



## **ATRADIUS RETAIL REPORT: CHALLENGING YEAR AHEAD FOR CONSUMER DURABLES**

Payment delays and insolvencies are predicted to rise in the consumer durables retail sector this year, reveals an economic report from trade credit insurer [Atradius](#).

While payment delays and insolvencies have remained relatively stable over the last six months, the Atradius Consumer Durables Market Monitor reports a weaker picture for the six months ahead. Growing economic uncertainty, expected to impact consumer spending, and higher import costs are the primary factors behind the deteriorating outlook and Atradius is warning manufacturers, suppliers and retailers to take extra measures to protect themselves.

The predicted decline follows a relatively robust performance in the British non-food retail sector in 2016. However, 2017 will be a more challenging year with the weaker British pound putting upward pressure on prices and uncertainty surrounding the UK's future relationship with the EU weighing on investment spending. This is likely to cause businesses to reduce hiring with real wages expected to start decreasing over the next six months, reducing disposable income. Meanwhile, higher inflation – forecast to be 2.6% up in 2017 – will make consumer goods more expensive, both hurting consumer spending and impacting GDP growth. Private consumption is expected to grow 1.6% in 2017 – down from 2.8% year on year – and UK retail sales growth is expected to slow down to 0.6%, down from 2.5% in 2016.

Simon Rockett of Atradius, which protects businesses from the risks of trading by paying out claims in the event of non-payment and providing real-time analysis on the risks and opportunities of domestic and international trade, said: “Higher costs for imported materials have already begun to force retailers to reconsider their sources for raw materials and their pricing of goods. Retailers’ biggest challenge ahead will be achieving real growth while contending with increased prices as import costs are passed on to customers. Margins have already been hit by unseasonable weather which forced lengthy discount periods and this is expected to continue well into 2017. In addition, the increase in labour costs caused by the rise in National Living Wage could force retailers to reconsider their cost base and store portfolios, closing outlets that are not sufficiently profitable to keep open.”

“The British retail market remains highly competitive and faces a number of key challenges; increasing costs, changing shopping behaviour and lower consumer spending. Insolvencies are expected to increase slightly along with the rising economic uncertainty and with a probable increase in payment delays. However, even in a challenging market there are opportunities for growth and with the right protection and strategy in place, successful trade relationships can flourish and the pitfalls of potential non-payment avoided.”

“Looking forward, the success and resilience of consumer durables businesses increasingly depend on their ability to adopt new strategies such as building-up and expanding their online business or offering additional services. However, this requires the willingness to change as well as financial investments; it remains to be seen if many of the smaller, already struggling retailers have those means to realign their businesses in order to remain competitive.”

For more information on Atradius and a suite of free economic reports, export guides and trading advice, visit [www.atradius.co.uk](http://www.atradius.co.uk). You can also follow us on Twitter [@AtradiusUK](https://twitter.com/AtradiusUK)

## **ENDS**

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Atradius provides trade credit insurance, surety and collections services worldwide through a strategic presence in 50 countries. Atradius has access to credit information on 200 million companies worldwide. Its credit insurance, bonding and collections products help protect companies throughout the world from payment risks associated with selling products and services on trade credit. Atradius forms part of Grupo Catalana Occidente (GCO.MC), one of the leading insurers in Spain and worldwide in credit insurance.