



Michigan Consumer Sentiment: June Preliminary Rose Slightly

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of Advisor Perspectives

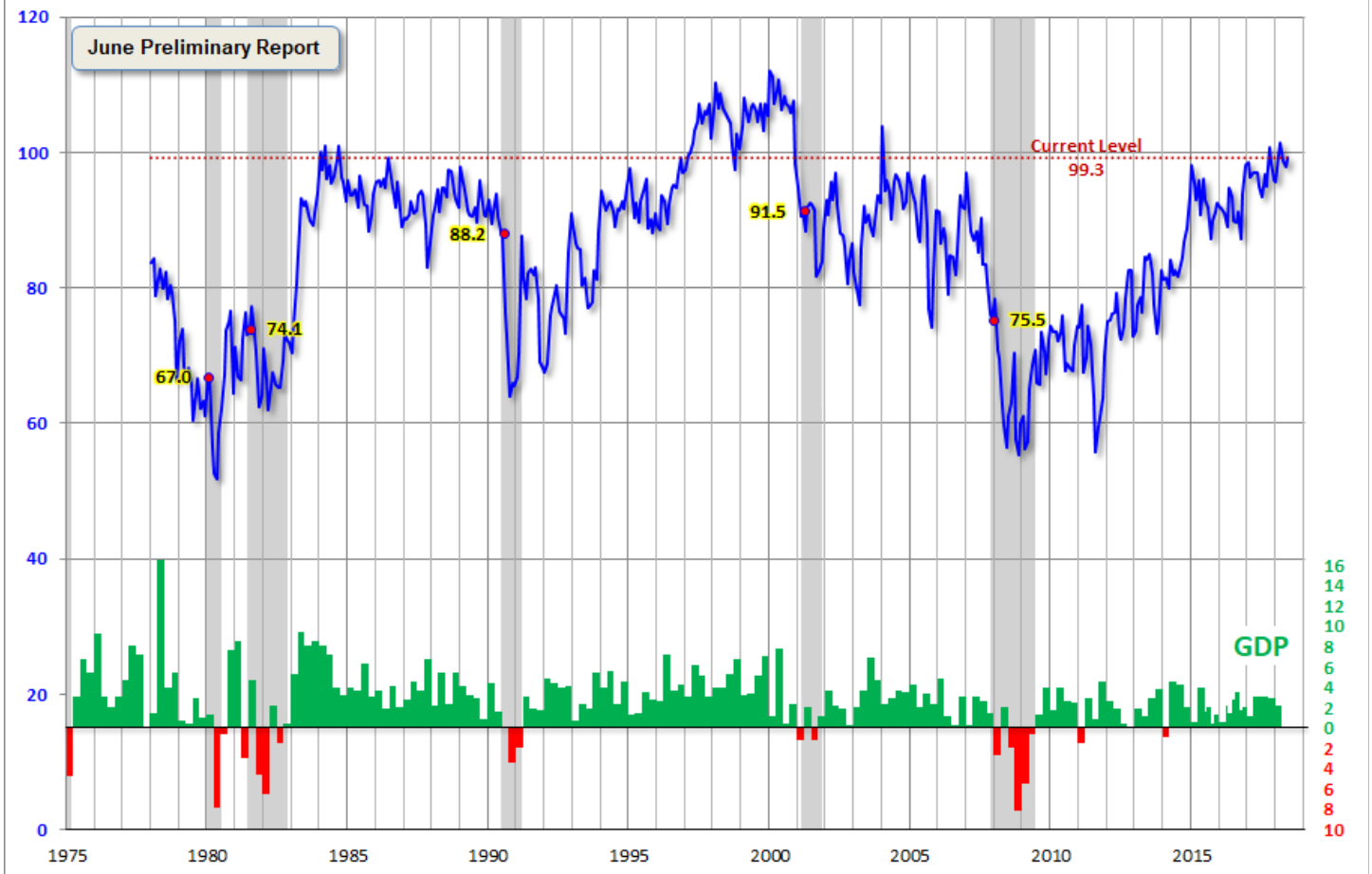
The University of Michigan Preliminary Consumer Sentiment for June came in at 99.3, up 1.3 from the May Final reading. Investing.com had forecast 98.5.

Surveys of Consumers chief economist, Richard Curtin, makes the following comments:

Consumer sentiment rose slightly in early June due to consumers' more favorable assessments of their current financial situation and more favorable views of current buying conditions for household durables. The Expectations Index, in contrast, declined to its lowest level since the start of the year due to less favorable prospects for the overall economy. The sharpest divide was between the record number of households who mentioned recent income gains and the highest expected year-ahead inflation rate since 2015. At some point in every economic expansion, favorable income and job prospects act to offset higher inflation and interest rate expectations. Only when inflation and interest rates are expected to persistently exceed income and job prospects will consumers begin to curtail their discretionary spending. Indeed, greater certainty about future income and job prospects have become the main drivers of more favorable purchase plans. The importance of favorable job prospects for discretionary spending on durables is highlighted in the chart, which shows the correspondence between consumers' unemployment expectations and the annual per capita change in expenditures on durable goods from BEA accounts. The unemployment rate during the year ahead was more often expected to decline than increase (29% versus 23%), with most (48%) expecting it to remain unchanged at its current low, which should modestly accelerate purchases. Moreover, the continued small declines that are now anticipated in the unemployment rate, as well as more robust gains in household income, will bolster real personal consumption expenditures during the year ahead. [More...]

See the chart below for a long-term perspective on this widely watched indicator. Recessions and real GDP are included to help us evaluate the correlation between the Michigan Consumer Sentiment Index and the broader economy.

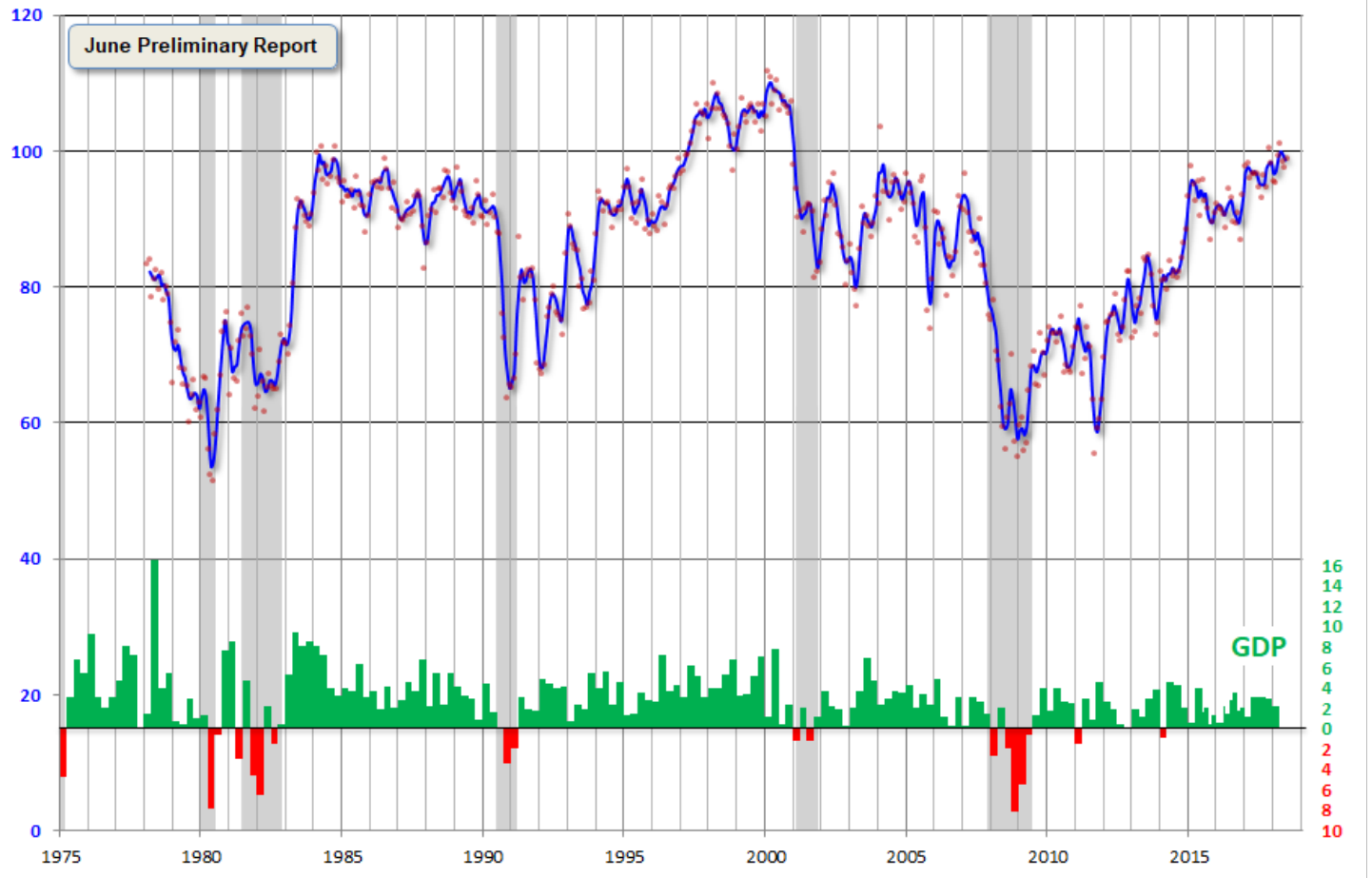
University of Michigan Consumer Sentiment Index GDP and Recessions



To put today's report into the larger historical context since its beginning in 1978, consumer sentiment is 15.6 percent above the average reading (arithmetic mean) and 16.9 percent above the geometric mean. The current index level is at the 89th percentile of the 486 monthly data points in this series.

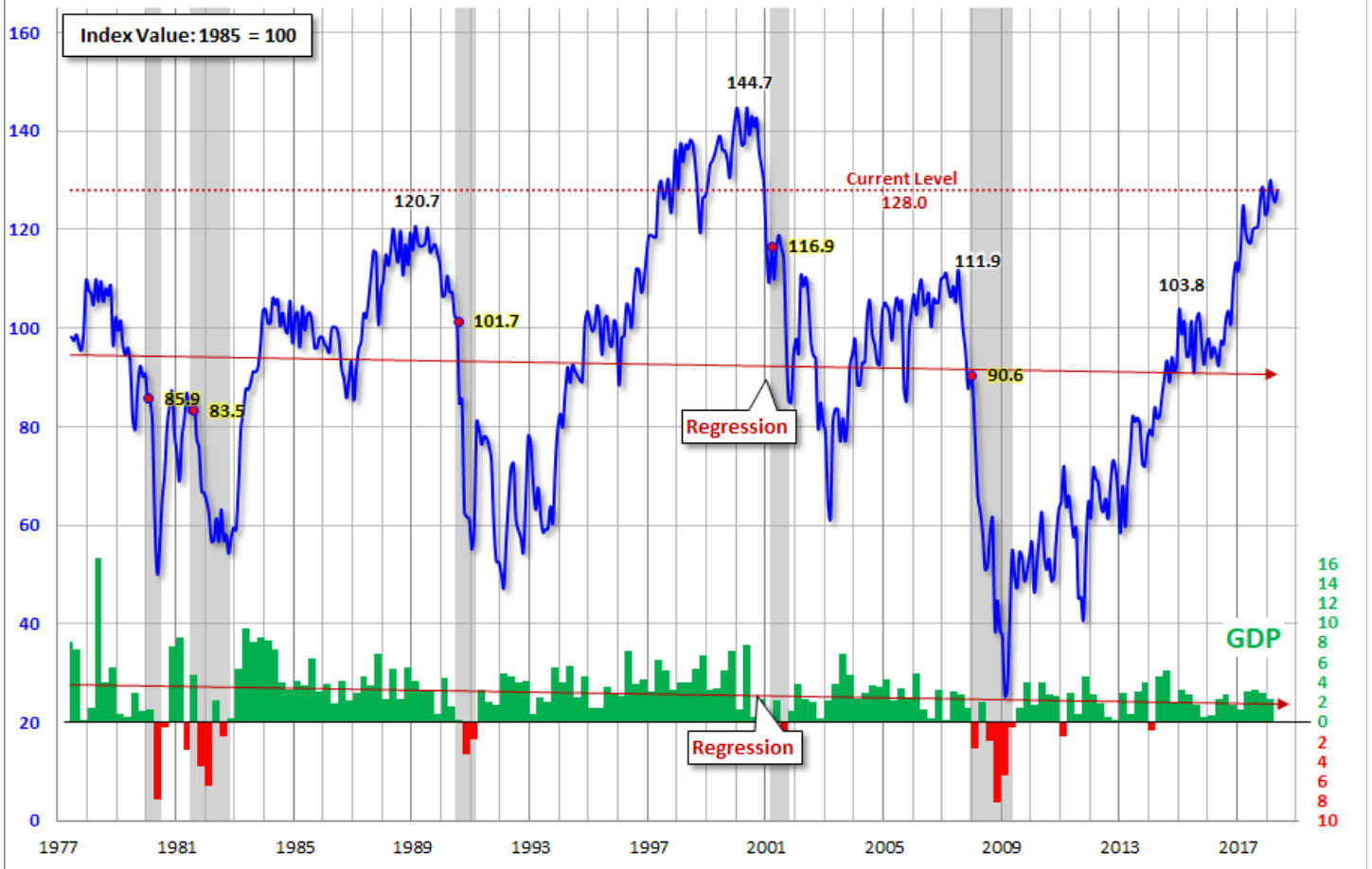
Note that this indicator is somewhat volatile, with a 3.0 point absolute average monthly change. The latest data point saw a 1.3 percent change from the previous month. For a visual sense of the volatility, here is a chart with the monthly data and a three-month moving average.

University of Michigan Consumer Sentiment Index 3-Month Moving Average, GDP and Recessions



For the sake of comparison, here is a chart of the Conference Board's Consumer Confidence Index (monthly update here). The Conference Board Index is the more volatile of the two, but the broad pattern and general trends have been remarkably similar to the Michigan Index.

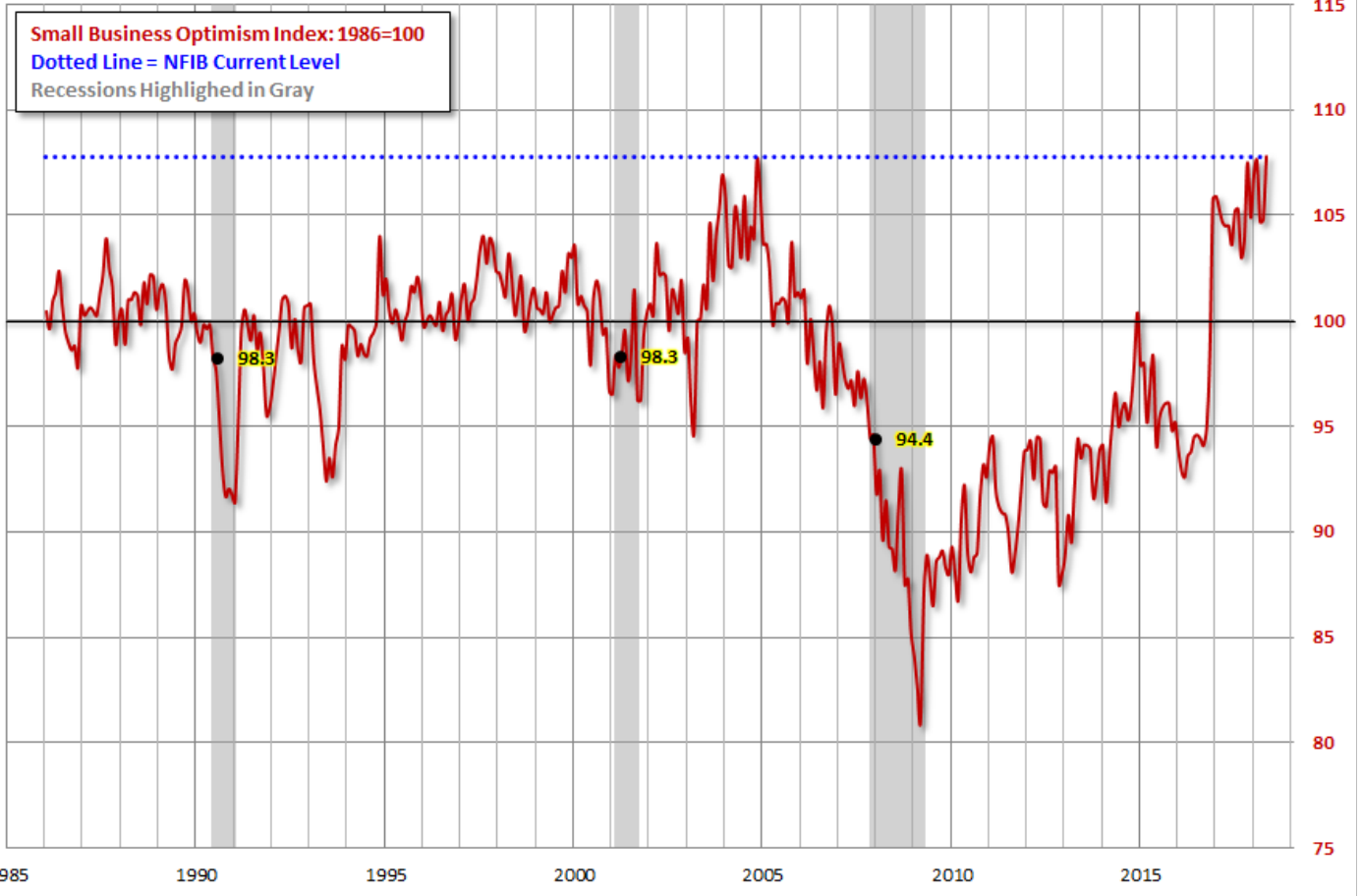
Conference Board Consumer Confidence Index Recessions Highlighted in Gray, Real GDP Shown Below



And finally, the prevailing mood of the Michigan survey is also similar to the mood of small business owners, as captured by the NFIB Business Optimism Index (monthly update here).

NFIB Small Business Optimism Index

..... Current Level is now at 107.8 ● Recession Starts



The general trend in the Michigan Sentiment Index since the Financial Crisis lows was one of slow improvement. The survey findings saw a jump in late 2016 with improvements that have continued through the present.

The next update to this report will be for the June final data and will be published June 29.