



TD Economics

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Data Release: U.S. Consumer confidence surges in March to its highest reading since January 2008

- Consumer confidence gained 4 points over February's mark to reach 82.3 – its highest level since January 2008. To put that into perspective, in January 2008, Barack Obama was seen as a long shot for the Democratic nomination for the 2008 general election and the Beijing Olympics were seven months away.
- The present situation sub-index slightly edged down to 80.4 from 81.0. Despite a loss in momentum, this keeps the subcomponent around its highest level in over half a decade.
- The increase in consumer confidence is entirely due to the expectations component – which accounts for 60% of the overall index – gaining 7 points to 83.5. This is significantly higher than its one-year and two-year running averages.

Key Implications

- Increased confidence goes in hand with our forecast for growing consumer expenditure (70% of total GDP) over our forecast horizon, from 2.0% in 2013 to much more robust showings of 2.7% and 3.0% in 2014 and 2015, respectively.
- An improvement in confidence for the near-term outlook of the economy also bodes well for a housing market that has underperformed over the last several months. While housing starts remain 60% below their long-run demographic-driven trend, better weather and more robust building permits – a leading indicator – point to a reversal in momentum.
- The Federal Reserve has recently brought to an end its experiment with economic thresholds as a guide to monetary policy in favor of a more qualitative assessment on a broader range of economic indicators. This should allow the central bank to remain accommodative in the face of a still damaged labor market and keep rates at their minimum until late in 2015.

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