

Eurozone retail sales drop sharply in October

A weak start to the fourth quarter as the retail correction continues. Expect the trend to continue with real wage growth still negative



The declining trend in retail sales continued at the start of the fourth quarter after a brief uptick in September. The drop of 1.8% month-on-month was broad-based. We saw declines for both food and non-food retail trade with only fuel sales ticking up. We saw a broad-based decline by country, too. Germany and France both experienced drops of almost 3% while the Netherlands saw a small dip. Spain was the exception among bigger countries with an increase of 0.4%.

The peak in sales was in the fourth quarter last year but we've seen a correction since. This is because of slowing demand related to the large purchasing power squeeze Europeans are experiencing, as well as the shift in the consumer's preference from goods to services since the economy reopened post-Covid lockdowns. The retail environment remains very tricky for the months ahead. We don't expect an immediate recovery as real wages remain deep in negative territory.

Inventories in retail were depleted in 2021 as shortages and high demand resulted in a struggle to keep the shelves filled for retailers. Now this situation is quickly reversing. Retailers have been stocking up as supply-side problems have been fading, but demand has also quickly started to

fade. That has resulted in quickly filled storage sites and uncertainty about whether sales will live up to expectations in the holiday period. The number of retailers that expects to raise prices fell in November.

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