



Economics Group

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Consumer Confidence Returns in January

Consumer confidence recovered in January as uncertainty about tax cuts subsided. The index rose 2.3 points to 125.4 in January. Consumers are confident in the job market, and expect the stock market to keep rising.

Consumers' Expectations Higher in January

The Consumer Confidence Index rose further than expected January. The headline came in at 125.4 in January, the third-highest of the cycle, behind November and October of 2017. The Conference Board's headline gauge had dipped in December, possibly on uncertainty about the specifics of tax reform. Expectations rebounded in January, rising 4.7 points to 105.5. There was little movement in the income expectations series, but it is too early to see major impacts of tax reform. While some bonuses have been announced, withholding schedules will not be changed until February. Consumers will likely have a better idea of future income prospects come March.

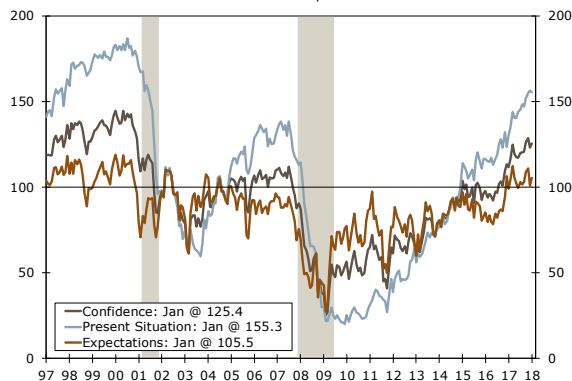
Consumers' assessment of the present situation slipped slightly in January, to 155.3 from 156.5 in December. While the dip resulted from a slightly less positive assessment of current business conditions, the percent responding business conditions are 'bad' remains in near its cycle low. The index for the present situation remains very elevated.

The strong job market is certainly a key factor in consumers' continued confidence. Some of the largest improvements over the past year have come from a rising share of respondents that believe jobs are plentiful. The labor differential rose to its highest point of the cycle in January. Rising optimism about employment prospects is typically a precursor to more home buying and increased spending for big ticket items.

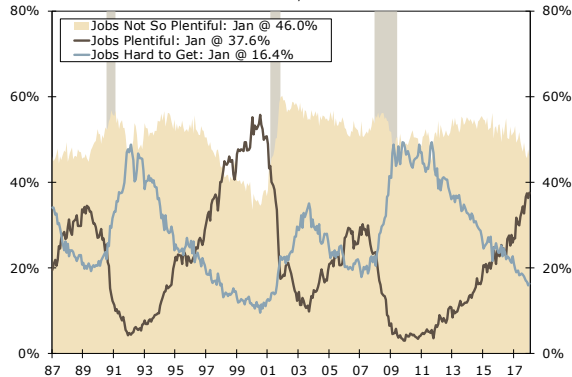
The partial recovery in the expectations component in January reflected a slightly more divided assessment of the next six months than before the index tumbled in December. The share of respondents expecting no change in business conditions declined 2 points from November, with the difference going to more respondents expecting worse conditions. Consumers were less negative about job prospects six months from now and the share that expected more jobs to be added held steady. Consumers' assessment of their incomes six months from now was largely unchanged from November, although more consumers expected higher incomes in December. Confidence in January came back near November levels after surging in December among those in the lower middle and upper middle income brackets.

The share of respondents that expected the stock market to go higher over the next six months skyrocketed to 51.6 percent in January. This is an all-time high for the series dating back to 1987. This would not be the first time that stock market turned down on the very day we get confirmation that main-street America is buying into the market's strength. The share of consumers expecting higher interest rates also rose in January. That may have played a part in the drop in the share that plan to buy a home in the next six months. The share planning to buy a new automobile rose slightly. Plans for major purchases came down after surging in November and December.

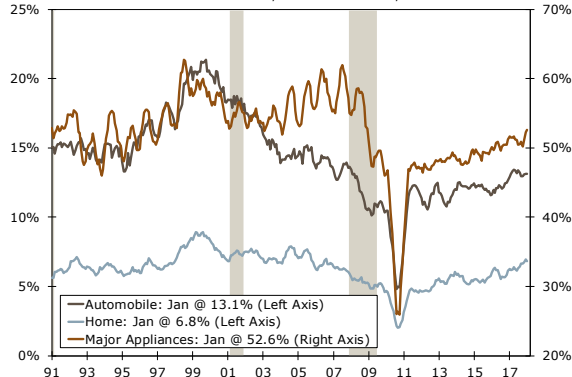
Conference Board Consumer Confidence
 Present Situation and Expectations Index



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



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



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