

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.

Author

Bert Colijn

Senior Economist, Eurozone

bert.colijn@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.