H&M's sales growth picks up pace in May after spring chill

June 15, 2016

Sales growth picked up at Swedish budget fashion firm Hennes & Mauritz in May after unusually cold spring weather in Europe had capped growth in previous months.

H&M, the second-biggest clothing retailer after Zara owner Inditex, said on Wednesday sales in local currencies rose 9 percent last month from a year earlier. That was slightly below the 10 percent mean forecast in a Reuters poll of analysts.

H&M's full second-quarter report, due on June 22, will show to what extent May's sales growth was boosted by reducing the prices of spring clothes.

Inditex beat forecasts with a 6 percent rise in quarterly profit on Wednesday, driven by strong sales as fast turnover allowed Zara and other brands to react quickly to unseasonable weather.

Monthly fast-fashion sales trends are often volatile and influenced by the weather and H&M cited an unusually cold spring in some markets after sluggish sales growth in March and April.

But some rivals and analysts have expressed concerns that lacklustre sales at some clothing retailers also indicate slowing underlying demand in some markets.

There was a 1 percent decline in overall clothing sales in Germany, H&M's largest market, in May according to Textilwirtschaft industry data, and also a market decline in the United States.

"We expect the company to have marked down in price the unsold transitional product at least partly within the quarter. This is likely to impact the gross margin for the second quarter," Societe Generale analyst Anne Critchlow said, adding that the May reading indicated monthly like-for-like sales growth of 1 percent.

H&M said net sales in March through May, its fiscal second quarter, rose to 46.9 billion crowns ($5.6 billion) from 45.9 billion, below an analysts' forecast of 47.7 billion.
Shares in H&M, which did not comment on its sales figures, rose 1.5 percent to 245.90 crowns by 0735 GMT.