



Economics Group

Mark Vitner, Senior Economist
mark.vitner@wellsfargo.com • (704) 410-3277

Consumer Confidence Declines Modestly in May

The Consumer Confidence Index fell slightly more than expected in May, with the overall index falling 1.5 points to 117.9. All of the decline was in the expectations component, which fell 2.8 points.

Consumers Remain Relatively Upbeat About Jobs and Income

The Consumer Confidence Index declined slightly more than expected, as the overall index fell 1.5 points to 117.9. Even with the drop, consumer confidence remains relatively solid. The overall index remains above the average for the six full months of data since the election, which had raised hopes that some growth-oriented fiscal stimulus would be enacted this year. That still may happen, but consumers have clearly scaled back their expectations. After hitting a post-recession high of 112.3 in March, the expectations series has fallen 9.7 points over the past two months.

The decline in expectations does not signal any increase in anxiety about the economy. The proportion of consumers expecting business conditions to increase, more jobs to be created and incomes to increase over the next six months spiked during the first three months of this year and has come back down from its cycle highs. All three series remain solidly positive, with more than twice as many consumers expecting business conditions to get better over the next six months than to get worse. At least twice as many consumers also expect their income to rise over the next six months than expect it to fall.

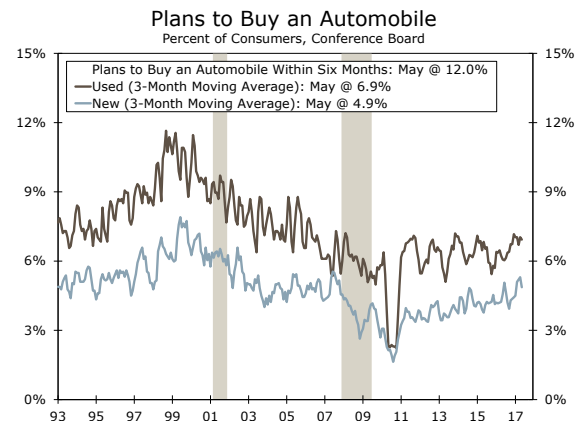
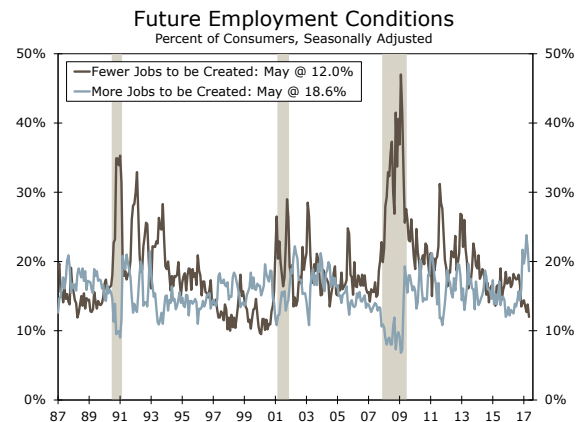
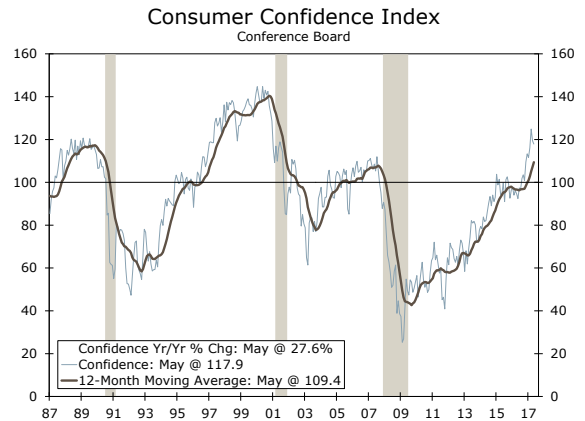
Employment prospects are likely the most important driver of consumer confidence today. The proportion expecting fewer jobs to be created over the next six months fell 1.8 points in May and is now at its lowest level since September 2000. The improvement is consistent with the continued slide in weekly unemployment claims and drop in the unemployment rate.

Improving employment conditions were responsible for the all of the increase in the present situation component, which rose 0.4 points to 140.7 in May. The proportion of consumers stating that jobs were hard to get tumbled 1.2 points in May to 18.2, while the proportion stating that jobs were plentiful fell 0.4 points to 29.9 percent. The labor market differential, which takes the difference between these two series, rose 0.8 points to 11.7.

Consumers took a slightly more cautious view of current business conditions, with the proportion stating present business conditions were good falling 1.4 points to 29.4 percent and the proportion stating present conditions were normal rising 1.4 points to 56.9. The proportion of consumers rating present conditions as bad in May was unchanged at 13.7.

The employment components of the Conference Board survey are often looked to for any possible clues for the upcoming employment report. This May data were up on balance, but not decisively.

Buying plans for automobiles, homes and major appliances all declined. While these data are notoriously volatile, all three series hit their lowest levels this year. This bears watching but runs counter to recent reports citing improving consumer finances.



Wells Fargo Securities Economics Group

Diane Schumaker-Krieg	Global Head of Research, Economics & Strategy	(704) 410-1801 (212) 214-5070	diane.schumaker@wellsfargo.com
John E. Silvia, Ph.D.	Chief Economist	(704) 410-3275	john.silvia@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Jay H. Bryson, Ph.D.	Global Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	Currency Strategist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Anika R. Khan	Senior Economist	(212) 214-8543	anika.khan@wellsfargo.com
Eugenio J. Alemán, Ph.D.	Senior Economist	(704) 410-3273	eugenio.j.aleman@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 410-3270	azhar.iqbal@wellsfargo.com
Tim Quinlan	Senior Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Eric Viloría, CFA	Currency Strategist	(212) 214-5637	eric.viloría@wellsfargo.com
Sarah House	Economist	(704) 410-3282	sarah.house@wellsfargo.com
Michael A. Brown	Economist	(704) 410-3278	michael.a.brown@wellsfargo.com
Jamie Feik	Economist	(704) 410-3291	jamie.feik@wellsfargo.com
Erik Nelson	Currency Strategist	(212) 214-5652	erik.f.nelson@wellsfargo.com
Misa Batcheller	Economic Analyst	(704) 410-3060	misa.n.batcheller@wellsfargo.com
Michael Pugliese	Economic Analyst	(704) 410-3156	michael.d.pugliese@wellsfargo.com
Julianne Causey	Economic Analyst	(704) 410-3281	julianne.causey@wellsfargo.com
E. Harry Pershing	Economic Analyst	(704) 410-3034	edward.h.pershing@wellsfargo.com
Hank Carmichael	Economic Analyst	(704) 410-3059	john.h.carmichael@wellsfargo.com
Donna LaFleur	Executive Assistant	(704) 410-3279	donna.lafleur@wellsfargo.com
Dawne Howes	Administrative Assistant	(704) 410-3272	dawne.howes@wellsfargo.com

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A., Wells Fargo Advisors, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Asia Limited and Wells Fargo Securities (Japan) Co. Limited. Wells Fargo Securities, LLC, is registered with the Commodities Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. Wells Fargo Bank, N.A. is registered with the Commodities Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC, and Wells Fargo Bank, N.A. are generally engaged in the trading of futures and derivative products, any of which may be discussed within this publication. Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm which includes, but is not limited to investment banking revenue. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2017 Wells Fargo Securities, LLC.

Important Information for Non-U.S. Recipients

For recipients in the EEA, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority. The content of this report has been approved by WFSIL a regulated person under the Act. For purposes of the U.K. Financial Conduct Authority's rules, this report constitutes impartial investment research. WFSIL does not deal with retail clients as defined in the Markets in Financial Instruments Directive 2007. The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients. This document and any other materials accompanying this document (collectively, the "Materials") are provided for general informational purposes only.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE

WELLS
FARGO

SECURITIES