

## US: MORE POSITIVE NEWS ON CONSUMER CONFIDENCE, REGIONAL MANUFACTURING

*\*The MNI Chicago Business Barometer, up 7.1pts to 57.4 in February, joined other regional business surveys that showed continued optimistic sentiment this month*

*\*The Conference Board consumer confidence index jumped 3.2pts to 114.8 in February – the highest since July 2001*

*\*With sentiment continuing to run high for both consumers and businesses, it is important for policy expectations to be met, lest a deterioration in economic activity*

The MNI Chicago Business Barometer joined other regional business surveys that showed continued optimistic sentiment in February. The Chicago index jumped 7.1pts to 57.4 in February, the highest reading since January 2015.

Expect the ISM manufacturing report (released tomorrow) which covers national sentiment to also reflect similar optimism.

It may take some time for this positive sentiment to fully feed through to actual **"hard" data as some firms will probably choose** to hold off on big spending decisions **until new policy is enacted. We've seen mixed results so far, with core durable goods** orders and shipments slumping in January after an acceleration late last year, but manufacturing production excluding autos accelerating in January (see ["US: Pause in Durable Goods Sector Activity at Start of 2017"](#), February 27 2017, and ["US Data Upside Surprises as 2017 Unfolds"](#), February 15, 2017).

On the employment front, these surveys indicate that manufacturing firms are ramping up hiring after they shed a net 23k jobs last year – good news for the highly-anticipated February jobs report which comes just a few days before the March FOMC meeting (see Chart 1).

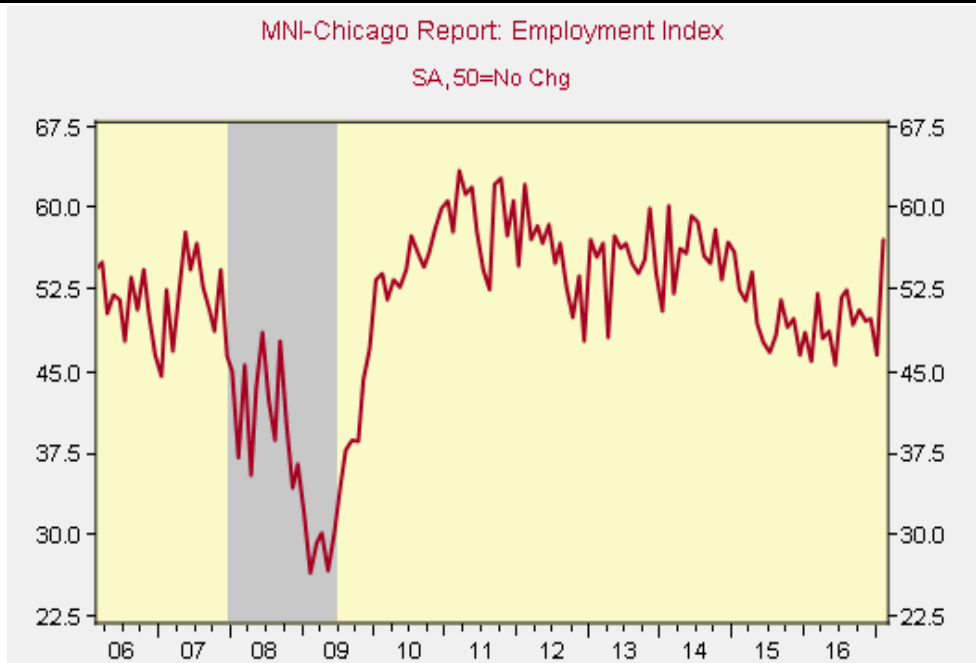
The prices measures in regional business surveys have surged recently, helped of course by firming commodity prices and, importantly, signal that firms are probably starting to feel more comfortable raising prices due to robust demand (see Chart 2). The Fed will have to seriously consider a March rate hike, with these signs of building price pressures for businesses and the personal consumption expenditure deflator for January likely to show price inflation approaching 2% yr/yr tomorrow (see ["March Fed rate hike seems most likely"](#), February 17, 2017).

Data on consumer confidence released today was also very strong. The Conference Board consumer confidence index jumped 3.2pts to 114.8 in February – the highest since July 2001 (see Chart 3). Although disposable income growth is a stronger predictor of private consumption than consumer sentiment, the 14pt jump in the sentiment index since October is striking and points to upside risk to household spending in the near term.

With sentiment continuing to run high for both consumers and businesses, there is increased risk of a significant deterioration in sentiment and economy activity if policy expectations are not met.

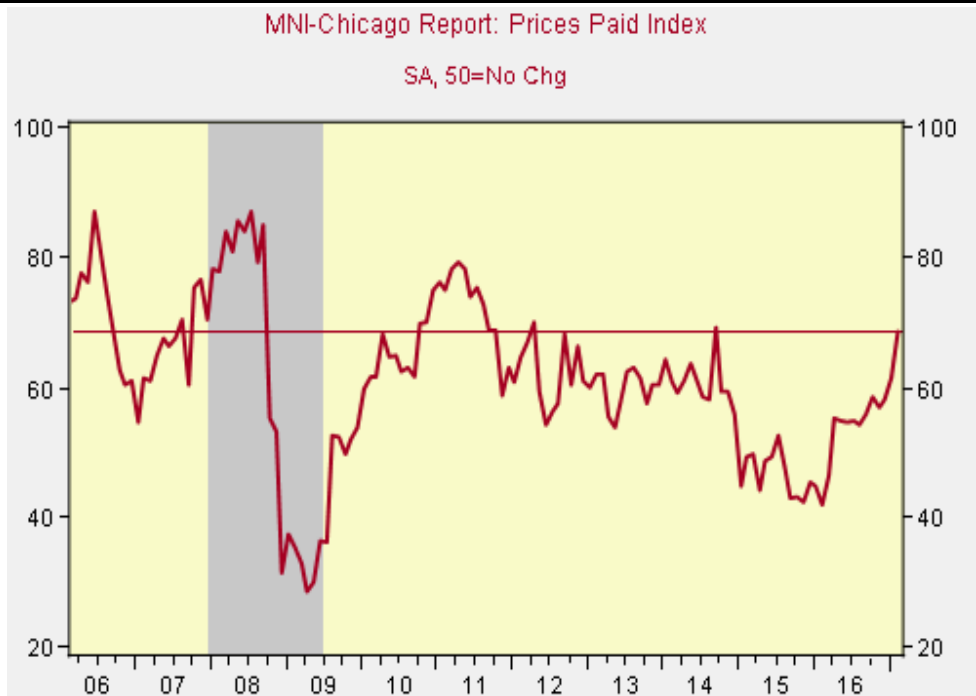
28 February 2017

Chart 1: MNI-Chicago Report: Employment Index



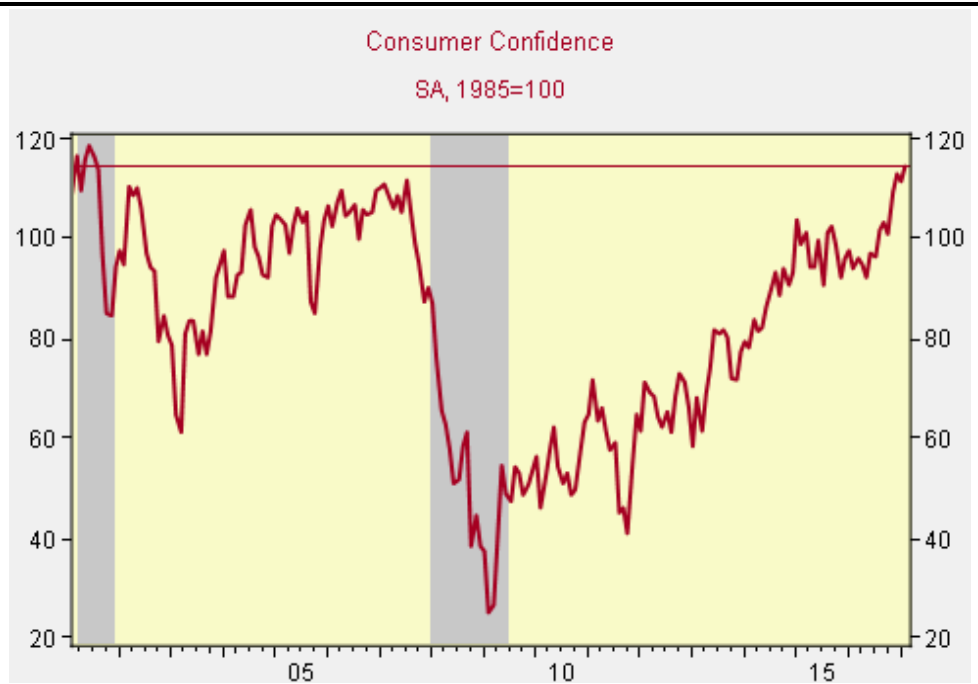
Source: Monthly data. Source: Market News International and Haver Analytics

Chart 2: MNI-Chicago Report: Prices Paid Index



Source: Monthly data. Source: Market News International and Haver Analytics

Chart 3: The Conference Board Consumer Confidence Index



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

---

## Disclaimer

This document was compiled by the above mentioned authors of the economics department of Berenberg Capital Markets LLC (hereinafter also referred to as “BCM”). **BCM has made any effort to carefully research and process all information.** The information has been obtained from sources which we believe to be reliable such as, for example, Thomson Reuters, Bloomberg and the relevant specialised press. However, we do not assume liability for the correctness and completeness of all information given. The provided information has not been checked by a third party, especially an independent auditing firm. We explicitly point to the stated date of preparation. The information given can become incorrect due to passage of time and/or as a result of legal, political, economic or other changes. We do not assume responsibility to indicate such changes and/or to publish an updated document. The forecasts contained in this document or other statements on rates of return, capital gains or other accession are the personal opinion of the author and we do not assume liability for the realisation of these.

This document is only for information purposes. It does not constitute a financial analysis, investment advice or recommendation to buy financial instruments. It does not replace **the recipient’s procurement of independent legal, tax or financial advice.**

This document has been classified as fair and balanced for the purposes of FINRA rules. Please contact Berenberg Capital Markets LLC (+1 617.292.8200), if you require additional information.

### Remarks regarding foreign investors

The preparation of this document is subject to regulation by US law. The distribution of this document in other jurisdictions may be restricted by law, and persons, into whose possession this document comes, should inform themselves about, and observe, any such restrictions.

### United Kingdom

This document is meant exclusively for institutional investors and market professionals, but not for private customers. It is not for distribution to or the use of private investors or private customers.

### Copyright

**BCM is a wholly owned subsidiary of Joh. Berenberg, Gossler & Co. KG (“Berenberg Bank”). BCM reserves all the rights in this document. No part of the document or its content may be rewritten, copied, photocopied or duplicated in any form by any means or redistributed without the BCM’s prior written consent. Berenberg Bank may distribute this commentary on a third party basis to its customers.**

© 2017 Berenberg Capital Markets, LLC, Member FINRA and SPIC.

