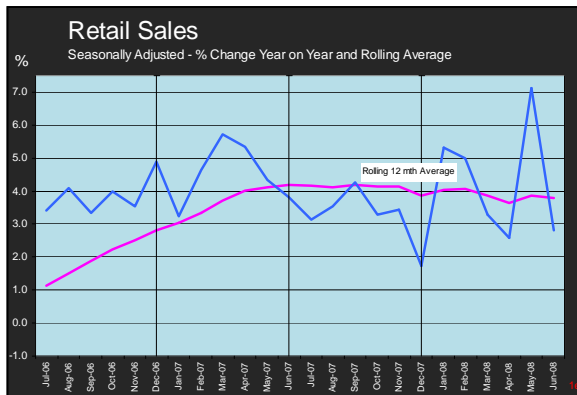


**June downward trend realistic – July will improve, but beware!**



	Value growth			Volume Growth		
	Food	Non Food	All	Food	Non Food	All
	% on Prior Year			% on Prior Year		
<b>Jan</b>	5.1	5.0	5.3	2.2	8.3	6.3
<b>Feb</b>	6.1	3.5	5.0	3.6	5.8	5.4
<b>Mar</b>	4.8	1.4	3.3	2.3	4.6	4.4
<b>Apr</b>	3.8	0.9	2.6	1.0	4.3	3.6
<b>May</b>	8.5	5.8	7.1	4.6	8.6	7.4
<b>Jun</b>	5.7	0.0	2.8	1.3	2.4	2.6

After the somewhat surprising 7.1% increase in May compared to 2007, June has trended down to a realistic 2.8% growth on 2007 (seasonally adjusted). Not really surprising when we consider how the consumer is being influenced over their morning cuppa and cereal.

- House Prices:- Progressively down from a high of 12.3% increase in July 2007. The last 3 months being: -3.9% -6.5% - 8.7%.
- Mortgage Approvals:- The number of new loans are down in the month by 65% on 2007 from 137k to 48k. This is forcing down property values.
- Oil Prices:- Down to \$125 per barrel compared to a peak of over \$145. Still very high and driving increases into monthly household bills.
- Unemployment:- The biggest increase in sixteen years (15500) and now up for 5 months in a row to 840,100 (2.6% of workforce).
- Inflation:- The retail price index (RPI) rose 4.6% in June, up from 4.3% in May. Now 4.1% up on 12 months.

What growth we are experiencing is now being driven by inflation in food, with non food showing zero growth in value in June.

**Beware of July showing an upward trend!**

Looking forward, July will almost certainly show an improvement on June, but this should not be considered a trend. The reasons being:

- July will benefit from a lower prior year comparison. July 2007 was only 3% up on 2006.
- This July the weather improved on June and compares to nationwide flooding in July 2007
- Retailers started summer sales early, spread discounts across broader product ranges and cut deeper earlier, thus encouraging spending.

**Only when the summer sale period ends, in August, will we get a true measure of how the second half of 2008 is to unfold. No doubt we are in for challenging times. The only question is how bad it gets!**

**Non Food value growth lagging volume**

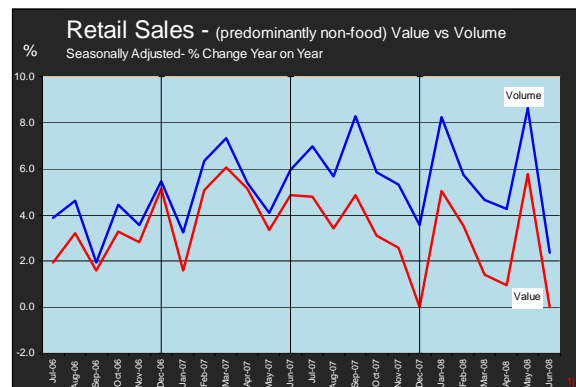
As mentioned above value growth in the non food sector has slowed to zero growth in June. This can be seen in the chart below trending down from 3.3% over the last 2 years. This is reflected against a volume growth of 2.4% in June. The chart shows volume and value diverging over the last 12 months as more goods are being sold with discount.

Over the last six months:

- value 6 month average = 2.8%
- volume 6 month average = 5.6%

This loss of value will inevitably drive retailers to place pressure on their supply chain. Pressure will continue on payment terms to offset working capital erosion and product cost reductions to offset margin loss. Bear in mind higher volume throughput without value growth creates differential inflation, adding to the cost burden.

**Quarters 3 and 4 of 2008 will certainly prove to be interesting!**



**Consumer Indicators - trends which influence and derive from consumer behaviour**

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