



## TD Economics

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### Data Release: Recovery in consumer confidence continues in May

- Consumer confidence rose by 7.1 points in June, surging to 81.4, its highest level since January 2008, and marking a third consecutive month of hefty gains. The outturn was way ahead of the market consensus for 75.1.
- Both the present situation and future expectations sub-components posted significant improvements this month, rising to 69.2 and 89.5, respectively, compared to 64.8 and 80.6 a month earlier.
- The overall message was of ongoing improvement as the outlook on both labor market performance and overall business conditions continued to brighten.

### Key Implications

- Consumer confidence has continued to top expectations and give hope that as the drag from fiscal policy lifts, a much sturdier economic recovery is waiting in the wings.
- The 8.9 point increase in future expectations component is especially encouraging and supports our view of stronger consumer activity in the second half of 2013.
- The rise in home prices is undoubtedly a major factor behind the turn in consumer sentiment. The recovery in home prices has accelerated in recent months. Based on S&P/Case-Shiller HPI released earlier this morning, home prices increased 12.5% year-over-year, after advancing 10.9% a month earlier. Given, that approximately 19.8% of all home mortgages remain in a negative equity position, (owing more on their mortgage than the current value of their home) further recovery in housing prices remains paramount for many households.

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