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Snap

Eurozone consumer confidence falls to lowest level in more than a year

Another sharp drop in consumer confidence in August, from -1.9 to -2.9. While the economy maintains a decent pace, worries among consumers are intensifying. This curbs the outlook for consumption in the months ahead

Data from recent months suggests that consumers are increasingly worried about unemployment in the months ahead. Indeed hiring plans of businesses seem to have levelled off somewhat as uncertainty about the business environment has increased and it seems very unlikely that unemployment will increase in the months ahead. In fact, labour shortages are becoming an increasing problem for companies across the eurozone. If that is the largest worry that consumers face at the moment, they could be in for a pleasant surprise.

Other factors are also playing a role though. Inflation is becoming more of a concern again as energy prices have pushed headline inflation to 2%. With wage growth at just 1.9% in the second quarter and improving only slowly, real income growth continues to be an issue for households and curbs the consumption outlook despite employment growth maintaining a decent pace.

Macroeconomic concerns also play a role as consumers have become much less positive about the general economic situation over recent months. As the deadline for a deal about Brexit is coming closer, Italian budget concerns are still apparent and the trade dispute between the US and China is escalating, the overall economic picture is clouded by downside risks. Consumers may therefore adopt a “wait-and-see” approach in a year that could hold positive surprises on the job market.

Bert Colijn

Senior Economist, Eurozone

+31 20 563 4926

bert.colijn@ing.com

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