BUSINESS

2 US consumer surveys clash

One finds a sharp drop in confidence, another a strong increase; here's why both may be right

The Associated Press

U.S. consumer confidence fell sharply in May and is at the lowest level since January, according to a survey released Tuesday by the Conference Board.

The findings contradicted Friday's survey by Thompson Reuters/University of Michigan, which showed consumer sentiment at its highest level in four and a half years.

Neither is wrong, economists said. They were taken at different times during the month and were affected by a range of changes in the economy, including slower job growth, lower gas prices and volatility in the stock market.

Economists say the two indexes usually track each other over time, though occasionally they diverge.

Brian Bethune, an economist at University of Amherst, said the two indexes will likely converge in the coming months.

"The truth probably lies somewhere in between," he said.

Here are several ways the surveys differ:

» Timing. The Conference Board finished its survey by May 16; the University of Michigan's continued throughout the month. That means the Conference Board likely missed some of the recent drop in gas prices. Cheaper gas helped push the University of Michigan survey higher.

» Respondents. The Conference Board surveys 5,000 people; the University of Michigan polls 500.

» Breadth. Both surveys ask similar questions about current business conditions and hiring. They also ask whether those trends will get better or worse in the future. Both surveys also ask consumers if they have plans to buy big-ticket items such as cars or homes. Overall, however, the University of Michigan survey asks more questions and yields more detailed information, economists say.

» Different impacts. Historically, the University of Michigan survey is more sensitive to changes in gas prices, says Chris Christopher, an economist at IHS Global Insight. The Conference Board's measure reacts more to changes in the job market.

» Volatility. The Conference Board's measure is more volatile, says Chris Christopher, an economist at IHS Global Insight. It jumps higher in good times and falls further in bad times. That's why most economists urge following both surveys over time, rather than focusing on a single month.