



Blue Skies – Retail Prospects for the Next 2 Years

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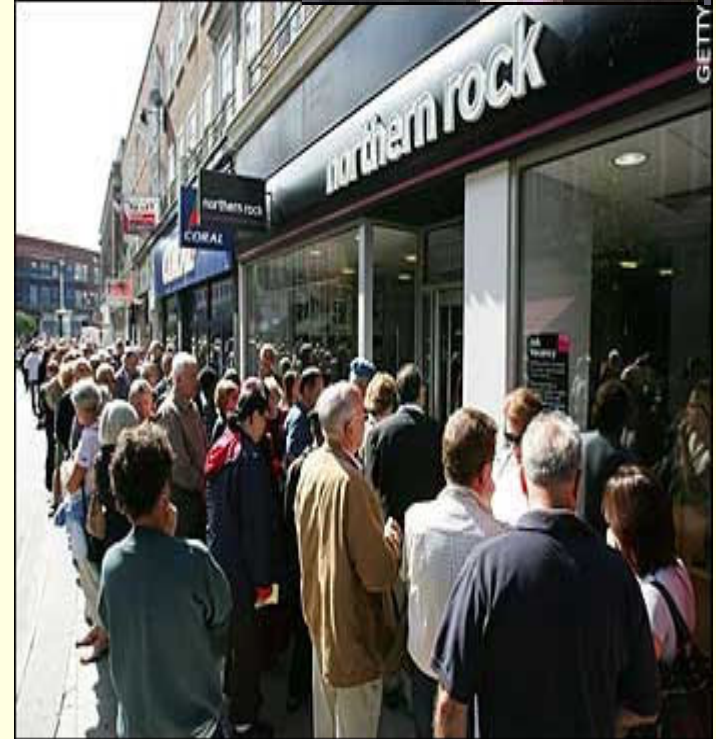
Retail Spending

Constant Upward trend in retail sales



The Story So far

- Slowdown in Housing and Retail Sales
- Bank deposits flight
- Crisis
- Rising unemployment
- Panic
- Talking down the economy, not talking up
- Hunt the culprit



IN 2008, EVERYTHING COMES TO AN EMERGENCY STOP!

- **Housing**
- **Banking crisis** – queues, will we lose our money?
- Banking crisis became **economic crisis**.
- **Jobs** – expectations unemployment over 3 million
- **Comment** – very adverse



But the end of the World failed to arrive.

- **2009.** Retail sales started to improve – but slowdown in late summer/autumn
- **Unemployment.** 2.46 million Dec 2009.
- **Recession.** Debate about end
- **The politics of it all**
- **Christmas 2009:** what would it be like? We (CRR) said increase +£738 million.

But retail flop in January



Impact on Retail

- Bankruptcies and closures
- Voids 10% to 15%, perhaps 20%.
- Search for cheapness. Rise of Discounters
- Construction projects fell: new shopping centres put on hold.
- Borrowing difficult; people paying off debt
- **Retailers immediately affected by slowdown, so share prices fell.**



What Next for 2010-2011?



Our Forecast:

- **Hard to Forecast!**
- **2010.** Up and down for 2/3rds of the year – little real growth. Solid performance, improvement in housing. More confidence.
- From Sept 2010 we expect improvement and growth at 1.9% annually by value
- **2011.** We are more optimistic – growth of 3.4% annually by value

Retail is driven by the economics

Four elements

- People have got money
- Personal savings are quite high
- House sales are rising – good for retail
- Uncertainty is lower

..... **But do they want to spend it?**

- Will there be a squeeze later in 2010

We are dependent on everyone else

- Pattern: world growth spasmodic.
- We need other countries to grow faster so OUR growth will speed up.
- Consumer confidence is better – but is not great. Frugality fatigue. Debt reduction.
- Two BIG problems
 - UK Government debt
 - The attack on bankers

So, Forecast Optimistic..... But

- Will there be double dip recession?
- A collapse of euro?
- Will growth in Eurozone pick up again? **Germany**
- **Will US grow?**
- Will Unemployment increase? – yes it will
- Government debt. What to do about it?
- Value of the £ falls
- Return of inflation

..... **If we want to, we can frighten ourselves to death. In the end, all these things will get sorted out**

Encouraging Prospects for Retail

- 2010. Uncertain growth
- Reasonable Xmas
- In 2011, growth of 3.4% value perhaps 1.8% in real terms
- There will be problems of course.



Thank you



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