



## TD Economics

July 29, 2014

### Data Release: U.S. consumers feeling most upbeat since October 2007

- The Conference Board consumer confidence index moved sharply higher in July, rising by 4.5 points to 90.9 – the highest level since October 2007. The headline came in well above consensus expectations, which called for modest uptick of 0.2 points to 85.4. Furthermore, positive revisions bumped up June's reading to 86.4 from an earlier-reported 85.2.
- Both of the index sub-components fared better on the month. The present situation sub-component rose by 2.0 points to 88.3, while the future expectations sub-component gained 6.3 points, landing at 92.7.
- Household's assessment of the job market helped to buoy the evaluation of both present and future economic conditions. The share of respondents stating that jobs were plentiful rose from 14.6% to 15.9% - a fourth consecutive monthly increase. The near-term labor market outlook also brightened, with the share of respondents expecting more jobs in the months ahead increasing from 16.3% to 19.1%. The balance of opinion on other forward-looking questions also improved, with greater share of consumers expecting better business conditions and stronger income growth over the next six months.

### Key Implications

- The fact that consumers are feeling more upbeat is certainly encouraging, particularly as consumer spending remains a heavy-weight driver of U.S. economic growth. The confidence index continues to paint a picture of overall improvement in economic activity beyond the setback seen in the first quarter of the year. This theme is expected to be cemented with Wednesday's release of the second quarter GDP reading, which is expected to show growth just a notch south of 3%. Furthermore, a substantial gain in future expectations offers encouragement that growth in consumer spending will remain robust in the second half of the year.
- Job growth has been a particularly bright spot in recent months, and consumers are making a note of it as evidenced by improved assessment of present and future labor market conditions. Continuous job gains alongside some uptick in income growth should go a long way at sustaining an upward momentum in consumer confidence.
- The one rain cloud on an otherwise positive report is the downshift in home-buying intentions. The share of respondents planning to buy a home fell to 4.4% from 5.4% a month earlier and 6.9% a year-ago. Tight access to credit and rapidly rising home prices share the blame for the subpar activity in the housing market. With regard to the latter, decelerating home price growth should be welcomed by prospective home-buyers feeling priced out of the market.

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