

Why the revival of eurozone retail sales has been short-lived

Retail sales fell by 0.2% month-on-month in December, continuing a decline from a recent September peak. Weak consumer confidence is getting in the way of a solid rebound in retail sales despite improving purchasing power



Weak consumer confidence appears to remain a barrier to further consumption growth for the time being in the eurozone

After a quiet recovery of retail sales in the third quarter of 2024, the last three months of the year have shown a decline in activity again. While retail trade is still well above levels seen at the end of 2023, hopes of a short-term revival have fallen. It looks like weak consumer confidence remains a barrier to further consumption growth at the moment, with economic uncertainty having increased among European consumers since US President Donald Trump's election.

Besides confidence, underlying factors for spending do still point in the right direction. Consumers are still seeing real wage growth improve with nominal wage growth currently outpacing inflation significantly. The latest quarterly data shows an improvement of 3.3%, which is the strongest in decades. Over time, this will translate into a further recovery of retail sales in the eurozone, but the question is how gloomy consumers remain in the months ahead despite incomes improving.

Author

Bert Colijn

Chief Economist, Netherlands

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 www.ing.com.