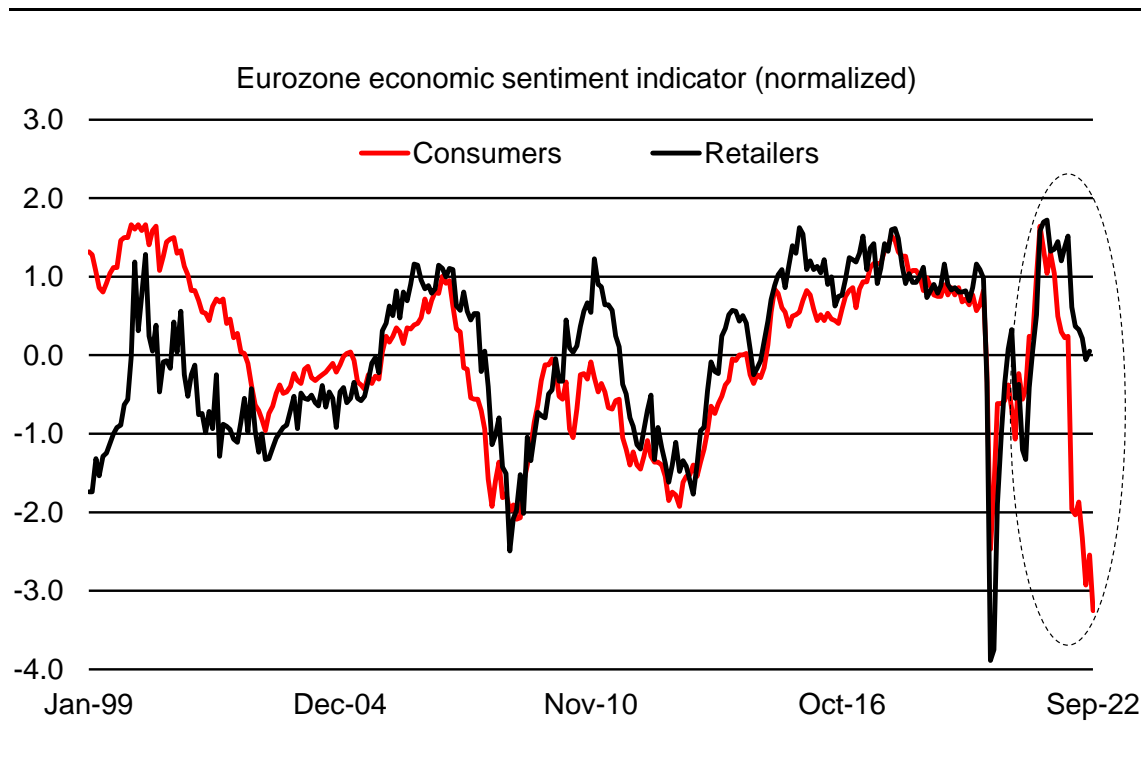


Household squeeze intensifies



Source: EC, UniCredit Research

- The squeeze on real disposable income caused by surging inflation has taken a heavy toll on consumer sentiment globally, and the eurozone is no exception. The preliminary estimate for consumer confidence for September, published yesterday, recorded a drop to a new all-time low.
- Our *Chart of the Week* shows the unprecedentedly large gap that has opened up between sentiment among households and retailers, with the latter displaying very good resilience so far. The main reason is probably the high pricing power of retailers as the economy rebounded from the slump caused by the pandemic. This has allowed them to pass on to consumers a meaningful share of their higher input costs, thus safeguarding profit margins.
- We suspect that this trend will not prove sustainable as the economic outlook darkens and households become progressively less keen on spending the large savings accumulated during the pandemic. Despite a resilient labor market, in the eurozone this is likely to translate into a consumer-driven recession at the turn of the year and reduced profitability for retailers.

Marco Valli, Global Head of Research, Chief European Economist (UniCredit Bank, Milan)
+39 02 8862-0537
marco.valli@unicredit.eu

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UniCredit Research*

Macro Research



Marco Valli
Global Head of Research,
Chief European Economist
+39 02 8862-0537
marco.valli@unicredit.eu



Dr. Ingo Heimig
Head of Research Operations
& Regulatory Controls
+49 89 378-13952
ingo.heimig@unicredit.de

Head of Macro Research



Marco Valli
Global Head of Research,
Chief European Economist
+39 02 8862-0537
marco.valli@unicredit.eu

European Economics Research



Dr. Andreas Rees
Chief German Economist
+49 69 2717-2074
andreas.rees@unicredit.eu



Dr. Loredana Federico
Chief Italian Economist
+39 02 8862-0534
loredanamaría.federico@unicredit.eu



Stefan Bruckbauer
Chief Austrian Economist
+43 50505-41951
stefan.bruckbauer@unicreditgroup.at



Tullia Bucco
Economist
+39 02 8862-0532
tullia.bucco@unicredit.eu



Edoardo Campanella
Economist
+39 02 8862-0522
edoardo.campanella@unicredit.eu



Walter Pudschedl
Economist
+43 50505-41957
walter.pudschedl@unicreditgroup.at



Chiara Silvestre
Economist
chiara.silvestre@unicredit.eu

International Economics Research



Daniel Vernazza, Ph.D.
Chief International Economist
+44 207 826-7805
daniel.vernazza@unicredit.eu

EEMEA Economics Research



Dan Bucsa
Chief CEE Economist
+44 207 826-7954
dan.bucsa@unicredit.eu



Gökçe Çelik
Senior CEE Economist
+44 207 826-6077
gokce.celik@unicredit.eu



Mauro Giorgio Marrano
Senior CEE Economist
+43 50505-82712
mauro.giorgiomarrano@unicredit.de



Artem Arkhipov
Head, Macroeconomic Analysis
and Research, Russia
+7 495 258-7258
artem.arkhipov@unicredit.ru



Hrvoje Dolenc
Chief Economist, Croatia
+385 1 6006-678
hrvoje.dolenc@unicreditgroup.zaba.hr



Dr. Ágnes Halász
Chief Economist, Head, Economics and
Strategic Analysis, Hungary
+36 1 301-1907
agnes.halasz@unicreditgroup.hu



Ľubomír Koršňák
Chief Economist, Slovakia
+421 2 4950 2427
lubomir.korsnak@unicreditgroup.sk



Anca Maria Negrescu
Senior Economist, Romania
+40 21 200-1377
anca.negrescu@unicredit.ro



Kristofor Pavlov
Chief Economist, Bulgaria
+359 2 923-2192
kristofor.pavlov@unicreditgroup.bg



Pavel Sobíšek
Chief Economist, Czech Republic
+420 955 960-716
pavel.sobisek@unicreditgroup.cz

UniCredit Research, UniCredit Bank AG, Am Eilsbach 4, D-80538 Munich, globalresearch@unicredit.de
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