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ECONOMICS

The Impact of the Recession on the Retail Outlook

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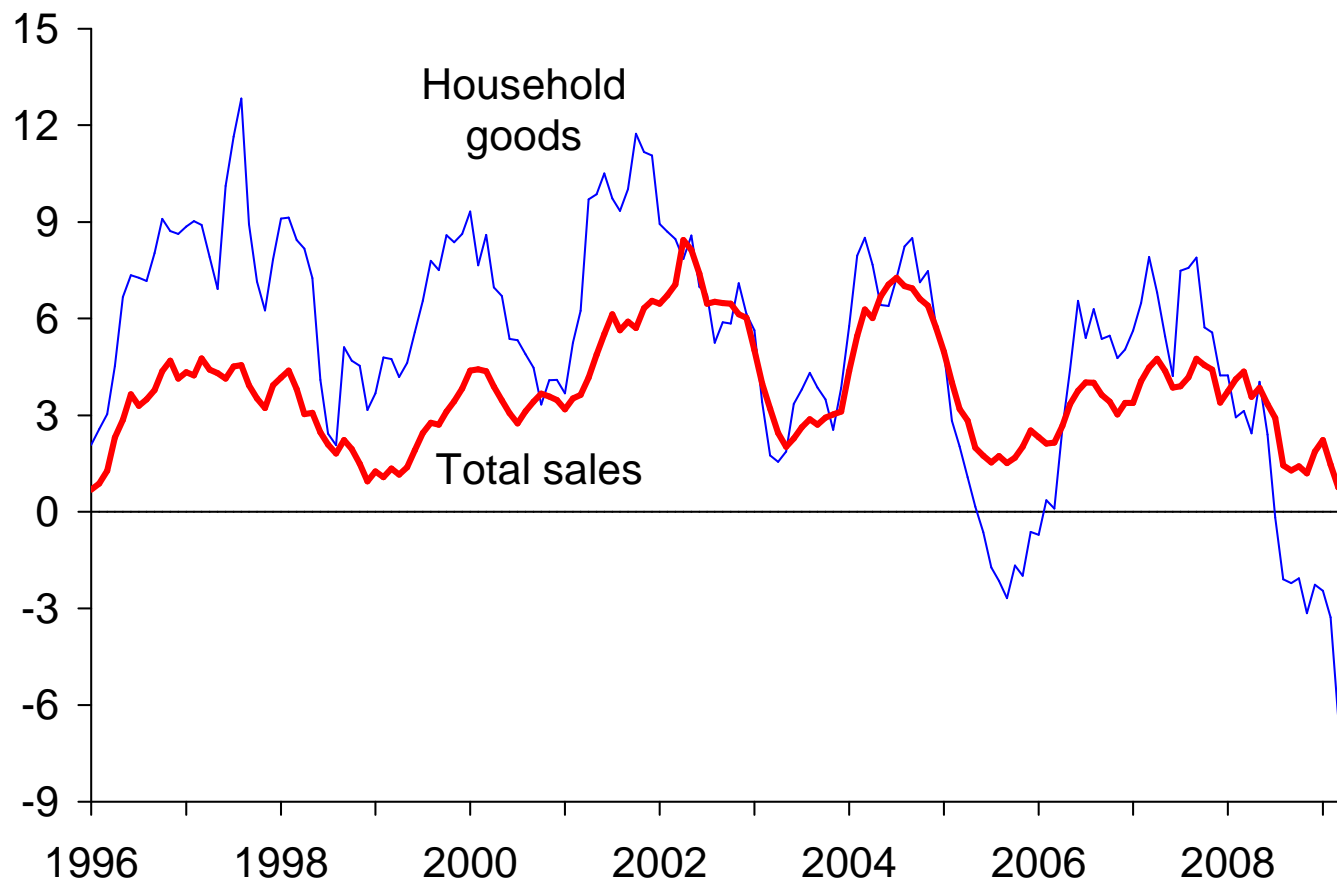
Overview

- Recent development in retail spending
- Economic & Background
- Spending in 2009 and beyond
- Implications for space requirements

Retail sales continue to hold up

UK: Volume of retail sales

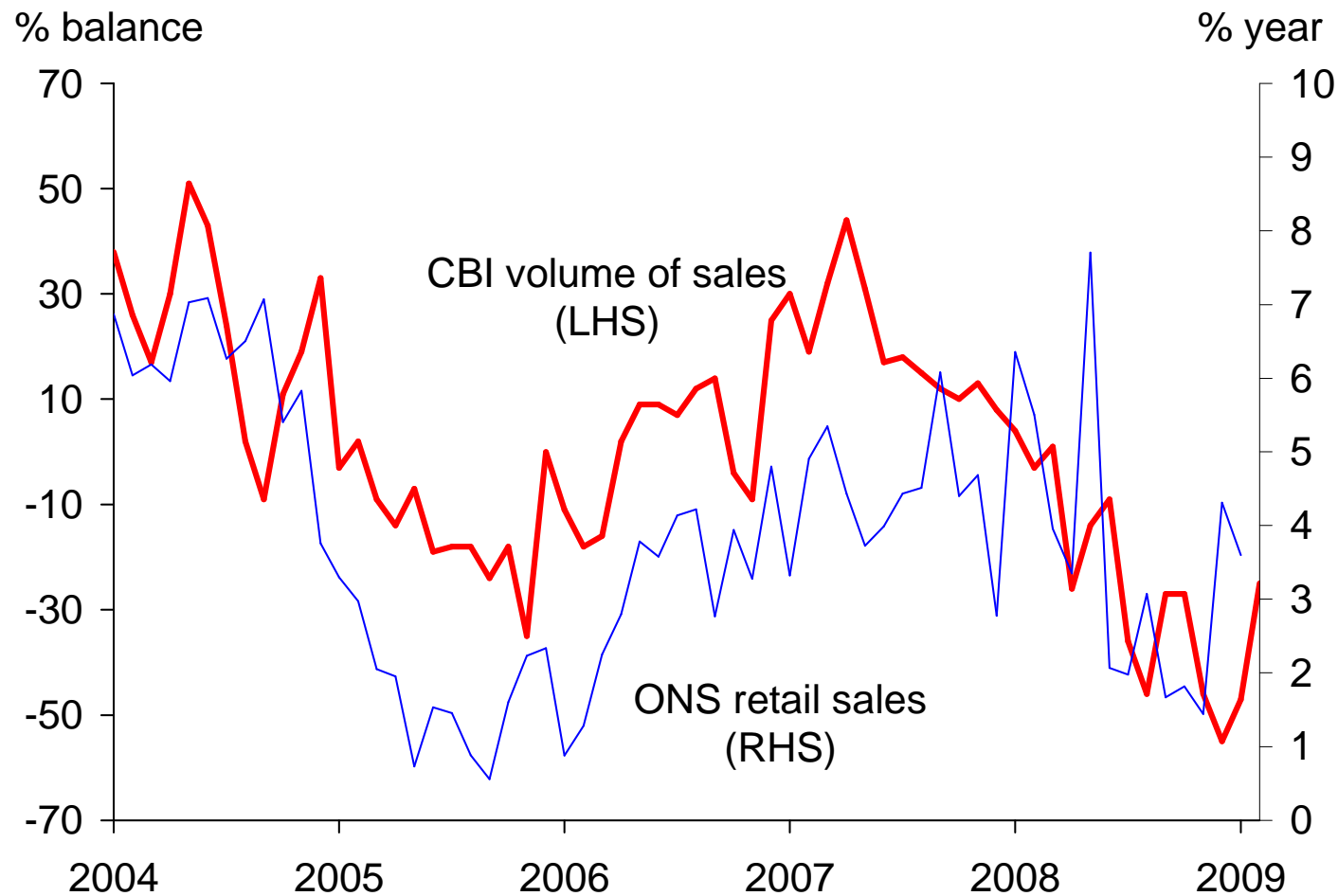
% 3m/year



Source: Haver Analytics

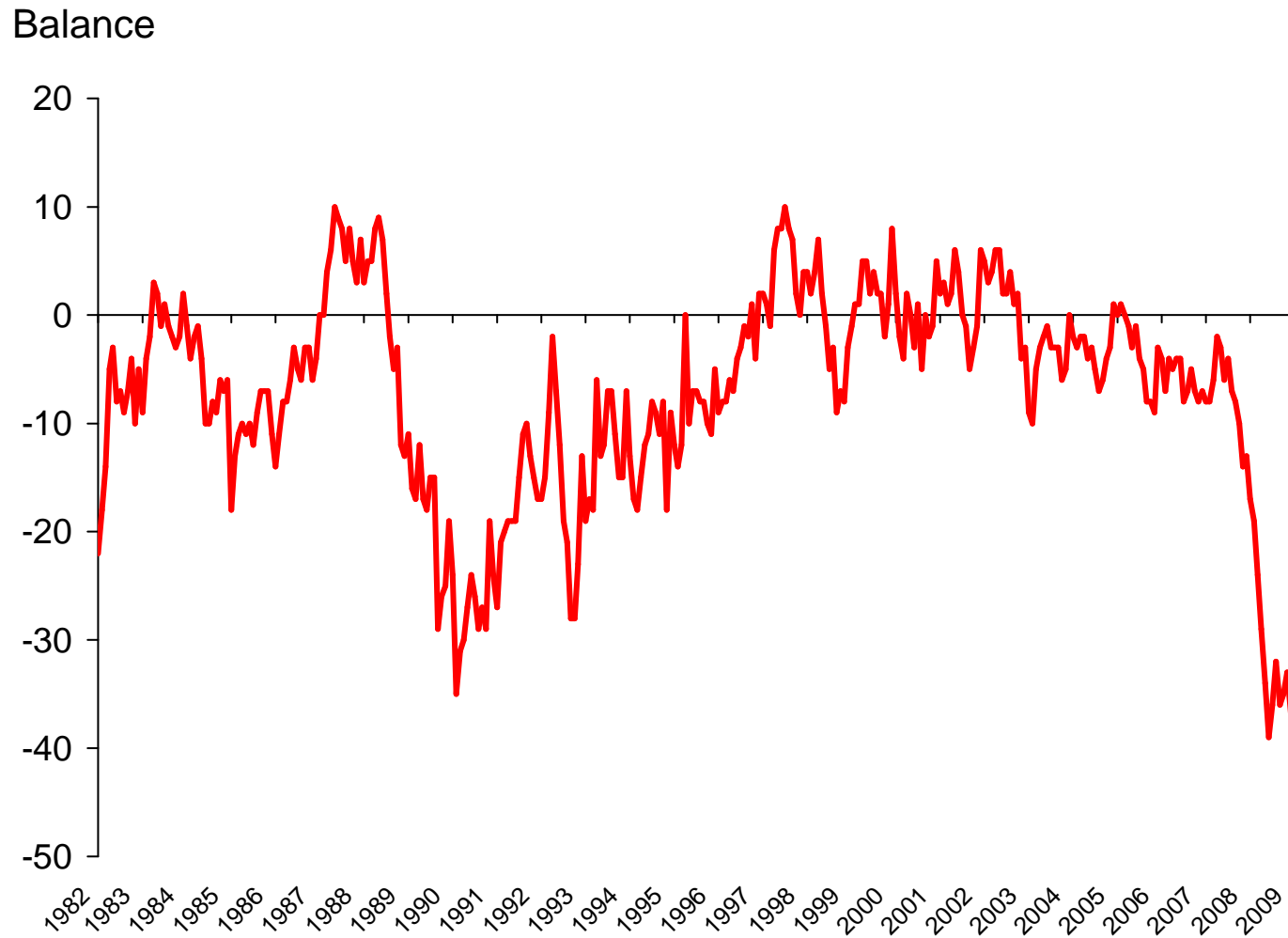
Official retail sales still holding up...

UK: CBI DTS and ONS retail sales



Source : Haver Analytics

Consumer sentiment fragile but improving

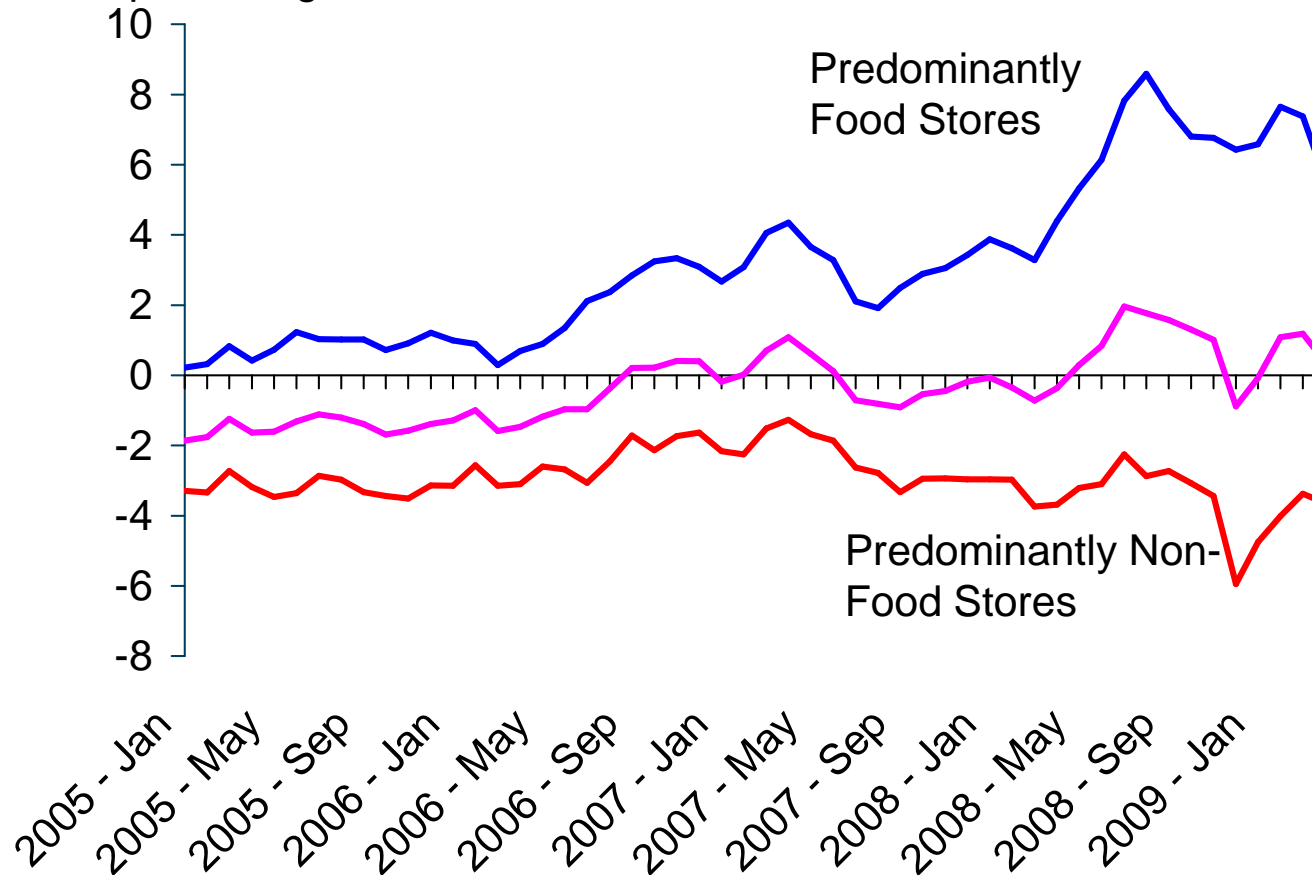


Source : GfK/NOP

Non-Food Hit by Severe Deflation

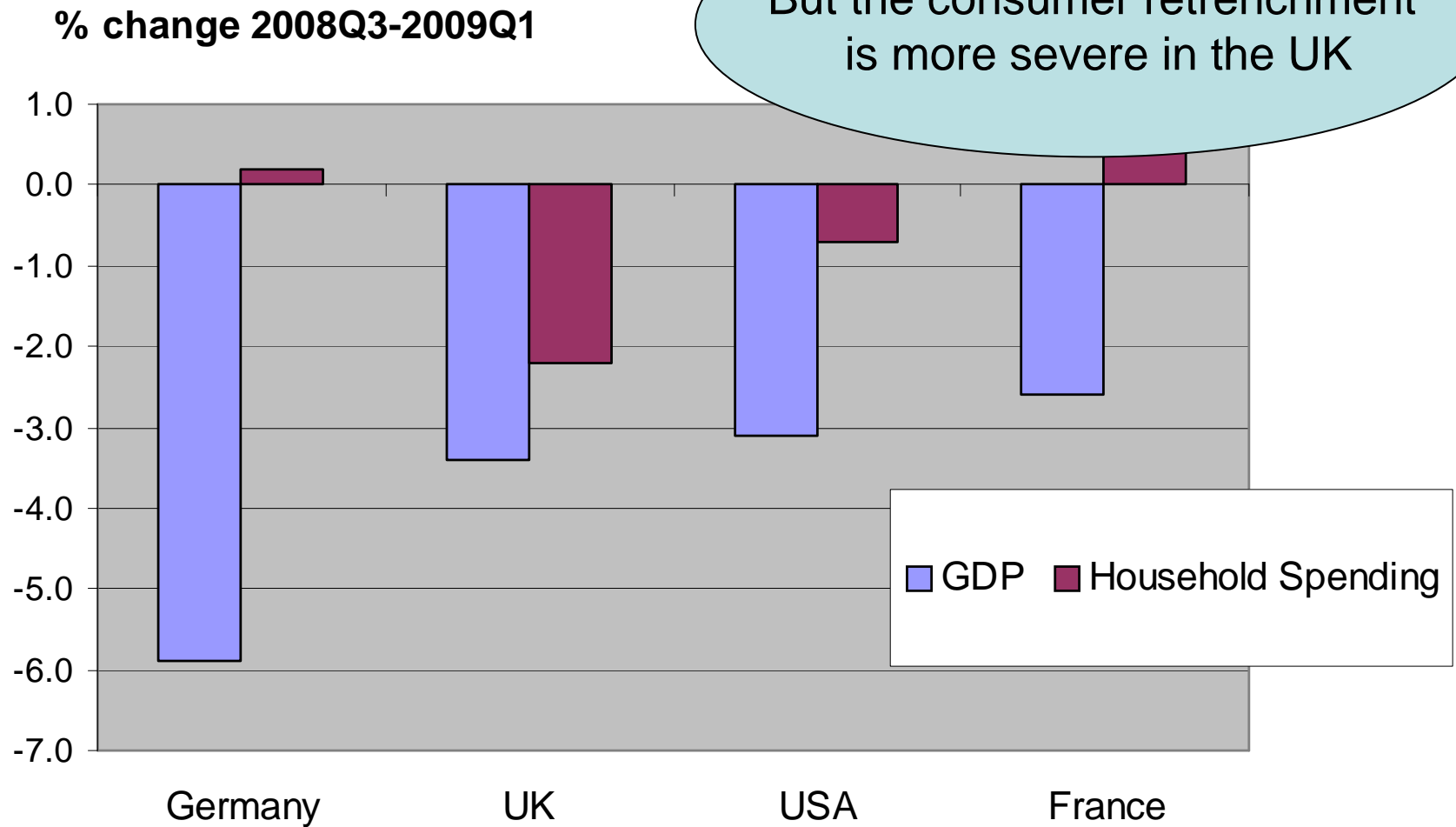
UK Retail Prices

annual percentage



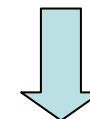
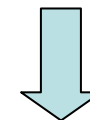
Source : ONS

... no country is avoiding the downturn



What Drives Household & Retail Spending?

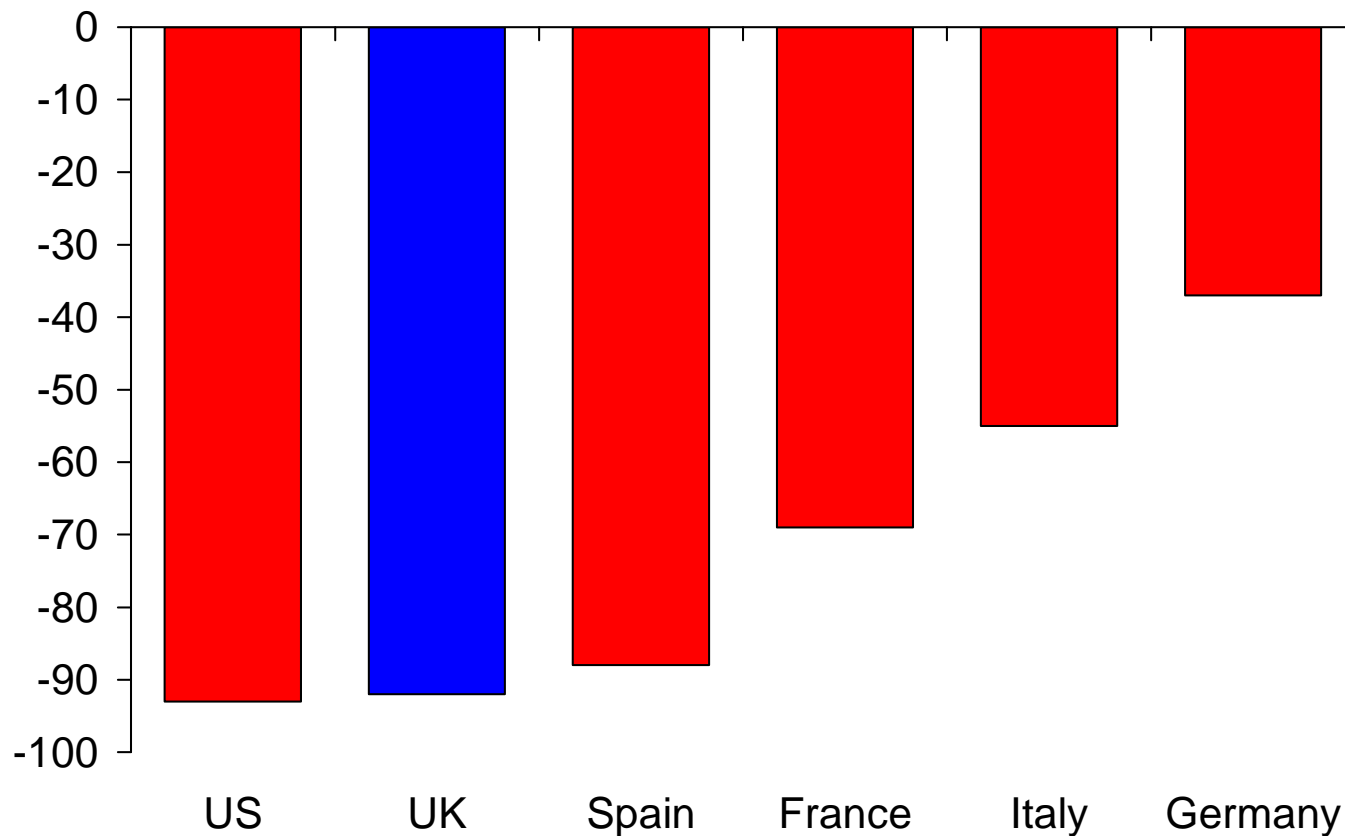
- Disposable incomes
 - Real income from employment falling
 - Real benefit receipts rising
 - Debt service costs falling
 - Falling inflation will help real income growth in 2009
- Expectations
 - Worries over job security etc
- Wealth Effects
 - Big falls in house prices
 - Big falls in equity prices
- Credit Availability
 - Mortgage equity withdrawal opportunities shrinking
 - Tighter conditions for consumer credit



UK households have suffered massive losses

Fall in household wealth (% of GDP)

% of GDP

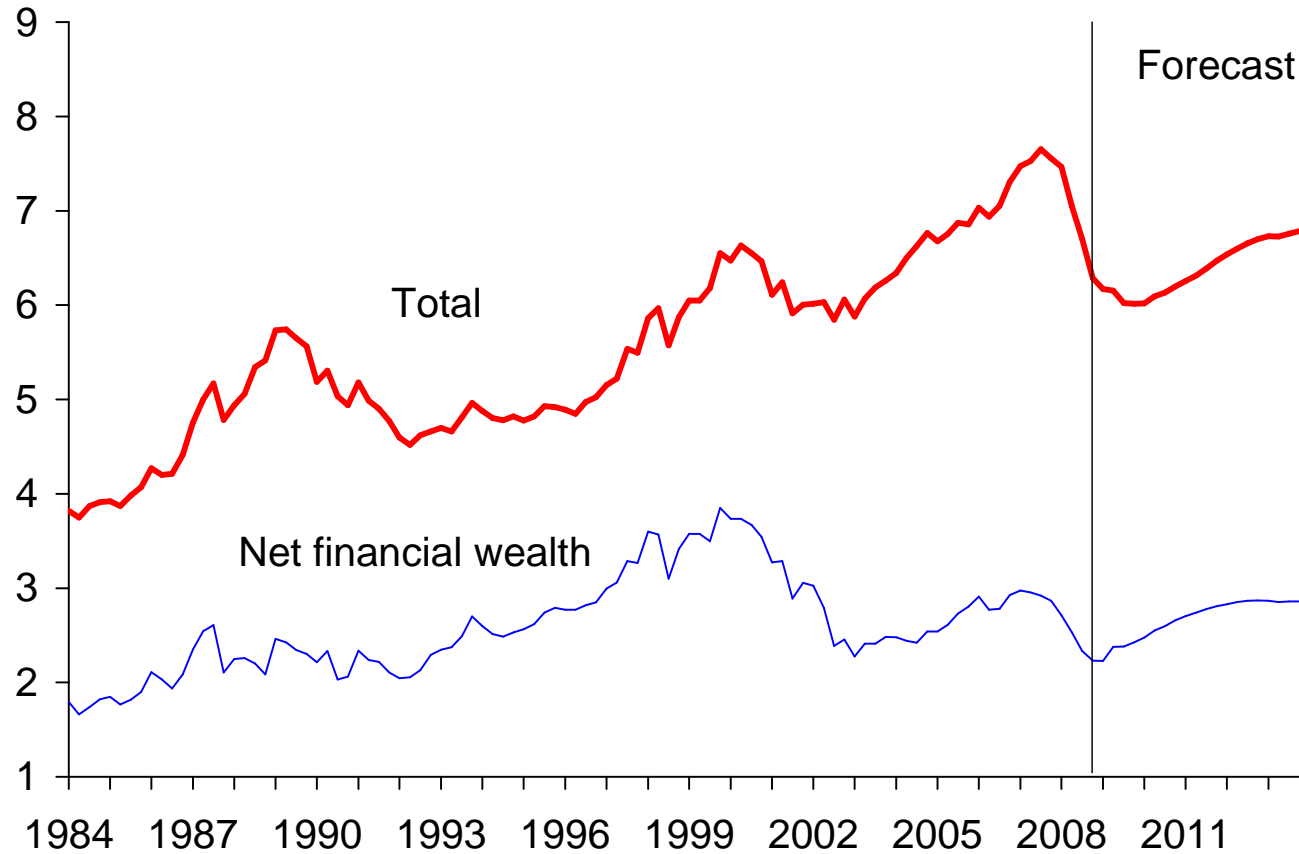


Source : Oxford Economics

The Recession is causing a major erosion of household wealth

UK: Personal sector wealth-income ratio

% income

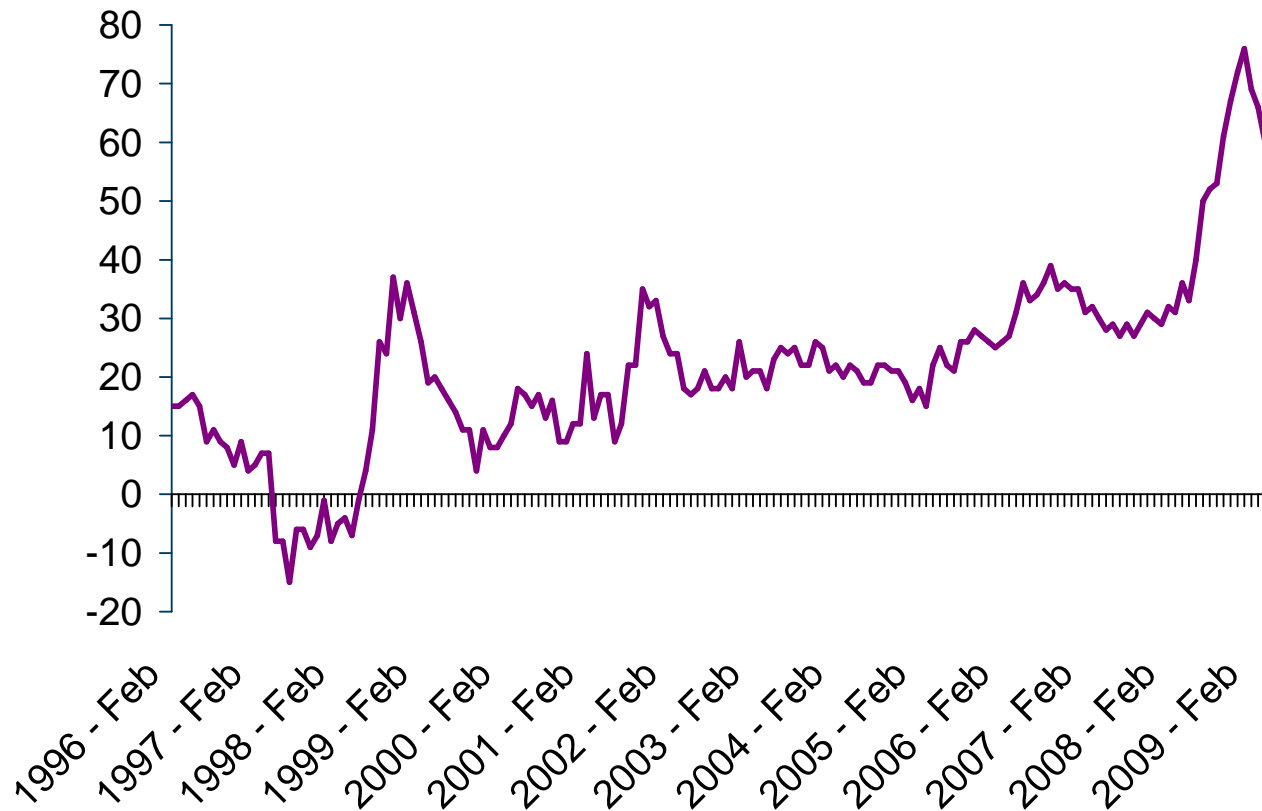


Source: Oxford Economics

Expectations are dire!

Unemployment Expectations

% balance



Source : GfK

Supply of credit remains severely restricted...

UK: Credit availability survey

% balance tightening (-)/loosening (+) credit

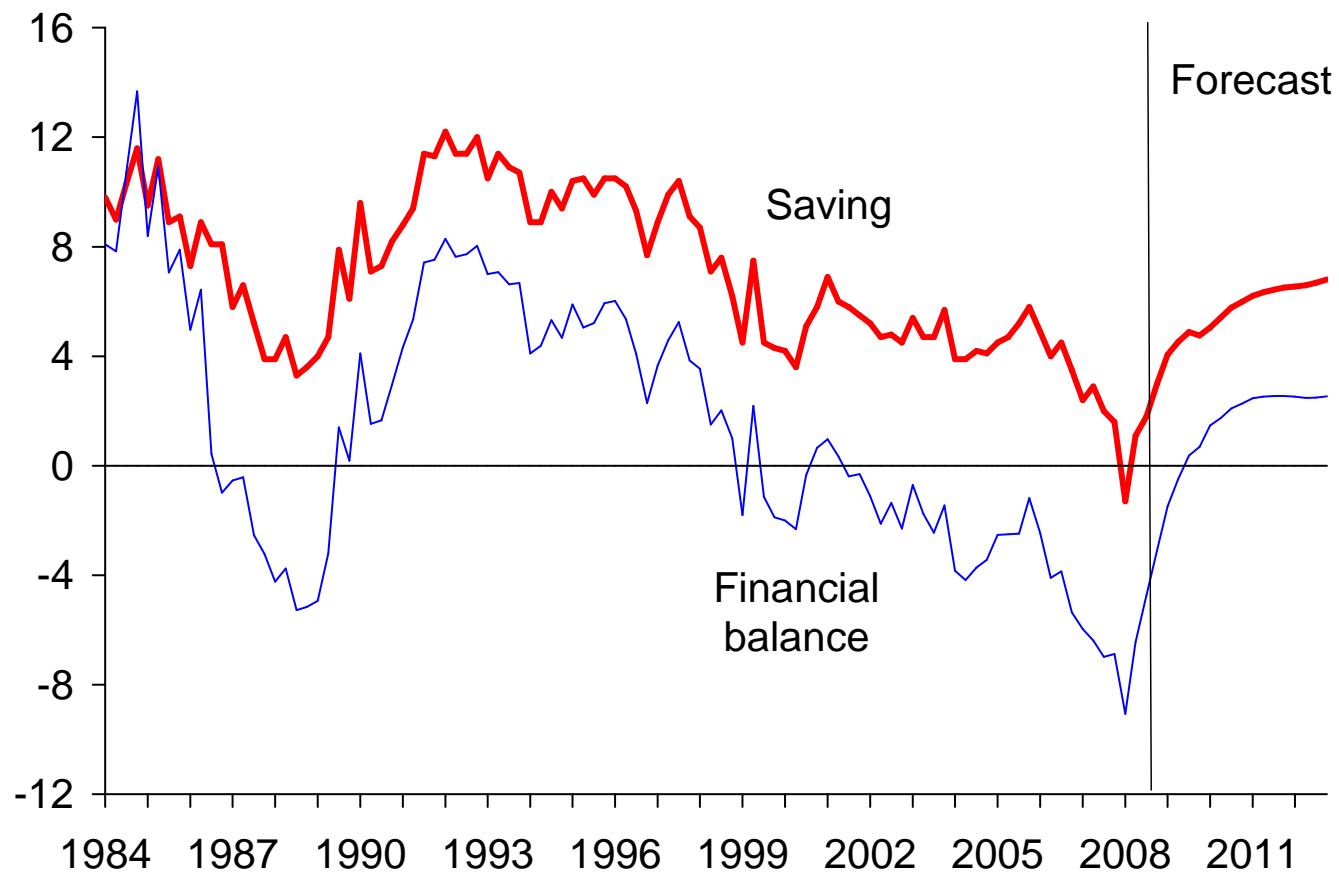


Source : Haver Analytics

.... All adds up to a sharp increase in household savings rates

UK: Personal sector saving

% income



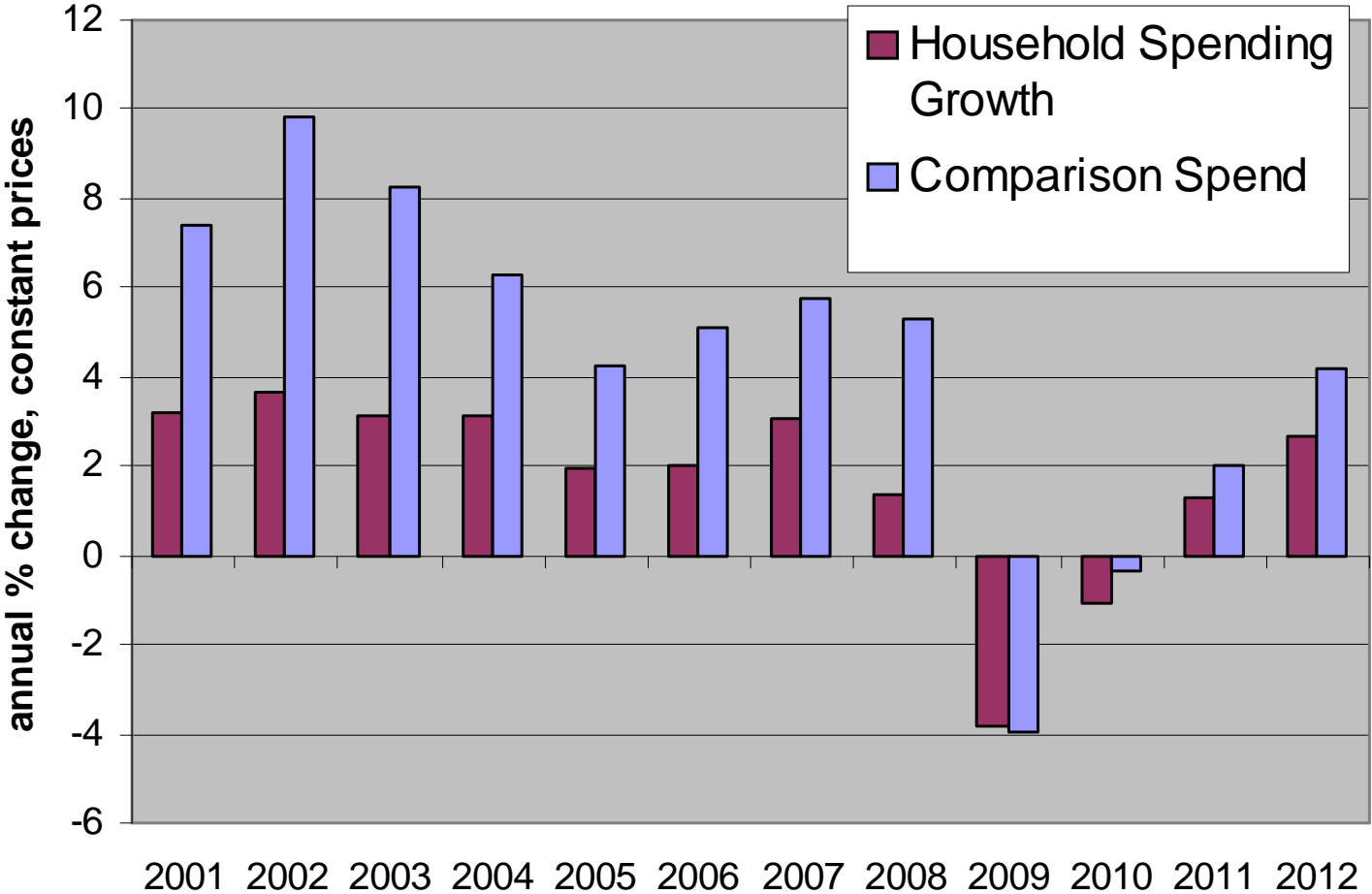
Source: Oxford Economics

... and a sharp fall in household spending

	2002-7	2008	2009	2010	2010-15
GDP	2.7	0.7	-4.1	0.1	3.1
Household Disposable Incomes	1.6	2.2	0.6	0.2	2.6
Impact of higher net savings	1.0	-0.8	-4.5	-1.3	0.4
Household Spending	2.6	1.4	-3.8	-1.1	3.0
Retail Goods - Total	4.7	3.5	-3.0	-0.2	3.7
Convenience	2.4	0.0	-0.9	0.3	1.8
Comparison	5.9	5.3	-4.0	-0.4	4.6
Household Savings Rate	4.1	1.9	5.5	6.7	5.9
Unemployment Rate (ILO)	5.1	5.8	8.4	9.4	7.6
S-T Interest Rates	4.7	5.5	1.4	0.8	3.2
House Prices (nominal)	10.0	-0.8	-14.8	-4.7	6.4

average annual growth rates except savings rate, interest rates & unemployment (period averages)

And an even more marked deceleration on comparison goods spend



Regional Household Spending Trends

	2008-10	2010-15
South West	-2.0	2.9
Northern Ireland	-2.0	2.6
North West	-2.2	2.7
Yorks & the Humber	-2.2	2.8
Wales	-2.3	2.5
South East	-2.4	3.2
Scotland	-2.5	2.8
North East	-2.5	2.6
East of England	-2.5	3.2
East Midlands	-2.5	2.8
West Midlands	-2.6	2.7
London	-3.2	3.4

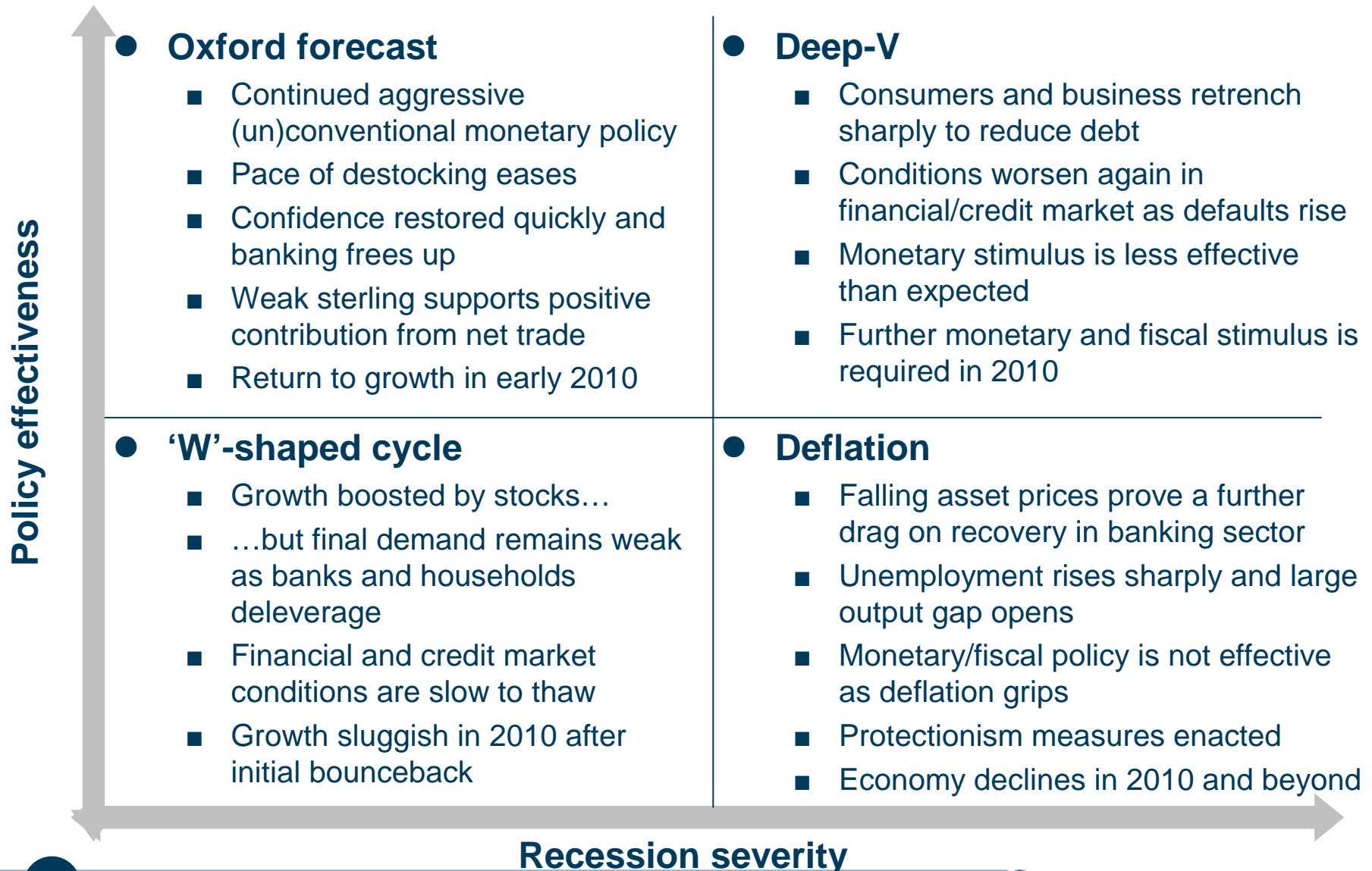
Implications for space requirements

- 2007 BCSC study looked at:
 - Spending growth
 - E-tailing
 - Changing sales densities
 - Increased comparison goods sales in convenience stores
 - 2005-15 period

Gross Additional Comparison Floorspace Requirements

	Spending Growth	Floor Space Needs 000 m ³
BCSC Base	4.3	6091
BCSC Low case	3.3	900
Oxford Forecast	2.3	?

Scenarios for the UK economy



Conclusions

- Green shoots are springing up but everywhere...
- It will be a long haul for retail