

May 31, 2013

Surge in Consumer Confidence

Index of Consumer Sentiment				
May' 13	Apr' 13	May' 12	M-M Chng	Y-Y Chng
84.5	76.4	79.3	+10.6%	+6.6%

Index of Consumer Expectations				
May' 13	Apr' 13	May' 12	M-M Chng	Y-Y Chng
75.8	67.8	74.3	+11.8%	+2.0%

Current Conditions Index				
May' 13	Apr' 13	May' 12	M-M Chng	Y-Y Chng
98.0	89.9	87.2	+9.0%	+12.4%

Surveys of Consumers chief economist, Richard Curtin



“The surge in consumer confidence is exactly the type of economic jump-start the Federal Reserve intended to result from its aggressive policies. To be sure, consumers still expressed concerns with their financial prospects, especially about income gains over the longer term. It will take actual and repeated income increases rather than simply a renewed optimistic outlook for consumers to permanently revise their income expectations upward. This will occur as consumer spending gains encourage firms to end their hesitancy about hiring, and as higher tax revenues ease concerns over the Federal deficit putting any additional tax increases on hold.”

ANN ARBOR. A rising stock market and higher home prices prompted consumers to report their most improved financial situation in more than five years. The May gain was largest among upper income households (incomes above \$80,000), although gains were recorded across all income groups. The overall mix of economic news recently heard by consumers was the most positive it has been in the past ten years, leading households to adopt the most improved outlook for the national economy since 2007. Importantly, the most common news item that consumers mentioned hearing was about rising employment, cited by one-third of all consumers. Moreover, consumers also expressed the most expansive buying plans since 2007.

Personal Financial Assessments at Five Year High

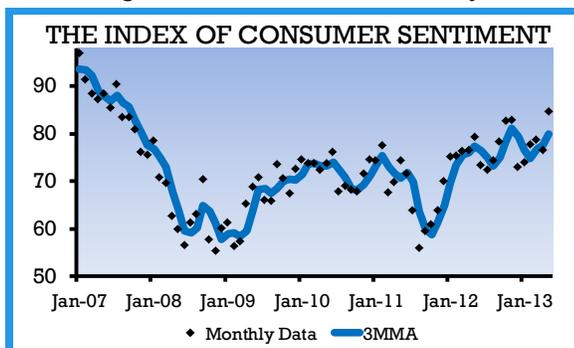
For the first time in five years, more consumers reported that their finances had improved rather than worsened, with recent income gains the most common reason. Moreover, 25% of high income consumers spontaneously mentioned gains in their household wealth, including increases in the value of their homes and stock holdings as well as reductions in their debts. Although income prospects also improved, the gains were much more modest: no income gains were anticipated by 54% of all households and by 45% of families with income above \$80,000.

Favorable Buying Plans

Buying attitudes toward household durables improved to the highest levels since mid 2007 and vehicle buying attitudes were at the highest level since mid 2005. Assessments among homeowners of the current value of their homes were the most favorable since 2007. Although the expected annual increase in home values did not change among all homeowners, among households with incomes above \$80,000, the annual expected increase was the highest recorded since 2007. Importantly, the recent run-up in home prices may have encouraged some homeowners to wait for additional gains before selling their current home to buy another.

Consumer Sentiment Index

The Sentiment Index was 84.5 in the May 2013 survey, up from 76.4 one month earlier and 79.3 one year ago and the highest level recorded since July 2007. The Expectations Index rose to 75.8 in the May survey, up from 67.8 in April and last May's 74.3. The Current Economic Conditions Index was 98.0 in May up from 89.9 in April and last May's 87.2, reaching the highest level since August 2007.



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.

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