

Weak retail sales over Christmas

Consumers reined in their Christmas spending last year, according to official figures.

UK retail sales unexpectedly fell 0.4% in December compared with November, the Office for National Statistics said.

The figure for the last three months of 2007 rose 0.4% compared with the previous three months, which is down from 1.0% growth in November.

The figures are likely to boost expectations of another cut in interest rates from the Bank of England.

It's rate-setting committee has already cut its key rate once, from 5.75% to 5.50% in December.

"Surely this is enough to cement a February rate cut and more cuts thereafter," said Vicky Redwood at Capital Economics.

Heavy discounting

General mixed retailers, which includes department stores, had their worst December for 13 years.

Increasing concerns about the economic outlook are likely to further encourage consumers to tighten their belts

Howard Archer, Global Insight

Marks & Spencer was one of the biggest casualties in the area, with like-for-like sales down 2.2% in the last three months of 2007.

The fall in sales volumes came despite heavy discounting.

"A sixth successive month of significant discounting in December indicates that retailers believe that there is an increasing need to offer incentives for consumers to shop and are becoming less confident in their pricing power," said Howard Archer at Global Insight.

He predicted that consumer spending will continue to soften this year.

"Increasing concerns about the economic outlook are likely to further encourage consumers to tighten their belts," he said.

The figures came on the day that an industry survey suggested that online retail sales for the last three months of 2007 had risen by 50%.

Internet sales between in the period hit £15.2bn, up from £9.61bn a year earlier, with electronics and clothing doing well, Capgemini said.