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Consumer Confidence Rises Modestly in May

Consumer confidence rose in-line with expectations, with the overall index climbing 1.3 points to 83.0. Both the present situation and expectation series improved, as prospects for job and income growth brightened.

A Lack of Quality Jobs Is Holding Confidence Back

With this past winter's chilly weather behind us and job and income growth heating up, May's 1.3-point rise in consumer confidence was widely expected. Both the present situation and expectations series improved during May, with the present situation index climbing 1.9 points to 80.4 and the expectations series rising 0.9 points to 84.8.

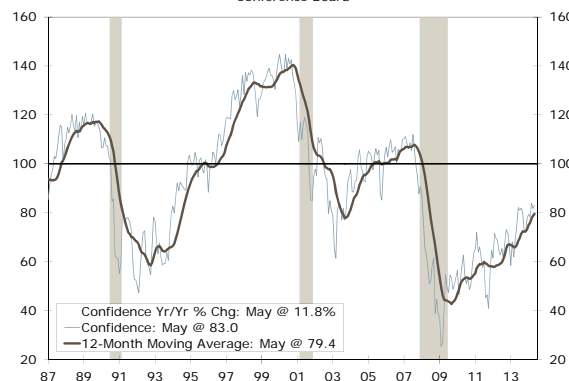
Given April's 288,000-job rise in nonfarm employment and the 0.4-percentage point plunge in the unemployment rate to 6.3 percent, it is somewhat surprising we did not see an even larger gain in May consumer confidence. The employment components of the survey did improve during the month, however, and was a major factor in the overall improvement in consumer confidence. The proportion of consumers stating that jobs were plentiful rose 1.1 percentage points to 14.1 percent, while the proportion that said jobs were hard to get fell half a percentage point to 32.3 percent. With the increase, the jobs plentiful series is now at its highest level since the recession ended. The share of consumers stating that jobs are plentiful, however, still remains less-than-half of those stating that jobs are hard to get and remains closer to the levels typically seen at the depths of a recession rather than five years into an economic recovery.

The lack of a ringing endorsement on the labor market coming on the heels of better employment news, and a bounce back from the harsh winter weather raises some concerns about how much of the recent improvement in employment conditions is legitimate. Past years have seen strong employment gains at the start of the year quickly evaporate into a spring swoon. We do not expect that to happen this year, at least not to the extent that occurred in years' past. The modest trajectory in the jobs are plentiful series, however, casts serious doubt on the idea that hiring has accelerated in a major way, as the nonfarm employment data would appear to indicate.

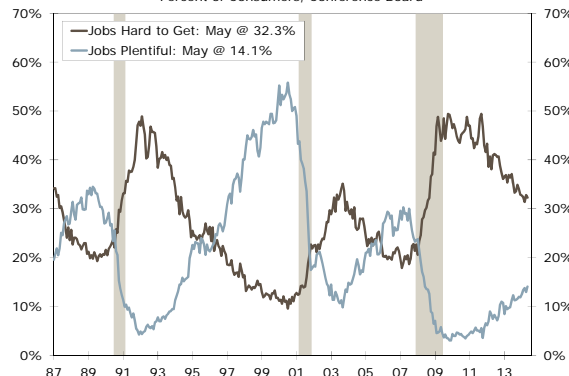
While future expectations rose by just 0.9 points in May, most of the key components moved in the right direction. More consumers expect economic conditions to improve during the next six months and fewer expect conditions to worsen. Attitudes about future job growth were mixed, however, with both the proportion expecting more jobs and the proportion expecting fewer jobs to be created over the next six months rising.

With many consumers expressing doubts about the labor market, buying plans remain restrained. While plans to purchase an automobile rose in May, they did not recoup all the previous month's drop. Moreover, plans to purchase a home and plans to purchase a new appliance both declined. So the bond market may have been right to look past the better employment news. We are not giving up on our forecast of stronger growth going forward but this month's confidence numbers raise some doubts.

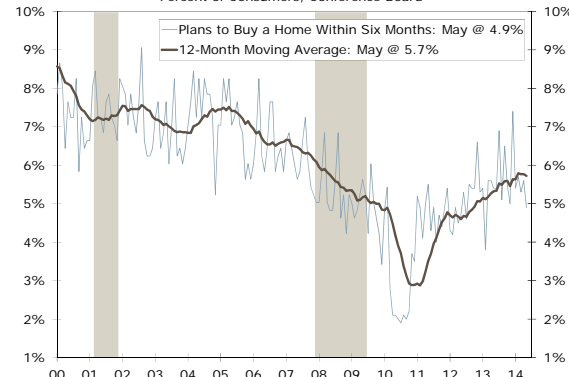
Consumer Confidence Index
Conference Board



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



Confidence: Plans to Buy a Home
Percent of Consumers, Conference Board



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