



Michigan Consumer Sentiment: Continued Gains

April 30, 2021

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of Advisor Perspectives

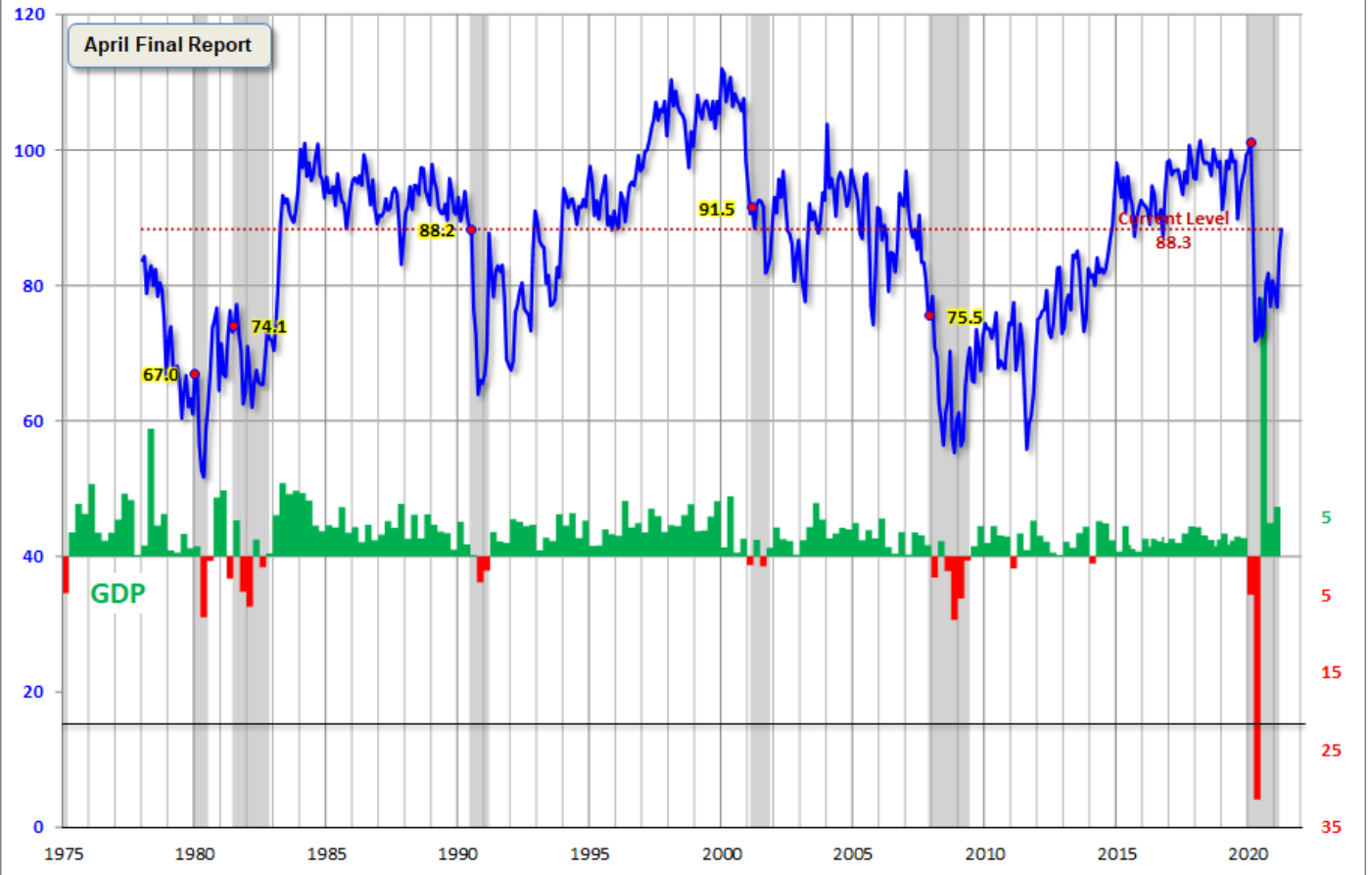
The April Final came in at 88.3, up 3.4 from the March Final. *Investing.com* had forecast 87.4. Since its beginning in 1978, consumer sentiment is 2.5 percent above the average reading (arithmetic mean) and 3.6 percent above the geometric mean.

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

The April survey recorded continued gains in consumer confidence due to a growing sense that the upward momentum in jobs and incomes will persist. The renewed confidence is due to record federal stimulus spending, both recently passed and proposed, as well as the positive impact from a growing share of the population who are vaccinated. The largest and most important change in April was that an all-time record number of consumers expected declines in the unemployment rate during the year ahead. Even if a booming economy resulted in higher inflation, consumer optimism would not diminish since consumers have already anticipated a temporary increase. Overall, the data indicate an exceptional outlook for consumer spending through mid-2022. The size and persistence of the spending gains depend on continued job growth as well as wages that effectively draw people back into the labor force.

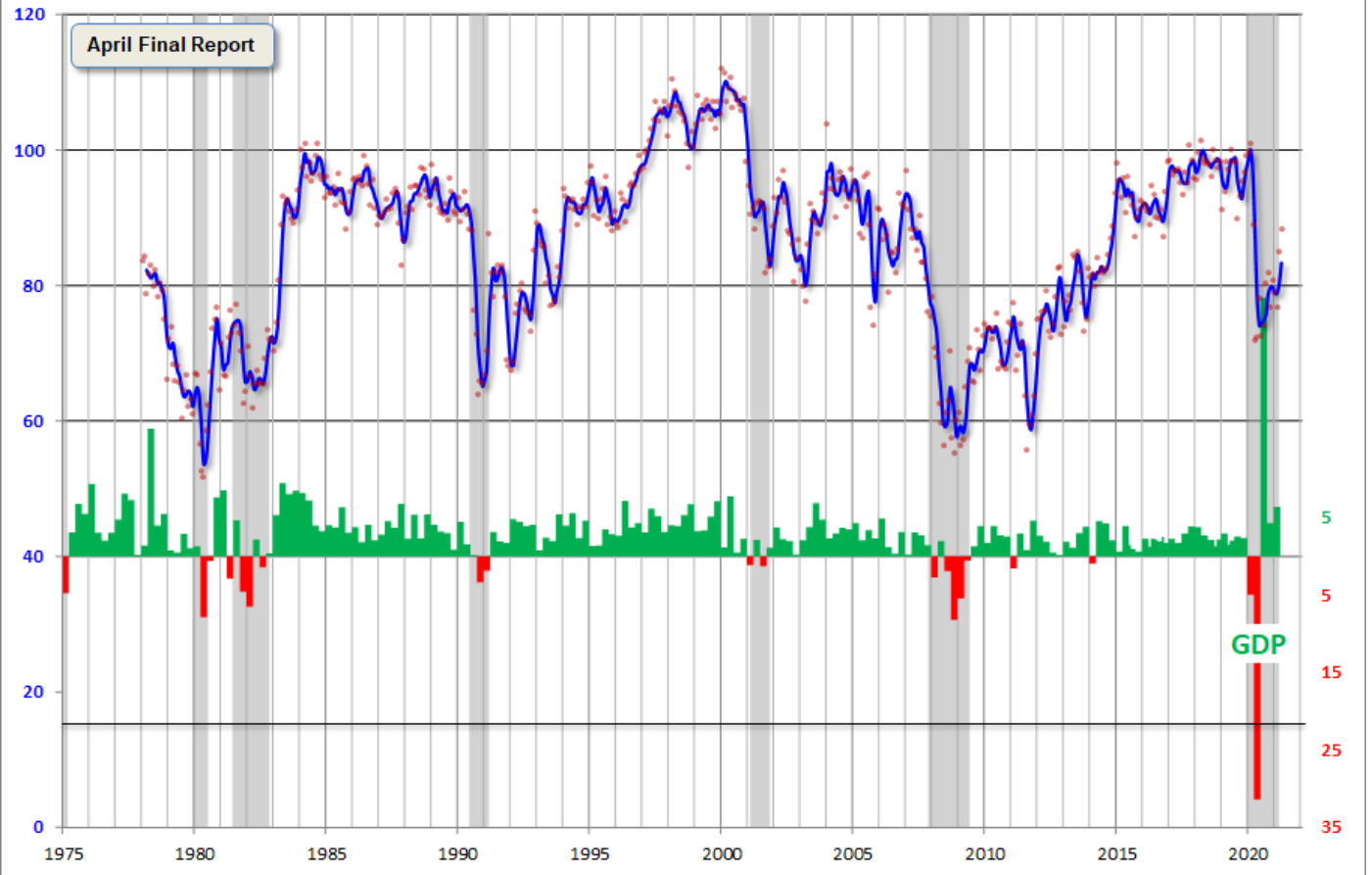
While temporary price hikes are anticipated, the robust increases in consumer demand will act to lengthen and heighten inflation above the modest increases now anticipated. It will be a challenge to fine-tune fiscal and monetary policies that allow inflation to modestly exceed the 2% target for a limited time without contributing to an underlying upward momentum in inflation. Home buying conditions slipped only modestly in April in spite of an all-time record number of complaints about high home prices (38%-see the chart). The natural tendency of higher prices is to lessen demand, but this reaction will be overwhelmed by strong growth in jobs and incomes. Rising home prices and rising incomes create the most fertile soil for the growth of inflationary psychology. While it is critical to first secure robust and equitable economic growth, contingency plans are urgently needed to avoid declining inflation-adjusted incomes and surging interest costs. [\[More...\]](#)

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.



To put today's report into the larger historical context since its beginning in 1978, consumer sentiment is 2.5 percent above the average reading (arithmetic mean) and 3.6 percent above the geometric mean. The current index level is at the **45th** percentile of the 520 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 3.4 point increase 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.

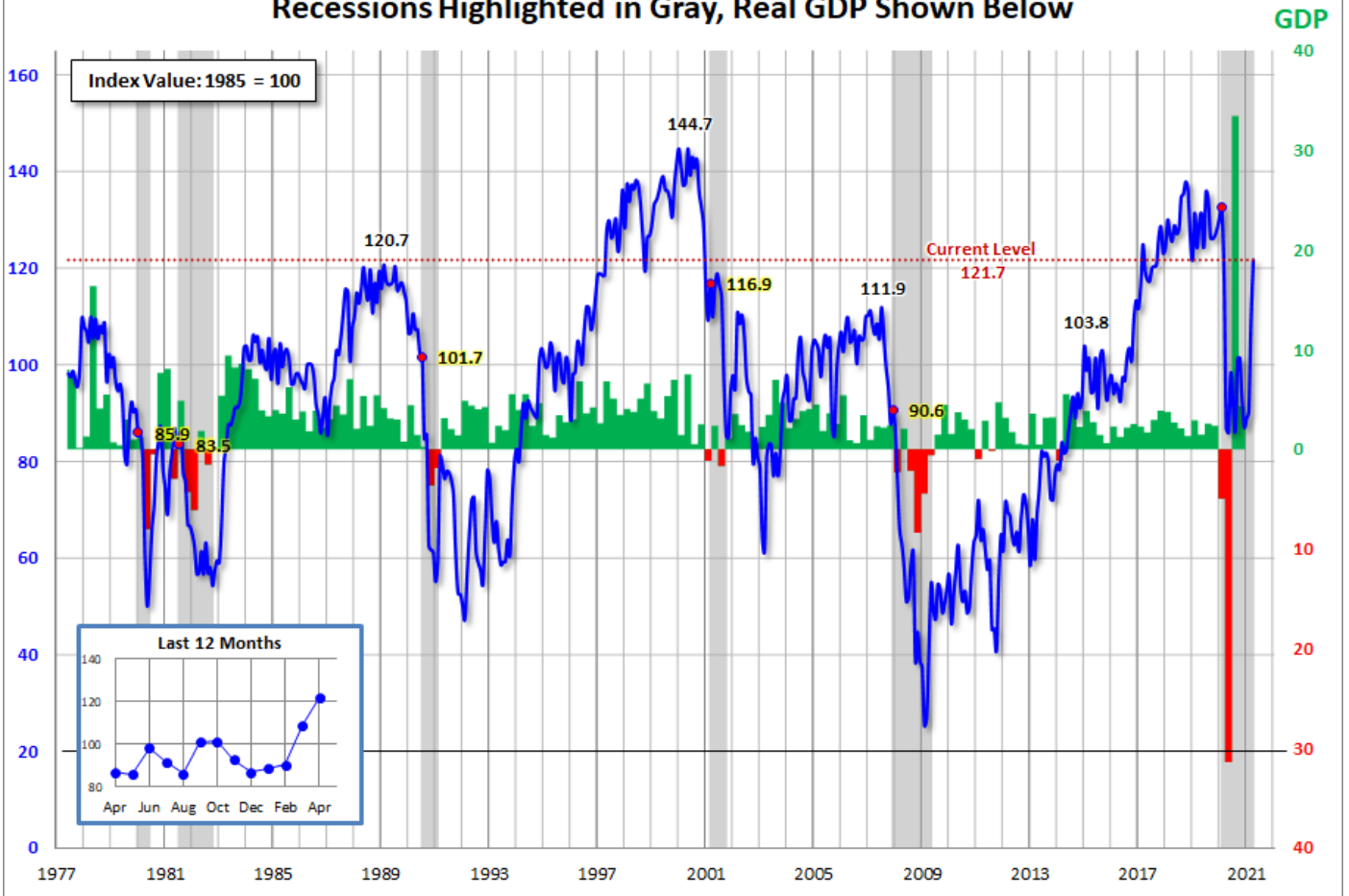


For the sake of comparison, here is a chart of the Conference Board's Consumer Confidence Index (monthly update [here](#)). The Conference Board Index is the more volatile of the two, but the broad pattern and general trends have been remarkably similar to the Michigan Index.

Conference Board Consumer Confidence Index

Recessions Highlighted in Gray, Real GDP Shown Below

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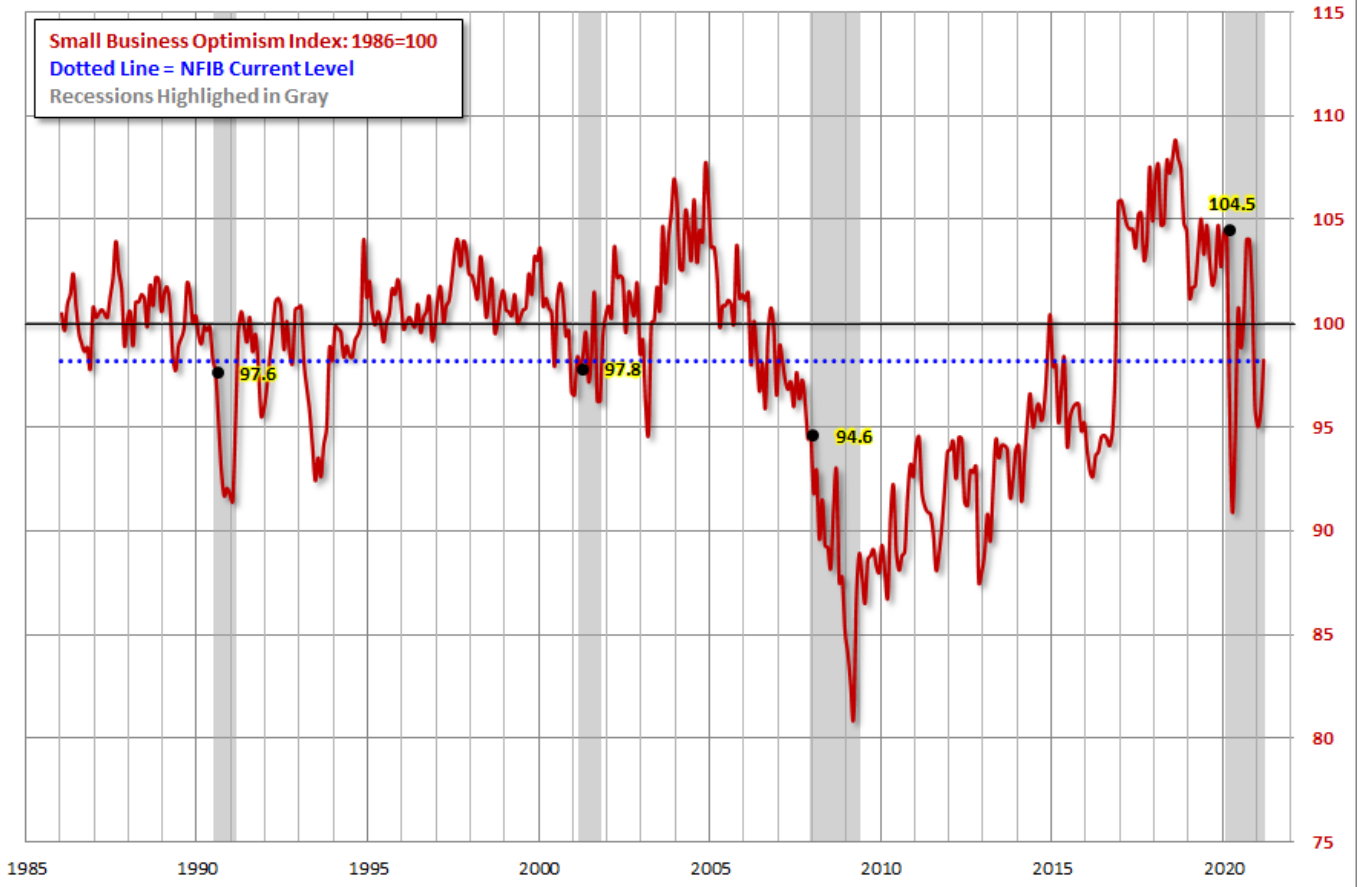
And finally, the prevailing mood of the Michigan survey is also similar to the mood of small business owners, as captured by the NFIB Business Optimism Index (monthly update here).

NFIB Small Business Optimism Index

..... Current Level is now at 98.2

● Recession Starts

Small Business Optimism Index: 1986=100
Dotted Line = NFIB Current Level
Recessions Highlighted in Gray



The next update to this report will be published on May 14.