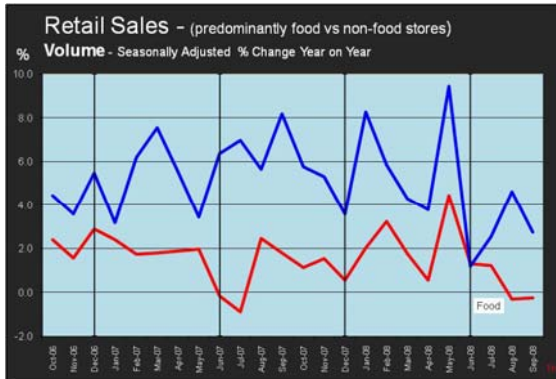


## Deflation continues in the Non Food sector



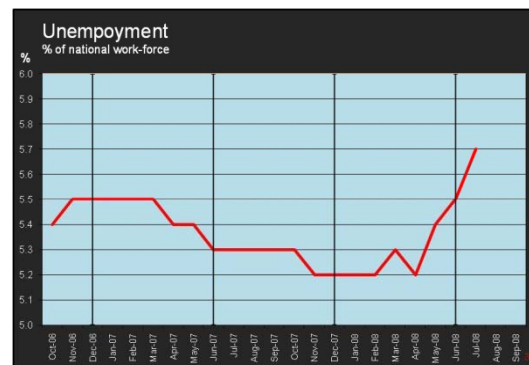
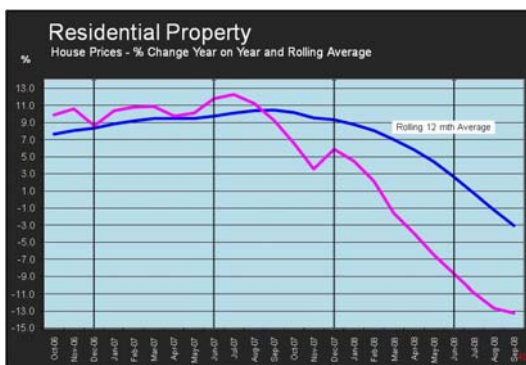
Retail Sales Data - seasonally adjusted				Source ONS		
	Value growth			Volume Growth		
	Food	Non Food	All	Food	Non Food	All
	% on Prior Year			% on Prior Year		
Jan	5.2	5.1	5.3	2.2	8.3	6.3
Feb	6.1	3.6	5.0	3.3	5.9	5.4
Mar	4.5	1.2	3.1	2.4	4.4	4.2
Apr	3.7	0.6	2.3	1.6	3.9	3.3
May	8.6	6.5	7.0	1.0	9.7	7.3
Jun	6.1	-0.8	2.7	1.4	1.4	2.3
Jul	7.3	1.1	3.9	1.3	2.7	2.7
Aug	5.6	2.4	4.0	-0.2	4.9	3.4
Sep	5.4	0.7	3.0	-0.2	2.7	2.2

At the end of quarter three retail sales volumes have declined, compared to 2007, to a negative -0.2% in the Food Sector, but remained 2.7% up in the Non Food Sector. However Non Food continues to gain this volume growth at the expense of value which is now close to zero.

	Value Growth on 2007	Volume Growth on 2007
Food	5.4%	-0.2%
Non Food	0.7%	2.7%

This continued deflation in the Non Food sector will impact margins and as the inflationary pressures from oil, wheat, rice etc leave the system and food inflation therefore slows, total retail year-on-year comparisons will enter the red.

Indications are that quarter four of 2008 will be particularly challenging when the consumers confidence is at such a low point.



Two of the key indicators of consumer confidence, house prices and employment, show no sign of reversing the negative trends upon which they are trending.

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

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