Consumer Behavior Adapts to
Fundamental Changes in Expectations

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Introduction

I have been reporting on the economic implications of the latest twists and turns in consumer expectations at this conference for nearly four decades. From the heights of expansions to the depths of recessions, consumers had never deserted their bedrock belief that the economy would produce ever increasing levels of affluence. The Great Recession, unlike any other downturn in the past half century, has not only tarnished the American Dream, but has prompted some fundamental changes in consumer expectations and behavior. Like the Great Depression of the 1930's, the recent downturn has had a far larger impact than could be attributed to the briefly negative GDP. The collapse of the old order, both in the 1930's as well as recently, followed a period when every sector in the economy acted as though they were invincible. Economic risks were seen as trivial and easily hedged against. This mentality affected consumers, firms, financial institutions, and federal agencies. It also affected economists. Just a decade ago, economists became convinced that cyclical developments in the U.S. economy had undergone a “great moderation,” meaning that cyclical downturns had become progressively less severe and, as a consequence, more easily manageable by economic policies. Hardly any economist could imagine the reoccurrence of another worldwide economic crisis. Our growing knowledge of the workings of the economy as well as the more sophisticated policy tools that are now available meant that such a calamity would never happen again.

To be sure, the size and scope of fiscal and monetary stimulus policies were unmatched by anything in the past. While these policies were effective in preventing a disastrous outcome similar to the 1930's, they were ineffective in restoring confidence and optimism among consumers. Indeed, the common diagnosis of what ails the U.S. economy is “inadequate” consumer demand. Since consumer spending accounts for two-thirds of the economy, to restore prosperity obviously requires a robust consumer sector.

Why didn’t the consumer react to the federal stimulus in the manner that was widely expected? I believe there were two basic reasons: federal policies that were initially inappropriate and subsequent fundamental shifts in consumer expectations. The initial federal policies were designed to stimulate spending and to make debt more attractive and less expensive. That approach was resisted since the top priority of households was to reduce their indebtedness and rebalance their finances. In past recessions, consumers would have relied on rising incomes and asset values as well as debt cutbacks to speed their rebalancing efforts. With stagnant incomes and deep declines in home values, people had no other viable choice but to reduce their spending. Although the aggressive Fed policies have finally sparked gains in household wealth, wage and job prospects have remained stagnant. Consumers reluctantly accepted the fact that their prior, more optimistic, economic expectations were now unrealistic. As a consequence, over the past few years a fundamental change has occurred in consumer expectations regarding prospects for jobs,
incomes, and the role of government. In the unvarnished American Dream, consumers were confident and optimistic about their future job and income prospects as well as the government’s ability to keep the economy on a prosperous course. Those expectations have not disappeared, but they have become tarnished for a substantial number of Americans.

Most consumers have come to believe that their wage incomes will not grow as fast as in the past. Such a decline in what consumers judge to be their permanent incomes means permanently lower consumer spending as well—of course, permanent is a relative term. Moreover, not only has rebalancing their finances been a top priority, but their future wellbeing has become more closely tied to changes in the value of their household assets. At the same time, employment has lost some of its appeal, with labor force participation rates declining to a significant extent. While the so-called discouraged worker effect was initially viewed as the normal result of a severe economic downturn, its persistence is likely to reflect a more lasting reduction in work motivations. This may strike some as a contrarian shift, but it has been found that the less attainable a goal appears, the less effort is expended to achieve the goal. Declining efforts toward economic advancement for many consumers may reflect the growing divergence in incomes, wealth, and job opportunities. It is important to note that both the increase in the importance of household wealth as well as the decline in labor force participation rates can in part be attributed to the aging baby boom generation.

The other significant change involves how the public views the effectiveness of government economic policies, including issues of equity and fairness. The public has long believed that the government had the responsibility for ensuring economic growth. Lately, however, the actions of the government have generated greater economic uncertainty than confidence. Consumers now believe that Congress is fighting an ideological battle about who gains and who pays, with no action too extreme to force submission. To be sure, consumers are not innocent bystanders; they gladly participate in these ideological debates. Nonetheless, most consumers express dissatisfaction with the government’s inability to come to a resolution. Government, once viewed as the guarantor of a prosperous economy, is now viewed as the purveyor of lower entitlements and higher taxes.

**Consumer Sentiment: Inability to Sustain Gains**

I will begin this discussion, as I always do at these conferences, with a review of the overall state of consumer confidence. The Consumer Sentiment Index declined in the latest survey, falling to 72.0 in early November, from 73.2 in the prior month and 82.1 three months ago (see Chart 1; note that the 4th quarter 2013 estimate is the average of the preliminary November and October readings). The early November reading put the Sentiment Index at its lowest level since late 2011. More telling, the current level of the Sentiment Index is more comparable to its past cyclical lows than its peaks. The inability to sustain and build on past gains makes the current recovery unlike any other in the past half century. For the third time in as many years, the retreat in confidence has been in reaction to Congressional debates about the federal budget and debt ceiling. Unfortunately, the basic issues were not resolved since the agreement merely postponed the decision for a few months. The concern of consumers is that the indecision on the part of the government would slow the pace of economic growth, and as a consequence, slow employment growth. To say that consumers were disappointed by the inability of the government to reach a settlement is a vast understatement. For many consumers, the government has become part of the problem rather than part of the solution.
The correspondence between the Sentiment Index and GDP growth remains close, with consumers expecting a somewhat slower pace of growth during the year ahead (see Chart 2). This may well be a false signal, due to the government shutdown and delayed decision. The Sentiment Index is likely to rebound, and rebound more significantly if a Congressional decision is reached that is somewhat closer to a lasting solution. On the other hand, it could weaken if partisan divisions prevent anything close to a grand bargain by simply extending the deadline until after next year's Congressional elections. The lasting impact of these self-inflicted crises may be a total loss of trust and confidence in the institutions of government.

The Government’s Role in Creating Economic Uncertainty

Consumers are asked in each survey whether they have heard of any recent economic developments, and if so, to describe what they had heard in their own words. One-hundred different categories of responses have been tracked over time, including news about government economic policies. Very few consumers volunteer that they heard about positive economic news; most news reports involve negative developments. The reasons for this asymmetry are well known, reflecting a greater aversion to losses than to gains, or what Ben Bernanke called the “bad news principle.” As you might imagine, news about changes in prices and unemployment have dominated the responses over the more than half a century that this question has been asked. Negative news about the government’s economic policies was barely noticeable in the decades of the 1950’s, 1960’s and 1970’s (see Chart 3). In the 1980’s and 1990’s, negative news about government policies was more noticeable, although still rare. In sharp contrast, in the past three years unfavorable references to the government have grown ever larger, and have repeatedly set new all-time records.

The first record occurred during the debt ceiling debate in the summer of 2011. Ordinary consumers were astonished by what they heard on the televised congressional debate. One-in-four consumers volunteered their negative assessment of the government, well above the peak levels recorded in the prior decade. Moreover, the overall level of consumer confidence plunged to a low comparable to the trough of the Great Recession. Confidence finally recovered near the end of the following year, just in time to confront the fiscal cliff debates. That showdown led an even larger number of consumers volunteering their negative opinions about the government. Again, it significantly lowered confidence, which took another six months to recover. Finally, the latest fiasco over the debt and budget has just concluded. One-third of all consumers expressed negative evaluations of the government, setting the third all-time peak in three years. As I have already mentioned, the overall level of consumer confidence has again declined, falling to its lowest level since late 2011.

While I believe this question best captures the discontent of consumers with how the government conducts its economic policy, the surveys also includes another more direct assessment of economic policies. The question directly asks consumers whether they think the government is doing a good, a fair, or a poor job. The latest survey indicates that this evaluation is insignificantly different from the lowest level ever recorded (see Chart 4). Across all consumers, 54% gave an unfavorable evaluation of current economic policies, just below the all-time peak of 57% recorded during the first debt ceiling fiasco in 2011. Discontent about the government’s performance is hardly new. What is new is that the prior expressions of discontent prompted changes in economic policies which successfully reinvigorated the economy. This has been the
longest stretch of time where in which no action by the government was viewed as an effective countermeasure to the economic problems faced by most consumers.

To be sure, most people are aware of the imbalances in the federal budget. Who could be surprised that the critical issue for consumers is who pays more and who gets less. From the perspective of a shrinking federal pie, some may assert that it is only natural that ideology would overwhelm compromise. I disagree. The main culprit is the expectation of a stagnating economy and diminished job and income expectations. These concerns are exacerbated by the uneven distribution of income and wealth as well as job opportunities.

Personal Finances Benefit From Wealth Gains

The financial situation of consumers represents the best and the worst of the current recovery. Consumers are not as pessimistic about their current finances as at the all-time low in 2009, but the gains have been marginal (see Chart 5). In the latest survey, more households judged their finances as having worsened during the past year (36%) than improved (29%). When asked to explain in their own words how their finances have changed, there were as many households reporting income gains as declines (see Chart 6). This represented a substantial improvement over the past several years, when declines easily outnumbered income advances. Indeed, in the long history of the surveys, consumers never reported net income declines before 2008, but since then have reported them in most every survey. The income gains that were recently reported were concentrated among households with incomes in the upper third of the income distribution. The improvement since the 2009 lows was significantly smaller among households in the bottom third of the income distribution.

Another factor that improved the finances of households in the top third of the income distributions were gains in wealth. Net wealth gains were defined as the balance between references to changes in assets and changes in debts. The most important implication is that household wealth has become an increasingly important component of the financial wellbeing of households (see Chart 7). The resurgence has been primarily due to increases in stock prices as well as gains in home values. As with income gains, reports of wealth gains were rare or nonexistent among lower income households. Wealth gains were reported by one-in-four households in the top third of income distribution in the most recent survey. Indeed, among these top income households, reports of wealth gains were more frequent than of income gains.

In addition to stock gains, home values have also increased, although not nearly as much as stock prices. Two-thirds of all consumers own their homes, making it the most common asset owned by consumers. In the latest survey, 38% of all homeowners reported that the value of their home had increased during the past year, while 15% reported continued declines. This was the best showing since 2007 (see Chart 8). Households with the highest incomes were more likely to report gains in home values, and more likely to report the largest improvement since 2009. Households with incomes in the bottom third still reported declines in home values slightly more frequently than increases in the latest survey.

The rise in stock prices as well as the gains in home prices were the anticipated and desired outcomes of the Fed’s policy actions. The intent was to stimulate spending among upper income households and ultimately energize the economic situation of an increasingly wider group of
consumers. The policy has been much less effective at improving how consumers, even higher income households, view their future financial prospects. Indeed, consumers still view the outlook for their finances as not too different than at the recession lowpoint (see Chart 9). Overall, the proportion that anticipated improved finances during the year ahead was barely above the number that expected their finances to worsen (23% versus 18%). Moreover, the majority (56%) expected an unchanged financial situation during the year ahead. This can be interpreted as a defensive outlook in that people think their finances will not (or could not) get any worse.

The main reason for the lack of improvement in the finances of consumers is stagnating wages. The median expected increase in nominal incomes was just one-half of a percentage point across all families (see Chart 10). Indeed, half of all families expected no income gain at all during the year ahead. Even among households with incomes in the top third, a gain of just 1.1% is anticipated in their nominal incomes in the year ahead, an amount that will be easily topped by even the prevailing low rate of inflation. Moreover, expected income gains did not significantly differ among the top two-thirds of the income distribution. Whereas the gains in wealth were able to overcome lagging incomes in consumers’ evaluations of their current financial position, those benefits did not extend to their expectations about their future finances.

Real income expectations have improved mainly due to lower inflation rates not higher expected income gains (see Chart 11). Note, however, the improvement in inflation-adjusted income expectations is one that only an economist could appreciate. It is still true that nearly half of all consumers anticipate declining inflation-adjusted incomes during the year ahead. Unlike concerns about potential deflation in Europe, consumers see little chance that prices will decline over the next five years or so, anticipated by just 4% of all consumers.

**Weak Employment Gains**
**Due to Weak Economy**

Weak income expectations are naturally associated with weak employment gains and sluggish economic growth. I have been repeatedly asked why consumers are asked about overall prospects for the national economy when the consumer can be expected to be knowledgeable only about their jobs and incomes. Consumers are not so foolish to base their plans on such proximate causes. Consumers have learned from experience that the best indicators of trouble ahead lie in a more general assessment of the economic environment. As I have already noted, consumers view the Congressional quagmire as generating the type of uncertainty that inhibits economic growth. It should be no surprise that in the most recent survey consumers were quite negative about prospects for the economy during the year ahead (see Chart 12). Indeed, nearly six-in-ten consumers anticipated bad times in the overall economy during the year ahead. While a new Congressional settlement in the months ahead may well improve these prospects, even at their best during the past several years the balance of opinion has never tilted toward a favorable outlook.

The five-year outlook for the national economy is more significant for understanding the weak assessments made by consumers of their future financial prospects. This question is perhaps the most controversial since it seemingly demands the most knowledge about the economy over the next five years. To be honest, I have noticed over the years that the people who have the hardest time answering this question are economists. Their answers are long and filled with many qualifications and conditional predictions. For most people, however, the question is immediately understood as a general assessment of the longer term economic environment. The latest data
indicate that six-in-ten consumers do not expect the economy to grow continuously, but anticipate that the economy will experience sporadic downturns (see Chart 13). In short, people do not expect the economy to be consistently supportive of sustained growth in jobs and incomes. In contrast, what characterized the expansions of the early 1960's and late 1990's was a widespread sense of confidence in long term economic prospects for growth in jobs and incomes.

**Employment and Unemployment Rates Sharply Diverge**

The national unemployment rate has declined for several years, and stood at 7.3% in November, down from a peak of 10.0% in 2009 (see Chart 14). The Fed has mentioned that monetary stimulus would be needed as long as the unemployment rate remained above 6.5%. By this standard the only groups above that threshold in November were workers under 25 or those with a high school education or less. In contrast, the current unemployment rate among college graduates was just 3.8% in November.

Consumers are asked about how they expect the unemployment rate to change during the year ahead. The correspondence of their expectations and the actual change in the unemployment rate remains quite close (see Chart 15). The data suggests that additional declines in the year ahead will be quite small. While the survey has never directly asked about expected changes in the employment rate since in the past the employment and unemployment rates were highly correlated. Nonetheless, the question that is asked about whether they had heard of any new economic developments has tracked changes in net references to employment. This series has been closely associated with the actual percentage change in payroll employment until just recently (see Chart 16). Consumers have overestimated the gains in employment consistently for the past several years. In short, consumers have perceived greater employment growth than has actually occurred. Perhaps the most likely reason is that following the Great Recession consumers have been extremely sensitive to any news of job growth. But this exaggerated sensitivity did not extend to unemployment expectations.

The primary divergence has been between the labor force participation rate and the proportion of the working age population employed (see Chart 17). Note that it is the ratio of these two figures that defines the unemployment rate. As vividly shown, the falling unemployment rate was due to declining labor force participation rates not an increase in the proportion of the population employed. As the participation rate declines, fewer jobs need to be created each month to record a decrease in the unemployment rate. To be sure, the decline in participation rates is partly due to the growing numbers of the baby boom generation that are retiring. Recent work at the Brookings Institution estimates about half of the decline is due to retiring baby boomers. Presumably, this decline would have been larger if older workers did not extend their work lives (see Chart 18). One-third of men aged 65 to 69 are still working and one-in-ten of men 75 or older still work. Among women, one-in-four aged 65 to 69 still work, and one-in-twenty women 75 or older still work. Nonetheless, the overall participation rates of those 55 and older are much lower than those in the prime age groups.

Among the youngest of workers, those under age 25, the proportion currently working is near its all time lows—46.9% for men and 46.3% for women (see Chart 19). There are a number of reasons for the low participate rates among the youngest workers, such as continued schooling. In any event, the participation rates for the youngest workers have improved in the past few years.
by about 2 to 3 percentage points, but remain well below the 60% level in 2000. Perhaps a more important indicator is the decline among those aged 25 to 34, an age range associated with increasing skills and productivity as well as higher wages. Employment in this age group has also rebounded, but the gain hardly compares with the decline from 2008, especially for men.

**Debt and Spending**

Balance sheets of U.S. households have considerably improved due to both increases in asset values as well as declines in total debt (see Chart 20). The latest data from the Federal Reserve indicate an overall increase in total household debt of just 0.2%. A much higher growth rate in consumer debt was largely offset by continued declines in mortgage debt. Although mortgage debt has been declining for most of the past five years, it still represents a hefty share of total disposable income (see Chart 21). By mid 2013, mortgage debt was still equal to 75% of income, while sharply below the 100% recorded at its peak, it is still well above the 60% mark of the 1990's or the 40% level of the 1960's to mid 1980's. Home foreclosures as well as delinquencies have also been substantially reduced. Foreclosures, at 0.75% of all outstanding mortgages, have been greatly reduced from the peak of 2.9% in late 2009, but are still five times higher than the average level from 1991 to 2007. Mortgage delinquencies have also declined, falling to 9.4% from a peak of 11.3%, but still more than four times the average level from 1991 to 2007. Even though at improved levels, these data indicate a continuing financial struggle for many homeowners.

Since most home buyers also have to sell their current homes, the monthly surveys monitor changes in home buying and home selling conditions. Home buying conditions have been viewed quite favorably due to low mortgage rates and discounted prices. While selling conditions have improved during the past year, they remain much less favorable than home buying conditions. The single most important reason for improvement in home selling has been rising home prices. Needless to say rising home prices have dimmed home buying plans. You might imagine that if home prices were expected to post significant and cumulative gains in the future, rising home prices would boost home buying attitudes as well. After all, that was the main motive underlying the housing boom.

In the surveys, consumers are asked about the rate of appreciation they anticipate in home prices during the year ahead, and more importantly, the annual rate they expect over the next five years. These figures were adjusted for the inflation rates consumers anticipated over the same time horizons (see Chart 22). These real home price expectations indicate a declining value of homes over the forecast horizons. Of course, there is a wide variance in the performance of local housing markets, with some supporting exceptional gains and others continued declines. Across the nation as a whole, only owners of homes with the highest market values expected a positive real rate of return over the next five years, but it was quite small at just 0.5% per year. Clearly most owners are not extrapolating recent gains in home values into the future. To be sure, buying a home today is less of an investment decision and more of a consumption decision. These dismal real home price expectations will temper market growth in the foreseeable future.

Overall, the data suggest that housing starts will be just above 1 million in 2014, and light vehicle sales can be expected to be close to 16 million in 2014. Total consumer expenditures are expected to rise by 2.3% in 2014 (see Chart 23). Needless to say, upper income households will dominate the expected gains due to the significant gains in equities as well as home values.
Summary Outlook

This presentation documented three changes in consumer expectations: reduced income expectations, lower work motivations, and the loss of confidence in the government’s economic policies. Five years ago at this conference, I identified a progression of consumer discontent that had occurred in every economic cycle in the past century. The final stage of discontent, that of total economic despair, has only occurred during the Great Depression. I noted then, and in the following years, that there was no evidence that the country had or would succumb to that terminal stage of despair in which consumers gave up all hope that conditions would ever improve. Today’s economy is not in the grips of a depression comparable to the 1930’s, but the performance of the economy has been far short of its potential. The term that I have used to more accurately describe today’s economy is stagnation. While some think of stagnation as equivalent to a zero rate of growth, I think stagnation is best defined at about a 2% rate of growth. The Fed uses that same rate to effectively define price stability. 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.

I started this presentation by identifying inadequate consumer demand as the prime reason for the persistent growth slowdown. The main motivation of consumers for their spending cutbacks was to enable them to rebalance their finances. The initial government stimulus policies ignored this reality and tried to convince consumers to spend more and take on even more debt. In the absence of more tailored policies, attempts by consumers to rebalance their finances resulted in a diminished pace of spending. The resulting inability of the national economy to post robust growth rates and produce more jobs and rising wages reinforced and heightened their concerns. This negative feedback loop has so far proved too difficult to break.

Extraordinary stimulus policies are still needed. It took a more aggressive and longer lasting stimulus to get the country out of the Great Depression. Indeed, the exit from the Great Depression depended on the enormous spike in spending associated with WWII. High levels of unemployment continued throughout the decade of the 1930’s, only declining in the 1940’s with the buildup for WWII, and during the war years, consumers’ savings averaged about 20%, which rebalanced their finances. Indeed, one of the findings from the first survey of consumers conducted in 1946 was that households considered it essential to maintain their restored finances even if it meant postponing spending on items they couldn’t buy during the war and couldn’t afford during the depression.

Unfortunately, consumers all too often generalize the need to rebalance their finances to a preference for the federal government to do the same. As a result, federal policies concerning spending and taxes have never been more contentious. After each Congressional showdown, I hoped that all sides would have learned an important lesson and would favor more cooperative efforts in the future. That has not happened. While deficit and debt ceiling legislation can be expected to pass in Congress in the months ahead, I do not expect it to be a comprehensive solution or long lasting. The most likely outcome is another postponement until after the 2014 Congressional elections. The underlying stridency may reflect a rising belief among consumers that changes in entitlements and taxes will have a much larger impact on their future economic wellbeing than changes in income and job opportunities. If that is true, the widespread distaste for the Congressional quagmire is likely to reflect consumers’ discontent that the policies that favor their own future welfare may not prevail.
What are the appropriate economic policies to move from stagnation to a growth rate closer to the economy's potential? The Fed’s policy that promotes the growth in household wealth by increasing asset prices while keeping the cost of debt low is certainly welcome. Tapering those efforts due to fears of inflation is unwarranted; indeed, a slightly higher inflation rate may be beneficial. The key to this policy is not to push prices high enough to ensure a new bubble in asset prices but high enough so that the effect of wealth on consumption is more noticeable. And the key to the Fed’s interest rate policy is the recognition that the rate of unemployment identified as a policy guide misses the most important target. Why would anyone think a policy has been successful in lowering unemployment if the jobless rate fell due to declining labor force participation? The Fed’s mandate is to achieve price stability and full employment. While it may not have made a practical difference in the past, the recent divergence between the rates of employment and unemployment now make a critical difference to the ultimate success of the policy. The economy would benefit from aggressive fiscal policies, now stymied by the unwarranted fear of deficits. Passing a “grand bargain” that incorporates near term stimulus, long term increases in taxes, and entitlement reform is the more appropriate choice. The passage of such a grand bargain a few years ago, regardless of who got more and who got less at the margin, would have represented a significant contribution to today’s economy. At the very least, the President and Congress should remember the dictum: do no harm!

The proven route to reestablish favorable consumer expectations requires trust and confidence in government economic policies. That route is no longer available; indeed, dissatisfaction with government has become an essential part of the problem. It is not an easy task to rebuild diminished economic expectations. Expectations do respond to changes in the real economy, but the timing of the response depends on consumers’ confidence in the government. When confidence in government is high, consumers change their behavior in anticipation of a change in policy. When confidence in government is low, consumers are more likely to postpone action until after a policy is implemented and proven successful. Since most of the time the policy amounts to merely a nudge in the desired direction, it is easy to understand why the anticipatory effect determines its ultimate success. The longer the period of economic stagnation, the more difficult the task of rebuilding consumer optimism.

Overall, this assessment of economic prospects is not bad and not good. Economic stagnation is like purgatory, it is neither heaven nor hell.
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Chart 1: Consumer Sentiment Unable To Sustain Gains

All time Records: Peak = 112.0 (Jan 2000); Trough = 51.7 (May 1980)
Last cyclical low = 55.3 (November 2008); Recent low = 55.7 (August 2011)

Chart 2: Sentiment Decline Signals Weaker GDP Growth During Year Ahead

Chart 3: News of Economic Policies Implies the Government is the Problem Not the Solution

Chart 4: Loss of Confidence in Obama’s Economic Policies

Chart 5: Consumer Finances Reflect Stagnant Incomes and Rising Wealth
Chart 6: Recent Income Changes Barely Positive After Years of Record Lows

Net income declines never recorded before 2008.

Chart 7: Rising Impact of Wealth on Personal Finances (Net Change in Assets and Debts)

Chart 8: Home Values Post Significant Gains During the Past Year (Three month moving averages)

Chart 9: Weaker Financial Prospects Expected for Year Ahead

Chart 10: Income Prospects Remain Grim

Chart 11: Improvement in Real Income Expectations Due to Lower Anticipated Inflation
Chart 12: Year Ahead Outlook for Economy Sinks Again Due to Congressional Follies

- Average = 110
- 2013:4p = 69
  - (28% Better – 59% Worse)

Chart 13: Doubts About Five-Year Economic Outlook Due to Fears of Renewed Downturns

- Average = 93
- 2013:4p = 73
  - (33% Better – 60% Worse)

Chart 14: Persistent Gaps in Unemployment Rates Among Young and Less Educated

- Oct 2013: All workers
  - Less HS: 10.9%
  - HS Grad: 7.3%
  - Some Coll: 6.3%
  - Coll Grad: 3.8%
  - Under 25: 15.1%
  - 25 – 54: 6.3%
  - 55 +: 5.4%
- Oct 2013: All Workers = 7.3%
  - Married Workers = 4.6%

Chart 15: Consumers Expect Small Declines in Unemployment Rate During Year Ahead

- Oct 2013: All workers
  - Consumer Expectations = 57%
  - Employment = 58%

Chart 16: Consumer Reports of News about Jobs And Changes in Total Nonfarm Employment (Three month moving averages)

- Consumer News
- Employ Y/Y%

Chart 17: Unemployment Is Equal to the Ratio of Employment to Labor Force Participation Rates

- Participation Rate
  - October 62.8
  - Peak = 67.3
  - Employment Ratio
  - October 58.3
  - Unemployment rate = 1 – (58.27/62.85) = 7.28%
Chart 18: Rising Employment of Men and Women Over Age 55

Chart 19: Diminished Employment of Men and Women Aged 25 – 34

Chart 20: Declines in Mortgage Debt Are Barely Offset by Increases in Consumer Debt

Chart 21: Mortgage Debt Still Excessive (Debt as a Percentage of Personal Disposable Income)

Chart 22: Real Home Prices Expected to Decline Over Foreseeable Future (Annual Rates of appreciation: three month moving averages)

Chart 23: Consumer Expectations Indicate Moderate Expansion in Total Personal Consumption Expenditures