

Eurozone retail sales drop but service sector remains strong

Despite the drop in retail sales in August, outlook for the service sector remains strong as PMI for services in September came in stronger than expected



The strong boost that retail sales have received from the labour market recovery over recent years has levelled off over the summer.

With unemployment rate stagnating at 9.1%, retail sales experienced less tailwind from people returning to work. This may slow down the growth in sales somewhat, but the outlook for retail in the Eurozone remains bright.

Consumer confidence is at the highest level since 2001, and real wage growth has improved recently as nominal wages have accelerated in the second quarter and inflation remains soft. Job growth is also likely to increase again as the slowdown in employment recovery seems of a temporary nature given corporate intentions to higher.

Meanwhile, the September PMI for services came in better than initially estimated. The increase from 54.7 to 55.8 is one of the strongest in six years. Increases in demand have been notably high, causing backlogs of work to increase, which will cause positive spillovers in terms of output for the

fourth quarter.

The PMI also confirmed the need for further hiring as the rate of job creation indicated by the survey was one of the highest in the past decade. This continues to paint a rosy picture about the Eurozone economy and points to further upside in GDP growth for the end of the year.

Author

Bert Colijn

Senior Economist, Eurozone

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 <http://www.ing.com>.