

MICHIGAN SENTIMENT INDEX ON THE RISE

In the month of November, confidence among the U.S. consumers rose more than was projected, offering additional support to the biggest part of the economy. Earlier this month, the Thomson Reuters/ University of Michigan preliminary index of consumer sentiment climbed up to 64.2 this month, the highest it has been since June, from 60.9 in the month of October. The median estimate of the economists surveyed by Bloomberg News called for a reading of about 61.5. Less claims for jobless benefits that culminate in more hiring may also bolster confidence at a time when Europe's debt crisis poses a serious risk to global growth and prompts stock market volatility. Sustained gains in the household sentiment, which has actually been lingering at levels seen during the last recession, may bolster the consumer spending that accounts for around 70 percent of the economy. "It's good news that we are finally starting to get an improvement in confidence because it's long overdue," says Robert Brusca, who is the chief economist at Fact & Opinion Economist in New York. "If we continue to put people to work, and I think it's a real trend, then maybe there is something cooking and maybe there is some opportunity to gather momentum." Stocks rallied after the figures as Italy's approval of the debt-reduction plans eased concern about Europe's debt crisis. In the highest rise since Oct. 27, the Standard & Poor's 500 Index climbed 2 percent to 1,263.85 at the close in New York. Estimates from the 67 economists surveyed by Bloomberg for the confidence measure ranged from 58 to 68. The index averaged around 89 in the first five years leading up to the recession that began in December of 2007 and ended in June of 2009. Today's confidence figures compare with the Bloomberg Consumer Comfort Index, which, last week, hovered near a record low. For seven of the past eight weeks, the Bloomberg gauge of sentiment, which was at minus 51.6 in the week ended Nov. 6, has held below minus 50. Last month, the Michigan survey's index of current conditions, which reflects American's perceptions of their financial situation and whether they consider it a good time to buy big-ticket items like cars, increased up to 7.6, also the highest its been since June, from 75.1 the prior month. The index of consumer expectations for six months from now, which actually more closely projects the direction of the consumer spending, climbed up to a five-month high of 56.2 from 51.8. The recent data has shown that the labor market may be starting to stir, while fuel costs are stable. The Labor Department figures show that, in October,



unemployment unexpectedly fell, and jobless claims in the week ended Nov. 5 dropped to the lowest level in seven months.

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