

## Economics Group

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### Consumer Sentiment Falls in December

**University of Michigan Consumer Sentiment fell slightly in early December, slipping to 96.8 from 98.5. Reduced expectations accounted for most of the drop, possibly reflecting heightened legislative uncertainty.**

#### Consumers Feel Positive About Current Conditions

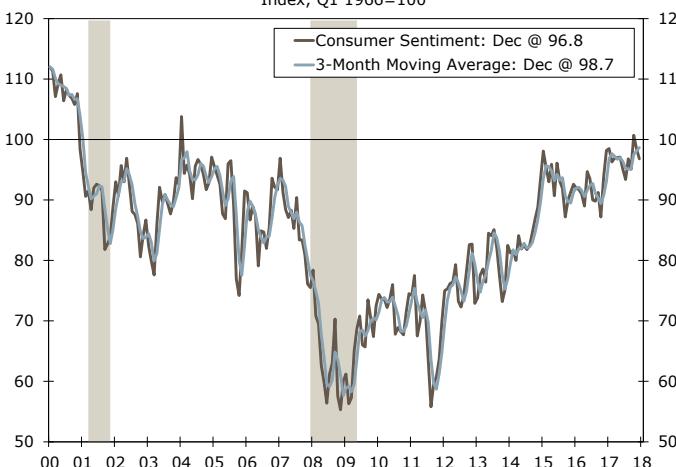
- While the University of Michigan's Index of Consumer Sentiment fell 1.7 points in early December, it remains close to its decade high hit in October. The current conditions series rose in early December but was offset by a decline in expectations.
- Nearly a third of all survey participants spontaneously noted the ongoing tax legislation. Of those, a slight majority thought the tax package would have a positive economic impact.

#### Inflation Expectations Rose Slightly

- Inflation expectations ticked up modestly, possibly reflecting higher gasoline prices, rising rents and higher home prices. Long term inflation expectations also rose but remain at the low end of their recent range.
- Consumer spending does not follow every twist and turn of consumer sentiment. The latest numbers remain consistent with strong economic growth and solid gains in consumer spending.

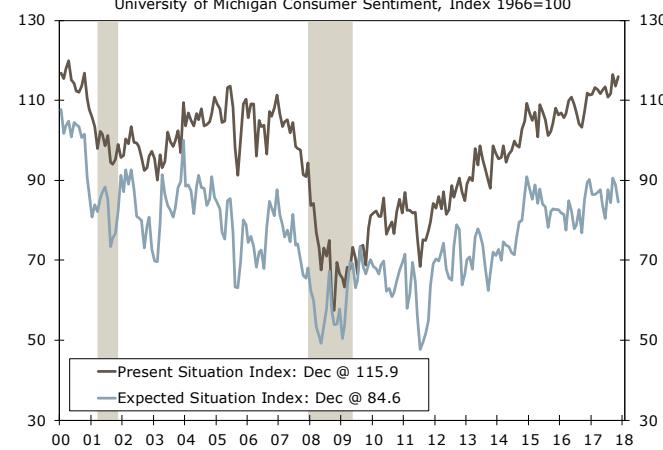
Michigan Consumer Sentiment

Index, Q1 1966=100



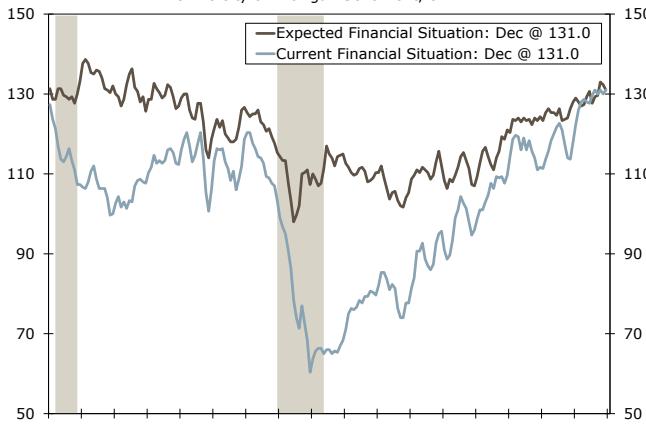
Present vs. Expected Situation Index

University of Michigan Consumer Sentiment, Index 1966=100



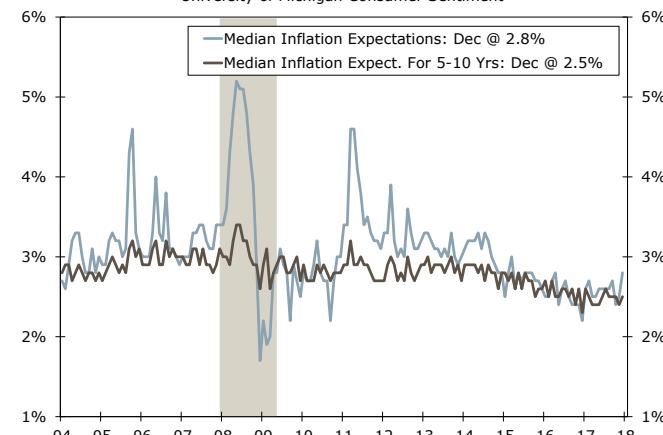
Current vs. Expected Financial Situation

University of Michigan Sentiment, 3-MMA



Med. Inflation Expectations 1-Yr vs 5 to 10-Yr

University of Michigan Consumer Sentiment



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