

Economic Indicator — March 28, 2023

# Unfazed: Confidence Edges Higher Despite Banking Situation

## Summary

Consumers may not love the present conditions, but a slightly more upbeat take on where things are headed was enough to give overall confidence a nudge in the right direction in March. The banking crisis is not high on the list of consumer worries at present.

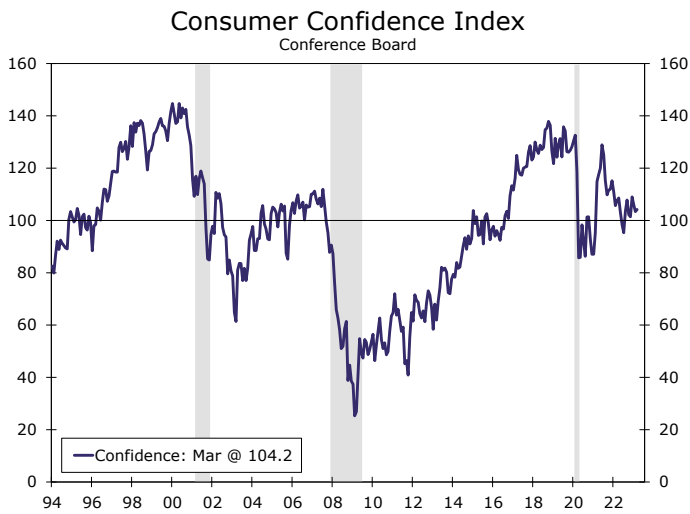
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Source: The Conference Board and Wells Fargo Economics

## Stiff Upper Lip

In March 2023, the month that the financial system reeled amid bank failures and worries about the financial system, consumer confidence actually rose modestly to 104.2 (chart). This measure from the Conference Board affirms a similar devil-may-care attitude about bank sector worries previously reported in the University of Michigan's gauge of consumer sentiment.

After having risen slightly in February, the present situation measure returned to precisely where it was in January at 151.1, roughly the midpoint of its range for the past year and a half (chart). Consumer expectations improved slightly in March after having slipped in February. Whereas the present situation measure has held up over the past 18 months, expectations are on a glide path lower, so the bounce here is a step in a direction that is more supportive of confidence.

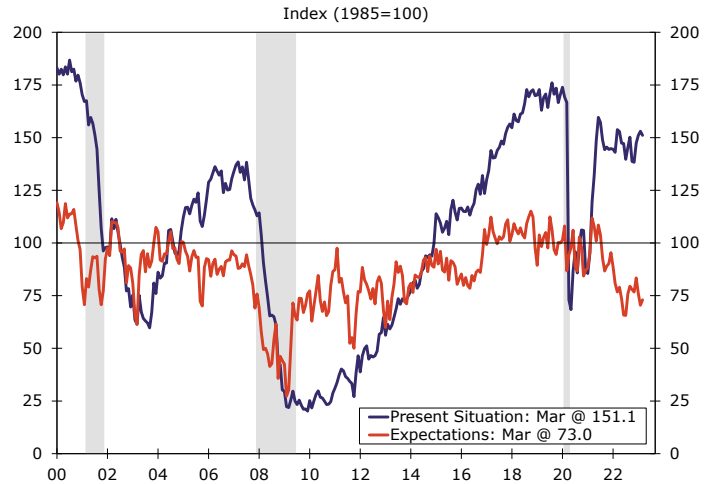
In short, consumers may not love the present conditions, but a slightly more upbeat take on where things are headed was enough to give overall confidence a nudge in the right direction. A supplemental set of questions provided details about how consumers intend to allocate their dollars on services over the next six months. Some highlights here: lottery tickets, museum visits and gym membership are out, as those categories saw the smallest share of consumers planning to increase spending. At the top of the list: hotel visits, healthcare spending and house repairs.

## Confidence Boost from Trend Improvement in Labor Market

Part of the reason that consumer confidence is holding up is that views on the labor market remain broadly supportive, even if not quite as strong as last month, which points to continued resilience. Despite the fastest Fed rate hikes since the 1980s, the labor market has been strong. The share of consumers who view jobs as plentiful may have declined in March to 49.1% from 52.1% in February, but this comes on the heels of four consecutive monthly gains. The labor differential, or those viewing jobs as plentiful minus those viewing them as hard to get, declined to 38.8% (chart). Even with this decline from February's 40.7%, March's reading is still the second highest since June 2022.

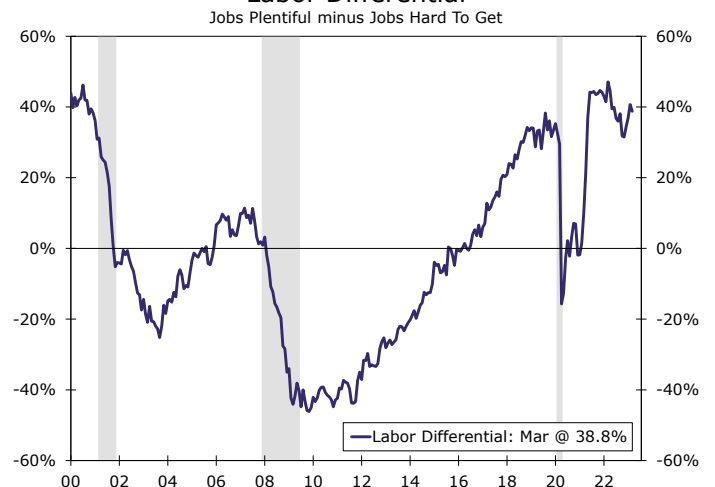
The short-term labor outlook improved from the month prior, with 15.0% of consumers reporting they expect more jobs to be available within the next six months, compared to 14.5% in February. That optimism translated to upbeat outlooks for the household balance sheet as well, with 14.9% of consumers expecting their incomes to increase over the next 6 months, a slight increase from the 14.4% of consumers expecting this in February. This stands in sharp contrast to the market turmoil that materialized over the past few weeks due to turbulence in the banking sector, suggesting the consumer short-term outlook was not significantly damaged by these events.

### Consumer Confidence Index



Source: The Conference Board and Wells Fargo Economics

### Labor Differential



Source: The Conference Board and Wells Fargo Economics

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