

## Eurozone retail sales saw disappointing rebound in August

The consumption rebound has waned quicker than expected as weak retail sales for August put pressure on 3Q household consumption growth expectations. The outlook for 4Q is only getting more muddled



Consumers came out in force when governments eased restrictions in the spring, but this effect ended sooner than most would have liked to see. After strong readings until June, July and August have now shown sales levels that are in line with the pre-crisis trend. August saw a 0.3% increase, which was below expectations and this comes after the sharp -2.6% decline in July.

This means that the consumer rebound has waned quickly over the summer months, which does not bode well for 3Q household consumption expectations. Without growth in September, retail sales will have only grown by 0.2% in 3Q after a 3.9% jump in 2Q on the back of reopenings.

The consumption outlook from here on gets a bit more muddled. With energy prices soaring, furlough schemes ending and rebound effects waning, we expect consumption growth to fade over the course of 4Q. We don't expect anything dramatic though as there are still quite a few factors suggesting that above-trend growth in retail sales is feasible. Think of the high savings still accumulated by Europeans, the low unemployment rate and historically high consumer confidence. Nevertheless, it looks like retail sales have peaked in 2Q and that consumption is set

for moderation from here.

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