



Subject: April 2009 survey results.
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May 1, 2009

Consumer confidence continued to rise in late April, posting the first year-to-year increase since July 2007. The improvement was concentrated in expectations for the future, especially the longer term outlook for the economy, while consumers' assessments of current economic conditions posted only marginal gains. The entire gain can be attributed to favorable assessments of President Obama's stimulus policies. Consumers who thought the policies would be effective in improving the national economy and their own personal finances voiced much more positive economic expectations than those who thought the policies would be ineffective—a difference of 36.3 points on the Expectations Index. In contrast, the Index of Current Economic Conditions differed by just 0.3 points depending on whether they thought the policies would be effective. While the positive impact on economic expectations represents an early favorable outcome of the policies, the policy induced gap in expectations raises the potential for future discontent if the economy fails to improve as anticipated. Moreover, the possibility of a renewed slowdown in consumer spending is substantial given that the pace of consumer expenditures fell significantly from January to March, with the 1st quarter 2009 consumption gain entirely attributable to strong January sales.

When asked to assess President Obama's policies, 65% of all consumers thought that they would be effective in improving the national economy and 43% thought that they would be effective in improving their financial situation. Taking account of both policies, 41% thought the policies would improve both the national economy and their personal finances, while 33% thought the policies would neither help the national economy nor improve their personal finances. The balance of consumers (26%) thought the policies would either benefit the economy or help improve their finances but not both. The impact of these perceptions was substantial on how consumers viewed economic prospects, especially over the long run: among consumers who thought the policies would be ineffective, 77% expected widespread unemployment and depression over the next five years, nearly twice as frequently as those who expected the policies to be effective in improving the economy and finances.

Despite the surge in favorable expectations for the economy, there were two areas of great importance to consumers that did not improve nearly as much: job and income prospects. The unemployment rate was still expected to increase by 53% of all consumers in April, only a small improvement over the 61% recorded in the prior two months. An annual income increase of just 0.3% was expected by consumers in the April survey, barely above the all-time record low of 0.2% recorded in March. Nonetheless, when asked for their overall outlook for their finances, among those who expected the Obama policies to be effective, 38% expected their financial situation to improve during the year ahead, compared with just 18% who expected improvement among those that anticipated the policies would be ineffective at improving either the economy or their finances.

A year-ahead inflation rate of 2.8% was expected in April, up from 2.0% in March and the recent low of 1.7% in December. The recent gains reflected a large shift in the proportion of consumers that expected deflation: in April just 10% expected falling prices, down from 23% in December 2008—which was the highest proportion recorded in the past half century. Consumers anticipated an average annual inflation rate of 2.8% over the next five years in April, between the 2.6% recorded in March and the 3.2% last April. Thus, few consumers now expect the stimulus policies to lead to higher future inflation.

While consumers are now less likely to anticipate an overall deflationary trend, record numbers of consumers have reported that they now expect low and reduced prices for homes, vehicles, and household durables: 55% of all consumers expected lower prices on these products, an all time record. Over the past several years, consumers have begun to learn the advantages of postponing purchases in anticipation of lower prices. There are several other more important factors blocking an increased pace of spending: uncertainty about future jobs and incomes as well as a desire to increase saving and decrease debt.

	April 2008	May 2008	June 2008	July 2008	Aug 2008	Sept 2008	Oct 2008	Nov 2008	Dec 2008	Jan 2009	Feb 2009	Mar 2009	April 2009
Index of Consumer Sentiment	62.6	59.8	56.4	61.2	63.0	70.3	57.6	55.3	60.1	61.2	56.3	57.3	65.1
Current Economic Conditions	77.0	73.3	67.6	73.1	71.0	75.0	58.4	57.5	69.5	66.5	65.5	63.3	68.3
Index of Consumer Expectations	53.3	51.1	49.2	53.5	57.9	67.2	57.0	53.9	54.0	57.8	50.5	53.5	63.1
Index Components													
Personal Finances—Current	86	80	69	73	72	86	60	59	62	70	65	64	70
Personal Finances—Expected	100	98	96	105	105	120	106	107	109	114	103	104	116
Economic Outlook—12 Months	40	36	38	42	52	65	49	42	39	47	31	44	54
Economic Outlook—5 Years	71	68	59	65	72	83	71	65	66	69	66	63	81
Buying Conditions—Durables	112	109	104	115	110	107	89	88	116	101	103	98	105