



Consumer Confidence Takes a Hit (July) After Prior Gains

Rohan Kumar*

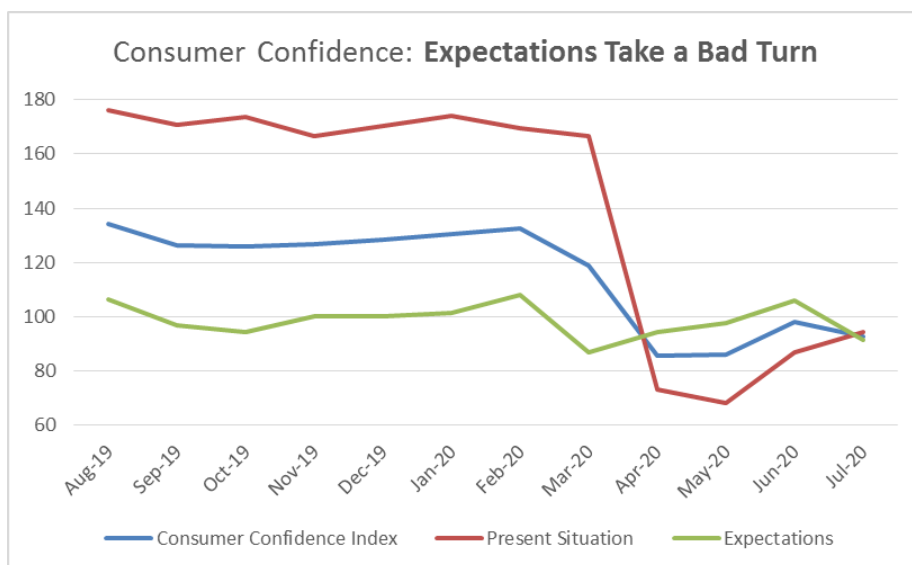
The **Conference Board Consumer Confidence Index fell to 92.6 in July** (DE 97; Consensus 94.7) from 98.3 in June. The contraction, which came after improvements in the prior two months, was due to **significantly worse Expectations**.

Uncertainty regarding the Pandemic is clouding consumers’ projections of the labor market and the economy as a whole.

Data Details – Fall in Expectations Masks Present Situation Recovery

- The **Expectations Index tumbled from 106.1 to 91.5** after gains in three straight months. Meanwhile, the **Present Situation improved for the second time in a row, rising from 86.7 to 94.2**.
- Of respondents, 31.6% expect business conditions to improve over the next six months – a considerable drop from 42.4% in June. Meanwhile, 19.3% expect business conditions to worsen, up from 15.2%. **The majority of respondents anticipate stagnation, as 49.1% said conditions will stay the same** compared with 42.4% in the prior month.
- On the employment front, 20.3% anticipate fewer jobs compared with 14.4% in June. Concurrently, the share of respondents expecting more jobs fell from 38.4% to 30.6%.
- The rise in the Present Situation Index was largely due to **respondents shifting their current assessment from “bad” to “normal.”** Some labor market gains also paved the way as 20% of those surveyed viewed jobs as “hard to get,” down from 23.3%.

Chart 1



Sources: The Conference Board, Decision Economics, Inc. (DE)

Perspectives – Consumer Spending Could Halt

The Recovery has made considerable gains, with labor markets somewhat strengthening. That said, the Pandemic resurgence is making consumers rather wary about the next six months, and this uncertainty silences the improved Present Situation.

The **fall in Confidence came predominantly for households making at least \$50,000**. This is rather bearish for consumer spending. Uncertainty incentivizes saving over discretionary spending, and this is especially true for higher-income households.

For a strong Recovery the high-income group needs to spend more, but this is hard to imagine considering the falling Confidence.