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## Small rise in retail sales in September is unlikely to be a turning point for consumption

Eurozone retail sales grew by 0.4% month-on-month in September, rounding out a disappointing quarter for sales. We see a continued cloudy outlook for retail as spending power remains under pressure and confidence is still near record lows



A modest increase in retail sales in September rounded out a disappointing third quarter in terms of consumer spending. While there were some upside surprises to be noted, the consumer in general has started to reign in spending as the cost-of-living crisis continues and reopening effects from the pandemic fade. The effect of inflation is very apparent in retail sales as consumers bought -2.6% lower volumes in September than in June of last year but have spent 8.1% more.

Netherlands and Germany led the way with 1.3 and 0.9% month-on-month increases respectively, while France, Italy and Spain all saw more or less stable retail trade compared to last month.

The outlook for retail remains bleak, with ongoing inflation eating into consumer spending power

and uncertainty about the economy increasing. This has resulted in record-low consumer confidence over recent months. While that is not necessarily a strong predictor of household consumption, movements as pronounced as this have always been associated with a contraction in consumption. We expect consumption to contract in the current and coming quarter, followed by a very modest recovery.

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