

Eurozone consumer confidence plummets in March

Eurozone consumers are quickly losing confidence as index shows the second-largest monthly drop on record due to high inflation and war concerns



Slowing consumer spending seems to be in the making as higher prices bite

Consumer confidence in the eurozone took a hit in March, falling to the lowest level since May 2020. This marks the first datapoint about the eurozone economy since the war in Ukraine started and energy prices surged further. The drop from -8.8 to -18.7 takes consumer confidence down to levels previously associated with recessions. The consumption outlook has been clouded by inflation shooting up further in recent months. With wage growth remaining stable at low readings, for now, this has resulted in the largest decline in eurozone real wages in at least 50 years, which is clearly reflected in the plunging confidence figures.

The big question is how higher prices and concerns about security interact with savings built up during the pandemic and the reopening of economies. The reopening effect has surprised consistently since the second quarter of last year, and the recent easings of restrictions have come with steady increases in mobility again. The negative impact on consumer spending could therefore fade over the coming months as the boost from reopenings weakens. In any case, slowing consumer spending seems to be in the making as higher prices bite which clearly impacts

confidence.

Author

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

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