



Economics Group

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Consumers Still Confident Despite Lower Reading

The Consumer Confidence Index fell to 96.4 in February from 103.8 in the prior month. Despite the monthly decline, consumer confidence remains consistent with levels seen before the recession hit.

Positive Trend Through the Noise

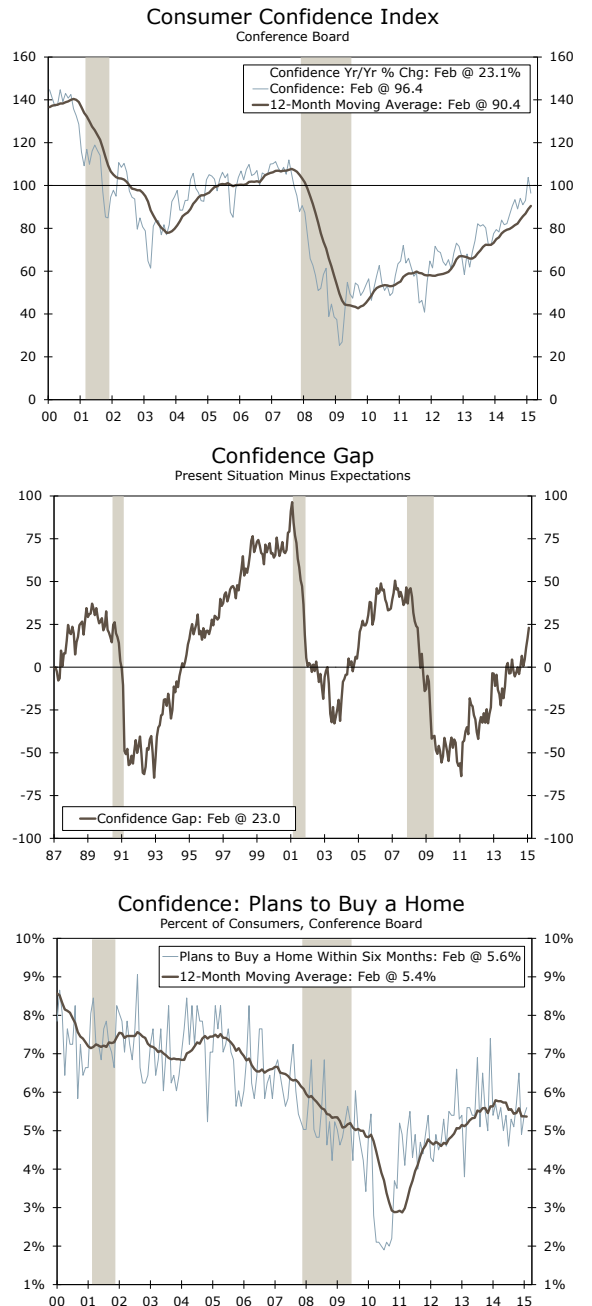
February consumer confidence fell to 96.4 from an upwardly revised 103.8 in January, as payback was expected after a more than 10 point surge in the first month of the year. Although the index fell more than 7 points, a reading of 96.4 is still consistent with prerecession levels, and the underlying trend still points to improving sentiment among consumers. In addition, headlines matter to the nation's busy consumers who rely on snapshots of the economy to inform their opinion of it. An uptick in the unemployment rate and a rebound in gas prices during the survey period were unlikely to help boost confidence levels.

Despite the headlines, consumers recognize that the present situation is still fairly good. The number of consumers who reported that business conditions were good fell compared to the previous month, but so did the number reporting that conditions were bad. Compared to a year ago, the share of consumers that said business conditions were bad has fallen five points, which is about the same rise that was seen in the share of consumers who thought business conditions were good over the same period. Perceptions of the labor market also worsened on a month-to-month basis, but have improved dramatically over the year. In February, 20.5 percent of respondents said that employment was plentiful, up from 13.4 percent a year earlier. At 26.2 percent, more consumers said that jobs were hard to get, but that share has fallen 6.2 percentage points over the past year.

Not Expecting Too Much

Consumers' expectations have not seen the same steady improvement as has their view of the present situation. Indeed, expectations fell to their lowest reading since September and were mainly responsible for the sizable drop in the headline index. Compared to January, more consumers reported that they expected business conditions to be worse in the next six months and for incomes to decline.

Stalling expectations may be holding consumers back from spending the dollars gained from the improved labor market and lower gasoline prices. The share of consumers who plan to buy an automobile in the next six months fell to 11.0 percent in February from 13.1 percent in January. Although the month saw a rise in the number of consumers planning to buy a home, that share was still lower than what was reported a year ago. Similarly, plans to purchase a major appliance were also stronger over the month, but firmly below year-ago numbers. Meanwhile, a smaller share of consumers reported that they planned to take a vacation in the next six months compared to December, the latest reporting for this data point.



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