



Economics Group

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Consumer Confidence Still High Despite April Pullback

Consumer confidence fell a bit more than expected in April but, at 120.3, remains near a 12-year high. Consumers' views of both present and expected conditions were dialed back, but remain at solid levels.

Paring Back Only Some of Last Month's Surge

Consumer confidence fell 4.6 points in April to 120.3. The pullback was a bit more than expected and followed a downward revision to the March reading. Nevertheless, the index still stands at its second highest reading of the expansion and above the highs of the past expansion.

We expected some giveback in consumer confidence following the trouble late last month surrounding the proposed revision in the Affordable Care Act and the signal it sent that it may be much tougher for Washington to pass new policies than what consumers and the market expected. The stock market slid following the preliminary cut off to the March survey, while yesterday's rally that erased those losses fell outside the April response date.

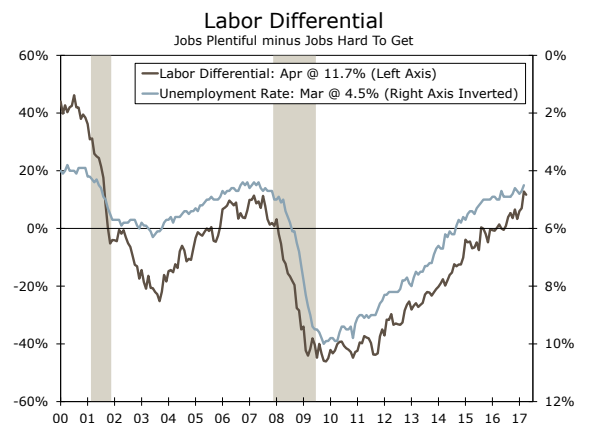
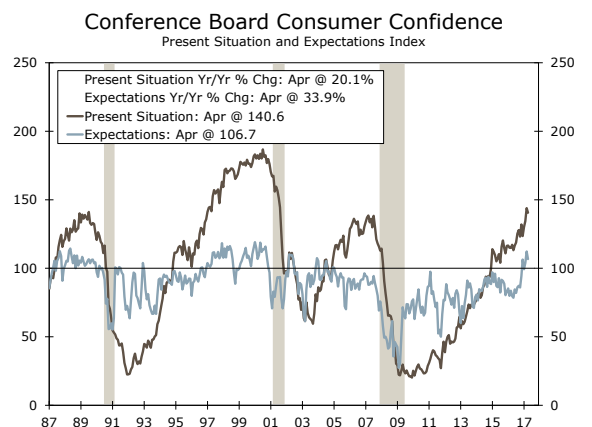
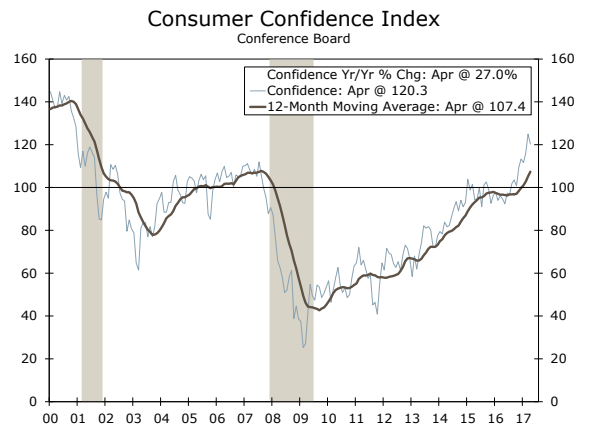
Assessments of the Labor Market Still Favorable

The pullback in confidence reflected a decline in assessments of both present conditions and expectations. The present situation index fell 3.3 points to a still-solid reading of 140.6. Consumers' views of current employment conditions deteriorated slightly relative to March, but continue to point to a labor market that has improved markedly over the past year. The share of workers reporting jobs are plentiful slipped by one point, while the share reporting that jobs are hard to get was nearly unchanged. The labor differential, the difference between these two series, fell 1.1 point to 11.7 in April, holding most of the leap in March. Compared to a year ago, the labor differential is up more than 10 points and suggests that consumers' view of the labor market has improved more than other measures, such as the unemployment rate.

Looking further out, consumers' expectations for the next six months were somewhat less upbeat. The expectations index fell nearly six points. Following the softer-than-expected March payrolls report, the share of respondents expecting more jobs ahead fell 3.8 points, while the share expecting fewer jobs rose a touch. Income expectations followed suit, with the share of consumers expecting to see their incomes increase falling back near February levels. The share expecting income to decrease, however, remained at a post-recession low.

Confidence Level Still Supportive of Consumer Spending in Q2

Although readings of consumer confidence have been particularly disjointed from households spending in recent months, the index remains at a level supportive of a pickup in spending in the second quarter. Real personal consumption spending in the first quarter looks to have been held down by a number of one-off factors, including depressed utilities spending from relatively warm winter weather, but, with the labor market continuing to improve, we expect a rebound in the second quarter.



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