

Bernanke: Consumer worries

Bernanke's speech text is essentially a cutting-and-pasting of his Jackson Hole remarks--though with the addition of a bit of text on inflation. That discussion brings no surprises, noting that "inflation is expected to moderate in the coming quarters as..transitory influences" and voiced throughout in "we" terms, rather than "I" terms.

Critically, the speech text relating to what the FOMC will do at the next meeting is absolutely unchanged, in all important aspects, from what the Chairman said at Jackson Hole. If Bernanke is trying to signal any important evolution of views over recent days, he is failing.

Bernanke's text did include some new comments on consumer spending: "Even taking into account the many financial pressures they face, households seem exceptionally cautious. Indeed, readings on consumer confidence have fallen substantially in recent months as people have become more pessimistic about both economic conditions and their own financial prospects."

Those observations may have been stimulated by the post-Jackson Hole release of shockingly weak August Conference Board Consumer Confidence numbers. So far, however, any impact the data might have on Fed perceptions of the outlook would probably have been tempered by the reasonably solid vehicle sales and chainstore results for the month.

The absence of any caving-in there would probably sustain hope that the confidence lurch was transitory--but, obviously, the consumer sector is being seen as the point of greatest near-term vulnerability in the economy. Next week will bring the more-concrete and more readily interpreted official August retail sales numbers, as well as a mid-month September University of Michigan Consumer Sentiment reading.

The retail sales numbers will surely rule--and a crack there might be enough to push FOMC middle-ground voters into agreement with the ultra-doves.

Bernanke's Q&A brought no revelations--though Bernanke, when asked, expressed no great discomfort with the idea of three FOMC dissents, essentially saying that disagreement is healthy on a committee, and emphasizing that discussions remain absolutely collegial