

Retail sales boosted by warm weather but inflation worries loom

The summer heatwave prompted shoppers to spend more on summer clothes, picnic food and air conditioning in July, according to the latest figures.

The British Retail Consortium said the value of total sales was 2.3% higher last month than it was in July 2021 – good news for retailers after falls in each of the previous three months.

Like-for-like sales were up 1.6% after four months of falls.

But the figures are not adjusted for inflation and the consortium said they represented a fall in volume terms.

Inflation hit a 40-year high of 9.4% in June, and July's figures will be revealed later this month.

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Helen Dickinson, chief executive of the BRC, said that, with inflation over 9%, many retailers were still contending with falling sales volumes during what “remains an incredibly difficult trading period”.

“Consumer confidence remains weak, and the rise in interest rates coupled with talk of recession will do little to improve the situation,” she added.

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Overall sales of non-food items, such as homeware, declined by 2% in the latest quarter.

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Sales of non-food products from stores were up 2% in the three-month period, but online sales were down 3.9%, reversing

the trend seen during the COVID-19 lockdowns.

Paul Martin, UK head of retail at KPMG, said: "The summer could be the lull before the storm with conditions set to get tougher as consumers arrive back from summer breaks to holiday credit card bills, another energy price hike and rising interest rates.

"With stronger cost-of-living headwinds on the horizon, consumers will have to prioritise essentials, and discretionary product spending will come under pressure."

Consumer spending was up 7.7% in July compared to a year earlier, figures from Barclaycard showed, boosted by sales of clothing, beauty products and staycations.

But it also included a 44% leap in spending on utilities and a 30% leap in fuel.

Households are cutting back on overseas travel and dining out but Barclaycard said that its survey showed confidence in household finances.

Some 66% of survey respondents said they felt confident about their household finances, compared to 59% in June.

Jose Carvalho, head of consumer products at Barclaycard, said: "This shows that, faced with difficult circumstances, many are finding ways to budget and manage their finances successfully, to cope with ongoing inflationary pressures."