

May 28, 2010

Consumer Confidence Unchanged

Index of Consumer Sentiment				
May' 10	Apr' 10	May' 09	M-M %Chng	Y-Y %Chng
73.6	72.2	68.7	+1.9%	+7.1%

Index of Consumer Expectations				
May' 10	Apr' 10	May' 09	M-M %Chng	Y-Y %Chng
68.8	66.5	69.4	+3.5%	-0.9%

Current Conditions Index				
May' 10	Apr' 10	May' 09	M-M %Chng	Y-Y %Chng
81.0	81.0	67.7	0.0%	+19.6%

Surveys of Consumers chief economist, Richard Curtin



“The May survey data indicate that consumers expect modest declines in the rate of unemployment as well as small increases in inflation and interest rates during the year ahead. Unfortunately, consumers also anticipate a slower pace of recovery and that the gains in employment in the year ahead will be distressingly small. Nonetheless, financial gains among upper income households will continue to foster growth in overall consumer spending, although the pace of spending growth will slow during the balance of the year and into the start of 2011.”

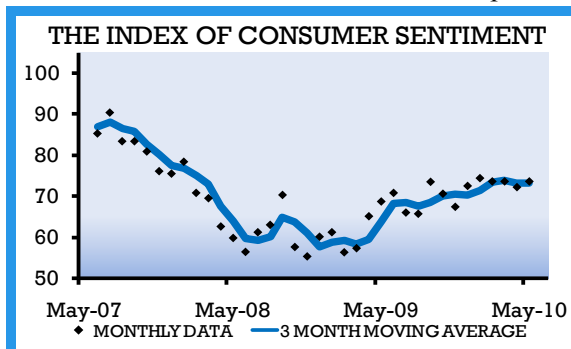
ANN ARBOR. The Index of Consumer Sentiment has remained largely unchanged during the past three months at the same improved level first recorded last September. Although the overall level has not changed, there has been significant shifts in the components of confidence as well as across population subgroups. Consumers’ evaluations of current economic conditions have improved while expectations about future economic prospects have weakened. Although fears of unemployment have receded at a record pace, consumers also anticipated that the pace of the ongoing recovery would continue to slow during the year ahead.

Personal Finances Improve Among Upper Income Households

It was mainly upper income households who reported improved personal finances, while households with incomes below \$75,000 continued to report high levels of financial distress. Recent financial changes differed dramatically by household income, as those with incomes above \$75,000 reported significant gains while lower income households reported even larger reversals. Among higher income households, recent financial progress was reported more frequently than reversals for the first time in nearly two years, while among those with incomes of less than \$75,000, financial setbacks were reported three times as frequently as gains. These differences were reflected in buying plans. Among consumers with incomes over \$75,000, buying plans for vehicles rose to their most favorable level in nearly five years and purchase plans for household durables rose to their best reading in two and a half years. These gains were contingent on the availability of price discounts—two-thirds of high income households mentioned price discounts for vehicles and nearly half for durables.

Consumer Sentiment Index

The Sentiment Index has remained virtually unchanged at 73.6 since last September’s 73.5, although significantly higher than last May’s 68.7. Nearly the entire year-to-year gain was due to more favorable evaluations of the Current Conditions Index, as the Expectations Index remained largely unchanged. The lack of continued gains in the Expectations Index, a component of the Index of Leading Economic Indicators, foreshadows a slowdown in the pace of recovery in the 2nd half of 2010 and into early 2011.



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 95% confidence interval individual months for most percentages are plus or minus 4.7 percentage points.