

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.

Author

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.