U.S. CONSUMER CONFIDENCE INDEX JUMPS TO NEAR 18-YEAR HIGH IN AUGUST

"The Conference Board U.S. Consumer Confidence Index jumped by 5.5pts to 133.4 in August, the highest level since October 2000 (Chart 1). The fact that consumer confidence is rising to near 18-year highs following the initial jump in confidence in 2017 is remarkable and reflects a slew of positive consumer fundamentals such as record high net worth, strong job growth and low unemployment, better disposable income growth, and the equity market rally.

"Consumers are more confident about both the present situation and the outlook, but the 6.1pt jump in the former to 172.2 suggests that retail activity remained strong in August and provides upside risk to real consumption in Q3, even after the robust 4% annualized Q2 gain (Chart 2).

"The Conference Board survey shows that consumers are more optimistic about labor market and business conditions as well as incomes, and also that a greater share are planning to spend on big-ticket items.

Consumers are the most confident they have been in labor markets since March 2001. A sizable 42.7% of consumers view jobs as “plentiful” and only 12.7% believe that jobs are “hard to get,” a relatively steep decline from 14.8% in July, and the lowest since March 2001, pointing to possible further declines in the unemployment rate below 4% in August (Chart 3). Continued increases in the labor force participation rate for the prime working-age cohort and the number of voluntary job leavers this year reflect the growing job market confidence.

The share of consumers expecting incomes to increase within the next six months jumped to 25.5% in August from 20.4% in July, the most since December 2000 (Chart 4). If consumers feel confident about future incomes, they are more likely to boost consumption of discretionary services and big ticket items. Indeed, a majority of consumers, 53.1%, plan to buy major appliances within the next six months, and more plan to buy autos (12.3% from 11.1%) and homes (6% from 5.4%). Sustained real consumption growth near 3% in coming quarters seems plausible.

The jump in consumer spending at food services and drinking places this year—increased willingness to spend on discretionary services—probably best reflects consumers’ growing confidence in their finances (Chart 5).

The U.S. consumer is in good shape. Besides the positive fundamentals mentioned above, the elevated personal saving rate suggests that consumers have a sizable cushion in case of a rainy day and that they also have room to spend a greater share of their disposable incomes (Chart 6).

All signs point to another strong holiday shopping season.

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Chart 1: U.S. Consumer Confidence Index

![Graph showing U.S. Consumer Confidence Index]

Source: The Conference Board/Haver Analytics

Source: Monthly data. Source: The Conference Board and Haver Analytics

Chart 2: Consumer Confidence Present Situation and Expectations Indexes

![Graph showing Consumer Confidence Present Situation and Expectations Indexes]

Source: The Conference Board/Haver Analytics

Source: Monthly data. Source: The Conference Board and Haver Analytics
Chart 3: Share of Consumers Viewing Jobs as Hard to Get Minus Share Viewing Jobs as Plentiful vs. Unemployment Rate

Source: Bureau of Labor Statistics/Haver Analytics


Chart 4: Share of Consumers Expecting an Increase in Incomes, Six Months Hence

Source: The Conference Board/Haver Analytics

Source: Monthly data. Source: The Conference Board and Haver Analytics
Chart 5: Real Consumption: Food Services and Drinking Places

Source: Bureau of Economic Analysis/Haver Analytics.


Chart 6: Personal Saving Rate

Source: Bureau of Economic Analysis/Haver Analytics.

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