



Economics Group

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Consumer Confidence Slips In August

Consumer confidence fell 4.8 points in August, as consumers grew somewhat more concerned about future economic conditions amid gas prices and continued uncertainty surrounding Europe and the fiscal cliff.

Concerns Among Consumers Continue

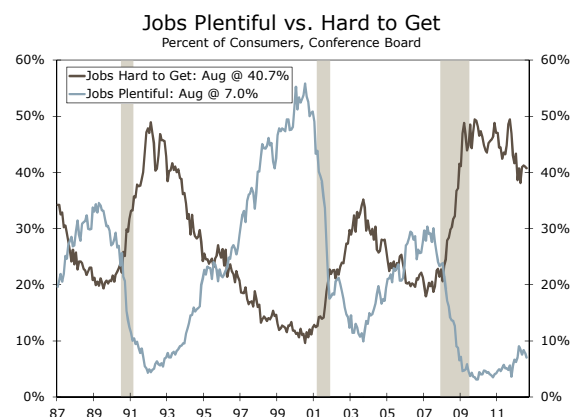
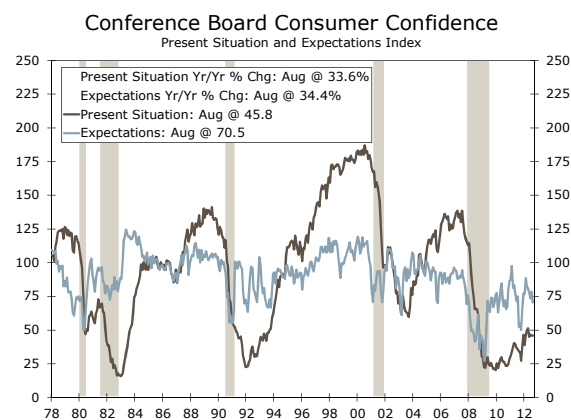
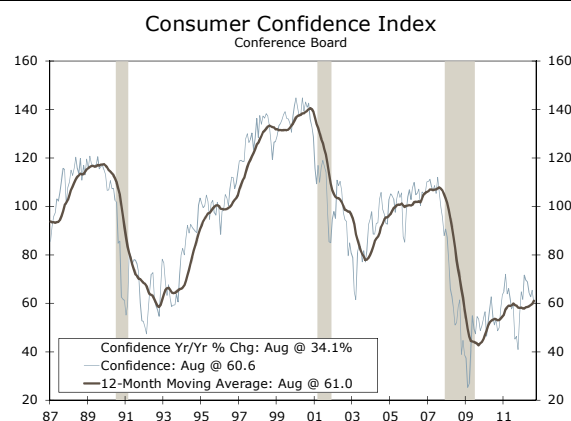
Consumers' confidence fell 4.8 points to 60.6 in August, more than reversing gains during the previous month and bringing the overall measure down to its lowest level this year. Nearly all the drop was in the expectations series, which accounts for 60 percent of the overall index. Nearly every key component weakened in the expectations series during the month. August saw a sharp run-up in gasoline prices and while Europe's financial crisis was generally off the front pages of the newspapers, lingering worries over the slowing global economy and approaching fiscal cliff are likely weighing on consumers' minds.

The present situation index fell just 0.1 percentage point to 45.8 in August. Despite the modest drop, the employment component weakened, with the percentage of consumers stating that jobs were plentiful falling 0.8 percentage points to 7.0, which is the lowest reading in six months. The labor market differential, which measures the difference between the proportion of consumers stating that jobs are plentiful versus those that believe jobs are hard to get, fell 0.5 points to -33.7.

Consumers Are Worried About the Future

The relatively large drop in the expectations series in August is not all that surprising. Gasoline prices rose by about 25 cents a gallon nationwide since the July survey. The headlines were not as troublesome elsewhere, however, with the Olympics overshadowing from the European financial crisis and Congress in recess. The most critical issue for consumers, however, is the availability of jobs and perceptions about the outlook for income as both deteriorated in August. The proportion of households expecting more jobs to be created in the next six months fell 2.2 points to 15.4 percent, while those expecting fewer jobs to be created rose 1.8 points to 23.4 percent. The remaining 61.2 percent felt that about the same number of jobs would be created. Consumers also remain concerned about the lack of income growth, with slightly more households expecting a decrease in income over the next six months than expecting an increase.

Consumer spending, particularly for big-ticket items, tends to be more closely correlated with the expectations series, so this past month's drop portends a further slowdown in spending. Buying plans did take a tumble in August, with plans to buy an automobile sliding 2.7 points to 11.6. Plans to buy a major appliance also declined, but plans to purchase a home posted a slight increase. Plans to take a vacation also increased but were essentially the same as they were last August, which is of course a big family vacation month. The decline in the expectations series does not bode well for back to school sales, which have historically provided a reliable early forecast for holiday retail sales.



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