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## Disappointing start to 2018 for Eurozone consumption

Retail sales fell by 0.1% in January and December data was revised slightly downwards. While the outlook for consumption remains positive, some clouds are appearing on the horizon



Even though January did not see the bounce back in sales that most analysts had expected after a weak end to 2017, annual sales growth in the Eurozone held up nicely at 2.3%. Non-food products saw a healthy improvement from 3 to 3.8% on the year, while food, drinks and tobacco sales growth declined from 1.2 to 0.8%. Except for Belgium and Estonia, all countries are posting annual sales increases.

The Eurozone consumer continues to benefit from improving employment and weak inflation. Unemployment dropped to 8.6% in December, the lowest reading since 2008, while inflation remains well below target at 1.2%. This will likely boost consumption in the first months of the year, but some uncertainty has returned to the consumption outlook.

With a hung parliament in Italy as the most likely outcome of yesterday's election, the question is how well confidence among Italian consumers will hold up amidst continued political uncertainty. The increasingly concerning rhetoric about possible tariffs between large trade blocs could have an upward impact on inflation if acted upon. While we still expect healthy growth in sales for the

months ahead, downward risks to the consumer outlook seem to be back on the menu.

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