

Snap | 6 March 2023

## Eurozone retail sales tick up less than expected in January

A small increase in retail sales in January suggests a weak start to the year for the consumer amid stubbornly high prices. While surveys about the first quarter have been relatively upbeat so far, these sales data don't give much evidence that a rebound has started. We expect GDP growth in the first quarter to be flat



The Mall of Berlin, one of the city's largest shopping centres

After the sharp decline in retail sales in December, a bounce back was expected in January, but the 0.3% month-on-month increase still leaves retail trade volumes well below the November figure. This is a weak start to the first quarter and makes growth over the quarter a challenge. Retail sales have been on a declining trend since November 2021, but taking the latest data into account, we can see that there has been a more rapid decline since the autumn of last year.

For the consumer, the positive thing is that the inflation peak is behind us, wages are improving, and the economy has not dipped into a material recession, which supports the outlook for employment. This has helped confidence to improve a little, but with purchasing power still being squeezed, it does not seem like there is a lot of momentum for a quick bounce back in 2023.

Overall, surveys are suggesting somewhat better economic activity in the first quarter, but given

fourth-quarter weakness and surveys missing the mark recently, performance at the start of the year is clouded in uncertainty. This makes it hard to get a strong view of where the economy is headed in the short term, but if today's release on retail sales is anything to go by, it doesn't look like the economy has started a rebound just yet.

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