



# Economics Group

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## Consumer Confidence Slipped in August

*Consumer confidence fell slightly to 135.1 in August. Although that was not as large as expected, the cutoff date was August 16. Between stock market jitters and trade war escalation, a lot ensued in the 2nd half of the month.*

### The First Half of the Movie Wasn't Too Scary

We were braced for a different kind of report today. The August flash estimate for another measure of consumer sentiment (the University of Michigan's) showed a sharp decline. Given the financial market instability during the month and constant headlines about the trade war, a more substantial decline in today's measure from the Conference Board would not have raised many eyebrows.

If you find it surprising that it apparently takes more than the remarkable events of August to meaningfully suppress consumer confidence, consider the fact that the cutoff date for these preliminary results is August 16. There is scope for downward revisions once the dust has finally settled.

### Lost Confidence

The second round of tariffs targeted against China (the \$200 billion) were announced in late September 2018. Confidence peaked the following month, while worries about the trade war were a factor in the December stock market selloff which further weighed on confidence. In fact, consumers have never fully regained the confidence lost at the end of 2018 as the trade war has dragged on.

### Don't Bother Telling Me What I Got Coming in the Morning

One clear takeaway from today's report is that consumers see the writing on the wall in terms of how long the good times can last. The present situation index, at 177.2 is the highest since 2000. It is remarkable that this measure can be so high even as the expectations index sits more than 70 points lower at just 107.0.

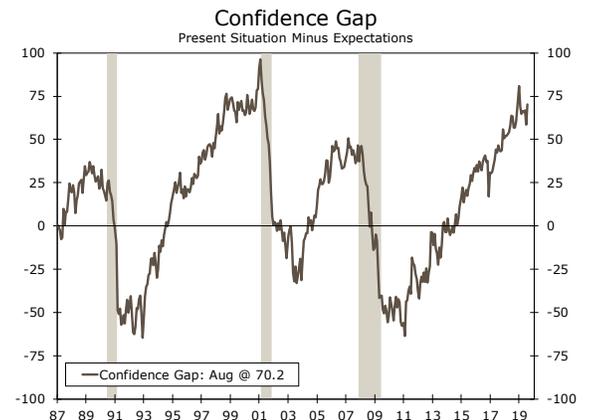
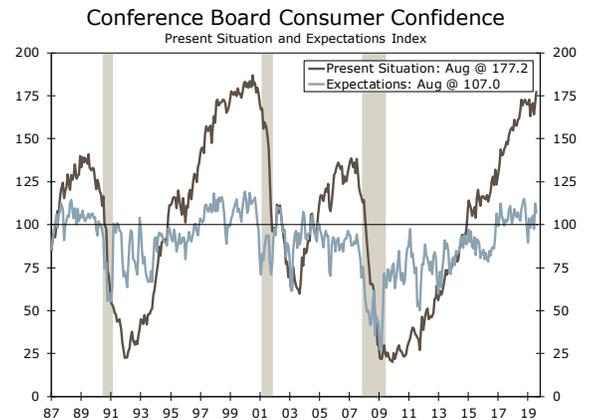
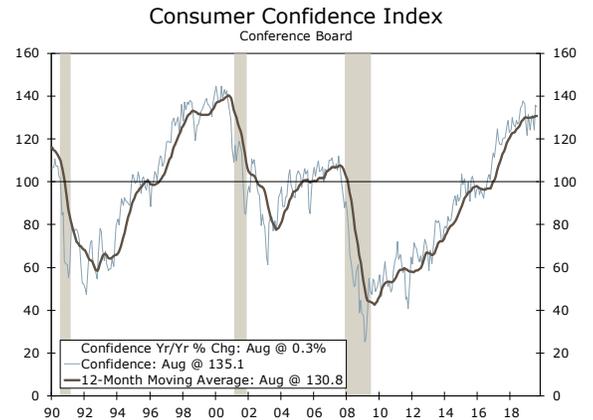
### Peak Blinders

Only one other time in the past 18 years has there been such a confidence gap between where we are and where consumers think we are headed. The bottom chart plots this confidence gap—which is present situation minus expectations.

Peaks in this series tend to be associated with turning points in the cycle. It is for this reason that we tend to discount comments about confidence still being "elevated by historical standards" or "well above the long-run averages." More important than the level is the direction. We find only cold comfort from the fact that consumer confidence did not fall more than it did and suspect once the survey data from the second half of the month are folded in with these preliminary results the fall will be larger.

### White Hot Labor Market

One undeniably positive factor for consumers is the labor market. Arguably the tightest labor market in a half century has a 51.2% share of consumers seeing jobs as being plentiful—a fresh high for this cycle.



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