

Is consumption the only game in town for the eurozone?

Strong retail sales seem to confirm a reliance on consumption for eurozone growth with June figures growing by 1.1% MoM. Domestic demand remains key for GDP growth in an uncertain global environment



Vasco da Gama shopping center in Lisbon, Portugal

Strong June sales round out a mixed quarter for the eurozone's retail sector. While sales dipped in May, the recovery in June resulted in growth over the quarter, albeit slower than in the first quarter. That is in line with the broader GDP picture, one of continued but slower growth.

Growth in sales was broad-based with increases across all product groups, led by clothing which was up 3.5% MoM. The outlook remains decent as the labour market continues to add jobs and wage growth is also contributing to better household incomes across the Eurozone. With inflation mild for now, which is likely to remain the case over the coming months, the porridge continues to be just the right temperature for consumers at the moment.

The big question remains whether consumers remain optimistic about the economy despite being surrounded by global growth worries. Consumer confidence has moved sideways over recent months thanks to optimism about improving household income on the one hand and concerns

about the economic outlook on the other. Still, more consumers indicate they are making major purchases at present, which is boosting retail sales figures. Even though consumers do view the months ahead with reservations, this is not leading to lower consumption of big ticket items, at least not right now.

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