Datanote: US Consumer Confidence, April

In one line: Consumers starting to feel the pinch.

- The Conference Board's index of consumer confidence dropped to 97.0 in April, from a downwardly revised 103.1, well below the consensus, 104.0.

This is the third consecutive monthly fall in consumer confidence and takes the headline index to its lowest level
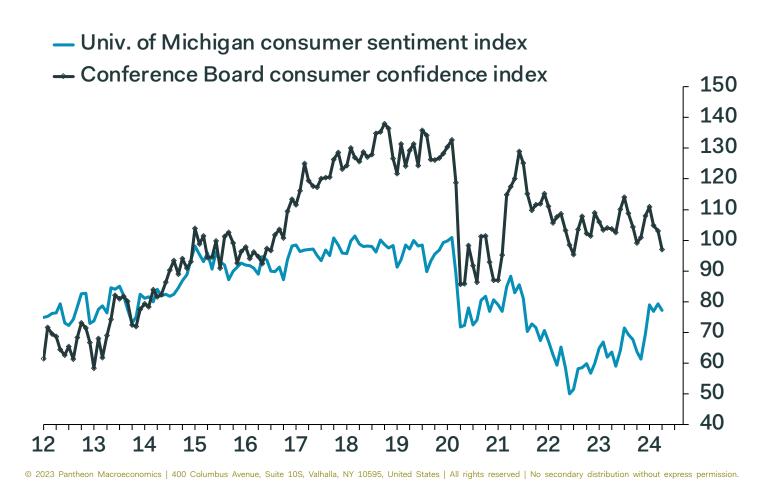
since July 2022. The substantial miss relative to consensus was partly due to a downward revision to the March number. But even after that revision the month-to-month drop in the headline index was the joint-biggest in more than two and a half years. Part of the fall in April can probably be put down to the stumble in the stock market this month and the further increase in gas prices. But a raft of more fundamental factors are likely weighing on confidence too: the disappointing recent news on inflation; the rebound

in mortgage rates; and an array of indicators pointing to a weakening labor market. The share of respondents saying that jobs are plentiful versus hard to get dropped further last month, to a five-month low, bringing this measure closer in line with the picture of a softening labor market painted by the JOLTS quit rate.

Most of the fall in the headline index was due to a steep 7.6-point fall in the survey's expectations index, which has a weight of 60%.

The present situation index, which accounts for the remaining 40%, dipped by 3.9 points. The sharper fall in the expectations index matters, as it has a stronger relationship with consumption growth than the headline. The relationship between expectations and consumption growth broke down during the Trump presidency, probably due to political factors, but has been more useful again over the past couple of quarters. Expectations could rebound over the next month or two given the extent of the fall in April. But

if they remain at their April low over the rest of Q2 then that would point to a sharp further slowdown in consumption growth, as our third chart shows.

Univ. of Michigan consumer sentiment index

Conference Board consumer confidence index

Conference Board jobs plentiful less jobs hard to get (Left)
JOLTS quits rate (Right)

Conference Board expectations index (Left)
Real consumption, y/y% (Right)

Covid extremes in real consumption growth cut from chart

April