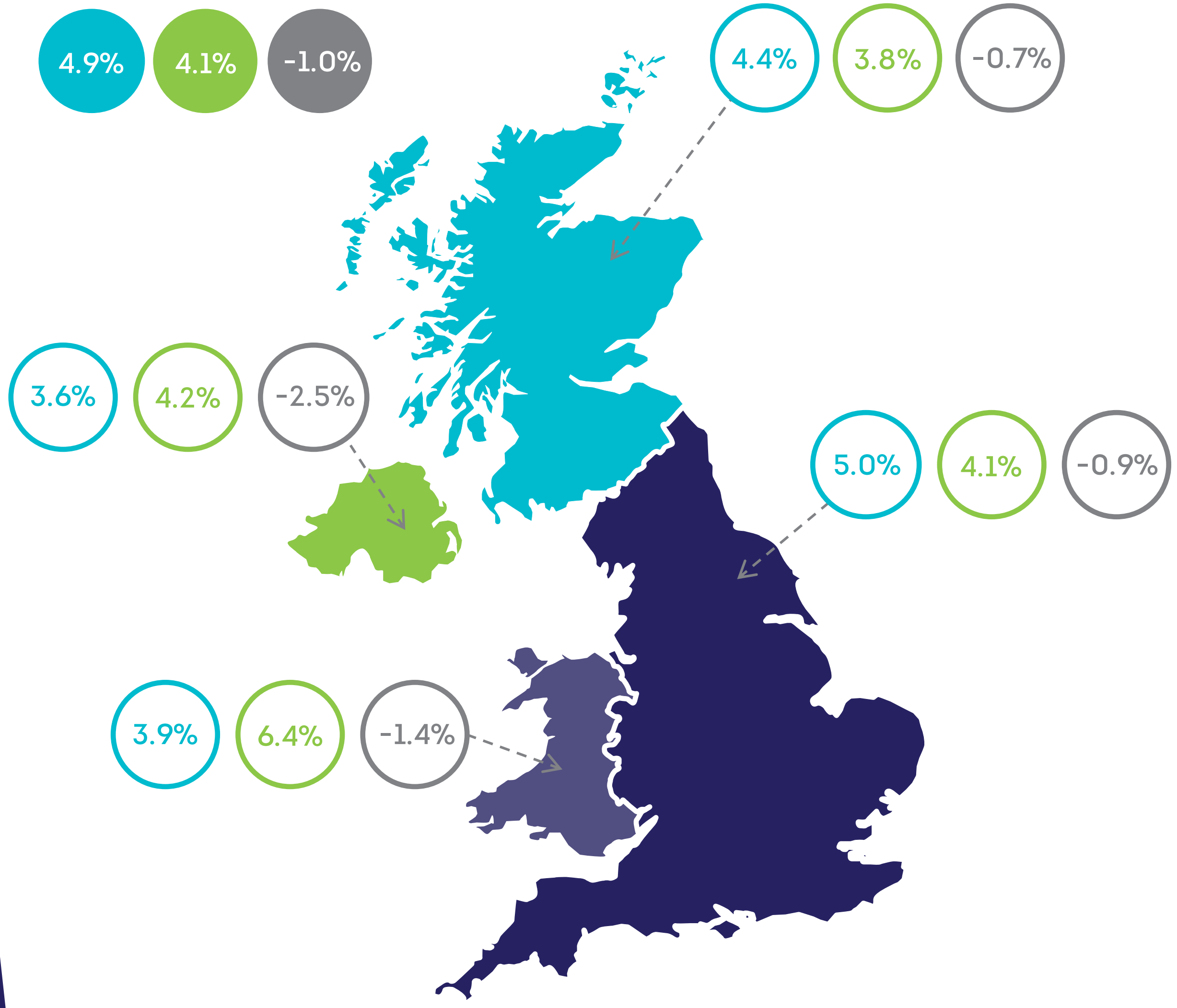
FIGURE 20

KEY REGIONAL RETAIL STATISTICS

KEY

- Unemployment Rate - May (%)
- Wages - 2020 (% YoY)
- Shop Numbers - 2020 (% YoY)

Source: Office for National Statistics



THE BRITISH RETAIL CONSORTIUM

The BRC's purpose is to make a positive difference to the retail industry and the customers it serves, today and in the future.

Retail is an exciting, dynamic and diverse industry which is going through a period of profound change. Technology is transforming how people shop; costs are increasing; and growth in consumer spending is slow.

The BRC is committed to ensuring the industry thrives through this period of transformation. We tell the story of retail, work with our members to drive positive change and use our expertise and influence to create an economic and policy environment that enables retail businesses to thrive and consumers to benefit. Our membership comprises over 5,000 businesses delivering £180bn of retail sales and employing over one and half million employees.

BRITISH RETAIL CONSORTIUM

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