Euro-Zone Consumer Confidence Weakened in July

Survey Indicates ECB Stimulus Fails to Convince Households Outlook is Improving

By Paul Hannon
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Consumer confidence in the 18 countries that share the euro weakened for the second straight month in July, an indication that new stimulus measures announced by the European Central Bank have failed to convince households that the economy is on the mend.

The European Commission Wednesday said its preliminary measure of consumer confidence fell to minus 8.4 in July from minus 7.5 in June. Economists had expected an unchanged reading.

The ECB announced a package of measures on June 5 designed to stave off the threat of dangerously low inflation in Europe, including cutting a key interest rate below zero for the first time to get banks to lend more to credit-starved customers.

It is too early for those measures to affect growth and inflation. But the commission’s survey indicates that consumers don’t view the ECB’s measures as having the potential to improve the outlook for the economy and their own prospects.

If sustained, the decline in confidence could further weaken an already modest recovery. With the unemployment rate still close to a record high, and wages growing slowly, consumers have been wary of increasing their spending, leaving the currency area to rely heavily on exports for growth.

A survey released earlier Wednesday by French statistics agency Insee showed business sentiment in the euro zone’s second largest member was flat in July as industrial companies remained cautious about their activity in the coming months.

The reading of sentiment in the manufacturing sector was 97 in July, unchanged from June. Economists polled by The Wall Street Journal had expected a reading of 98 in July.

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