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UNITED STATES

Sentiment slides again, yet US consumers keep spending

Consumer confidence fell further this month as worries about the cost of living and job security mount. Historically, these readings have been consistent with outright falls in spending, but high-income households, boosted by significant wealth gains, are keeping the show on the road



Even as consumer confidence slides, US consumers continue to spend, especially high-income households

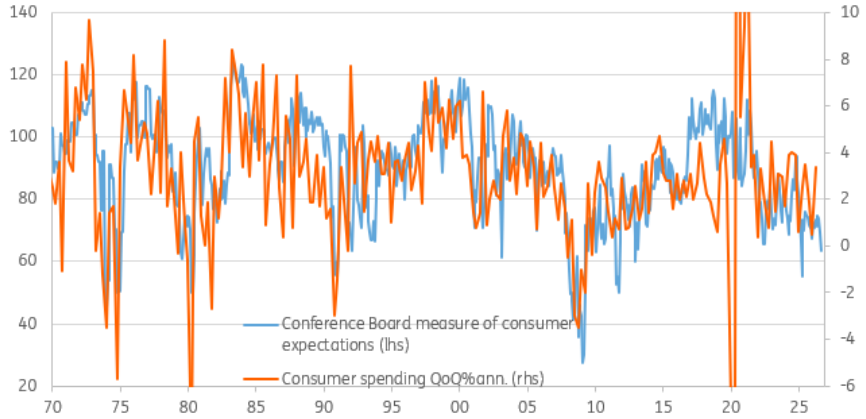
Confidence falls further as job and inflation fears mount

The Conference Board measure of consumer confidence has fallen to 81.9 in September from 88.6 in August (the consensus forecast was 89.0). The current conditions index fell 8 points and expectations dropped 6 points. The headline reading was weaker than every forecast in the survey and leaves sentiment at a 12-year low. The details show anxiety about both the cost of living, mainly reflecting rising motor fuel costs, and job security, with the labour differential – the proportion of people saying jobs are plentiful less the proportion saying jobs are hard to get – being the weakest since March 2021.

The chart below suggests the latest reading has historically been consistent with consumer spending falling, but clearly the relationship has weakened over the past couple of years. Consumer confidence reflects the median household, which is concerned about weak income

growth, job security and high prices. However, higher income households, boosted by years of substantial property and stock market gains, are spending strongly.

Consumer confidence versus consumer spending



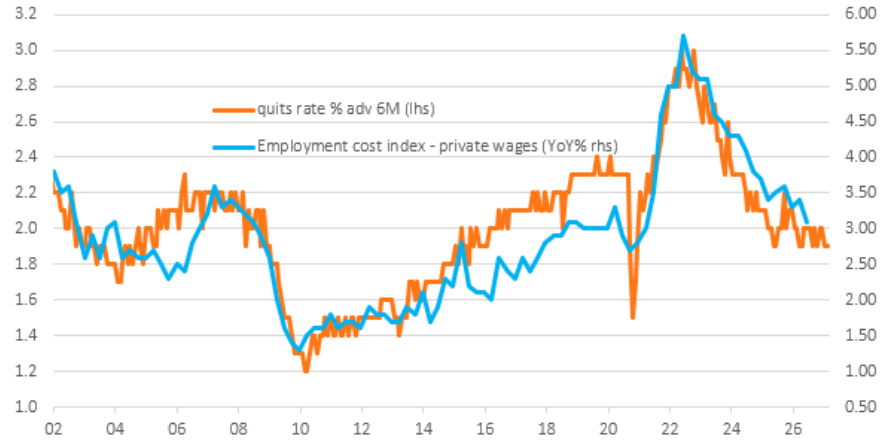
Source: Macrobond, ING

Breaking this down, Bureau for Labor Statistics data suggests the top 20% of households by income (those making $155k or more based on 2024 numbers) account for more than 40% of all spending. Moody's Analytics suggests the skew towards high-income households is even greater, with their data indicating that the top 20% are currently accounting for more than 60% of all consumer spending! In terms of wealth concentration and how this influences sentiment and spending, we know from Federal Reserve figures that the top 20% of households by income hold 70% of household wealth. Meanwhile, the bottom 60% of households by income, which obviously includes the median person, only hold 15% of the wealth of America.

Weak jobs turnover keeps wage pressures in check

The JOLTS (Job openings and labour turnover statistics) data suggests the consumer bifurcation narrative is unlikely to change anytime soon. Job openings slid 256k to 7079k versus the 7228k consensus forecast. Meanwhile, the quits rate, which is the best lead indicator for wage growth, remained at 1.9%. That level has historically been consistent with wage growth of just 2.75–3.00% year-on-year as suggested in the chart below.

Quits rate versus private wage growth (YoY%)



Source: Macrobond, ING

We need churn in the jobs market to deliver wage growth. The low hire, low fire economy means that workers aren't quitting, so there is no pressure on firms to raise wages in order to retain staff. Until this situation changes, there is no real prospect of longer-lasting second-round price effects from higher energy costs. Instead, it means real incomes remain squeezed, which in turn keeps consumer confidence weak.

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