

Eurozone retail sales continue to flatline

The modest 0.1% rise in retail trade for July suggests a significant boost in third-quarter economic activity is unlikely. Given subdued domestic demand, inflation expectations for goods remain low



There is no evidence yet of a rebound in retail sales

Surveys on third-quarter performance in the eurozone have so far disappointed. The economy isn't showing signs of further acceleration after a surprisingly strong first half year. In fact, it looks like the economy is slightly decelerating at the moment. This would make for a disappointing recovery after a long period of stagnation.

The first hard data for the quarter are today's retail sales figures and they are not particularly encouraging. Retail sales have been slowly bottoming out after a large post-pandemic correction, but there is no evidence yet of a real recovery. The 0.1% increase in July still leaves retail sales 0.3% below the May reading.

Retail sales have suffered from the reopening of services after the pandemic and from a decline in real incomes for Europeans, which has limited goods consumption. While the reopening effects have been wearing off and real incomes are recovering, there is still no evidence of a rebound for retail. This also limits inflation expectations for goods, even though input costs have increased recently.

As a first reading of what the consumer is doing in the third quarter, this does not give us much

hope of a surprise surge in household consumption. Perhaps the Olympics have boosted consumption in France, but don't expect major surprises there. Today's sluggish sales figures illustrate the weak economic growth environment that the eurozone is currently in.

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