

Subject: November 2016 survey results  
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The initial reaction of consumers to Trump's victory was to express greater optimism about their personal finances as well as improved prospects for the national economy. The post-election gain in the Sentiment Index was +8.2 points above the November pre-election reading, pushing the Index +6.6 points higher for the entire month above the October reading. The post-election boost in optimism was widespread, with gains recorded among all income and age subgroups and across all regions of the country. The upsurge in favorable economic prospects is not surprising given Trump's populist policy views, and it was perhaps exaggerated by what most considered a surprising victory as well as a widespread sense of relief that the election had finally ended. To be sure, no surge in economic expectations can long be sustained without actual improvements in economic conditions. Presidential honeymoons represent a period in which the promise of gains holds sway over actual economic conditions. Presidential honeymoons, however, can quickly end if they are unaccompanied by prospects that economic conditions will actually improve in the future. President-elect Trump appears to appreciate the importance of his first hundred days; the key issue is whether his economic policies will resonate with the nation's consumers. The honeymoon may be shorter than usual given the intensity of the opposition, although President-elect Trump has proven himself to be a skilled communicator. Despite the widespread expectations that interest rates are about to increase, the data indicate that consumer spending will advance by 2.5% in 2017, and the economy will celebrate its eighth year of expansion by mid 2017.

Consumers' assessments of their current finances improved in November. Among all households, 37% expected their finances to improve in the year ahead; the last time a higher level was recorded was in October 2006. The gain was due to improved income prospects; an annual income gain of 1.8% was anticipated in the November survey, up from 1.5% last month and equal to last November's reading. Importantly, real income expectations rose to their most favorable level in a decade, recording their most favorable level since October 2006, with substantial gains among those with incomes in the bottom and top thirds of the distribution. Real income gains were common among all ages, with the sole exception of those over age 65.

The expected year-ahead inflation rate fell back to 2.4% in November from the pre-election reading of 2.7%, equal to the prior two months. The annual rate of inflation expected over the next five years fell slightly to 2.6% from the pre-election 2.7%, remaining well above last month's 2.4%. A comparison of pre with post election results indicates a significant decline in inflation expectations: year-ahead expectations fell by 1.0 percentage points and long term by 0.5 percentage points.

Consumers reported hearing more favorable news about recent economic developments, with about one-in-five reporting either a favorable or unfavorable development related to the election. Although assessments of the current state of the economy remained unchanged, when asked about prospective changes, 31% anticipated improved economic conditions during the year ahead, up from just 23% in October and the highest level since the early 2015 peak. These gains were judged as meaning that good times would prevail in the economy as a whole by 46% of all consumers, up from 35% in October, and 48% expected an uninterrupted expansion over the next five years, only exceeded in four other surveys in the past decade. These gains acted to improve unemployment expectations, but they remained nearly evenly divided between increases and decreases (26% vs. 23%), although the majority of consumers anticipated no significant change from the current low rate.

Compared with the more substantial post-election gains in personal finances and the economic outlook, views about buying conditions for homes, vehicles, and household durables showed little change from the small gains recorded by the election. Views on home and vehicle purchases are still quite dependent on low interest rates, and purchases of household durables more dependent on attractive low prices. Importantly, the anticipated small increase in interest rates at the Fed's December meeting should not negatively influence purchase decisions given the anticipated rise in real incomes. Nonetheless, the slight year-to-year declines in views toward purchases of homes and vehicles will limit 2017 gains to year-earlier sales levels.

	Nov 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	Jun 2016	July 2016	Aug 2016	Sept 2016	Oct 2016	Nov 2016
Index of Consumer Sentiment	91.3	92.6	92.0	91.7	91.0	89.0	94.7	93.5	90.0	89.8	91.2	87.2	93.8
Current Economic Conditions	104.3	108.1	106.4	106.8	105.6	106.7	109.9	110.8	109.0	107.0	104.2	103.2	107.3
Index of Consumer Expectations	82.9	82.7	82.7	81.9	81.5	77.6	84.9	82.4	77.8	78.7	82.7	76.8	85.2
Index Components													
Personal Finances—Current	111	113	110	118	119	118	123	124	121	118	113	111	117
Personal Finances—Expected	122	124	124	128	127	121	128	125	126	119	126	127	126
Economic Outlook—12 Months	106	103	107	97	100	95	107	104	91	97	104	91	109
Economic Outlook—5 Years	105	105	102	104	100	95	106	102	95	99	101	90	107
Buying Conditions—Durables	160	167	166	159	155	158	162	164	162	159	158	157	162