Consumer Confidence Grows In May

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NEW YORK (AP) -- Americans\' confidence in the economy rose in May for the third straight month in a row, fueled by growing optimism about future job prospects.

Still, the worry is that such improvements in shoppers\' mood may be reversed amid huge declines on Wall Street fueled by fears that a debt crisis in Europe could hammer global growth.

The Conference Board, based in New York, said Tuesday that its Consumer Confidence Index rose to 63.3, up from a revised 57.7 reading in April. Economists surveyed by Thomson Reuters had expected 59.

The increase was boosted by consumers\' outlook over the next six months, one component of the index, which soared to 85.3 from 77.4, the highest seen since it reached 89.2 in August 2007, before the economy entered in a recession.

The other component of the index, which measures how shoppers feel now about the economy, rose to 30.2 from 28.2.

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

A reading above 90 indicates the economy is on solid footing; above 100 signals strong growth. Economists watch the number closely because consumer spending including health care and other major items, accounts for about 70 percent of U.S. economic activity.

In a release,issued Tuesday, Lynn Franco, director of The Conference Board Consumer Research Center, said that though confidence is still weak, it appears "to be gaining some traction."

Economists believe confidence will remain weak for at least another year because of stubbornly high unemployment. Employers are expected to add 425,000 jobs in May, up from 290,000 jobs in April, but economists project the unemployment rate will be 9.8 percent, down only slightly from 9.9 percent. The Labor Department is due to release the monthly job figures June 4.

But concern among investors is growing that U.S. economic improvements, including in housing and consumer spending, could be reversed. The Dow Jones industrials plunged below 10,000 Tuesday as investors worried about a global economic slowdown and tensions between North and South Korea.

The Dow fell 248.79, or 2.5 percent, to 9,817.78. It closed at 10,066 on Monday and

has fallen 1,388 points, or more than 12 percent, from its recent high of 11,205, reached April 26.

Adding to the dark mood was a downbeat report from a key housing index. The Standard & Poor\'s/Case-Shiller 20-city home price index, released Tuesday, fell 0.5 percent in March from February, a sign that the housing market remains weak even as mortgage rates are near historic lows. There are worries that last month\'s expiration of the government\'s home buyer tax credit will hurt sales in the coming months.

The National Association of Realtors said Monday that sales of previously owned homes had the best performance in five months and were ahead of expectations. Buyers were rushing to meet a deadline for a tax credit

Stores had a solid spring selling season, but May is turning out to be disappointing because of cool weather and the volatile swings in the stock market.

Michael P. Niemira, chief economist at the International Council of Shopping Centers, said a key measure of retail revenue rose about 2 percent to 2.5 percent during the past two weeks. That\'s below Niemira\'s previous growth estimate of 3.5 percent.

The figure is based on revenue at stores open at least a year and is considered a key indicator of a retailer\'s health.

The Conference Board survey -- based on a random survey of consumers sent to 5,000 households from May 1-18 -- includes volatile days in the stock market, but excludes the 376-point plunge last Thursday, its worst one-day drop in more than a year.

"We were starting to see some good signs that we were building momentum" in spending, said Dennis Jacobe, chief economist at Gallup. "This has put a wrench into the works. The momentum has come to a halt."

Based on Gallup\'s poll of 1,000 shoppers a day, consumers\' outlook has deteriorated from April, Jacobe said. The percentage of consumers polled who think the economy is going to worsen is 60 percent, up from April\'s 54 percent. That deterioration is also being seen among average houshold income of $90,000 or more, he said.

But there are two positives -- gas prices are easing and mortgage rates are declining, partly because of the financial turmoil.

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