



Economics Group

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Consumer Confidence Rebounds in February

Consumer confidence rose 11.2 points to 69.6 in February, which partially reverses the drop seen during the prior 3 months. Both the present situation and expectations series rose solidly in March.

Consumer Confidence Rebounds But Remains Low

Consumer confidence improved in February, with the headline number climbing 11.2 points and both the present situation and expectations series posting solid gains. February's improvement was likely exaggerated by a couple of extraneous factors. The survey period likely captured some of the relief that the fiscal cliff was resolved without too much trouble but was completed too soon to include much of the recent anxiety over the looming sequestration. February is also an odd month for consumer confidence, which hit its all-time low in February 2009. The seasonal adjustment process tends to exaggerate increases during this month. Past years have seen consumer confidence give back some of its February gains in subsequent months. This year, with the impending budget cuts, rising gasoline prices and renewed worries about Europe, we will likely see the same thing occur.

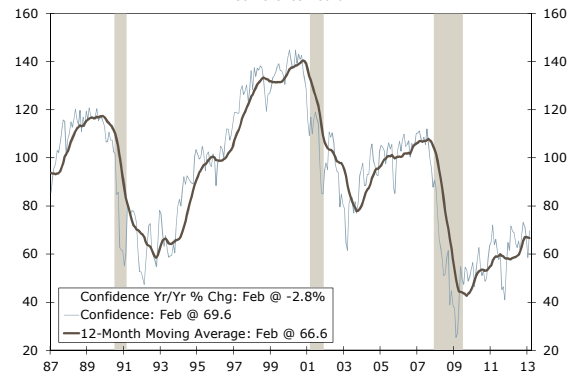
The underlying details point to some modest improvement in the broader economy. The proportion of households stating that current business conditions were good rose 2.0 points in January to 18.1, while the proportion stating that conditions are bad rose 0.4 points to 27.8. The remaining 54.1 percent stated that conditions were normal. While the proportion of households stating that current conditions are bad is still much greater than those stating conditions are good, the proportion of households seeing improvement in the economy is now at its highest level since the recession ended three and a half years ago.

Consumers also reported some modest improvement in labor market conditions. The proportion stating that jobs were plentiful rose 2.0 points to 10.5 percent, while the proportion stating that jobs are hard to get rose 0.4 points to 37.0 percent. The labor market differential, which is the difference between these two series rose 1.6 points to -26.5.

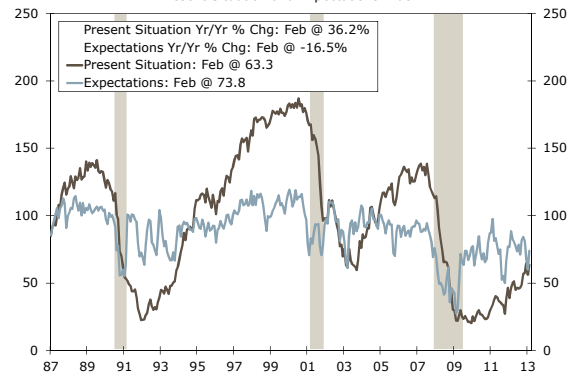
February's rise in consumer confidence likely comes as a bit of a surprise to many retailers, particularly those that had noted that consumers appear to be pulling back following the rise in the payroll tax and recent spike in energy prices. What consumers actually do is probably more important than what they say right now. Consumer confidence is recovering ever so slowly from exceptionally low levels. While confidence is improving, we still have a long way to go before consumer confidence fully recovers.

Another concern expressed in the most recent number is that for the fourth month in a row, more consumers expect their income to decrease over the next six months than expect it to increase. The differential improved slightly in February; however, as the proportion of households expecting their income to rise rebounded slightly from its January low and the proportion expecting their income to fall fell back slightly from its January high. **Consumers are unlikely to go on many shopping sprees when they are worried their take-home pay is declining.**

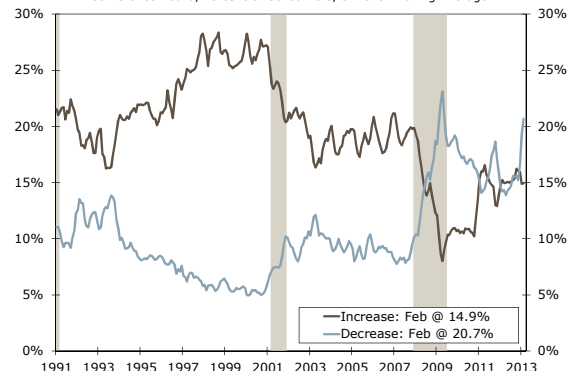
Consumer Confidence Index
Conference Board



Conference Board Consumer Confidence
Present Situation and Expectations Index



Confidence: Income 6-Month Expectations
Conference Board, Percent of Consumers, 3-Month Moving Average



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