

## **Datanote: US Consumer Confidence, May**

**In one line: A decent bounce, but the headwinds to consumption are mounting**

- The Conference Board's index of consumer confidence rose to 102.0 in May, from 97.5, well above the consensus, 96.0.

The jump in the Conference Board's measure of confidence took us by

surprise given the further decline in the RCM/TIPP measure and the sharp fall in the Michigan index. That said, the stock market has rebounded over the past month or so following its April wobble, while gas prices have drifted lower, and mortgage rates have dropped back slightly. Moreover, the Conference Board index has undershot the Michigan index recently, as our first chart shows, so a catch-up arguably was overdue. Even so, the rebound in the Conference Board index in May reverses only a third of its decline from

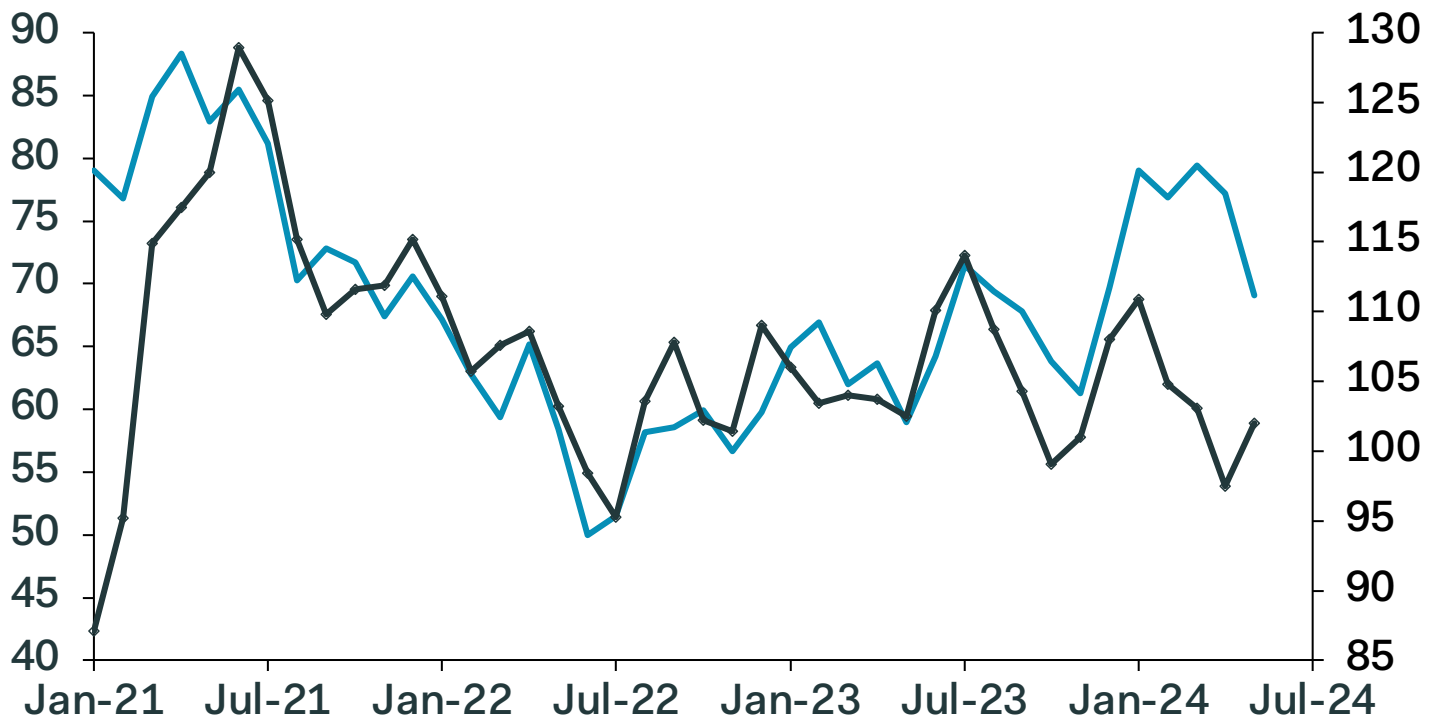
January to April and leaves confidence still at a subdued level. We expect confidence to take another knock over the new couple of quarters, given the raft of indicators pointing to a weaker labor market. Despite the leap in the headline index, the balance of survey respondents saying that jobs were plentiful versus hard to get improved only marginally, and it remains comfortably below its pre-pandemic level.

A 5.8-point rebound in the survey's

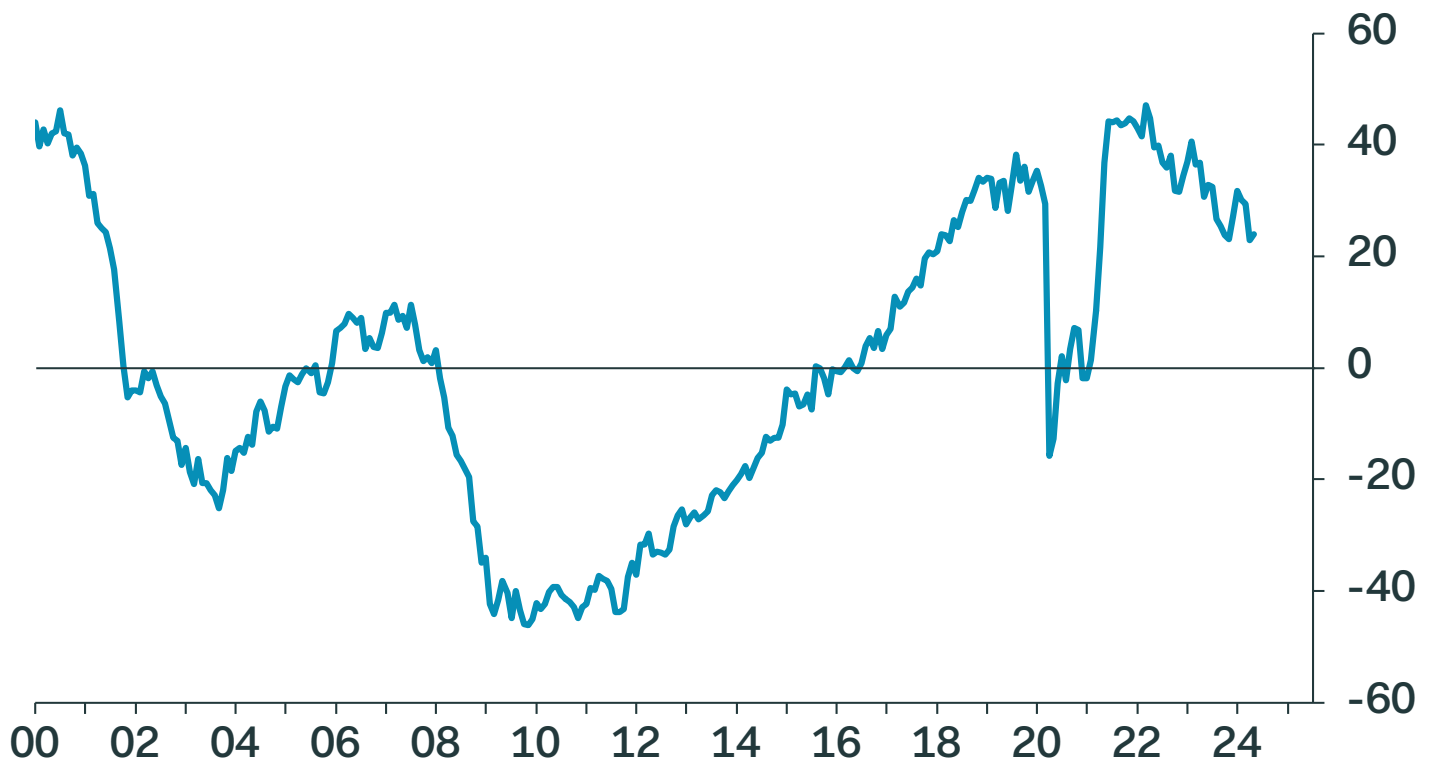
expectations subindex—60% of the headline—explains most of the jump in the headline index; the present situation subindex rose only 2.5 points. The rebound in expectations matters, as the index is a better guide to growth in consumers' spending than the headline. Admittedly, the relationship between expectations and consumption growth became unreliable during the Trump presidency, but the numbers have moved back into line over the past year or so, flagging the re-acceleration in

consumption growth in the second half of 2023. The leap in expectations in May reverses all the April decline, but even if expectations are unchanged in June, the Q2 average, 72.7, would still be well below the 77.3 average in Q1, consistent with a further slowdown in consumption growth.

— Univ. of Michigan consumer sentiment index (Left)  
 — Conference Board consumer confidence index (Right)



— Conference Board jobs plentiful less jobs hard to get



— Conference Board expectations index (Left)

— Real consumption, y/y% (Right)

