

## News in Review

29 June 2022



*"Both retailers and their customers are in for hard times ahead"*

**UK retail sales contracted in May as consumers reduced their spending, according to data released by the Office for National Statistics (ONS) last Friday. As prices continue to rise and the impact of inflation on household finances intensifies, retail sales volumes fell by 0.5% between April and May, marginally better than a 0.7% reduction forecast by a Reuters poll of economists. Primarily driven by a decline in food sales, which dropped 1.6% in the month, supermarket sales fell by 1.5%, while sales of tobacco, alcohol and other drinks dropped by 4%.**

Chief Executive of the British Retail Consortium (BRC) Helen Dickinson commented on the findings, *"Households reined in spending as the cost-of-living crunch continued to squeeze consumer demand. Many customers are buying down, particularly with food, choosing value-range items where they might previously have bought premium goods."*

She continued, *"High-value items, such as furniture and white goods, were also impacted as shoppers reconsidered major purchases during this difficult time. Higher operational and input costs have filtered through to prices, meaning both retailers and their customers are in for hard times ahead."*

Non-food store sales were unchanged in May, while a 2.2% increase in clothing sales in the month was offset by a 2.3% decline in household goods. Interestingly, fuel sales increased by 1.1% in May; Heather Bovill, Deputy Director for Surveys and Economic indicators at ONS, partially attributes this to more hybrid working

and a decline in those working exclusively from home, commenting, *"More workers returning to the office may have contributed to increased fuel sales this month, while shoppers buying outfits for summer holidays helped boost clothing sales."*

In May, the proportion of online sales reduced (26.6% in May 2022 versus 27.1% in April) but remains substantially higher than the 19.7% recorded in February 2020 prior to the pandemic.

### **Get spending your old bank notes!**

With UK bank notes worth £14bn set to become invalid from 30 September, last week marked the 100-day countdown, prompting the Bank of England (BoE) to issue a reminder. Old-style paper £20 and £50 notes will no longer be considered legal tender or accepted in stores. The BoE estimates there is over £6bn in paper £20 notes and £8bn in old £50 notes still in circulation.

The BoE's Chief Cashier Sarah John commented on the impending deadline, *"Changing our banknotes from paper to polymer over recent years has been an important development, because it makes them more difficult to counterfeit, and means they are more durable. The majority of paper banknotes have now been taken out of circulation, but a significant number remain in the economy, so we're asking you to check if you have any at home. For the next 100 days, these can still be used or deposited at your bank in the normal way."*

### **Triple lock commitment reiterated**

Last week the government reiterated its commitment to apply the State Pension triple lock next year, when questioned about plans for additional measures to

help pensioners deal with inflationary pressures. In a written response, Simon Clarke, Chief Secretary to the Treasury confirmed *'Next year, the triple lock will apply for the State Pension. Subject to the Secretary of State's review, pensions and other benefits will be uprated by this September's CPI which, on current forecasts, is likely to be significantly higher than the forecast inflation rate for 2023/24.'*

The triple lock commits the government to raise the State Pension every tax year by the higher of 2.5%, average wage growth, or inflation, effectively protecting pensions from losing value due to inflation.

### **G7 Summit**

On Tuesday, the three-day G7 summit in Germany ended with Prime Minister Boris Johnson and fellow world leaders confirming that they would explore further measures, including possible caps on the price of oil and gas, to prevent Russia profiting from its *'war of aggression'* against Ukraine. Olaf Scholz, German Chancellor and G7 Chair, made the vow at a closing press conference in which he said the group was united and unbreakable, adding, *"It is important to stand together for this over the long distance, which will certainly be necessary."* In addition to pledging support for Ukraine, the summit had two further main aims – a joint effort to end world hunger and a renewed commitment to combating climate change.

### **Here to help**

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.