

Consumer confidence grows as economy strengthens



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NEW YORK – Key pillars of the U.S. economy are getting stronger.

The best consumer confidence reading since September 2008's financial meltdown and bullish earnings reports this week from companies ranging from Whirlpool to UPS show increasing demand and a rebound gathering steam. Americans are even feeling a bit better about the job market.

The biggest remaining worry? Housing. That market has shown signs of strengthening this spring because of government subsidies but remains on fragile ground and could actually start to weaken once the rebates expire.

Shipping giant UPS said health care companies are sending more medical devices and high-tech firms more equipment as business picks up. Cosmetic maker Estee Lauder Cos. said more consumers were buying pricey products, including a \$130-an-ounce skin cream.

The Consumer Confidence Index rose in April to 57.9, according to The Conference Board, a private research group based in New York. That's up from a revised 52.3 in March. Economists surveyed by Thomson Reuters expected 53.5.

The April reading, released Tuesday, is the highest since September 2008's 61.4, before the index headed into freefall following the bankruptcy of Lehman Brothers and ensuing cascade of financial collapse. Still, the reading is well below the 90 that's considered healthy.

More consumers in the survey said they planned to buy autos or appliance, but plans to buy homes fell from March, suggesting the housing market remains uncertain and could be a drag on a robust economic recovery.

In fact, the Standard & Poor's/Case-Shiller home price index, showed its first annual increase in more than three years. But the 0.6 percent gain posted in February was half the gain analysts had expected, and many of the metro markets showed declines.

"We find it hard to believe that consumption will be able to drive a sustained economic recovery when households are still depressed and house prices are heading south once again," said Paul Dales, U.S. economist at Capital Economics.

According to the Standard & Poor's/Case-Shiller home price index, 11 of the 20 cities showed declines. The data underscored the mixed and fragile nature of the housing recovery. Nationally, home prices are up more than 3 percent from the bottom in May 2009, but still are 30 percent below the May 2006 peak.

Another cautionary note came from Europe. Standard & Poor's slashed Portugal's and Greece's debt ratings, sending the Dow Jones industrial average down 151.22 points, or 1.4 percent, to 11,053.81.

Economists watch the consumer confidence number closely because consumer spending including health care and other major items, accounts for about 70 percent of U.S. economic activity.

The index — which measures how shoppers feel about business conditions, the job market and the next six months — had been recovering fitfully since hitting an all-time low of 25.3 in February 2009.

The monthly survey of consumers showed that consumers' current and short-term concerns about jobs and the overall economy are easing.

"Looking ahead, continued job growth will be key in sustaining positive momentum," said Lynn Franco, director for The Conference Board Consumer Research Center.

Economists believe confidence will remain relatively weak for at least another year because companies haven't begun to dramatically ramp up hiring.

"I think it is good to see the (confidence) numbers moving up again, but I don't call it a major change in confidence," said Gary Thayer, chief economist at Wells Fargo Advisors. "But it does reflect a more optimistic view in the job market."

Thayer noted that he still expects a modest economic recovery, citing both weak and strong pockets.

Manufacturing may be showing signs of strengthen, but small businesses, which are typically a big source of hiring, are still struggling as they continue to have a hard time getting credit, he said.

Employers are expected to add 175,000 jobs in April, but economists project unemployment will remain at 9.7 percent. Thayer said that companies need to add at least 250,000 jobs monthly to reduce the unemployment rate.

First-quarter earnings reports from big manufacturers including Caterpillar Inc. and Whirlpool along with Tuesday's upbeat forecast from UPS are underscoring that consumer and business demand is strengthening across all types of goods.

In the U.S., consumers are still focused on value, but are "emotionally more open to buying again," Estee Lauder CEO Fabrizio Freda said in an interview with the Associated Press. "I don't believe the consumer is 'back,' but there are early signs of a recovery."

AP Real Estate Writer Adrian Sainz in Miami, AP Business Writer Harry R. Weber in Atlanta and AP Retail Writer Mae Anderson contributed to this report.

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