

## Eurozone retail sales: is this the start of a V-shaped recovery?

The bounceback in retail sales shows that retention of income throughout the lockdown has helped to kickstart the recovery in spending as businesses reopen. An encouraging start, but the road ahead will be a lot bumpier



After declines of 10.6 and 12.1% in March and April, respectively, retail sales increased by a whopping 17.8% in May. This does not fully recoup the losses of the past months, but does come far closer than most had expected. The surge in retail sales comes on the back of mixed data about the start and pace of the recovery. These numbers provide some reassurance that the reopening of economies indeed ignites an automatic jump in activity compared to the lockdown months. It looks like the good start to a 'V', but it's hard to see the recovery continue at this pace.

The May sales figures by country show a distinction between roughly two camps: the countries that have seen sales recover to above pre-corona levels and the ones that still saw sales below pre-corona levels. Almost all countries saw massive jumps, but the difference in levels is telling. Germany, the Netherlands, Austria and Finland - all countries with milder lockdowns - saw stronger sales in May than in January and February. France, Spain, Ireland and Portugal are not there yet (Italy has not released data over the past months).

The quick bounceback illustrates that household incomes have been supported enough to fuel a quick recovery as businesses reopen. Government support through short-time work has had a large role in this as a huge amount of employment is currently government subsidised. In the months ahead, retail sales will likely recover at a much slower pace as pent-up demand drops and unemployment continues to rise. It's a good start to the recovery, but in the months ahead, it will be a lot harder to maintain the current pace.

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