



TD Economics

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Data Release: Consumer confidence slips in February

- After an outsized gain in a month prior, the Conference Board consumer confidence index reversed course in February. The headline index pulled back by 7.4 points to 96.4. The reading was softer than market expectations, which called for the index to decline to 99.5. As a small consolation, December's reading was revised a tad higher to 103.8 from an initial reading of 102.9.
- The January decline in confidence was broad-based, as both present conditions and future expectations subcomponents fared worse on the month. The future subcomponent bore the blunt of the decline, slumping by nearly 10 points. The decline in the present situation subcomponent was more moderate (-3.7).
- In terms of consumers' assessment of the present situation, their view on business conditions deteriorated from the prior month, with 26% of respondents indicating conditions were 'good' as opposed to 28.2% in January. Their assessment of the current employment situation remained roughly unchanged with 20.5% of respondents indicating that employment was 'plentiful' relative to 20.7% a month ago.
- As for future expectations, the bulk of the deterioration/improvement was in the outlook on near-term employment and income situation, with 13% of respondents believing that there will be more jobs (down from 17.3%) and 15.1% expecting higher income (down from 19.5%). Fewer respondents also expected future business conditions to improve.

Key Implications

- Today's report was disappointing but not surprising. Following a large 10.7 points gain in confidence in January, a repeat performance was unlikely and markets were calling for some pullback this month. That being said, consumer sentiment remains at an encouraging level and is likely to maintain its upward momentum going forward.
- The deterioration in the future expectations subcomponent was significant, however it came with a caveat. The lion's share of the weakening was not due to more respondents expecting a deterioration, but rather because a higher share was expecting business, employment and income conditions to remain the same.
- Looking through the monthly volatility, 2015 is shaping up as a good year for American consumers. Over the course of the next year, lower gasoline prices are expected to save households \$900 on average. Other drivers of robust consumer spending include ongoing strength in the job market, low interest rates, and signs of a pickup in wage growth.

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