

Snap | 20 May 2022

## Eurozone consumer remains downbeat

The consumer confidence indicator ticked up slightly in May, from -22 to -21.1. This confirms persistent concern about high inflation and a weak global economic outlook and will add to slowing household consumption in the quarters ahead



Consumer confidence is still not that far above first lockdown lows even though it slightly improved in May. These levels of confidence have only been seen in recessions in the past 40 years, which leads to a gloomy outlook for consumption for the months ahead.

It's entirely reasonable for consumers to be downbeat about their finances and the global economy. With prices soaring and concerns about the global economy becoming more widespread, it makes sense that consumers are cautious for the moment. Retail sales already showed that 1Q spending was the weakest since 2Q 2021, but early 2Q data show a positive reopening effect on demand for services.

The question is what consumers will actually do. Do bars and restaurants remain too tempting to spend on now that it's possible and relatively safe again to go out? Or do consumers quickly adjust spending patterns down as ugly energy bills continue to come in? Tuesday's PMI will shed more light on whether reopened service sectors are still profiting from excess consumption, but our best guess is that the reopening wave of consumer activity will not last much longer.

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