



Economics Group

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Consumer Confidence Slips in November

Consumer confidence unexpectedly fell 8.7 points to 90.4 in November. The drop casts some doubt on the recent improvement in employment conditions. Buying plans for cars and major appliances rose, however.

Consumers Cast a Cautious Eye on Recent Economic Gains

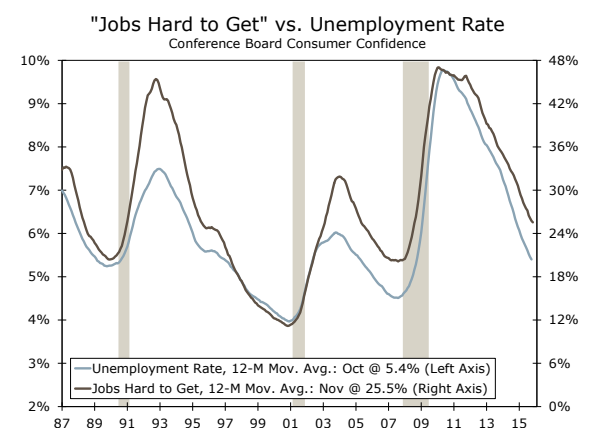
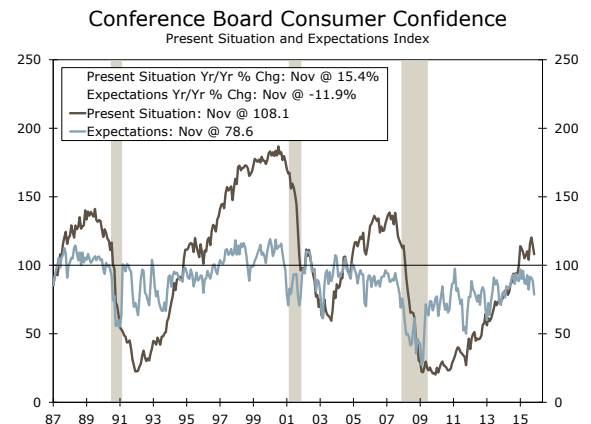
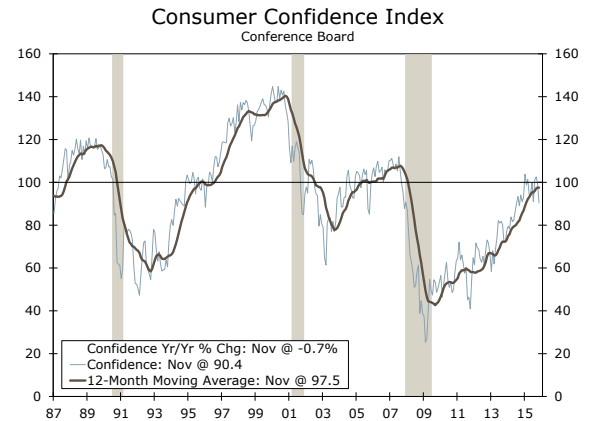
Consumer confidence fell hard in November, with the overall index declining 8.7 points to its lowest level since July 2014. The drop was evident in both the present situation index, which fell 6.5 points, and the expectations series, which tumbled 10.1 points to 78.6, marking the lowest level since February 2014. The decline appears to have been driven by economic concerns. The cutoff date for the Consumer Confidence survey was Nov.12 –one day before the tragic events in Paris took place.

The 8.7-point drop in consumer confidence comes as a bit of a shock. The Bloomberg consensus forecast was looking for a nearly two-point rise to 99.5. October’s data was revised modestly higher to 99.1, but that hardly erases the sting from this past month’s drop.

The deterioration in employment conditions is particularly disconcerting. The labor market differential, which measures the difference between those that feel jobs are plentiful and those that feel jobs are hard to get, fell 4.4 points to -6.3 in November, which is its lowest reading since July. Not only did consumers express more concern about current employment conditions, but they also expressed less optimism about future job growth. The proportion of consumers expecting more jobs to be created in the next six months fell 2.8 points to 11.6 percent in November, which is the lowest it has been since October 2011, while the proportion expecting fewer jobs to be created rose 2.1 points to 18.7 percent. The declines in the employment components cast some doubt about the veracity of the big improvement reported in employment conditions during October, which was widely interpreted as giving the Fed the green light to raise interest rates in December.

The weakness in the employment categories is also evident in expectations for income growth. The proportion of consumers expecting incomes to increase over the next six months fell 0.9 points in November to 17.2 percent, following a 0.6-point drop in October. The proportion of consumers expecting their incomes to fall over the next six months rose for the third-straight month, rising 1.3 points to 11.8 percent.

November’s drop in consumer confidence is a caution flag for the Fed. Consumer confidence is fickle on a monthly basis and 90.4 still represents a level that is consistent with solid gains in consumer spending and overall growth. The deterioration in the employment conditions, which account for 40 percent of the Consumer Confidence index, are concerning. The jobs are hard to get series has a fairly strong correlation with the unemployment rate and the most recent increase would suggest that the slide in the jobless rate may slow a bit or even possibly reverse a notch or two. That is totally inconsistent with the weekly unemployment claims data, however, including the data for the November survey week.



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