

Eurozone retail sales struggle despite purchasing power boost

Retail sales have been roughly stable in the first quarter in the eurozone, as March saw a small tick down by -0.1% compared to February. Despite real wage gains, uncertainty seems to be holding consumers back from spending



We expect that the shaky global economic environment will continue to spook consumers across the eurozone for some time yet

Uncertainty continues to cause consumers to shy away from spending on goods, as retail sales in the eurozone have been roughly flat since September 2024. In the year before, a gentle recovery of retail spending had occurred, but consumer confidence has been falling since November last year – coinciding with the US elections. The most recent moves don't bode well; eurozone consumer confidence fell sharply in response to the trade war escalating in April.

This means that consumers are sitting on the fence at the moment, despite the fact that wage growth is now outpacing inflation. Negotiated wage growth in the eurozone has trended above 4% since early 2023, while inflation has now fallen to benign levels just above 2%. This means that consumers are recovering lost purchasing power but are not yet using that to spend more at the store.

For the months ahead, we expect that the global economic environment will continue to spook

consumers, but modest growth in spending could still be in the making, with wage growth also expected to consistently outpace inflation.

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