

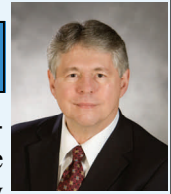
July 1, 2011

Falling Prices and Falling Incomes

Index of Consumer Sentiment				
Jun'11	May'11	Jun'10	M-M Chng	Y-Y Chng
71.5	74.3	76.0	-3.8%	-5.9%
Index of Consumer Expectations				
64.7	69.5	69.8	-6.9%	-7.2%
Current Conditions Index				
82.0	81.9	85.6	+0.1%	-4.2%

ANN ARBOR. Consumer confidence slipped in June due to renewed concerns about the outlook for the economy. Falling gas prices acted to stabilize consumers' assessments of current economic conditions (especially among lower income households), but heightened concerns about the outlook for the overall economy caused the Expectations Index (a component of the Index of Leading Indicators) to post a monthly decline of 6.9%. The Expectations Index in June 2011 (64.7) is barely different than it was in June of 2010 (69.8) or June 2009 (69.2). The current level is halfway between its January 2007 peak (87.6) and its June 2008 trough (49.2); neither positive enough to signal robust growth nor negative enough to signal a renewed downturn. What consumers have expected during the past two years is tantamount to economic stagnation: the majority of consumers expect no income increase, the majority anticipate no significant decline in joblessness, and the majority expect their living standards to continue to slowly erode due to inflation.

Surveys of Consumers chief economist, Richard Curtin



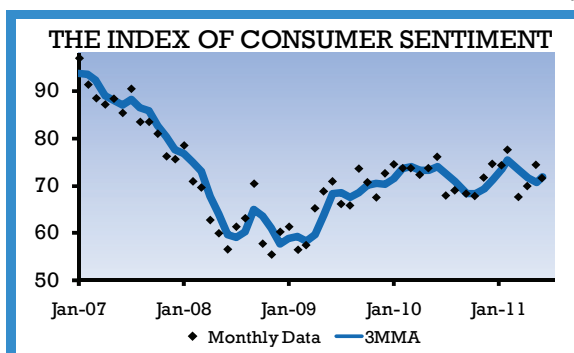
"While spending gains can be expected in the second half of 2011, the overall trend is more likely to vary between lackluster and zero than between lackluster and robust. Resurgent spending is not on the horizon, nor is widespread retrenchment. Importantly, the consumer no longer has the financial wherewithal to power the economy into overdrive. While it has thus far been the inability not the unwillingness of consumers to ramp up their spending, continued economic stagnation may ultimately dampen their spending desires in favor of a more permanent shift toward economic caution and risk aversion."

Personal Finances Remain Dismal

When asked to explain how their finances had recently changed, consumers less frequently mentioned the negative impact of price increases but were more likely to report net income declines. Overall, half of all households cited price increases or income declines in June. Just one-in-four households anticipated any improvement in their finances during the year ahead. As they have in every survey during the past thirty months (an all-time record), the majority of consumers expected no income increase during the year ahead. Combined with the expectation of higher prices, half of all consumers expected declining inflation-adjusted incomes during the year ahead. Just one-in-ten consumers expected gains in their inflation-adjusted incomes.

Consumer Sentiment Index

The Sentiment Index was 71.5 in the June 2011 survey, down from 74.3 in May and last June's 76.0. The June loss was entirely concentrated in the Expectations Index, a component of the Index of Leading Economic Indicators, which fell to 64.7 in June from 69.5 in May and last June's 69.8. The loss was due to a less favorable outlook for the overall economy and jobs in particular. Falling gas prices enabled the Current Conditions Index to rise slightly to 82.0 from 81.9 in May, but was below last June's 85.6.



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.