

Eurozone: weak retail sales growth in line with expectations for weak 1Q GDP

The growth of 0.1% is no break from the downward trend in sales, which started in late 2021. This adds to expectations of sluggish consumption growth in the first quarter. This also means that goods prices are not a concern for the European Central Bank as it can fully focus on rising services inflation



We're not convinced that we'll see many signs of improvement for eurozone retail sales before the second half of 2024

The first hard data point for the eurozone economy in the first quarter did not provide reason for much optimism. Retail sales may have increased slightly after a sharp drop in December retail volumes but they are still well below the November level. This means that the January data point is still in line with the broad declining trend seen since late 2021.

For the months ahead, things don't look much better as the European Commission's monthly survey of retail trade shows that expected business is broadly unchanged for the months ahead and that inventories are not yet being built down. For inflation, this means that goods prices are set to remain very modest at best. Fewer retailers expect to increase prices in February compared to the months before. For the ECB, this means that goods inflation remains the poster child for disinflation while services inflation is an increasing worry.

The weak demand for consumer goods has broader implications though, as it also extends the weakness of the eurozone manufacturing sector. With inventories still high for both retailers and industrial corporates, there is no imminent pickup in the making when it comes to consumer goods production. So while the immediate impact on GDP of this January retail sales figure is relatively small, it is an indication of continued broad sluggishness in the economy at the start of the year.

Author

Bert Colijn

Senior Economist, Eurozone

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>.