Data Release: Consumer confidence moves higher in May

- The Conference Board's Consumer Confidence Index rose to 95.4 in May, from a downwardly revised reading of 94.3 (previously reported at 95.2) in the prior month. The reading came in slightly above expectations, which called for a modest pullback to 95.0.
- The gains in the headline index were entirely a result of an uptick in the present situation subcomponent, which rose by 3.0 points to 108.1. The future expectations subcomponent retreated by a slight 0.2 points falling to 86.9.
- Digging deeper into the details of the report, the increase in the present situation index was largely a result of consumers' feeling more upbeat about current labor market conditions – percent of respondents feeling jobs were plentiful increased to 20.7% (previously reported as 19.0%). The labor market index – calculated as the differential between "jobs plentiful" and "job hard to get" – turned a touch higher, rising to -6.6 from -6.9 the month prior.
- Consumers’ also felt more positive about current business conditions, with 57.4% now feeling current conditions are normal (up from 55.3% last month), while the number of respondents feeling conditions are worse fell to 17.4% (previously reported as 19.2%).
- Across the TD Footprint, confidence soared in the New England area (rising to 107.6 from 55.2), remained relatively flat in the Mid-Atlantic (inching up to 80.2 from 80.0) while falling modestly in the South Atlantic (96.7 from 97.6).

Key Implications

- After moving decisively lower last month, it was nice to see the more upbeat reading in May. In particular, the gains in the present situation subcomponent ended what was previously a three-month slide.
- The uptick in the percent of consumers’ planning to purchase a home in the next six-months is an encouraging sign and suggests that the recent positive undertones in housing data will be sustained.
- The rebound in May consumer confidence alongside the strong reading in last month's employment figures supports a narrative of a bounce back in consumer spending over the coming months. Our current tracking has real personal spending rebounding to somewhere in around 3% (annualized) in the second quarter, though the risks appear slightly skewed to the downside after the soft April retail sales figure.

Thomas Feltmate, Economist
416-944-5730

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