



Economics Group

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Consumer Confidence Tumbles in September

Consumer confidence took a tumble in September as a soft August employment report combined with increasing geopolitical unrest weighed on consumers' views of both current and future economic conditions.

Geopolitical Events Beginning to Affect Consumer Sentiment

Consumer confidence tumbled in September amid growing geopolitical unrest along with a soft August employment report. The present situation index declined 4.5 points to 89.4 while the future expectations index tumbled 9.4 points. The disappointing August nonfarm payroll number was likely the largest factor that weighed on the present situation index. The growing geopolitical unrest in Syria and Iraq likely had an outsized influence on consumers' views of future conditions. Even with this slight setback, consumer confidence should continue to improve in the coming months, in line with economic growth.

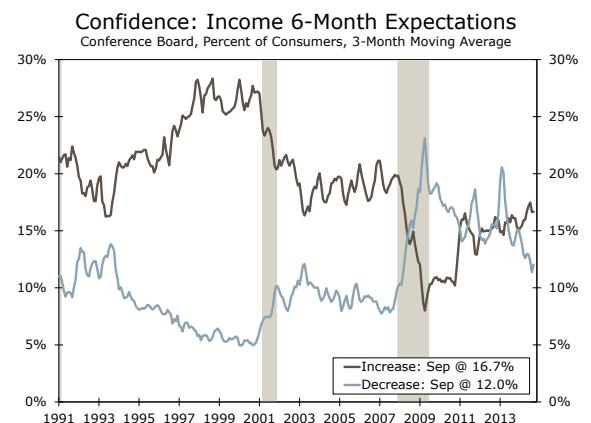
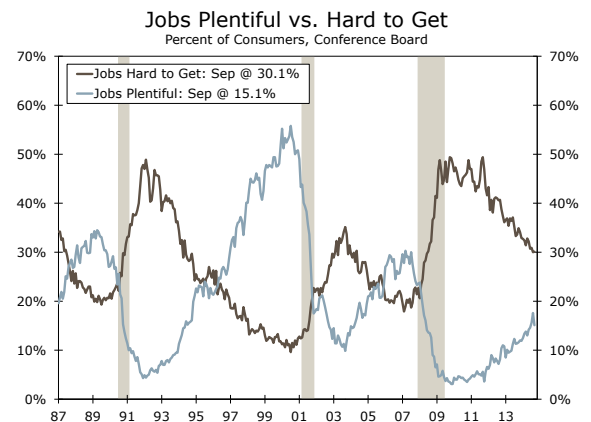
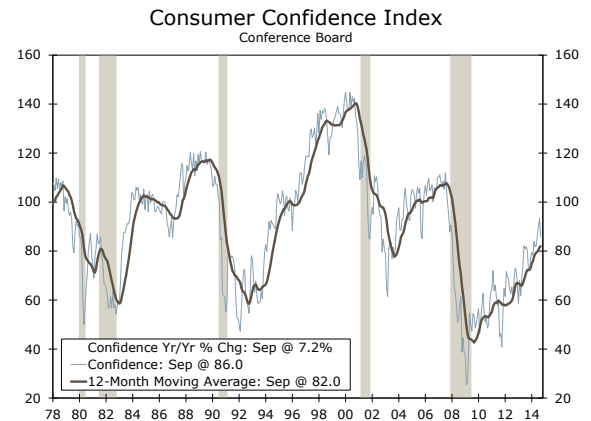
Views of the Labor Market Dimmed for the Month

Fewer individuals reported that jobs were plentiful in the current environment, while the index of those reporting that jobs were not so plentiful increased 2.4 percentage points. In addition, views of future labor market conditions also deteriorated, with the index of respondents expecting fewer jobs rising 2.6 percentage points. Given the usual volatility in the August employment report, it is entirely likely that an upward revision to nonfarm payrolls in August could again alter consumers' views of labor market conditions. Thus, we view today's pullback in consumer confidence as a temporary phenomenon. Should job growth revert back to the 200,000-plus monthly gains observed on average over the last few months, we would expect consumers' views to turn upward once again.

Income Growth Expectations Improving but Remain a Concern

One of the bright spots in today's report was in consumers' future expectations for income growth. The index rose 1.3 percentage points, reflecting a gradual improvement over last month's reading. While still well off pre-recession levels, the continued gradual improvement in income expectations should bode well for consumer spending in the coming quarters. Again, a return to more solid job gains on a monthly basis will likely serve to sway consumers' expectations about income higher. In addition, expectations for inflation remained in check, with the index moving very little since May of this year.

Consumers' plans to buy were largely mixed for the month. The percent reporting plans to buy an automobile dropped slightly, as did plans to buy a home. Conversely, plans to buy major appliances rose to 51.3 percent, a sizable jump from August's 45.7 percent reading. On net, consumers' plans to buy continued to suggest momentum behind real spending growth of about 2.5 percent.



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