

December 23, 2010

Employment Gains Reported

Index of Consumer Sentiment				
Dec' 10	Nov' 10	Dec' 09	M-M Chng	Y-Y Chng
74.5	71.6	72.5	+4.1%	+2.8%
Index of Consumer Expectations				
Dec' 10	Nov' 10	Dec' 09	M-M Chng	Y-Y Chng
67.5	64.8	68.9	+4.2%	-2.0%
Current Conditions Index				
Dec' 10	Nov' 10	Dec' 09	M-M Chng	Y-Y Chng
85.3	82.1	78.0	+3.9%	+9.4%

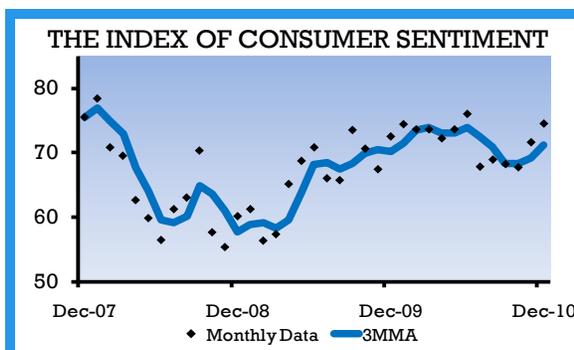
ANN ARBOR. Consumer confidence improved in December to its best level in six months and its second highest level since the start of 2008. The gain was due to improved employment expectations that made consumers more willing to spend and adopt more favorable prospects for the overall economy. Consumers reported much more favorable news about recent changes in the job situation, and more frequently expected the unemployment rate to decline during the year ahead. Lessening job uncertainty pushed buying plans for household durables up to their highest level in three years. While holiday sales benefited from the improvements recorded in the past two months, combined with the recent passage of the tax legislation, consumer spending can be expected to increase in 2011. Nonetheless, consumers' views of their financial situations have remained quite negative due to the widespread expectation of stagnant incomes.

Personal Finances Remain Dismal

The current state of consumers' financial situations remains grim. Just 23% reported recent gains in their finances, unchanged from last December, as twice as many consumers reported income declines as income advances. Just one-in-four consumers expected their finances to improve in the year ahead, which has remained unchanged for the past six months. The majority of consumers anticipated no income increases during the year ahead, as they have for a record 24 consecutive months. Income constrained consumers favored price discounts, as half of all consumers cited the availability of price discounts on household durables, and two-thirds of all consumers cited discounts on either prices or interest rates on vehicle purchases.

Consumer Sentiment Index

The Sentiment Index was 74.5 in the December 2010 survey, up from 71.6 in November and 67.7 in October. While gains over November were recorded by both the Current Conditions Index (+3.9%) and Expectations Index (+4.2%), the entire year-over-year gain was in the Current Conditions Index (up by 9.4%). This gain was mainly due to more favorable buying plans for durables. The Expectations Index, a component of the Index of Leading Economic Indicators, worsened during the past year (-2.0%), primarily due to weaker personal financial prospects.



Surveys of Consumers chief economist, Richard Curtin



“The best holiday gift to consumers was news that job gains were on the horizon. Compared with the more favorable prospects for the overall economy, consumers have maintained a very cautious outlook for their own finances. They have good cause to be cautious. This was the second time in 2010 that news of job gains prompted a rally in confidence. Indeed, consumers voiced nearly the same confidence at the end of 2010 as at the start of the year. Given the prominent role of government policies in the reversal and recovery, the coming battles on how to close the deficit will have a significant impact on confidence in 2011 and beyond.”

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 95% confidence interval individual months for most percentages are plus or minus 4.7 percentage points.