



# Economics Group

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## Consumer Confidence Jumps Higher in June

*Continued improvement in current labor market conditions and greater expectations about future job growth helped to lift consumer confidence in June. The rise in confidence points to stronger consumer spending in Q2.*

### Consumers' Future Expectations Improve Again in June

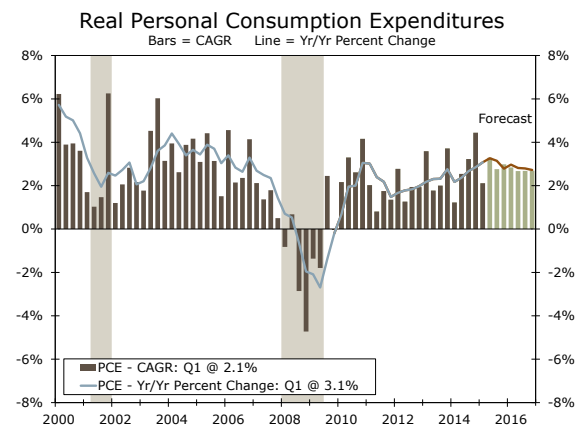
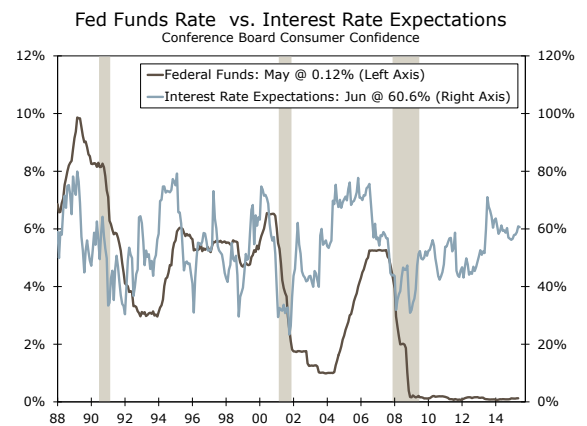
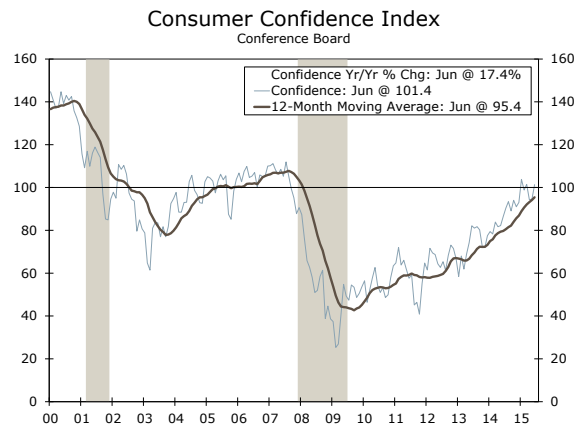
The Conference Board's measure of consumer confidence rose 6.8 points to 101.4 in June as consumers' views of both current and future economic conditions improved. Today's confidence reading is the highest reading since March. Consumers' views of current economic conditions rose to 111.6 in June from May's 94.6 reading. Current views of the labor market helped to support the more optimistic perspective of current conditions. The number of consumers reporting that labor conditions were bad has now declined for three months in a row, a reflection of the continued robust pace of job growth and the addition of more full-time jobs this year.

The future expectations component of the index also improved for the month, rising 8.4 points to 94.6. Future views of business conditions edged higher, while more consumers expected more jobs over the coming months. Future income expectations were little changed for the month; however, fewer consumers expected their income to decline over the next six months. Views of future labor market conditions also rose sharply with 17.8 percent of individuals expecting more jobs over the next six months.

Another interesting trend that has emerged in recent months is the recognition of a rising rate environment among consumers. The interest rate expectations component of the survey has been trending higher since January of this year. Consumers' views of inflation have also been rebounding slightly as retail gasoline prices have begun to slowly creep higher over the past couple of months. Consistent with consumers' views of a higher interest rate environment, plans to buy an automobile trended higher for the month. The future plans to buy a home measure was unchanged in June with 5.9 percent of respondents expecting to purchase a home. Plans to buy a major appliance pulled back for the month to 46.5 percent from May's 50.5 percent.

### Firming Confidence Points to More Robust Consumer Spending

After a modest start to the year, consumer spending looks poised to accelerate in the second half of the year. Income growth has firmed with the addition of more full-time employment and consumer credit conditions continue to improve, providing support to consumer spending activity. This Friday we expect to see another sizable gain in employment which should also help to support further gains in confidence and, in turn, consumer spending in the months ahead. Our forecast calls for 3.3 percent real consumer spending in the second quarter. We expect that spending activity should average around 2.9 percent in the second half of the year. As the year progresses, consumers will continue to play a significant role in supporting firmer top line GDP growth.



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