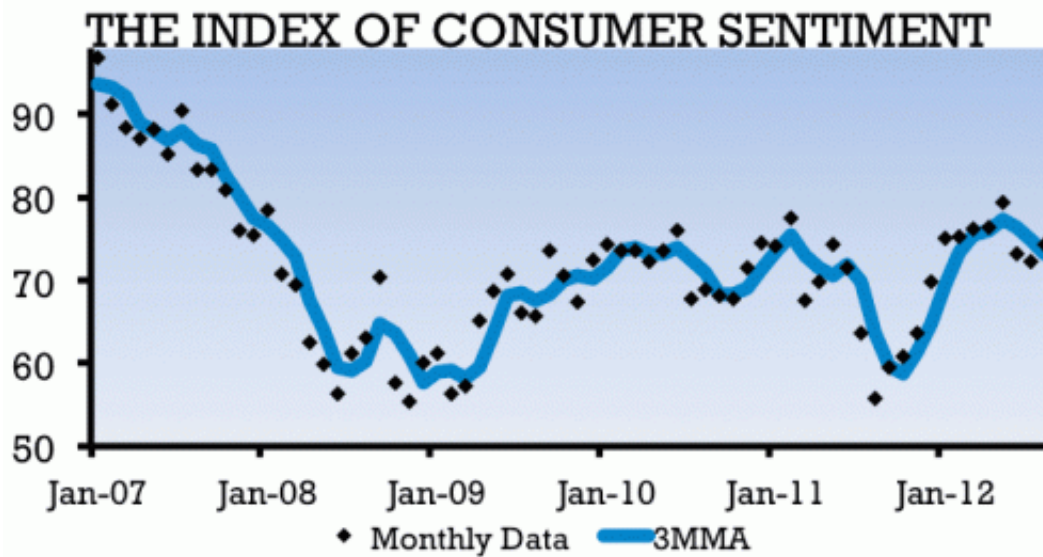


# Consumer confidence improves slightly in August

September 3 2012



(Phys.org)—Consumer confidence improved slightly in August due to consumers' more favorable evaluations of their present financial situations, according to University of Michigan economist Richard Curtin, director of the Thomson Reuters/University of Michigan Surveys of Consumers. The Surveys, conducted by the U-M Institute for Social Research (ISR), have been monitoring consumer attitudes and expectations for over 60 years.

Rather than citing income changes, [consumers](#) were more likely to cite

reductions in the amount of their outstanding debt, according to Curtin. These improvements, however, did not extend into the future, as their [financial prospects](#) for the year ahead remained unchanged at negative levels.

The majority of consumers anticipated no wage gains in the year ahead, and the majority expected falling inflation-adjusted incomes. Perhaps more distressing, half reported that their [financial situation](#) was now worse than it was five years ago, and half expected no improvement in the next five years.

Aug' 12	Jul' 12	Aug' 11	M-M Chng	Y-Y Chng
<b>Index of Consumer Sentiment</b>				
74.3	72.3	55.8	2.8%	33.2%
<b>Index of Consumer Expectations</b>				
65.1	65.6	47.6	-0.8%	36.8%
<b>Current Conditions Index</b>				
88.7	82.7	68.5	7.3%	29.5%

### Buying Plans: Discounts Versus Tax Uncertainty

Buying plans were bolstered by the availability of deeper price discounts as well as record low interest rates. More consumers with household incomes below \$75,000 held favorable buying attitudes toward large durable goods than at any other time since August of 2007. Among higher income households, however, these buying attitudes were slightly

less favorable in August and remained well below the peaks recorded in 2010 and 2011.

### Slower Economic Growth Expected

Consumers thought that the pace of [economic growth](#) would slow slightly, although there was no change in their overall assessment of the economy. The majority of consumers in August thought that [economic conditions](#) would remain unfavorable until the start of 2013, and just one-third expected a continuous expansion over the next five years. Importantly, there was no change in consumers' negative views about current economic policies.

### Consumer Sentiment Index

The Sentiment Index was 74.3 in August 2012, up from 72.3 in July, and well above last August's 55.8. The outsized year-to-year gain of 18.5 Index-points from last August reflects a rebound from the disastrous lows during the debt ceiling debate. The Expectations Index fell to 65.1 in August, only slightly below July's 65.6, but it was the lowest since the start of 2012. In contrast, the Current Conditions Index improved to 88.7 in August, a large gain from 82.7 in July, and the highest since the start of the year.

Provided by University of Michigan

Citation: Consumer confidence improves slightly in August (2012, September 3) retrieved 16 July 2024 from <https://phys.org/news/2012-09-consumer-confidence-slightly-august.html>

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