



Economics Group

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Consumer Confidence Rises Modestly in December

Consumer confidence rose only modestly in December, casting doubt that the recent strong pace of GDP and employment growth can be maintained. Consumers continue to see a more gradual improvement.

A More Level-Headed View

Consumer confidence rose just 1.6 points in December to 92.6. Although the gain was below expectations, November's figure was revised higher and the overall index remains at a level that is consistent with solid economic gains. All of December's improvement came in the present situation series, which rose 4.9 points to a lofty 98.6.

With December's increase, the present situation series is now at its highest level since February 2008 when the recession was just taking hold. Of course the rise back to this level reflects an entirely different set of circumstances, most notably the ongoing and broadening improvement in employment conditions. The proportion of households noting that jobs were plentiful rose 0.9 points to 17.1 in December, while the proportion stating that jobs are hard to get fell 1.0 point to 27.7. The remaining 55.2 percent of households stated that jobs were not so plentiful.

The labor market differential, which measures the difference between the proportion of consumers stating that jobs are plentiful and those stating jobs are hard to get, rose 1.9 points in December to -10.6. A year ago the gap was -21.0. The improvement reflects the recent slide in the unemployment rate, which has fallen 1.2 percentage points since last November.

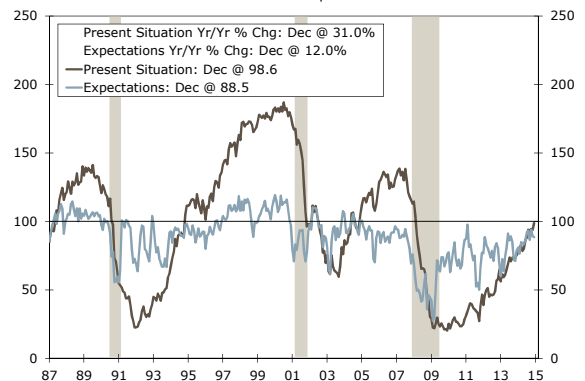
Consumers' assessment of business conditions has improved more modestly. The proportion rating present business condition as good was unchanged in December at 24.8 and is up just 4.6 points over the past year. The proportion rating conditions as bad fell 2.2 points in December to 19.6 and has fallen 3.6 points since last December.

Expectations for economic conditions six months from now fell 0.8 points to 88.5 in December, with consumers expressing less optimism about future business conditions, employment prospects and income growth. The declines, however, were relatively modest and fewer consumers also noted that they expect business conditions to worsen over the next six months or expect incomes to decrease. Views on job growth were more guarded, with the proportion of consumers expecting more jobs to be created over the next six months falling 0.8 to 14.7 percent and the proportion expecting fewer jobs to be created rising by a like amount to 16.9 percent.

Consumers appear to be taking a level-headed view of recent economic events. This is not uncommon for this stage of the business cycle, when views of the present situation tend to rise above expectations for future conditions. Our bottom chart shows a measure we call the "confidence gap", which measures the difference between the present situation and expectations series. The gap tends to move into positive territory during the second half of the expansion, when real GDP and employment growth tend to achieve their peak growth rates for the cycle.

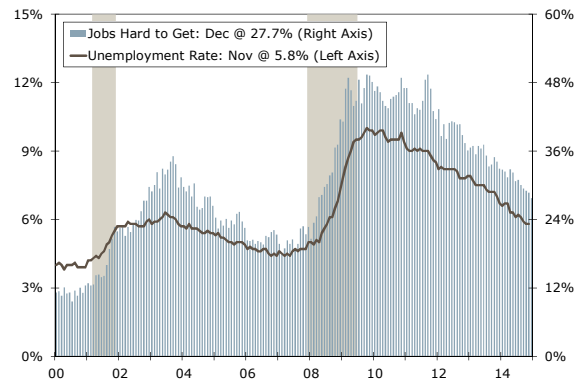
Conference Board Consumer Confidence

Present Situation and Expectations Index



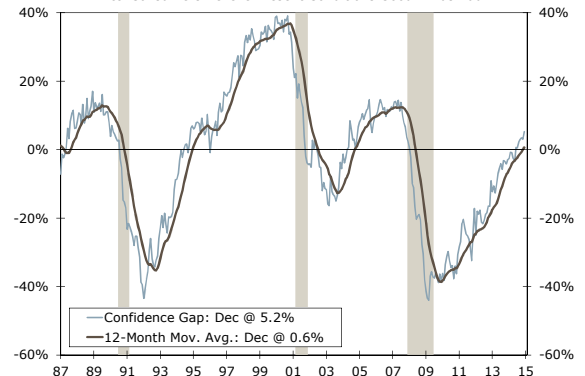
"Jobs Hard to Get" vs. Unemployment Rate

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Pct. Consumers Believe Present Conditions Good Minus Bad



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