

October 28, 2011

Record Low Confidence in Economic Policies

Index of Consumer Sentiment				
Oct'11	Sep'11	Oct'10	M-M Chng	Y-Y Chng
60.8	59.5	67.7	+2.2%	-10.2%

Index of Consumer Expectations				
Oct'11	Sep'11	Oct'10	M-M Chng	Y-Y Chng
51.7	49.4	61.9	+4.7%	-16.5%

Current Conditions Index				
Oct'11	Sep'11	Oct'10	M-M Chng	Y-Y Chng
74.9	75.2	76.6	-0.4%	-2.2%

Surveys of Consumers chief economist, Richard Curtin



“Consumers have always trusted the government to initiate policies that would foster renewed growth in jobs and incomes. The widespread distrust of the President, Congress, and the Federal Reserve is now an important cause of pessimism. The upcoming debates about spending cuts and tax hikes surrounding the budget resolution will increase uncertainty and cause consumers to become even more prudent spenders. Although a renewed downturn in the economy has a 50-50 chance of starting around the start of 2012, it is even more likely that growth will not be robust enough to restore consumer optimism about their job and income prospects.”

ANN ARBOR. Consumer confidence improved in October due to slightly more favorable prospects for the national economy. There was no improvement in how consumers viewed their financial prospects, however. This repeats a familiar pattern in recent years: improved prospects for the national economy support gains in overall confidence, but when those gains were not translated into an improved personal financial outlook, a subsequent retreat in confidence occurred. Much greater gains in confidence are required before another false start can be ruled out. Widespread distrust of the President and Congress will make a sustained and cumulative improvement more difficult to reach in the months ahead.

Stagnant Finances Expected

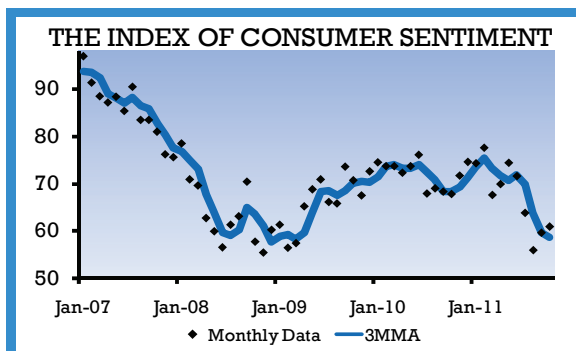
Three-quarters of all consumers expected stagnating finances in the October 2011 survey. Only one-in-five consumers expected their finances to improve during the year ahead. Just 38% expected income increases during the year ahead, the smallest proportion ever recorded in the long history of the surveys. Even with relatively low inflation, the majority of households expected declines in their inflation-adjusted incomes.

Confidence in Economic Policies at Record Lows

When asked to evaluate the economic policies of the government, 57% of all consumers judged current policies unfavorably, the highest proportion ever recorded. Just 7% of consumers judged current economic policies favorably in October. An additional question asked consumers about their confidence in the Federal Reserve. Less confidence in the Federal Reserve was reported by 61% in October, above the 49% reported in 2010 and 2009.

Consumer Sentiment Index

The Sentiment Index rose to 60.8 in the October 2011 survey, just ahead of the 59.5 in September, but below the 67.7 recorded last October. Most of the October gain was in the Expectations Index, a component of the Index of Leading Economic Indicators, which rose to 51.7 in October from 49.4 in September, but still remained well below the 61.9 recorded last October. The Current Conditions Index was 74.9 in the October 2011 survey, between the 75.2 in September and last October's 76.6.



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 minimum monthly change required for significance at the 95% level in the Sentiment Index is 4.8 points; for Current and Expectations Index the minimum is 6.0 points.