surveys of consumers
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Monitoring trends for over 60 years

Subject: Preliminary results for the March 2013 survey. March 15, 2013
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Consumer confidence plunged in early March due to a dysfunctional government. Never before in the long history of the surveys have so many consumers spontaneously mentioned that the disarray in federal economic policy was the main problem facing the economy. Political posturing has overwhelmed economic sense, according to consumers. While all sides to the debate are well represented in the survey, the frustrations expressed by consumers essentially involve how little consideration has been given to how the government's inability to reach a compromise affects people's economic situation. The fewest consumers in decades anticipated that their finances would improve during the year ahead. Moreover, consumers anticipated a slower pace of growth in the national economy, and unlike the more favorable employment prospects that they held over the past year, consumers now expect net increases in the national unemployment rate. Importantly, the damage to overall buying plans has so far been minimal, with prospects for the home market still improving in early March. Hopefully, economic sense will not remained sequestered, with a grand bargain allowing all sides to claim victory. If the plunge is soon reversed, consumer spending can be expected to grow by1.8% in 2013; if not, spending growth could be considerably slower.

A new all-time record number of consumers made unfavorable references to government economic policies when they were asked to describe in their own words what economic news they had recently heard. In early March, 34% made unfavorable references to government economic policies, up from the prior records of 31% in January, 27% in December 2012, and 26% in August 2011 (during the debt ceiling debate). The overall pace of economic growth was expected to worsen during the year ahead by 30%, up from 22% in February and just 15% in last March's survey. The unemployment rate was expected to increase by 38% of consumers during the year ahead in March, up from 27% in February and just 19% last March. Just 20% expected the national unemployment rate to decline further, down from 23% last month and 29% a year ago. Overall, 57% of all consumers in early March described the conditions that they anticipated for the year ahead as bad economic times.

When consumers were asked about the outlook for their own finances, just 20% expected their financial situation to improve during the year ahead. This was the lowest figure ever recorded, matching the lows first recorded in 1979 and 1980. The big difference was in 1979 and 1980 consumers suffered from double-digit inflation. The current issue for consumers is low wage growth; indeed, 60% of all consumers anticipated no increase in their household income during the year ahead in early March, as they have for most of the past several years. When asked about the outlook for their finances over the next five years, just 33% of all consumers expected to be better off, the lowest level ever recorded (although this questions has only been asked irregularly since 1970). When asked about prospects for their inflation-adjusted incomes, the largest proportion of consumers ever recorded anticipated real income declines in early March (57%, tied with June 2008). Over the next five years, half of all consumers in March thought that there was less than a one-in-four chance of achieving real income gains.

Consumers expected a year-ahead inflation rate of 3.3% in early March, the same level as they anticipated in the prior two months. Importantly, long term inflation expectations indicate that consumers anticipate a falling inflation rate as consumers expected an annual rate of 2.9% over the next five years in early March, down from 3.0% one month and one year earlier.

Home buying and selling conditions were more positive in early March. The conditions for home sales were judged more favorably than anytime since 2007. The increase was due to rising home prices. Among all home owners, 30% reported that the value of their homes had increased during the past year, up from just 11% last March and the highest level since late 2007. Moreover, 40% in early March anticipated increases in their home's value during the year ahead, the highest since early 2007. Vehicle buying plans eased in the past few months, but remained at the same level recorded last March. The issue reported by consumers in March was fewer price discounts on new vehicles (the net fell to +12 from +24 last March), although net references to low interest rates on vehicle purchases remained as common in early March as one month or one year ago.

	March 2012	April 2012	May 2012	June 2012	July 2012	Aug 2012	Sept 2012	Oct 2012	Nov 2012	Dec 2012	Jan 2013	Feb 2013	Prelim March
Index of Consumer Sentiment	76.2	76.4	79.3	73.2	72.3	74.3	78.3	82.6	82.7	72.9	73.8	77.6	71.8
Current Economic Conditions	86.0	82.9	87.2	81.5	82.7	88.7	85.7	88.1	90.6	87.0	85.0	89.0	87.5
Index of Consumer Expectations	69.8	72.3	74.3	67.8	65.6	65.1	73.5	79.0	77.7	63.8	66.6	70.2	61.7
Index Components													
Personal Finances—Current	97	88	93	85	83	90	89	99	97	91	85	90	87
Personal Finances—Expected	112	110	113	110	108	108	113	118	116	102	107	110	99
Economic Outlook—12 Months	79	87	91	79	74	73	87	96	97	74	84	87	70
Economic Outlook—5 Years	89	92	94	81	79	78	95	103	98	77	75	84	76
Buying Conditions—Durables	125	126	132	125	130	139	132	128	137	134	135	140	139

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