



## Economics Group

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## Consumer Confidence Rises Modestly in October

*Consumer confidence rose 3.8 points in October to 72.2, which marks the highest level in more than four years. Most of the improvement came in the present situation series, which has been lagging in this recovery.*

### Consumers' Fears Subside in September

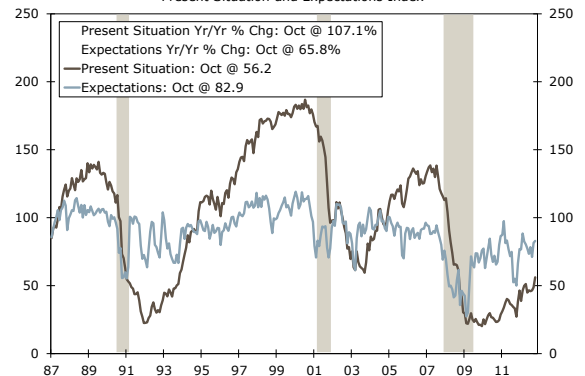
The Consumer Confidence Index rose a larger-than-expected 3.8 percentage points, but still ended up a little lower than expected due to a downward revision to the previous month's data. Both the present situation and expectations series improved during the month, with the present situation series up 7.5 points to 56.2. This marks the largest one-month gain since February 2012 and brought the index to its highest level since September 2008. Most of the improvement in the present situation series came from better perceptions of the labor market, where the percentage of households reporting that jobs were plentiful rose 2.2 points to 10.3 percent. Perceptions about overall business conditions improved less dramatically, with the share reporting that current business conditions are good rising 1.2 percentage points to 16.5 percent and those reporting conditions are bad falling 0.7 percentage points to 33.1 percent.

**September's 0.3-percentage point drop in the unemployment rate may have created a bit of a positive feedback loop in the Consumer Confidence Index.** One-month declines of 0.3 percentage points or more in the unemployment rate are fairly rare and the latest drop, occurring in the heat of a presidential race, generated significant headlines. As a result, the dramatic improvement in current labor market conditions may be more backward looking than forward looking. One bit of evidence that supports this notion is that expectations for employment conditions six months ahead actually deteriorated during the month, with the number of households expecting more jobs to be created rising 1.1 percentage points to 19.2 percent and the share expecting fewer jobs to be created rising 1.6 percentage points to 20.3 percent.

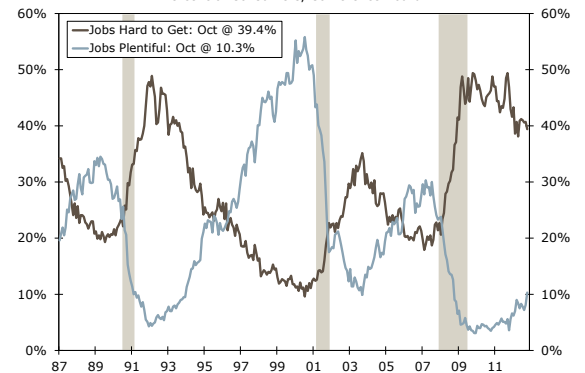
Other elements of the expectations series generally improved during the month. The proportion of households seeing conditions getting better over the next six months rose 3.5 percentage points to 21.4 percent, while those seeing conditions getting worse rose just 0.6 percentage points to 15.1 percent. The proportion of consumers expecting their income to increase over the next six months also rose more than those expecting their income to decrease, which put the income differential slightly further into positive territory. Those expecting business conditions and income to remain about the same over the next six months both dropped slightly.

The recent improvement in consumer confidence is encouraging and past experiences suggest that confidence will improve further following the presidential election. Hurricane Sandy may throw a wrench into this. In terms of actual economic activity, the recent improvement in consumer confidence is less conclusive. Consumer confidence still remains low by historical standards and economic growth has typically not kicked into high gear until perceptions about current conditions exceed expectations for the future.

Conference Board Consumer Confidence  
Present Situation and Expectations Index



Jobs Plentiful vs. Hard to Get  
Percent of Consumers, Conference Board



Confidence Gap  
Present Situation Minus Expectations



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