

# What Can You Take Away From the Consumer Confidence Index (CCI)?

Can this economic indicator reveal whether we're in a recession? Discover how consumers' attitudes are measured and what we can learn from them.

You've probably heard mention of the Consumer Confidence Index on the news, alongside other economic indicators like the unemployment rate, jobs creation rate, and stock market movements. It's one among many data points that business leaders, government officials, and financial professionals use to gauge current consumer confidence in the economy and their thoughts about the future.

But what is it and why does it matter? Let's take a look.

## **What Is the Consumer Confidence Index?**

The Consumer Confidence Index measures consumer sentiment regarding current and future (next six months) economic conditions based on data collected from the results of the Consumer Confidence Survey. As The Conference Board puts it, the CCI is a "barometer of the health of the U.S. economy from the perspective of the consumer."<sup>1</sup>

More specifically, the CCI seeks to track whether consumers feel optimistic or pessimistic about the following three areas:<sup>2</sup>

- The economy
- The labor market
- Their own financial position and spending habits

The CCI is updated and released on the last Tuesday of each month at 10 am ET.<sup>1</sup>

## **A Quick Note on Leading vs. Lagging Indicators**

It's worth emphasizing here that the CCI is generally considered a leading indicator, meaning it's looking toward possible future economic conditions based on how confident consumers feel right now. As a qualitative measurement, it can be used to monitor consumer feelings towards the economy and serve as a potential warning sign for what's to come.

This is a notably different function than lagging economic indicators, which use quantitative data analysis to review past economic performance. Common lagging economic indicators include unemployment data, interest rates, and business profits. All of these numbers are based on past activities and consumer movements. Rather than simply guess what may be coming, they tell a data-driven story of what's already occurred. This information can also be used, however, to help understand potential future trends since the economy moves cyclically.

## How the CCI Works

The five-question Consumer Confidence Survey collects answers from 3,000 households each month. The anonymous survey results are weighted and assigned a relative value, which is compared to a relative value from 1985. These 1985 values serve as a benchmark, with an index score of 100. The newest survey results are compared to the benchmark values, and the difference between the result and the benchmark equates to their index value.<sup>1</sup>

Yes, it's a bit confusing, but the gist is, the higher the index value, the more optimistic consumers are in either current or future economic outlooks. The opposite rings true as well: the lower the score, the more pessimistic survey respondents are about the current or future economic outlook.

The survey is broken into two sections: the Present Situation index and the Expectations index. The first two questions relate to present-day economic conditions, while the last three focus on future expectations.

Respondents are asked to respond about their feelings towards certain factors as either positive, negative, or neutral.

The five questions focus on:<sup>1</sup>

1. Current business conditions
2. Current employment conditions
3. Future business conditions in the next six months
4. Future employment conditions in the next six months
5. Future total family income for the next six months

As you might expect, consumer confidence tends to fall sharply during recessions or periods of economic downturn. By comparison, periods of economic growth help improve consumer confidence.

## Understanding CCI Scores

As we mentioned, the CCI benchmark is 100. If the index registers a reading over 100, this means consumers are more optimistic than the benchmark. If the reading falls below 100, consumers are more pessimistic about current or future economic conditions. Think of the benchmark score of 100 as being a completely neutral indicator.

Since achieving perfect neutrality is rare, analysts have determined that readings above 125 are decidedly optimistic, while those reading 75 and below are decidedly pessimistic. If the readings change more than five points from one month to the next, this is considered a significant shift in consumer sentiment.<sup>2</sup>

Let's look at these numbers in action:

In March 2025, the CCI dropped to 92.9, indicating a month-to-month decline of 7.2 points. Remember, any movement beyond five points is considered noteworthy. What was even more significant was that the Expectations Index (measuring consumer sentiment about the next six months) dropped 9.6 points to a

12-year low of 65.2. Furthermore, the Consumer Board indicated that an Expectations index below 80 could be considered a potential recession indicator.<sup>3</sup>

All of this is to say that the March 2025 CCI readings indicated a pessimistic consumer outlook on the current and future economy.

### **Why the CCI Is Useful**

The CCI is used by consumers, business leaders, and federal agencies alike to understand the general public's current perception and future expectations of the economy's health.

Here's a closer look at how each audience may use this data to inform future decision-making:

**Consumers:** When consumers feel optimistic about the future, they tend to spend more freely. But when they're pessimistic and concerned about their financial well-being, they may feel more inclined to pad their savings and cut down on spending. This correlation between consumer sentiment and spending or saving habits is something corporations and government entities want to track.

**Businesses:** A generally high CCI reading can indicate to businesses that consumers are feeling comfortable saving less and spending more of their discretionary income on non-essentials. These businesses can use this information, along with other forecasting metrics, to dictate future supply and inventory levels, staffing needs, pricing, goal setting, and other key factors.

**Banks and lenders:** When consumers are concerned about their ability to make ends meet, they're generally less likely to spend and take on additional debt (unless necessary). Banks may see a pessimistic CCI rating as an indication that future borrowing levels (mortgages, car loans, credit card usage, etc.) could decrease.<sup>4</sup>

**Federal agencies:** The Federal Reserve can take CCI ratings into account when setting or moving interest rates. If consumers have a generally pessimistic view of the economy, the Fed may feel compelled to lower rates and incentivize spending, for example.<sup>4</sup>

### **Critiques of the CCI**

Like the stock market, consumer confidence in current and future economic conditions can be swayed by any number of factors—changes in Fed policy, political turmoil, inflation, rising costs, supply shortages, etc. That leading indicator data is less reliable than the historical data points (like unemployment rates) leveraged in lagging indicators.

But the main criticism of the CCI is that the consumers surveyed each month likely lack the information necessary to give an accurate forecast of current and future economic conditions. Although the Consumer Confidence Survey isn't foolproof, professionals still find it a useful tool in some applications.

### **Should You Care About CCI Trends?**

Many professionals pay close attention to the CCI's month-to-month movements, as any significant shifts (in either direction) could be an early indicator of broad economic movements.

As a consumer, you may find it helpful to understand how others feel about the direction the economy is headed. For example, if you've been planning to make a major purchase, plan a big vacation, or apply for a new loan, knowing there's general optimism or pessimism about current and future financial security could be helpful. However, your financial situation, employment status, and general outlook may be entirely different from those who provided feedback for the survey. For this reason, the CCI may just be one small factor to consider when deciding how to spend, save, or invest your money.

But as an investor, perhaps take the CCI movements with a grain of salt. Remember, they're based on a group of surveyed individuals' feelings towards the economy, and that may not necessarily reflect your personal financial situation or experience. The forecast is also limited to a six-month period, whereas you may likely be following a much more long-term financial plan and investment strategy.

Should you adjust your financial strategies each month to account for CCI readings? We think probably not. But you may find them useful when combined with other economic data—or if you're just looking to get a general sense of how other individuals are feeling about the economy.

If you have questions or concerns about the CCI movements and how they relate to other economic indicators, you may want to speak with a financial professional.

## **Sources:**

<sup>1</sup> "Consumer Confidence Survey® Technical Note – May 2021." The Conference Board. May 2021. Accessed April 3, 2025.

<sup>2</sup> "Consumer Confidence Index (CCI)." Corporate Finance Institute. Accessed April 3, 2025.

<sup>3</sup> "US Consumer Confidence tumbled again in March." The Conference Board. March 25, 2025. Accessed April 3, 2025.

<sup>4</sup> Overdyke, Fenton. "Using the Consumer Confidence Index to forecast business." Chernoff Newman. May 20, 2021. Accessed April 17, 2025.