Consumer confidence on rise

But could retreat if stock market falters

By Martin Crutsinger
Associated Press

WASHINGTON — U.S. consumer confidence has risen to its highest point since August on the strength of a brighter view of the job market and business conditions.

The Conference Board, a business research group, said Tuesday that its consumer confidence index rose to 80.7 this month from a December reading of 77.5. It was the second consecutive strong gain.

"Confidence appears to be back on track, and rising expectations suggest the economy may pick up some momentum in the months ahead," Conference Board economist Lynn Franco said.

Consumer confidence is closely watched because consumer spending accounts for 70 percent of U.S. economic activity.

Amna Asaf, an economist at Capital Economics, said the January improvement was encouraging given the unseasonably cold weather during the month.

She said it probably reflected the strong stock market gains that were occurring during the survey period, which ended Jan. 16.

But she cautioned that the confidence gauge could retreat in the February reading if stock prices don't rebound from their recent declines.



Consumer spending accounts for 70 percent of economic activity in the United States. KIICHIRO SATO/AP

For 2013, the confidence gauge averaged 73.3, the highest since 2007. That's above the 45.2 average in 2009 when the economy was in recession for half the year.

But it is still below the reading of 90 that economists view as consistent with a healthy economy.

The unemployment rate fell to a five-year low of 6.7 percent in December, down from 7 percent in November. But the improvement came for the wrong reason.

Many Americans gave up looking for work and were therefore not counted as unemployed.

But economists believe that slowdown was a temporary blip from what they are expecting to be a strong job performance in the coming year, reflecting increased strength in the economy.

Many analysts are forecasting that the overall economy will grow at around 3 percent in 2014, up a full percentage point from 2013 growth.