

Economics Group

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Consumer Sentiment Slips in Early January

The University of Michigan's Index of Consumer Sentiment fell 1.5 points to 94.4 in early January, marking the lowest level in six months. Consumers apparently are reacting to rising prices for big-ticket purchases.

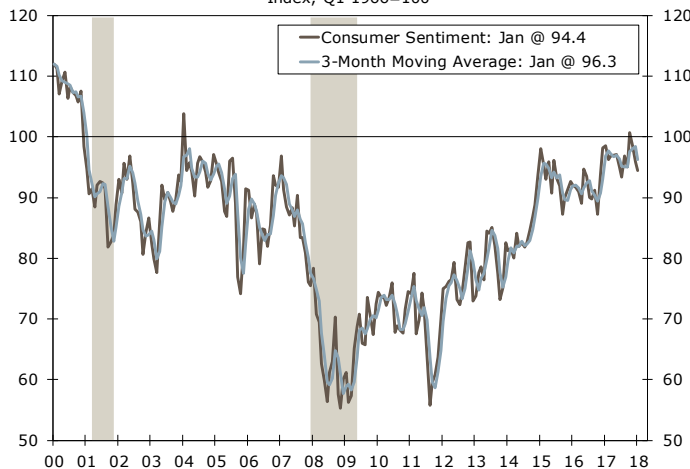
Confidence Falls Back From Recent Heights

- The 1.5 point drop in consumer sentiment was larger than expected. All of the drop came in the current conditions series, which fell 4.6 points. Consumers appear to be put off by higher prices for gasoline and motor vehicles.
- Even with the slight pullback, consumer sentiment remains high. Consumers may take a breather following the strong fourth quarter, when retail sales surged at an 11.3 percent annual rate.

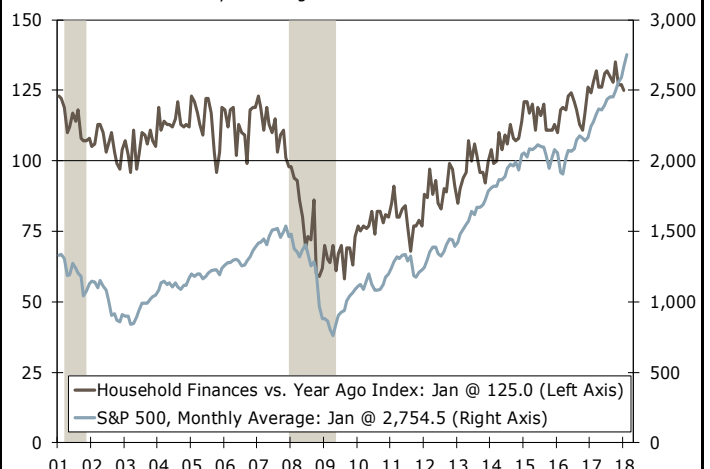
Expectations Rise Along With the Stock Market

- The expectations series rose 0.5 points to 84.8 in early January. The increase was less than expected, particularly given the stock market's strong start. Expectations should have gotten a boost from tax reform but the headlines have hardly been positive. Views may not change until take-home pay rises next month.
- The uptick in inflation expectations is not surprising. Gasoline prices have firmed, as have prices for motor vehicles.

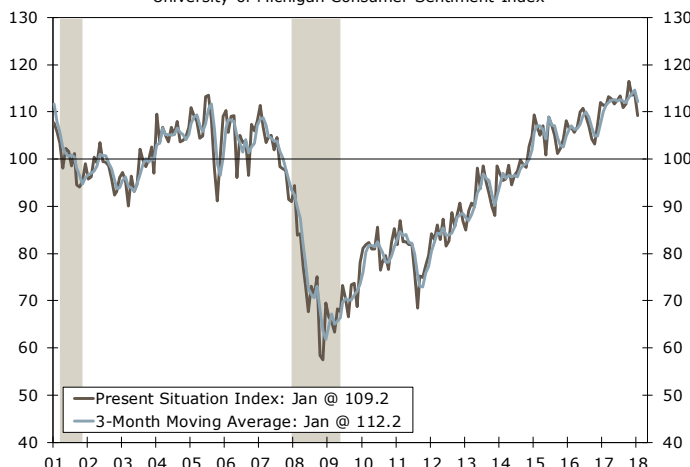
Michigan Consumer Sentiment
Index, Q1 1966=100



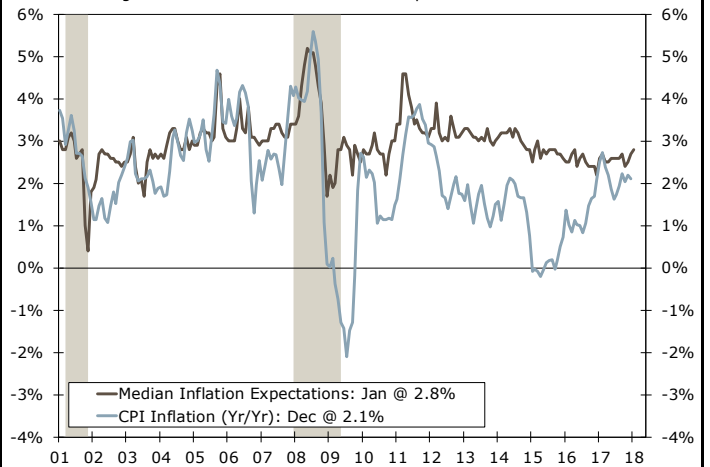
Household Finances vs. S&P 500
University of Michigan Consumer Sentiment Index



Consumer Sentiment - Current Conditions
University of Michigan Consumer Sentiment Index



Consumer Inflation Expectations
Michigan Consumer Sentiment Inflation Expectations 1 Year Ahead



Source: University of Michigan, Bloomberg LP and Wells Fargo Securities

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