Eurozone consumer confidence ticks back down in July

The rise in consumer confidence has come to an abrupt stop, raising concern about the recovery of domestic demand.

The recovery in consumer confidence came to an abrupt end in July as confidence ticked down from -14.7 to -15. After two months of quick recovery, the question now is whether this is a premature end to the recovery for consumers or whether it is a mere interruption. For now, it sure causes doubts about the pace of recovery in a critical phase for the eurozone economy, as reopening after lockdowns should coincide with strong demand if lasting damage is to be minimised.

As this release does not provide further detail until next week, it is not yet clear what has caused the dip in confidence this month. It is perhaps caused by concerns about new local outbreaks across the eurozone or because concerns about unemployment in the year ahead are rising as hopes of a V-shaped recovery fade. The current level of confidence is better than during most recessions, but similar to pessimism experienced in the dot-com crisis. If confidence were to move sideways for a while, this would normally translate to a weak household consumption recovery.

This is no ordinary recession though and despite the fact that consumer confidence is still well below its pre-corona crisis levels, retail sales already showed a very strong recovery in May. As savings rates have gone up during the crisis due to concerns about the economy and many places being shut down anyway, the big question is: how much pent-up demand will be seen in the months ahead? Sales figures have so far been encouraging, but the July confidence figures...
cast some doubts over the spending outlook for the months ahead.

Bert Colijn
Senior Economist, Eurozone
+31 20 563 4926
bert.colijn@ing.com
Disclaimer

“THINK Outside” is a collection of specially commissioned content from third-party sources, such as economic think-tanks and academic institutions, that ING deems reliable and from non-research departments within ING. ING Bank N.V. (“ING”) uses these sources to expand the range of opinions you can find on the THINK website. Some of these sources are not the property of or managed by ING, and therefore ING cannot always guarantee the correctness, completeness, actuality and quality of such sources, nor the availability at any given time of the data and information provided, and ING cannot accept any liability in this respect, insofar as this is permissible pursuant to the applicable laws and regulations. This publication does not necessarily reflect the ING house view. This publication has been prepared solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. 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).