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Consumer Sentiment: Why?

Final December University of Michigan Consumer Sentiment figures show unexpectedly solid upward revisions to all the major indexes--with the implied late-month improvement continuing the strong upward momentum in sentiment that has now been in place for four months.

The headline consumer sentiment index was revised up 2.2 points (Consensus: +0.3 point; Decision Economics: -1.4 points) to 69.9, the current conditions reading was revised up 1.7 points, to 79.6, and the expectations index was revised up 2.5 points, to 63.6.

With the changes, the headline number is up 5.8 points from November, bringing the total rise since the August recent bottom to 14.2 points. The current conditions index is now up 2.0 points from November, and 10.9 points from August, while the expectations index is up 8.2 points from November and 16.2 points from August.

While the positive message from the big recent increases is unambiguous, the movement could be given greater credibility, and significance, if it were clear why readings got so low back in August--at which point the headline index had fallen 18.6 points from May. Consumer spending growth has not been steady over the period spanning that big sentiment swing--but it has not moved even loosely in parallel with it.

Optimists will be heartened by the results, and even pessimists will not see discouragement in them--but will await confirmation in harder spending numbers.

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