

Economic Indicator — September 27, 2022

Lower Gas Prices and Favorable Views of Labor Market Again Boost Confidence

Summary

The Consumer Confidence Index rose to its highest level since April, and now sits more than 12 points higher than where it was just two months ago. Falling gasoline prices and a still-tight labor market are the main reasons we have seen a recent rebound in confidence. But as inflation persists and the Fed lifts rates to combat it, we are unlikely to see confidence approach pre-pandemic levels.

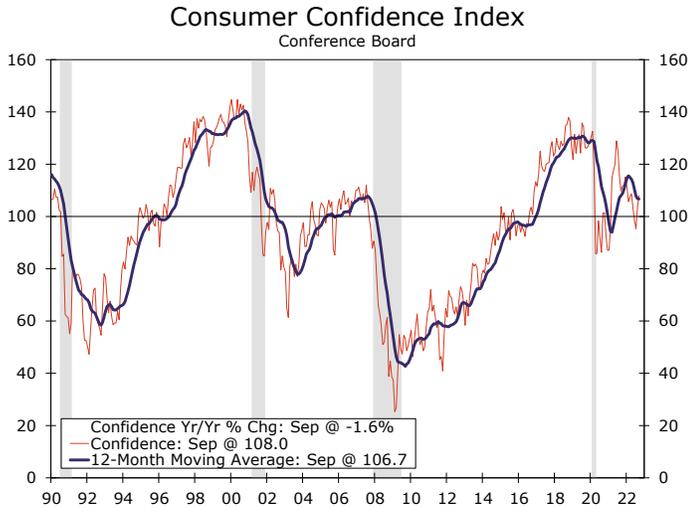
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Source: The Conference Board and Wells Fargo Economics

Sharp Improvement in Confidence

The near five-point gain in consumer confidence in September lifted the index to 108.0 ([chart](#)). This marks the highest level in five months, and in conjunction with the sizable gain in August, puts the index 12.7 points higher than where it stood just two months ago.

Both consumers view of their present situation, which rose to 149.6 from 145.3 previously, and expectations of the future improved last month ([chart](#)). In fact, at 80.3 expectations have not been this high since February, a sharp pivot from recent pessimism about coming economic conditions.

Whether looking at the Conference Boards Consumer Confidence Index or Consumer Sentiment from the University of Michigan, consumer optimism has buckled amid high inflation and increased economic uncertainty. While those two concerns have not disappeared, consumers have felt some reprieve from higher prices recently. Specifically, the decline in gas prices since June highs has boosted optimism. This was a driving factor in anchored inflation expectations in the preliminary September consumer sentiment [release](#), and likely a factor in the modest improvement in confidence in September as well.

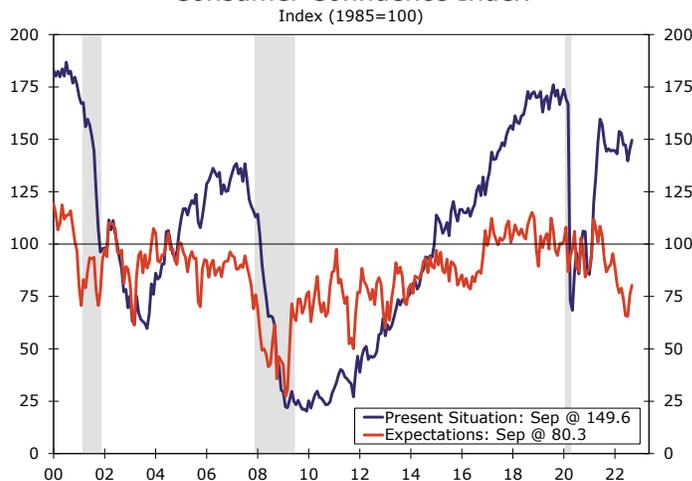
Consumers Still View the Labor Market Favorably

The state of the labor market is of particular interest for the Confidence survey. Most measures of labor demand have shown some signs of topping out, with job openings and hiring plans moving sideways in recent months. Prior to this release, the share of consumers who viewed jobs as plentiful had also been rolling over, with the index declining the past five consecutive months from the March high. That said, the share rose to 49.4% in September signaling a still-historically high number of consumers who view the labor market favorably ([chart](#)).

Households were also a bit more optimistic about their broad finances last month, perhaps as lower gas prices freed up some purchasing power. Expectations around purchases improved modestly with those saying they had plans to buy an automobile or major appliance in the next six months moving higher in September. Plans to purchase a home continued to decline under the weight of higher mortgage rates and still-high home prices. Perhaps more importantly, an increasing number of consumers expect incomes to increase in the next six months, potentially being boosted by recent wage gains.

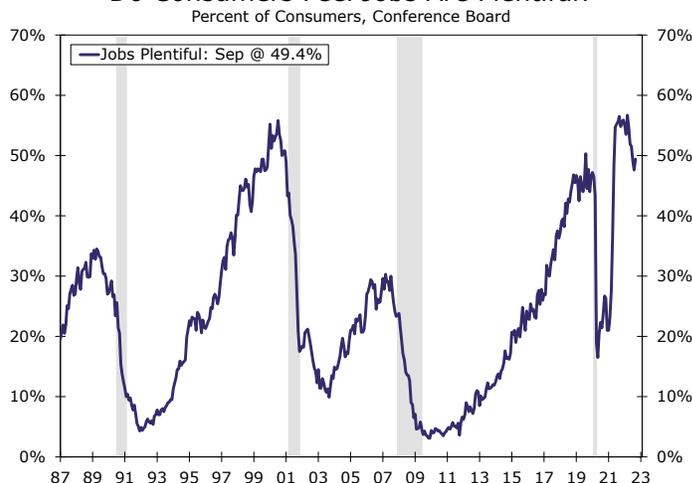
Still-elevated inflation and the aggressive tightening path from the Federal Reserve to combat it will likely weigh on consumers financial prospects. The recent gain in confidence may be supportive of spending in the near-term, but as long as inflation persists and risks of recession remain confidence is unlikely to return to pre-pandemic levels.

Consumer Confidence Index



Source: The Conference Board and Wells Fargo Economics

Do Consumers Feel Jobs Are Plentiful?



Source: The Conference Board and Wells Fargo Economics

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