

Consumer confidence dip is bad holiday omen

By Ben Rooney, CNNMoney.com staff reporter

Index of consumers' moods declines surprisingly in September, highlighting concerns about weak retail sales at year end.

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NEW YORK (CNNMoney.com) -- A key measure of consumer confidence fell in September, after a gain in the previous month, raising concerns about retail sales in the upcoming holiday season, a research group said Tuesday.

The Conference Board, a New York-based business research group, said its Consumer Confidence Index fell to 53.1 in September from an upwardly revised 54.5 in August.

Economists were expecting a reading of 57, according to a Briefing.com consensus survey.

"Consumers remain quite apprehensive about the short-term outlook and their incomes," said Lynn Franco, director of the Conference Board Consumer Research Center. "With the holiday season quickly approaching, this is not very encouraging news."

The index component that measures consumers' assessment of the present situation fell to 22.7 from 25.4. The expectation index, which gauges consumers' outlook over the next few months, dropped to 73.3 from 73.8 last month.

The percentage of consumers saying that jobs are currently "hard to get" rose to 47% from 44.3%, while the percentage of those expecting a difficult job market in the months ahead inched lower to 17.9% from 18%.

"Consumers are still very concerned about employment conditions," said Mark Vitner, an economist at Wells Fargo.

After falling to an all-time low in February, the overall index has been trending higher as more upbeat economic news helped improve consumers' moods. But the weak job market continues to weigh on consumer confidence and the measure remains at historically low levels.

An overall reading above 90 indicates the economy is solid, and 100 or above signals strong growth.

Retail concerns: The lower reading doesn't bode well for the nation's retailers, who make more than half of their annual profit during the holiday season.

"This year consumers have less income available to spend and credit is tighter," Vitner said.

Overall retail sales surged in August, but the gain was fueled by a temporary government program aimed at boosting car sales. Sales excluding autos were up modestly after a slight decline in the previous month.

The success of the Cash for Clunkers program shows that consumers are responding to incentives, Vitner said. But retailers have been battling slumping sales for several months and may not have the resources to offer big holiday deals.

"I'm not sure retailers are in good shape to offer incentives to get people to go out and spend," Vitner said.

The government will report on September retail sales Oct. 14.

Economy: Tuesday's report, which is based on a survey of 5,000 households, is closely watched because consumer spending makes up the bulk of economic activity in the United States.

On Tuesday, the government will release its final reading on second-quarter gross domestic product.

Economists surveyed by Briefing.com believe GDP, the broadest measure of economic activity, fell at an annual rate of 1.2% in the second quarter. That's a slightly sharper decline than the previously reported 1% drop, but is an improvement over the 6.4% contraction in the first quarter. ■