

Snap | 7 July 2025

Eurozone retail sales drop in May, confirming second quarter weakness

The -0.7% month-on-month decline in retail sales coincided with a -0.3% decline in overall services activity in April. While surveys had previously indicated potential weakness in eurozone services for the second quarter, this concrete data confirms our expectations that GDP growth between April and June may have been negative



A shopping centre near Alexanderplatz in Berlin, Germany

Retail sales were strong at the beginning of the year, suggesting that despite consumer unease, stronger wage growth was still translating into a sales uptick. But May's numbers provide a reality check as sales fell by -0.7% on the month. Although this decline may be partly due to the timing of holidays, it clearly lowers the overall trend.

The potential for a retail sales rebound remains significant though as purchasing power continues to recover in the eurozone. The problem for now is that saving rates have continued to increase due to high uncertainty. Consumer confidence is currently low, which can have a lasting impact on sales in European retail districts.

Eurostat has also released broader services data for April today, indicating that production in

services started the second quarter on the wrong foot. The decline of -0.3% compared to March was mainly driven by a strong decline in ICT and real estate activities. The question is whether this is going to last longer. The PMI for services showed some improvement for June, but was more in line with stagnation, not recovery.

Now that we see service sector weakness in the hard data, this confirms our view that second quarter GDP growth may well have been negative. Especially if you consider a reversal of the frontloading of US imports, which could negatively affect the trade channel. After the strong first quarter, second quarter GDP will likely be a reality check for economic activity. The overall trend continues to be sluggish.

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