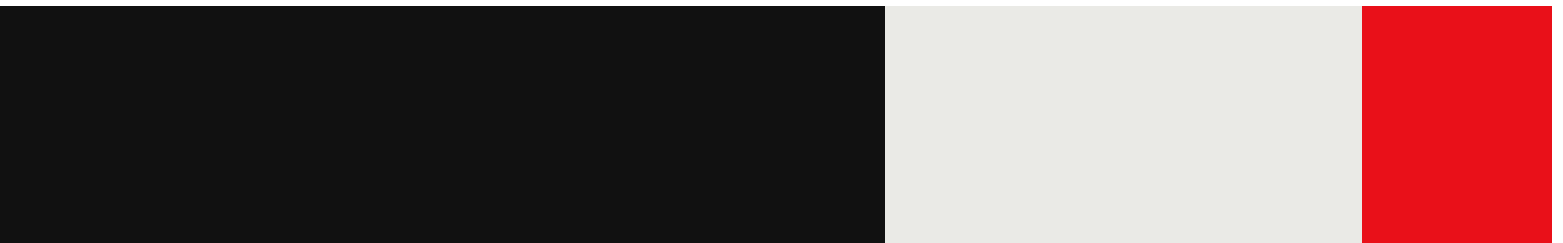


Retail sales in Europe and the US head in opposite directions

Article



The trend lines: While the European economy appears headed toward a recession, the US economy may manage to achieve a so-called soft landing in which growth is moderate but positive, and unemployment rises modestly.

- Eurozone households' retail spending in October fell 1.8% month-over-month (MoM), the largest MoM decline since July 2021, [according](#) to Eurostat. On an annualized basis, spending

declined 2.7%.

- By contrast, **US retail sales rose 1.3% MoM in October**, thanks in part to **Amazon, Walmart**, and others pushing high-profile promotions as they attempted to pull **holiday demand** earlier than ever, **per** the US Commerce Department. On an annualized basis, retail sales jumped 8.3%, outpacing the rate of inflation.

Europe's unique challenges: The war in Ukraine, and Russia's attempt to weaponize energy by shutting off the flow of gas through a key pipeline to Europe, sent energy costs soaring **41.5% YoY in October and 34.9% YoY in November**.

- That's driven retailers to make changes such as lowering the temperature in their stores and switching off lights in shops earlier at night or in unoccupied areas of their stores.
- Some are turning to layoffs. **H&M** recently **cut** 1,500 of its roughly 155,000 employees to help it balance weak sales in several key markets as well as rising raw material and freight costs.
- A survey by the German Retail Federation (HDE) of 500 companies found more than half expected this holiday sales period would be worse than last year, and 21% feared it would be considerably worse.

Categories in Which Consumers in Germany Are Planning to/Have Already Reduced Spending Due to Inflation, March 2022

% of respondents

Restaurants/pubs	55%
Food/coffee to go	47%
Energy	44%
Fashion	43%
Entertainment	42%
Food	42%
Fuel	40%
Travel/vacation	40%
Consumer electronics	28%
Furniture	27%
Beauty/personal care	26%
Subscription services	26%
Domestic appliances	24%
Sports/fitness equipment	22%
Streaming services	22%
Books and magazines	21%

Note: n=945 ages 16-65

Source: Appinio, "Appinio Hype Train," June 1, 2022

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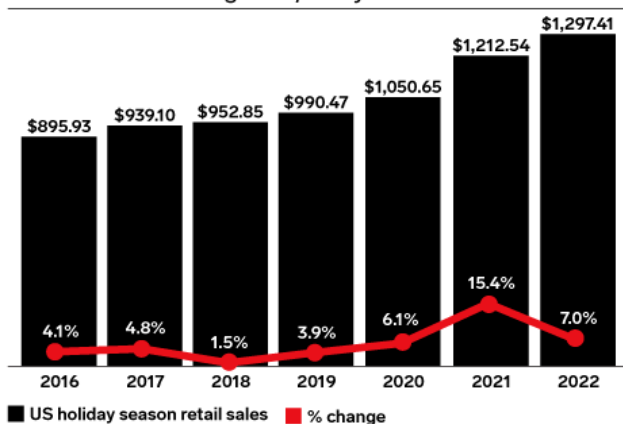
eMarketer | InsiderIntelligence.com

The US retail landscape: It's a different story in the US, where several economic indicators suggest households headed into the holiday season in a good position to spend despite high inflation.

- A record number of consumers, 196.7 million, shopped in stores and online over the Cyber Five, per the National Retail Federation. And their spending outpaced inflation as total US retail sales from Thanksgiving Day through the Sunday after rose 10.9% YoY, before moderating slightly on Cyber Monday to 9.7%, per Mastercard SpendingPulse.
- Online shoppers spent \$107.7 billion online, up 8.7% YoY, from Nov. 1 to Nov. 28, per Adobe Analytics.
- We expect US retail sales to grow 7.0% this year, although most of those gains will stem from inflation.

US Holiday Season Retail Sales, 2016-2022

billions and % change vs. prior year



Note: excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, food services and drinking place sales, gambling and other vice goods sales; sales are for Nov and Dec of each year
Source: eMarketer, Sep 2022

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The big takeaway: The European economy is expected to contract this quarter and the first quarter of next year, per a European Commission forecast released last month.

- Even amid the downturn, some retailers see opportunity to sell to cost-conscious consumers. For example, British fashion retailer **Primark** plans to invest 100 million euros (\$104.9 million) to open new stores and refurbish existing ones in Spain, its second-largest market, as it seeks to appeal to shoppers looking for a bargain, according to The Business of Fashion.

- There are some reasons for optimism. For instance, the eurozone's unemployment rate is at its lowest point since records began in 1998. If unemployment remains low, many economists expect a recession to be short-lived, per The Wall Street Journal.

*This article originally appeared in Insider Intelligence's **Retail & Ecommerce Briefing**—a daily recap of top stories reshaping the retail industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.*

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