



October 31, 2014

## Consumer Sentiment Highest in Seven Years

Index of Consumer Sentiment				
Oct '14	Sep '14	Oct '13	M-M Chng	Y-Y Chng
86.9	84.6	73.2	+2.7%	+18.7%
Index of Consumer Expectations				
79.6	75.4	62.5	+5.6%	+27.4%
Current Conditions Index				
98.3	98.9	89.9	-0.6%	+9.3%

**ANN ARBOR.** Consumer confidence posted its third consecutive monthly gain in October, rising to its highest level since July 2007. The October gain was due to improved personal finances as well as a more favorable outlook for the overall economy. Indeed, consumers reported the most favorable personal financial expectations as well as the most positive year-ahead outlook for the national economy in the past seven years. What the survey did not find was any negative impact on confidence from the global economic slowdown, military conflicts, or Ebola. None of these issues was mentioned by more than a few respondents; instead, respondents emphasized improved wage and employment prospects due to a stronger economy. Gains in holiday spending are expected to be the best in several years, benefitting from higher confidence as well as falling gas prices at the pump.

### Surveys of Consumers chief economist, Richard Curtin



“Consumers have been gradually regaining their economic footing in the past several months, with confidence rising to the highest level since the start of the Great Recession. This is not the first time such a strong rebound has occurred, but this time it appears to have more forward traction. Consumers have not overreacted to the negative news of a global slowdown or Ebola nor to the positive news of lower gas prices. Instead, consumers have kept their focus on improved job and wage prospects. Finally, five years after the start of the recovery, consumers have begun to adopt the expectations and behaviors that have driven past expansions.”

### Economy Expected to Improve

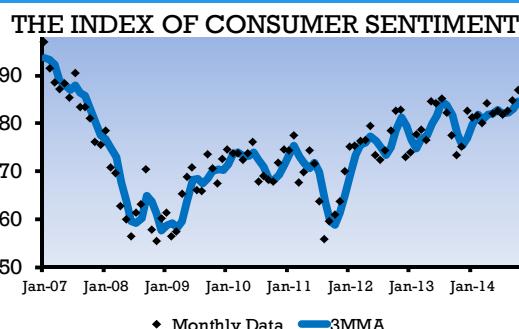
Nearly six-in-ten consumers reported that the economy had recently improved, the most positive rating in more than ten years. When asked about the economic outlook for the year ahead, 45% expected good times financially, up from just 28% a year earlier, and the highest level since July 2007. Consumers anticipated that the continued strength in the economy would produce some additional declines in the national unemployment rate.

### Higher Income Gains Expected

In the September and October surveys, more households expected income gains than anytime in the last six years—since September of 2008. Just as importantly, the median increase of 1.1% expected by all households was the highest since late 2008. While still meager, this improvement, along with a decline in the expected inflation rate, meant that more households expected their incomes to keep pace with or to exceed the inflation rate.

### Consumer Sentiment Index

The Sentiment Index was 86.9 in the October 2014 survey, up from 84.6 in September and 73.2 last October. The entire October gain was concentrated in the Expectations Index, which rose to 79.6 from 75.4 one month ago and 62.5 one year ago. Although the Current Conditions Index slipped to 98.3 in October from 98.9 in September, it was well above last October’s 89.9.



### 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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