



# Economics Group

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## Consumer Confidence Rises Modestly in July

*Confidence rose 0.3 points in July to 127.4, and the prior month's drop was smaller than first reported. Consumers generally feel upbeat about current economic conditions but are showing concern about the future.*

### Consumer Confidence Inches Higher

Consumer confidence rose slightly in July, as consumers generally remain upbeat about current economic conditions. The increase partially offsets a 1.7-point drop in June, which now is a bit smaller than first reported. All of the decline occurred in the expectations component, which fell 2.3 points to 101.7. Consumers' assessment of current economic conditions rose 4.2 points to a new cycle high of 165.9.

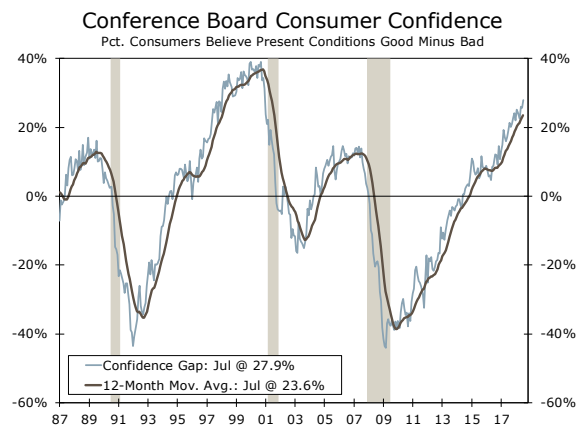
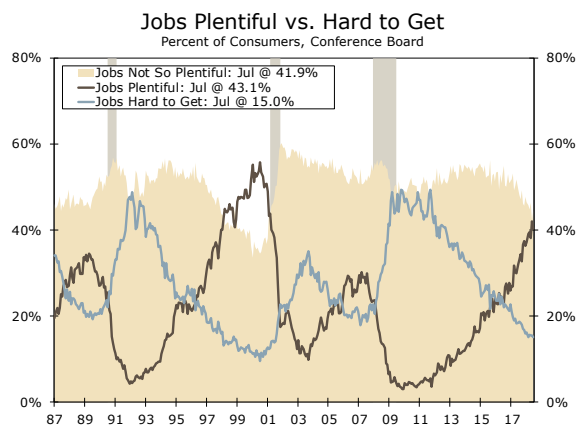
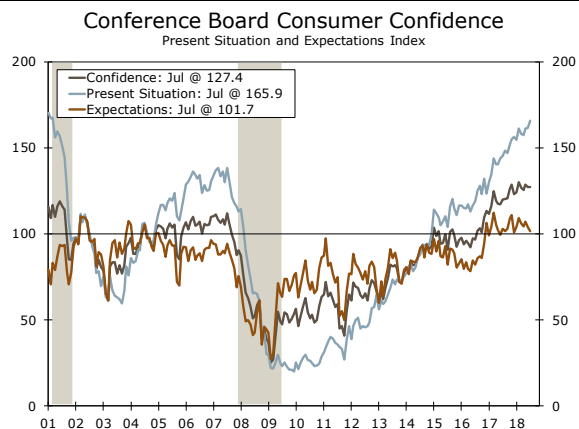
The split between consumers' assessment of current economic conditions and their expectations for future conditions likely reflects the impact of all the negative headlines surrounding the ongoing trade negotiations and tariff battle. So far, there has been little tangible impact on day-to-day economic conditions. Nonfarm employment has continued to increase solidly and wages and salaries are rising a bit more rapidly.

Much of consumers' optimism about current economic conditions likely stems from their view on the labor market. The proportion of consumers stating that jobs are plentiful rose 2.7 points in July to a new cycle high of 43.1 percent, while the share stating that jobs are hard to get fell 0.1 percentage point to a new cycle low of 15.0 percent. The labor market differential, which is the difference between these two series, rose 2.8 points to a new cycle high of 28.1 percent. The improvement is consistent with a decline in the unemployment rate this Friday, which we are expecting following the uptick reported in June.

While optimism about current economic conditions continues to edge higher, consumers are growing slightly more concerned about future economic conditions. The expectations series fell 2.3 points in July to 101.7, marking its second consecutive decline and fourth drop in the past five months. While the expectations series has inched lower, there has not been a sudden drop in optimism about the outlook for the next six months or a sudden risen in pessimism. Instead, the proportion of consumers expecting economic conditions to improve over the next six months has essentially leveled off at around 23 percent over the past six months, while the share of consumers expecting conditions to worsen has edged up to around 10 percent.

Consumers still feel fairly certain about employment prospects, with the share expecting more jobs to be created over the next six months rising 2.5 points in July to 22.5 percent and those expecting fewer jobs to be created rising 2.6 points to 15.7 percent. Both the number of consumers expecting incomes to increase over the next six months and those expecting incomes to decline rose by similar amounts as well in July. The split opinion on expectations for future economic conditions is not unusual this late into the business cycle. Part of that is simply arithmetic, reflecting the large number of consumers that feel economic conditions are exceptionally strong today.

The split between consumers' views on current versus future economic conditions is captured in our bottom chart. The current divide is reminiscent of what was seen in the latter half of the 1990s. The current expansion is beginning to resemble that one, which proved to be the longest on record.



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