



October 25, 2013

Consumers View Government as Impediment to Growth

Index of Consumer Sentiment				
Oct '13	Sep '13	Oct '12	M-M Chng	Y-Y Chng
73.2	77.5	82.6	-5.5%	-11.4%

Index of Consumer Expectations				
Oct '13	Sep '13	Oct '12	M-M Chng	Y-Y Chng
62.5	67.8	79.0	-7.8%	-20.9%

Current Conditions Index				
Oct '13	Sep '13	Oct '12	M-M Chng	Y-Y Chng
89.9	92.6	88.1	-2.9%	+2.0%

Surveys of Consumers chief economist, Richard Curtin



“This was the third time in the past three years that negative references to the government’s impact on the economy set another half-century peak level. Indeed, after each repeated advance in optimism during the past three years, a revival of the DC follies promptly reversed the gain. It is hard to imagine how economic uncertainty will decline in the next few months since nothing was settled, only postponed; nonetheless, the battered consumer will heave a sigh of relief during the brief stoppage between rounds in the DC fight. Although pushed to the back-burner, concerns about job prospects have significantly worsened during the past year.”

ANN ARBOR. Confidence declined in the October 2013 survey as consumers became convinced that the Federal shutdown as well as other restrictions on government spending would slow the overall pace of economic growth over the next several months. Overall, the Sentiment Index fell to its lowest level since the fiscal cliff crisis in late 2012, and the Expectations Index is now at its lowest level since late 2011. Perhaps the most significant finding is that consumers have increasingly moved toward the view that the government has become the primary obstacle to more robust economic growth. When asked to describe in their own words what they had heard about recent economic developments, the number of consumers that negatively mentioned the federal government in October was the highest in the more than half-century history of the surveys.

Personal Financial Prospects Weaken

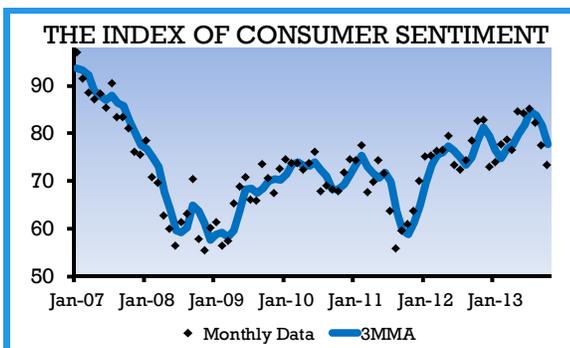
Just 25% of all households expected their finances to improve in the year ahead, with half of all families expecting no income increase. Inflation-adjusted income prospects improved slightly from last month, largely due to a decline in the expected inflation rate. Offsetting heightened concerns about prospects for wages and jobs, consumers reported gains in their household wealth, including rising values of stocks and homes.

Slow Job Growth Expected

The near term outlook for the national economy suffered most from the DC stalemate, with unfavorable economic conditions expected by 61% in October, up from 50% in September. A slowing pace of economic growth meant that consumers anticipated fewer new jobs to be created, reversing the gains recorded a year ago. Indeed, in last October’s survey consumers held the most optimistic expectations for job growth so far in this expansion. In the latest survey, consumers expected the national unemployment rate to edge upward during the year ahead.

Consumer Sentiment Index

The Sentiment Index was 73.2 in October 2013, down from 77.5 in September and last October’s 82.6. Most of the weakness was in the Expectations Index, which fell to 62.5 in October from 67.8 in September and last year’s 79.0. The Current Conditions Index was 89.9 in October, down from 92.6 in September, but just above last October’s 88.1.



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.

About Thomson Reuters

Thomson Reuters is the world's leading source of intelligent information for businesses and professionals. We combine industry expertise with innovative technology to deliver critical information to leading decision makers in the financial and risk, legal, tax and accounting, intellectual property and science and media markets, powered by the world's most trusted news organization. With headquarters in New York and major operations in London and Eagan, Minnesota, Thomson Reuters employs approximately 60,000 people and operates in over 100 countries. Thomson Reuters shares are listed on the Toronto and New York Stock Exchanges. For more information, go to www.thomsonreuters.com.

About ISR

Established in 1948, the Institute for Social Research (ISR) at the University of Michigan is among the world's oldest social science research organizations, and a world leader in the development and application of social science methodology. The ISR conducts some of the most widely-cited surveys and studies in the nation, including the Thomson Reuters/University of Michigan Surveys of Consumers, the American National Election Studies, the Monitoring the Future Study, the Panel Study of Income Dynamics, the Health and Retirement Study, and the National Survey of Black Americans and the World Values Surveys. ISR is also home to the Inter-University Consortium for Political and Social Research (ICPSR), the world's largest computerized social science data archive.