



# Economics Group

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## Confidence Not Yet Shaken Materially

*Consumer confidence rose to a six-month high, although last month's initial reading was revised lower, taking some of the air out of the balloon. That said, the COVID-19 impact mercifully has not yet been too pronounced.*

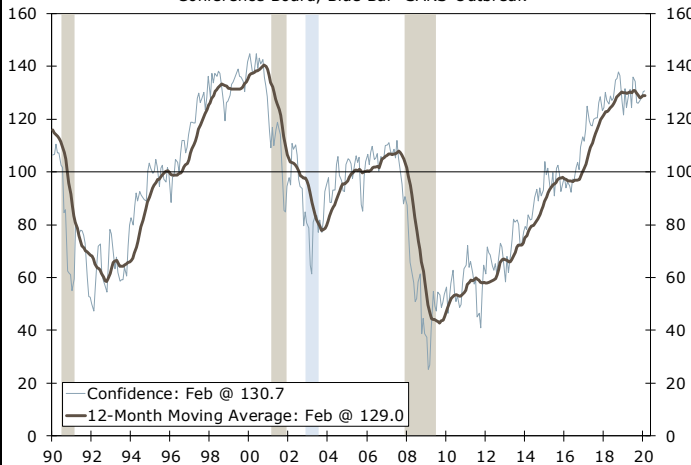
### COVID-19 & SARS; Solid Jobs Still Supportive

- In 2003, during the SARS breakout, confidence briefly cratered, though whether that was attributable to the outbreak of disease or the war in Iraq is impossible to know. It is still early days, but so far confidence is holding up comparatively well.
- There is no getting away from the fact that COVID-19 is weighing on sentiment, but one thing that remains quite healthy is the U.S. jobs market, which continues to underpin confidence.

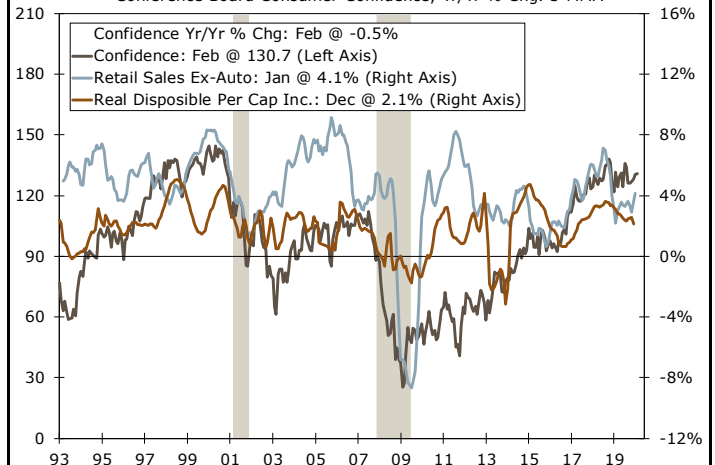
### Vexing Gap Between Confidence and Spending

- The trend strength in confidence has not been matched by robust income growth or consumer spending. The top right chart shows that this is somewhat of an anomaly. It is rare to see core retail sales and real disposable income grow so slowly amid high confidence.
- The expectations component jumped to 107.8, the highest reading since July of last year.

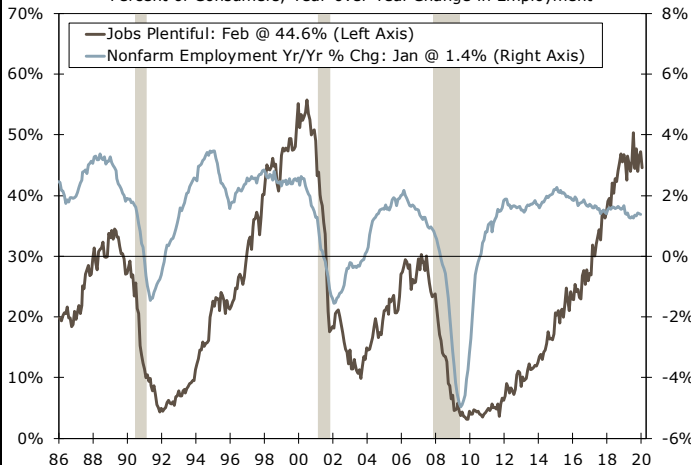
**Consumer Confidence Index**  
 Conference Board, Blue Bar=SARS Outbreak



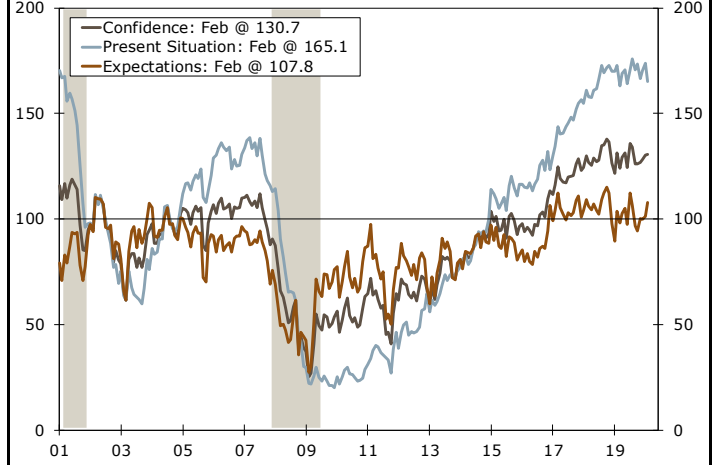
**Confidence vs. Retail Sales and Income**  
 Conference Board Consumer Confidence, Yr/Yr % Chg. 3-MMA



**Jobs Plentiful vs. Nonfarm Employment**  
 Percent of Consumers, Year-over-Year Change in Employment



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



Source: Conference Board, U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Securities

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