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Economic Comment

Consumer confidence crash

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Construction output rose in March by 3.5% y/y, more than expected by the market (+2.5%) and us (-0.5%). Seasonally adjusted growth was much below January-February readings, but still positive. The sector is suffering from limited workforce availability, but in the medium term may be shielded from demand collapse by the government investment program. GUS consumer confidence measure tumbled in April – expectations, incl. unemployment worries, have never been worse. The sharp reaction of consumer confidence confirms that we have entered a period of very limited private consumption.

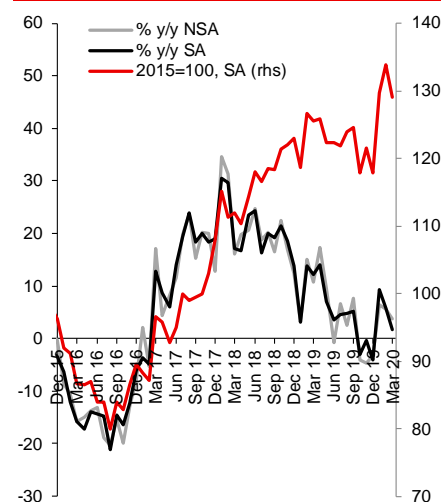
Construction output rose in March by 3.5% y/y, more than expected by the market (+2.5%) and us (-0.5%). Seasonally adjusted output growth was 1.6% y/y vs 5.8% in February and 9.3% in January. Correcting for base effects, we can see that civil engineering and specialised works seem to be doing well, while the performance of housing construction was relatively weaker (2.9% y/y rise in March but vs -2.6% recorded a year earlier).

A GUS survey on coronavirus consequences showed that the sector had one of the largest share of employee absences due to quarantine and other restrictions, which may affect output numbers in the following months. On the other hand, we noticed in the industrial output data, that the industries supplying the construction sector (mineral products, metals) saw relatively mild deterioration in March. The government investment plan announced as a part of the support package, while without a fixed time span, may make the sector recover relatively quickly after the epidemic, even with reduced investment plans of private companies.

GUS **consumer confidence** measure tumbled in April. This was the first release of the survey after the introduction of lockdown. Current situation index dropped to the lowest reading since 2004 and the expectations index set a new all-time low. Current financial situation was so far affected to a limited extent – the index dropped by 11 pts m/m to the lowest level in four years, compared to a >30pt drop of financial situation expectations. The huge deterioration of unemployment worries index (new record) reveals the panic response of households. It is also striking that the openness to major purchases index set a new all-time low in April, only eight months after setting the all-time high. The sharp reaction of consumer confidence confirms that we have entered a period of very limited private consumption.

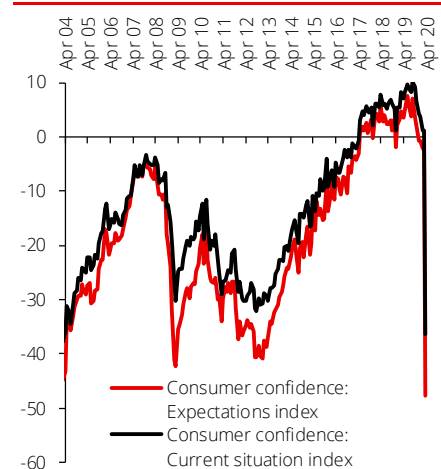
GUS asked consumers additional questions related to the epidemic: 19% are seriously worried about losing a job or closing a business, another 29% consider this is possible; 44% say the epidemic is a serious threat to their financial situation, while 37% consider it to be a moderate threat.

Construction output, % y/y



Source: GUS, Santander

Consumer confidence indexes



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