

## Economics Group

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### Consumer Confidence Finishes 2017 On A Strong Note

**Consumer Confidence rose 4.3 points in December, as expectations continued to rise following the election. The expectations series surged 10.1 points in December and is up nearly 20 points since October.**

#### Consumers Have Great Expectations for 2017

The Consumer Confidence Index rose solidly in December, marking another high for this business cycle. All of December's gain, however, came from further improvement in expectations for the economy during the coming six months. The Conference Board survey's measure of the current economic conditions declined in December, reversing much of the previous month's improvement. At 113.7, the overall level of consumer confidence is now at a level that has typically only been bested near the peak of previous business cycles. The one exception was the long, tech-driven expansion of the 1990s, which pushed Consumer Confidence to its all-time high.

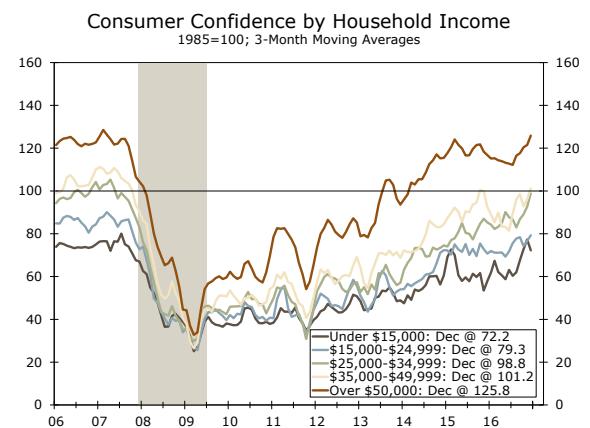
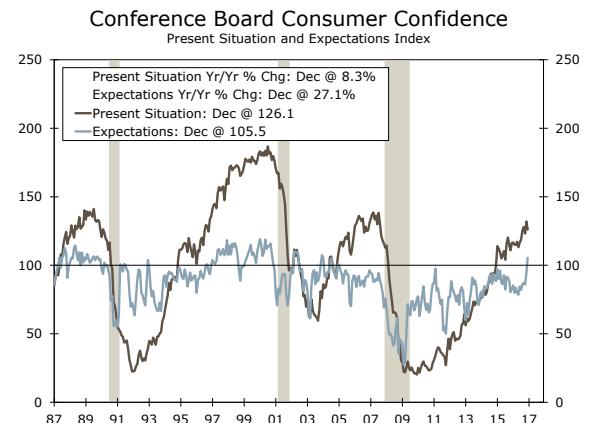
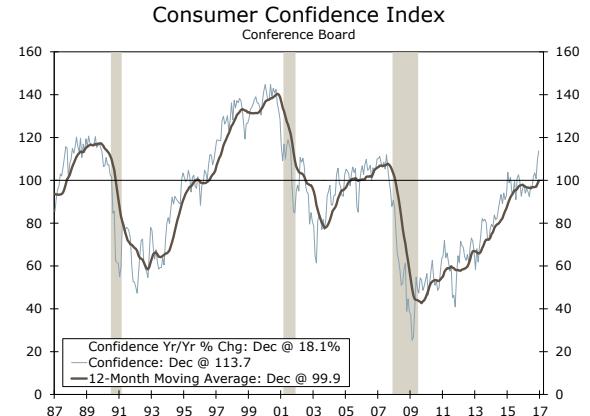
#### Consumers See Current Conditions The Same As Pre-Election

Consumers' assessment of current economic conditions is now roughly in line with where it was prior to the presidential election. The present situation index fell 5.9 points to 126.1 in December, which is still a very strong overall reading. Most of the decline was due to a rise in the proportion of consumers stating current business conditions were bad which rose 2.1 points to 17.3 in December. That puts this measure precisely where it was prior to the presidential election. The proportion of consumers stating that current conditions were good fell 0.5 points to 29.2 percent but remains 1.7 points higher than it was in October.

Most of the action in the Consumer Confidence Index has been in the expectations component, which tends to be more influenced by external factors, such as the presidential election, and the surging stock market. All three of the subcomponents of the expectations series improved during the month. The proportion of consumers expecting business conditions to improve over the next six months jumped 7.2 points to 23.6 percent, while the proportion expecting more jobs to be created rose 4.9 points to 21 percent. The proportion of consumers expecting their income to increase over the next six months rose 3.6 points to 21.0 percent and the proportion expecting their income to fall declined 0.6 points to 8.6 percent. The income differential jumped 4.2 points to 12.4, which marks a new cycle high for this series.

The income differential tends to be a fairly good predictor of consumer spending going forward and the most recent rise continues the improving trend that should bode well for consumer spending. Buying plans mostly rose during the month, with plans to purchase a vehicle jumping 1.5 points to 14.3 percent. Plans to purchase major appliances and to take a vacation also increased, but plans to purchase a home fell modestly.

Consumers' expectations for inflation also remained surprisingly quiescent. Expectations for inflation over the next 12 months fell 0.3 percentage points to 4.5 percent, which is rather low for this survey.



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