

## 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.

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