



Economics Group

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Consumer Confidence Bounces Back In August

Consumer confidence bounced back slightly in August to 81.5 after slowing to 81.0 in July. Consumers are feeling more confident about future economic conditions, but less optimistic about current conditions.

Current Economic Conditions Remain Weak

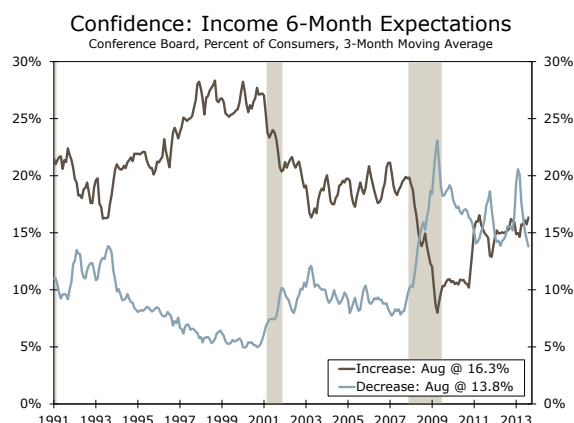
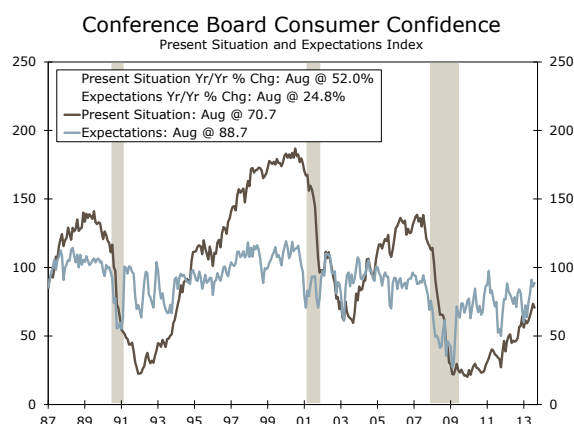
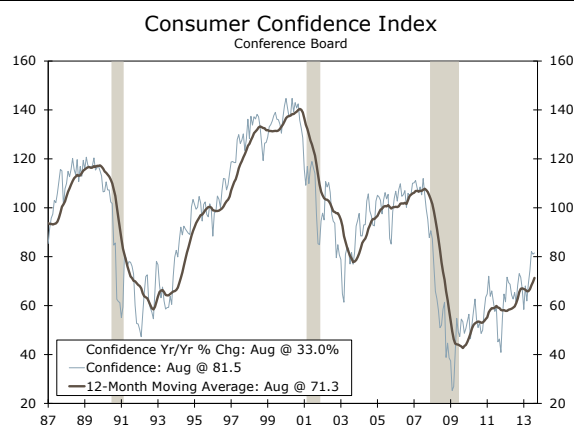
Consumer confidence posted a slight increase in August to 81.5 after falling to 81.0 in July. The good news is that the longer-term trend of firming consumer confidence remains intact. The three-month moving average now stands at 81.6, a noticeable improvement from the 65.5 reading back in January. Today's report continues to provide evidence that consumer confidence continues to slowly improve, suggesting that consumer spending should continue its momentum in the second half of this year. We continue to expect real personal spending to expand around a two percent pace over the next two quarters with ongoing job gains along with modest growth in personal income supporting further spending activity.

The present situation index slipped to 70.7 for the month as fewer respondents reported business conditions were "good". Consumers characterized the current employment situation as mixed, with fewer respondents reporting that jobs were "plentiful", and fewer respondents reporting that jobs were "hard to get". The mixed signal from the current employment component of the index is consistent with the overall labor market data, as jobless claims continue to fall to new lows, while the overall pace of monthly job gains remain modest.

Optimism About the Future Continues to Improve

Consumers' overall views of the future continue to help lead the overall confidence measure higher. The expectations component of the index has climbed to 88.7 today from 59.9 back in January. Consumers were also feeling somewhat better about future employment growth, with more consumers expecting more jobs than fewer jobs over the next six months. It appears that the overall pace of improvement in job market conditions has trumped any concerns over the recent volatility in equity markets. Expectations about future business conditions rose with more respondents expecting better business conditions and fewer expecting conditions to deteriorate over the next six months.

One of the most encouraging signs from today's report was consumers' expectations about future income growth. The measure reached 17.4, the highest level since February 2011, for the month which suggests that consumers are finally beginning to feel better about their prospects for income growth after the headwinds of tax policy changes earlier this year. However, consumers' plans to buy continue to remain modest with somewhat fewer consumers expecting to buy automobiles and major appliances. Plans to buy a home in the next six months slipped a bit in August after posting sizable gains since March. The reading on housing remains consistent with our views of a continued housing market recovery, but at a slightly slower pace than has been observed over the past year.



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