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Index for February Shows Drop in Consumer Confidence

By REUTERS

Consumer sentiment took an unexpectedly sharp fall in early February as Americans turned cautious over the economy, a survey showed yesterday.

The University of Michigan's preliminary reading of consumer sentiment tumbled to 93.1 this month from January's final reading of 103.8, which was its highest level in more than three years, according to market sources who saw the report.

That was way below economists' forecasts of 103.3 and confirmed market speculation that the figure would be sharply lower.

"It is kind of a stunner," said Chris Low, chief economist for FTN Financial in New York. "A 10-point drop in the confidence index is significant and suggests there is a new pessimism among consumers that was not there a month ago. I suspect it has something to do with three surprisingly weak employment reports in a row."

The current conditions index fell to 100.4 from 109.5 in January, while the expectations index dropped to 88.4 from a final reading of 100.1 last month.

Analysts say a wobbly jobs sector has dampened consumer confidence despite a strengthening economy.
Some, however, have cautioned against reading too much into the report, because it has no bearing on actual spending patterns of consumers. But the dip in consumer sentiment is troubling at this stage of the recovery, analysts agree. Consumer spending leads to business spending, which leads to more jobs.

The University of Michigan survey is based on telephone interviews with 500 households over the course of the month on personal finances and business and buying conditions.

The preliminary survey, released about midway through the month, is based on the first 250 interviews.