

## Obama's Policies Prompt Increase in Economic Confidence

ANN ARBOR. Consumer confidence increased in April due to the widespread perception that President Obama's economic policies will be effective in improving economic conditions. "Two-thirds of all consumers anticipated that the economic policies of the Obama administration will be effective in improving national economic conditions, with most of the gains anticipated over the next several years," according to Richard Curtin, the Director of the Reuters/University of Michigan Surveys of Consumers. Favorable views about the effectiveness of Obama's policies to improve the financial situation of consumers were not as widespread, as four-in-ten consumers thought the policies would be effective in improving their own financial situation. "Consumers continued to report that their finances remained dismal and their buying plans were still on hold due to concerns about their future job and income prospects," Curtin said.

The Index of Consumer Sentiment was 65.1 in the April 2009 survey, up from 57.3 in the March, and just above the 62.6 recorded last April—the first positive year-to-year change since mid 2007. The Sentiment Index is still 33% below its January 2007 peak of 96.9. The Index of Consumer Expectations, a closely watched component of the Index of Leading Economic Indicators, was 63.1 in April up from 53.5 in March and well above last April's 53.3 (but still 28% below its January 2007 peak of 87.6). Consumers who thought Obama's policies would be effective in improving the national economy and their own finances voiced much more positive economic expectations than those who thought the policies would be ineffective—a difference of 36.3 points on the Expectations Index.

The financial situation of consumers remained dismal. "Despite the strong improvement expected in the overall economy, consumers reported only marginal gains in their job and income prospects," according to Curtin. Unemployment was expected to rise by 53% of all consumers, representing only a small improvement over the 61% recorded in the prior two months. Annual income increases of just three-tenths of one percent were expected by consumers in the April survey, barely above the half century low of two-tenths of one percent recorded in March.

When asked to assess President Obama's policies, 65% thought that they would be effective in improving the national economy and 43% of all consumers thought that they would be effective in improving their financial situation. Taking account of both policies, 41% thought the policies would improve both the national economy and their personal finances, while 33% thought the policies would neither help the national economy nor improve their personal finances. The balance of consumers (26%) thought the policies would either benefit the economy or help improve their finances but not both.

"The impact of these perceptions was substantial on how consumers viewed overall economic prospects, especially over the long run," Curtin said. Among consumers who thought the policies would be ineffective, 77% expected widespread unemployment and depression over the next five years. This pessimistic view was twice as frequent when compared with those who expected Obama's policies to be effective in improving the economy and the personal finances of consumers.

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