

Snap | 5 May 2023

## Eurozone retail sales fell more than expected in March

Retail sales in the eurozone fell by -1.2% in March, which means that retail once again contributed negatively to GDP growth in the first quarter. This adds to other weak eurozone March data, indicating that the bloc ended the first three months of the year on a weak note



While industry activity is slowing, services activity continued to expand in March

Retail continues to struggle with the loss of consumer purchasing power and a shift in preference away from goods and towards services, now that the Covid-19 pandemic has ended.

The volume of sales has been on a declining trend since late 2021 and the March 2023 data are consistent with a continuation of the downward trend. Declines in March were particularly large in Germany, France and the Netherlands at -2.4%, -1.4% and -1.3% respectively, while Spain saw an increase in sales of 0.7%.

With inflation falling, wage growth picking up and unemployment remaining low, the outlook for sales should show some bottoming out in the months ahead, particularly once the catch-up demand for services weakens again.

For the second quarter, though, it looks like the correction in sales could continue as real wages are

still falling in the eurozone. This disappointing March figure adds to some individual countries posting weak industrial data this morning and indicates that the first quarter ended on a weak note despite some upbeat survey data. While it looks like the second quarter was off to a better start, it is important to keep in mind that the eurozone is starting to feel the effect of tight monetary policy and still faces high inflation. We, therefore, expect a modest bounce-back in economic activity for the current quarter.

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