Christmas shopping sales figures worse than expected

Cost-conscious shoppers curbed spending over the Christmas period adding to the woes of retailers, official figures show.

Retail sales unexpectedly fell by 1% in December, the second month of decline, according to the Office for National Statistics.

It was far worse than the 0.5% rise predicted by economists.

Cost of living latest – Inflation likely to fall 'quite rapidly' in spring

Compared with December 2021, sales were down 5.8% – the biggest fall since 1997.

The data is further evidence of the pressure the cost-of-living crisis is putting on households, as continuing high inflation fuels prices.

Spending in non-food shops dropped by 2.1% during the month.

Food sales fared better, with just a 0.3% fall in December.

Grocery sales had risen 1% in November, leading some to speculate buyers were stocking up early for Christmas.

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Online retailers also took a hit as a result of the postal strikes, leading to concerns about delayed deliveries.

The proportion of online sales fell to 25.4% in December, from 25.9% the month before.

It is the latest sign of the pressure the **cost-of-living crisis** is putting on households up and down the country.

Sales volumes were 1.7% below their February 2020 levels, before the **COVID-19** pandemic struck.

ONS deputy director for surveys and economic indicators, Heather Bovill, said: “Retail sales dropped again in December, with feedback suggesting consumers cut back on their Christmas shopping due to affordability concerns.

“After last month’s boost as shoppers stocked up early, food sales fell back again in December with supermarkets reporting this was due to increased food prices and the rising cost of living.

“Online sales dipped with feedback indicating postal strikes were leading people towards purchasing more goods instore.”

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The figures came as a survey indicated consumer confidence had dipped again to a near-historic low in the face of wage pressures.

Although the rate of **inflation dipped for the second month in a row in December to 10.5%**, signalling the peak of the cost-of-living crisis has passed, this offered little relief for households and businesses still wrestling with high prices.

Analysis: Paying more for less highlights corrosive impact of inflation



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December’s retail sales figures reflect the unavoidable logic of inflation; with bills for essentials like food and energy soaring consumers cut back where they can, even if that means cutting back on Christmas.

The volume of sales in the last month of 2022 fell back 1% on November’s sales, and a record 5.8% on December 2021, when the Omicron variant of COVID-19 cleared shoppers from high streets like extras fleeing a disaster movie.

There were specific factors this Christmas too, with rail strikes coinciding with the biggest retail weekend of the month, and postal strikes further squeezing online sales, down more than 25% as shoppers sought the reliability of bricks and mortar.

It was inflation and anxiety about what the New Year holds that kept most hands in pockets however, with the Office for National Statistics citing “continued feedback from retailers and other wider evidence that consumers are cutting back on spending because of increased prices and affordability concerns”.

While food sales were fairly resilient, falling just 0.3% and clothing was up 1%, influenced perhaps by the cold snap, non-food was down 2.1% with many of the items you would expect to see under Christmas trees taking a hit.

Cosmetics, sports equipment, games, toys, watches and jewellery volumes were all down, collectively seeing a 6.2% fall for the category.

Consumers it seems were more selective and spread their spending through the last three months of the year rather than a last-minute splurge.

Figures earlier this week suggest inflation may have peaked,

but prices are still up more than 10% year-on-year, with food up 16% and energy bills are due to rise in the spring.

That will set the terms of economic engagement for households for months to come, with the least well off feeling the tightest pinch.

The impact of inflation is evident in another metric from these figures.

Retail sales volumes – that's the amount of stuff we bought – fell 5.7% when compared with the same quarter in 2021, but the value of that spending – how much we paid for it – rose year-on-year in the same period by 4.5%.

Paying more for less – there's no clearer definition of the corrosive impact of inflation.

Helen Dickinson, chief executive of the British Retail Consortium, said: "Many of the cost pressures bearing down on retailers and their customers remain in 2023, with high energy costs, the war in Ukraine, and domestic labour shortages all taking their toll.

"However, BRC modelling suggests the situation will improve in the second half of the year."

Gabriella Dickens, senior UK economist at Pantheon Macroeconomics, said: "Heavy snowfall and intensifying strike action in December likely contributed to the further drop in retail sales, but the underlying picture is weak too.

"The month-to-month fall pushed retail sales volumes 2.5% below their average level in 2019, the largest shortfall since February 2021, when the UK economy still was in lockdown."

Meanwhile, the governor of the Bank of England has said inflation is likely to fall "quite rapidly" starting in the late spring as he said the latest drop was "the beginning of a sign that a corner has been turned".

Andrew Bailey told Business Live during a visit to South Wales that lower energy prices will help push down inflation in coming months.