



Economics Group

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Consumer Confidence Slips Further in June

Consumer confidence fell 2.4 points to 62.0 in June, marking the fourth consecutive drop. All of the slide was in future expectations, where concerns about Europe are reducing expectations for job and income growth.

Consumers Remain Unusually Cautious

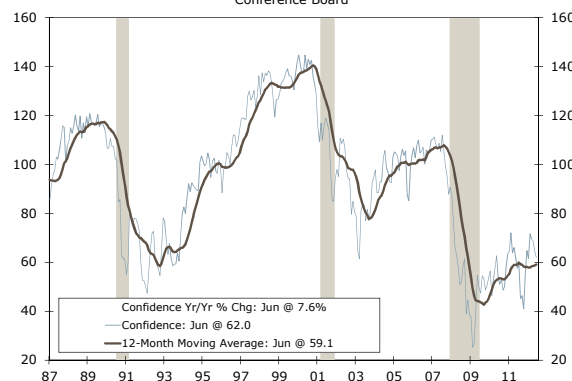
Consumer confidence fell 2.4 points in June to 62.0, which is the lowest the series has been since January. Consumers' assessment of current economic conditions improved slightly, while the view on economic conditions six months out deteriorated.

While the current conditions series improved slightly, the underlying data in the series are somewhat less comforting. The proportion of households stating that business conditions were good in June rose 1.3 points to 14.9 percent, while the proportion that rated conditions as bad rose by a nearly even amount to 35.1 percent. The number of households viewing business conditions as normal fell by the difference, declining 1.7 points to 50 percent. The same split is evident in consumers' assessment of employment conditions, with the percentage of households stating that jobs were plentiful rising by 0.3 percentage points to 7.8 percent and the proportion stating that jobs were hard to get rising by a larger 0.6 points to 41.5 percent. The labor market differential, which takes the difference between the two series, deteriorated to an exceptionally weak -33.7.

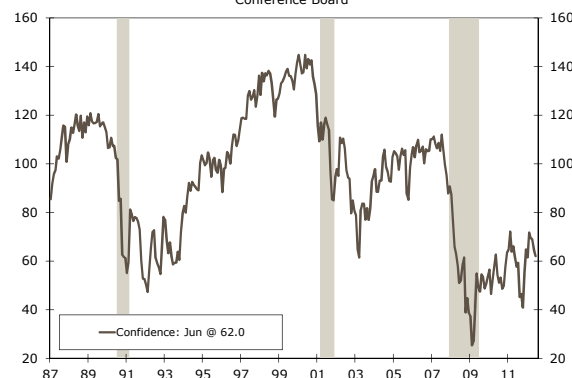
Concerns about employment prospects appear to have trumped any relief consumers have seen at the gas pump, at least in regard to how they see the near future. The future expectations series fell 5.0 points to 72.3 percent in June, which is the lowest reading since November. Consumers are generally less optimistic about employment and income growth six months out. There was a sharp increase in the proportion of respondents stating that they expected business conditions to worsen over the next six months, with this series rising 3.3 points to 16.2 percent, its highest reading since last fall. While the overall consumer confidence numbers weakened in June, buying plans have held up relatively well. Plans to purchase an automobile were unchanged at 10.6 percent, which is right at the average for the past six months. Plans to purchase a home rose to 5.0 percent, which is the highest reading this year. Plans to purchase major appliances fell back a bit but remain relatively solid at 45.5 percent.

The resilience in buying plans and slight increase in the current conditions series suggest that June's slide in consumer confidence will have little impact on consumer spending in the near term. Inflation expectations declined slightly during June, likely reflecting the recent slide in gasoline prices. That drop should provide consumers with a little more buying power, which is particularly important at a time that incomes are growing so modestly. The heightened concerns consumers are expressing about the economy six months out bears watching. While consumers want to buy more cars and homes and feel that now is a good time to do so, many may be reluctant to move forward with those purchases if they become more concerned about their employment and income prospects.

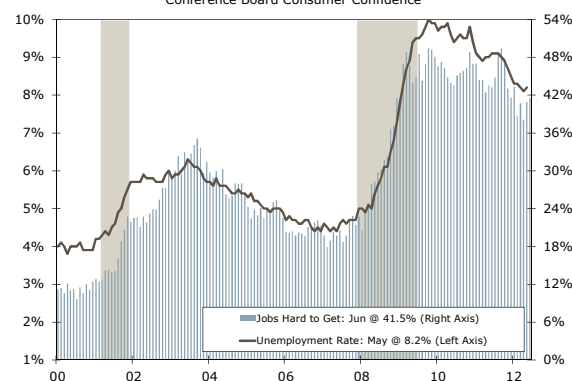
Consumer Confidence Index
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Consumer Confidence Index
Conference Board



"Jobs Hard to Get" vs. Unemployment Rate
Conference Board Consumer Confidence



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