



# Economics Group

**Mark Vitner, Senior Economist**  
[mark.vitner@wellsfargo.com](mailto:mark.vitner@wellsfargo.com) • (704) 383-5635  
**Tim Quinlan, Economist**  
[tim.quinlan@wellsfargo.com](mailto:tim.quinlan@wellsfargo.com) • (704) 374-4407

## Consumer Confidence Is Still Missing in Action

*Consumer confidence was essentially unchanged in September as worries about job availability increased and expectations for income gains deteriorated. Buying plans also took a nasty tumble.*

### Consumers See Economic Conditions Deteriorating

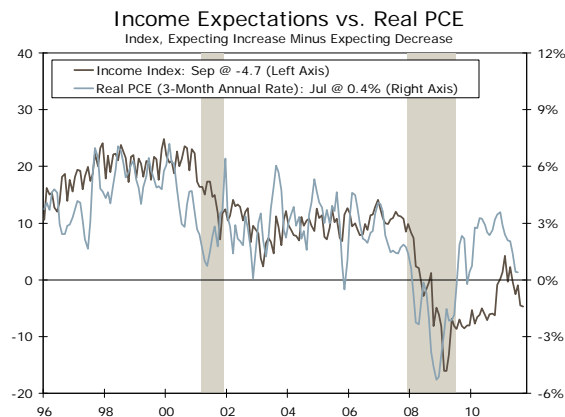
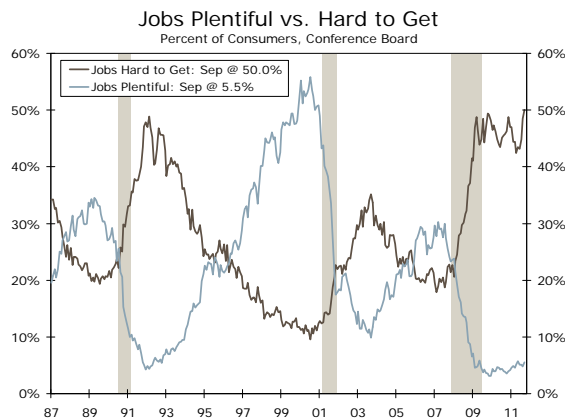
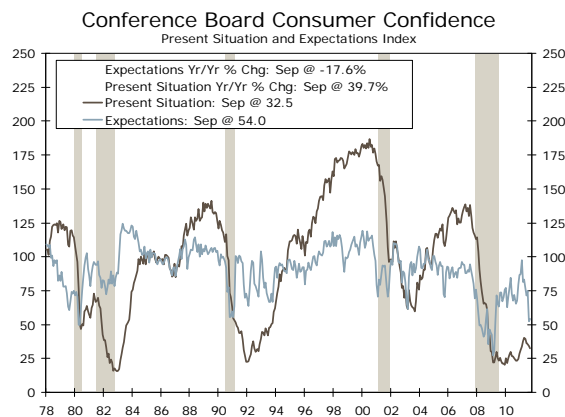
Consumer confidence rose 0.2 points to 45.4 in September, which was below market expectations and leaves the index at its lows for the year. Consumers' view of current economic conditions worsened for the fifth month in row, with the present situation index falling 1.8 points in September to 32.5. Since April, consumers' view of current economic conditions has fallen by 7.7 points, a decline of nearly 20 percent. The drop appears to be linked to growing concerns about job availability.

The employment components of the consumer confidence survey certainly were weak. The proportion of households reporting that jobs were hard to get rose 1.5 points in September to 50.0 percent, marking the fourth increase in the past five months and sending the index to its highest level since May 1983. At that time, the nation's jobless rate was a full percentage point higher than where it is today. Despite this fact, our initial read of the data, along with other inputs such as weekly unemployment claims, shows the unemployment rate is likely to remain unchanged in September.

Somewhat paradoxically, the proportion of households reporting that jobs were plentiful also rose in September, climbing 0.7 points to 5.5. The number remains exceptionally low, however, and has averaged 5.2 over the past six months. The labor market differential, which looks at the difference between the proportion of households reporting that jobs are hard to get and those reporting that jobs are plentiful, declined 0.8 points in September to -44.5, which marks its lowest level since November 2010.

Expectations for economic conditions six months ahead improved modestly, climbing 1.6 points in September to 54.0. The improvement was less than hoped for. Expectations are heavily influenced by the stock market and the series plunged 20.5 points in August, following the market selloff. The slightly better tone to the stock market in September apparently did little to bolster expectations. Consumers remain concerned about job and income prospects, with just 12 percent expecting more jobs to be created over the next six months and the share expecting their income to increase falling for the fourth time in the past five months to 13.3 percent.

Worries about job and income prospects will likely weigh on retail sales in coming months, including the key holiday shopping season. Buying plans took a huge hit in September, tumbling 10.2 points—one of the largest declines on record. Declines in plans to buy televisions and household appliances accounted for most of the drop. Fewer consumers also said they intend to purchase an automobile. The decline in buying plans matches up well with the recent slide in income expectations. Spending is not likely to improve on a sustained basis until more consumers expect their income to increase over the next six months than expect it to decrease.



## Wells Fargo Securities, LLC Economics Group

|                       |                                     |                                  |                                 |
|-----------------------|-------------------------------------|----------------------------------|---------------------------------|
| Diane Schumaker-Krieg | Global Head of Research & Economics | (704) 715-8437<br>(212) 214-5070 | diane.schumaker@wellsfargo.com  |
| John E. Silvia, Ph.D. | Chief Economist                     | (704) 374-7034                   | john.silvia@wellsfargo.com      |
| Mark Vitner           | Senior Economist                    | (704) 383-5635                   | mark.vitner@wellsfargo.com      |
| Jay Bryson, Ph.D.     | Global Economist                    | (704) 383-3518                   | jay.bryson@wellsfargo.com       |
| Scott Anderson, Ph.D. | Senior Economist                    | (612) 667-9281                   | scott.a.anderson@wellsfargo.com |
| Eugenio Aleman, Ph.D. | Senior Economist                    | (704) 715-0314                   | eugenio.j.aleman@wellsfargo.com |
| Sam Bullard           | Senior Economist                    | (704) 383-7372                   | sam.bullard@wellsfargo.com      |
| Anika Khan            | Economist                           | (704) 715-0575                   | anika.khan@wellsfargo.com       |
| Azhar Iqbal           | Econometrician                      | (704) 383-6805                   | azhar.iqbal@wellsfargo.com      |
| Ed Kashmarek          | Economist                           | (612) 667-0479                   | ed.kashmarek@wellsfargo.com     |
| Tim Quinlan           | Economist                           | (704) 374-4407                   | tim.quinlan@wellsfargo.com      |
| Michael A. Brown      | Economist                           | (704) 715-0569                   | michael.a.brown@wellsfargo.com  |
| Tyler B. Kruse        | Economic Analyst                    | (704) 715-1030                   | tyler.kruse@wellsfargo.com      |
| Joe Seydl             | Economic Analyst                    | (704) 715-1488                   | joseph.seydl@wellsfargo.com     |
| Sarah Watt            | Economic Analyst                    | (704) 374-7142                   | sarah.watt@wellsfargo.com       |
| Kaylyn Swankoski      | Economic Analyst                    | (704) 715-0526                   | kaylyn.swankoski@wellsfargo.com |

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