

February 25, 2011

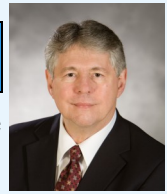
Improved Job Prospects Trump Rising Prices

Index of Consumer Sentiment				
Feb' 11	Jan' 11	Feb' 10	M-M Chng	Y-Y Chng
77.5	74.2	73.6	+4.4%	+5.3%

Index of Consumer Expectations				
Feb' 11	Jan' 11	Feb' 10	M-M Chng	Y-Y Chng
71.6	69.3	68.4	+3.3%	+4.7%

Current Conditions Index				
Feb' 11	Jan' 11	Feb' 10	M-M Chng	Y-Y Chng
86.9	81.8	81.8	+6.2%	+6.2%

Surveys of Consumers chief economist, Richard Curtin



“Consumers are increasingly aware that the economy is improving and, more importantly, expect job prospects to become more favorable in 2011. These developments are likely to draw more discouraged workers back into the labor force. This is likely to result in more job applicants than the economy can handle, with the unemployment rate edging upward as a result. Better job prospects have thus far completely offset rising concerns with higher food and fuel prices. While the pace of consumer spending is likely to improve in 2011 to 2.9%, the pace of growth is likely to be slower in 2012 once the payroll tax cut ends at the close of 2011.”

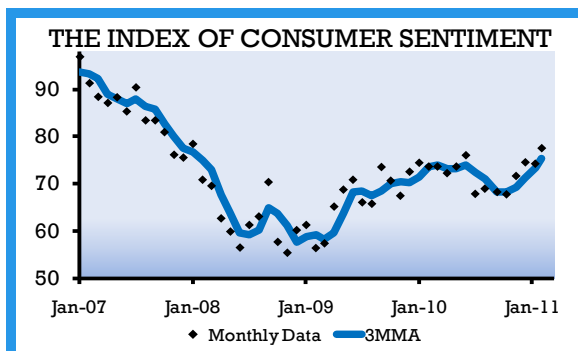
ANN ARBOR. Consumer confidence rose to its highest level in three years. Higher income households were responsible for all of the February gain over the prior month. The Sentiment Index rose by 9.7% among households with incomes above \$75,000, but fell by -1.4% among lower income households. The difference was due to more favorable job and income prospects among upper income households. News heard about recent economic developments was much more favorable than anytime in the past six years. Greater job gains dominated the news, and consumers anticipated significant gains in employment during the year ahead. The favorable job news completely dominated rising concerns about higher food and fuel prices.

Economy and Jobs Improving

For the first time in more than six years, consumers reported hearing more positive than negative economic developments. Net job gains were the most frequently cited development, with job gains reported more frequently than job losses by the widest margin since July 2004. More importantly, the largest number of consumers since mid 2004 expected the unemployment rate to decline in the year ahead. The improved job prospects reflected the most favorable assessments of the overall economy in six years. Although consumers expected further economic gains by a two-to-one margin, the February reading matched the level of optimism in 2009 after the passage of Obama's stimulus package. Hopefully, the recent gains will not fall victim to an oil crisis. Even without an oil crisis, consumers are skeptical about how much the overall state of the economy will improve during the year ahead, as the majority still expect overall economic conditions to remain poor even if improved.

Consumer Sentiment Index

The Sentiment Index was 77.5 in the February 2011 survey, up from 74.2 in January and last February's 73.6. The February reading was the highest since 78.4 was recorded in January 2008. The February gains were concentrated in the Current Conditions Index, which rose to 86.9 from 81.8 in January and last February. The Expectations Index, a component of the Index of Leading Economic Indicators, rose to 71.6 in February from 69.3 in January and last February's 68.4.



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.