

BRC Economic Summary – Q1 2022

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Latest (Q1 2022)	6.9% Total sales growth in Q1 2022 (by value)	-15.9% Fall in footfall in Q1 2022 vs pre-pandemic	1.8% Growth in shop prices Q1 2022	14.1% Proportion of empty shops across GB in Q1 2022
2021	9.9% Total sales growth in 2021	-33.2% Footfall across 2021 compared with its pre-pandemic levels	£422 Bn Total value of retail sales (excl. automotive) in 2021 (ONS)	3.02m Average number of retail jobs over 2021 (ONS)

Overview

- Inflation has become the major consumer concern of 2022, with consumer confidence falling to levels not seen since the financial crisis. The Shop Price Index, which measures the price of basic goods, rose to 1.8%, the highest level in over ten years, driven by record inflation in non-food prices. Nonetheless, these remain well below the overall UK inflation rate showing that retailers are having some success in keeping down the price of essential goods.
- The first quarter of 2022 had started to see the return of shoppers and an initial increase in spending, though this strong growth was short lived as rising inflation and the conflict in Ukraine significantly damaged consumer confidence. While there is still strong growth in non-food, food sales have declined in both value and volume terms.

Looking forward:

- Inflation is likely to continue to rise for some time, as global pressures, including rising oil and global commodity prices, drive up retailers' costs. This is likely to further damage the already weak consumer confidence.
- Higher energy costs and rising bills will be eating into consumers' disposable income. When combined with falling consumer confidence, it is likely that demand will continue to be weak for the foreseeable future.



All figures are Year-on-Year for the 3m January->March, unless otherwise stated.

BRC-KPMG Retail Sales Monitor

- Total sales rose **6.9%** YoY in Q1 2022.
 - o Food sales fell by **2.6%** YoY
 - o Non-Food sales grew **14.9%** YoY
- Online Non-Food sales were down **27.3%**, while in-store sales were up **92.9%**.
- Non-Food online penetration was 40.1% in Q1, down from 44.9% the previous quarter.

Where are we now?

While sales appeared to be up in the first quarter of 2022, this was primarily in value over volumes, as CPI inflation rose from 5.4% in December 2021, to 7.0% in March 2022. Retail sales slowed sharply over the course of the quarter as food sales failed to keep up with Q1 2021, when the UK was in lockdown.

What's next?

Inflation remains the major hurdle in 2022, with little signs of it easing soon. Consumers must contend with higher prices, a massive rise in energy costs, and the uncertainty created by the ongoing war in Ukraine. As a result, consumer confidence (GfK) has fallen from -15 in December 2021, to -31 in March 2022, with expectations of personal finance dropping to levels last seen during the 2008 financial crash.

BRC-SensormaticIQ Footfall Monitor

- Footfall was down **15.9%** in Q4 against pre-pandemic levels (Yo3Y)
 - o High Streets were down **19.9%** (Yo3Y)
 - o Retail Parks were down **10.9%** (Yo3Y)
 - o Shopping Centres were down **38.9%** (Yo3Y)

Where are we now?

Footfall remains down on pre-pandemic levels, though this is very gradually improving as the last covid rules were removed and infection levels dropped. Unsurprisingly, footfall is well up on the previous year when much of the UK was under lockdown. Major cities continue to see lower footfall than other areas, with retail parks outperforming other retail locations and shopping centres lagging significantly behind.

What's next?

Footfall is likely to slowly improve as concerns around coronavirus abate. However, the rapid expansion of online sales over the pandemic may mean that footfall stabilises at a “new normal” below its pre-pandemic levels.

BRC-Nielsen Shop Price Index

- **Shop prices rose by 1.8% in Q1 2022.**
 - o Food inflation was 2.9%
 - o Non-food inflation was 1.3%

Where are we now?

The Shop Price Index (SPI), which measures the price of basic goods, has risen fast, from -2.3% a year ago, to 0.3% last quarter and 1.8% this quarter – the highest since Q4 2011. Food prices continue to rise, but non-food prices are the real driver, having reached their highest level on record. Retailers face climbing costs from a tight labour market, rising global commodity prices, higher energy prices and increased transport costs throughout the supply chain. Nonetheless, these figures are much lower than overall Consumer Price Index inflation (CPI was 7.0% in March) reflecting that the price of basics has risen slower than overall inflation.

What's next?

The Bank of England has forecast inflation to rise even higher, topping out at over 10% in Q4 2022. Efforts from retailers to keep the price of basics down, such as expanding value ranges, is likely to continue to keep the SPI below the CPI inflation rates. However, the full impact of rising energy and global commodity prices, including global food prices, is yet to be realised.

BRC-LDC Vacancy Monitor

- **Vacancy rate was 14.1% in Q1 2022**
 - o High Street vacancies were 14.1%
 - o Retail Park vacancies were 10.6%
 - o Shopping Centres vacancies were 19.0%

Where are we now?

Q1 saw the biggest quarterly fall in the vacancy rate on record (started in 2015). As covid regulations were relaxed last year, and consumers unleashed a wave of pent up demand, retailers took advantage by investing in stores. Nonetheless, there remains a significant North-South divide, with the North of England showing much proportions of empty shops, though the situation is improving.

What's next?

Vacancy rates tend to lag behind other metrics in responding to economic changes, meaning that the vacancy rate is likely to continue to fall for a while. The growth of cafes and restaurants following covid is also likely to help reduce the number of empty storefronts, as some change use from retail to hospitality.

Contact

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