

19 June 2017
Snap

US consumer confidence slides to pre-Trump levels

A lack of action of fiscal and tax policy and a sense of disappointment on the economy seems to be prompting weaker sentiment readings.

The preliminary June reading of the University of Michigan consumer confidence was weaker than expected and is the softest reading since last October. The details show the weakness was spread fairly evenly between the current conditions index and the future expectations series.

94.5 U. of Michigan Confidence (June)
(Previously 97.1)

Worse than expected

There are detailed questions in the report and one that is interesting is the steep drop in responses to “government doing a good job fighting inflation and unemployment”. All optimism generated by Trump’s Presidential victory has been reversed now, which presumably relates to the lack of action on fiscal stimulus, tax reform and healthcare changes.

All optimism generated by Trump’s Presidential victory has been reversed now

There was also a steep fall in business expectations for next year (again back to Trump election levels) and also business conditions over the last few months. Weak wage growth presumably doesn’t help. Nonetheless, most other spending related questions saw similar responses seen in recent months (be it buying a house, car or other items).

These are findings that have been borne out in the Conference Board measure of consumer confidence. However, it isn’t necessarily bad news for economic activity. Spending didn’t soar like consumer confidence did late last year and early this year. People were presumably optimistic about some proposals, but weren’t going to change their behaviour until they actually happened. Given the lack of government spending and tax cuts what we are seeing is confidence moving lower and better reflecting what consumers are actually doing.

James Knightley

Chief International Economist

+44 20 7767 6614

james.knightley@ing.com

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