

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



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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.

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