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Eurozone consumer confidence drops surprisingly as new cases rebound

Confidence has come down from euphoric levels as new cases increase again in large eurozone economies. While the outlook for domestic demand still looks strong, this does cast a little doubt over the speed of recovery in the third quarter



Source: Shutterstock

Consumer confidence in the eurozone decreased from -3.3 to -4.4 in July. The June reading was among the highest ever recorded and this surprising drop still leaves confidence well above historic averages. Still, it is a sign that consumers have become slightly more cautious as the Delta variant starts to take hold in most eurozone economies.

The increased cases have caused governments to change course a bit on a fast reopening, with some delays in easing measures and some tightening also announced. This will somewhat dampen the strong growth pace expected for 3Q, but the outlook does remain strong if no further tightening of restrictions is announced in the months ahead. That, of course, is highly dependent on the further spread of the virus, the impact on hospitalisations and the government response.

With consumer confidence still high, domestic demand remains set for a strong rebound. This will

fuel the GDP recovery over the summer months. Still, the spread of the Delta variant will have an impact on the economy and is set to be a key downward risk to the outlook.

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