

Economics Group

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Consumer Confidence Rises Modestly in June

Consumer confidence rose 1.3 points to 118.9 in June, as consumers remain upbeat about the job market. Expectations for future conditions eased a bit, however, likely reflecting uncertainty about public policy.

Consumers Feel Positive About the Economy Today...

The Consumer Confidence index rose 1.3 points in June to 118.9, which is close to its average for the past three months. Consumer confidence has held onto most of its post-election bounce, despite ongoing concerns about how much of President Trump's ambitious economic plan will be enacted. Consumers' assessment of current economic conditions improved, with the present situation series climbing 5.7 points to 146.3. Expectations for future economic conditions slipped further, however, falling 1.7 points to 100.6, marking their third consecutive drop since hitting their cycle high of 112.3 in March. The split likely reflects continued optimism about the labor market but growing concerns about tax cuts and healthcare reform.

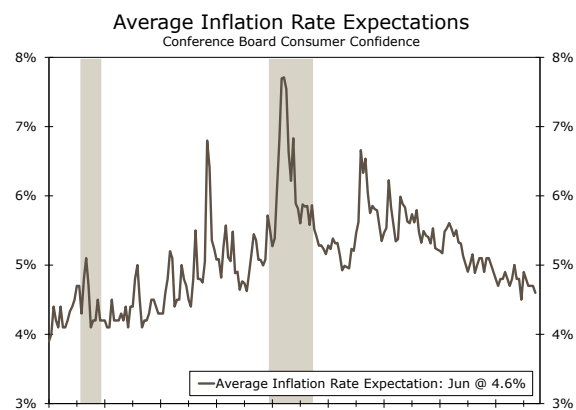
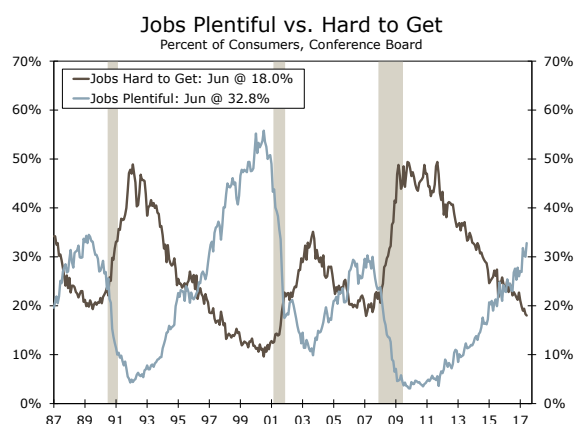
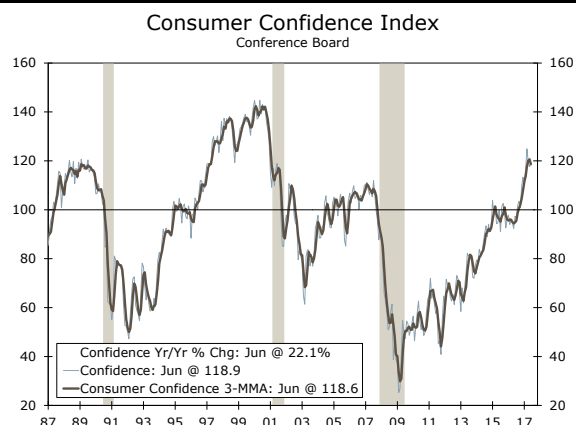
The improvement in the labor market trumps any concerns that tax cuts may be a bit smaller than hoped for or might not happen at all – at least in June. The proportion of consumers stating that jobs were plentiful rose 2.8 percentage points in June to 32.8, its highest reading since August 2001. The proportion of consumers stating that jobs were hard to get also fell further, dipping to just 18.0 percent, which also marks a series low for this cycle. The labor market differential, which is the difference of these two series, rose to a series high 14.8 percent, suggesting that the unemployment rate is poised to fall even further from its current low 4.3 percent.

....But Expectations for the Future Are Mixed

While expectations fell in June, the underlying components were mixed. The proportion of consumers expecting more jobs to be created over the next six months rose 0.7 points to 19.3 percent, but the proportion expecting fewer jobs to be created rose even more, climbing 2.5 points to 14.6 percent. The remaining 66.1 percent expect about the same number of jobs to be created. The proportion of consumers expecting their incomes to increase over the next six months rose 3.1 points to 22.2 percent, while those expecting incomes to decrease rose 0.5 points to 9.2 percent.

Consumers' expectations influence spending more than overall confidence or feelings about current conditions. Buying plans were mixed at best. Plans to buy an automobile fell for the second straight month and plans to buy a new car have now fallen for four months. Plans to purchase a home also fell for a second month but remain solid at 5.9 percent. Plans to purchase major appliances rose 2.0 points to 50.5, but plans to take a vacation fell 3.9 points to just 44.5, mostly from plans to travel by air.

Consumers' expectations for inflation 12 months out fell 0.1 percentage point to 4.6 percent. Inflation expectations have been trending down all year, reflecting rampant discounting by retailers and lower gasoline prices. The Fed pays attention to the direction of inflation expectations and the latest drop will be fodder for those arguing against a September rate hike.



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