Written by **Bob Adelmann** on June 25, 2013

Consumer Confidence Not Matched by Reality

The consumer confidence numbers announced on Tuesday by the Conference Board surprised the economists who had expected a decline rather than the nearly 10-point increase that the board reported. The index came in at 81.4 compared to economists' expectations of 74.

The board said that both the "present situation" index and the future "expectations index" had increased as well, along with consumers' assessment of business conditions and the job market. Lynn Franco, a director at the Conference Board, summarized the findings:

> Consumer confidence increased for the third consecutive month and is now at its highest level since January 2008. Consumers are considerably more positive about current business and labor market conditions than they were at the beginning of the year.
>
> Expectations have also improved considerably over the past several months, suggesting that the pace of growth is unlikely to slow in the short-term, and may even moderately pick up.

In all, it was a positive, albeit surprising, report. When MarketWatch asked for opinions, they found Stephen Stanley of Pierpont Securities to give his take:

> With the unemployment rate creeping lower, home prices surging and, until recently, stock prices moving higher, household finances have gotten better.

Stanley may have gotten a little ahead of himself, or else didn't see the report from Bankrate.com that showed that most Americans are living paycheck-to-paycheck. After polling 1,004 adults, Bankrate.com noted that more than one in four Americans have no savings whatsoever, while nearly 44 percent have just three months' savings or less. Only one in four stated they had enough in savings to last for six months or more if they had to.

This is deterioration from an AllState study done back in December, which reported that about one in four Americans were living paycheck-to-paycheck. In fact, among those households making $50,000 or less annually, only one quarter of them said they had any money left over at the end of the month, according to AllState.

Such difficult household finances are causing a record number of people with 401(k) plans to take loans or early withdrawals just to pay the bills. The latest data show that nearly one-quarter of the $300 billion being deposited into such plans every year is being withdrawn during the year through loans, withdrawals, or liquidations. That number is closer to a third among those workers in their 40s, according to financial advisory firm HelloWallet.

This is reflected by a sharp decline in Americans' saving rate since the start of the Great Recession in December 2007. At the time, Americans saved about 2.6 percent of their income. Initially, the Great Recession pushed that rate to 6 percent, at least for a while. During the last two years, the savings rate has steadily declined, dropping in March to 3.7 percent and, is now approaching 2 percent.

In 1989, the average debt-to-income ratio for an American family was about 58 percent while the latest data from the Federal Reserve shows it to be nearly 160 percent. In the 1970s, only about one American in 50 was on food stamps. Today that number has grown to more than seven out of 50.

Looking past the Conference Board's rosy report shows that, in fact, the underlying economic strength at the individual family level hardly merits such confidence. One wonders whom the board quizzed for their survey.

A graduate of Cornell University and a former investment advisor, Bob is a regular contributor to The New American *magazine and blogs frequently at www.LightFromTheRight.com, primarily on economics and politics. He can be reached at badelmann@thenewamerican.com*