

## Eurozone retail sales going through the roof in August

Retail sales grew by a whopping 4.4% in August. Increased spending due to pent-up demand and higher savings boosts goods consumption, but these levels of retail sales cannot be maintained in the months ahead weakening the consumption outlook for 4Q



Source: Shutterstock

The retail sector has been well-positioned to recover from the lockdown, which shows from the excellent August figures.

Incomes have been largely stable thanks to furlough schemes, spending on services has been more difficult due to social distancing measures in place after reopening and pent-up demand over the lockdown weeks has caused retail sales to recover very quickly. Now, as sales hit the strongest level ever recorded, it is likely that the months ahead will see some normalisation.

The increase in August came after a small tick down in July, which is in part related to the changed timing of summer sales in some countries.

Take France and Belgium for example, which saw large swings between June and August as

summer sales had been delayed from July to August. Other large countries also saw improvements though, with Germany seeing sales increase by 3.1%. Internet sales dipped in July, but bounced back strongly in August, indicating that the surge of digital sales has not ended either.

These sales numbers are almost too good to be true, with worries about unemployment rising and consumer confidence at historically low levels. Current levels of spending cannot be maintained for more than a few months at best, and are likely to be reversed sooner.

For GDP growth, this means that while 3Q figures promise to be stellar, 4Q will likely show a modest pace of recovery.

## Author

### Bert Colijn

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto: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>.