

March 28, 2014

Confidence Survives Harsh Winter

Index of Consumer Sentiment				
Mar' 14	Feb' 14	Mar' 13	M-M Chng	Y-Y Chng
80.0	81.6	78.6	-2.0%	+1.8%

Index of Consumer Expectations				
Mar' 14	Feb' 14	Mar' 13	M-M Chng	Y-Y Chng
70.0	72.7	70.8	-3.7%	-1.1%

Current Conditions Index				
Mar' 14	Feb' 14	Mar' 13	M-M Chng	Y-Y Chng
95.7	95.4	90.7	+0.3%	+5.5%

Surveys of Consumers chief economist, Richard Curtin



“Consumers have finally begun to expect sustained gains in their personal finances, especially among younger households. Consumers are ready to celebrate a delayed Spring with renewed spending. Since consumers have become accustomed to very low interest rates on loans, even small increases, which simply tempered demand in the past, could now have a much more pronounced impact on sales of homes and vehicles. Consumers are more likely to postpone than to speed-up purchases in advance of expected increases in interest rates. The Fed now has a more powerful policy tool as well as a less forgiving tool to a policy misstep.”

ANN ARBOR. Consumer confidence has remained largely unchanged in the past three months despite the hard winter as well as a severe drought. The current state of consumer finances were just as strong in March as in December, and more importantly, consumers viewed their financial prospects for the year ahead much more favorably in March than at the start of the winter season. The gains in personal finances were offset by rising concerns about the outlook for the overall economy. While consumers still anticipate that the national economy will continue to grow during the year ahead, they have become increasingly concerned about the ability of the economy to avoid a downturn sometime in the next five years. Of more immediate concern, consumers have voiced their dismay about the slowdown in home value gains, a slowdown that was expected to continue in the year ahead.

Personal Finances Improve for Young

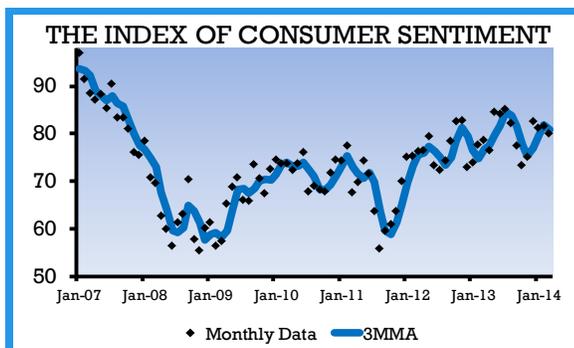
When asked about prospects for their own finances, one-in-three consumers reported in March that they expected their financial situation to improve in the year ahead. The last time a higher share of households anticipated improving finances was nearly five years ago, in June of 2009. The gain was concentrated among those under age 45, as 54% expected improved finances in each of the last two months, the highest levels since 2007.

Buying Plans Slip

Home and vehicle purchase plans declined in March due to less frequent references to low and discounted interest rates on these purchases. The data suggest that people have changed how they evaluate interest rates on loans following the prolonged period of low interest rates (and inflation rates). Consumer spending is likely to respond much more strongly to what would have been considered a minor increase in interest rates in the past.

Consumer Sentiment Index

The Sentiment Index was 80.0 in the March 2014 survey, insignificantly below February’s 81.6 or January’s 81.2, and just above last March’s 78.6. Compared with a month, the Current Conditions Index remained largely unchanged (+0.3%) while the Index of Consumer Expectations fell (-3.7%). The decline in the Expectations Index was mainly due to less favorable prospects for the overall economy.



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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