

Article

Economic trends in the retail sector, Great Britain: 1989 to 2021

How retail sales fits in with the wider economic climate, including movements over time, long-term trends and recent growth rates.

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1 . Main points

- Total retail sales have more than doubled since 1989 in volume terms.
- Food stores have consistently been the largest retail sector for the last 25 years.
- From 1989 to 2020 the volume of sales of sports equipment, games and toys has risen by 451% while the volume of sales of alcoholic drinks, other beverages, and tobacco has fallen by 76%.
- Unlike the UK, retail trade volumes were lower in Italy and Japan in 2020 than in 1995.
- Online retail sales have growth at a substantially faster rate than in-store, increasing from a 3.4% share of all retail sales in 2007 to 27.9% in 2020.
- The rise in online spending has been more substantial in the Netherlands and UK than other European counterparts.

2 . Retail industry in Great Britain

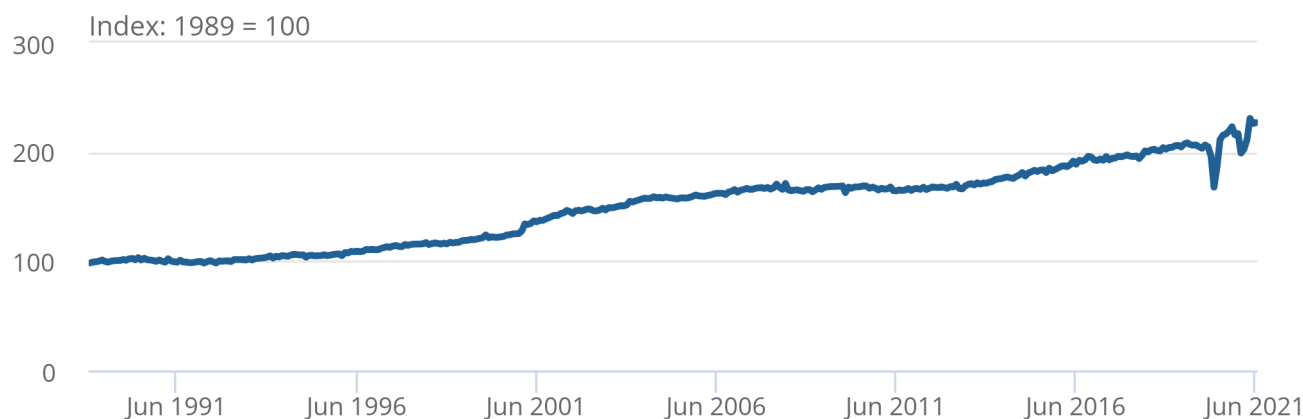
The retail industry is an integral part of the economy, comprising of [5.2% of the UK's gross domestic product \(GDP\) in 2020](#) and [9.3% of all UK employees in 2019](#). Total retail sales (volume) in the UK have doubled since 1989, with a rapid rise in online sales, compared with a [17% \(9.7 million\) rise in UK population](#) and a [68% rise in Household Disposable Income Per Capita \(CPI adjusted\)](#).

Figure 1: Total UK retail sales volumes more than doubled between 1989 and 2021

UK Retail Sales Index, seasonally adjusted (volume), all retailing (excluding automotive fuel), for the period 1989 to 2021, Index: 1989 = 100

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Source: Office for National Statistics – Monthly Business Survey – Retail Sales Inquiry

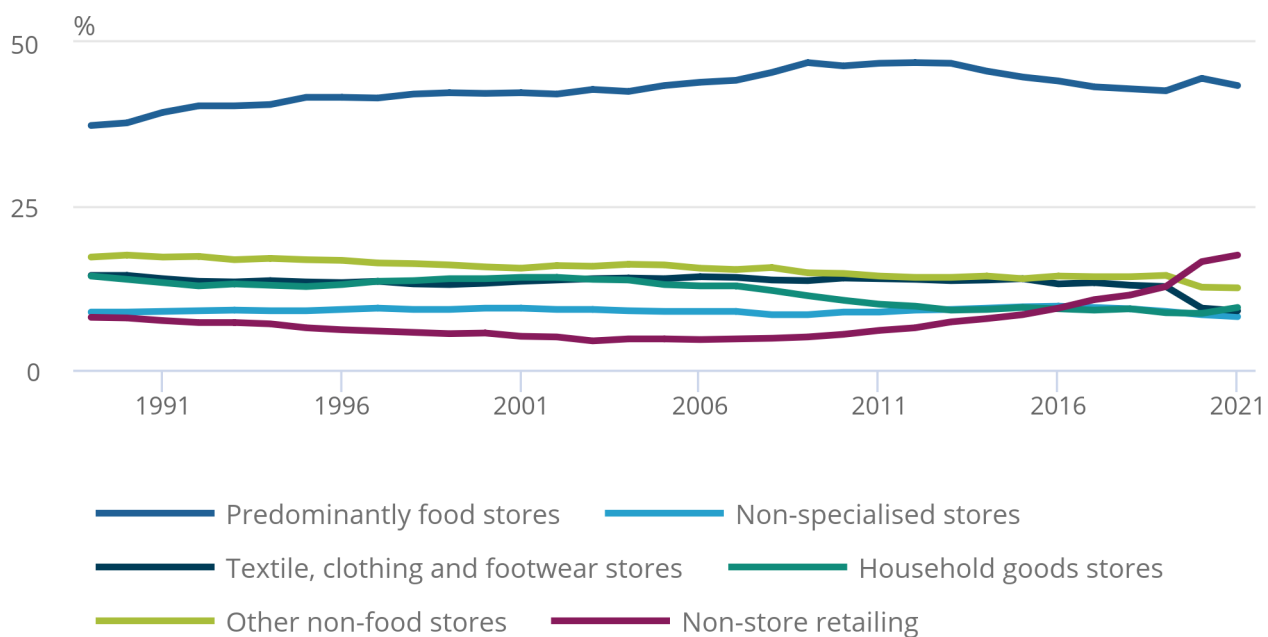
3 . Sectoral analysis

Figure 2: Non- store retailing saw the highest growth while food stores remained the dominant retail sector

Percentage share of expenditure of UK retail sales (seasonally adjusted British pound value) by sector, for the period 1989 to 2021

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The share of expenditure of total retail sales on non-store retailing has risen to 16.5% in 2020 from 8% in 1989 - despite falling to 4.4% in 2003. This has seen non-store retailing overtake all other sub-retail sectors, except predominately food stores. The majority of non-store growth comes through online sales.

The change is in line with the [sustained increase in internet access in the UK](#), contributing to the growth in non-store retailing.

In 1989 predominately food stores had the largest share of expenditure of UK retail sales at 37.3%. Since then, it has grown, increasing its share to 44.5% in 2020 (throughout this article we reference retail sales in 2020 as this is the last full year of data released. Where a year is referenced we mean the average of the months in that year, unless otherwise specified). Contributing to the increased growth of food stores is likely to be the rise of out-of-town retail parks, allowing for supermarkets to offer a [diversified product base and multi-channel retailing](#). This may have led to a substitution effect away from more specialist retailers, with consumers now able to purchase a greater number of goods and services in one location.

Between 2013 and 2019 there was a decline in the share of predominantly food stores, with [changing consumer habits a possible reason](#). This was before a significant [spike in the share of predominantly food stores during the coronavirus \(COVID-19\) pandemic](#) as many supermarkets fell under "essential retail" and have remained open since March 2020, [although there were often restrictions on what could be purchased both in quantity and range of goods](#).

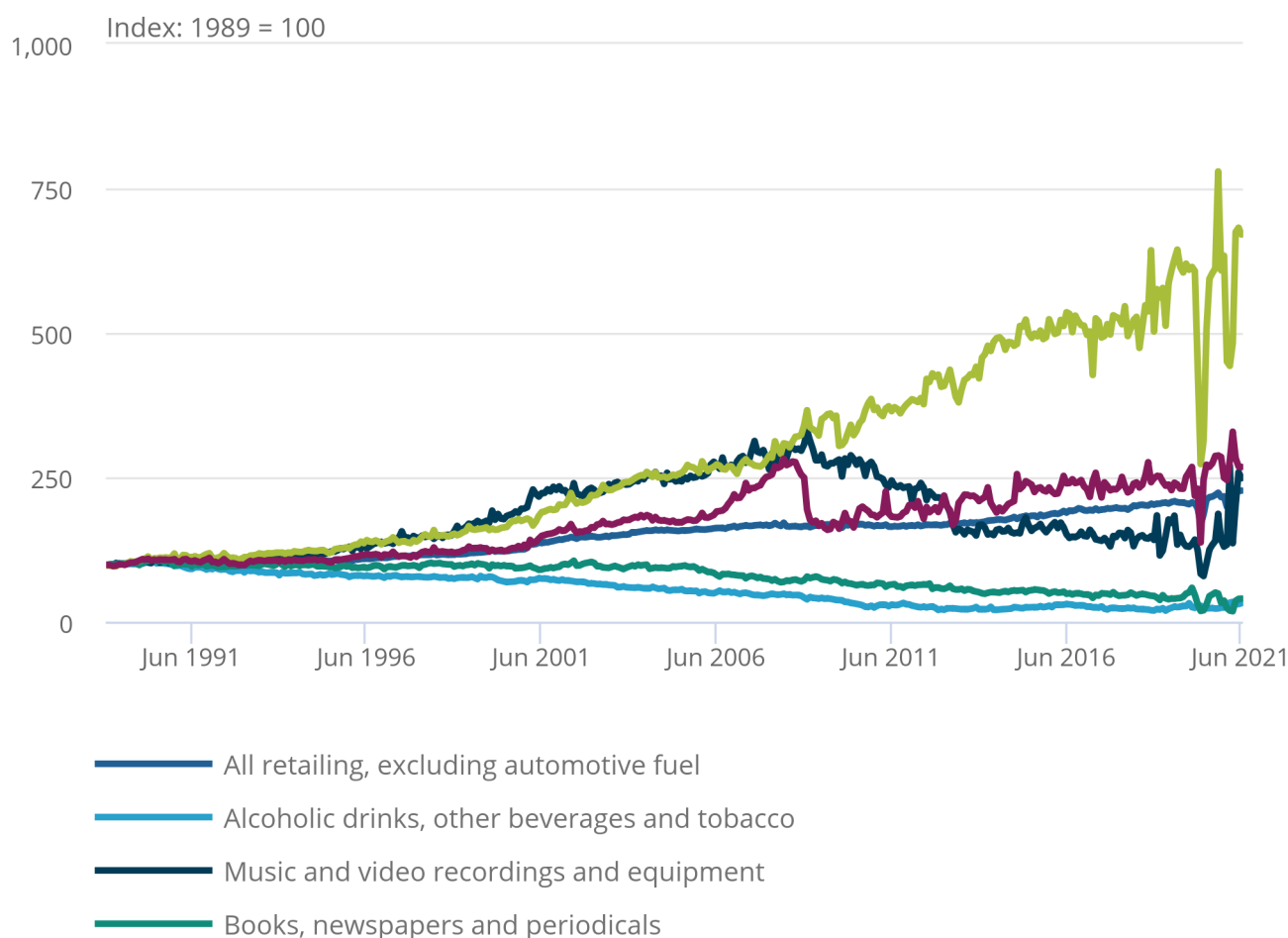
The share of expenditure on household goods stores dropped from 14.3% in 1989 to 8.6% in 2020. One possible explanation may be that rising incomes have seen a greater proportion of households using employed specialists to complete household tasks. [UK adults spent 9.5% less time engaged in unpaid work](#) (including DIY and maintenance) in 2010 compared to 2000. There may also have been a substitution from consumers as they purchased these goods in predominantly food stores - given the more diversified product base in these stores, as previously outlined.

Figure 3: Equipment, games and toys have shown strong sales growth while alcohol and tobacco sales have plummeted

UK Retail Sales Index (volume) by retail sector, seasonally adjusted, for the period 1989 to 2021. Index: 1989 = 100

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Source: Office for National Statistics – Monthly Business Survey: Retail Sales Inquiry

Sports equipment, games and toys have risen over the period, reaching around six times their 1989 level in early 2020, prior to the pandemic. The founding of Sport England in 1997 (Sport Scotland, Sport Wales and Sport NI had all been established in the 1970s), and ongoing physical activity campaigns, have seen continued investment in UK sport. [The Sport England Active Peoples Survey](#) also shows a small increase in once-a-week sport participation between 2006 and 2016.

Between 1989 and 2020, flowers, plants, seeds, fertilisers and pet foods sales more than doubled. This is despite the sector seeing the largest drop in retail sales during the global financial crisis in 2008 (by 41%). As flowers and plants are not typically viewed as necessity goods, this may explain why their sales fell in 2008/2009 alongside household incomes, with sales rising as incomes rebounded in the aftermath of the global financial crisis.

[In England in 2016, 15.5% of adults \(aged 18 years and above\) smoked, compared with 26.8% in 2000.](#) Since 2005, [adult drinking habits in Great Britain](#) have changed. The overall amount of alcohol consumed in the UK has fallen, as well as the proportion of people reporting to be drinking, and the amount that drinkers report consuming. This change in prevalence of alcohol and tobacco purchasing may have seen a substitution of consumption to other sectors, such as sports equipment.

The sale of books, newspapers and periodicals remained stable up until 2000 but have been steadily declining since. [The Department for Culture, Media and Sport \(DCMS\) figures](#) show that between 2007 and 2017 the average daily circulation of national newspapers fell by 45.5%. Over the same time period, the percentage of UK adults who used the internet to read the news increased from 20% to 64%. [The rise of eBooks and the decline in the proportion of adults classified as "readers"](#) may have further contributed to the decline in this sector. eBooks are classified as a service, so sit outside the scope of retail.

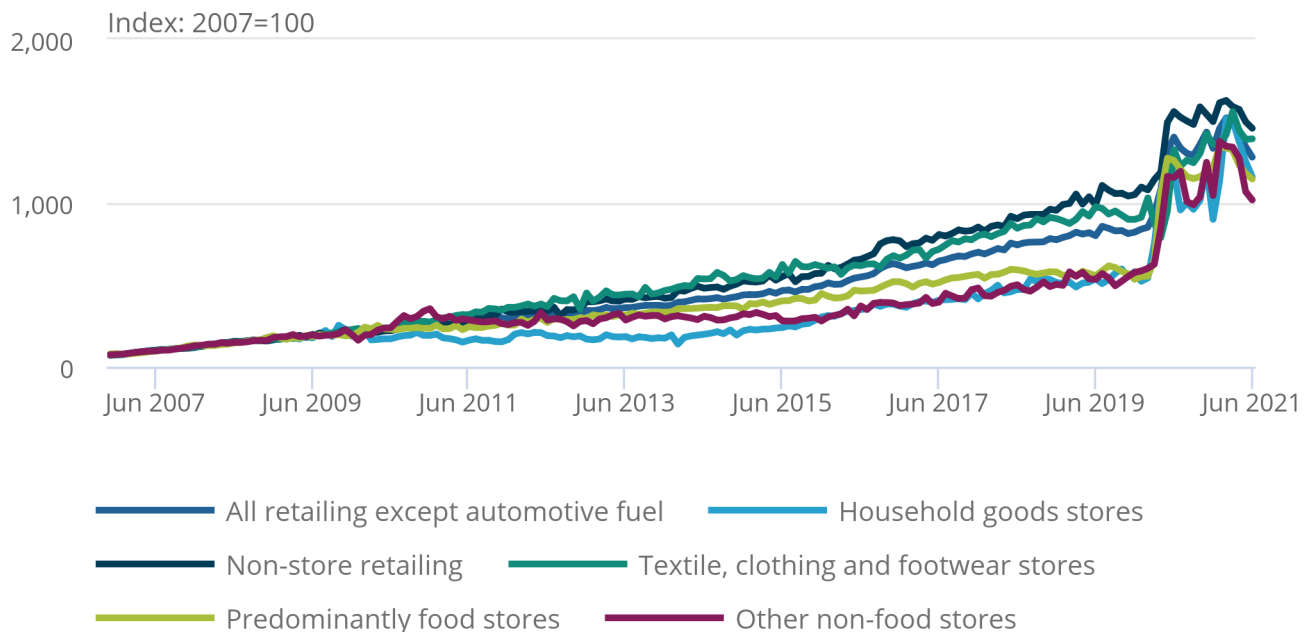
4 . Online retail in the UK – analysis by sector

Figure 4: Non-store retailing shows the highest growth of the retail sectors

UK Online Retail Sales Index by retail sector (value), seasonally adjusted, for the period 2006 to 2021. Index: 2007=100

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UK Online Retail Sales Index by retail sector (value), seasonally adjusted, for the period 2006 to 2021. Index: 2007=100



Source: Office for National Statistics – Monthly Business Survey: Retail Sales Inquiry

From November 2006 to February 2020, all retailing except automotive fuel online sales had just over a ten-fold increase, showing how online retail sales were already growing strongly prior to the pandemic. In total, online sales as a proportion of all retailing has risen from 3.4% share in 2007 to 27.9% in 2020. The large increase in internet access will likely be one of the factors contributing to the increase in internet sales. [Between 2008 and 2019, the proportion of daily internet users increased](#) by 38 percentage points (87% in 2019) and over the same period internet users shopping online increased by 29 percentage points (82% in 2019). In line with increased consumer internet usage, businesses have also increased their online presence. The proportion of [UK businesses, with 10 or more employees, making e-commerce sales increased from 17.1% in 2009 to 28.6% in 2019](#).

In the period from November 2006 to February 2020, online sales in the non-store retailing and textile, clothing and footwear stores sectors performed particularly strongly with over a fourteen and twelve-fold increase, respectively. These sectors are likely to have performed strongly in online sales as they were suited to the advantages of online retail. Online sales contributed 81.6% to total non-store retailing in 2020, compared with 30.4% in 2007. The advantages of online retail, which include 24/7 shopping to allow customers to shop at a time that suits them, offers an easier price comparison. This is because it requires a lot less time and effort to compare between websites, so customers can get the best price and have a greater choice of products, as companies do not have to limit their stock to the physical dimensions of a storefront.

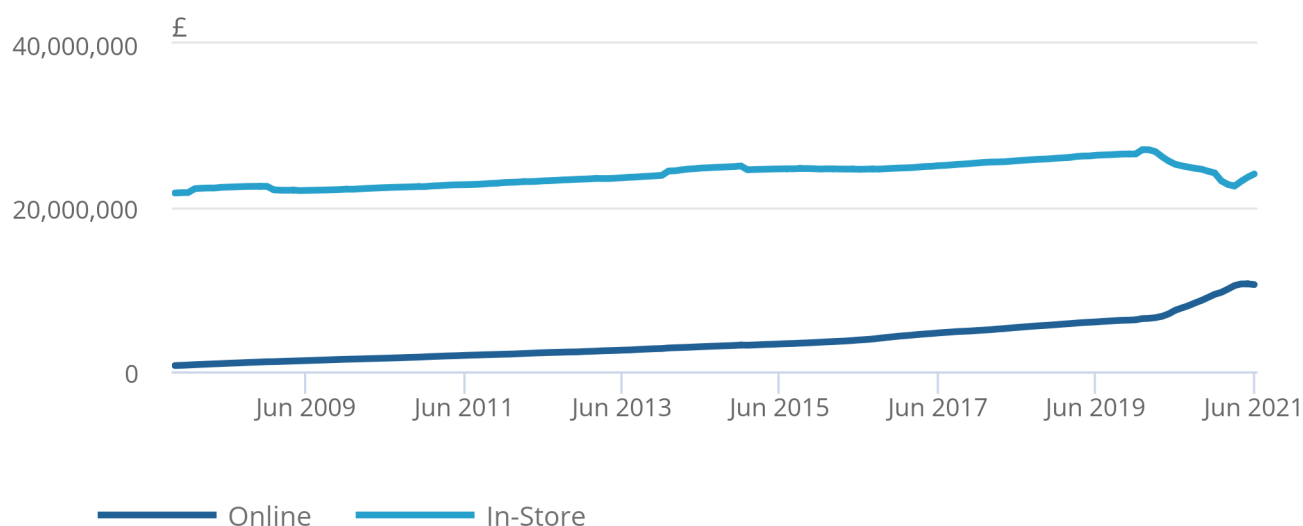
Predominantly food stores performed worst out of the main sectors in online sales between November 2006 and February 2020, but still had an increase of just over six-fold. [The Office for National Statistics \(ONS\) Internet Access survey](#) showed that in 2019, 29% of adults reported purchasing food or groceries online in the last 12 months. The relatively slower growth in online retail sales may be explained by customers deterred by high delivery charges, minimum spends, and preference to choose fresh products themselves. These are problems that will affect predominately food stores more than other sectors, as food products typically have short shelf life, and help explain the slower growth compared to other sectors.

Figure 5: Online and in-store spending increased at a similar level from 2007 to 2020

All retailing except automotive fuel (online), 12-month moving average compared with all retailing except automotive fuel (in-store) 12-month moving average (total £), seasonally adjusted, for the period 2007 to 2021

Figure 5: Online and in-store spending increased at a similar level from 2007 to 2020

All retailing except automotive fuel (online), 12-month moving average compared with all retailing except automotive fuel (in-store) 12-month moving average (total £), seasonally adjusted, for the period 2007 to 2021



Source: Office for National Statistics – Monthly Business Survey: Retail Sales Inquiry

Given that online and in-store retailers offer a broadly similar range of goods, we may expect to see a rise in online sales offset by a fall in in-store sales as consumers switch their method of shopping. However, from October 2007 to February 2020, the 12-month averages of in-store and online retailing both increased.

Increased household income and population between 2007 and 2020 may explain the lack of a substitution effect between in-store and online retailing and the higher level of total retail spending, in value terms. Further, the rise of online platforms for shopping is likely to have made it easier and more convenient for consumers to shop, which may have encouraged greater total retail spending.

The clear exception to this has been during the coronavirus (COVID-19) pandemic where a large spike in online retail was offset by a fall in in-store retail. It is suggested that the [pandemic accelerated the shift to online spending](#) which had been taking place. As pandemic restrictions continue to ease it will be interesting to see whether online and in-store sales converge.

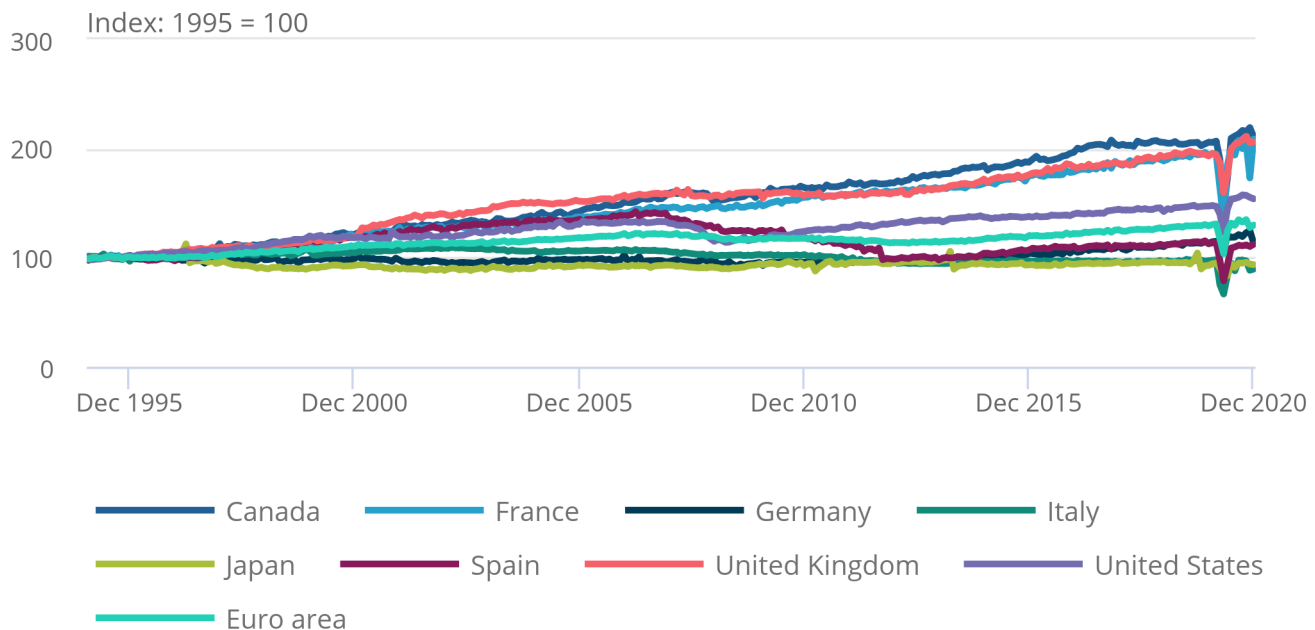
5 . International Comparison

Figure 6: Canada, the UK and France saw the greatest rise in retail trade

Retail Sales Index (volume) by country, seasonally adjusted, for the period 1995 to 2021. Index: 1995 = 100

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Retail Sales Index (volume) by country, seasonally adjusted, for the period 1995 to 2021. Index: 1995 = 100



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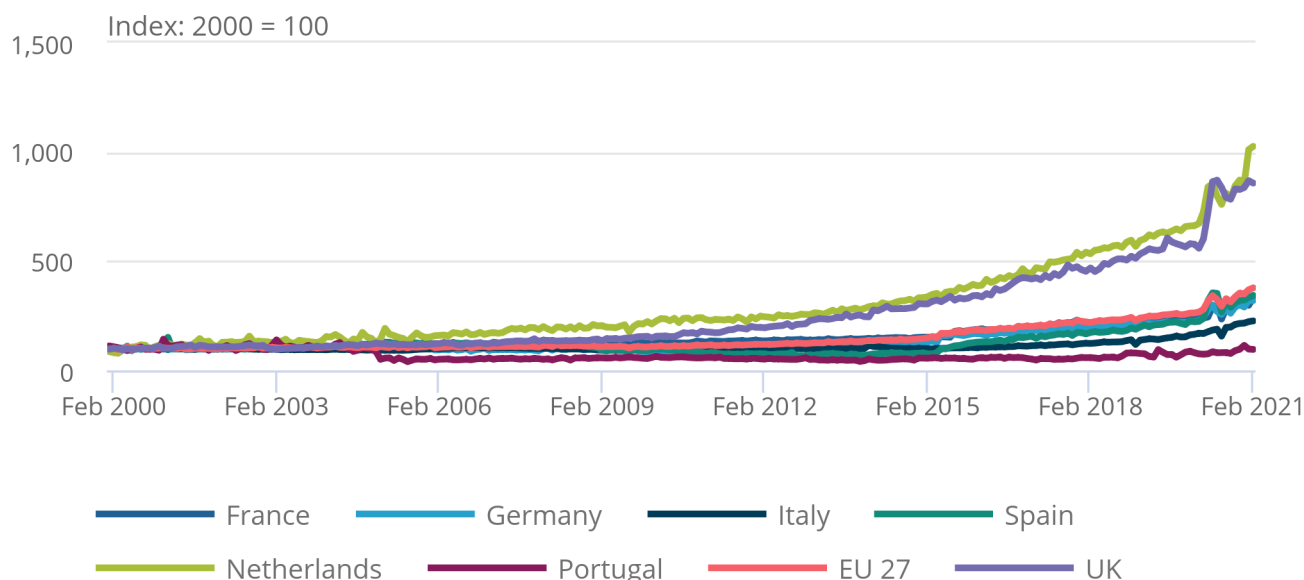
Retail trade has increased most in Canada, France, and the United Kingdom (UK); all three countries' retail trade volumes are almost double their 1995 levels in 2020. All have largely witnessed growth in household income alongside a falling - or stable in the case of France - household savings ratio. This divergence may explain the growth in retail sales across these three countries. Retail Sales in Japan and Italy have shrunk from their 1995 levels, amid a [7.3% fall in Japanese gross domestic product \(GDP\) between 1995 and 2020](#) and a near [10% drop in Italian household disposable income between 2005 and 2020](#).

Figure 7: Total online retail growth has been strongest in the UK and the Netherlands

Retail Sales Index via mail order houses or via internet, by country (volume), seasonally adjusted, for the period 2000 to 2021. Index: 2000 = 100

Figure 7: Total online retail growth has been strongest in the UK and the Netherlands

Retail Sales Index via mail order houses or via internet, by country (volume), seasonally adjusted, for the period 2000 to 2021. Index: 2000 = 100



Source: Office for National Statistics – Monthly Business Survey: Retail Sales Inquiry

The contribution of online sales to total retail sales has been broadly growing across Europe since 2000, but the UK and the Netherlands are unique in their magnitude - a rise of more than eight-fold and ten-fold respectively. Of the countries highlighted in figure 7, only [the UK and the Netherlands have had at least 90% of individuals reporting weekly internet use since 2015](#). The increased internet access and usage is likely to lead to greater online purchasing from households. The two countries that have witnessed the smallest growth in online sales since 2000 - Italy and Portugal - have the lowest proportion of internet users at 76% in 2020.

Growth in online sales has been largely concentrated over the last seven years, with a greater number of retailers moving online and increased internet access across all countries. The impact of the coronavirus (COVID-19) pandemic on online sales has been most notable with many countries seeing the closure of non-essential in-store retail. For the first year in the period observed (since 2000), all countries in figure 7 recorded double-digit growth in annual online sales in 2020. It was also the largest annual growth rate in online sales for five of the countries and regions observed.

6 . Glossary

Value (amount spent)

The value estimates reflect the total turnover that businesses have collected over a standard period.

Volume (quantity bought)

The volume estimates are calculated by taking the value estimates and adjusting to remove the impact of price changes.

Seasonally adjusted

Seasonally adjusted estimates are derived by estimating and removing calendar effects (for example, Easter moving between March and April) and seasonal effects (for example, increased spending in December as a result of Christmas) from the non-seasonally adjusted (NSA) estimates.

Non-seasonally adjusted

Non-seasonally adjusted estimates refer to raw data where the effects of regular or seasonal patterns have not been removed.

Non-store retailing

Non-store retailing refers to retailers that do not have a store presence. While the majority is made up of online retailers, it also includes other retailers such as stalls and markets.

7 . Data sources and quality

The monthly Retail Sales Statistical Bulletin produced by the Office for National Statistics (ONS) provides estimates of the volume of sales (after the estimated effects of prices have been removed) and value of sales (total value of sales in current prices).

Data on UK Retail sales are from the [Retail Sales Index \(RSI\)](#) produced by the ONS. There is a [methodology information report](#) available.

[Data on European Retail Sales are from Eurostat](#), the statistical office of the European Union. This shows the seasonally adjusted volume of retail trade in both the euro area (EA19) and EU27. Note that although the UK has since left the European Union, data referring to the EU27 includes the UK. There is a [methodology note](#) available for these statistics.

[Data on non-EU international Retail Sales are from OECD \(Organisation for Economic Co-operation and Development\)](#).

8 . Future developments

We will continue to track the effect of the pandemic on retail sales as things open up, and review the trends in retail sales in the UK and internationally. To stay updated, you can [find out more about retail sales in the UK](#).

9 . Related links

[Wrapping up 'Black Friday': How the ONS captures the effect of a major shopping trend](#)

Blog | Released 18 December 2019

Blog post explaining how we take into account the effect of Black Friday when compiling our retail statistics.

[How our internet activity has influenced the way we shop: October 2019](#)

Article | Released 14 November 2019

Comparing the trends and emerging patterns between retail sales data and internet access data, looking specifically at the growth in online sales.

[Comparing "bricks and mortar" store sales with online retail sales: August 2018](#)

Article | Released 20 September 2018

Comparing the trends and emerging patterns in the relationship between the amount spent in retail between "bricks and mortar" store sales and online sales.

[Impact of the coronavirus \(COVID-19\) pandemic on retail sales in 2020](#)

Article | Released 1 February 2021

Insights into the impact of the pandemic on retail in 2020, including how the national and local lockdowns and restrictions impacted on retail expenditure.