



What Mattered This Week? Consumers, Economic Growth, and the Fed

Presented by Christopher Phelps

There was a lot more data this week than last—and all of it was good. Everything we are seeing suggests that the economy is still growing, despite the headlines and fears. While there are certainly risks out there, the data is showing a resilience that no one expected, and that is a good sign for the future.

Good News on Consumers

The most important data this week was a significant jump in consumer confidence. The Conference Board survey came in much higher than both last month and expectations, and it is now at a two-year high. As you know, this is one of the key metrics I follow, as we don't get a recession when people feel good—and they do.

Beyond feeling good, they are able to spend more because they are making more money. Personal income rose by 0.3 percent in June, driving spending up even more.

Economic Growth Continues

June was typical of the last quarter, as economic growth clocked in at 2.4 percent, faster than the first quarter and well above expectations. Growth has actually accelerated so far this year, which gives us a very solid foundation for the next couple of quarters. Even with that growth, personal consumption expenditures (PCE) inflation continued to drop, suggesting we could see further drops even as growth continues.

Fed Raises Rates

The Fed, however, is not convinced. As expected, it raised rates by another quarter-point at its regular meeting this week. The real takeaway, though, was that the Fed's staff no longer expects a recession this year. So even the Fed, which is raising rates to slow the economy, doesn't expect anything more than a slowdown. Despite the headwind of higher interest rates, the Fed is noting the same things we have here, with higher employment and spending, and belatedly drawing the same conclusions.

A Positive Week

That is what mattered this week: lots of good data and even the Fed shifting away from a recession call. It's a nice send-off to a summer weekend.

Have a great one!

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