

## Eurozone: decent start to the year for the consumer

The 0.6% jump in retail sales was not enough to bring it back to trend after a strong December dip although the start of the year is fairly robust. As the services PMI improved in February, the service sector seems to have gone into the coronavirus uncertainty in a fairly robust state



Vasco da Gama shopping center in Lisbon, Portugal

Retail sales bounced back a little from the large December decline. Sales recovered in all categories except for internet orders, which makes the recovery broad-based. Still, as sales failed to recover to a volume closer to the November peak, some doubts remain about consumption growth at the start of the year, despite decent fundamentals.

It is not bad news for the sales outlook though. Consumer and retail confidence actually jumped in February despite coronavirus concerns and inflation inched back a little, meaning that the second month of the quarter could have come in rather well from a sales perspective. The development of Covid-19 is, of course, the big downside risk to first quarter consumption although it remains too early to tell how this will materialise exactly.

Overall, the eurozone service sector looked pretty robust going into any possible

coronavirus turmoil. As the final PMI indicated, activity in the service sector improved somewhat in February, even though the survey was taken before the virus spread materially beyond China. So while underlying data were decent about halfway through the quarter, we are now waiting for data on what has happened since.

## Author

### Bert Colijn

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).