

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.

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.