

## U.S. consumers' mood sours in early July

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By John Parry

NEW YORK (Reuters) - U.S. consumer sentiment wilted in early July to the weakest since March, when confidence in the financial sector and economy were at a low ebb, the Reuters/University of Michigan Surveys of Consumers showed on Friday.

Consumers' rising concerns about a protracted economic downturn, job security and erosion of wealth were the main factors depressing sentiment, the survey said.

Its preliminary index of confidence for July fell to a reading of 64.6 from the final reading for June of 70.8.

July's preliminary reading was well below economists' median forecast for 70.5 and the first fall in the index since February.

"It underlines the ongoing gloom facing the U.S. consumer and further delays prospects for a near-term recovery. That will weigh heavily on risk sentiment," said Brian Dolan, senior currency strategist with Forex.com in Bedminster, New Jersey.

After the report, stocks lost ground and the dollar extended losses against the yen, while Treasury bond prices added to gains, retesting the session highs on a safe-haven bid.

The survey's index of consumer expectations fell to 60.9 from June's final reading of 69.2.

The index of current economic conditions slipped to 70.4 from June's final reading of 73.2.

"Consumers concluded that the economic downturn would last longer and their personal finances would not recover as quickly as they had previously expected," the Reuters/University of Michigan Surveys of Consumers said in a statement.

Recent income gains were reported by the fewest consumers in the more than fifty-year history of the survey, the statement said.

Stocks' recent pullback has put renewed pressure on household budgets. The S&P 500 index has fallen about 4 percent so far in July.

"Consumers reported a larger negative shift in their longer term outlook for the economy. The majority of consumers thought that widespread unemployment would persist over the next five years," the Reuters/University of Michigan Surveys of Consumers statement said.

"People are probably unhappy with the employment situation and the increase in energy prices we saw this spring," said Gary Thayer, senior economist at Wells Fargo Advisors in St. Louis, Missouri.

Consumers are concentrated heavily on reducing outstanding debts. "Overextended finances and job and income uncertainty have made consumers much more saving minded," the Reuters/University of Michigan Surveys of Consumers statement said.

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