FEATURE

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Comparing ONS's retail sales index with the BRC's retail sales monitor

SUMMARY

This article compares two key indicators of retail sales growth, the Office for National Statistics' (ONS) retail sales index (RSI) and the retail sales monitor produced by the British Retail Consortium (BRC) in conjunction with KPMG. It is also an update of the joint ONS-BRC articles published by the BRC in spring 2003 and November 2006.

The two series are regularly quoted by the media and are used widely by retailers and retail analysts. Also, they both feature in the Bank of England's Inflation Report in its assessment of domestic demand and in the discussions of the Bank's Monetary Policy Committee.

There are some important differences between the two indicators in relation to coverage and the method of compilation, and these can sometimes lead to apparent discrepancies in the published figures. This article summarises those differences and compares the headline BRC series with an estimated RSI series based on the panel of contributors used by the BRC.

The retail sales index (RSI) measures movements in the average weekly sales of retailers in Great Britain. The monthly survey of 5,000 retailers collects the total retail turnover from each business selected. Responses are mandatory in accordance with government legislation. The retail turnover requested is the total value of sales of goods to the general public for personal or household use. It includes sales via the internet and other forms of mail order. For the first two months in each calendar quarter, the reporting period for which data are collected is four whole weeks and for the third month it is five weeks.

The Office for National Statistics' (ONS) monthly retail sales first release concentrates on seasonally adjusted volumes of retail sales, that is, after the estimated effects of price changes and regular seasonal variations have been removed.

The volume estimates are derived by applying weighted combinations of retail price indices for various types of retail goods to the returned sales data. These indices are the same as those published in ONS's consumer price indices first release.

The seasonal adjustment takes account of both calendar effects and within-year seasonal variation. Calendar effects cover, for example, how the different timings of Easter impact on the average weekly sales in March and April from one year to the next. Adjustments for within-year seasonality relate to the usual seasonal effects on the sales in each month. For example, the average weekly sales in December are usually much higher than in other months of the year and this needs to be accounted for in the seasonally adjusted series.

An RSI for the value of retail sales, not seasonally adjusted, is also included in the first release. In addition, a monthly compendium called SDM28 is published which contains detailed series by type and size of retailer.

The retail sales monitor (RSM)

The RSM is produced from around 70 participants from across the UK retail industry who are members of the British Retail Consortium (BRC). Sales values across a range of 12 product categories are provided weekly to KPMG who then aggregate them into annual growth rates for each month on a total and like-for-like basis. The like-for-like figure strips out the effect of expansions and store openings and closures and is presented as a measure of retail industry performance. The total figure reflects retail industry growth.

The headline growth rates in the RSM are published in the second week after the month reported on. In addition, all participants in the survey receive analysis of sales split into the product categories as a tool for gauging their own performance in relation to their sector as a whole.

Comparing the RSI with the RSM

From the retail sales first release, the most appropriate measure to compare with the RSM total sales series is the RSI for the value of sales, not seasonally adjusted. These two series, along with the BRC's like-for-like sales, are compared in **Figure 1**.

Figure 1 indicates that, although the longer-term trends in each series are similar, there are sometimes differences in the direction of the movements from one month to the next. These are due to a range of differences that exist between the RSM and the RSI and which can be broadly described as relating to either:

- coverage, or
- methods

Coverage

The main coverage differences are summarised in **Table 1**. Some of these differences suggest that the RSI for large retailers, which is published monthly in the retail sales business monitor SDM28, may provide a more appropriate comparison with the RSM's total sales series than the RSI for all retailers. **Figure 2** shows this comparison.

While the RSI for large retailers appears to be slightly closer to the BRC's series than the RSI for all retailers, there are clearly more differences affecting the comparison than just the size of retailers covered. For a start, the RSI for large retailers represents around 900 businesses that have 100 or more employees. The differences related to some of the methods in **Table 2** are also likely to be contributing to the apparent discrepancies.

Differences in methods

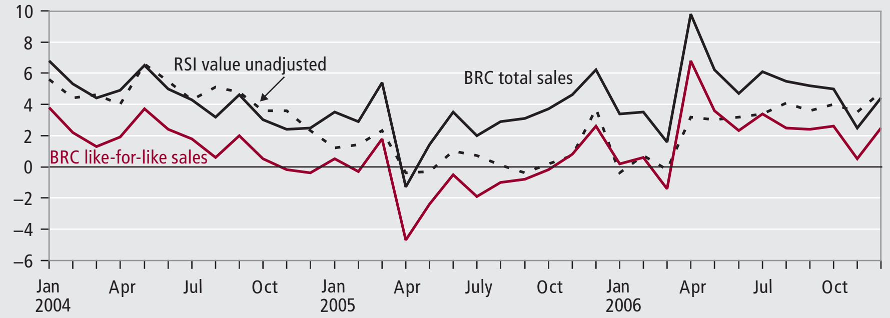
In an attempt to measure the overall effect of the differences in methods, an RSI has been calculated just for the businesses surveyed by the BRC, as shown in **Figure 3**. A small number of these businesses are actually excluded from the RSI as they are not classified as retailers under the system used by ONS. However they are surveyed in ONS's monthly survey of the services sector and so their data were added into the analysis.

As might be expected, the RSI based on BRC contributors is generally much closer to the RSM's total sales series than the published RSIs for all retailers and large retailers. The relatively small discrepancies evident in Figure 3 would appear to relate mainly to the methodological differences described in Table 2. An additional factor may be the effect of changes to the profile of the participants in the BRC's survey over time.

Note that the reporting periods used by ONS and the BRC are usually the same, that is, standard periods of four, four and five weeks in each quarter. Occasionally they differ slightly, the most recent example being for June and July 2005, where the

Figure 1
BRC series and ONS value RSI for all retailers

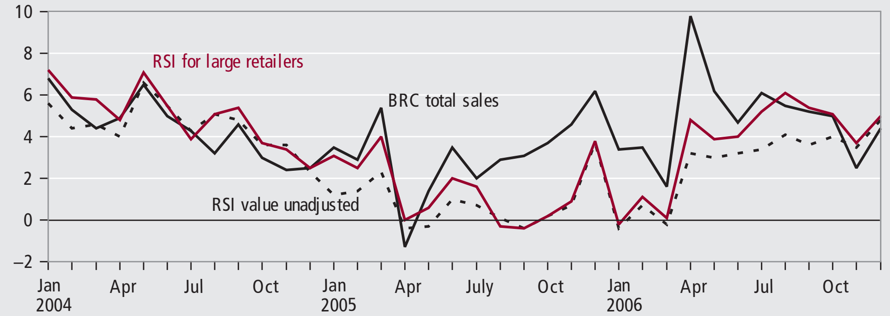
Percentage change over 12 months



Source: Office for National Statistics, BRC-KPMG Retail Sales Monitor

Figure 2
BRC total sales series and ONS value RSIs for all and large retailers

Percentage change over 12 months



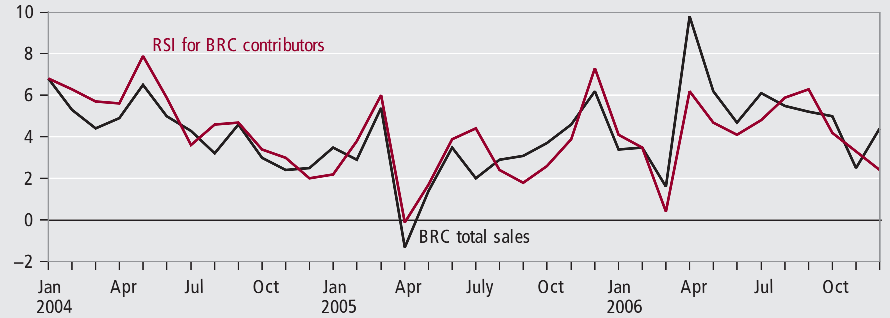
Source: Office for National Statistics, BRC-KPMG Retail Sales Monitor

Table 1
Main differences in coverage between RSI and RSM

RSI	RSM
Survey of 5,000 retailers of all sizes, Great Britain only	A range of mainly large retailers accounting for some 60 per cent of total UK retail sales value
Covers all kinds of retailers, including mail order/internet retailers and market stalls	A representative range of retailers across all sectors, both multiple and SME, but excluding market stalls
60 per cent response at first release, usually representing 90 per cent of the sales of those selected	100 per cent response every month
Sample updated each month, in accordance with the profile of the British retail industry	Sample related to BRC membership profile

Figure 3
BRC total sales series and ONS value RSI for BRC contributors

Percentage change over 12 months



Source: Office for National Statistics, BRC-KPMG Retail Sales Monitor

BRC used four weeks for June compared with the usual five weeks, and then five weeks for July instead of four. This may partly explain the differences in the direction of the movements between June and July 2005 in Figure 3.

Conclusion

The relationships between the RSM and the published RSI series have not changed much in recent years and the conclusions drawn in the spring 2003 article still apply now.

- The RSM and the RSI show broadly similar trends
- The value RSI, not seasonally adjusted, usually falls somewhere between the RSM series for total sales and that for like-for-like sales
- The RSI for large retailers is closer to the RSM series for total sales than the RSI for all retailers

All are important and valuable indicators in their own right, serving a variety of users' needs and their respective differences are sometimes driven by those needs. For example, the nature of the RSI is dictated by the need for consistency with other ONS business surveys, and by UK and international official statistics protocols and conventions. The nature of the RSM is driven by demands from within the retail industry and the objectives of the BRC.

Table 2
Main methodological differences between RSI and RSM

RSI	RSM
Statutory survey, in accordance with the 1947 Statistics of Trade Act	Voluntary, market-led survey
Based on type of retailer, as defined by the Standard Industrial Classification (SIC)	Based on product categories
Components weighted by sales of each type of retailer	Components weighted by household expenditure on each type of product
Measured by orders received	Measured by cash received
Includes sales from retail services such as delivery, installation and repair	Retail services are excluded from sales figures
Results continuously open to revision from late or amended data	Annual growth rates derived from up-to-date comparison with the previous year, so reflecting any changes that affect the like-for-like figures
Values and volumes, both seasonally adjusted and unadjusted	Expressed as changes in sales values only with no seasonal adjustment
Results for total sales only, including detailed figures by type and size of retailer	Results published as total and like-for-like sales
Results usually published 14 working days after the end of the month	Results published seven working days after the end of the month

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It should be noted that there are other indicators of UK retail sales growth, including the results of the Distributive Trades Survey carried out by the Confederation of British Industry and the 'FootFall' index produced by retail research group SPSL.

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