



Economics Group

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Utter Lack of Confidence

The deterioration in confidence continued in October, as the consumer confidence index fell to a two-year low of 39.8. This is consistent with our outlook for sub-par consumer spending growth for the next few years.

Still Below 2001 Recession Lows

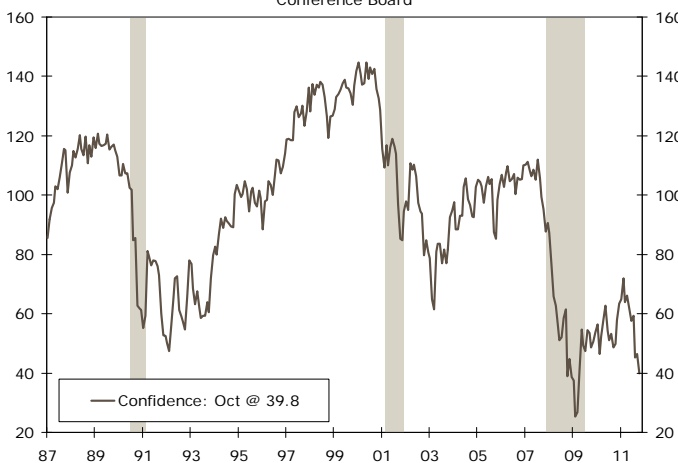
- More than two years into the recovery, sentiment at the consumer level is still lower than where it was at any point during the 2001 recession.
- The unemployment rate is presently higher than where it was at any time from the early 1980s until the outset of the most recent recession. Combined with stubbornly high energy and food prices, it is little wonder why consumers are frustrated.

Disconnect Between Sentiment and Spending

- A lot of the weakness was in the forward-looking expectations component, which also fell to a multi-year low of 48.7.
- Despite the dismal attitudes reflected in this and other measures of consumer sentiment, retailers have wrung up 15 consecutive months of increased sales. That is not to say that weak sentiment should not be a concern, but it probably does not signal that the U.S. consumer is completely going into hiding either.

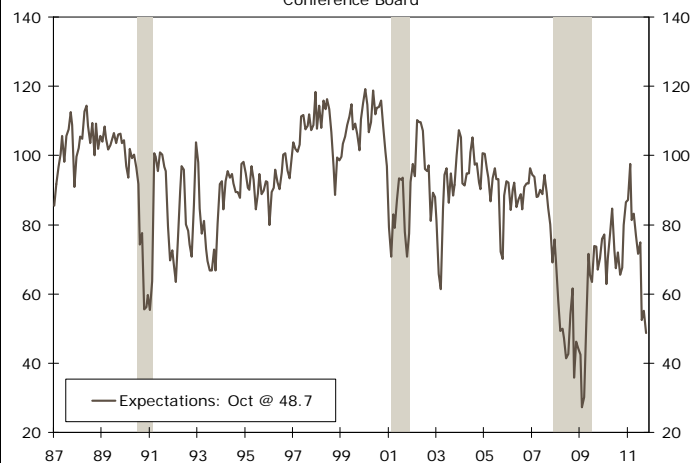
Consumer Confidence Index

Conference Board



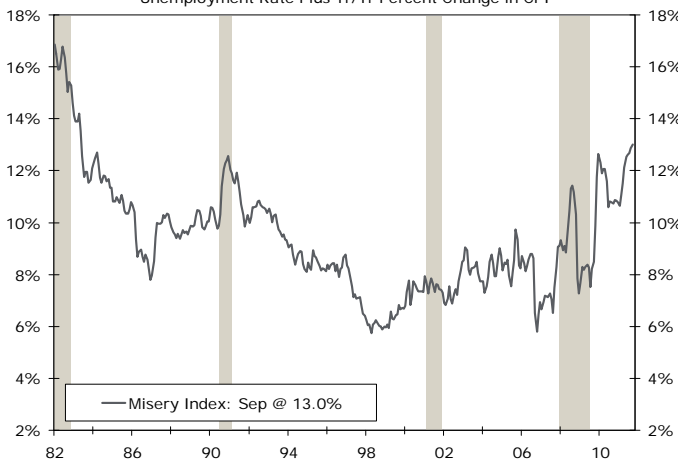
Consumer Expectations Index

Conference Board



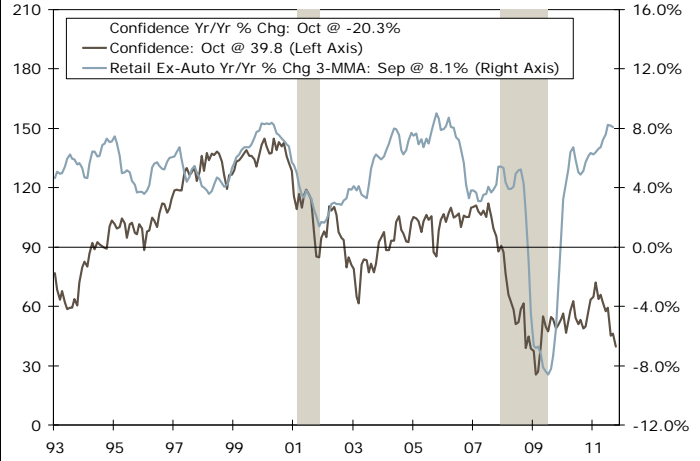
Misery Index

Unemployment Rate Plus Yr/Yr Percent Change in CPI



Confidence vs. Retail Sales

Conference Board Consumer Confidence, Retail Sales ex. Autos



Source: The Conference Board, U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Securities, LLC

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