Indicators

United States

Conference Board Consumer Confidence

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Actual	107.2
Previous *	110.5
Moody's Analytics	107.9
Consensus	108.0
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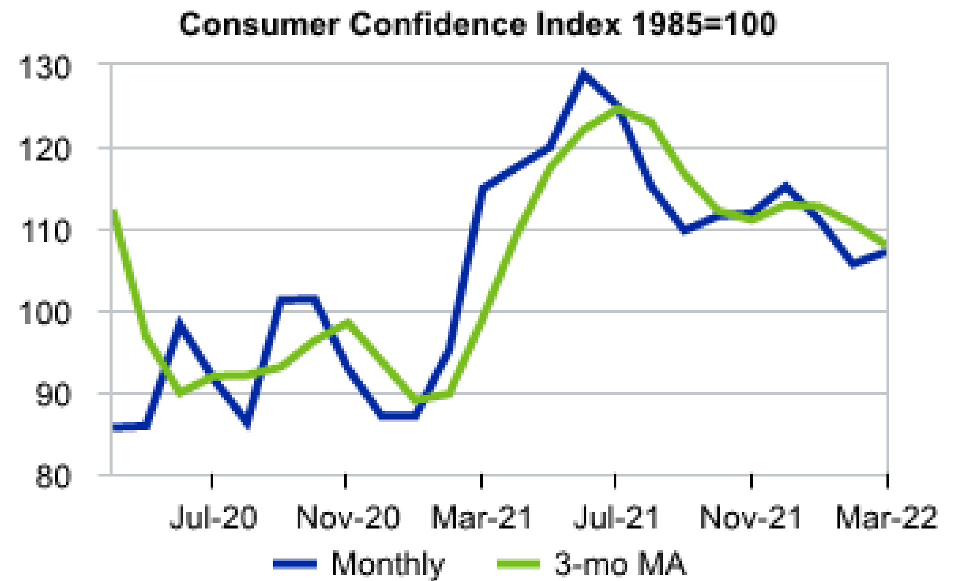
Definition Source



First Take

U.S. consumer confidence recovered slightly in March, bucking consensus and our expectations for a decline. The Conference Board's consumer sentiment index increased from 105.7 in February to 107.2 in March. Consumers' assessment of present conditions improved but expectations soured. The slight improvement in confidence comes as the Omicron variant of COVID-19 is fading and the labor market remains red-hot. However, risks to confidence abound as the Federal Reserve scrambles to remove monetary accommodation to address alarmingly high inflation and Russia's invasion of Ukraine rages on.

Conference Board Consumer Confidence Index, 1985=100

	Mar 22	Feb 22	Jan 22	Dec 21	Nov 21	Oct 21	Sep 21	Aug 21
Overall	107.2	105.7	111.1	115.2	111.9	111.6	109.8	115.2
Present conditions	153.0	143.0	144.5	144.8	144.4	145.5	144.3	148.9
Expectations	76.6	80.8	88.8	95.4	90.2	89.0	86.7	92.8
Labor market								
Employment - jobs plentiful	57.2	53.5	55.0	55.9	55.5	54.8	56.5	55.6
Employment - jobs hard to get	9.8	12.0	12.0	11.7	10.8	11.0	13.0	11.2
Differential	47.4	41.5	43.0	44.2	44.7	43.8	43.5	44.4
Expected income - increase	14.9	14.7	16.2	17.5	18.9	18.4	16.9	18.2
Expected income - decrease	13.7	13.0	12.1	11.2	11.7	11.2	11.4	9.9
Buying plans								
Auto	9.3	10.7	11.5	11.1	9.0	10.3	9.8	11.2
Home	5.8	5.8	7.0	6.9	5.8	6.9	5.3	6.3
Appliance	47.4	45.8	49.2	47.8	47.8	47.4	46.4	50.5
Inflation expectations	7.9	7.1	6.8	6.9	7.3	7.1	6.5	6.7

The Numbers

- The Conference Board Consumer Confidence Index increased slightly from a revised 105.7 in February (previously 110.5) to 107.2 in March. This was better than the consensus expectation for a 3.5-point drop. Nevertheless, the index remains below its recent peak of 128.9 in June.
- Note that the Conference Board altered its methodology in May 2021, as the survey is now conducted online, includes a larger sample, and the reference period has shifted a little. The historical series dating back to 1967 remained unchanged,

but the new methodology led to revisions between January and April 2021.

- Consumers' assessment of the present situation improved from 143 to 153. Nevertheless, with inflation at uncomfortably high levels, this could move lower in April. Expectations decreased from 80.8 in February to 76.6.
- Consumers' assessment of the job market was broadly improved, as 57.2% of consumers stated that jobs were "plentiful," up from 53.5%. This marks a new historical high. In addition, 9.8% of consumers reported that jobs are "hard to get," down from 12%. The labor market differential, or the difference between those saying jobs are plentiful versus hard to get, increased from 41.5 to 47.4, setting a new all-time high and breaking the prior record of 46.2 in July 2000.
- In March, 14.9% of respondents expected an increase in their income, up from 14.7% in February. The share of respondents expecting their income to decline in the next six months was 13.7% in March, up from 13%.
- Consumer plans to make big-ticket purchases such as vehicles have weakened in recent months as households have internalized rising interest rates.

Behind the Numbers

Russia's invasion of Ukraine has the makings of one of the largest geopolitical disruptions to global oil markets since WWII. In the worst of these disruptions, gasoline prices rose meaningfully for U.S. consumers. Currently, the average regular gasoline price is $4.24 per gallon nationally, up from $3.61 per gallon a month earlier. Higher gasoline prices are an immediate risk to the economy if it leads to demand destruction, as consumers cut back on discretionary spending to make up for higher prices at the pump. Some segments of personal consumption are more at risk than others from demand destruction. Discretionary spending is typically most concentrated in durable goods, so this spending category seems the most vulnerable to higher gasoline prices. The data bear this out, as we show through two different exercises.

We first performed an event study that tracked the median path of personal consumption on durable goods, as well as services and nondurable goods both excluding energy, during the four largest oil supply shocks of the postwar period. In these examples of rising oil prices, services spending tended to be the most resilient followed by nondurable goods consumption. In contrast, durable goods spending typically declined at the beginning of the shock and struggled to recover to pre-shock levels in the months thereafter.

We then supported our findings from this event study econometrically. When controlling for real disposable incomes, unemployment, and the idiosyncratic impact of the pandemic on household consumption patterns, there is a negative relationship between changes in the CPI for gasoline and nonenergy spending on durable and nondurable goods, as well as services. However, the relationship is statistically significant for durable goods spending, but weak for the other two spending categories.

At first, we were a touch surprised to find a significant relationship between the CPI for gasoline and durable goods spending, as we thought the main channel by which the former hurts the latter would be through weakness in real disposable incomes. However, fluctuations in gasoline prices impact consumer confidence, which also affects spending. Separate econometric analysis showed that confidence has a much stronger, positive association with durable goods spending than it does with nonenergy consumption of services and nondurable goods.

History is normally a useful guide, but higher gasoline prices today may not hurt consumer spending as much as past oil supply shocks would suggest. First and foremost, the share of personal consumption of gasoline and other motor fuels is coming off record lows, and is much lower than it was during the oil supply shocks of the 1970s and 1980s. Also, past geopolitical disruptions to global oil supply were not preceded by a surge in personal savings as we have witnessed over the prior two years.

Most important, the labor market is strong, as evidenced by rapid job growth and an abundance of job openings, and this will support confidence, despite the sticker shock households are increasingly experiencing at the pump. In March, the labor market differential surged to an all-time high, breaking its prior record set during the dotcom bubble. Further, higher energy prices are less likely to disrupt hiring, investment and other activity in the U.S. economy, which is much less energy-intensive than in times past. Primary energy consumption, as measured in exajoules, per chained 2012 dollar of GDP has fallen by two-thirds since the late 1960s.