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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



Vasco da Gama shopping center in Lisbon, Portugal

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.

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