

June 25, 2010

## Consumer Confidence Unchanged

Index of Consumer Sentiment				
Jun '10	May '10	Jun '09	M-M %Chng	Y-Y %Chng
76.0	73.6	70.8	+3.3%	+7.3%
Index of Consumer Expectations				
Jun '10	May '10	Jun '09	M-M %Chng	Y-Y %Chng
69.8	68.8	69.2	+1.5%	+0.9%
Current Conditions Index				
Jun '10	May '10	Jun '09	M-M %Chng	Y-Y %Chng
85.6	81.0	73.2	+5.7%	+16.9%

**ANN ARBOR.** The slow rise in the Index of Consumer Sentiment during the past year has been due to how consumers view current conditions in the economy. The improvement was not because consumers now view the economy more favorably, but that any improvement, however small, was seen as a welcome development after the unprecedented economic recession. News heard about jobs has changed dramatically, for example. Reports of net job

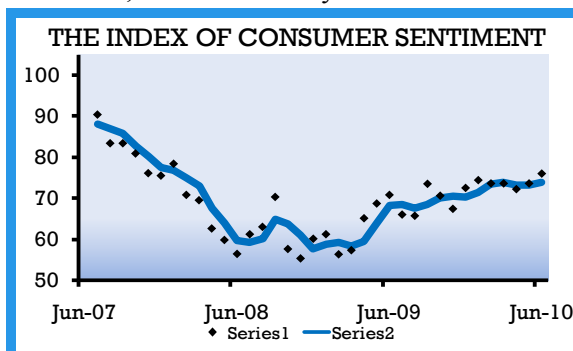
changes rose to the most favorable level in five years in June. Despite the gains, consumers did not anticipate significant declines in unemployment in the year ahead. Rather, the majority of consumers expected unemployment to remain largely unchanged at current levels during the next twelve months.

### Personal Finances Key to Improved Spending Prospects

Heightened and persistent concerns among consumers with the outlook for their personal finances is the most distinctive aspect of the current recovery. Although recently improved, consumers were still nearly twice as likely to report that their finances had continued to worsen than improve. Nonetheless, the proportion of consumers that reported worsening finances fell to 44% in June of 2010 from 54% a year ago. Twice as many households reported income declines as income gains, which has barely changed in the past few months or compared with a year ago. Financial prospects for the year ahead were no better in June than a year ago, as 55% of households expected no income increase during the year ahead.

### Consumer Sentiment Index

Although confidence rose modestly in June to 76.0 from 73.6 in May and 70.8 last June, the gain was enough to push the Sentiment Index to its highest level since January 2008. The cumulative gain from the low of 55.3 in November 2008 has restored half of the decline from the January 2007 peak of 96.9. The Expectations Index, a component of the Index of Leading Indicators, also reached its peak in January 2007—a year before the start of the recession and two years before it was declared by NBER. The Expectations Index recorded its trough in June 2008, also about one year before the end of the recession—although NBER has yet to declare an end date.



Unfortunately, during the past 12 months the Expectations Index has not posted any further gains, signaling that consumers expect a very slow pace of growth in the year ahead.

### Surveys of Consumers chief economist, Richard Curtin



“The June survey indicated that consumers expect economic growth to slow, and as a result, anticipate that the unemployment rate will remain largely unchanged through the balance of the year. Weak financial prospects, including lackluster job and income growth as well as tight credit remain the primary constraint to a more robust spending outlook. Overall, confidence is strong enough to support the continued growth in consumption, although the pace of growth will slow into the start of 2011. The survey data indicate real spending growth will average 2.5% in 2010.”

### About the survey

The Survey of Consumers is a rotating panel survey based on a nationally representative sample that gives each household in the coterminous U.S. an equal probability of being selected. Interviews are conducted throughout the month by telephone. The 95% confidence interval individual months for most percentages are plus or minus 4.7 percentage points.



