# State of the Economy for October 2026: Consumer Confidence Rises, CEO Confidence

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**Allen Li:** And CEOs are generally worried about falling behind in, in terms of AI and implementing this new technology, but at the same time, they're worried about not running too fast into it, and there's a lot of risk as well when you're dealing with new technologies.

**Alexander Heil:** Today we're gonna talk about what the latest Consumer Confidence Index and fourth quarter CEO confidence results reveal about the US economy, where consumers and business leaders agree or diverge, and what the expectations suggest for growth, spending, hiring, and investment heading into 2027. Joining me today is Allan Li, Associate Economist at the Conference Board.

Allan, thanks for being here today.

**Allen Li:** Thank you, Alex.

**Alexander Heil:** Let's begin with the consumer. The latest Consumer Confidence Index came in at 91.7, compared with 84.2 in September. What's the biggest takeaway from this month's result, and what does it tell us about how Americans are feeling about the economy?

**Allen Li:** Sure, yeah. I work with a lot of brilliant economists on on this these pieces, so hopefully it brings some perspective and add my own to this. So 84.2, yeah, that's the number, final number in September. That includes a little bit of a, a increase in upward revision, two-point upward revision about and it really follows the story in retail gasoline prices this time.

So we really saw not only the level, but the rate of rise in September, where, some areas

reached interim highs, in September before they started really coming down a little bit towards the end of September and into October. So the consumer, it was really a mini shock on the index in September, which and the index did what it usually does when there's a shock and a subsequent li- a little bit of a relief.

But we're only back to June 2026 levels, so it's even though the numbers it's a quite a big rally, it's it's still on a downtrend since the end of 2021 or 2022. And so it's really the consumer moods got were a little bit better. They had a little bit of relief in October.

**Alexander Heil:** Yeah, no, that's a very good point.

It is indeed just tapping into what, how consumers are feeling, about the economy. And, once we're digging below the headline number, what are consumers actually telling us about their expectations for jobs, income, inflation? Everybody pays a lot of attention to that.

Are we seeing concerns about their current financial circumstances, or is the bigger issue really here, what lies ahead a few months out?

**Allen Li:** Consumers still feel that overall more people are saying their household income should be higher in six months than those who say they would be lower.

We don't ask if this is nominal or real, but the number is gonna be higher. They still-- So in that, they still feel their family situation is okay. They, I think consumers are generally making do, right? The, the present situation is at around 120. It's in positive, slightly positive territory even though, the labor ratings have softened.

They don't expect to be facing an easy labor market in six months. And they do feel that there's potential for business conditions to get a little bit worse. That's in the expectations. It's in ne- negative that, which signals a bit of worry. But in terms of their own situations, I think they're making do.

Most of the comments were regarding worry about prices, inflation, the cost of, Food, groceries, fuel gasoline. And so those mentions have gone up while, the w- mentions of war, a conflict geopolitical that's secondary. Th- that has gone down, but it's a cl- close second.

And number three there are a little bit more people are talking about the job market and job prospects. And so I think that helps to paint a better picture of the-

**Alexander Heil:** Yeah, no, that's an interesting point, Allan. That's clearly a concern. I just published a paper on diesel prices, which are, astonishingly high.

And, while that is really a transportation and freight supply chain issue for the most part in the economy, but it certainly also signals that transportation costs driven by gasoline, various other components, it's a concern. And it's also something that is being, shown at every corner where there's a gas station, so it's a very prominent feature.

But we had also a different data release. So let's look at CEOs. The Conference Board's latest measure of CEO confidence fell six points to 46 in the fourth quarter moving back into negative territory from a more positive reading a m- a quarter prior. So what drove that decline? Why have business leaders become more pessimistic?

I- is this a big change? W- what does that mean for the outlook for the economy?

**Allen Li:** Yeah. This is another quite a powerful survey. We poll every quarter Fortune 500 large cap company, CEOs of large cap companies, the, the latest dip six points to 46 is really, and in Q3 it was 52. It's really went from mild enthusiasm to maybe moderately cautious at just below 50. That means, somewhat more CEOs are saying conditions, now and the future are worse or slightly deteriorating, but somewhat. So and really what drove it is in, in the s- towards the summer and into Q4, we had those, that rise in geopolitical tensions with rising oil prices.

And the survey was conducted during September 21st to October 5th, so that's when, you know- cr- crude prices were, peaking ar- around this time

**Alexander Heil:** A- and sometimes it is certainly true that the CEO perspective is at least, a little bit different than consumer perspectives.

That also comes to different the, the one is a quarterly, one is a monthly survey. But let's just take these two perspectives on the economy, American households and CEOs running major businesses. Where are these two sentiments aligned, and where do they differ? What can we learn by looking at these two measures together, really?

**Allen Li:** So for one you have the consumer, they're looking to maintain their lifestyle, in the face of, higher prices. And then you have companies who are looking to maintain their growth trajectory with investments in productivity, I think. And that's what we're seeing in the two surveys.

So right now, even in this rougher patch with a lot of headwinds and uncertainty, they're working... They're sorta, working together or coming together allowing the economy to chug along, both, on their, on both of their resilience. So that, that's what w- that's what I'm seeing.

A- and both surveys I think indicate fairly low risk of recession in the next 12 months.

**Alexander Heil:** All right. Allan, that, that's certainly good news in terms of the, the recession odds and the way that this fits together in terms of what it tells us about the economy. Moderately the, the sentiment is sometimes a little cloudy, but it's certainly interesting to get these different reads from these two sides of the, b- basically economic spectrum.

One interesting finding that I picked up on in the CEO survey is that, despite declining confidence, 89% of CEOs, they plan to maintain or increase capital spending. How do we

reconcile that investment commitment with sort of some of their... slightly more negative economic outlook. What does that suggest about business resilience heading into the next year?

**Allen Li:** So in the latest reading in Q4, most CEOs are still maintaining their capital investment, and more are planning to increase it e- even despite the overall measure declining. And I think a large part of this is regarding the AI build-out. The surveys indicate that, CapEx will continue, and they're looking for to increase their productivity, right?

That's the number-one goal. Increase productivity lower costs. And CEOs are generally worried about falling behind in, in terms of AI and implementing this new technology, but at the same time, they're worried about not running too fast into it, and there's a lot of risk as well when you're dealing with new technologies.

So their top concern is of cyber, cybersecurity and AI as well. So it's not only their top concern, it's also their their top investment priority, I think.

**Alexander Heil:** One of the linkages really between these two surveys is the labor market, and that's, everybody can see that from a different side.

So consumers, they have become, to a certain extent, concerned about job availability looking forward. CEOs, they might be a little bit more evenly divided between expanding and reducing their workforces. If we take all of this evidence together, is this early signs of maybe a more significant labor market slowdown?

And what's the result of that? What does that mean for consumer spending?

**Allen Li:** So the consumers really they still think that cons- jobs are- somewhat easier to get than hard to get, right? So the labor market differential is still in positive territory. Obviously it's softened a lot since 2022, but their future the future-looking ratings of the labor market, they are worried about... Looks like they're worried about potential underemployment. There would be less prospects if they were to switch jobs. There, there would be less jobs for them to, to choose and to do better. But at the same time, are, there, there could be concern about AI taking their jobs, but I don't think there is evidence of that yet.

It's unclear. So overall not yet. And also on the CEO survey side, more importantly more CEOs are expecting to expand their workforce than to reduce their workforce, right? So we're still at a net positive there. Both of them are saying the same thing. W- we do see some slowing, but it's still all right and we, there's no real signs of anything more significant.

**Alexander Heil:** That's really interesting. It's hard to see something that is really systematic in the labor market. We see, when you just check the media, you see these kind of announcements sometimes of reduced hiring or even layoffs, and then certainly there's also individual concerns about, oh, we're all going to get swallowed by AI pretty

soon, and then what are we gonna do, right?

So it's interesting. It's an interesting times. If we all weren't affected, it would be even more interesting. But in any case the other side to this, one side is employment, the other side is inflation. So both consumers and businesses, they have been navigating inflation, energy prices.

We already touched on some of the transportation costs that have gone up, but also some of the geopolitical uncertainty and what's happening in monetary policy. If you looked into that somewhat cloudy crystal ball here, and you're looking forward, which of those has the greatest impact on consumer confidence and confidence in general, both on the consumer as well as the business side going forward?

**Allen Li:** Looking at the survey itself, though, all of the, really the comments and the movement is regarding inflation a- and price levels. Consumers are economizing. They're spending a little less on big-ticket items. They're not, A little bit less on going out, traveling.

A little, they're flying less, but they're taking more domestic trips. Consumers want prices to come down, obviously. But if inflation can slow, and on the... For wages, if they can keep up, I think that should keep things going. And we do see good signs in the CEO survey for that.

They're planning to have higher wage increases. Potentially the CEO surveys, obviously they also flagged geopolitical uncertainty right after AI and cyber issues. But they're hoping to see that increased productivity from their AI investments, while keeping track of the risks inherent in all this new technology.

And if they can all come together, I guess they would, it would improve the numbers.

**Alexander Heil:** Interesting points. Yeah if we're just we're already at the end of October it's amazing how much time flies. We're moving into the new year. What should businesses watch the most closely?

What should CEOs watch the most closely in terms of getting a read on, some of these, these confidence measures and just paying attention to what's important to them? Is there any one variable? You count... you covered really the field already with a lot of these.

But if you had to isolate one, a- is there any one thing you would mention? We believe the economy will grow at about 2% this year and into next year and next year. So our view is that the e- economy will continue to be resilient. And that's what we're seeing in the survey there.

**Allen Li:** Maybe one thing, though if consumer confidence stays in this current sort of depressed trajectory spending would be increasingly be concentrated among higher-income households, whereas lower-income consumers may be more cautious. This, but they're, overall, they're still spending. They're, but they're picking their spots

more and economizing.

On the CEO side, firms overall they're not firing. We're still in a, a low-hire, low-fire environment that they're still retaining workers. So people still have jobs and income to keep up their, their lifestyles but with more economizing. Barring another shock, let's say an energy or supply shock or, some large correction in the stock market, barring any shock like that would derail growth we should be all right for the foreseeable future.

And I wouldn't look at one thing. I would look at the entirety of the surveys and not just the headline, and w- we have a lot of rich data i- in both of these.

**Alexander Heil:** Yeah, no, that's a very good plug for our data sources. I think that's a very good read on just the complexity and the, the complexity of the situation and how nuanced it really is.

And there's more to, there's more to discover and certainly more to explore and we can, always hear for questions from the audience beyond this, this podcast here. But Allan, that was a great conversation. Thanks for joining me today.

**Allen Li:** Thanks so much, Alex.

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