

## Johnny-come-lately: meet the Eurozone consumer

Flash Eurozone consumer confidence declined in May after a minor uptick in April. Without a more dynamic consumer, it's hard to see stronger Eurozone growth in the coming quarters



Eurozone consumer confidence fell in May to 0.2 from a downward revised 0.3 in April. The strong increase in oil prices in the course of this month might have been one of the factors weighing on confidence. That said, the current confidence reading remains close to historical highs and based on long-run correlations, it is compatible with consumption growth between 2-2.5%. However, that is not what we have seen, as the current growth rate in consumption expenditure is closer to 1.5%.

The disappointing performance of consumption in this recovery is not new. Since 2010, only three out of 32 quarters have seen year-on-year growth in consumer expenditure above overall GDP growth in the Eurozone. Although unemployment has now been falling five years in a row, it is still above pre-crisis levels. At the same time wage growth has remained very subdued. All of this means that consumption as a driving force in the growth story now comes even later in the cycle than usual. But for that to happen both employment and wage growth should have to pick up in the coming quarters and a further slide in sentiment should be avoided. A lot of conditions at this juncture. That's why we continue to see consumption as a growth support, but not strong enough

to foster a genuine growth acceleration in the remainder of this year.

## Author

### **Peter Vanden Houte**

Chief Economist, Belgium, Luxembourg, Eurozone

[peter.vandenhoute@ing.com](mailto:peter.vandenhoute@ing.com)

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