



## Economics Group

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## Consumer Confidence Rises Solidly in May

*Consumer confidence rose 7.2 points in May to 76.2 and is now at its highest level since the recession ended four years ago. The current conditions and expectations series both increased solidly during the month.*

### Consumers Begin To Believe There is a Recovery

Four years in, consumers finally appear to be recognizing there is an economic recovery underway. The consumer confidence index rose a convincing 7.2 points to 76.2 in May, following a 7.1-point rise the previous month. The overall consumer confidence index is now at its highest point since the recession ended four years ago and the recent improvement is notable in that it is evident in nearly every key component of the survey.

The present situation index rose 5.7 points in May, reflecting slightly more optimism about business conditions and a little less worry about employment conditions. The proportion of consumers rating current business conditions as 'good' rose 1.3 points to 18.8, while the proportion rating conditions as 'bad' fell 1.6 points to 26.0. The remaining 55.2 percent rate conditions as 'normal'.

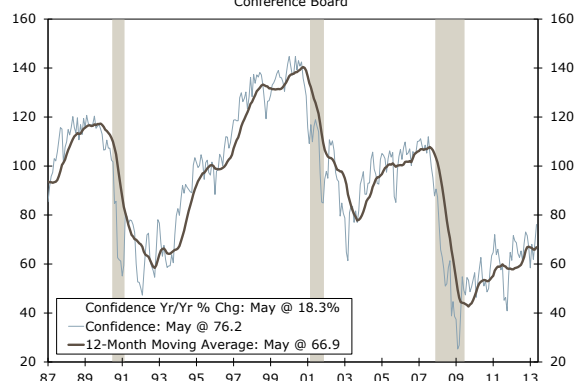
### Less Bad Is Good but Not Great

The proportion of consumers rating conditions as 'bad' still outnumber those rating conditions as 'good' but the differential has narrowed considerably over the past year from 2.55 bad responses for every good to 1.38. The falloff in the number of consumers rating conditions as 'bad' corresponds with the recent slide in weekly unemployment claims, which is a good proxy for layoffs. Weekly first-time unemployment claims have fallen 8.5 percent over the past year and the four-week moving average is near its lowest level since January 2008.

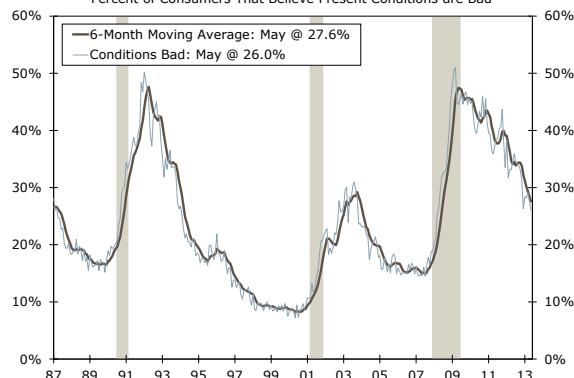
The improvement in employment conditions is also evident in the components dealing with the labor market. The proportion of consumers stating that jobs are 'plentiful' rose 1.1 points to 10.8 in May, while those stating jobs were 'hard to get' fell 0.8 points to 36.1. Once again, the improvement appears to be more due to consumers acknowledging less bad news than celebrating a sudden rush of good news. Expectations about employment prospects improved slightly more, with those expecting more jobs to be created over the next six months rose 2.5 points to 16.8, while those expecting fewer jobs to be created fell 2.1 points to 19.7.

Attitudes toward future income growth were the one weak spot in today's report, with the proportion of consumers expecting their income to increase over the next six months falling slightly to 16.6 percent. A large proportion of recent job growth has come in industries that tend to pay relatively low wages and employ large numbers of part-time workers, which may explain the lack of enthusiasm on income. Overall, the expectations component posted a strong 8.1 point increase. The expectations series often mirrors recent changes in the stock market, which rose solidly in May. The fundamentals appear to have improved less, however, with more of the improvement coming from consumers, and possibly investors, seeing less bad news rather than more good news.

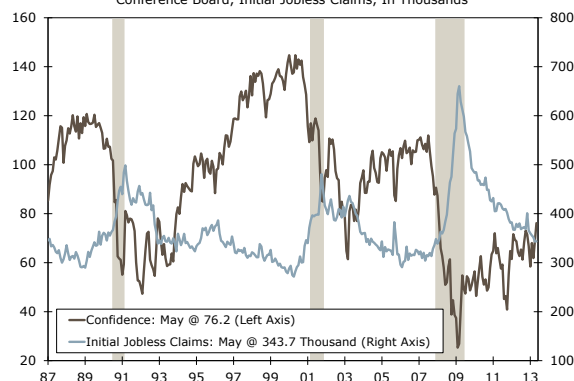
Consumer Confidence Index  
Conference Board



Conference Board Consumer Confidence  
Percent of Consumers That Believe Present Conditions are Bad



Consumer Confidence vs. Jobless Claims  
Conference Board, Initial Jobless Claims, In Thousands



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