

Eurozone

German household spending growth contrasts with downturns in France and Italy

- Retail PMI signals on-going upturn in Germany
- Italy's consumer downturn eases
- French households see renewed cut in spending

Markit's retail PMI series continued to show strongly divergent consumer spending trends in the euro area's largest economies. An increase in spending in Germany contrasted with a renewed weakening in France and an on-going marked downturn in Italy. However, even in Italy, the rate of decline has moderated sharply since earlier in the year.

The survey data therefore suggest that consumer spending is acting as a positive driver of economic growth in Germany, and that spending is acting as less of a drag on the economy in Italy. In France, however, the data suggest the economy may be seeing some payback from a stronger than expected upturn earlier in the year.

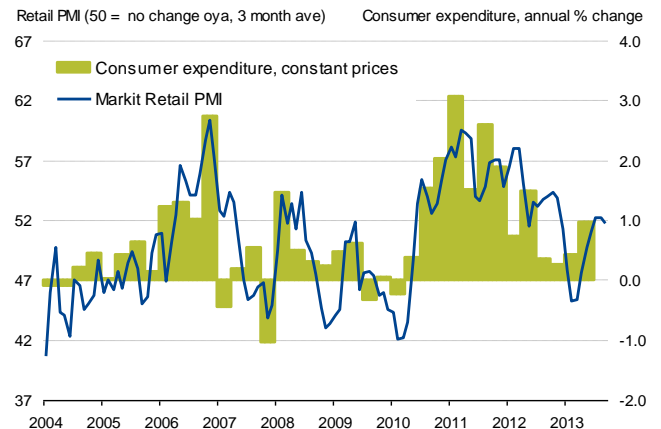
German consumer uplift

The strongest retail survey results of the three major countries were seen in Germany, where the PMI has signalled an annual rise in like-for-like sales in each of the past five months. Although easing in October, the trend in the survey remains consistent with consumer spending rising at a robust annual pace of approximately 1.0%.

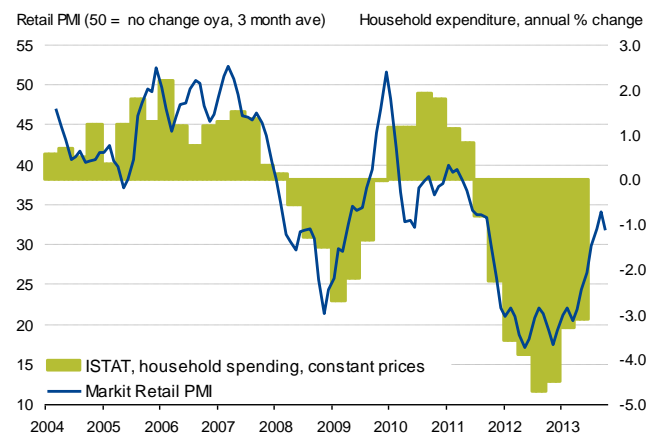
Reduced consumer drag in Italy

In Italy, the PMI survey index measuring the change in retail sales compared to last year has signalled falling sales for 45 successive months, and the index fell further into contraction territory for the second month running in October. However, the index remains firmly higher than earlier in the year and, despite weakening in October, the trend in the index remains the strongest seen for two years. The data suggest that the rate of decline of consumer spending has moderated sharply from the 3.1% annual rate seen in the second quarter, easing to around 1.0% in the third quarter and remaining at that pace at the start of the fourth quarter.

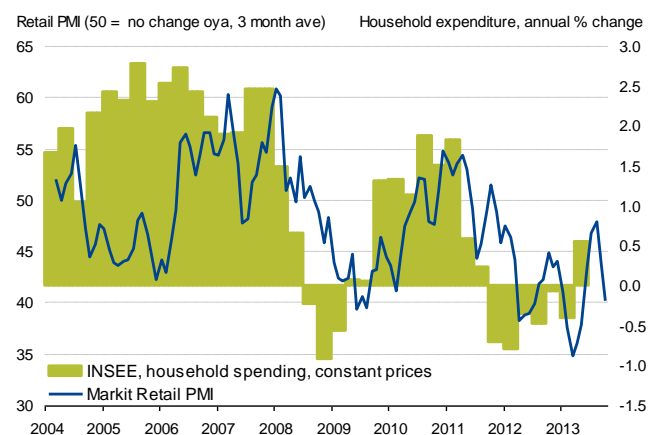
Germany



Italy



France



Households in France start to revive

In France, the PMI index measuring year-on-year retail sales has fallen steeply into negative territory in recent months, having briefly signalled expansion in July. The renewed weakness of the PMI suggest that the 0.6% growth in household expenditure recorded by official data in the second quarter could prove to be a short-lived upturn, and that some pay-back from this upturn may be evident in the official data for the third quarter.

Chris Williamson

Chief Economist, Markit

Tel: +44 207 260 2329

Email: chris.williamson@markit.com

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