

## 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.

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