

## Eurozone retail sales show weak start to 2Q

Sales decreased by 1.3% in April as weak consumer confidence and high inflation weighed on the economy. While this decline may overstate total consumption developments, it does provide further evidence of a serious eurozone slowdown



Spain counterbalanced Germany's very poor retail sales figures, with a surge in spending of 5.3%

Retail sales data show a bleak start to the quarter. The drop of -1.3% month-on-month was mainly driven by very poor German figures where sales fell by 5.4%. Spain counterbalanced that with a surge in spending of 5.3%, but the overall trend was cautiously down for most eurozone economies. In terms of spending, the decline was seen across the board with both food and non-food products seeing a tick down in spending. Food saw a larger decline though, which comes at a time when food prices have started to surge. It's too early to call causation, but we will be keeping a close eye on food prices as they continue to surge ahead of the summer.

The eurozone consumer is in a rough spot at the moment. With inflation soaring, real incomes are being squeezed massively at the moment. This results in very low consumer confidence at the moment, which is currently at levels usually associated with recession. But, be careful to extrapolate these figures one-for-one to household consumption. A strong surge in post-pandemic services spending seems underway according to the European Commission sentiment survey,

which will mitigate the impact of weak retail sales. Nevertheless, it does show that weak survey data is translating into weak hard data for the second quarter, which confirms our view of a seriously slowing or perhaps even contracting economy in the current quarter.

## Author

### Bert Colijn

Chief Economist, Netherlands

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

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