Consumer Confidence Declines Slightly in June

Consumer confidence fell slightly in June, as expectations declined 4.0 points. Consumers may be growing a bit concerned about the mounting trade dispute, as expectations fell sharply in the Upper Midwest.

Consumer Confidence Falls in June

The Conference Board’s Consumer Confidence Index declined 2.4 points to 126.4 in June following May’s upwardly-revised gains. Despite the dip, consumer confidence remains at a fairly high level and remains consistent with solid gains in consumer spending. Moreover, consumers remain upbeat about their employment and income prospects.

Most of June’s drop was in the expectations component, which fell 4.0 points to 103.2. Ongoing trade disputes, rising gasoline prices and the generally late stage of the expansion are all likely contributing to consumers’ concerns. Consumers still feel relatively upbeat about future economic conditions, however, with more than twice as many consumers stating they expect business conditions to improve over the next six months (21.4 percent) than those expecting conditions to worsen (9.8 percent). The vast majority of consumers expect conditions to remain about the same (68.8 percent).

Fewer consumers expect their incomes to improve over the next six months (18.8 percent), while slightly more consumers expect their incomes to fall (8.7 percent). The vast majority (72.5 percent) expect their incomes to remain about the same. Consumers are more optimistic about their employment prospects, however, with the proportion expecting more jobs to be created over the next six months rising 0.3 percentage points to 20.0 percent, and the proportion expecting fewer jobs to be created falling 0.5 percentage points to 12.6 percent.

While the expectations series fell 4 points, consumers’ assessment of current economic conditions was essentially unchanged, falling just 0.1 point to 161.1, which left it near a 17-year high. Although the share of respondents reporting business conditions as “good” declined 2.6 points in June, the share of respondents reporting business conditions as “bad” also dropped, falling 0.9 points to 11.7 percent. Even with the drop, more than three times as many consumers rate current economic conditions as ‘good’ than feel they are “bad.” Optimism about current employment conditions also fell back somewhat in June, with the proportion of consumers stating that jobs were plentiful falling 2.1 points to 40 percent, and those that feel jobs are not so plentiful rising 2.8 points to 45.1 percent. The share reporting that jobs are hard to get fell 0.7 percentage points to 14.9 percent.

Consumers’ assessment of employment conditions is a fairly good leading indicator of nonfarm employment growth and the unemployment rate. While optimism about the labor market was reined in during June, the labor market differential remains relatively high at 25.1, which is consistent with a solid rise in nonfarm payrolls. The drop in the proportion of consumers stating that jobs are hard to get is also consistent with further improvement in the current 3.8 percent unemployment rate.

June’s slight dip in consumer confidence is not a big concern. The drop in the expectations component, however, is a useful reminder that for all the current strength, conditions can easily come undone if trade disputes spill over into the job market, or upend financial markets.

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