



Economics Group

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Consumer Confidence Rises Solidly in June

Consumer confidence rose 3.0 points in June to 85.2, reaching its highest level since the recession. Both the present situation and expectations series improved and consumers seemed unfettered by overseas crises.

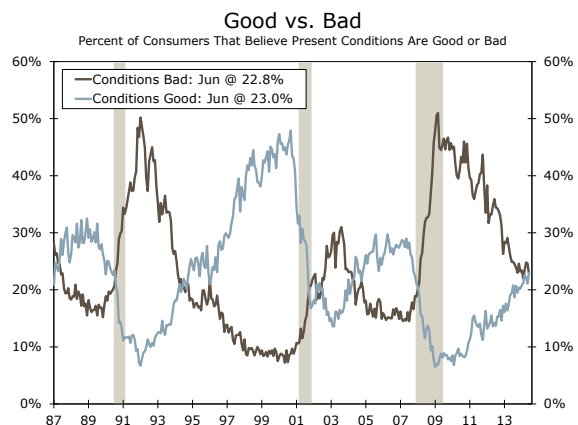
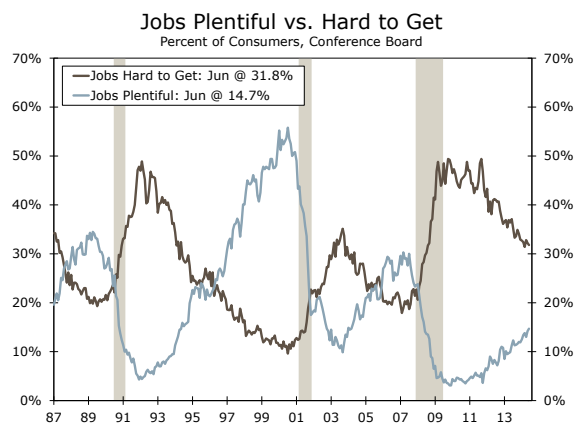
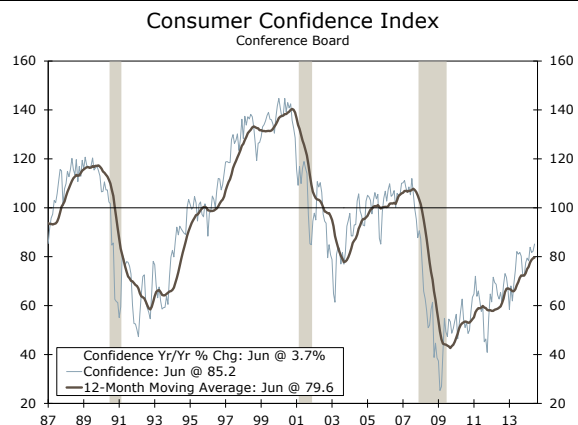
Confidence Posts a Solid Gain in June

Consumer confidence rose 3.0 points in June to 85.2, marking a new cycle high. Both the present situation and future expectations series improved during the month and consumers expressed more optimism about both current and expected employment conditions. Buying plans for automobiles, homes and major appliances also improved during the month. The only caveat is that the cutoff date for the survey was June 13, so the latest figures likely do not reflect much reaction of the bad news coming out of Iraq.

While overseas events are serious and may push prices higher at the gasoline pump, consumers are most concerned about the state of the job market. The lack of strong job growth is the primary reason consumer confidence has been so slow to recover. Employment conditions have taken a turn for the better more recently. Stronger gains in nonfarm employment and the recent slide in the unemployment rate are evident in the latest consumer confidence survey. The proportion of households noting that jobs were plentiful in June rose 0.5 percentage points to 14.7 percent, while the share stating that jobs are hard to get fell 0.4 points to 31.8 percent. Although the difference between those two responses still remains negative, it has improved considerably over the past couple of months.

The difference between how consumers view the economy's prospects six months from now and how they view economic conditions today has also narrowed to just 0.1 points. A positive confidence gap has tended to coincide with above-trend economic growth. The latest figures indicate that while we are not there yet, we are headed in that direction. The present situation series rose 4.8 points to 85.1. The proportion of consumers rating current business conditions as "good" rose 1.9 points to 23 percent, while the proportion rating conditions as bad fell 1.8 points to 22.8 percent. June marks the first time more consumers have rated current conditions as "good" than "bad" since the recession ended five years ago. The remaining 54.2 percent of households said that conditions were "normal".

Consumers are also more optimistic about future business conditions. The proportion expecting conditions to improve in the next six months rose 1.1 points to 18.8 percent. The proportion expecting conditions to worsen also increased, however, rising 0.7 points to 11.4 percent. Consumers were slightly more optimistic about the pace that jobs are being created, with the proportion expecting more jobs to be created over the next six months rising 1.1 points to 16.3 percent and the proportion expecting few jobs to be created falling 0.2 points to 18.7 percent. Consumers are less upbeat about the prospects for income growth, with the share expecting their income to rise over the next six months falling 2.1 points to 15.9 percent. The share expecting income to fall also declined, however, and 72 percent of consumers expect their income to remain the same.



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