



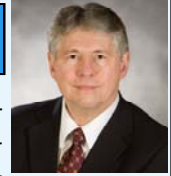
November 27, 2013

## Stock Gains Offset Concerns About Economic Policies

Index of Consumer Sentiment				
Nov '13	Oct '13	Nov '12	M-M Chng	Y-Y Chng
75.1	73.2	82.7	+2.6%	-9.2%
Index of Consumer Expectations				
66.8	62.5	77.7	+6.9%	-14.0%
Current Conditions Index				
88.0	89.9	90.6	-2.1%	-2.9%

**ANN ARBOR.** Consumer confidence rebounded in late November, shaking off the last remnants of the federal shutdown. The November increase was due to an improved outlook for the economy, with the gains primarily among upper income households. Increases in household income and wealth were reflected in more optimistic personal financial assessments among those in the upper third of the income distribution, whereas households in the bottom third reported declines in their incomes as well as negative changes in their net worth. The current state of consumer sentiment is consistent with an economic growth rate slightly above 2%, largely stimulated by wealth gains not improvements in jobs and wages. This amounts to continued economic stagnation, which can be defined like the Fed's definition of stable prices, at about 2%—the average GDP growth rate in the past few years.

### Surveys of Consumers chief economist, Richard Curtin



“Consumers expressed lingering concerns over the upcoming Congressional deadline for reaching a settlement on the federal budget and debt ceiling. While a grand bargain covering both entitlements and taxes could reduce policy uncertainty, it seems far more likely that the only agreement will be to delay a settlement until after the 2014 elections. Consumers expect the growth rate in 2014 will be far short of the economy's potential. The term that best fits the outlook of consumers is stagnation. Consumers' overall assessment of economic prospects is not bad and not good. Economic stagnation is like purgatory, it is neither heaven nor hell.”

### Personal Financial Assessments Diverge

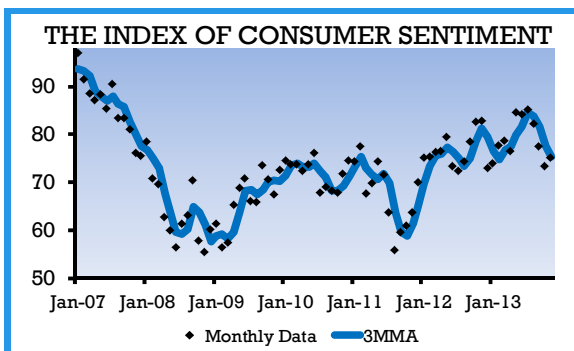
Households in the top third of the income distribution (incomes above \$75,000) reported more recent improvement in their finances, while those in the bottom third (below \$35,000) reported virtually unchanged finances. While this gap is wider than usual, the gap in future financial prospects is much narrower than usual. Rather than expecting even greater gains in the future, high income households did not view their future financial prospects much differently than those with incomes in the bottom two-thirds of the income distribution.

### Views of Government Policies Remain Negative

Spontaneous negative references to the government's economic policies were made by 32% in November, just below the all-time peak of 37% set last month. When directly asked for their views of economic policies, half of all consumers gave unfavorable ratings, nearly equal to the worst level ever recorded in the past half century.

### Consumer Sentiment Index

The Sentiment Index was 75.1 in November 2013, between the 73.2 in October and 77.5 in September, but well below last November's 82.7. Most of the recent strength was in the Expectations Index, which rose to 66.8 in November from 62.5 in October, but was below last year's 77.7. The Current Conditions Index was 88.0 in November, just below the 89.9 in October and last November's 90.6.



### 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 minimum monthly change required for significance at the 95% level in the Sentiment Index is 4.8 points; for Current and Expectations Index the minimum is 6.0 points.

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