

Consumer Confidence In The Economy Plunged In May

The Associated Press

NEW YORK (AP) — Here we go again.

Americans confidence in the economy suffered the biggest drop in eight months as worries about the weak jobs, housing and stock markets rattled them again. The decline comes after a few months of optimism amid some positive economic news.

The Conference Board, a private research group, said on Tuesday that its Consumer Confidence Index now stands at 64.9, down from a revised 68.7 in April. With gas prices falling, Americans were expected to push the measure to 70, according to analysts polled by FactSet.

But the May figure, which represents the biggest drop since October 2011 when the measure fell about 6 points, shows that consumers need more encouraging economic signs before their concerns start to dissipate. Americans remain worried about slow hiring, declining home values, big drops in the stock market and a worsening European economy that they fear will negatively impact the U.S.

"Consumers were less positive about current business and labor market conditions, and they were more pessimistic about the short-term outlook," said Lynn Franco, director of economic indicators at The Conference Board.

Consumer confidence is widely watched because consumer spending accounts for 70 percent of economic activity. May's figure is significantly below the 90 reading that indicates a healthy economy. The measure hasn't been near that level since December 2007. But the latest reading is still well above the 40 figure reached last October and the all-time low of 25.3 in February 2009.

The consumer confidence measure has zigzagged so far this year, dropping in January, rising in February and holding nearly steady after that. Analysts were hoping a slight rise in May would give some credence to the idea that the economy is stabilizing.

Instead, the data, which was based on a survey conducted from May 1 through May 16 with about 500 randomly selected people nationwide, suggests that "the pace of economic growth in the months ahead may moderate," said Franco, with The Conference Board.

Mark Vitner, an economist at Wells Fargo, said May's reading is disappointing, but consistent with the sluggish economic recovery so far.

"In some ways, it's a microcosm of the whole economic recovery," he said. "Every

Consumer Confidence In The Economy Plunged In May

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

once in a while hopes are raised that things are getting better and then the bottom seems to fall out again."

Analysts say the dismal job market is what keeps Americans from being confident. Indeed, U.S. job growth remains inconsistent.

Hiring picked up earlier in the year, but slowed in March and April, suggesting the economy's early-year momentum faded in early spring. Economists say a warm winter led employers to move up some hiring and accelerate other activity that normally wouldn't occur until spring.

A clearer picture of the jobs market will emerge on Friday, when May employment figures are due out. The unemployment rate is expected to remain at 8.1 percent for May with an increase of 160,000 jobs, according to FactSet. That's above April's gains but below the growth pace set this winter.

Adding to Americans' job woes, the stock market in May is on track for its worst month since last September. The S&P 500 is down 4.6 percent for the month. But on Tuesday, the stock market appeared to shrug off the report. The Dow Jones industrial average was up 110 points when the report was released at 10 a.m., and climbed 20 points higher after it came out.

That indicates investors may be more confident in the economic recovery than consumers, said John Lonski, chief economist of Moody's.

"Financial markets are giving short shrift to the drop in consumer confidence," Lonski said.

Meanwhile, recent signs that an economic slowdown is spreading beyond Europe to fast-growing countries like China has raised fears that U.S. companies could pull back on hiring as demand weakens for their products. The housing market also is still weak, and many consumers are seeing their retirement plans shrink as stock prices fall.

Conversely, shoppers are getting some relief at the gas pump. Gasoline has dropped 27 cents per gallon since early April. The national average was \$3.67 per gallon as of the start of the Memorial Day weekend on Friday; some experts say it could fall as low as \$3.50 by July 4.

Source URL (retrieved on 12/26/2014 - 2:50am):

http://www.impomag.com/news/2012/05/consumer-confidence-economy-plunged-may?qt-recent_content=1