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# Economics Group

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# Consumer Confidence Rebounds in March

***Consumer Confidence rose 2.2 points in March to 96.6 and February's data were revised up. The headline looks better than the underlying details, however, as consumers remain frustrated by sluggish income growth.***

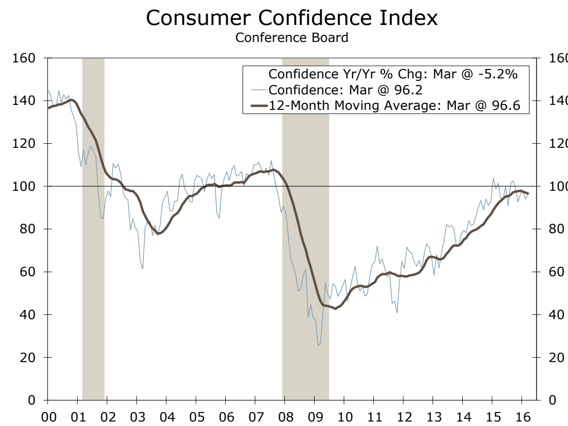
## Consumers Weigh in on the GDP vs. Job Growth Debate

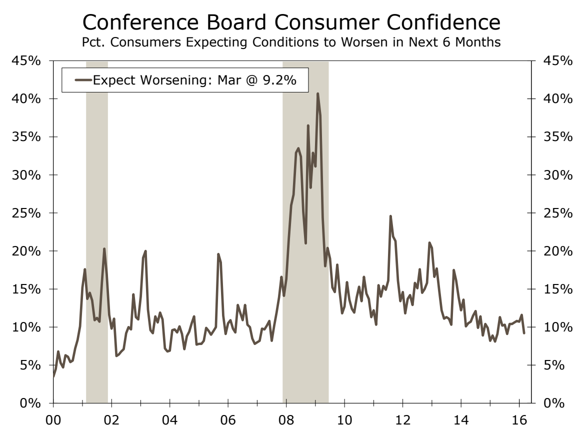
Monday's disappointing February personal income and spending data put added focus on today's consumer confidence report. Real personal consumption outlays are running at just a 1.5 percent annual pace ahead of the fourth quarter, leading many forecasters to scale back expectations for first quarter growth. The closely watched Atlanta Fed GDPNow forecast for first quarter real GDP growth was slashed from 1.4 percent to just 0.6 percent. While the 2.2 point rise in consumer confidence may partially alleviate these fears, we see less strength beneath the headline figure.

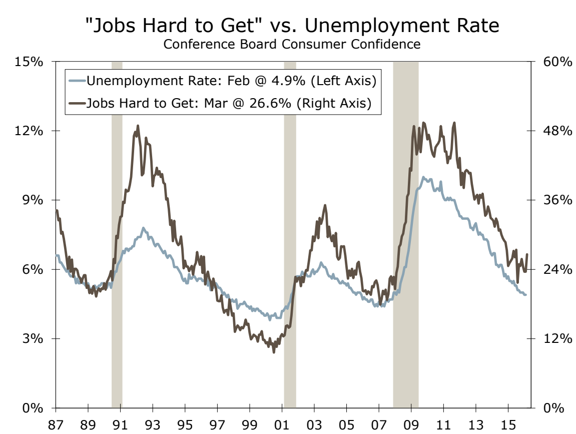
All of the increase in the Consumer Confidence Index during March came from the expectations series, which measures how consumers feel business conditions, employment prospects and income growth will look six months from now. Expectations jumped 4.8 points to 84.7 in March, which is close to its average for the past six months. The expectations series tends to be more heavily influenced by swings in the stock market. After a rough start to 2016, the S&P 500 rose 7.6 percent during the 30 days prior to the March 17 survey cutoff date. The rebound in the stock market helped reverse the growing proportion of consumers expecting business conditions to worsen over the next six months, with that figure falling 2.4 percentage points in March to 9.2 percent, its lowest reading since last August.

Consumers' assessment of the present economic situation declined 1.5 points to a level of 113.5 in March. The February number was revised higher, however, and the March reading is still nearly 1.5 points higher than February's initial reading. Most of the revision occurred in consumers' assessment of current labor market prospects. The labor differential for February had initially posted a 1.5-point drop to -2.1, as far fewer consumers felt that jobs were plentiful and more reported that jobs were hard to get—a reading totally out of sync with February's surprisingly strong job growth. The revised data show much smaller changes and put the labor market differential at just -0.8 in February, some 1.3 points higher than first reported.

Unfortunately, consumers feel that the labor market weakened further in March, with the jobs hard to get series jumping 3 full points and the labor market differential falling to -1.2. Moreover, fewer consumers feel their income will increase over the next six months while more feel their incomes will decrease. Taken together, these two series reveal a great deal about the debate as to which matters more—the weaker GDP number or the stronger employment data. Jobs clearly matter more, but the quality of jobs, which the wage data suggest is lacking, matters much more than the quantity, which appears abundant. One of the quirkier aspects of this month's report is that the portion of consumers that believe jobs are plentiful rose nearly as much—2.6 percentage points—as those stating that jobs were hard to get. Our read on this split is that good jobs are hard to get.




Source: The Conference Board, U.S. Department of Labor and Wells Fargo Securities, LLC

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