

U.S. Consumer Confidence Falls More Than Forecast

By Shobhana Chandra

July 28 (Bloomberg) -- Confidence among U.S. consumers fell more than forecast in July, reflecting a surge in unemployment that threatens to undermine household spending.

The Conference Board's confidence [index](#) dropped to 46.6, a second consecutive decline, following a reading of 49.3 in June, a report from the New York-based group showed today. The figure reached a record low of 25.3 in February.

Stocks slumped and Treasuries rose after the report. Consumer spending accounts for about 70 percent of the economy, and any renewed decline would temper a recovery from the worst recession in five decades.

"Folks are still concerned about their jobs," said [Mark Vitner](#), a senior economist at Wells Fargo Securities LLC in Charlotte, North Carolina.

The Standard & Poor's 500 Stock Index tumbled 0.8 percent to 974.76 at 10:20 a.m. in New York. The gain in Treasuries sent yields on benchmark 10-year notes down to 3.67 percent from 3.72 percent late yesterday.

Consumer confidence was projected to drop to 49, according to the [median](#) estimate in a Bloomberg News survey of 67 economists. Forecasts ranged from 44 to 56. The index averaged 57.95 last year.

Unemployment Outlook

The drop in confidence reflects rising concern about the job market. Unemployment is projected to top 10 percent by early 2010, a gain that will erode buying power and prompt Americans to save more.

Earlier today, the S&P/Case-Shiller home-price index of 20 U.S. metropolitan areas showed its first monthly gain in three years in May, reinforcing signs of stabilization in a market hammered by the worst slump since the 1930s.

The index climbed 0.5 percent from April, the first monthly gain since July 2006 and biggest since May of that year, the group said today in New York. The measure was down 17.1 percent from May 2008, less than forecast and the smallest year-over-year drop in nine months.

The Conference Board's measure of present conditions decreased to 23.4 from 25 the prior month. The gauge of expectations for the next six months fell to 62 from 65.5.

The share of consumers who said jobs are plentiful dropped to 3.6 percent, the lowest level since February 1983. The proportion of people who said jobs are hard to get climbed to 48.1 percent from 44.8 percent.

Income Concern

The proportion of people who expect their incomes to rise over the next six months decreased to 9.5 percent from 10.1 percent. The share expecting more jobs decreased to 15 percent from 17.5 percent.

Today's figures corroborate other reports. The Reuters/University of Michigan final index of consumer [sentiment](#) declined in July for the first time in five months as surging unemployment and stagnant wages shook households.

Economists say the Conference Board's index tends to be more influenced by attitudes about the labor market.

The economy has lost 6.5 million jobs since the recession began in December 2007, making it the biggest employment slump of any downturn in the last eight decades. Economists surveyed by Bloomberg predict the unemployment rate will exceed 10 percent by the first quarter of next year from 9.5 percent in June, the highest level since 1983.

Company results indicate households are being frugal, even with spending on food [PepsiCo Inc.](#), the world's largest snack maker, said second-quarter profit fell as consumers favored less-expensive drinks.

"The economy continues to affect sales," Chief Financial Officer [Richard Goodman](#) said in a July 22 interview.

