

Herman Trend Alert: Consumer Confidence Looking Up June 17, 2009

For the fourth month in a row, The Conference Board Consumer Confidence Index(tm) has increased sharply in the United States. The Index now stands at 54.9 (1985=100), up almost 35 percent from in April (40.8). Their Present Situation Index increased to 28.9 from 25.5 last month and their Expectations Index rose to 72.3 from 51.0 in April. The Consumer Confidence Index is now at its highest level in eight months.

The moderate improvement in current conditions is reflected in continued gains in the Present Situation Index. Growth in the second quarter is likely to be less negative than in the first. While confidence is still weak historically speaking, consumers are significantly less pessimistic than they were earlier this year. Concurrently, expectations are that business conditions, the labor market, and incomes will improve in the coming months--- good news for business executives everywhere on the planet.

In another important study, released last week by Harris Interactive, we see more indications of recovery in the US market. More US residents are now saying they will eat out and spend on entertainment (from 74 percent to 66 percent). The entertainment industry fared slightly better: from 74 percent to 64 percent and that is an improvement of over 15 percent.

While the majority of people are still inclined to decrease spending on eating out and entertainment, the numbers are better than they had been two months ago. In other words, though the numbers are still not good, they are not as bad as have been.

Big-ticket items continue to experience problems with more than three-quarters of people saying they are not likely to buy a new computer (79 percent), move to a different residence (81 percent), buy or lease a new car, truck or van (88 percent), purchase a house or condo (91 percent), start a new business (92 percent) or buy a boat or recreational vehicle (95 percent).

These numbers are all very similar to March, so people are still not ready to spend on the large purchases. While these signs are positive, we believe that we can expect only modest gains in the US economy for the foreseeable future and that will drive continued pain elsewhere around the globe.

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