United States: Consumer Confidence Bodes Well for Holiday Sales

The main consumer confidence indexes have been quite high for some time. The only time when the University of Michigan confidence index has been this high since 2000 was when it experienced a blip in late 2003 after Saddam Hussein was captured. This positive consumer sentiment appears to be supported by several factors, namely the job market’s performance, growth of the main stock markets, low interest rates and weak inflation. The prospect of potential income tax cuts, as promised by President Donald Trump, could be another positive factor, although some studies have cast doubt on the actual popularity of this policy.

The day after U.S. Thanksgiving marks the start of the holiday shopping season. If we use November’s data as the level of confidence for the launch of the holiday season, we’d have to go back to November 2000 to find a better situation. This should be reflected in higher retail sales in November and December as compared with last year. A Gallup poll made the same observation, revealing that households plan to increase their holiday spending to the highest level since 2007. We should keep in mind that November and December remain crucial for retailers, although the growing popularity of online shopping and the gift card phenomenon have fairly changed consumer habits.

IMPLICATIONS

A healthy increase in spending would help real GDP growth resume the 3% pace observed in the spring and summer. However, certain factors could temper this forecast. These include the recent rise in gas prices, the upcoming negotiations regarding the debt ceiling and financing of the federal government, as well as the ability of the Trump administration and Congress to pass tax reform.

Francis Généreux, Senior Economist

NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

IMPORTANT: This document is based on public information and may under no circumstances be used or construed as a commitment by Desjardins Group. While the information provided has been determined on the basis of data obtained from sources that are deemed to be reliable, Desjardins Group in no way warrants that the information is accurate or complete. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. Desjardins Group takes no responsibility for the consequences of any decision whatsoever made on the basis of the data contained herein and does not hereby undertake to provide any advice, notably in the area of investment services. The data on prices or margins are provided for information purposes and may be modified at any time, based on such factors as market conditions. The past performances and projections expressed herein are no guarantee of future performance. The opinions and forecasts contained herein are, unless otherwise indicated, those of the document’s authors and do not represent the opinions of any other person or the official position of Desjardins Group. Copyright © 2017, Desjardins Group. All rights reserved.