



December 23, 2013

## Confidence Improves

Index of Consumer Sentiment				
Dec '13	Nov '13	Dec '12	M-M Chng	Y-Y Chng
82.5	75.1	72.9	+9.9%	+13.2%
Index of Consumer Expectations				
Dec '13	Nov '13	Dec '12	M-M Chng	Y-Y Chng
72.1	66.8	63.8	+7.9%	+13.0%
Current Conditions Index				
Dec '13	Nov '13	Dec '12	M-M Chng	Y-Y Chng
98.6	88.0	87.0	+12.0%	+13.3%

### Surveys of Consumers chief economist, Richard Curtin



“Consumers were clearly relieved when the DC gridlock ended. Confidence has bounced back to nearly the same levels it was before the crisis in mid-2013. Simply ending the shutdown or passing a new budget to keep the government open, however welcome, is not seen by consumers as a proactive step toward better economic policy. While they anticipate the economy to improve and retailers to offer larger discounts, most consumers still anticipate tiny wage gains—gains that are even smaller than the currently low inflation rate. Consumers are not ready to celebrate, aside from those who have benefitted from rising stock market wealth.”

**ANN ARBOR.** Consumer confidence rebounded among households with incomes less than \$75,000 in December; higher income households reported the same sized gains in the November survey. By mid December, no additional gains were reported by either group. While the end of the government shutdown did ease concerns about the economy, it did not generate any more confidence in the government’s economic policies. Most of the gain reflected more favorable buying plans due to renewed discounting as well as more favorable short-term prospects for the economy. Buying attitudes toward homes, vehicles, and household durable goods all improved in December. Personal finances, the most critical factor that shapes consumer spending, did slightly improve in December, although largely due to rising values of homes and stock holdings among those in the top third of the income distribution.

### Personal Finances Improve for Some

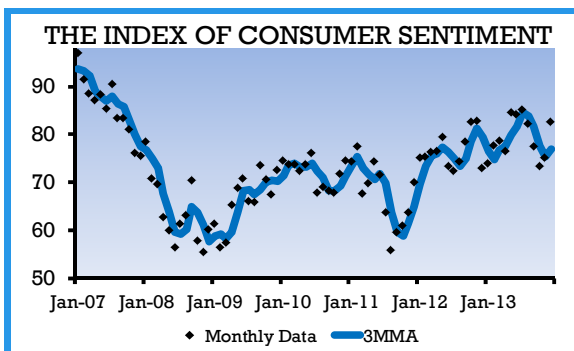
Personal finances improved among all households in the recent survey, although most of the gains occurred among those under age 45 and those in the top third of the income distribution. The largest differences were due to rising stock values, primarily held by top income households. Although these same age and income groups anticipated the largest gains in their nominal incomes during the year ahead, those increases were below the expected inflation rate. No group anticipated rising inflation-adjusted incomes during the year ahead.

### Job Prospects Improve Due to Stronger Economy

When asked to identify recent trends, consumers reported more news of job gains, and anticipated that the national unemployment rate would decline in the year ahead. The expected declines were due to a strengthening economy in the year ahead, although over the longer term the economy was still seen as vulnerable to setbacks.

### Consumer Sentiment Index

The Sentiment Index was 82.5 in December 2013, up from 75.1 in November and well above last December’s 72.9. The year-to-year gain was nearly equal for current economic assessments and future economic prospects.



The Expectations Index rose to 72.1 in December, up 13.0% from last year, and the Current Conditions Index was 98.6 in December, up 13.3% from last December’s reading.

### 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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