



Economics Group

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Consumer Confidence Is Stuck in the Slow Lane

Consumer confidence fell 1.4 points to 53.1 in September, reflecting ongoing concerns about employment. Plans for buying cars and homes also declined, suggesting the boost from tax incentives has passed.

Show Me the Jobs

Consumer confidence fell 1.4 points in September to 53.1, as consumers continue to express ongoing concerns about both current and future employment prospects. The number of households expressing that jobs are “hard to get” rose 2.7 points to 47.0 percent, while those reporting jobs were “plentiful” fell 0.9 points to 3.4 percent. Expectations for employment opportunities six months out also slipped, with the share of households expecting more jobs to be created falling 0.1 points to 17.9 percent.

The continued deterioration in the employment component was a bit of a surprise. Weekly first-time unemployment claims have fallen during each of the past three weeks and will likely be down for the month of September.

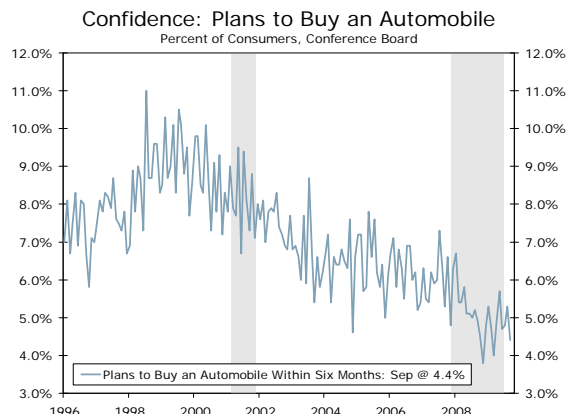
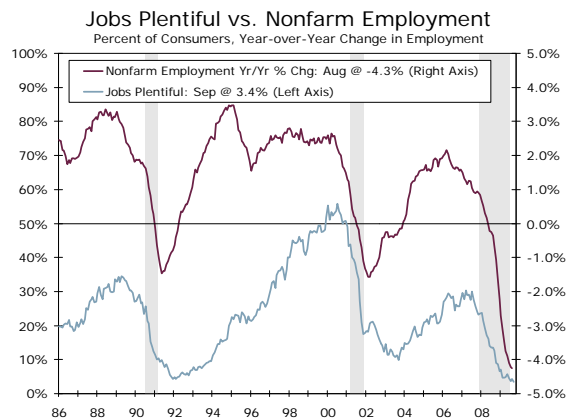
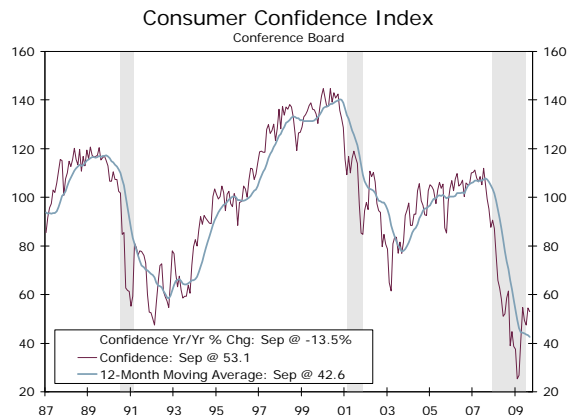
While layoffs have slowed, hiring shows no sign of picking up. The latest data from the Bureau of Labor Statistics show that job openings fell to a record low share of nonfarm employment during the month of July, with big declines in retail trade and construction. Consumer confidence will not likely rebound until hiring picks up and that may not be for several more months.

No Lasting Benefit from the Cash-for-Clunkers Program

Buying plans also declined, with plans to purchase an automobile over the next six months falling 0.9 percentage points to 4.4 percent. That marks the lowest reading since March. Buying plans dropped for both new and used vehicles and both are slightly below their July level, suggesting sales are seeing a payback from the cash-for-clunkers program.

Plans to purchase a home declined 0.7 percentage points to 2.3 percent, with most of the drop occurring among folks planning to purchase an existing home. Home buying plans have been volatile recently but an improving trend is evident in the overall series since February. September’s drop may reflect the impending end of the \$8,000 tax credit for first-time home buyers. Home buyers must close by November 30, which means they are running out of time to find a home, put it under contract and line up financing so they can qualify for the tax credit.

September’s drop in consumer confidence continues a recent string of disappointing economic reports, including last week’s weaker-than-expected new home sales and surprising drop in durable goods orders. The string of disappointing reports, particularly the softer consumer confidence figures, may temper expectations for the upcoming holiday shopping season. Last year, consumers went into the shopping season terrorized by the plunge in the stock market and surge in unemployment. This year, consumers are going into the holiday season with less income and ongoing concerns about employment conditions. Confidence and spending will not pick up until consumers see more jobs being created.



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