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August 30, 2011

Consumer Confidence

The headline August Conference Board Consumer Confidence index drops a more-than-expected 14.7 points (Consensus: -7.5 points; Decision Economics: -4.4 points) from a prior-month level revised down by 0.3 point. The drop was heavily weighted in the expectations index (-23.0 points), though the already-low present situation index fell too (-2.4 points).

The massive expectations impact hints that stock-market weakness was a big factor in the confidence deterioration, though all of the six-month-ahead indicators showed big swings in respondents from the "good" category to the "bad" category, with the "same" group relatively little changed in size.

The deterioration in the "present" readings was--ominously--centered in the employment-conditions reading, with a four-plus-point worsening in the jobs hard to get percentage.

Oddly--and perhaps reassuringly, for the moment--there were increases in some major buying-plans numbers--autos, major appliances, and vacations, though house-purchase plans fell hard.

The fact that at least a few large purchases are still being contemplated hangs very well with a "permanent income" view of consumer behavior--with the current disruption to confidence not yet being perceived by households as more than transitory.

Of course, that perception can yet change. Still, the movement in the main indexes today does look suspiciously violent, and might be reversed quickly.

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