



REPORT 03

BFA Footwear Retail Report

August 2020

For more information please visit:

britishfootwearassociation.co.uk



Sales through August 2020: An Overview

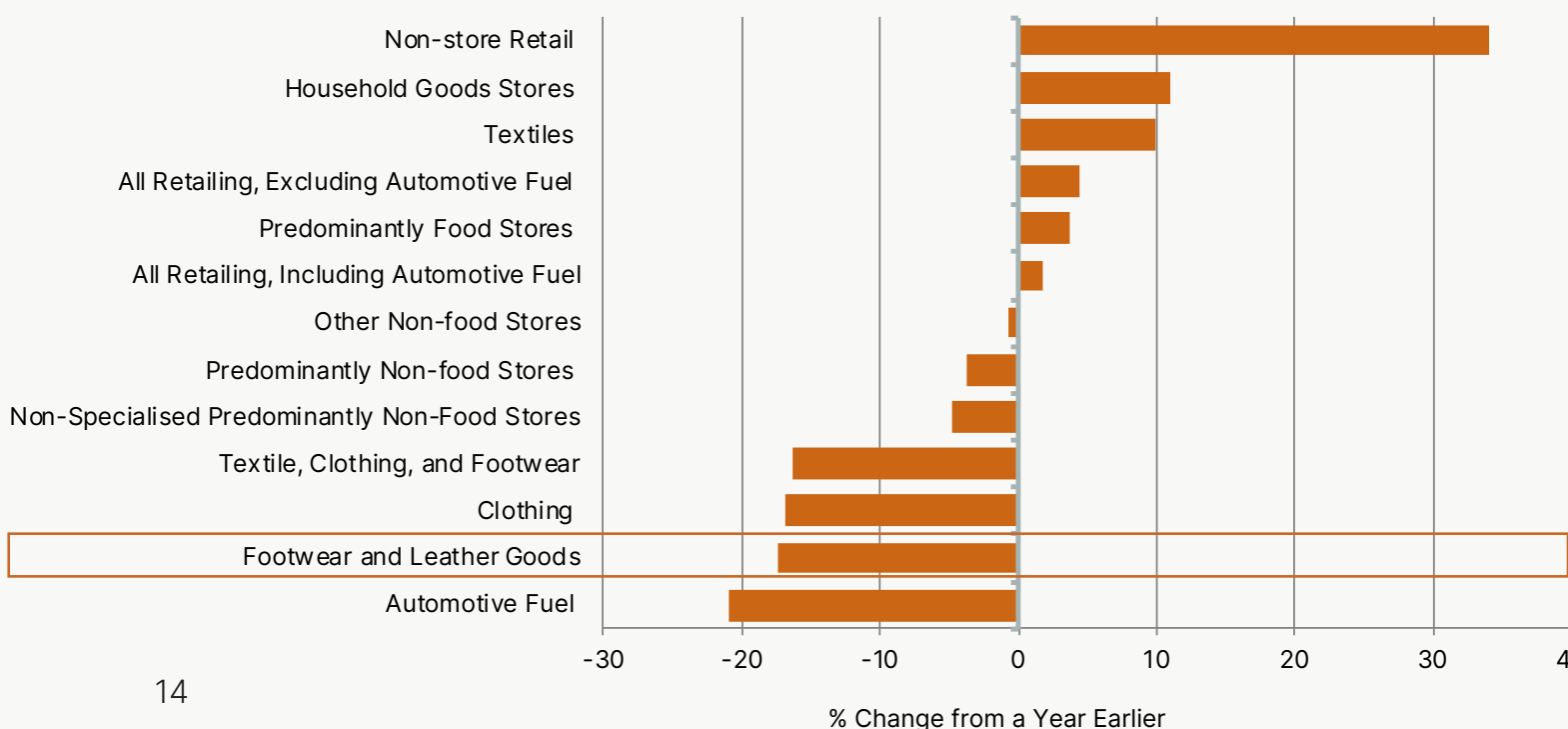
After a disastrous spring owing to COVID-19, UK retail demand saw another month of modest growth in August, the second month of full activity for retail businesses since the general lockdown, hinting at better days ahead for sales of footwear and leather goods.

The Office for National Statistics is reporting overall retail demand (including automotive fuel) across the UK increased 1.7% year-on-year in August to 116.5 (2016=100), a record high.

While overall sales grew from a year earlier, several retail sub-sectors still posted sizable declines, led by sputtering auto fuel sales (off -21.0%) and lower footwear and leather goods sales (off -17.3%).

Non-store retail sales surged again, up 34.1% as many shoppers still chose to stay close to home and buy online, offsetting losses in other retail sub-sectors and pushing the overall retail sector higher in August.

August Showing Modest Growth In Retail Demand





“Non-store retail sales surged again, as many shoppers still chose to stay close to home and buy online, offsetting losses in other retail sub-sectors.”

KEY TAKEAWAYS

Overall retail demand across the UK increased by 1.7%

Non-store retail sales increased by 34.1%

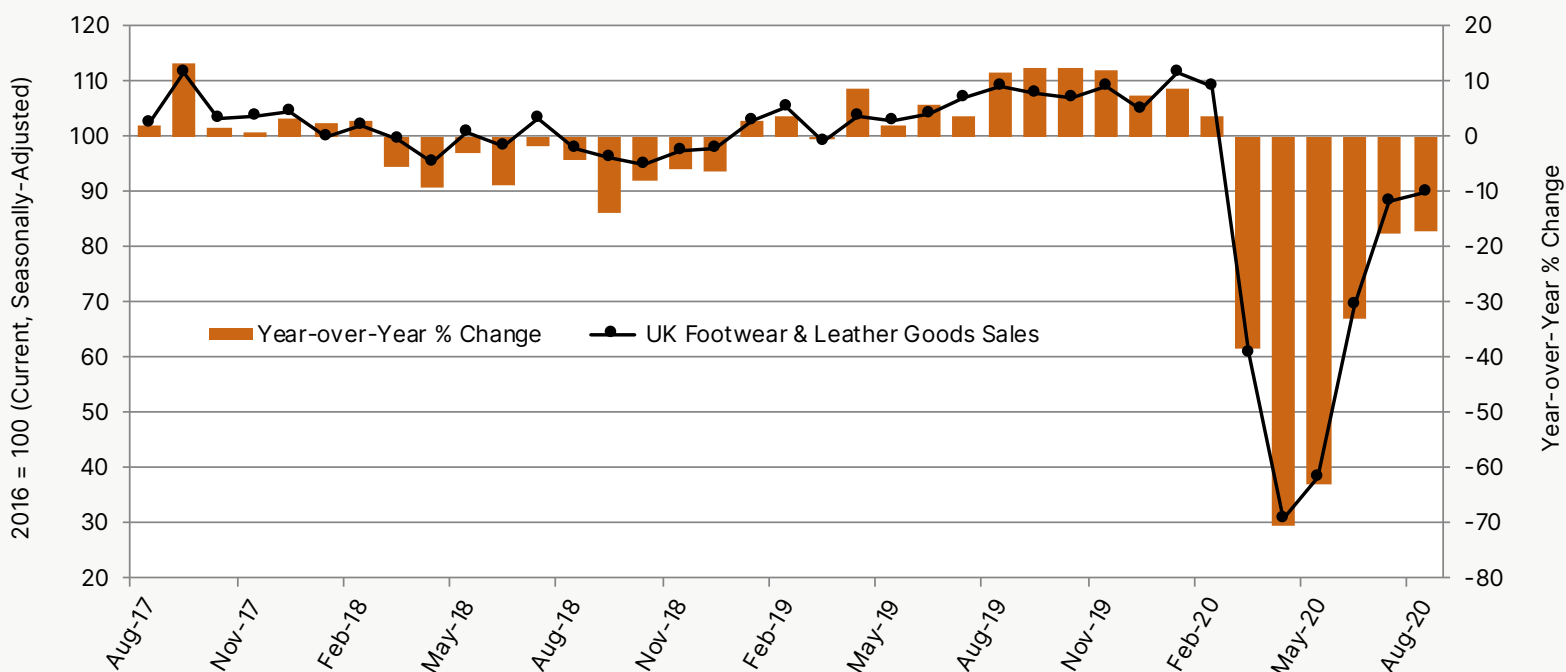
Retail Sector Showing Signs Of Recovery

Sales of footwear and leather goods continued to contract sharply in the last month when compared year-on-year, however we can happily say they are now beginning to show signs of recovery from a dismal spring.

At a seasonally adjusted 90.0 (2016=100), footwear and leather goods sales in August saw the sixth straight month of double-digit decline, the lowest reading from this month in seven years.

However it is with reserved optimism that we note sales within this sector are climbing, with August showing the highest figures in six months, supporting our earlier view that the worst may be over for the beleaguered retail sub-sector and a return to growth may be just over the horizon, particularly given the extraordinary measures recently implemented by the government to support the economy.

August Bucks 2020 Trend With Highest Figures Since February





“Sales in August saw the sixth straight month of double-digit decline, the lowest reading from this month in seven years. However it is with reserved optimism that we note sales within this sector are climbing, with August showing the highest figures in six months.”

KEY TAKEAWAYS

Lowest August sales figures in 7 years

Highest monthly sales figures in 6 months

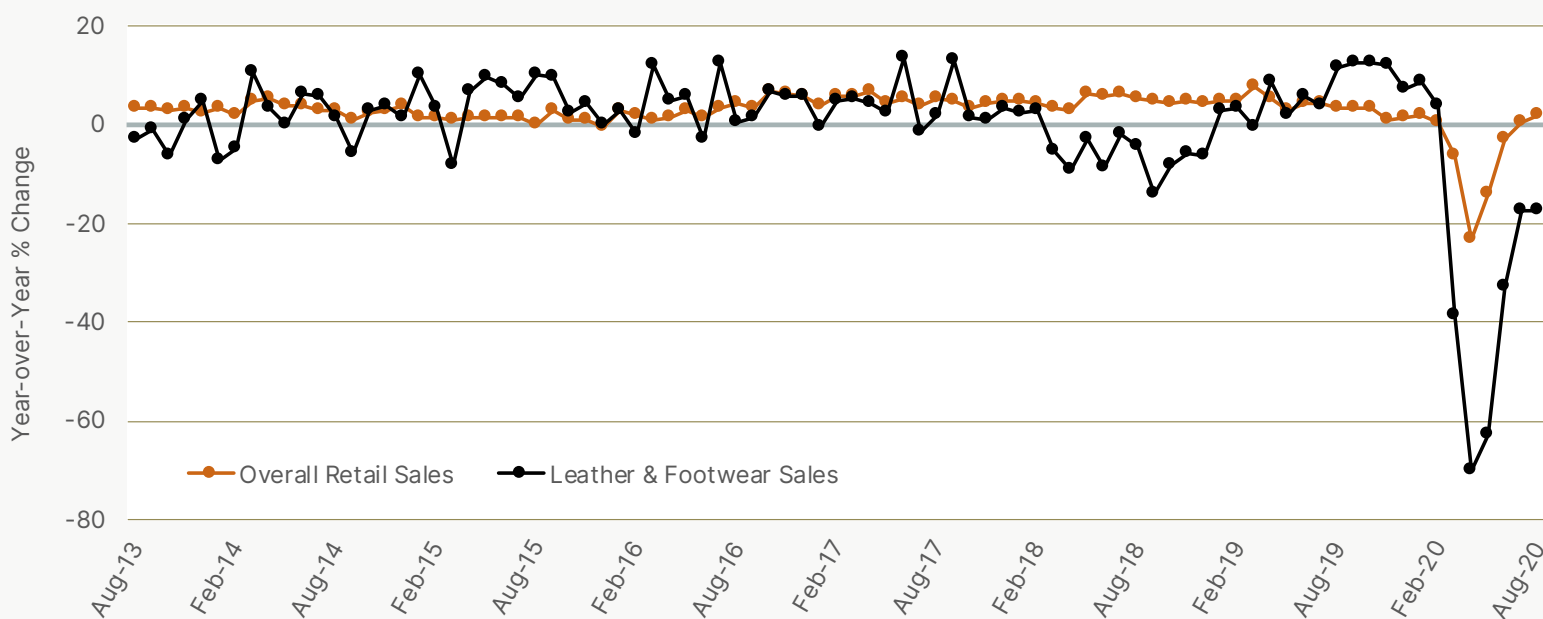
Sales of Footwear and Leather Goods Underperforming

Whilst sales of footwear and leather goods are on the decline, there has been a rebound in overall retail demand in the last month, meaning this sub-sector underperformed the broader retail market for the sixth straight month in August.

Indeed, footwear and leather goods sales are on track in 2020 to underperform the overall retail market for the third time in the last four years in 2020. Accordingly, the longer-term trends of typically slower growth—or steeper

losses—in footwear and leather goods sales, and relatively faster growth in overall retail sales, suggest UK shoppers continue to spend a shrinking share of their total purchases on footwear versus other goods and services, a trend witnessed in other key developed markets, particularly the USA.

Rebound in Overall Demand Not Reflected in Footwear and Leather Goods Sub-Sector





“UK shoppers continue to spend a shrinking share of their total purchases on footwear.”

KEY TAKEAWAYS

Footwear and leather goods sub-sector underperformed the broader retail market in August for the 6th straight month

Footwear and leather goods sales are on track in 2020 to underperform the overall retail market for the third time in the last four years.

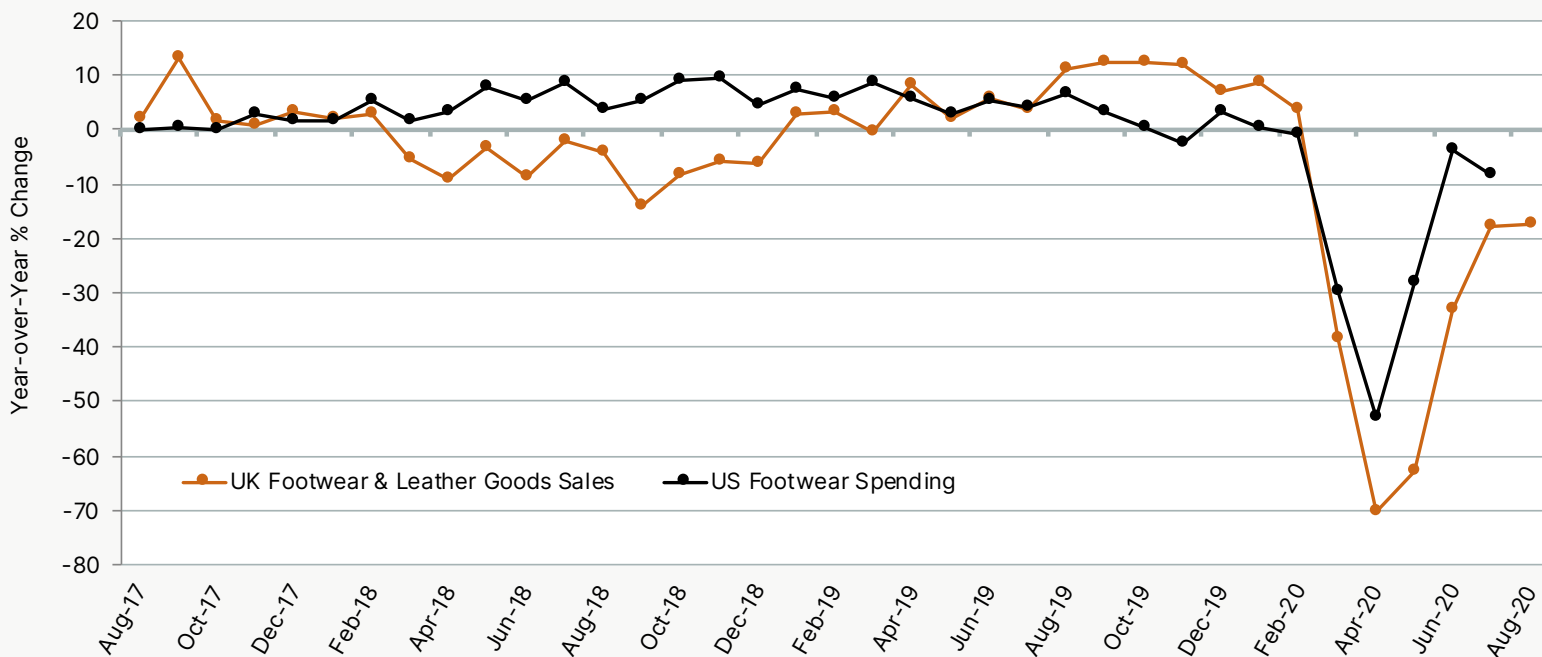
UK Sales Underperform Against US Figures

Despite the UK seeing faster growth in footwear spending than the U.S. during much of 2019, in 2020 UK spend has largely underperformed its American cousin.

for footwear contracted again in July for the sixth straight month, but the declines have moderated in recent months. Americans' spending on footwear sagged -8.5% year-on-year, to a seasonally adjusted, annualized \$81.1 billion.

The accompanying graph shows both retail footwear markets reeling in recent months with steep losses as a consequence of the coronavirus, with sales in the UK declining faster than sales in the USA for each of the last four months. USA consumer demand

UK Consumer Demand Failing To Bounce Back In Line With American Cousins





While the virus remains rampant across America, many stores opted to stay open over the summer, hinting that any lingering declines in footwear demand may moderate further in the near future.

However, without renewed stimulus measures from the U.S. government, America's spending on footwear may remain weak as the crucial holiday shopping season looms closer, to parity with declines in UK spending.

“Despite the UK seeing faster growth in footwear spending than the USA during much of 2019, in 2020 UK spend has largely underperformed its American cousin.”

KEY TAKEAWAYS

UK sales declining faster than US for each of the last **4 months**

US spend on footwear sagged year-on-year by **-8.5%**

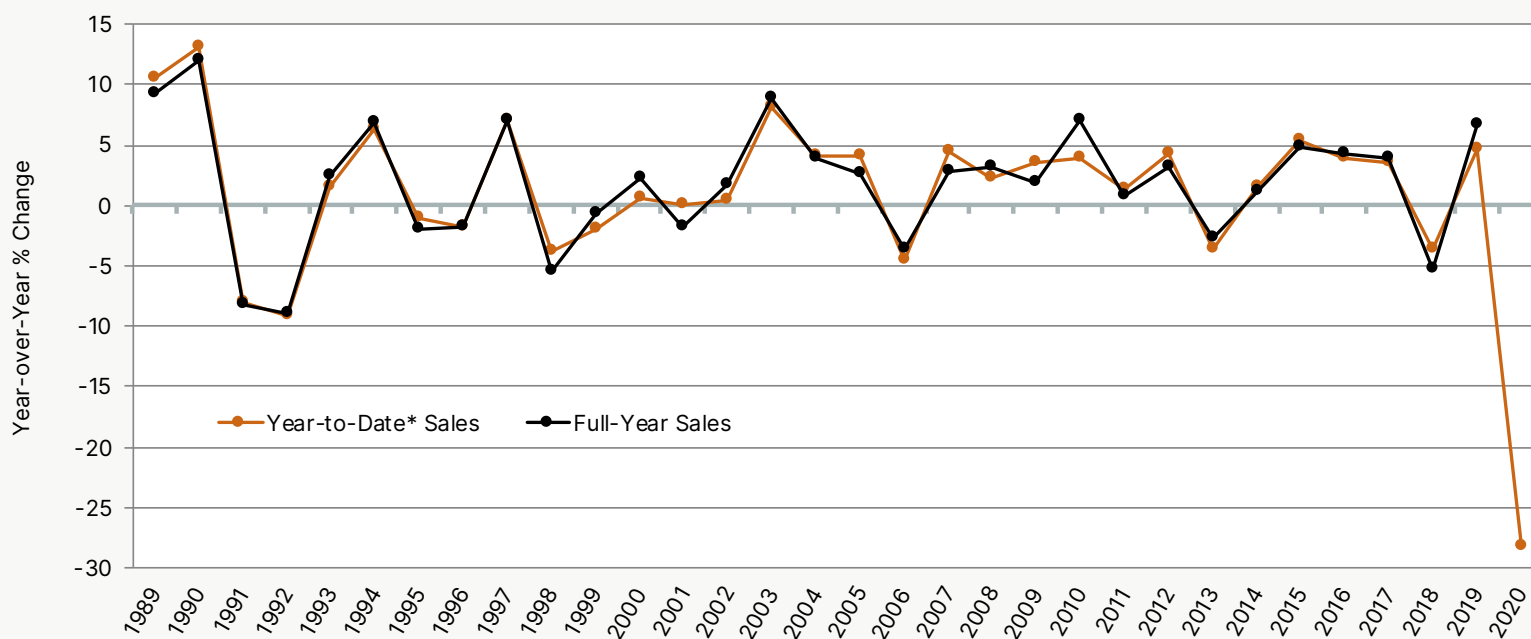
Sales through August 2020: A Summary

While we see positive signs of a return to growth in the coming months for UK sales of footwear and leather goods, we caution, never has this retail sub-sector ventured so deep into a year on such poor footing.

Over the first eight months of 2020, sales of footwear and leather goods are down -28.1% from the corresponding period last year. At this rate, full-year sales in this retail sub-sector are likely to contract sharply in 2020 to

their lowest annual level in perhaps decades. In fact, the year-to-date tumble coupled with lingering concern for UK retail demand from the coronavirus hints footwear and leather goods sales may retrench sharply in 2020 to a multi-year low, worrying for the entire supply chain.

Sharp Decline in Consumer Demand Reinforces Prospects For a Downbeat Year





Statistically speaking, this decline in year-to-date sales and the historical relationship with full-year sales imply there is about a two-in-three chance that full-year UK sales of footwear and leather goods will range from -27.4% to -28.6% lower than previous years, a gap that is likely to narrow with each passing month.

Viewed another way, for every January-August expansion or contraction witnessed over the last three decades, full-year sales of footwear and leather goods followed suit by similarly expanding or contracting, a pattern seen in every single year.

For a market that has grown an average of 2.3% each year over the last twenty years this mounting evidence of a sharp contraction in sales in 2020 is an ominous prospect for footwear distributors, importers, and retailers supplying the UK market, who are normally accustomed to steady growth.

KEY TAKEAWAYS

Across the first eight months of 2020 sales of footwear and leather goods are down **-28.1%**

Two-in-three chance full-year UK footwear sales will show a downturn between **-27.4% & -28.6%**



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