

February 24, 2012

Job Growth Maintains Consumer Confidence

Index of Consumer Sentiment				
Feb' 12	Jan' 11	Feb' 11	M-M Chng	Y-Y Chng
75.3	75.0	77.5	+0.4%	-2.8%

Index of Consumer Expectations				
Feb' 12	Jan' 11	Feb' 11	M-M Chng	Y-Y Chng
70.3	69.1	71.6	+1.7%	-1.8%

Current Conditions Index				
Feb' 12	Jan' 11	Feb' 11	M-M Chng	Y-Y Chng
83.0	84.2	86.9	-1.4%	-4.5%

Surveys of Consumers chief economist, Richard Curtin



“Consumers have shrugged off concerns about rising gas prices, the European crisis, and election year politics, preferring to focus on the favorable impact of job growth. A potential threat is that consumers expect too much too soon. Improved job prospects may entice many more people to seek work, easily outstripping the number of new jobs created. While election year politics typically raise economic prospects, it may also increase the negative consequences if the promised gains fail to materialize. While growth prospects for consumer spending have improved, the new pace of gains may only edge up to a brisk walk, at best.”

ANN ARBOR. Confidence remained strong due to a record number of consumers that were aware of ongoing increases in jobs. February marked the sixth consecutive month of gains in the Sentiment Index as consumers became more positive about prospects for the economy. Unfortunately, too few consumers have benefited from the recent job gains to alter their otherwise grim evaluations of their own finances. Most past recoveries have exhibited the same pattern of optimistic expectations about the economy in advance of personal financial optimism, although the current gap is larger and can be expected to last longer than typical due to the length and depth of the downturn as well as the slow recovery that is anticipated. Overall, the data indicate inflation-adjusted personal consumption expenditures can be expected to grow by 2.3% in 2012.

News of Job Gains at Record Levels

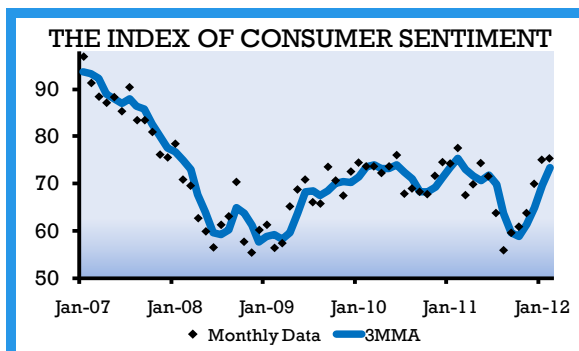
The highest proportion of consumers in the long history of the surveys spontaneously reported hearing about recent employment gains. When asked about prospective changes in unemployment, consumers were also more optimistic, with the most consumers expecting declines in the jobless rate than anytime since 2004.

Personal Finances Still Dismal

Personal finances remained dismal. More households reported recent income declines than increases, for the 41st consecutive month. Just one-in-four households anticipated financial gains in the year ahead. The majority of households did not anticipate any income increase during the year ahead, for the 28th consecutive month. Just 8% anticipated an increase in their inflation-adjusted income during the year ahead.

Consumer Sentiment Index

The Sentiment Index rose to 75.3 in the February survey, just ahead of the 75.0 in January, but slightly below last February's 77.5. This marked the sixth consecutive month that the Sentiment Index increased from its August low of 55.8, a cumulative gain of 35%. The Expectations Index rose to 70.3 in February, from 69.1 in January but was just below last February's 71.6. The Current Conditions Index was 83.0 in February, down from 84.2 in January and last year's 86.9 due to rising gasoline prices.



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.