Eurozone consumer confidence drops as Covid cases rise

The consumer confidence index fell from -4.8 to -6.8 in November, which is a marked drop coming from historically high levels. It looks like consumers are getting more worried about the latest wave of Covid cases and higher inflation, which could translate into weaker spending this quarter

Few people out in Vienna, Austria, on day one of the latest national lockdown

Without more than a headline number, it's hard to get a good sense of what consumers are really getting more worried about. At face value, there is still a lot to like about the current economy. The labour market is fuelling income growth and should take away worries about spending as jobs are relatively plentiful.

Uncertainty for consumers seems to be stemming from two big issues. The rising cases of Covid and inflation. The first has the risk of causing further lockdowns and economic pain over the winter months. Quite some countries have already taken new restrictive measures and it looks like there'll be more are to come in the coming weeks. This clearly has a dampening effect on the economic outlook and this casts a shadow on consumer confidence at the moment.

Inflation is another factor, especially as energy prices have been soaring, which is now being felt in

households across the continent. That results in an income squeeze as real wage growth suffers on the back of this despite a strong labour market. Without significant upward pressure on wages, we could see a dampening effect on consumer spending as lower-income groups especially spend a larger part of their income on energy bills.

All in all, the drop in consumer confidence seems to be illustrative of worries about new Covid cases and their possible impact on the economy and of inflation concerns. Both are set to have a dampening impact on the consumption recovery this winter, which further curbs the economic outlook for the months ahead.

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