

Consumer confidence soars

Sentiment reading increased to 54.1 in August, well above economists' expectations.

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Last Updated: August 25, 2009: 11:16 AM ET

NEW YORK (CNNMoney.com) -- **A key measure of consumer confidence jumped much more than predicted in August, as the job market outlook and business expectations improved, said a report released Tuesday.**

The Conference Board, a New York-based business research group, said Tuesday that its Consumer Confidence Index rose to 54.1 in August from an upwardly-revised 47.4 in July.

Economists were expecting the index to increase to 48, according to a Briefing.com consensus survey. The measure is closely watched because consumer spending makes up two-thirds of the nation's economic activity.

The index posted declines in June and July, but the reading "appears to be back on the mend," said Lynn Franco, a director at The Conference Board, in a prepared statement.

"Consumers were more upbeat in their short-term outlook for both the economy and the job market in August," Franco added. But the reading for income expectations rose only slightly.

Despite August's increase, the index remains at historically low levels. An overall reading above 90 indicates the economy is solid, and 100 or above signals strong growth.

The report is based on a survey mailed to a representative sample of 5,000 U.S. households. The questionnaire asks whether respondents think current business conditions are good, bad or normal, about employment conditions, as well as if they expect employment or income levels to improve or deteriorate over the next six months.

Job market outlook. The percentage of respondents expecting more jobs in the next six months rose to 18.4% from 15.5%.

Similarly, those saying jobs are "hard to get" slipped to 45.1% from 48.5% in August, while responses that jobs are "plentiful" ticked up to 4.2% from 3.7%.

Earlier this month the Labor Department reported that 247,000 jobs were lost in July and the unemployment rate fell to 9.4% from 9.5% in June -- the first decline in more than a year.

According to government figures, 237,000 fewer people were unemployed last month. That decline could be due to discouraged job seekers who have stopped looking, people who have now retired, or those

have gone back to school. But the rate does include people who have exhausted their unemployment benefits or do not collect them.

Income expectations. Consumers were only slightly more positive in their income expectations, Franco noted. Those expecting an increase in their incomes jumped to 10.6% from 10.1%.

"As long as earnings continue to weigh heavily on consumers' minds, spending is likely to remain constrained," Franco said.

Business conditions. Consumers anticipating business conditions to improve over the next six months increased to 22.4% from 18.4% in July, the report said.

Conversely, respondents expecting conditions to worsen in the months ahead slipped to 15.8% from 19%.

Courtesy of JB Goodwin