

Box 4

Retail sales in the euro area

The analysis of retail sales (or retail trade turnover) plays an important role in the monitoring of developments in final domestic demand in the euro area. In combination with other indicators, such as registrations of new passenger cars, the monthly data on retail sales provide a useful indicator of private consumption.

Since September 1999 the ECB has regularly published data on retail sales for the euro area, as received from Eurostat, in Table 5.2 of the "Euro area statistics" section of the ECB Monthly Bulletin. In addition to total retail sales, these data distinguish between sales of food, beverages and tobacco and non-food sales (in particular clothing, furniture, household equipment, books and newspapers and medical and pharmaceutical goods), in accordance with the statistical classification of economic activities in the European Community (NACE Rev. 1, Division 52). The individual categories of retail sales are assembled according to the *main* product range of the reporting enterprises. The product groups are therefore not fully homogeneous.

Retail sales, in common with a number of other important monthly and quarterly indicators, are covered by the EU Council Regulation of May 1998 concerning short-term statistics. This Council Regulation provides a harmonised framework for retail trade statistics in all EU countries and requires that monthly results, both in current and in constant prices, be made available by all countries within two months of the end of the reference month (three months for countries contributing less than 3% to the total value added of retail trade in the EU and for retail trade data at a disaggregated level). Not all countries are yet in a position to fulfil this requirement. Moreover, not all of the sub-components foreseen by the Council Regulation are available yet. The Council Regulation on short-term statistics will eventually lead to harmonised retail sales data for the euro area. At present, however, the national methods still differ in some important respects, such as the treatment of value added tax (which is included in some countries and excluded from sales in other countries) and the exclusion of a number of different sub-sectors of retail trade from national results. Work has started recently at the European level on the harmonisation of the methodological basis for retail trade statistics.

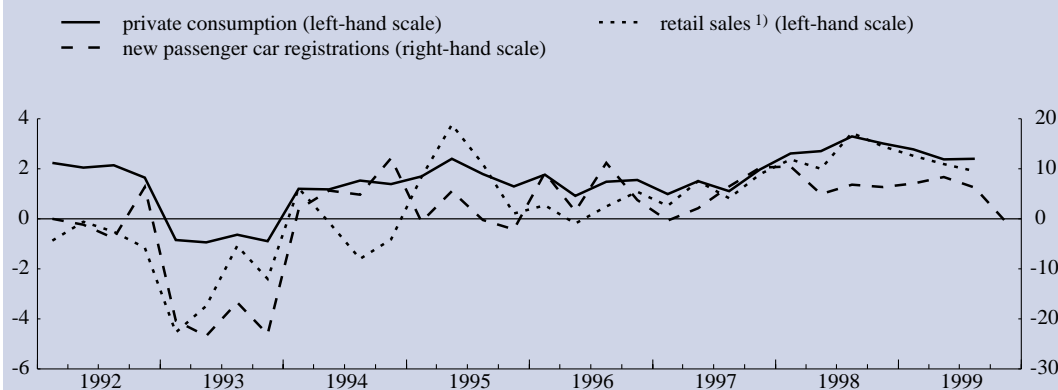
Eurostat compiles euro area results by aggregating national data, weighted by total sales expressed in ECU for the year 1995. Euro area estimates are made available as soon as a sufficiently high coverage of the euro area is available. The first estimates, which in most cases cover 70% of the euro area, currently become available two to three months after the end of the reference month. Forecasts are implicitly made for the results of the missing countries using autoregressive moving average methods (ARIMA models). The data are typically revised as results for further countries become available. Moreover, revisions of national data carried out by the national statistical institutes also lead to revisions of euro area aggregates. Seasonal adjustment of the euro area series is carried out by Eurostat directly on the basis of the unadjusted data, rather than by aggregating the seasonally adjusted series produced by the individual Member States.

Neither sales of cars and motorcycles nor sales of fuel are included in the euro area retail trade data. However, some evidence on the former is provided by monthly data on passenger car registrations provided by the European Automobile Manufacturers' Association (ACEA). The data on passenger car registrations, while not identical to the value or volume of car sales (and including the registrations of cars used for commercial purposes), cover all euro area countries with a short time-lag.

As can be seen from the chart below (which links together earlier aggregated national data on retail sales with the Eurostat data available from 1995 onwards to derive a longer time series), although retail trade accounts for only around two-fifths of total private consumption, there is nevertheless a reasonably close relationship between the growth rates of retail sales and those of total private consumption. While car sales account for only approximately 5% of the total in the breakdown of total private consumption, passenger car registrations also appear to track private consumption quite closely over the same period. Both series are subject to higher volatility than private consumption, even when – as in the chart – quarterly averages are considered. This is particularly true of passenger car registrations. One reason for this is that private consumption in the national accounts includes other expenditures, in particular on rents, including the imputed value of rents for owner-occupied housing, which usually exhibit a much smoother path than retail sales. The decline in both retail sales and passenger car registrations was more pronounced in 1993 than in overall private consumption. In the past two years the growth rate of retail sales has been very close to that of private consumption.

Private consumption, retail sales and new passenger car registrations in the euro area

(annual percentage changes; quarterly data)



Sources: Eurostat and ACEA/A.A.A. (European Automobile Manufacturers' Association).

1) Total retail trade turnover at constant prices. To end-1995, ECB aggregation of national data; from 1996 onwards, Eurostat data.