

## Economics Group

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## Consumer Confidence Jumps to New Cycle High

**Consumer confidence surged to new highs in February, rising 6.5 points to 130.8 during the month. The strong job market has pushed consumers' assessment of the present situation even higher. Expectations also rose.**

### Consumers are Very Upbeat About the Economy

Consumers have not been this upbeat about the economy since late 2000. The Consumer Confidence Index rose further than expected in February, as both the present situation and the expectation series rose solidly. The headline came in at 130.8 in February, besting the previous high of 128.6 posted in November. After cooling slightly in January, consumers' assessment of the current economy became even more favorable in February. February's reading of 162.4 was 7.7 points higher than in January and 5.9 points above its previous cycle high hit in December. Consumers' expectations also improved markedly, notching an index of 109.7, which rivals its recent highs.

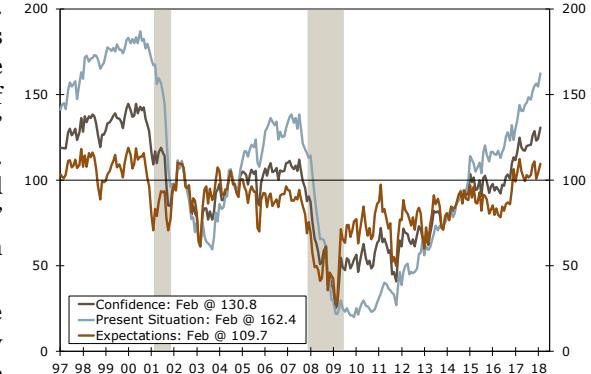
The job market was the main driver of the surge in confidence about the present economy. The share reporting that jobs are plentiful jumped to a new cycle high of 39.4 percent while reports that jobs are hard to get declined to a new cycle low of 14.7 percent. The fact that the labor differential, or the gap between those views, is now at its widest point of the cycle is further evidence of a tightening labor market that should result in further upward pressure on wages. Respondents are increasingly realizing that workers are in very tight supply, which should incentivize more job switching. The report today suggests more wage gains may be evident in the jobs report on Friday.

The evidence of wage growth in the January jobs report, and its potential impact on inflation and the path of interest rates, sent the markets in a tailspin in early February. Consumers, however, remain unconcerned about inflation, with this report's measure of inflation expectations essentially unchanged. The sell-off did cause the share of respondents expecting higher stock prices a year from now to fall about 10 points from its all-time high of 51 in January. The share expecting higher interest rates rose to about 70 percent. Plans to buy a home or an automobile in the next six months were little changed despite expectations of higher interest rates.

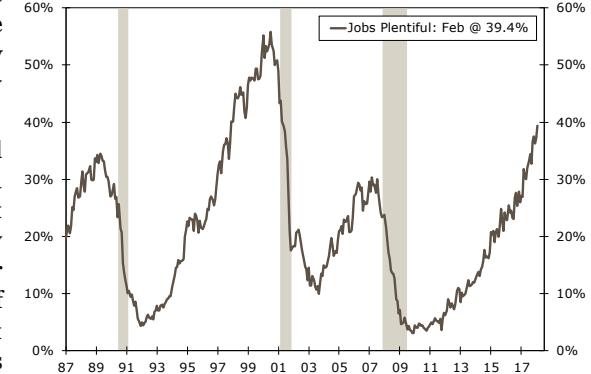
Consumers' rising expectations in February stemmed from better views on business conditions, employment and income. Respondents' expectations about business conditions six months from now had retreated in December and January as tax policy and its impact on business was still being flushed out. The share expecting better conditions rose 4.3 points to 25.8 percent. Expectations for employment opportunities in six months increased as well. Very few respondents expect fewer jobs in six months, only 11.9 percent, which is near the cycle low in October.

Income expectations, which were little changed immediately following the tax cut in January, reacted positively in February. The share expecting higher income rose 3.2 points to 23.8 percent, which is the highest of the cycle. The share expecting income to decrease also rose slightly, from 7.9 percent to 8.6 percent. New withholding tables took effect in February, so these responses are likely early assessments. As the survey cut-off date was February 15th, March data will likely provide a fuller picture.

### Conference Board Consumer Confidence Present Situation and Expectations Index



### Do Consumers Feel Jobs Are Plentiful? Percent of Consumers, Conference Board



### Confidence: Income 6-Month Expectations Conference Board, Percent of Consumers, 3-Month Moving Average



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