Eurozone retail sales fully recovered in June

Wait, is that a V? Sales were back above February levels in June, confirming expectations of a quick start to the recovery due to the reopening of the economy. Don't translate this into a V-shaped recovery for the broad economy though; it is set to fall short

Socially distanced shoppers in Berlin

The recovery in retail sales paints a rosy picture about the eurozone economic recovery from the lockdown as sales recovered to pre-crisis level in June. This V-shaped recovery in retail sales is supported by a large amount of pent up demand as shops have been closed throughout most of the eurozone for the lockdown period. These figures confirm that initial spending has been able to close the gap already. By country, Germany, France and the Netherlands saw sales well above February levels, while Italy and Spain are still somewhat below the pre-crisis mark.

In June, textiles, clothing and footwear were the best performing sales category together with petrol, at a 20.4% growth compared to May. Electrical goods and furniture had seen a strong rise in May already and sales did not increase this month. Food, drinks and tobacco sales declined slightly in June, possibly because of people returning to restaurants and bars as they reopened.

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Don’t get too excited about these strong numbers though, as pent-up demand fades, the picture of rising unemployment and a stalled recovery in consumer confidence will subdue sales growth in the second half of the year. The big question is whether the increase in household savings will lead to people consuming more in the months ahead or whether they will save because of an expected prolonged economic slump. It is not unimaginable that retail sales will drop back to levels below the June peak and will then take a while to return. We’re therefore not sure this is a V-shape until we know what happens in the coming months.

All in all, this is to some degree an encouraging number for the broader economic recovery as it confirms that the sales recovery is fast out of the starting gate. Then again, retail sales cover a part of the economy that is relatively well-positioned to recover quickly as shopping for goods is not as limited by social distance and other safety measures than other parts of the economy. And we have a warning to expect a similar pattern in GDP; its recovery is likely to fall well short of these rosy June sales figures.

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