

U.S. Data Review

- Consumer confidence: approximately steady despite weak economic environment
- New home sales: upside surprise

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Consumer Confidence

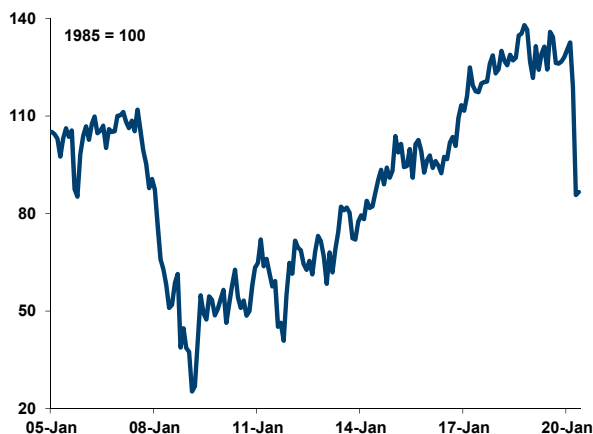
The Conference Board's index of consumer confidence rose 1.1 percent in May to 86.6. The change occurred from a downward revised level, with the net effect of the changes leaving the measure close to both the preliminary tally of 86.9 in April and the consensus estimate of 87.0.

Confidence has declined sharply since February (off 34.7 percent; chart, left), but the level of the index remains noticeably above readings during the financial crisis (a trough of 25.3 in February 2009 and an average of 45.2 for all of 2009). The measure also is above levels seen in other periods of weakness (recessions or early portions of recoveries). Thus, given the dire tone to most economic reports, confidence has held up surprisingly well. Individuals seem to believe that economic weakness is temporary, as the expectations component has deteriorated only modestly in the past few months. Nearly all of the downward shift in the headline index has been the result of a sharp decline in views of the current economic situation.

Individuals had a dim view of the labor market for the second consecutive month, although perceptions improved slightly in May. The share of individuals who see jobs as plentiful dipped 1.4 percentage points to 17.4 percent, but the share saying that jobs were hard to get fell by a larger amount (off 6.7 percentage points to 27.8 percent). The net reading (plentiful less hard to get) of -10.4 percent was far below readings a few months ago, but it also was above the lows in the prior two recessions (chart, right).

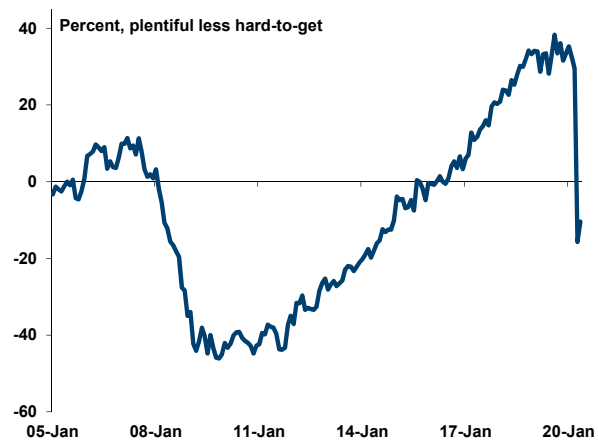
The confidence index and its employment assessment are unambiguously weak, but considering the circumstances, we view the measures as holding up reasonably well. Most other economic indicators have shown sharper deteriorations.

Consumer Confidence



Source: The Conference Board via Haver Analytics

Assessment of the Employment Situation*



* The share of individuals reporting that jobs are plentiful less the share indicating that jobs are hard to get.

Source: The Conference Board via Haver Analytics

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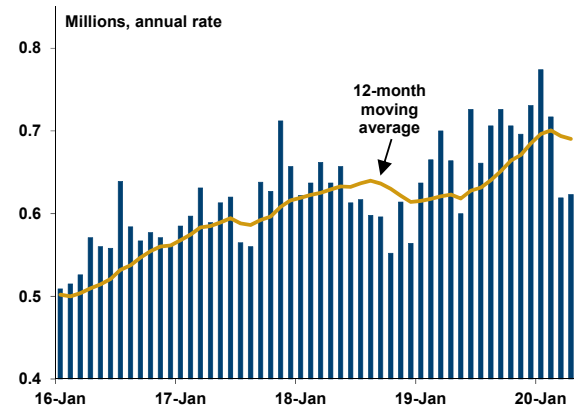
New Home Sales

Sales of new homes rose 0.6 percent in April. The change was not large, but it was far better than the expected decline of 23.4 percent. The level of sales (623,000, annual rate) trailed the average of 685,000 for all of last year (and 705,000 in the second half of 2019), but activity compared favorably with the average of 615,000 for 2017-18. Considering the circumstances, any increase in April should be viewed as highly favorable.

The increase in April was broad-based geographically, as three of the four major regions of the country posted advances (the West posted a decline of 6.3 percent; increases elsewhere ranged from 2.4 to 8.7 percent). While month-to-month shifts varied across regions, all showed a fair degree of resilience.

While activity in the market for new homes was well maintained in April, the overall housing market still felt the effects of the coronavirus. Sales of existing homes fell noticeably in both March and April, which has left total home sales (new and existing combined) down 23.5 percent since February.

New Home Sales



Source: U.S. Census Bureau via Haver Analytics