

## Eurozone consumer confidence continues to improve at low levels

The consumer confidence index increased to -17.5 in April from -19.1 in March. While this level is historically associated with falling household consumption, the upward movement does suggest there's light at the end of the tunnel for consumer purchasing power



Consumer confidence dropped to record lows last year as the war in Ukraine weighed on sentiment and on consumer wallets as inflation soared. Nevertheless, this initially did not lead to contracting consumption as the post-pandemic reopening caused catch-up spending – mainly on services – among eurozone consumers.

In the fourth quarter, however, we saw a record contraction in household consumption (excluding pandemic periods of lockdowns), which was not just due to lower energy consumption, but also due to the falling consumption of semi-durable goods and services. This came on the back of slightly recovering consumer confidence. Signs of confidence in consumption have therefore been muddied by post-pandemic activity.

In recent months, we've seen wages improve while inflation has cautiously started to come down. We're getting closer to the point where eurozone wage growth outpaces inflation again, but for

now we continue to deal with purchasing power losses. On the bright side, the labour market has continued to see record-low unemployment levels, which provides a solid base for continued consumption. Together, this creates an environment of modest consumption growth over the course of 2023.

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