

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.

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>.