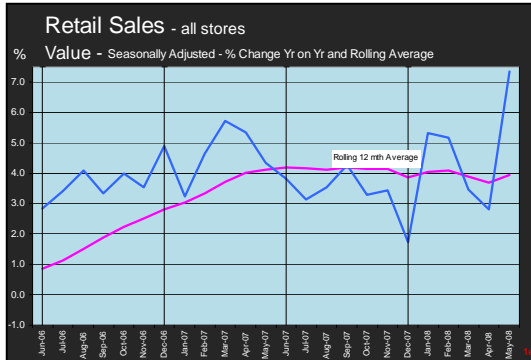


Non-food volume sales growth hurting retail P&L



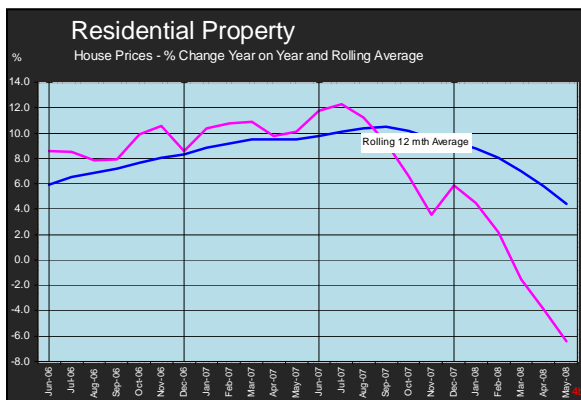
Yr on Yr Growth %	Predominantly Food Value	Predominantly Food Volume	Non Food Value	Non Food Volume
Jan	4.9%	2.1%	5.0%	8.3%
Feb	5.9%	3.6%	3.6%	6.0%
Mar	4.7%	2.3%	1.9%	5.1%
Apr	3.9%	1.0%	1.7%	5.1%
May	8.5%	4.5%	6.3%	8.8%

Retail sales (seasonally adjusted) show a somewhat surprising 7.4% increase on May 2007 and a 4% increase on the previous month. The latter is a quite unprecedented month on month gain. Why was May so positive?

- **A lower prior year comparison**
 - May 2008 enjoyed record breaking temperatures compared to May last year heralding the beginning of the lengthy period of floods which afflicted most of the UK throughout last summer.
 - This time last year sales had come off a high point in March / April and continued the declining trend until August. A lower prior year comparison
- **Continued inflation in the food sector**
 - Food sector value growth at **8.5%** continuing to out perform volume at **4.5%** being fuelled by inflation on oil, wheat, rice and dairy.
- **Price led volumes in non-food sector**
 - Strong price led clothing/footwear sales helped by good weather conditions and volume elsewhere also driven by price. **Non food sector value growth at 6.3%** lagged behind volumes at **8.8%** driven by price reductions.

The retail P&L in non food is currently taking a double hit: 1) on margins from price led activity; 2) costs associated with greater volume throughput.

Is lower mortgage approval rate affecting consumer confidence?



The annual decline in house prices accelerated in May to 6.4%, following a 3.4% fall in April. This compares to May 2007 when monthly increases of 10% year on year were the norm.

A significant driver of this decline continues to be the availability of mortgages reflected in the approved new mortgage figures above. **New mortgages approved** has now levelled off at around 65,000 per month for the last quarter compared to around 130,000 per month a year ago.

The total number of new mortgages approved in the last 3 months was 192,000 compared to 343,000 in 2007, a fall of 44%.

This factor, depressing demand, will continue to adversely affect house prices and hence consumer confidence.

Consumer Indicators - trends which influence and derive from consumer behaviour

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