

Economics Group

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Consumer Confidence Bounces Back in November

The Conference Board's measure of consumer confidence rose 6.3 points to 107.1 and is back at levels that existed prior to the Great Recession. Confidence typically gets a bounce following a presidential election.

Consumers Are Relatively Upbeat Going into the Holiday Season

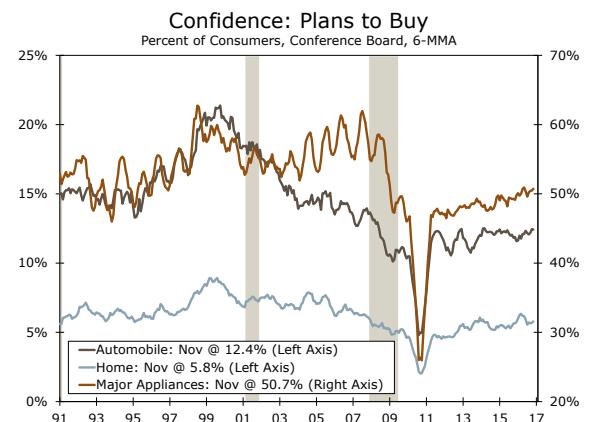
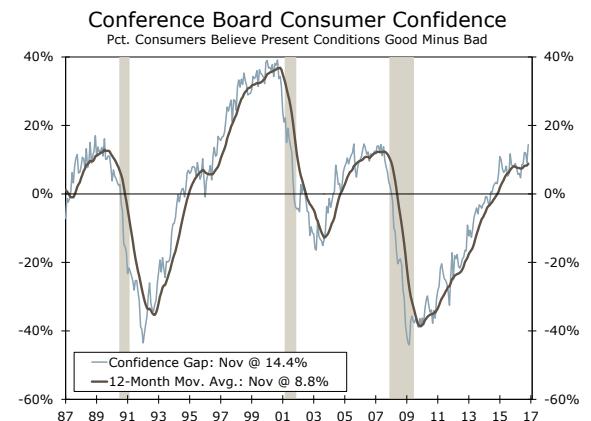
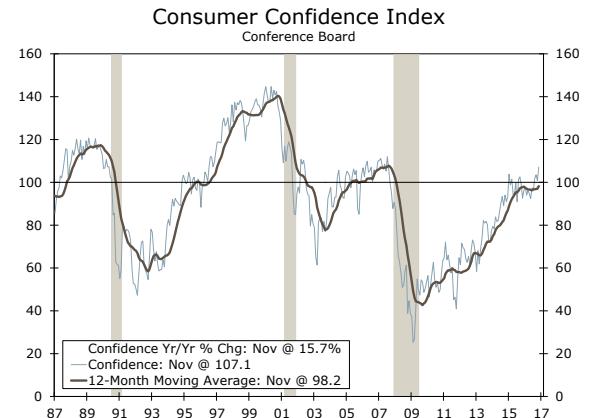
Consumer confidence rose solidly in November, with consumers expressing more optimism about both current and future economic conditions. The cutoff for the Conference Board's survey was November 15, so some of the responses reflect the aftermath of the presidential election and the run-up in the stock market that followed it. Consumer confidence often rises in the aftermath of a presidential election, if for no other reason than a sense of relief that much of the disparaging commentary about the state of the economy tends to subside. The University of Michigan Consumer Sentiment Survey, which was reported last week, posted a larger-than-expected gain in late November. The Conference Board, however, noted that most of the responses for the November survey were received prior to the November 8 presidential election.

Consumers Note Some Improvement in Underlying Conditions

Consumers expressed more optimism about both current and future economic conditions. The present situation index climbed 7.2 points in November to 130.3. The proportion of consumers stating that current conditions are "good" rose 2.7 points to 29.2, while the proportion stating conditions were "bad" fell 2.5 points to 14.8. The differential between the two is the widest since the recession ended. Consumers also expressed more optimism about labor market conditions, with the proportion stating jobs were plentiful rising by 1.6 points and the proportion stating jobs were less plentiful falling by an equal amount. The labor market differential, which measures the gap between those stating that jobs are plentiful minus those stating that jobs are hard to get, rose 1.6 points to 5.2 percent.

The expectations series rose 5.7 points in November to 91.7. Most of the improvement came from fewer consumers expressing concerns that economic conditions were likely to weaken over the next six months. The proportion expecting business conditions to worsen fell 1.8 points to 10 percent, while the proportion expecting fewer jobs to be created fell 2.8 points to 13.8 percent. The proportion expecting their income to decrease fell to just 9 percent in November. By contrast, the proportion stating that they expected conditions to improve in these areas was little changed during the month. The declines in all three series are significant and reflect fewer negative headwinds for the economy in coming months.

Nearly twice as many consumers expect their income to increase over the next six months than expect it to decrease, which is a notable improvement from recent years and should help support consumer spending this holiday season. Along those lines, buying plans improved modestly in November, with plans to purchase major appliances climbing 0.6 points to 52.4. Plans to purchase a home rose 1 point to 6.5, while plans to purchase an automobile fell back to their recent level after jumping the prior month.



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