



Economics Group

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Consumer Confidence Dips Only Slightly In March

Consumer confidence fell 1.4 points to 70.2 in March, as improving perceptions about the job market continue to outweigh concerns about soaring gasoline prices. Buying plans improved across the board in March.

Consumers Hang Tough In March

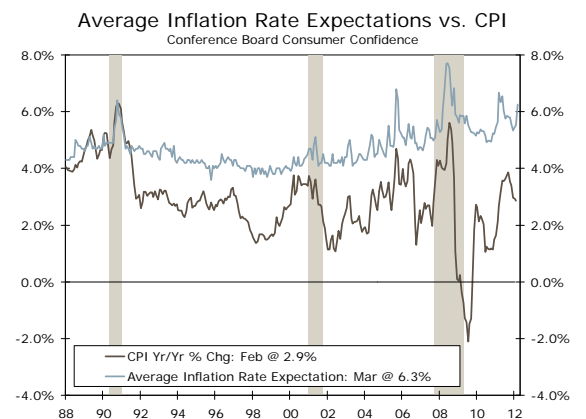
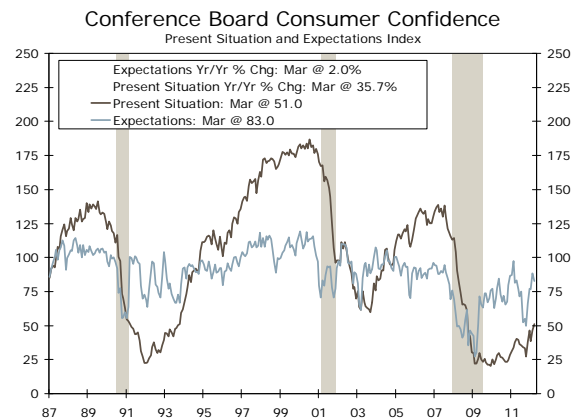
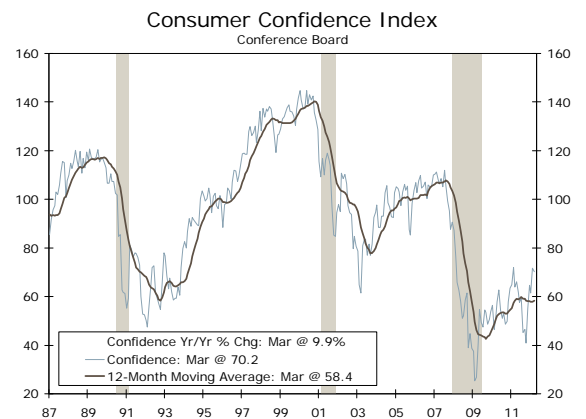
Consumer confidence held up relatively well in March, considering that gasoline prices soared 27 cents per gallon from mid February to mid March. The overall index fell 1.4 points to 70.2 and the February reading was revised up 0.8 percentage points to 71.6. While the overall index slipped in March, it still came in slightly higher than the consensus estimate and remains near its post-recession high. The resilience suggests that jobs remain a more important concern for consumers than gasoline prices.

Consumers' perception about current economic conditions rose 4.6 points to 51.0, which is the highest this series has been since the recession ended nearly three years ago. All of the improvement came from consumers' view of the labor market, where the proportion reporting jobs were plentiful rose 2.4 points to 9.4 percent and the proportion reporting jobs were not so plentiful fell 4.8 points to 49.6. The share of consumers reporting that jobs were hard to get in March also increased, however, climbing 2.4 points to 41.0. The labor market differential, which takes the difference between the jobs plentiful and jobs hard to get indices, was unchanged at -31.6.

Rising energy prices are having a greater impact on how consumers view future economic conditions. Expectations for economic conditions six months from now fell 5.4 points in March to 83.0, but still remain near their post-recession high. Consumers generally expressed concerns that fewer jobs were likely to be created over the next six months and a slightly larger share felt that overall conditions would worsen over the next six months and incomes would decrease.

While consumers are slightly more concerned about future economic conditions, those concerns do not appear to be great enough to keep them away from the shopping malls or sales lot. Buying plans rose solidly in March. Plans to purchase an automobile jumped 1.7 points to 12.0, which is the highest it has been since November. Plans to purchase a home jumped 0.7 points to 4.9 percent, with most of the increase occurring in existing homes. Plans to purchase major appliances also increased, with the total plans series climbing 2.7 points to 48.1.

Consumers are clearly aware of how much gasoline prices have risen. Expectations for inflation over the next 12 months jumped 0.8 percentage points to 6.3 percent, which is the highest this series has been since last March when gasoline prices also spiked. Actual inflation, on a year-to-year basis, has been decelerating in recent months. Consumers' perception about inflation, however, has been consistently higher and more volatile than overall inflation. Consumers tend to focus more on items they purchase repeatedly, such as groceries and gasoline, where price changes are more frequent and the impact on spending habits is more immediate.



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