

Eurozone retail sales tanked in December as restrictions hit shops

The drop in retail sales was disproportionately caused by countries imposing stricter Covid-19 measures. This confirms the drag from sales on GDP in 4Q and the retail environment remains uncertain for the months ahead thanks to high inflation



Pre-Christmas shoppers in Paris

The decline in retail sales does not come as a surprise as the impact of the 4th wave of the coronavirus negatively became bigger towards the end of the quarter. Countries with the most restrictive measures in place saw the largest drops – think of Germany and Netherlands for example – but declines were measured across the board. The positive thing to note here is that employment has continued to grow over the course of the wave, which means that incomes have largely been maintained. That means that recovery is to be expected once the wave subsides and measures get lifted.

Don't get your hopes up for sales in the months ahead though as headwinds remain. Even though we do expect a bounce-back once restrictions are lifted, we do expect retail sales to take a hit from high energy prices. As wage growth remains very modest at the moment, real wages are being hit hard by the soaring inflation rate, which dampens the outlook for household consumption. While high accumulated savings and expectations of nominal wage increases over the course of the year

could mitigate the impact, we expect the first half of 2022 to be weaker in terms of consumption recovery thanks to the curse of inflation.

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 <http://www.ing.com>.