



June 28, 2013

## Consumer Confidence Remains at a High Level

Index of Consumer Sentiment				
Jun '13	May '13	Jun '12	M-M Chng	Y-Y Chng
84.1	84.5	73.2	-0.5%	+14.9%
Index of Consumer Expectations				
77.8	75.8	67.8	+2.6%	+14.7%
Current Conditions Index				
93.8	98.0	81.5	-4.3%	+15.1%

### Surveys of Consumers chief economist, Richard Curtin



“Consumers now believe the recovery has achieved an upward momentum that will not be easily reversed. To be sure, few consumers expect the economy to post robust gains or think the unemployment rate will drastically shrink during the year ahead. Nonetheless, consumers anticipate continued slow economic progress. Gains in spending during the balance of 2013 can be expected to be more heavily concentrated than usual among upper income households, with the housing market serving as the bellwether industry. These prospects reflect a new type of economic revival, sparked by increases in wealth rather than by gains in jobs and wages.”

**ANN ARBOR.** Rising household wealth rather than resurgent jobs and wages was mainly responsible for the recent gains in consumer confidence. The June strength was concentrated among households with income above \$75,000, with their confidence rising to its highest level since mid 2007. In contrast to the healthy gains in stocks and home values enjoyed by upper income households, lower income households were more likely to report income declines and no increases in their household wealth. To be sure, the June falloff in confidence among lower income households was not large, and more importantly, all income groups anticipated continued modest gains in the overall economy as well as continued slow declines in the national unemployment rate.

### Personal Finances: Differential Prospects

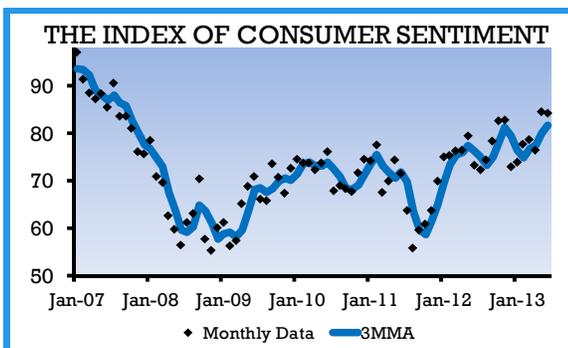
Younger and upper income households were more likely to report income gains in the June survey, while older and lower income households were more likely to cite lower incomes and falling living standards. Only consumers under age 45 anticipated income gains that were larger than the expected rate of inflation. Overall, just 12% of all consumers expected their incomes to go up faster than next year's relatively low rate of inflation.

### Favorable Home Buying Plans

Plans for home purchases continued to improve in June. The fewest consumers in ten years thought it was a bad time to buy a home and the most consumers since 2006 thought home selling conditions were favorable. Rising home values were reported by the highest proportion of consumers since 2007, and the highest proportion of homeowners expected additional increases in their home's value during the year ahead. Just under one-in-ten homeowners said that they would lose money if they sold their home today, half the level recorded a year ago.

### Consumer Sentiment Index

The Sentiment Index was 84.1 in the June 2013 survey, barely below the 84.5 in May and well above the 73.2 recorded last June. Consumer Sentiment was higher in the past two months than anytime since 2007. The Expectations Index rose to 77.8 in June from 75.8 in the May survey and last June's 67.8. The Current Conditions Index was 93.8 in June, between May's 98.0 and last June's 81.5.



### 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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