Eurozone retail sales dip further than expected in July

Retail sales dropped by 0.2% in July, slightly worse than expected. While this marks a poor start to the third quarter, it does look like the declining trend in sales from recent years is starting to moderate

We're not convinced that we'll see many signs of improvement for eurozone retail sales before the second half of 2024

The decline in eurozone retail sales was mainly driven by northern economies such as Germany, the Netherlands, Belgium and Ireland, which all posted quite significant drops in retail trade in July. France and Spain actually saw improving sales volumes, and Italy has yet to publish data so far.

Overall, today's data point fits the lacklustre trend in retail sales seen since mid-2021. Since then, we have seen a correction in consumption where services regained consumption share as economies reopened. This came at the expense of goods consumption, which had seen overspending in the early pandemic period.

Still, it appears as though we're seeing an easing of the correcting trend in retail sales. In recent months, it looks like sales have been bottoming out somewhat. This could indicate that the post-pandemic consumption shock is settling and that the improvement in real wages provides some support for the sector battling declining volumes. While it's still early to draw definitive conclusions, this would be favourable for retail and goods production.

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