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.

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