

The US confidence conundrum

While the very strong September reading for the Conference Board measure of consumer confidence is good news, it is somewhat at odds with the much weaker University of Michigan index. This leaves ongoing uncertainty over the path of consumer spending at a time of rising Covid-19 cases and growing election uncertainty



The Conference Board measure of consumer confidence has jumped the most in 17 years to stand at 101.8 versus the 90.0 consensus and the August reading of 84.8. Expectations rose 19 points – taking us to the highest reading since March. There were major improvements in all of the key components, suggesting that the economy continues to heal, yet we have to remember that the headline reading remains well down on the February figure of 132.6.

The main issue is that this is significantly different to the story being told by the University of Michigan sentiment index, which while improving, is not anywhere near as encouraging on the prospects of consumer spending as the chart below shows.

Conference Board versus University of Michigan sentiment readings



Source: Macrobond, ING

The sampling size and polling dates do differ between the two surveys with the Conference Board polling up to ten times the number of people, while the timing of sharp equity market moves or gasoline price changes can be a factor, but we don't think that is the case this time.

The other major difference is the perception that the Conference Board measure puts more emphasis on the state of the jobs market while the University of Michigan puts more weight on personal finances and overall business conditions. Today's Conference Board measure would therefore suggest we should be looking for a very decent payrolls number on Friday, but again there are contradictions with the ratio of jobs plentiful to jobs hard to get not exactly suggesting a major bounce in jobs by historical standards.

Jobs plentiful versus jobs hard to get



Source: Macrobond, ING

While today's Conference Board figure is on the face of it a fantastic result, we have to remain a little cautious given the mixed evidence from other sources. Moreover, with Covid-19 cases on the rise again we can't rule out the potential for renewed containment measures, such as those being re-introduced in Europe, which would be economically damaging. Also, with the election battle set to intensify as the first Presidential debate gets underway later today, the the prospect of a deeply divisive election with the possibility of a delayed result could also all blur the outlook for spending.

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