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Favorable personal finances **has kept** ***consumer sentiment high***

As of the first week of October 2016, gasoline prices were hovering around $2.25 per gallon, 3% lower than their last year's level and compared to the same time in 2014, gasoline prices are a whopping 32% lower.

Considering that more than two-thirds of our economy is consumer expenditures, how consumers feel directly impacts the economy. And rising incomes and declines in gasoline prices throughout the last 22 months has kept the consumer sentiment index at its highest levels since 2004.

A brief look at the University of Michigan's consumer sentiment index shows that it ran between 90 and 95 during the 2003-2004 prosperous economic period, then it started to dropped about a year before the start of the Great Recession. And while the economy was still humming during the first 3 quarters of 2007, and the DJIA was rose by 12%, the consumer sentiment index dropped by 14% percent. By the end of that year, the index had plunged by 20%. By the end of 2008, consumer sentiment index crashed all the way down to of 55, more than 43% below its January 2007 level.

Interestingly enough, some 6 months before the official end of the recession, consumer sentiment index started to climb.

The index rose above 90 in November 2014 and its has been trending between 90 and 94 since then. The long-term trend of the index has been well within the range that prevailed during the prosperous economic times of the past.

According to the University of Michigan, consumers were more upbeat due to larger anticipated income gains as well as lower food and fuel prices. Only a very small percent of all households expected their financial situation would worsen during the year ahead according to the September 2016 survey. Households anticipated higher annual income gains than before, however, their buying plans are becoming more dependent on low interest rates, as perceptions of attractive prices have reached record lows, particularly when it pertains to cars. The last time car prices look so unattractive was 16 years ago. More households cited low interest rates rather than low prices for their positive buying attitudes.

Consumer sentiment index is one of the strong leading indicators of the economic cycles and is continuing to go strong. However, there is a growing sense of uncertainty among consumers as to the shape of government's economic policies under a new president. This will continue to temper

consumer spending.