

## Eurozone retail sales jumped in June as consumers return to high street

Retail sales ended the second quarter on a high note after some volatility over the course of the quarter due to lockdown measures. We expect consumption to contribute strongly to GDP once again in the third quarter despite risks from the Delta variant



Retail sales increased by 1.5% in June as stores reopened. Sales were higher than ever before, which shows that the rebound from lockdown is now stronger than that seen last year. With more restrictions lifted and vaccinations proving to be a gamechanger, this makes sense. The growth in July was mainly seen in non-food products, while internet sales decreased. This is in line with some rebalancing from online to offline shopping as stores reopen and consumers feel safer to visit.

Still, it is important to note that the strong rebound in sales was not a foregone conclusion. The large economic shock of 2020 did not cause consumers to become cautious in terms of spending, largely thanks to furlough schemes which kept eurozone consumers' income relatively stable. Confidence among consumers is very high at the moment, which is translating into an immediate return of spending on high streets now that restrictions have been eased.

For the coming quarter, the question is whether June has already seen the end of the catch-up

demand or whether July will come in hot as well. We expect that there is more to come in terms of the rebound, but risks to the outlook remain. The Delta variant does not seem to have had much impact on behaviour so far, but has provided a warning about the service sector's performance in the months ahead. Either way, after a weak April due to shops closing again, the third quarter will probably be set for favourable consumption growth. This adds to our positive outlook for GDP growth this quarter as the economic rebound continues.

## Author

### Bert Colijn

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

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