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ECONOMY

## Consumers' Outlook on the Economy Hits Lowest Point in Nearly a Decade

Conference Board's expectations index for June dips to level not seen since 2013 as overall consumer confidence falls

By Rina Torchinsky June 29, 2022

Consumers' short-term outlook for the U.S. economy dropped sharply to its lowest point in nearly a decade on concerns about inflation, the Conference Board's consumer-confidence survey showed.

The consumer-confidence index, which hints at American attitudes toward jobs and the economy, also fell, dropping to 98.7 in June, down 4.5 points from 103.2 in May, the Conference Board said on Tuesday. The board's expectations index, which measures consumers' short-term outlook about the labor market, business and income, reached a low of 66.4 in June from 73.7 the prior month. That was its lowest reading since March 2013.

"Consumers' grimmer outlook was driven by increasing concerns about inflation, in particular rising gas and food prices," said Lynn Franco, senior director at the Conference Board. "Expectations have now fallen well below a reading of 80, suggesting weaker growth in the second half of 2022 as well as growing risk of recession by year-end."

The survey adds to evidence that inflation is weighing on households. A separate survey of consumer sentiment, which polls consumer attitudes on personal finance, this month dropped to its lowest point on record, according to the latest report from the University of Michigan.

When consumer sentiment and confidence decline in tandem, spending usually decreases with it, said **Bernard Baumohl, chief global economist at the Economic Outlook Group.** Mr. Baumohl pointed to a decline in spending in May retail sales numbers.

"Consumers are the bedrock of the economy," he said. "They have been on an emotional roller coaster the last 2½ years, and we're seeing now that they are pretty much close to the breaking point."

Diane Swonk, chief economist at Grant Thornton, said the economy has shown signs of losing momentum and that the risk of recession has dramatically increased. "Even with a strong labor market, it's not enough to make everyone feel good about the economy when their living standards erode," Ms. Swonk said.

Nearly 30% of those surveyed in June expect business conditions to worsen, according to the Conference Board survey. And 23% of consumers said business conditions were "bad," up from 21.7% the prior month.

Stephen Stanley, chief economist at Amherst Pierpont, said rising prices are eating into consumer purchasing power, and it is making consumers "more grumpy than fearful." "Most of them are confident that they will remain employed," Mr. Stanley wrote in a note. "In this context, I do not expect the low level of confidence to correlate with a major pullback in consumer spending, the way that it might if households were worried about holding their jobs."

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