Long-term trends (1)

Real growth in consumer spending and GDP

Consumer spending - ave. growth p.a. 1981-2007: 3.2%

Ave. growth p.a. 2012-30: 2.2%
Long-term trends (2)

Real growth in retail sales and consumer spending

Retail sales ave 1981-2007: 4% p.a
Retail sales ave. 2012-30: 2.6% p.a
Why will retail sales be much more muted?

• Economic growth will be constrained by
  – Tight government finances (until at least 2018)
  – Higher savings e.g need for pensions provision
  – Growth potential eroded by reduction in investment since 2007
  – Drivers of 1995-2007 growth (financial/business services public sector) will not repeat their exceptional expansion
  – Eurozone crisis will inhibit export growth

• Weight of household debt – no credit fuelled boom
• Ageing population – the baby boomers effect is lost
• Less pronounced globalisation impact on prices

• But population growth faster at 0.7% a year vs 0.2%
Credit markets

Unsecured lending growth remains very weak

Sources: Bank of England, Experian
Retail sales will continue to grow

- Expansion at 2.6% per annum slower than in the past but still provides opportunities for town centres
- Depends how much can be secured in the face of challenges from out-of-town (NPPF crucial)
- Special forms of trading – SFT ie internet, mail order etc.
### Detailed outlook for high street sales

<table>
<thead>
<tr>
<th>Volume growth % annual average</th>
<th>1981-2007</th>
<th>2012-30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total retail Exc SFT</td>
<td>4.0</td>
<td>2.6</td>
</tr>
<tr>
<td>Convenience goods Exc SFT</td>
<td>1.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Comparison goods Exc SFT</td>
<td>6.3</td>
<td>3.5</td>
</tr>
<tr>
<td>Leisure</td>
<td>1.3</td>
<td>1.6</td>
</tr>
</tbody>
</table>
Conclusions

- Retail growth potential much less than in past 4 decades
- But convenience goods forecast to be slightly stronger (given faster population growth)
- Comparison bears the brunt: forecast to grow at about half the historic pace
- Leisure spending is expected to be stronger – important for town centres which are likely to depend more on service-led expansion