



Consumers Remain Cautious About Near-term Outlook

The Consumer Confidence Index, a national gauge of market perceptions generated by The Conference Board, posted a modest decline in September 2009 suggesting consumer spending may remain sluggish. Following an increase in August, the national performance measure dipped from 54.5 to 53.1 points. In addition to the assessment of overall market conditions, consumers' evaluation of the present situation dropped from 25.4 to 22.7 in September.

According to The Conference Board, the index movement was driven by consumer views that current business conditions and the related job market were less favorable than a month ago. The latest results cut against the grain of expectations that attitudes may have improved following Federal Reserve Chairman Ben Bernanke's September 15, 2009 commentary that the U.S. Recession is "very likely over."

Should improvements in the national index prevail going forward, this may provide some insight into demand within the leisure and hospitality segment of the Nevada economy. That said, local confidence levels struggled during the latest reporting period. The Mountain region, which includes Nevada, posted the largest decline among regions in consumer confidence, dropping from 57.6 in August to 48.0 in September. The decline is likely attributable to continued weakness in the job and housing markets. Confidence appears to be rebounding more quickly along the East coast; the timing of recovery by region will certainly vary, driven by the height of their peaks and depths of their valleys.

Mary Lau, president of the Retail Association of Nevada, noted, "While the latest consumer confidence indicators suggest continued weakness, we are pleased to see the index remain above the bottom reported during the current cycle and ahead of the lows witnessed during the recession of the early 1990s. We expect the nation's recovery to span well into 2010; however,



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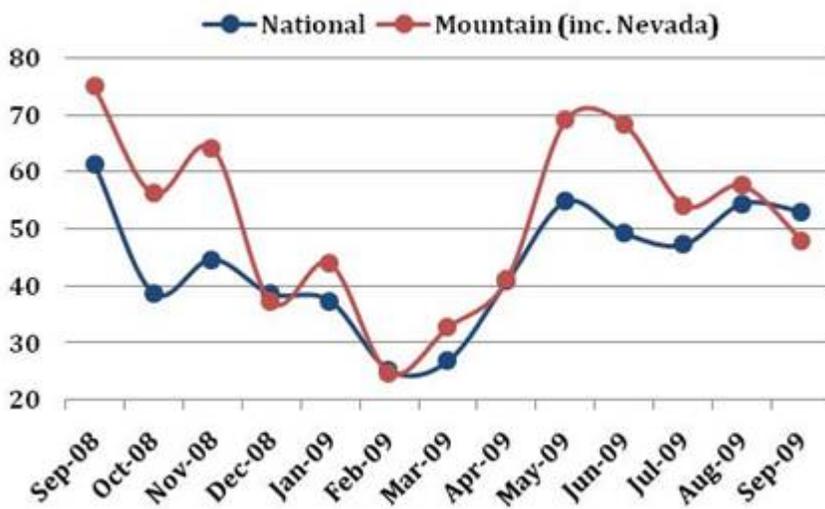
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Nevada's recovery could lag behind the nation's, resulting in negligible or negative growth in Nevada's retail sales activity during the upcoming holiday season."

Jeremy Aguero, principal of Applied Analysis, noted that there is a bright line between a 'jobless' recovery and 'job loss' recovery, neither of which bode well for Nevada's growth-dependent economy which has lost 84,400 jobs during the past 12 months, including 8,800 in the wholesale and retail trade sectors. In commenting on Nevada's job growth prospects, Aguero stated, "Several major projects will come online during the next 12 months that will create new jobs and provide a boost to the economy. That said, continued contraction within the construction sector, which has laid off 1 in 4 employees during the year, will continue to present a real challenge for the state and its major metropolitan areas well into 2010."

The Consumer Confidence Index

National vs. Regional



Source: The Conference Board Consumer Confidence Index

About The Author

Applied Analysis, founded in 1997, is a Nevada-based advisory services firm providing information and analyses for both the public and private sectors.



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