

Trade tensions weigh on eurozone consumer confidence

Eurozone consumer confidence drops in April, jeopardising hopes for a consumption-led recovery in 2025



Shoppers in Cologne, Germany

The first Eurozone sentiment figure since "Liberation Day" is worse than expected

Consumer confidence for April is the first economic figure reflecting the impact of the "Liberation Day" tariff announcements. And it is bad. The flash estimate fell to -16.7 in April from -14.5 in March, clearly below the -15.5 consensus expectation.

While there is not a one-on-one correlation between consumer confidence and household consumption (with the former being more volatile), this doesn't bode well for consumption growth. Isn't the economy all about animal spirits, after all? In the March ECB staff economic projections consumption growth was expected to accelerate to 1.4% this year, supported by higher real incomes and a decline in the household saving rate from the still elevated levels. In the current circumstances the reverse might happen, namely that in the wake of high uncertainty consumers increase their savings and delay big-ticket purchases. So the consumption-led recovery story might start losing traction rapidly.

On top of that, the uncertainty is also likely to affect business investment negatively. Not to mention the direct impact of tariffs on exports, which in the best case (US import tariffs at 10%) will already shave off around 0.1 percentage point of eurozone GDP growth this year. Bottom line is that we see GDP stagnating in the second and the third quarter, with overall GDP growth for 2025 at 0.5%.

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