

Economic Indicator — June 27, 2023

A 17-Month High in Consumer Confidence as Recession Fears Fade

Summary

Consumer confidence rose to its highest level in 17 months in June amid a brighter take on the current situation and a less dire assessment of the future. The majority of consumers (69.3%) still say a recession is coming, but that is a marked decline from 73.2% in May.

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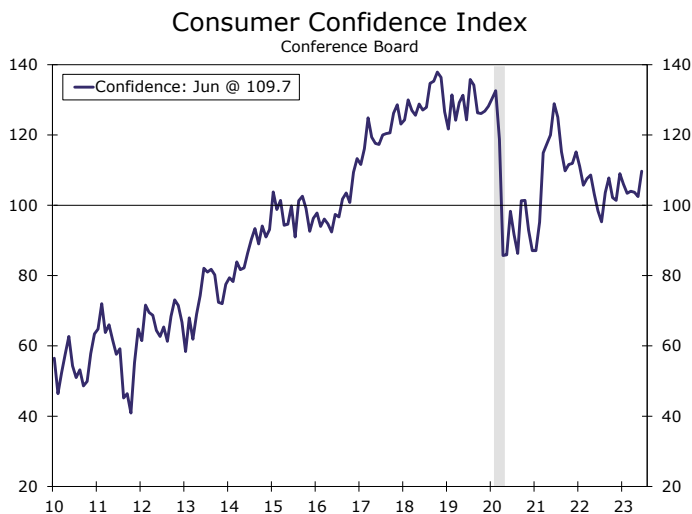
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Source: The Conference Board and Wells Fargo Economics

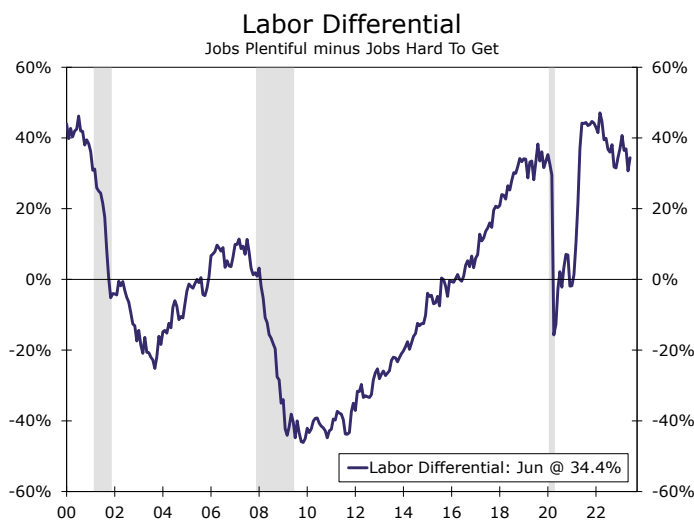
If a June Night Could Talk

The English philosopher Bernard Williams famously observed that if a June night could talk, it would probably boast that it invented romance. The last time we trotted that line out was after a blow-out confidence report in June 2021, which still stands as the high watermark for post-COVID consumer confidence. Yet after the re-opening euphoria wore off, a trend decline led confidence lower for the next year before finding a bottom a little over a year later in July 2022. Since then, confidence has been mostly range-bound between 100 and 110. Today's print of 109.7 for consumer confidence is clearly at the top end of that range and is the highest overall reading since January 2022 ([chart](#)).

If packed-full restaurants and airports were not enough to convince you that consumers are feeling good at the moment, look at the present situation index, which notched its best monthly gain since December 2022. In level terms, only two months have been higher for the present situation index in the past three years; those being June and July 2021. The expectations index also posted a rather impressive gain, its biggest since last August, rising to 79.3.

Households are still broadly confident in their job prospects. The share of consumers viewing jobs as "plentiful" bounced in June to 46.8%, while those who view jobs as "hard to get" slipped modestly to a 12.4% share. Despite some slack beginning to materialize in the labor market, it remains historically tight, and that helps boost confidence. The labor differential, or difference between the share viewing jobs as plentiful and hard to get, has come off its post-pandemic highs but remains elevated ([chart](#)).

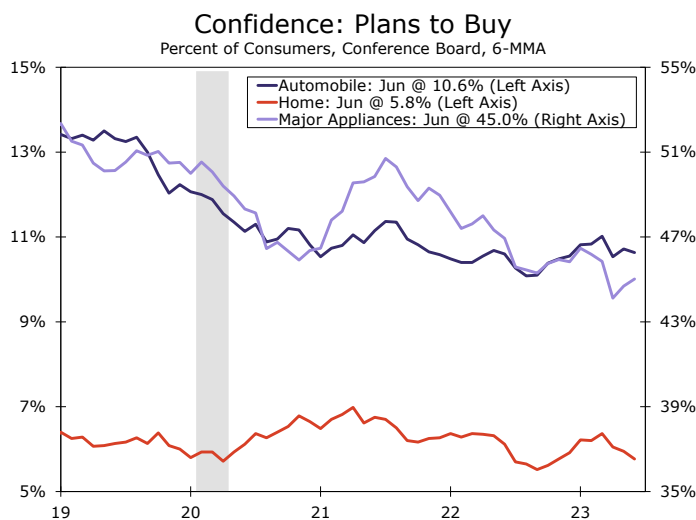
Views on the labor market also influence households' outlooks. The largest share (68.5%) of consumers since prior to the pandemic expect there to be the same number of jobs in six months that there are today. Consumers thus remain fairly confident in their job prospects given today's tight labor market, and that is helping sustain consumption.



Source: The Conference Board and Wells Fargo Economics

The increased optimism in both the present situation and expectations indices largely translated to sustained resiliency in purchase plans, at least relative to the start of the year. Consumer plans to make a major purchase within the next six months declined slightly from their year-to-date highs in May, though June's purchase plans broadly came in strong. Plans to purchase a major appliance declined to 46.8% from 48.3% a month prior, though this is still above the 43.8% average run-rate that prevailed from January to April this year ([chart](#)). Despite some renewed strength in recently-released housing market data, the still-strained housing market continued to weigh on the consumer, as those planning to purchase a home within the next six months declined to 5.5% from 5.9% in May, amid a high mortgage rate environment and a still constrained stock of housing supply.

Souring sentiment on larger purchases also came through in auto purchase plans, with 10.5% of consumers reporting plans to purchase an auto, down from 11.5% in May. This was primarily driven by a decrease in plans to purchase a used car, falling to 5.5% from 6.9% a month prior.



Source: The Conference Board and Wells Fargo Economics

That said, slight deterioration in larger categories of buying plans should not be mistaken for worry on the part of the consumer, as they displayed increasing confidence in their economic outlook in June. Recession fears have eased considerably as well. To be clear, 69.3% of consumers still say a recession is “somewhat” or “very likely,” but that is a marked decline from 73.2% in May.

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