

Consumer sentiment strong thanks to middle- and lower-income households

November 26 2015, by Diane Swanbrow

The continued strength in consumer sentiment during the past two months has been due to gains among middle- and lower-income households, while confidence retreated among households with incomes in the upper third of the distribution, according to the University of Michigan Surveys of Consumers.

The offsetting shifts were relatively small and left the overall Sentiment Index in November nearly equal to the average during the past six months (91.6), according to U-M economist Richard Curtin, who directs the surveys.

Other than for the past 12 months, the Sentiment Index was higher in November than at any time since the start of 2007. While the recent crosscurrents in expectations are likely to reflect an ongoing pattern of offsetting adjustments to a slow-growth economy, the data also indicate the indelible impact that the Great Recession has had in making consumers more cautious spenders, Curtin said. Overall, the data are consistent with growth in real personal consumption spending of 2.8 percent in 2016.

Conducted by the U-M Institute for Social Research since 1946, the surveys monitor consumer attitudes and expectations. The data are available non-exclusively via Bloomberg.

"The more guarded outlook of high-income consumers reflects a slightly weaker outlook for their own [personal finances](#) and has prompted a

greater insistence on discounted prices and low interest rates," Curtin said. "Middle- and lower-income [households](#) expect somewhat larger income gains than they enjoyed in the past, but their insistence on discounts is no less than before.

"It is not surprising that the crosscurrent displayed by the domestic and global economies has and will continue to cause adjustments by consumers. These adjustments are needed for consumers to maintain their resilience, which has been crucial to steady the pace of economic growth."

Personal Finances

An improved financial outlook was more common among households with middle and lower incomes. Among consumers with incomes in the top third, just 29 percent expected their finances to improve during the year ahead, compared with 38 percent of middle- and lower-income households. Moreover, most of the recent gains in expected wages for the year ahead were voiced by middle- and lower-income households rather than those in the top third.

Shopping for Discounts

The insistence of consumers on discounts in prices has rarely been greater in the more than half-century history of the surveys. Price discounting completely dominated purchase plans for household durables. For vehicles, [consumers](#) equally favored price discounts as well as low interest rates. Homes were dominated by the appeal of low mortgage rates, with low prices playing a secondary, but nonetheless important role in purchase decisions.

Consumer Sentiment Index

The Sentiment Index was 91.3 in the November 2015 survey, up from 90.0 in October and the 2015 low of 87.2 in September. The largest improvement was in the Current Conditions Index, which rose in November to 104.3 from 102.3 in October and the 2015 low of 100.8 in May. The Expectation Index rose slightly to 82.9 from 82.1 in October, but was well above the 2015 low of 78.2 in September.

More information: umich.edu/~umsurvey

Provided by University of Michigan

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