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Eurozone consumer confidence drop reinforces lacklustre start to 2Q

After rising for the first three months of the year, the fall in consumer confidence points to modest household consumption at the start of 2Q



Not a great start to the second quarter, as consumer confidence drops from -7.2 to -7.7 in April. The consumer was just seeing confidence recover at the start of the year, after a continuous decline over the course of 2018. The improvements in wage growth, slowing inflation and declining unemployment rate had boosted confidence in times of global economic uncertainty, but the April decline shows that the recovery was fragile, as confidence has dropped back to January levels.

The strong rise in petrol prices over recent weeks may have contributed to the drop in confidence, as real incomes have been impacted negatively by the jump since the end of March. The drop in confidence means that consumption growth will likely remain modest for now, and is in line with the weaker service sector PMI that came out last week. With industry still signalling a contraction in output, according to the manufacturing PMI, April does not mark the start of a bounce back in growth.

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