



# Economics Group

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## Consumer Confidence Stumbles Into The Holiday Season

*Consumer confidence was a turkey in November, with the overall index falling 5.4 points to 88.7. Consumers' assessments of both the present situation and expectations for future economic conditions declined sharply.*

### Ignoring the Good News

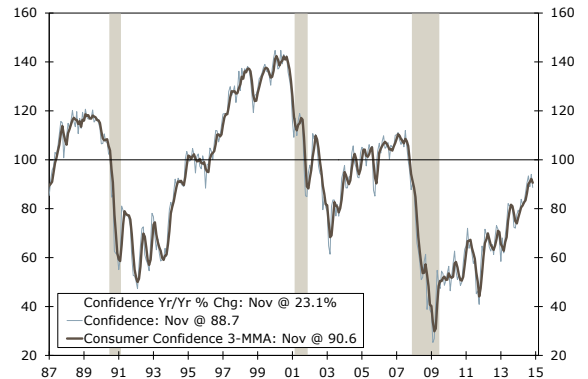
Last month we were a bit confounded by the ability of consumers to ignore the torrent of bad news on Ebola, ISIS, the sinking stock market and the upcoming mid-term elections. The bad news seemed to be everywhere except in the consumer confidence survey, which posted a 5.1-point gain in October. This past month saw a complete reversal, with the overall index falling 5.4 points to 88.7, even though worries about Ebola and geopolitical events in particular have subsided considerably and the stock market rallied solidly throughout the survey period. From a more fundamental standpoint, the things that matter most to consumers, job and income growth, also appear to have improved, while gasoline prices have tumbled below \$3 a gallon in much of the country. Given the recent run of economic news, why are consumers so gloomy?

We suspect that the answer is fairly simple and not all that surprising. The earlier run-up in consumer confidence to the low to mid-90s appears to have simply been too much too soon. The economy has clearly improved and consumers sensed the improvement in their day-to-day lives. The extent of that improvement varies considerably, however. Remember that exit polls showed that 78 percent of voters in the mid-term elections were either concerned or somewhat concerned about the economy. That level of concern is simply inconsistent with consumer confidence in the nineties.

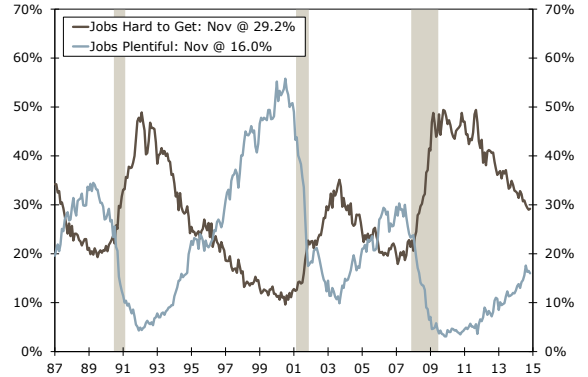
The present situation index fell 3.1 points to 91.3, its lowest reading since July. The proportion of consumers stating that current economic conditions are good fell 0.7 points to 24.0 and the proportion stating that current conditions are bad rose 0.9 points to 22.4. On the bright side, the proportion of consumers rating current economic conditions as good slightly exceeded those rating conditions as bad for the sixth straight month. Attitudes concerning employment prospects also deteriorated slightly in November, with the proportion of consumers reporting that jobs were plentiful falling 0.5 points to 16.0 percent and the proportion reporting that jobs are hard to get rising 0.2 points to 29.2 percent. The proportion of consumers stating that jobs are hard to get remains high, particularly since we are currently five and a half years into the recovery.

It is hard to make too much out of November's disappointing consumer confidence numbers. Confidence remains at a fairly healthy level and consumers continued concerns about the job market are well understood. Alan Greenspan used to be fond of saying that the Fed is more concerned with what consumers do rather than what they say. From that perspective, this morning's revision to third quarter GDP indicated a stronger pace of real consumer spending and October's retail sales report indicated that spending was off to a good start in the fourth quarter. That is hardly the data you would expect if consumers were growing more concerned.

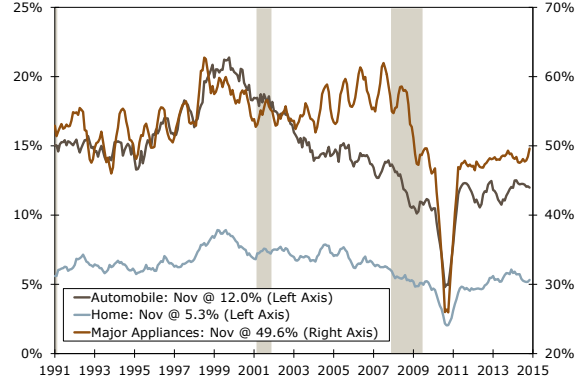
Consumer Confidence Index  
 Conference Board



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



Confidence: Plans to Buy  
 Percent of Consumers, Conference Board, 6-MMA



Source: The Conference Board and Wells Fargo Securities, LLC

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