

Snap | 2 August 2019

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.

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>.