

November 24, 2010

Personal Financial Prospects Remain Dismal

Index of Consumer Sentiment				
Nov' 10	Oct' 10	Nov' 09	M-M Chng	Y-Y Chng
71.6	67.7	67.4	+5.8%	+6.2%
Index of Consumer Expectations				
64.8	61.9	66.5	+4.7%	-2.6%
Current Conditions Index				
82.1	76.6	68.8	+7.2%	+19.3%

ANN ARBOR. The economic news heard by consumers about jobs grew significantly more favorable in November. Unfortunately, the favorable job news only had a small impact on how consumers expected the overall unemployment rate to change in the year ahead. The majority of consumers anticipated the jobless rate to remain stuck at its current high level throughout the year ahead. Given these expectations, it should be no surprise that half of consumers

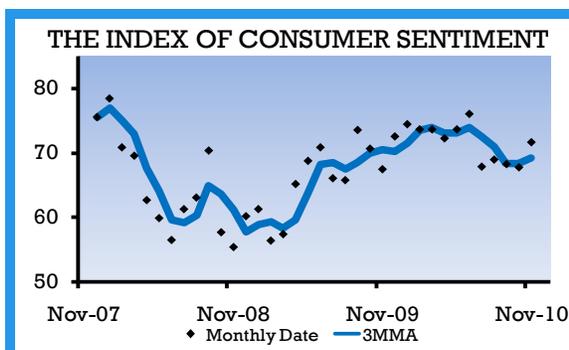
expected the slow pace of economic growth to remain largely unchanged during the year ahead. Importantly, the balance of consumers twice as frequently expected some additional improvement rather than a worsening pace of economic growth during the year ahead.

Personal Finances Remain Dismal

The personal finances of consumers remained quite bleak in November. Nearly twice as many consumers reported that their finances had worsened rather than improved during the past year, with one-in-three reporting declines in household income. There has been some small improvement since the cyclical low point. Income gains were reported twice as frequently this November compared with a year ago, although the frequency of income gains have remained unchanged for the past 4 months. The larger problem was that just 25% of all households expected their finances to improve during the year ahead, down from 29% last November. The majority of households expected no income increase during the year ahead in November, for the 23rd consecutive month, an all-time record. Households with incomes above \$75,000 held the same dismal outlook for their finances, showing no improvement in their financial expectations for the year ahead. Holiday sales will be based, more than ever, on the availability of discounts as consumers continue to cope with their dismal financial circumstances.

Consumer Sentiment Index

The Sentiment Index was 71.6 in the November 2010 survey, up from 67.7 in October and 67.4 in November of 2009. The Sentiment Index was higher than anytime since June, but was lower than in any survey during the first half of 2010. While both components improved over the month earlier reading, the entire year-over-year gain was in the Current Conditions Index (up by 19.3%). The Expectations Index, a component of the Index of Leading Economic Indicators, worsened during the past year (-2.6%).



Surveys of Consumers chief economist, Richard Curtin



“It is clearly too early to declare the November uptick in consumer confidence a turning point. It marks the third time that the Sentiment Index has reached this level since the cyclical low was recorded two years ago. In each of the prior rebounds, the gains as well as subsequent losses were mostly based on changing prospects for the economy. Unfortunately, there has been no improvement in consumers’ financial prospect in the past two years. While consumers clearly believe that the recovery has gained some traction, most still think that the economic gains will be too small to improve their own job and income position anytime soon.”

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.