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Business

Consumer confidence dips in June

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By Angela Carter, Register Staff

Americans — whose hope for the economy had been rising since March — unexpectedly lost faith in June, pushing down a widely watched barometer.

The New York-based Conference Board said Tuesday that its Consumer Confidence Index now stands at 49.3, down from its revised May level of 54.8.

Both components of the consumer confidence gauge fell last month. The Present Situation Index, which measures how shoppers feel about the economy now, declined to 24.8 from 29.7 in May. The board's Expectations Index, shoppers' outlook for the next six months, dropped to 65.5 from 71.5 month-over-month.

Demissew Diro Ejara, associate professor of finance and director of the Samuel S. Bergami Learning Center for Finance and Technology at the University of New Haven, said that because consumer spending accounts for about two-thirds of economic activity in the United States, a sustained lack of confidence could undermine a recovery from the recession.

A combination of factors contributed to the drops in the board's index, he said. "GM and the auto companies are in trouble. In the past couple of months, the auto companies laid off many people and bankers became more strict in distributing credit," Ejara said.

Lynn Franco, director of The Conference Board Consumer Research Center, said in a statement that the decline in consumers' view implies "that economic conditions, while not as weak as earlier this year, are nonetheless weak."

Consumer sentiment has risen markedly from its new historic low of 25.3 in February, but remains well below what is considered healthy. A reading above 90 means the economy is on solid footing. Above 100 signals strong growth.

Merchants continue to struggle with weak sales.

Stores are aggressively discounting summer inventory to keep it moving. Retail sales could falter further if

shoppers are worrying about economic security when the fall selling season begins.

And then there's job security — a key factor in shoppers' willingness and ability to spend that continues to plague consumers. Responding to the Conference Board's mail survey of 5,000 households June 1-23, 44.8 percent of consumers said jobs are "hard to get," up from 43.9 percent in May.

"When people don't have confidence about the job situation or getting credit like they used to, they won't spend. They'll save," Ejara said.

Shoppers anticipating more jobs in the months ahead decreased to 17.4 percent from 19.3 percent, while those anticipating fewer jobs increased to 27.3 percent from 25.6 percent.

The Associated Press contributed to this story. Angela Carter can be reached at 789-5752 or acarter@nhregister.com.