



Subject: December 2016 survey results.

December 23, 2016

From: Richard Curtin, Director

T’was the night before Christmas, and voters were still in a daze,
Pop’ism toppled the establishment. It was a surprise blaze.
Clinton expected to win. She didn’t need the deplorable.
Trump wanted to disrupt, finding those voters adorable.

One campaign was crafted with the utmost of care,
The other one tweeted and appeared out of thin air.
Catching the elite pols and media by surprise,
Acting to put an end to their exclusive franchise.

When out in the mass media, there arose such a clatter,
Voters sprang from their beds to catch the latest email matter.
Russians hacked Clinton, but not her home server,
The details parsed out with a soap opera fervor.

With a wink of Trump’s eye and a twist of his head,
Many soon thought they now had something to dread.
His social views! Some seemed too loathsome to be laughable,
But rust belt job losses made his election tractable.

Consumers were nestled, all snug in their beds,
Nightmares of stagnation, dancing in their heads.
Suddenly they awoke to the news of Trumponomics,
Hoping it would amount to more than just histrionics!

Trump whistled and shouted, and called them out by name,
Taxes! Immigration! Trade! Job growth was his aim.
To the top of his agenda, the first 100 days.
Create! Don’t just dismantle! Or go down in a blaze.

Trump’s plan will create many more stock market billionaires,
Including those who fix airports, bridges, and thoroughfares.
Creating jobs for the many, and wealth for the few,
His companies in the queue, so he could get his due.

When, what to my wondering eyes should suddenly appear,
Fiscal policies! A challenge for the Fed’s chief cashier.
Fed policies now need a quicker pace of action,
And a plan for retreat, in case of a contraction.

Inflation, interest, and low jobless rates too,
For consumers, this was a trifecta coup.
Higher ‘flation and interest are fine for the year ahead
As long as wages rise first, or the Fed’s in the wood shed.

Then, in a twinkling, I heard out in the mall,
Shoppers were prancing and pawing, they told all:
Confidence soared when Trump was victorious,
Even among those who thought him inglorious.

Happy holidays to all and to all a good year.

While the surge in confidence following Trump’s surprise election ended by mid December, it nonetheless led to the highest level of the Sentiment Index since January 2004. Compared with the rapid gains made in late November and early December, the Sentiment Index was barely higher than at mid month and barely higher than the January 2015 peak—in both cases, just two-tenths of a point—but that small difference was enough to establish a twelve year peak. An all-time record number of consumers (18%) spontaneously mentioned the expected favorable impact of Trump’s policies on the economy. This was twice as high as the prior peak recorded in 1981 when Reagan took office. To be sure, nearly as many consumers referred unfavorably to anticipated changes in economic policies, but those references were less than half as frequent as the peak level recorded just three years ago (16% vs. 37%). Consumers anticipated that a stronger economy would create more jobs, although expected wage gains were quite meager. The smaller income gains were offset by record low inflation expectations. Needless to say, the overall gain in confidence was based on anticipated policy changes, with specific details as yet unknown. Such favorable expectations could help jump-start growth before the actual enactment of policy changes as well as form a higher performance standard that will be used to judge the Trump presidency. Until more is known about the timing and content of his proposals, the real personal consumption forecast remains at 2.7%.

Consumers held the most favorable personal financial outlook during the past ten years. An improved financial situation of the year ahead was expected by 40% of all consumers in December, the highest level since 2006. The gains were largely due to current income gains, which were also the most positive since 2006. Expected income growth during the year ahead, however, retreated to 1.5% from 1.8% last month and 1.6% last year. Inflation expectations also fell in December, in contrast to the consensus among economists. The year-ahead inflation rate was expected to be just 2.2%, the lowest since during the Great Recession. Moreover, consumers anticipated an annual rate of just 2.3% over the next five years, which was the lowest rate ever recorded in these surveys.

The proportion of consumers that expected the economy to improve in the year ahead rose to 42%, up from 31% last month and 23% in October. The strengthening economy was expected to create more new jobs, with more consumers expecting declines in the unemployment rate than increases in joblessness during 2017 for the first time in a year.

In contrast to the expected gains in the economy and personal finances, consumers did not express more positive attitudes toward vehicle and home buying conditions. Higher interest rates on purchases of vehicles and higher mortgage rates have kept these buying plans in check. Lower real interest rates due to higher inflation will not spark greater sales unless real incomes increase. Moreover, consumers anticipate lower rates of inflation and thus higher real interest rates during the year ahead.

	Dec 2015	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	Jun 2016	July 2016	Aug 2016	Sept 2016	Oct 2016	Nov 2016	Dec 2016
Index of Consumer Sentiment	92.6	92.0	91.7	91.0	89.0	94.7	93.5	90.0	89.8	91.2	87.2	93.8	98.2
Current Economic Conditions	108.1	106.4	106.8	105.6	106.7	109.9	110.8	109.0	107.0	104.2	103.2	107.3	111.9
Index of Consumer Expectations	82.7	82.7	81.9	81.5	77.6	84.9	82.4	77.8	78.7	82.7	76.8	85.2	89.5
Index Components													
Personal Finances—Current	113	110	118	119	118	123	124	121	118	113	111	117	126
Personal Finances—Expected	124	124	128	127	121	128	125	126	119	126	127	126	131
Economic Outlook—12 Months	103	107	97	100	95	107	104	91	97	104	91	109	119
Economic Outlook—5 Years	105	102	104	100	95	106	102	95	99	101	90	107	110
Buying Conditions—Durables	167	166	159	155	158	162	164	162	159	158	157	162	164