



May 28, 2008

Consumer Sentiment is lowest since October '92'

BY J.W. ELPHINSTONE

NEW YORK - Not since George H.W. Bush ran the White House have consumers felt so downbeat about the economy. And the catalyst for much of the gloom - the housing slump - shows no signs of abating, data issued Tuesday showed.

"The consumer has no more money to spend," said Dan Alpert, managing director at the investment bank Westwood Capital.

Consumer sentiment fell to its lowest level since October 1992, when the economy was coming out of a recession, the New York-based Conference Board said Tuesday. Economists monitor sentiment because consumer spending accounts for more than two-thirds of the nation's economic activity.

Retiree Irene Arnold of Butler, Wis., is uneasy about the economy, especially as she watches food prices skyrocket.

"You go to the store and you can't get too many groceries for your money," said Arnold, who is cutting back on pricier items such as meat, milk and fruit. "It seems like you don't have to have too much in your basket and the cost is really high."

While higher food and gas prices eat into wallets and incomes, falling home prices are eroding the value of Americans' largest asset.

U.S. home prices dropped at the sharpest rate in two decades during the first quarter, the Standard & Poor's/Case-Shiller national index showed Tuesday, an indication the housing slump continued to deepen. Prices tumbled more than 14 percent during the quarter and are at levels not seen since the third quarter of 2004.

While the index is still up 60 percent from 2000, millions of homeowners who bought during the past four years with little or no money down now owe more than their homes are worth.

Meanwhile, the government said new-home sales unexpectedly rose 3.3 percent from March to April, driven by a surge of purchases in the Northeast. It was the first increase in six months and what seems like, on face value, a hint of better days. April sales, however, looked better in part because of a downward revision to March numbers.

The April rebound was led by a 41.7 percent surge in sales in the Northeast. Sales were up 8.3 percent in the West and 5.8 percent in the Midwest.

The only region that saw sales decline in April was the South, where sales fell by 2.4 percent.

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The inventory of unsold new homes dropped slightly to 10.6 months' supply at the April sales pace, compared with 11.1 months in March. But David Seiders, chief economist for the National Association of Home Builders, waved off any hint of good news. The numbers don't include contract cancellations by nervous buyers. There's no bottom in sight, he said, and he expects buyers will stay on the sidelines until prices stop falling.

TUESDAY'S REPORTS

- The Conference Board's Consumer Confidence Index dropped to 57.2 in May, the fifth straight month of decline.
- Home prices fell during the first three months of this year at the sharpest rate in two decades, the Standard & Poor's/Case-Shiller national index said.
- Sales of new homes rose in April for the first time in six months, the Commerce Department said.