KPMG

BRITISH RETAIL CONSORTIUM

BRC-KPMG RETAIL SALES MONITOR
DECEMBER 2004

Strictly Embargoed until 00:01 hrs – 11 January 2005

NO CHRISTMAS CHEER FOR RETAILERS HIT BY CONSUMER CAUTION

- Retail sales in the UK during December declined by 0.4% on a like-for-like basis, and showed growth of 2.5% on a total basis, compared with a year earlier.

- The three-month trend rates of growth fell to -0.1% in December from 0.8% in November for like-for-like sales, and to 2.6% from 3.4% for total sales.

- December started slowly and got progressively worse until the Christmas week. A marked upturn in the final few days, and some stronger clearance sales from Boxing Day onwards failed to make up the shortfall.

- Consumers remain cautious, especially about larger purchases: furniture and homewares suffered, clothing and footwear struggled and only food and drink showed some growth, helped by the longer pre-Christmas week.

DECEMBER	
Like for Like	Total
-0.4%	2.5%

OCTOBER – DECEMBER	
Like for Like	Total
-0.1%	2.6%

Kevin Hawkins, Director General, BRC comments:

"These figures represent the worst Christmas for retailers in the last decade. Even the materialisation of the expected last minute rush and strong trading for many retailers in the post-Christmas Sales could not turn December into a positive month. However, it was far from the speculative hype of the 'worst Christmas in living memory' proposed by some commentators. The lack of consumer confidence created by uncertainty over the economy and housing market dominated December and remains a strong concern for the sector as it shows no sign of abating in the immediate future. With these figures, the MPC can no longer dodge the issue of cutting interest rates to help ease consumers' blues."

Helen Dickinson, Head of Retail, KPMG comments:

"The Christmas sales figures are disappointing for many retailers but do not show the abysmal performance anticipated by some in the run up to Christmas. This is a continuation of the trend seen in November, where we are seeing ongoing growth on a total basis but with comparable store sales falling year on year. This is bad news for retailer's margins as their cost base continues to rise with higher people and property costs. Combine this with the level of promotional activity that was needed to drive the sales over the Christmas period and we see some challenging times ahead. It has been particularly tough for the home and furniture sectors and this shows no sign of abating in the near future."

SECTOR PERFORMANCE IN DECEMBER 2004

Joscelyne Hynard, Senior Analyst – Business Information Team

Food and Drink

Sales showed good growth overall, though with some experiencing disappointing trade in some produce and grocery sectors. Christmas promotions for beer, wines and spirits were very successful, and there were some good sales of hampers and gift foods such as Stilton. Poultry, bread and bakery products did well.

Clothing

Sales were very mixed across both stores and the month, though overall the strong post-Christmas sales helped to make up for the pre-Christmas weakness. Womenswear was hardest hit, though for some there were good sales of casual wear, especially fur and fur-trimmed, with gilets taking over the fashion trend from ponchos. Lingerie and accessories benefited from Christmas, but menswear did less well, with poor take-up of formalwear and suits. Childrenswear was mixed, but with some good sales of designer ranges.

Footwear

After a slow start to the month, sales improved, led by women's and girls' boots, while men's footwear was disappointing, even in the sales. Casual boots performed very well, with suede and fur-trimmed styles particularly popular. The new fashion wellingtons with coloured designs sold well. Slippers had started slowly, picking up nearer Christmas. Children's shoes struggled as demand transferred to boots. Younger age-ranges sold better than those for older children.

Electrical and Electronic

Trading remained very tough, though did pick up in the final two weeks, with some sectors enjoying particularly good take-up in the post-Christmas sales. However, significant price deflation for computers and mobile phones meant sales values were down despite gains in unit terms. Gift ranges and small electricals such as MP3 players and coffee-makers sold well. TVs, electronics and other big-ticket items were slower than earlier in the year as housing transactions have slowed, and buyers waited for the sales: trade then picked up, with plasma TV and large US-style fridges popular. Mild weather affected heating and tumble driers. Computer packages with digital cameras or photo-printers did well. Digital camera and portable audio sold well at specialists where their advice helped older customer buying presents.

Department Stores

Sales were mixed both across stores and across sectors. For some, sales fell back after the boost from November's special discount days, while others enjoyed better growth, especially in the post-Christmas sales. There were some good sales of cosmetics and fragrances, and womenswear, but big-ticket furniture and home accessories were disappointing.

DIY/Gardening

Consumer caution slowed sales overall, especially larger purchases, but brighter spots included DIY power tools, interior paints and plumbing. The mild weather hit heating products, insulation and roofing. Garden care and horticulture held up reasonably well, and Christmas pot plants were popular, but garden electrical equipment slowed later in the month.

Homewares

Despite a slight upturn during the last week of December, textiles had a poor month, after people had stocked up during November's special discount days. Cookshop, tabletop and kitchenware also suffered.

Furniture and Carpets

Furniture sales remained difficult, especially the big-ticket items, though there were some good sales of bedroom ranges and sofas. Carpets sales remained flat.

Chemist and Beauty

Sales were mixed, generally up to expectations but with some weaker areas notably cough/cold remedies, hit by illness being lower than last year. Vitamins also suffered but analgesics were better. Premium cosmetics and toiletries did well, with gift sets and fine fragrances popular.

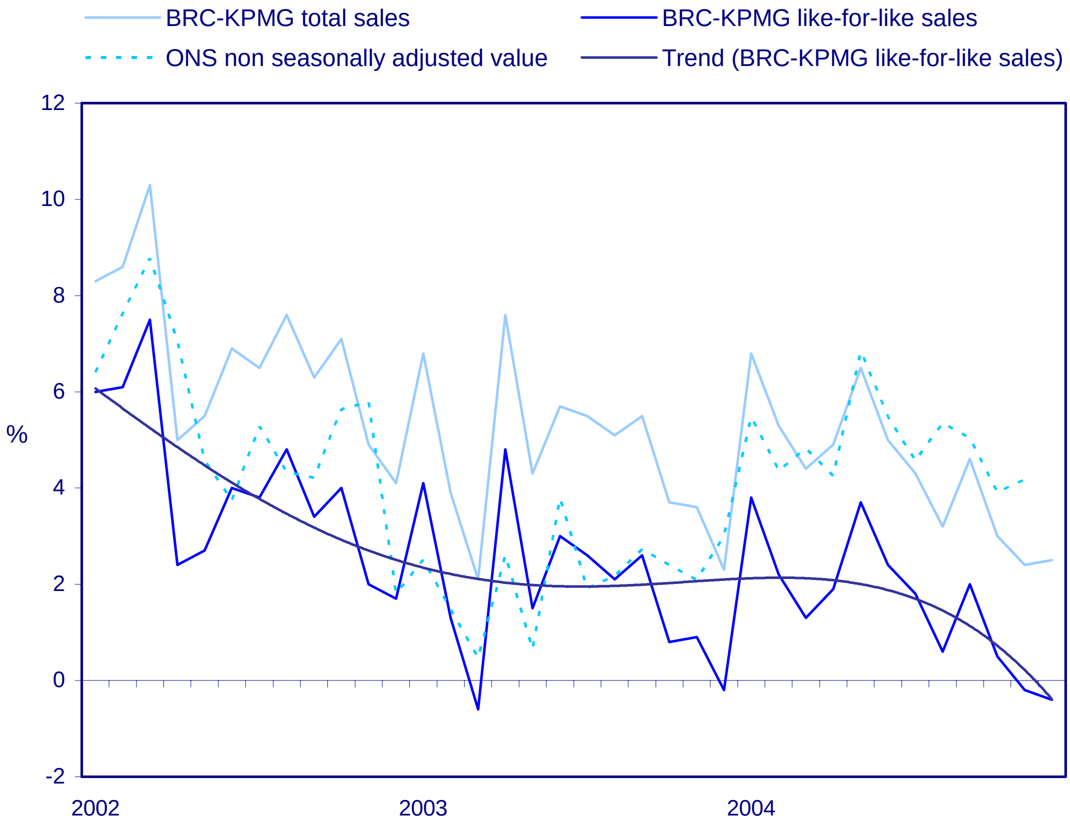
Leisure Goods

Entertainment sales were affected by fewer big-name release this year compared with last Christmas, thus slowing both music and video sales. CDs and DVDs sold well at supermarkets, benefiting from promotions, but elsewhere did not always reach expectations. Albums from U2 and Robbie Williams sold well but less than those from Dido and Will Young last Christmas. Despite the strong Band Aid single, the lack of other strong titles meant weaker sales overall. Similarly Harry Potter and the Prisoner of Azkaban was popular on DVD but less so than last year's Pirates of the Caribbean. Christmas cards and stationery were generally flat, though with good sales seen from some specialists.

Mail Order

Home shopping sales were slow in the first half of the month, but then picked up, benefiting from promotions and sales. However, most of the growth was driven by clothing – especially casuals and branded sportswear – while furniture, home appliances and electronics struggled.

% INCREASE YEAR-ON-YEAR IN RETAIL SALES VALUE



	2002		2003		2004	
	Total	Like-for-Like	Total	Like-for-Like	Total	Like-for-like
January	8.3	6.0	6.8	4.1	6.8	3.8
February	8.6	6.1	3.9	1.3	5.3	2.2
March	10.3	7.5	2.1	-0.6	4.4	1.3
April	5.0	2.4	7.6	4.8	4.9	1.9
May	5.5	2.7	4.3	1.5	6.5	3.7
June	6.9	4.0	5.7	3.0	5.0	2.4
July	6.5	3.8	5.5	2.6	4.3	1.8
August	7.6	4.8	5.1	2.1	3.2	0.6
September	6.3	3.4	5.5	2.6	4.6	2.0
October	7.1	4.0	3.7	0.8	3.0	0.5
November	4.9	2.0	3.6	0.9	2.4	-0.2
December	4.1	1.7	2.3	-0.2	2.5	-0.4

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The December 2004 Monitor covers five weeks from 28th November 2004 - 1st January 2005 and provides the most up-to-date reflection of recent retail performance.

The January 2005 Monitor will be published on 8th February 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.