

January 27, 2012

Consumer Confidence Higher Due to Job Gains

Index of Consumer Sentiment				
Jan' 12	Dec' 11	Jan' 11	M-M Chng	Y-Y Chng
75.0	69.9	74.2	+7.3%	+1.1%

Index of Consumer Expectations				
Jan' 12	Dec' 11	Jan' 11	M-M Chng	Y-Y Chng
69.1	63.6	69.3	+8.6%	-0.3%

Current Conditions Index				
Jan' 12	Dec' 11	Jan' 11	M-M Chng	Y-Y Chng
84.2	79.6	81.8	+5.8%	+2.9%

Surveys of Consumers chief economist, Richard Curtin



“Although the current level of confidence has nearly regained its highest level since the recession, this is the third consecutive year that confidence has mounted a comparable rally. All prior rallies failed when consumers concluded that the improvement they had anticipated had failed to materialize. The recent gains in confidence are now critically dependent on continued job gains. As long as modest employment gains are forthcoming, the data suggest real consumer spending will post a 2.1% gain in 2012. There is no symmetry between the rate of job gains and spending: lower job gains will have a disproportionate negative impact on spending.”

ANN ARBOR. Confidence continued to improve in January due to positive news about potential job gains. The increase in confidence over the past five months has been substantial, with the Sentiment Index rising by one-third over the depressed August low caused by the Congressional debt debate debacle. Despite this nascent trend toward optimism, the majority of consumers remain deeply skeptical about the prospective strength of the economy. Although twice as many anticipated an improved near-term economic outlook compared with five months ago, consumers were no more likely to expect their financial situation to improve. Moreover, confidence in government policies remains near an all-time low. Every sustained recovery in the past half century has been foreshadowed by rising confidence in government economic policies.

News of Job Gains at Record Levels

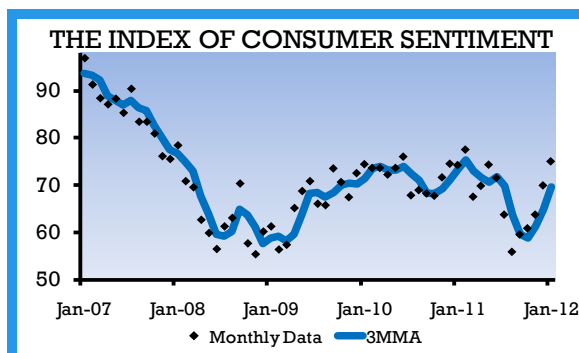
Record numbers of consumers spontaneously reported hearing about recent employment gains, tying the 1983 record. When asked about prospective changes in unemployment, consumers were not as optimistic. Half expected an unchanged rate of unemployment, and the other half were equally divided between expecting increases and expecting declines. These expectations reflect a realism that can be met by modest future job gains.

Personal Finances Still Dismal

Personal financial prospects remained troublesome for most consumers. More households reported recent income declines than increases, for the 40th consecutive month. Just one-in-four households anticipated financial gains in the year ahead, but only half as many expected their inflation-adjusted income to increase during 2012.

Consumer Sentiment Index

The Sentiment Index rose to 75.0 in the January 2012 survey, up from 69.9 in December and last January's 74.2. This marked the fifth consecutive month that the Sentiment Index increased from its August low of 55.8. It remained below last year's peak of 77.5 in the February 2011 survey. The Expectations Index rose to 69.1 in January from 63.6 in December but was just below last January's 69.3. The Current Conditions Index was 84.2 in January, up from 79.6 in December and last year's 81.8.



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.