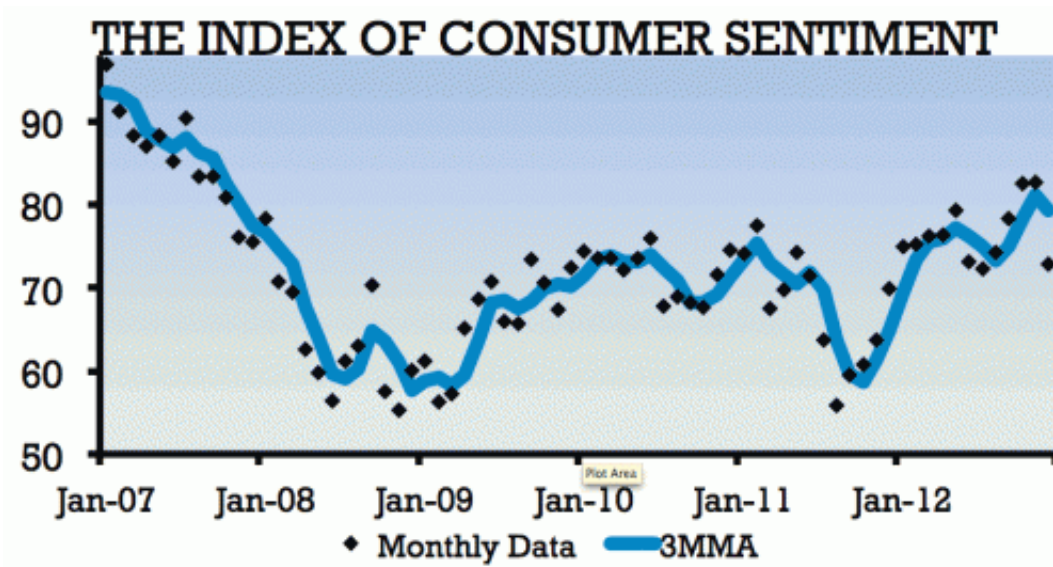


Consumer confidence plunges in December

December 24 2012



(Phys.org)—Confidence plunged in December as consumers confronted the rising likelihood that political gridlock would push the country over the fiscal cliff.

Consumers were more pessimistic about their future finances and more pessimistic about the outlook for the overall economy and job prospects, according to University of Michigan economist Richard Curtin, director of the Thomson [Reuters](#)/University of Michigan Surveys of Consumers.

One in four consumers spontaneously mentioned hearing about prospects

for higher taxes when asked to identify what economic news they had heard, the highest level ever recorded. While the Sentiment Index is still well above the August 2011 low associated with the congressional debate on taxes, spending and the deficit, if no resolution is reached the falloff could easily worsen in the weeks ahead, Curtin predicts. Discounted prices and record low interest rates have forestalled declines in buying attitudes but consumers are likely to reduce purchases if income or [payroll taxes](#) increase in 2013.

Dec' 12	Nov' 12	Dec' 11	M-M Chng	Y-Y Chng
Index of Consumer Sentiment				
72.9	82.7	69.9	-11.9%	4.3%
Index of Consumer Expectations				
63.8	77.6	63.6	-17.8%	0.3%
Current Conditions Index				
87	90.7	79.6	-4.1%	9.3%

Personal Finances Weaken

Personal financial expectations fell to their lowest level in a year. Financial gains were expected by just one in four households in December; the majority anticipated no income increase. Even though consumers expected a low inflation rate, the majority nonetheless expected a declining inflation-adjusted income in the year ahead.

Economic Slowdown, Rising Unemployment Anticipate

Consumers anticipated at least a slowdown in economic growth. They more frequently expected a [downturn](#) during the year ahead without a resolution to the fiscal cliff. Just one-third of all consumers expected an uninterrupted expansion over the next five years. The proportion that expected a rising [unemployment rate](#) during the year ahead jumped to 35 percent in December, up from 19 percent in October and the highest level since summer 2011.

Consumer Sentiment Index

The Sentiment Index was 72.9 in December 2012, down from 82.7 in November, but just above last December's 69.9. Most of the December decline was in the Expectations Index, which fell to 63.8, down from 77.6 in November and the lowest level since last December's 63.6. The Current Conditions Index fell to 87.0 in December from 90.7 in November and was well above last December's 79.6.

Provided by University of Michigan

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