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## GERMAN CONSUMERS: ENJOYING LIFE AGAIN

### Berenberg Macro Flash

**Taking advantage of the early re-opening of shops, German consumers opened their wallets like never before in May.** The 13.9% mom surge in German retail sales in June beats all previous pan-German records and more than erases the April drop of 6.5% mom (see Chart 1). Judging by these data, German consumers largely reacted to the lockdowns and the virus by postponing purchases from March and April to May rather than by raising their savings rate significantly.

The German approach to the pandemic with early lockdowns, calm communications and significant fiscal support seems to be paying off. Taking April and May together, retail sales were still 1.6% below the Q1 average and 2.7% below their pre-pandemic peak of February 2020. After a catch-up effect in May, German retail sales will likely fall back closer to their underlying trend in June. Even if June exceeds the April/May average only slightly, the overall result for Q2 would be just a modest quarterly drop of some 1% qoq. Some other parts of consumers spending such as travel and tourism as well as many other services will likely be weaker. People who had missed a physiotherapy in April and May have likely not made up for that by three times as many appointments as usual in June. Still, the German retail sales data point to an upside risk to our forecast of a 13.9% qoq drop in German and a 15.1% qoq drop in Eurozone GDP in Q2.

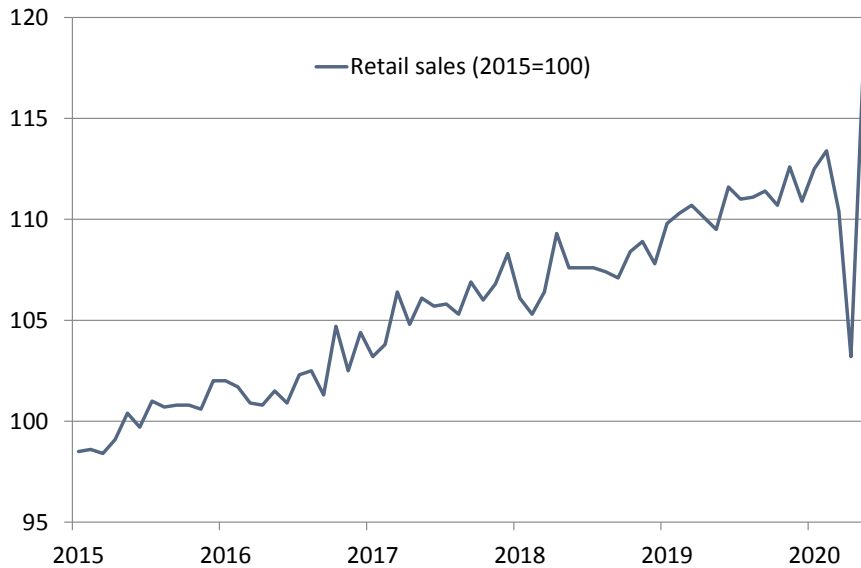
**The good news from consumers is not just confined to Germany.** From a very low base in April, French consumer spending on manufactured goods rebounded by 36.6% mom in May. That left French consumer spending in May 7.2% below the pre-pandemic level of February 2020 after a shortfall of 32% in April (see Chart 2). In France, however, the April/May average still came in 15.3% below the Q1 average.

**A note of caution:** German retail sales data are prone to major revisions. We thus need to take the data with a pinch of salt, especially as the May data seem almost too good to be true. Other data such as footfall in shopping areas point to a major rebound in May from April but not to record sales. Nonetheless, the underlying story should remain intact even after possible revisions: German consumers are spending again.



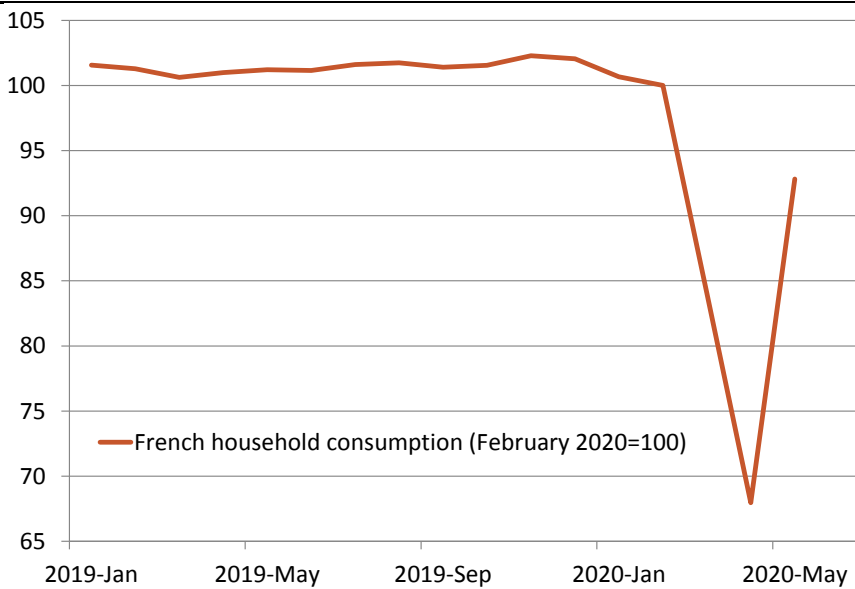
## MACRO NEWS

**Chart 1: German retail sales (volume, 2015=100)**



Source: Destatis

**Chart 2: French household consumption (volume, February 2020=100)**



Source: INSEE



## MACRO NEWS

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