

## Belgium: Consumer confidence drops sharply

The human tragedy caused by the war in Ukraine and the very sharp rise in energy prices has led to a drop in consumer confidence



Confidence indicators for the month of March have provided an early indication of the economic impact of the war in Ukraine. While the ZEW index (focused on professional investors) declined in March, the publication of consumer confidence in Belgium confirmed that the shock of war in Europe and the subsequent impact on energy prices have been felt particularly acutely by households. The confidence index dropped from 1 to -16, which represents a fall similar to that recorded in April 2020 at the onset of Covid-19 and the beginning of the first lockdown.

In terms of the components of the confidence index, the outlook for the Belgian economy saw the biggest decline. Both the fall and the level (-47!) represent historic records. However, the unemployment outlook only moderately increased. This is a small consolation, which probably reflects once again that, despite the shocks, the labour market is relatively tight.

Confidence is known to be a key determinant of household consumption. The war in Ukraine has certainly amplified the fall in confidence. And given the psychological shock and the sharp rise in energy prices (particularly high for Belgian consumers), real household consumption will be severely weakened for several months.

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