

## Eurozone consumption shows no sign of acceleration as retail sales fall in January

The decline in January indicates that the gradual downward trend in retail sales persists despite notable gains in purchasing power. This aligns with our expectations for a weak start to the year for eurozone GDP



The eurozone's retail sales are now 0.6% below the peak observed in September

Retail sales showed signs of recovery during the first three quarters of 2024. However, this gradual improvement began to decline in September. January marks the fourth consecutive month without growth in sales volumes, with the eurozone's retail sales now 0.6% below the peak observed in September.

The softness in sales volumes is remarkable given the fast recovery in purchasing power. Wage growth far outpaces inflation at the moment, resulting in quick real wage recovery. However, this has yet to translate into a robust rebound in consumption.

Concerns about the general economic situation and unemployment have increased over the past year. This has correlated with a higher savings rate. Despite concerns about unemployment increasing, the actual unemployment rate reached a new low of 6.2% in the eurozone. This indicates that the labour market remains tight despite consumer worries.

This year, we expect the improved purchasing power to translate into stronger consumption. The degree to which that happens very much depends on whether consumers feel confident to spend the increased amount of money in their pockets. For now, we expect uncertainty to result in spending weakness for the first quarter, meaning GDP growth will likely remain very sluggish.

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