TRADE CREDIT

Retail Update Christmas 2022

1158-0125

nexus

CONTENTS

PAGE 2 | **Introduction**

PAGE 2-3 | **Trading updates**

PAGE 3 | **Outlook**

AUTHOR

Derryck Blackman

Risk Underwriter

+44 (0) 203 011 5610

Email

INTRODUCTION

Against the backdrop of the worst cost-of-living crisis in a generation, spiralling energy costs, economic instability and changing shopping patterns, expectations for the Christmas 2022 Trading results were not positive. Surely, the sector could not emerge successfully from this all-important Golden Quarter?

TRADING UPDATES

The reality is, the industry has overall proven to be much more resilient than anticipated, with some sectors clearly better equipped to weather the storm.

Let us consider the winners: While **Marks and Spencer** saw like for like sales up 9.7%, ahead of **Sainsburys** (7.1%) and **Tesco** (6.1%), the real winners were the budget Retailers. **Aldi** and **Lidl** both saw double digit like for like sales growth (26% and 24.5% respectively). A strong indication that the public purse has become more stretched, and value has become particularly important consideration. It is unclear at this point however, if the sales growth at Aldi & Lidl will be reflected with increased profitability.

The Highstreet welcomed back unrestricted Christmas shopping.

As Covid restrictions came to an abrupt end last January, the public gradually began to return to physical stores. The British Retail Consortium (BRC) monitoring showed retail footfall in December rose 15% year on year, with footfall in high streets up 20% and shopping centres up 13%. Perhaps the unreliability of the postal service contributed to consumers preferring to make all-important Christmas purchases in-person.

Fall from grace for online retail?

The return to the High Street seems to have adversely effected the online fashion retail sector, which appeared unstoppable during the Covid Era. Like for like sales at **Asos** were down -3% and **N. Brown** down -9.2%. However, multi-channel based fashion retailers largely continued to deliver. **Next** saw like for like sales up 4.8%, **Fatface** 47%, **Reiss** 20.3% and **JD Sports** 20%. These retailers appear to have had a better grip on supply chain issues, which had negatively impacted performance during the Covid lockdowns.

When we consider general merchandisers found in retail parks, they too seem to have had a good result. **Poundland** saw like for like sales up 4.4%. **B&M** were up 6.4%. Interestingly, **Halfords** (often found in the same sites) was one of the worst performing retailers. Whilst like for like sales were up 1.8%, this did not stop the Company from issuing a profit warning, explaining annual profits could drop from between £5m and £25m. This seems to be largely due to an issue in recruiting enough qualified staff, perhaps indicating that the impact of Brexit is still significant.

Other general High Steet retailers have overall delivered positive results too. **Greggs** saw like for like sales up 18.2%, **Mamas & Papas** 16%, **White Stuff** 16% and **Boots** 15%. **Hobbycraft**, which strongly benefitted from lockdown restrictions, continued to see like for like sales growth at 5.5%.

Like-for-like sales decline may not mean a drop in margins.

AO have reported like for like sales down by -17.2%. However, they have also upgraded their full year profit forecast. By focusing on profitability and not sales growth, they have managed to improve their margins and share price has risen accordingly. This highlights that whilst many of the retailers mentioned here are reporting like for like sales increases, this may not reflect in improved margins. Tesco and M&S have not changed their full year profit guidance, suggesting they were unable to pass their increased costs onto shoppers in the current environment.

OUTLOOK

How have we started January 2023?

It is fair to assume that as the Holiday season becomes a distant memory, consumer demand is unlikely to recover anytime soon. Recent continual train and postal strikes will not help to improve the overall mood. Rising inflation, higher mortgage repayments and spiralling energy costs, means less disposable income for the consumer, posing a significant challenge to the sector. The insolvency outlook undoubtedly remains challenging.

For more information, please contact:

Derryck Blackman
Risk Underwriter
Nexus Trade Credit
E: dblackman@nexusunderwriting.com
T: +44 (0)203 011 5610

nexusunderwriting.com

Nexus Trade Credit is a trading name of Nexus CIFS Limited and Equinox Global Limited. Nexus CIFS Limited is an Appointed Representative of Nexus Underwriting Limited. Equinox Global Limited and Nexus Underwriting Limited are both authorised and regulated by the Financial Conduct Authority (FCA). Nexus CIFS Limited is registered in England and Wales number 08125609, Equinox Global Limited is registered in England and Wales number 07067241. Registered Office: 52-54 Leadenhall Street, London EC3A 2EB. Both are part of the Nexus Group.