



Economics Group

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Rising Expectations Lifts Consumer Confidence in August

A better-than-expected reading of 53.5 for consumer confidence in August is attributable to a five point jump in the expectations component. Consumers' assessment of the present situation deteriorated further.

Present Situation Remains Historically Low

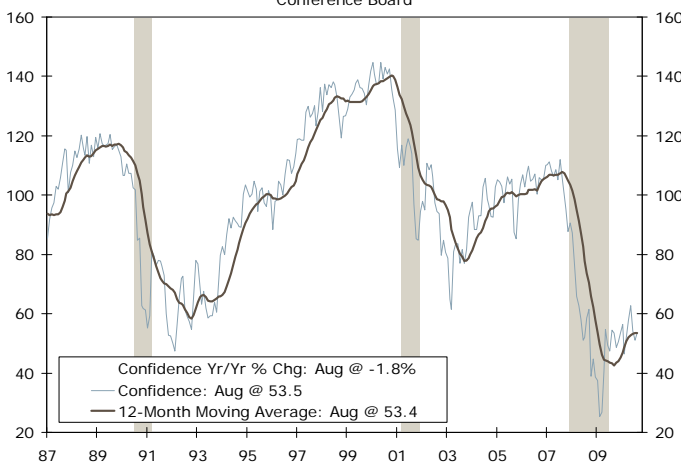
- Consumer confidence bottomed in February 2009 at 25.3 and subsequently improved, but even at the current level of 53.5, the measure is still below levels witnessed during the past two expansions.
- While the overall confidence measure has at least recovered somewhat, consumers' assessment of the present situation has shown no substantive improvement for the last year and a half.

Difficult Environment for Consumer Spending

- Consumer confidence tends to have an inverse relationship with the unemployment rate. We do not expect the job market to show substantial improvement anytime soon, and consequently, consumer sentiment will not likely return to robust levels.
- In the past two expansions, consumer confidence rarely dipped below 60, but in this cycle we have had only one month above 60. This suggests very slow growth for consumer spending.

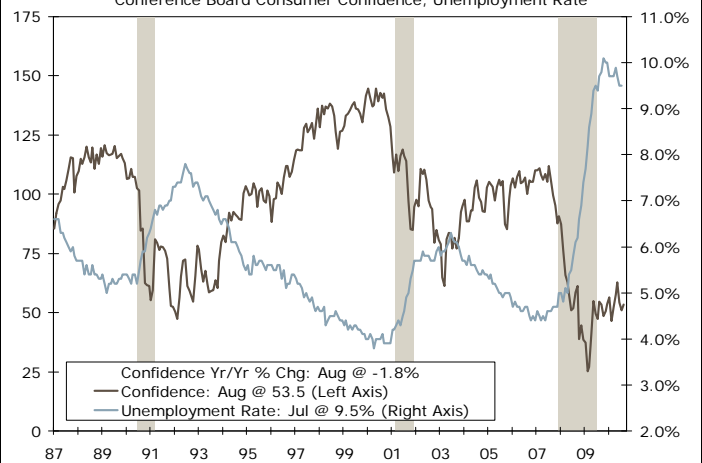
Consumer Confidence Index

Conference Board



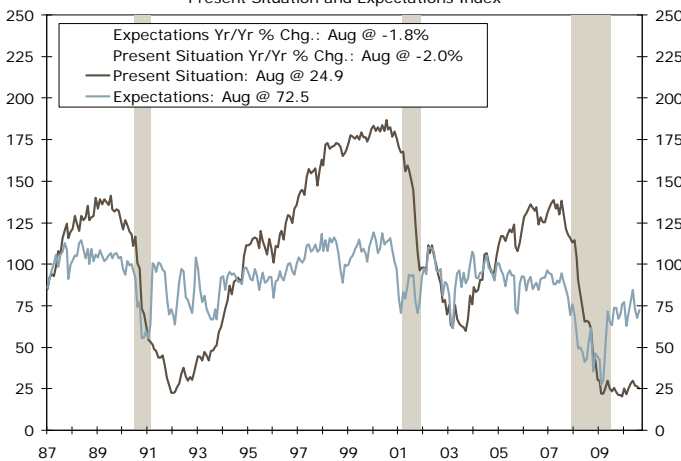
Confidence vs. Unemployment

Conference Board Consumer Confidence, Unemployment Rate



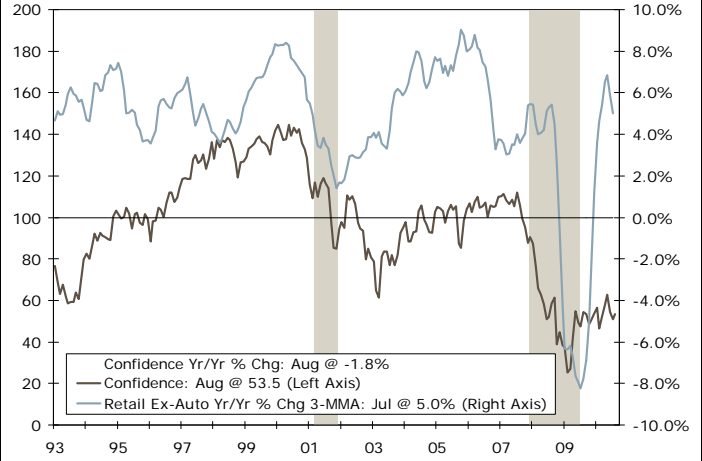
Conference Board Consumer Confidence

Present Situation and Expectations Index



Confidence vs. Retail Sales

Conference Board Consumer Confidence, Retail Sales ex. Autos



Source: Conference Board, Department of Labor and Wells Fargo Securities, LLC

Wells Fargo Securities, LLC Economics Group

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