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Pedestrians carry shopping bags while walking through the Grand Prairie Premium Outlets mall in Grand Prairie, Texas.

US still spending despite Brexit vote

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The famed American consumer stands between Brexit and a pronounced slowdown in U.S. economic growth. Thank goodness.

Households have plenty of wind at their backs to sail through the shock waves from Britain's vote to leave the European Union. Robust hiring, a nascent pickup in wages, record wealth, low borrowing costs, smaller debt burdens and cheap fuel are all expected to help.

Additionally, Americans already have had plenty of experience dealing with violent swings in financial markets.

"The consumer will remain the ballast in the economy," said Michael Feroli, chief U.S. economist at JPMorgan Chase & Co. and former researcher for the Federal Reserve. "All the economic fundamentals are improving for households" and Brexit "is a risk, but not a major headwind for consumer spending."

Of course households could have a change of heart should companies respond to weak global markets by sharply curtailing hiring or even laying off staff. That risks diminishing consumer confidence and a willingness to spend. So far, firms primarily have resorted to cutbacks in capital investment.

Household spending, which accounts for about 70 percent of the economy, is rebounding after a soft start to 2016, and economists reckon it will show sustained growth in the second half of the year. May and April were the best back-to-back months for consumption since 2009, and purchases of long-lasting goods such as automobiles or refrigerators climbed in May for the fourth consecutive month.

Although car sales suffered a setback last month, they probably signal demand has peaked rather than fallen into a tailspin.

"Big-ticket purchases are still relatively elevated," said Sam Bullard, a senior economist at Wells Fargo Securities in Charlotte, North Carolina. "Right now, there are hardly any signs that the consumer is backing off. There are more positive signs on the spending momentum than negative signs."

U.S. stocks have bounced back after the Brexit vote nearly derailed annual gains.

Fed officials are among those counting on consumption to drive growth. They and private economists will be watching consumer confidence and discretionary spending, as well as jobless claims and purchasing manager surveys for clues on the immediate aftermath of Brexit.

"The consumer will be strong this year," Dallas Fed president Robert Kaplan said Thursday in an interview with Bloomberg.

That's probably because households have seen turmoil before. Recent history is "littered with examples" of how the U.S. weathered financial-market swings sparked by events such as the European debt crisis and slowdown in China, according to Tom Porcelli, chief U.S. economist at RBC Capital Markets and former New York Fed analyst.

"Throughout, the U.S. consumer remained strikingly resilient," he said. "Consumers don't base their decisions about present consumption on financial markets."

A Bloomberg/Morning Consult national poll conducted online showed 50 percent of U.S. voters said Brexit will not influence their purchases and only one in 10 anticipated a major impact.

Market volatility did not faze Robert Fogel, who signed a contract on his first home last week after searching for more than a month. The 26-year-old software programmer in Denver will pay $220,000 for a two-bedroom townhouse.

"It just seems like a better option for my life financially," said the new homeowner. "If it doesn't quite work out, I'd still be OK."

Americans are also feeling better now that their finances are on much sounder footing than during the 2008 crisis. Net worth climbed to a record $88.1 trillion in the first quarter amid rising asset prices including home values, and their debt is more manageable.

"The overall situation for household finances is very compelling," said Joe Carson, director of global economic research at AllianceBernstein LP.

Still, one area of concern is that "U.S. growth is very narrowly based, and the consumer is doing most of the heavy lifting," said Joe LaVorgna, chief U.S. economist at Deutsche Bank Securities Inc. in New York. "If the corporate sector seizes up, that ultimately is bad for the consumer."

JPMorgan's Feroli says one of the biggest risks is that employment cools more than anticipated. "The job market matters first and foremost" to the consumer.

A report Friday may show employment probably accelerated in June after rising in May by the least since September 2010, helped by the return of about 40,000 striking Verizon workers. The projected 180,000 gain therefore would still be consistent with a more moderate pace of hiring as the economy nears full employment.