Consumer Confidence Unexpectedly Improved in October

Headlines

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- **Consumer confidence improved to 91.7 in October after falling for three straight months.**
- **The increase was broad-based, with both the present situation and expectations indexes rising.**
- **Inflation expectations improved in October with the median one-year-ahead inflation rate falling to 4.7%.**
- **The rebound in confidence is consistent with the consumers' willingness to continue spending. PNC expects real consumer spending to rise at a solid 3.5% annual rate in the third quarter.**

Details

The consumer mood brightened somewhat in October. Consumer confidence rose 6.7 points to 91.7 in October according to the Conference Board (Figure 1). This was well above the consensus forecast of 81.0 and the highest since June 2026. Despite the increase, confidence is down 4.0% from a year earlier.

The present situation index - based on consumers' assessment of current labor market and business conditions - climbed 8.6 points to 120.4, the highest since April 2026. The expectations index, which reflects consumers' short-term outlook for income, business, and labor market conditions, rose a more modest 6.9 points to 72.6, the first improvement in four months.

Assessments of employment conditions improved somewhat, with the labor market differential – the share of consumers saying jobs are "plentiful" minus the share stating jobs are "hard to get" – rising by 2.4 points to +5.3% (Figure 2). The improvement was due entirely to more consumers reporting that jobs are plentiful; jobs hard to get was unchanged from the previous month.

Among demographic groups, only consumers under the age of 35 and those with a household income of $100k+ declared an increase in confidence, while confidence rose across the political spectrum, but much more for Republicans.

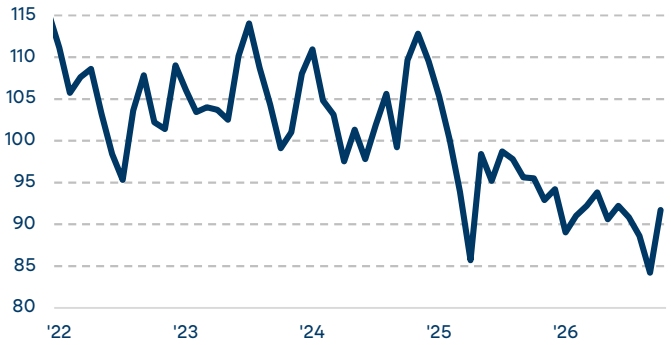
By generation, confidence was highest among Gen Z and Millennials, continuing a trend that has been in place for the last couple of years.

Consumers plan to spend less on durable goods and services over the next six months, perhaps because higher prices and elevated inflation have dented disposable income.

Inflation expectations improved in October with the median one-year-ahead inflation rate falling to 4.7% from 5.1% in September. Nonetheless, inflation expectations remain elevated. Consequently, consumers expect interest rates to rise over the next year.

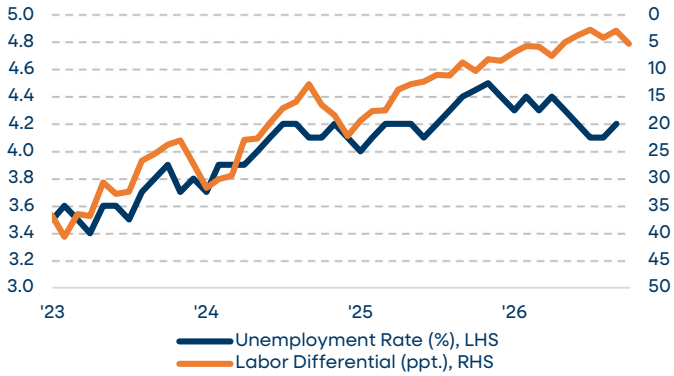
The rebound in confidence is consistent with the consumer's willingness to continue spending. PNC expects real consumer spending to rise at a solid 3.5% annual rate in the third quarter when the GDP report is released on Thursday. Modest job gains and a still-low jobless rate are supporting consumer spending growth.

Figure 1: Conference Board consumer confidence



Sources: Conference Board. PNC

Figure 2: Conference Board's labor market differential suggests pressure on the unemployment rate



Sources: Conference Board, BLS, PNC

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