

Eurozone retail sales drop partly reflects Black Friday popularity

The increased popularity of Black Friday made retail sales in December look overly weak. But taking November and December together, growth in sales was just modest, indicating that Black Friday doesn't account for all of the weakness



Source: Shutterstock

Retail sales fell by -1.6% month-on-month in December, after a jump of 0.8% in November. The decline was across product categories, with the exception of fuel sales which profited from lower oil prices. Annual growth in sales dipped to 0.8%, the weakest since September.

The rise in popularity of Black Friday means that December sales are looking overly weak. As the shift from December to November shopping has not yet ended, seasonal adjustment will fail to correct for this shift for now. Looking at the three-month moving average of retail sales which mutes the Black Friday effect, we see a recovery of growth in sales towards the end of the year after a stagnation in sales over the summer. While growth in sales has picked up for the holiday months, the combined annual growth for November-December 2018 was weaker than in previous years at just 1% compared to 2.8% in 2017, reflecting concerns about the global economy.

The outlook for consumption continues to be strong. Petrol prices for the eurozone have stabilised at a low level in January, which will dampen inflation data significantly over the coming months. With continued labour market strength, this means that real income growth in the eurozone is likely to benefit retailers. Uncertainty about the global economy continues to be the main factor holding back consumption growth, causing us to maintain a moderate outlook for domestic demand in the coming months.

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