

Eurozone: Large drop in retail sales but it comes with green shoots

A first peek at consumption in the second quarter confirms that the second quarter will be worse than the first, but some silver linings are to be noted as lockdowns ease. Google mobility data indicates the daily activity at retail shops has been very cautiously increasing again



Source: Shutterstock

The unprecedented decline in sales continues, which was more or less to be expected as the lockdown in April covered the full month for most of the eurozone countries, while it only covered half of it for March.

The declines were still very modest by comparison for countries with softer lockdowns including Germany and the Netherlands experienced declines of -5.3 and -5.7% respectively. Austria, which saw shops reopen after Easter experienced a milder decline in April than in March as sales contracted by just -6.1% after a drop of -13.7%. Spain and France had larger declines of around -20%.

Google mobility data indicates that daily activity at retail shops has been very cautiously increasing again

The level of sales is now at its lowest since the start of the series in 2000 and the big question is what the recovery will look like from here onwards. There are some green shoots to be noted and it doesn't even require a hopeless optimist to see it.

Google mobility data indicates that daily activity at retail shops has been very cautiously increasing again from a low point at the end of March or early April already, so there are signs that May should post a small gain again. The April data is already giving us some clues about a turnaround as differences between sales categories are telling.

Food and beverage sales dropped by -5.5% in April after a rise in March due to hoarding, which also holds good for pharmaceutical products. That reversal is the main contributor to the larger decline in April than March as the downturn eased for sales in non-food products.

That should provide some hope for a small increase from the record low April base in May.

Author

Bert Colijn

Chief Economist, Netherlands

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.