

July 26, 2013

## Consumer Confidence at Six Year Peak

Index of Consumer Sentiment				
Jul '13	Jun '13	Jul '12	M-M Chng	Y-Y Chng
85.1	84.1	72.3	+1.2%	+17.7%
Index of Consumer Expectations				
Jul '13	Jun '13	Jul '12	M-M Chng	Y-Y Chng
76.5	77.8	65.6	-1.7%	+16.6%
Current Conditions Index				
Jul '13	Jun '13	Jul '12	M-M Chng	Y-Y Chng
98.6	93.8	82.7	+5.1%	+19.2%

### Surveys of Consumers chief economist, Richard Curtin



“The July survey suggests a growing resilience among consumers that will enable them to more easily withstand the cross-current inevitable in a slow growth economy. Mixed trends were evident in July as current economic conditions were judged more favorably while future prospects were viewed slightly less favorably, and optimism among lower income households moved up while optimism among upper income households moved down. These differences reflected the expectation that interest rates would rise in the future. Nonetheless, this was a robust sign that consumers expect the expansion to continue and act to speedup their buying plans.”

**ANN ARBOR.** Consumer confidence reached its highest level in six years in the July 2013 survey. This was the third consecutive month that consumer confidence has been higher than in any prior month since the July 2007 survey. This persistently high level of confidence points toward a continued expansion in consumer spending during the year ahead. Importantly, along with renewed signs of income and job growth, consumers hold favorable buying attitudes, especially for interest sensitive purchases of vehicles and homes. Rising stock and home values continued to bolster confidence, especially among higher income households. Home values were reported to have increased by the highest proportion of homeowners in the past six years.

### Personal Finances Improve

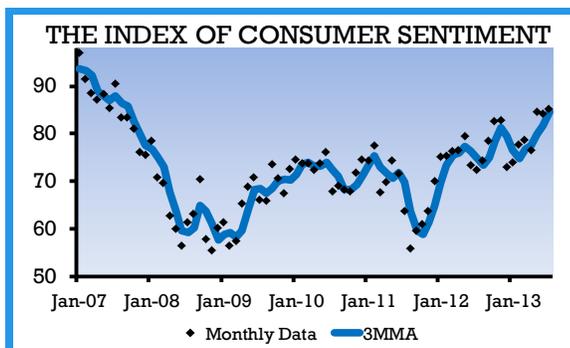
Younger households reported greater income gains, mainly due to gains in employment and work hours, while middle and upper income households were more likely to report gains in their assets as well as lower debts. Inflation-adjusted income gains during the year ahead were expected by the highest proportion since late 2007, and consumers judged the probability of real income gains over the next five years the best since November 2007.

### Favorable Buying Plans

Interest rates were expected to increase in the year ahead by 68% of all consumers in July, up from 55% in June, twice as frequently as the 33% recorded last July, and the highest proportion to expect interest rate hikes since August of 2006. The anticipated increases in interest rates dimmed longer term prospects for the economy but acted to accelerate consumers' buying plans. Among households with incomes of \$75,000 or more, more than one-in-four cited the advantage of buying homes before prices or interest rates increased in July, up from just 6% last July. Fewer consumers judged current vehicle buying conditions negatively than anytime since August 2005.

### Consumer Sentiment Index

The Sentiment Index was 85.1 in the July 2013 survey, up from 84.1 in June and 84.5 in May, and well above last July's 72.3. The Expectations Index fell to 76.5 in July from June's 77.8 but remained well above last July's 65.6. The Current Conditions Index, in contrast, rose strongly to 98.6 in the July 2013 survey, from 93.8 in June and last July's 82.7.



### 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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