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Western European Indicators and Insights

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Eurozone: Weaker consumer signals continue.

According to Federal Statistics Office data, German real retail sales (excluding auto and petrol sales) slumped 2.8% M/M in May, a downside surprise accentuated by downward revisions to previous data, with the previously estimated April rise now pared back to a flat reading. Indeed, it is notable that sales have fallen in three of the last four months of data, interspersed by that flat April outcome. Further highlighting the recent weakness, the Y/Y rate of growth slowed to 2.2%.

Meanwhile in France, and surprising to the downside yet again, household spending on goods in May decreased by 0.8% M/M, a downward-surprise partly tempered by upward revisions to previous months, but with clear falls still posted for both April and March. The break-down showed the drop this time around to be broad-based rather than centered around a slump in car sales as was the case in the April numbers. Partly as a result, Y/Y household consumption growth fell back further, swinging back to the negative to the tune of -1.8%.

The weakness in official consumer spending data is becoming more manifest throughout Europe, very probably a reaction to the squeeze in household incomes caused by rising prices and restrained remuneration. Hitherto, the weakness in sales was manifest in the peripheral countries (Spanish sales fell 6.6% in May), but with a clearer more negative tone now emerging in France and Germany as well as apparently strong growth countries outside of the Eurozone such as Sweden and Norway.

Such weakness is emerging alongside the clear signs of a softening in business confidence, with the question being the extent to which such consumer weakness may start to temper price pressures (NB: Spanish inflation fell back clearly in June flash numbers released today).