Datanote: Consumer Confidence, March

In one line: Further signs of a consumer slowdown

- The Conference Board's index of consumer confidence fell trivially in March, to 104.7 from a downwardly-revised 104.8, leaving it below the consensus, 107.0.

The marginal dip in March and the downward revision in February erase a bit more of the rebound in consumer confidence between last October and January. That period saw inflation continue to retreat, gas prices and mortgage rates plunge, and the stock market surge. The backdrop is now more mixed. Stocks keep on climbing, but retail gas prices have risen by around 15% from their low around the turn of the year, mortgage rates are meaningfully higher too, and the recent news on inflation has been less good. The near-zero change in headline confidence in March reflected a 3.4-point increase in the survey's present situation index almost exactly offsetting a 2.5-point fall in its expectations index; the weights are 40/60 respectively.

The further decline in expectations—which were also revised lower in February—is notable since the expectations index is a better guide to consumption growth than the headline, although it has been less reliable since 2016. Expectations averaged 77.2 in Q1, essentially unchanged from Q4, when consumption growth was robust. But the direction of travel has clearly shifted. Our read of the latest consumption and retail numbers means we expect a slowdown in growth in consumers' spending growth in Q1, which could continue over the rest of this year if the labor market starts to soften, as several leading indicators suggest.

That said, the Conference Board report includes one of the few leading indicators pointing to the labor market tightening again rather than loosening. The share of respondents saying that jobs are plentiful relative to those reporting that jobs are scarce jumped meaningfully in March, as the third chart shows. We're inclined to treat this segment of the Conference Board survey as a curiosity for now, as long as other reliable indicators, such as NFIB hiring intentions and the JOLTS quits rate, continue to point firmly in the other direction.