

Consumer Confidence or Lack Thereof
April 28, 2020



Stocks gave up a strong opening Tuesday and finished slightly in the red by the time the market closed. The Dow Jones Industrial Average dropped 32 points, or - 0.13%. The S&P 500 fell 15 points, or -0.52%. The Nasdaq again lagged the large cap indexes for a second day as it fell 122 points or -1.40%. Notably, the Russell 2000 (small cap index) bucked the downward trend and finished up 16 points or 1.26%.

The Conference Board reported consumer confidence for April, and as expected, the measure dropped severely. Following a sharp decline in March, the April number fell from 118.8 to 86.9, the lowest reading since 2014.

The Conference Board also reports a “*Present Situation Index*” which is based on consumer’s assessment of current business and labor market conditions. As you would expect the index fell precipitously from 166.7 to 76.4 – the largest one month drop on record.

However, when you look at the Conference Board’s “*Expectations Index*”, which is based on consumers’ short term outlook for income, business and labor market conditions, the index **rose** from 86.8 in March to 93.8 in April. The rise in the *Expectations Index* is likely due to consumers anticipation of public health restrictions easing and economic activities increasing.

The number of consumers who claimed that current business conditions were bad jumped from 11.7 percent to 45.2 percent. Yet, consumers were somewhat optimistic about the near-term outlook. The percentage of consumers expecting business conditions to improve over the next six months increased from 18.7 percent to 40 percent. The proportion of consumers expecting more jobs ahead rose from 16.9 percent to 41 percent. Those expecting fewer jobs in the near-term rose slightly from 16.4 percent to 25.7 percent.

The U.S. economy is a consumer driven economy that has fallen into a deep recession. The duration of that recession will be dependent in large part on consumer’s reaction to the pandemic.

Consumer confidence posts record plunge

American pessimistic about economy right now, but hopeful for recovery soon



Source: The Conference Board

