BRITISH RETAIL CONSORTIUM

BRC-KPMG RETAIL SALES MONITOR
FEBRUARY 2005

Strictly Embargoed until 00:01 hrs – 8 March 2005

FEBRUARY ANOTHER TOUGH MONTH FOR RETAILERS

- Retail sales in the UK during February fell back by 0.3% on a like-for-like basis, and showed growth of 2.9% on a total basis, compared with a year earlier.

- The three-month trend rates of growth in February was -0.1%, the same as in January, for like-for-like sales, but edged up to 2.9% from 2.7% for total sales.

- After a short-term improvement from the January clearance sales, trade fell back in February to the tough pre-Christmas levels. A boost around Valentine's Day failed to make up for weaker sales later in the month, leaving very tough trading conditions for many retailers.

- Consumers' concern about interest rates, the housing market and taxes continue to impact sales, particularly big-ticket furniture and electricals. Clothing and footwear also suffered.

FEBRUARY	
Like for Like	Total
-0.3%	2.9%

DECEMBER – FEBRUARY	
Like for Like	Total
-0.1%	2.9%

Kevin Hawkins, Director General, BRC comments:

"This month's figures are further confirmation that trading on the high street is still tough for many, with sales falling back to the low pre-Christmas levels. Whilst the January sales brought a temporary improvement for some retailers, trade took a downward turn when the deep discounting ended and footfall levels remained generally low throughout February - not helped by the bad weather across the UK. Valentine's Day did give some stores a boost, but this failed to make up for the rest of the month. Consumer confidence is evidently still weak and concern over interest rates and the housing market continue to impact on retail sales across all sectors. There is every reason for an appropriate reduction in interest rates to help build confidence and ease consumers' worries."

Helen Dickinson, Head of Retail, KPMG comments:

"As if the freezing temperatures were not enough, the persistent rain and snow in the latter half of the month has hit the February numbers hard. Although the total growth figure has held up, like-for-like sales dipped into negative territory for the third time in four months. Many retailers will be crossing their fingers and hoping that this is a temporary blip - prompted by the weather - and not an indication of something more serious. As the weak performance was consistent across all sectors, let's hope they are right."

SECTOR PERFORMANCE IN FEBRUARY 2005

Joscelyne Hynard, Senior Analyst – Business Information Team

Food and Drink

Sales improved overall from a flat January. Fresh fruit and vegetables continued to benefit from post-Christmas healthy eating, and meat did well, helped by promotions. Wintry weather forecasts boosted demand as people stocked up, but sales then slowed when the weather hit. Valentine's Day and early trade for Mother's Day helped confectionery, wines and champagne.

Clothing

Overall sales were poor, despite good sales for some, and worsened during the month. Womenswear was particularly weak, with smaller purchases such as handbags and accessories doing better than larger articles of clothing. Younger contemporary styles were more popular than older classics. Lingerie sales remained difficult. Menswear also struggled overall, with younger fashions doing better. Childrenswear benefited form half-term boost but was flat over the month.

Footwear

Sales were fairly flat overall, but with the good start to February fading later. Men's footwear was poor throughout and specialists face competition from supermarkets. There were some gains for women's and children's in the first half of the month. Women's winter styles and boots continued to sell well, especially the ethnic look, with browns and tan becoming popular. New spring ranges started very slowly, though there was some growth in women's sandals, and in children's sandals, helped by holidays over half-term. Wellingtons and men's boots benefited from the bad weather. Girls' boots remained popular but shoes less so.

Electrical and Electronic

Having fallen back markedly after the January sales, trade remained very subdued. Big-ticket items, especially brown goods and computers, struggled in the face of housing market and consumer finance worries. White goods held up overall though were mixed across products. Price deflation was a significant problem for some, with volume growth insufficient to compensate for lower unit values, particularly for computers. Flat panel TVs sold well but sales of older CRT TVs were very difficult. Brighter points were internet audio, DVD players and satellite navigation. Digital cameras also did well in units but value was hit by price deflation. Mobile phone sales were quiet, having slowed after Christmas.

Department Stores

For some it was a good month, for others, tough and disappointing. Beauty products and perfumery showed some gains, helped by Valentine's Day. There were some good sales of childrenswear around half-term, though not always up to expectations, and younger fashions in women's and menswear.

DIY/Gardening

Sales were sluggish, with seasonal lines hit by the weather, though freezing temperatures did help plumbing and heating. Timber, joinery and decorative products, both interior and exterior, were soft. Garden care and horticulture were quiet, with new spring ranges just beginning but take-up hit by the cold weather. Landscaping products such as peat, compost and decking held up.

Homewares

Household linens, towels and quilts struggled. Spring cleaning led to some impulse buying of smaller homewares in supermarkets, but for many, 'non-essential' home accessories such as candles and vases were left on the shelf. China and glassware sales were often difficult.

Furniture and Carpets

It was generally a poor month, especially for big-ticket items. However, there were some good sales of beds and fitted kitchens. Floorcoverings were mixed with gains for some but others seeing a further slowdown.

Chemist and Beauty

Sales varied across sectors and stores. Toiletries and cosmetics did very well, especially around Valentine's Day, and fine fragrances were also popular. Baby products and personal care showed some gains, but health products and medicines were slower, hit by the bad weather at the end of the month. Cough/cold remedies, vitamins and supplements were mixed, with specialists facing competition from supermarkets, both for basic items and premium ranges with attractive price points.

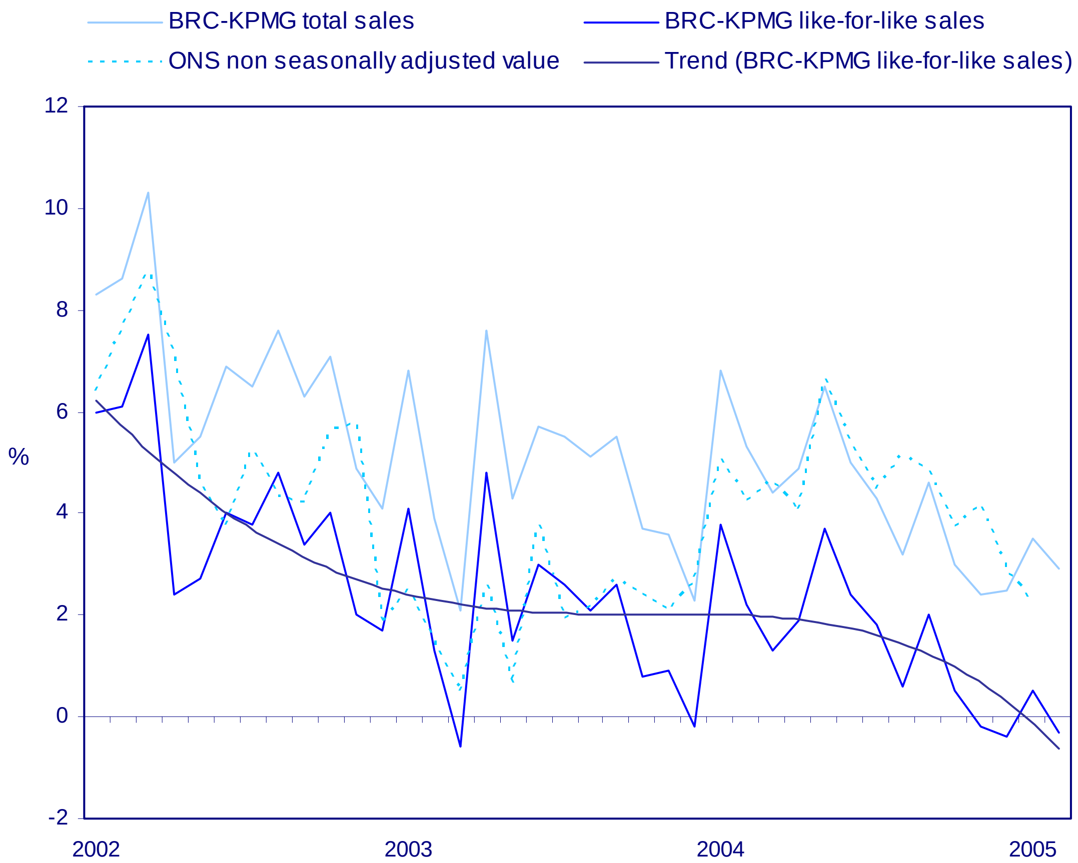
Leisure Goods

Entertainment sales continued fairly quiet into February, with no big-title releases. DVD and CDs benefited from Valentine's Day, as did stationery and gifts. Multi-buy promotions of books faced competition from price supermarkets' price discounts.

Mail Order

Sales were generally flat, with the wintry weather contributing to a slow start to new spring/summer fashion catalogues. Clothing sold better than household and leisure, where consumer caution hit larger items such as furniture, consumer electricals and household appliances.

% INCREASE YEAR-ON-YEAR IN RETAIL SALES VALUE



	2003		2004		2005	
	Total	Like-for-Like	Total	Like-for-Like	Total	Like-for-like
January	6.8	4.1	6.8	3.8	3.5	0.5
February	3.9	1.3	5.3	2.2	2.9	-0.3
March	2.1	-0.6	4.4	1.3		
April	7.6	4.8	4.9	1.9		
May	4.3	1.5	6.5	3.7		
June	5.7	3.0	5.0	2.4		
July	5.5	2.6	4.3	1.8		
August	5.1	2.1	3.2	0.6		
September	5.5	2.6	4.6	2.0		
October	3.7	0.8	3.0	0.5		
November	3.6	0.9	2.4	-0.2		
December	2.3	-0.2	2.5	-0.4		

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The February 2005 Monitor covers four weeks from 30 January – 26 February 2005 and provides the most up-to-date reflection of recent retail performance.

The March 2005 Monitor will be published on 12th April 2005. The data is collected and collated for the BRC by KPMG.

NOTES

The BRC-KPMG Retail Sales Monitor measures changes in the actual value of retail sales from a sample of retailers. The Monitor measures the value of spending and hence does not adjust for price changes. If prices are rising, sales volumes will increase by less than sales values. In times of price deflation, sales volumes will increase by more than sales values.

Retailers report the value of their sales and sales in the equivalent week a year ago. These figures are reported both in total and on a 'like-for-like' basis. The percentage increase in the value of sales on a 'like-for-like' basis removes the effect of the expansion of retail floorspace by the retailers concerned on their sales total. Due to the sample being biased towards large retailers, the 'like-for-like' increase usually provides a more accurate guide to general spending patterns, though it will be biased downwards as an estimate of the growth rate for retail as a whole.

The responses provided by retailers within each sales category are re-weighted to reflect the contribution of each category to the retail sales total, removing any bias caused by the structure of the sample. Because the figures compare sales this month with the comparable period last year, a seasonal adjustment is not normally needed. However, changes in the timing of Bank Holidays and Easter can create distortions, which should be considered in the interpretation of the data.

As well as receiving sales value direct from the retailers in the scheme the BRC-KPMG Retail Sales Monitor also receives food and drink sales value data from the IGD's Market Track Scheme.

In its role as sponsor of the BRC-KPMG Retail Sales Monitor, KPMG is responsible for the aggregation of the retail sales data provided by the retailers on a weekly basis. This data consists of the relevant current week's sales data and comparative sales figures for the same period in the prior year. The aggregation has been performed by KPMG on data for periods following 2 April 2000 and equivalent prior periods. The accuracy of the data is entirely the responsibility of the retailers providing it. The sponsorship role has been performed by KPMG since 10 April 2000 and save for the aggregation of comparative sales figures for the period from 2 April 2000 it is not responsible for the aggregation of any data included in this Monitor relating to any period prior to 2 April 2000. The commentary from KPMG is intended to be of general interest to readers but is not advice or a recommendation and should not be relied upon without first taking professional advice. Anyone choosing to rely on it does so at his or her own risk. KPMG will accept no responsibility or liability in connection with its sponsorship of the Monitor and its aggregation work to any party other than the BRC.