



February 28, 2014

Weather Freezes Confidence in Place

Index of Consumer Sentiment				
Feb '14	Jan '14	Feb '13	M-M Chng	Y-Y Chng
81.6	81.2	77.6	+0.5%	+5.2%

Index of Consumer Expectations				
Feb '14	Jan '14	Feb '13	M-M Chng	Y-Y Chng
72.7	71.2	70.2	+2.1%	+3.6%

Current Conditions Index				
Feb '14	Jan '14	Feb '13	M-M Chng	Y-Y Chng
95.4	96.8	89.0	-1.4%	+7.2%

ANN ARBOR. Despite the harsh winter, consumer confidence has remained essentially unchanged since December. The weather has had the greatest impact on those over age 65, largely due to the higher cost of utilities. It had the least net impact on those under age 35, as the winter weather was offset by gains in income and employment. While upper income and older consumers have been helped by gains in home and stock values, the recent gains by younger consumers, who suffered most in the aftermath of the Great Recession, finally expect their situation to improve. While spending will slow from the very positive rate of growth in the last half of 2013, renewed growth can be anticipated in the months ahead.

Personal Finances Improve for Young

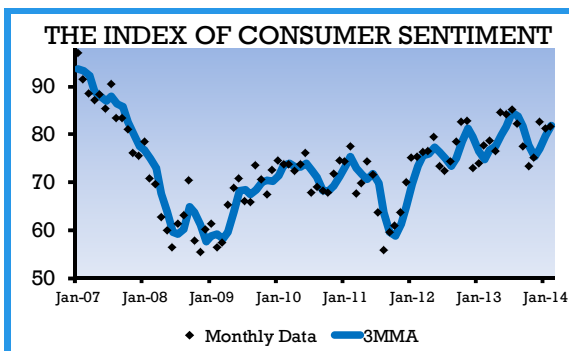
The high cost of home heating has had a negative impact on the financial situation of consumers, especially among those over age 65. When consumers were asked about their financial prospects for the year ahead, positive views were reported by those with incomes in the upper third due to gains in home and stock values. More surprising, consumers under age 35 expected an annual gain in their household's income of 5.0%, the highest rate reported since 2006. This was well ahead of the 0.4% gain expected by all other age groups.

Buying Plans Largely Unchanged

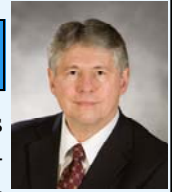
While the weather made trips to the store more difficult, the data suggest that purchases were postponed rather than canceled. Vehicle buying was diminished by middle income consumers who reported fewer price discounts. Low interest rates rather than low prices are now the main appeal for most consumers. Home buying and selling attitudes remained largely unchanged, with low mortgage rates dominating low prices as the main attraction.

Consumer Sentiment Index

The Sentiment Index was 81.6 in the February 2014 survey, largely unchanged from 81.2 in January and 82.5 in December. The year-to-year gain was due to how consumers evaluated future economic prospects, while the harsh winter reduced evaluations of current economic conditions. The Expectations Index was 72.7 in February, up from 71.2 last month and 70.2 last year.



Surveys of Consumers chief economist, Richard Curtin



“While the harsh winter weather has kept consumers away from retail outlets, it has not had a detrimental impact on their outlook for future economic conditions. Consumers have displayed remarkable resilience in the face of the polar vortex as well as higher utility bills and minimal employment gains. This reaction stands in sharp contrast to the instability in confidence associated with the government shutdown and policy stalemates in the past few years. Without another self-inflicted DC shock in the off-year election, consumers are prepared to renew the pace of spending in the months ahead, with an overall gain of 2.6% in 2014.”

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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