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## Eurozone retail sales down again in February despite upbeat surveys

The downward trend in retail sales volumes continued in February, making a positive contribution to first quarter GDP unlikely. While there may be strength in places other than retail, these figures do not provide any particular reason to expect a strong rebound in growth



The Mall of Berlin, one of the city's largest shopping centres

Since peaking well above the pre-pandemic trend, the volume of retail sales has been declining and has since fallen to levels well below. The decline accelerated in 2022 and the start of 2023 shows no break from that trend yet. Of course, the value of retail sales spiked last year due to accelerating inflation but we are now seeing a plateau.

The February numbers were weak across countries as all five major markets saw declines in sales. Germany and France were the weakest at -1.3 and -1.5%, respectively. This supports the view of a consumer still plagued by high inflation and uncertainty about the economic outlook. Consumer confidence has recently become slightly more upbeat but remains at recessionary levels.

While surveys like the PMI and Ifo were more upbeat about the economy in the first quarter, we have not seen evidence from hard sales data so far. Unless we get a very strong March reading, retail sales will probably contract in the first quarter. Of course, retail sales may not be the place to

look for signs of an improving economy because services have been outperforming recently and there is some catch-up in production activity. Nevertheless, these retail numbers do not support the view of an economy rebounding vigorously.

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