



# Economics Group

**Mark Vitner, Senior Economist**  
[mark.vitner@wellsfargo.com](mailto:mark.vitner@wellsfargo.com) • (704) 410-3277

## Consumer Confidence Pulls Back Slightly in Early December

*Uncertainty surrounding the ultimate composition of tax reform weighed on consumer confidence in December. The cutoff date for the survey was December 15, when the bill was very much still in flux.*

### Consumers Remain Optimistic Going into the New Year

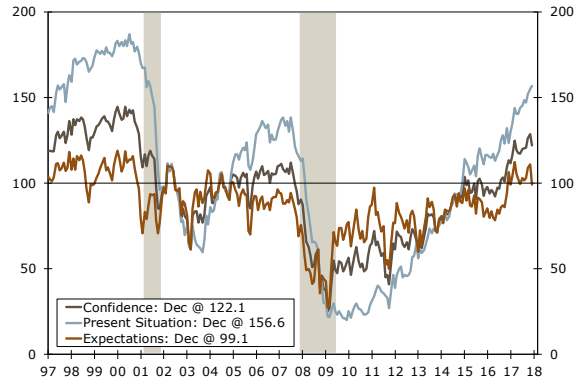
The Consumer Confidence Index declined a larger-than-expected 6.5 points in December to 122.1. All of the drop occurred in the expectations component, which likely signals concerns about what the ultimate composition of tax reform was going to look like and how that would impact the economy and household finances. The cutoff date for the Conference Board's survey was December 15 and the tax reform package was still very much in flux throughout the forecast period. Moreover, reports on the likely impact of tax reform varied considerably, which led to increased uncertainty and weighed on consumer expectations. The expectations index tumbled 11.9 points during the month to 99.1.

While the drop in expectations is noteworthy, it may not be all that meaningful. Expectations are extremely volatile and have rarely risen much higher than they were in November. Even at their lower December level, expectations for future business conditions remain relatively high. The proportion of consumers that expect better business conditions six months from now (20.2 percent) is still more than twice as high as the number expecting business conditions to worsen (9.2 percent). The remaining 70.6 percent expect business conditions to be roughly the same.

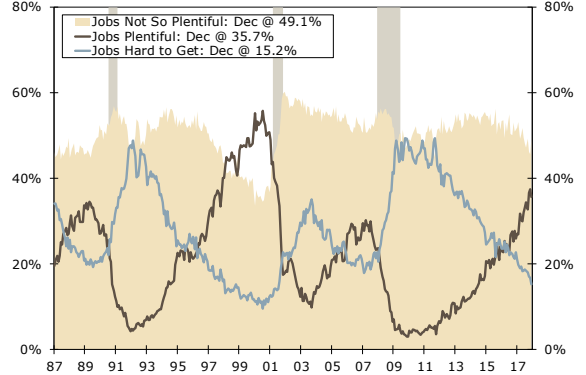
Maintaining strong current business conditions for another six months would not be such a bad thing, given that consumers' assessment of current business conditions rose 1.7 points to 156.6 in December, marking its highest reading since 2001 and the first time the index has risen to this level since 1997. Nearly three times as many consumers (35.2 percent) rate present business conditions as good as rate them as bad (12.1 percent). The proportion of consumers stating that jobs are plentiful is also more than twice as large as those stating that jobs are hard to get. The labor differential, which takes the difference between those two series, fell slightly in December but remains well above its year-ago level and is consistent with solid job growth and continued declines in the unemployment rate.

The labor differential is also a good proxy for job security. When consumers feel more confident about their employment and income prospects, they are more likely to move forward with major purchases. The proportion of consumers stating they plan to purchase a home in the next six months rose 1.1 percentage points in December and is currently at its highest level of this expansion. Plans to purchase an automobile slipped somewhat but remain at a relative higher level. Overall buying plans rose 5 points in December and are up nearly 10 points over the past two months. The surge in buying plans coincided with the strong holiday season. The bottom line is that consumers remain optimistic going into the New Year, even though the headline consumer confidence figure fell in December.

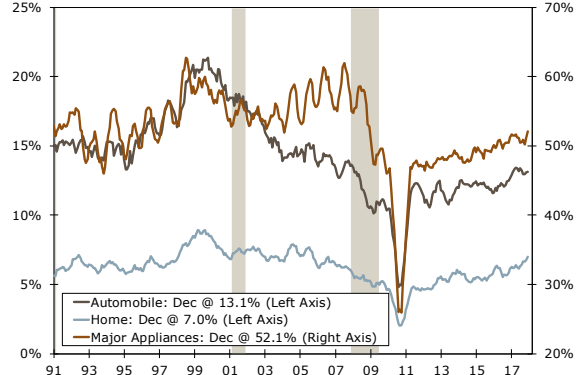
Conference Board Consumer Confidence  
 Present Situation and Expectations Index



Jobs Plentiful vs. Hard to Get  
 Percent of Consumers, Conference Board



Confidence: Plans to Buy  
 Percent of Consumers, Conference Board, 6-MMA



## Wells Fargo Securities Economics Group

Diane Schumaker-Krieg	Global Head of Research, Economics & Strategy	(704) 410-1801 (212) 214-5070	diane.schumaker@wellsfargo.com
John E. Silvia, Ph.D.	Chief Economist	(704) 410-3275	john.silvia@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Jay H. Bryson, Ph.D.	Global Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	Currency Strategist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Eugenio J. Alemán, Ph.D.	Senior Economist	(704) 410-3273	eugenio.j.aleman@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 410-3270	azhar.iqbal@wellsfargo.com
Tim Quinlan	Senior Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Eric Viloría, CFA	Currency Strategist	(212) 214-5637	eric.viloría@wellsfargo.com
Sarah House	Economist	(704) 410-3282	sarah.house@wellsfargo.com
Michael A. Brown	Economist	(704) 410-3278	michael.a.brown@wellsfargo.com
Jamie Feik	Economist	(704) 410-3291	jamie.feik@wellsfargo.com
Erik Nelson	Currency Strategist	(212) 214-5652	erik.f.nelson@wellsfargo.com
Michael Pugliese	Economic Analyst	(704) 410-3156	michael.d.pugliese@wellsfargo.com
Harry Pershing	Economic Analyst	(704) 410-3034	harry.pershing@wellsfargo.com
Hank Carmichael	Economic Analyst	(704) 410-3059	john.h.carmichael@wellsfargo.com
Ariana Vaisey	Economic Analyst	(704) 410-1309	ariana.b.vaisey@wellsfargo.com
Abigail Kinnaman	Economic Analyst	(704) 410-1570	abigail.kinnaman@wellsfargo.com
Shannon Seery	Economic Analyst	(704) 410-1681	shannon.seery@wellsfargo.com
Donna LaFleur	Executive Assistant	(704) 410-3279	donna.lafleur@wellsfargo.com
Dawne Howes	Administrative Assistant	(704) 410-3272	dawne.howes@wellsfargo.com

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A., Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Asia Limited and Wells Fargo Securities (Japan) Co. Limited. Wells Fargo Securities, LLC. is registered with the Commodities Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. Wells Fargo Bank, N.A. is registered with the Commodities Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC. and Wells Fargo Bank, N.A. are generally engaged in the trading of futures and derivative products, any of which may be discussed within this publication. Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm which includes, but is not limited to investment banking revenue. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2017 Wells Fargo Securities, LLC.

### Important Information for Non-U.S. Recipients

For recipients in the EEA, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority. The content of this report has been approved by WFSIL a regulated person under the Act. For purposes of the U.K. Financial Conduct Authority's rules, this report constitutes impartial investment research. WFSIL does not deal with retail clients as defined in the Markets in Financial Instruments Directive 2007. The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients. This document and any other materials accompanying this document (collectively, the "Materials") are provided for general informational purposes only.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE