

Economic Indicator — October 26, 2021

## Consumer Confidence Rebounds Amid Ease in COVID Cases

### Summary

Consumer confidence rose for the first time in four months in October, as the easing in COVID cases boosted optimism. Favorable views of the labor market helped to fuel gains in both the present situation and expectation measures and lifted the headline index to 113.8 from 109.8. A pickup in buying intentions suggests consumers are willing to spend despite rising inflation, or perhaps, because they believe prices will be even higher in the future.

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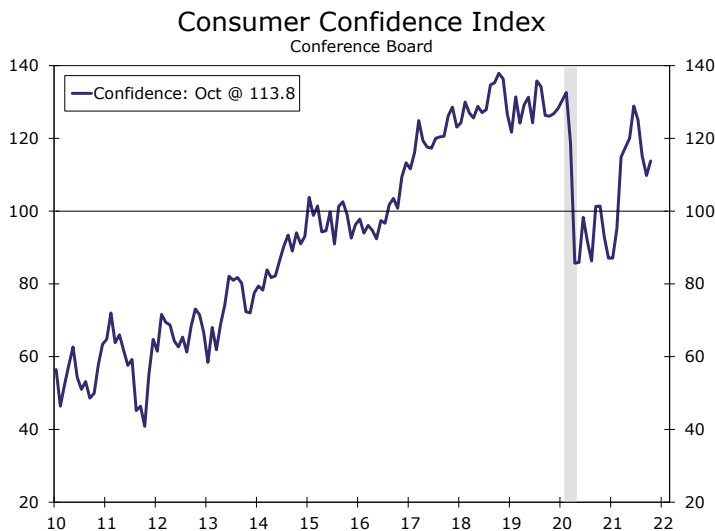
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Source: The Conference Board and Wells Fargo Securities

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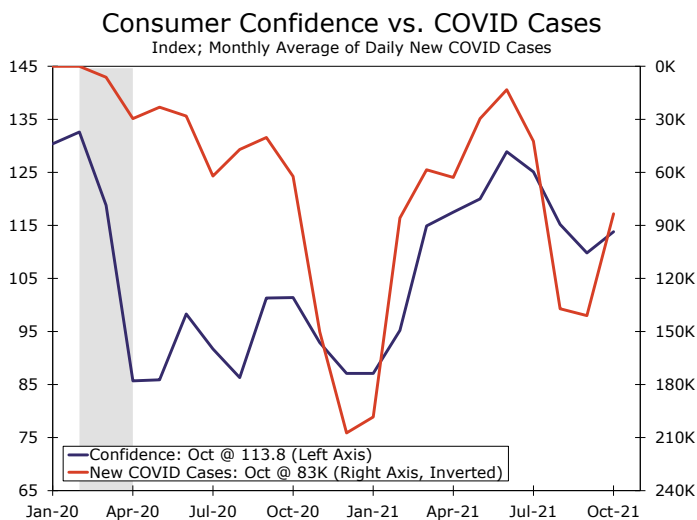
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## Consumer Confidence Gets a Pick-Me-Up

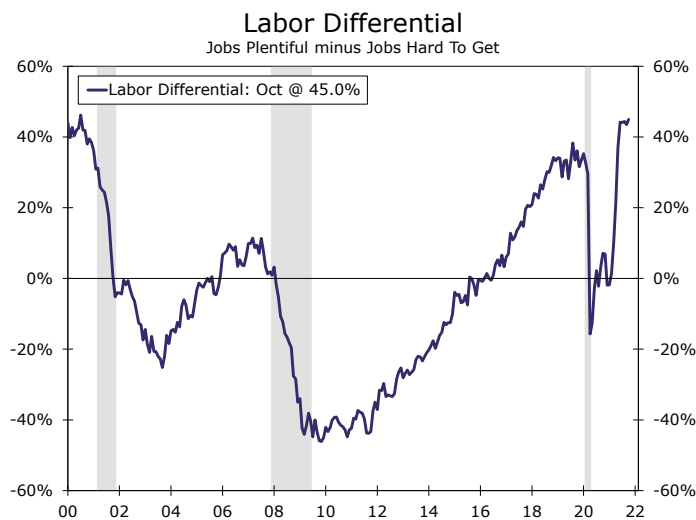
Consumer confidence rose for the first time in four months, jumping four points to 113.8 in October, as concerns that drove confidence to a seven-month low in September eased. COVID cases are again receding from their more-recent peak (see [chart](#)) and the onslaught of negative news in September, which ranged from natural disasters to fiscal uncertainty and the wind-down of the war in Afghanistan, has subsided. There was an improvement in consumers views of both current conditions and expectations for the future.

While the economy did not add as many jobs as expected in September, consumers continue to view jobs as plentiful. The labor differential, or the difference in views of jobs as plentiful less jobs viewed as hard to get, rose to its highest since 2000 last month (see [chart](#)). This measure helped the present situation index rise to 147.4 and recoup at least some of the points it lost a month prior.

Consumers' outlook for the labor market was also improved. More consumers expect better employment opportunities over the next six months, with the share rising 4.1 points to 25.4%, while those anticipating weaker jobs in the future declined to 18.3% from 19.9%. Wage growth also remained strong in September with average-hourly earnings surging a larger-than-expected 0.6% over the month, and judging by the 7.4 point increase in the income differential (those expecting income to increase in the next six months minus those who see it decreasing), consumers believe that the bump to income driven by wage and salary growth has not yet run its course.



Source: The Conference Board, Bloomberg LP and Wells Fargo Securities



Source: The Conference Board and Wells Fargo Securities

## Watch What I Do, Not What I Say

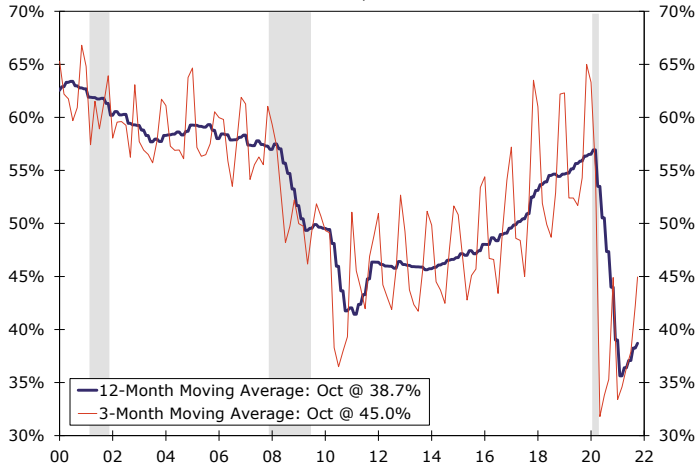
Higher optimism around income may be boosting spending in the near-term. Retail sales surprised to the upside in September, and while some of that is likely due to higher prices, it is an indication demand has not fallen off a cliff headed into the holiday shopping season. Buying intentions suggest a similar conclusion, as plans to buy automobiles, major appliances and even homes over the next six months all improved from September.

Vacation plans are also improving. Nearly half of consumers (47.6%) reported intending to vacation in the next six months (see [chart](#)), which marks the highest share since the start of the pandemic. This is the latest indication that travel and leisure spending is coming back online as consumers grow more comfortable living with the virus.

While intentions do not always lead actual spending patterns, at face value consumer goods demand appears to remain robust. Buying intentions suggest consumers are willing to spend despite rising inflation or perhaps because of it. Consumer average inflation expectations over the next 12 months rose to a 13-year-high last month (see [chart](#)). So the possibility that consumers are fearful that prices will be even higher in the future, maybe pulling some future demand forward. On Friday, we'll get the personal income & spending report for September which will shed some light on the price versus

spending dynamics. Even if spending intentions to not materialize, and we see lackluster sales to end the year, [holiday sales](#) are still set for a record year-over-year gain this year.

**Confidence: Plans for a Vacation**  
Percent of Consumers, Conference Board



Source: The Conference Board and Wells Fargo Securities

**Average Inflation Rate Expectations**  
Conference Board Consumer Confidence



Source: The Conference Board and Wells Fargo Securities

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