



## Economics Group

Mark Vitner, Senior Economist  
[mark.vitner@wachovia.com](mailto:mark.vitner@wachovia.com) • 704-383-5635

# Genuine Improvement in Consumer Confidence in January

**The Consumer Confidence Index rose 2.3 points in January to 55.9, its highest level in 17 months. Both the present situation and expectations series increased while labor market conditions improved slightly.**

### A Slightly Better Trend for Consumer Confidence

The Consumer Confidence Index rose 2.3 points in January and the December report was slightly better than previously reported. Consumers expressed more optimism about both the present economic situation and expectations for future economic conditions. The present situation index rose 4.8 points to 25.0, which is the highest reading since June. The expectations series rose 0.6 points to 76.5, bringing it to the highest level since October 2007, or two months before the start of the recession.

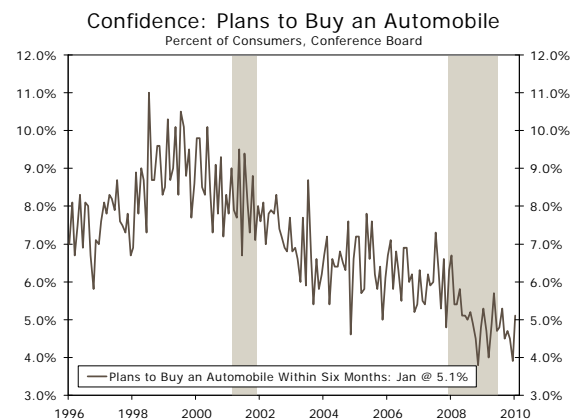
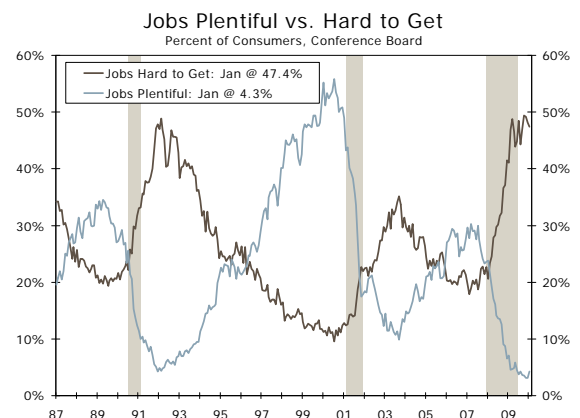
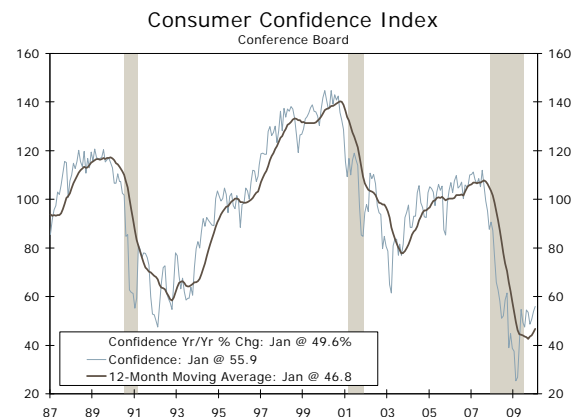
While the improvement in the present situation series is encouraging, there is an interesting split in the responses. Both the number of respondents stating that business conditions were “good,” up 1.5 points, and those stating business conditions were “bad,” up 0.4 points, rose during the month. Moreover, more than five times as many respondents stated they believe business conditions are currently bad, 46.1 percent, than stated conditions are good, 9.0 percent.

We view the Consumer Confidence Index as a key truth detector of economic conditions. Consumers are less swayed by the quarterly gyrations in real GDP, which are likely to be up sharply in the fourth quarter, than they are by actual conditions on the ground. The most important thing to consumers is the availability of jobs and on that front there has been little progress. The labor market indicators did improve slightly, however, with the share of respondents reporting that jobs are “plentiful” rising 1.2 points to 4.3 percent and the share stating that jobs are “hard to get” falling 0.7 points to 47.4. The labor differential, which is the difference between these two series rose 1.9 points to 43.1. The improvement is consistent with a one-tenth percent drop in the unemployment rate.

### Buying Plans Increase without Government Assistance

One of the more interesting aspects of this morning's Consumer Confidence report was the solid increase in plans to buy an automobile over the next six months, which rose 1.2 points to 5.1. The increase brings buying plans for automobiles back up to where they were near the peak of the cash-for-clunkers program. Without government assistance, however, consumers are being a bit more frugal. Plans to buy a used car rose 0.8 points, while plans to buy a new car rose 0.5 points.

Plans to buy a home edged up a tenth of a percentage point in January but remain relatively low at just 1.8 percent. By comparison, plans to buy a home jumped to 3.0 percent in August when many buyers came into the market to beat the impending deadline for the first-time home buyers' tax credit. The extension and expansion of that tax credit has done little so far to spur buyer interest, consistent with recent reports from the NAHB.



## Wells Fargo Securities, LLC Economics Group

Diane Schumaker-Krieg	Global Head of Research & Economics	(704) 715-8437 (212) 214-5070	diane.schumaker@wachovia.com
John E. Silvia, Ph.D.	Chief Economist	(704) 374-7034	john.silvia@wachovia.com
Mark Vitner	Senior Economist	(704) 383-5635	mark.vitner@wachovia.com
Jay Bryson, Ph.D.	Global Economist	(704) 383-3518	jay.bryson@wachovia.com
Scott Anderson, Ph.D.	Senior Economist	(612) 667-9281	scott.a.anderson@wellsfargo.com
Eugenio Aleman, Ph.D.	Senior Economist	(612) 667-0168	eugenio.j.aleman@wellsfargo.com
Sam Bullard	Economist	(704) 383-7372	sam.bullard@wachovia.com
Anika Khan	Economist	(704) 715-0575	anika.khan@wachovia.com
Azhar Iqbal	Econometrician	(704) 383-6805	azhar.iqbal@wachovia.com
Adam G. York	Economist	(704) 715-9660	adam.york@wachovia.com
Ed Kashmarek	Economist	(612) 667-0479	ed.kashmarek@wellsfargo.com
Tim Quinlan	Economic Analyst	(704) 374-4407	tim.quinlan@wachovia.com
Kim Whelan	Economic Analyst	(704) 715-8457	kim.whelan@wachovia.com
Yasmine Kamaruddin	Economic Analyst	(704) 374-2992	yasmine.kamaruddin@wachovia.com

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wachovia Bank N.A., Wells Fargo Bank N.A., Wells Fargo Advisors, LLC, and Wells Fargo Securities International Limited. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2010 Wells Fargo Securities, LLC.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE

