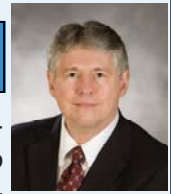


October 26, 2012

## Record Gains in Consumer Confidence

Index of Consumer Sentiment				
Oct '12	Sep '12	Oct '11	M-M Chng	Y-Y Chng
82.6	78.3	60.8	+5.5	+35.9
Index of Consumer Expectations				
79.0	73.5	51.7	+7.5	+52.8
Current Conditions Index				
88.1	85.7	74.9	+2.8	+17.6

### Surveys of Consumers chief economist, Richard Curtin



“The very positive economic expectations of consumers stand in sharp contrast to growing concerns expressed by investors and companies about the impending fiscal cliff as well as the impact of a slowing global economy. While the surge in confidence will act to bolster consumer spending during the upcoming holiday season, it also means that this higher level of optimism is more vulnerable to reversal depending on how and when the fiscal cliff is bridged. The surge in consumer optimism may be largely due to the implied election promises of both candidates that most of the Bush tax cuts and the payroll tax cuts will be promptly extended.”

**ANN ARBOR.** Consumers were more optimistic in the most recent survey about prospects for their own personal finances, anticipated continued improvement in the national economy, and expected the unemployment rate to decline significantly during the year ahead. Overall, consumers were more confident about economic prospects in October than any other time during the past five years. Nonetheless, these substantial gains still left many consumers in a difficult financial situation, as equal numbers reported continued financial declines as reported that their financial situation had improved, and as many consumers anticipated improved economic conditions as expected continued problems in the national economy.

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### Personal Finances Best in Five Years

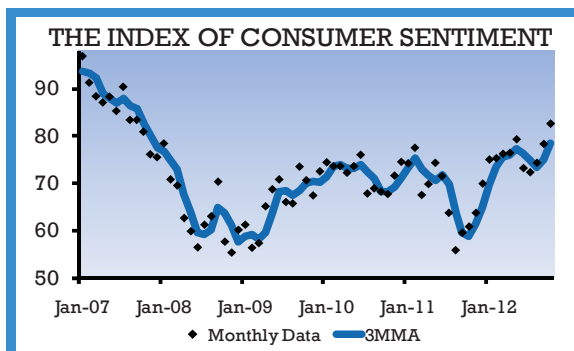
Consumers judged their current financial situation more favorably in October than anytime in the past five years. More households reported recent income gains, and for the first time in four years, half of all households expected their annual incomes to increase during the year ahead. Households anticipated the largest income gains since the November 2008 survey, although the expected gain was still small at just under 1%. Importantly, given the anticipated inflation rate, most consumers still expected no increase in their inflation-adjusted incomes.

### Employment Gains Expected

Anticipated gains in the economy meant that consumers held much more favorable job expectations. The survey recorded the most favorable outlook for the unemployment rate since 1984. Less than one-in-five consumers anticipated any further increases in the unemployment rate during the year ahead in the October 2012 survey.

### Consumer Sentiment Index

The Sentiment Index was 82.6 in the October 2012 survey, up from 78.3 in September and 74.3 in August, and well above last October's 60.8. The largest gains were in the Expectation Index, which improved by 7.5% from a month ago and by 52.8% from the disastrous lows following the debt ceiling debate a year ago. In contrast, the Current Conditions Index was 88.1 in October, up from 85.7 in September but just below August's 88.7. Importantly, current conditions were judged to be 17.6% better than last year.



### 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.