



Economics Group

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Consumer Confidence Leaps Forward in July

After slowly retrenching over the last several months, consumer confidence took a leap of faith once again in July hitting 121.1, the second highest reading since topping 124.9 in March.

Consumers Remain Upbeat

The U.S. consumer remained upbeat in July according to the Conference Board's consumer confidence measure. The Consumer Confidence Index increased to 121.1 from a downwardly revised reading of 117.3 in June. Both the present situation as well as the expectations indices improved in July. The present situation index improved to 147.8 in July from 143.9 in June while the expectations index increased to 103.3 from 99.6. This last one, the expectations index, is the most volatile of the components of the Consumer Confidence Index and was the culprit for the decline in June. The present situation index has been improving since May of this year while the expectations index had been declining since April.

Thus, July was the first time in several months where both of the broadest components of the index increased together, which is a good sign for the U.S. economy and for the consumer. However, as we have become accustomed to the strong rebound in confidence after the presidential elections last year, we are still waiting for the consumer to put its wallet where its confidence is.

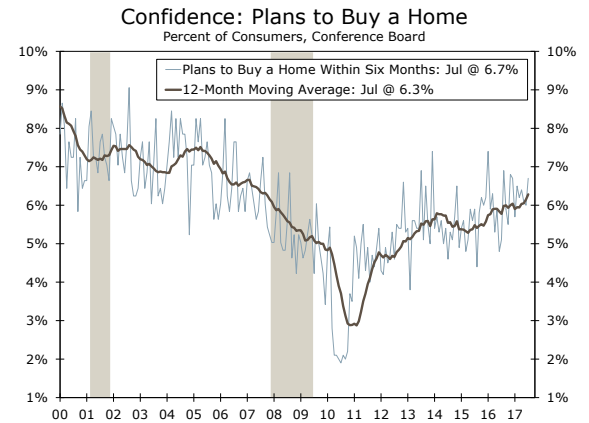
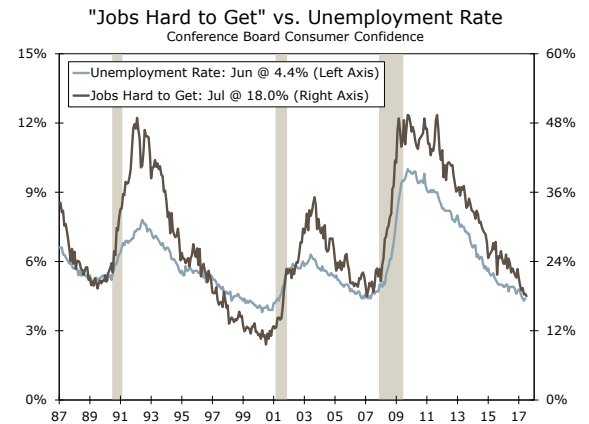
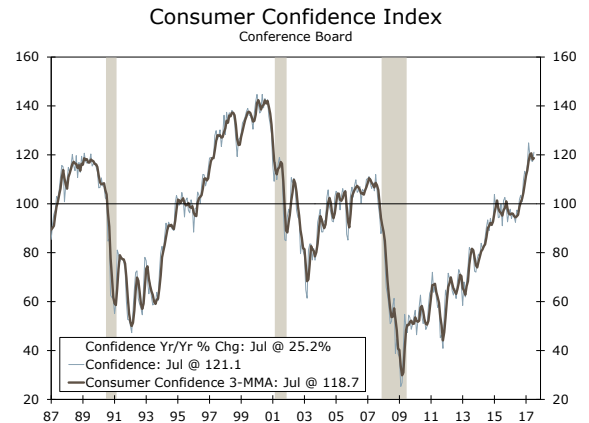
The job plentiful index minus jobs hard to get index, which tends to signal the direction of the rate of unemployment, increased to 16.1 from a 13.6 reading in June, which means that the expectation is for the unemployment rate to continue to go down.

The Consumer Confidence Index in July was the second highest reading in 16 years, second only to March's reading of 124.9. This underscores the important changes occurring in U.S. consumer confidence after several years of weak readings.

Plans to Buy Remain Mixed

The details of the index regarding the plans to buy within the next six months were not as clear cut as the overall indices. Curiously enough, one of the largest changes in plans to buy during the month was the plan to buy a home which increased to 6.7 in July from a 6.0 reading in June. This was the first increase in this index since April of this year. The plans to buy an automobile within the next six months also increased, but to 12.7 from a reading of 12.6 in June.

Meanwhile, plans to buy major appliances declined to 46.1 from 52.1 in June. The only sub-indices that increased in July compared to June were the plans to buy a vacuum cleaner and the plans to buy an air conditioning unit. These buying plans sub-indices are perhaps very telling regarding the current conditions of consumer demand. As we said above, much of the improvement in consumer confidence has yet to be translated into consumer demand, even though we are still expecting this improvement in confidence to help push consumer demand higher.



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