MEASURING CONSUMER CONFIDENCE

The two components of both the Michigan and the Conference Board Indexes—assessing current conditions and future expectations—behave very differently.

Editor's Note: Press coverage of two major indexes which purport to chart consumer confidence—the one taken by NFO Research for the Conference Board, and that done by the University of Michigan's Survey Research Center for the US Department of Commerce—usually treats these measures as though each is a singular entity. In fact, each has two components: One involving respondents' assessments of current economic conditions, the other their expectations for the economy down the road. (For the question texts on which both components of both indexes are based, see *The Public Perspective*, "Public Opinion and Demographic Report," November/December 1992, p. 98.

The two indexes have yielded composite scores which show consumer confidence rising briefly after Clinton's victory and then falling off over his still-brief tenure in office. But when we look at the separate components we see a very different pattern: Michigan and the Conference Board both find assessments of current conditions actually up a tick from December 1992 through July of this year. And, in sharp contrast, both find expectations for the future plunging. (The Commerce Department includes the expectations component, not the overall score, in its Index of Leading Economic Indicators.)

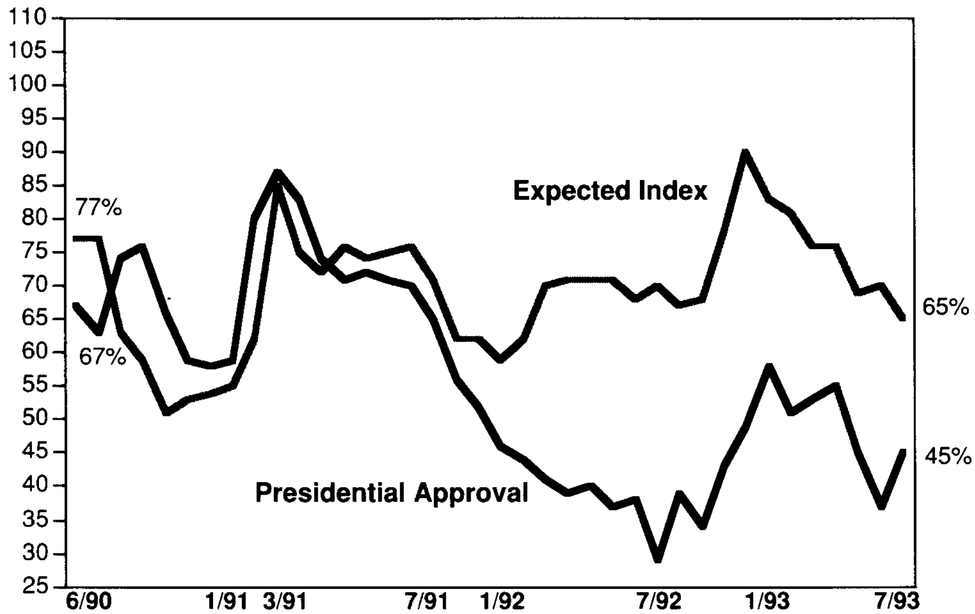
In the charts on p. 9, the two components of the Michigan consumer sentiment index are tracked over the last three-and-a-half years, and compared to Gallup's tracking of the President's standing—the percentage saying they approve of the way he is handling his job.

The Conference Board Consumer Confidence Index	Dec. 1992	July 1993	Difference
Overall index	78	58	-20
Present situation	39	46	7
Expectations	104	65	-39
The University of Michigan Index of Consumer Sentiment			
Overall index	91	77	-14
Present situation	93	96	3
Expectations	90	65	-25

Note that presidential approval and the current conditions index have often moved quite differently. During Clinton's time in office, for example, assessments of current conditions have become a bit more sanguine, even as the President's standing has declined. But presidential approval and the economic expectations index have moved pretty much in tandum. As Clinton has fallen in public favor, the responses people give to the economic expectations questions have shown a parallel souring of mood.

It seems likely that the expectations questions really don't tap economic views very much at all, but are instead another measure of overall mood. And diminished political confidence often seems to contribute to a general deterioration of national mood. It's said—and surely with some validity—that presidents often suffer losses in their public standing when the economy struggles. The data presented here suggest another, very different association: That professed economic expectations suffer when the president is struggling to maintain the political confidence of the American people.

Expected Economic Conditions and Presidential Approval



Current Economic Conditions and Presidential Approval