

Subject: April 2017 survey results
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April 28, 2017

Consumer sentiment continued to travel on the positive plateau established following Trump's election, with only minor deviations from its five month average of 97.4. There remains widespread agreement among consumers on their very positive assessments of the current state of the economy as well as widespread disagreement on future economic prospects based on partisanship. Although the partisan divide has slightly narrowed in recent months, it still reflects a very pessimistic economic outlook among Democrats and a very optimistic outlook among Republicans. The partisan divide on the Expectations Index was 51.0 points in April (61.4 vs. 112.4), down from last month's 63.1 (59.4 vs. 122.5), with Republicans moderating their optimism more than Democrats reduced their pessimism. Selective perception of news remains a strong driving force behind the partisan divide. Favorable economic developments were cited by 96% of Republicans in April, while 77% of Democrats reported hearing negative news about the economy. The release of 1st quarter GDP and assessments of the first 100 days of Trump's presidency is more likely to encourage continued selective perceptions rather than to reduce the prevalence of extreme views on future economic prospects. It is of some interest to note that the Expectations Index among self-identified Independents, who may be less susceptible—but hardly immune—to traditional political ideologies, rose to a very favorable 91.3 in April, up from March's 85.8 and well above the pre-election October reading of 73.1. The level of optimism among Independents, who account for 42% of all consumers, points toward continued growth in consumer spending in 2017 at about a 2.5% pace. Nonetheless, the partisan extremes will continue to add uncertainty and instability to consumer spending.

An improved financial situation was reported by 50% of all households in both the March and April surveys—the last time a higher figure was recorded was more than fifteen years ago. Consumers cited net income and wealth gains as the main reasons for their improved finances. While there was no significant difference between Democrats and Republican on assessment of their current finances, how consumers viewed their future financial prospects differed: improving finances during the year ahead were anticipated by 31% of Democrats compared with 48% of Republicans and 45% of Independents. Across all households, expected income gains fell to 1.6% from 2.3% in March, with the falloff split among both parties.

Year-ahead inflation expectations remained at 2.5% in March and April, and well below last year's 2.8%. Year-ahead inflation expectations differed by just 0.2 percentage points across three age and income subgroups, but differed by 1.0 percentage point between Democrats (2.8%) and Republicans (1.8%); Independents were equal to the overall median (2.5%). Long term inflation expectations also remained unchanged from last month at 2.4%, just below last year's 2.5%. The expected long term inflation rate was significantly higher among Democrats (2.7%) than Independents (2.3%) or Republicans (2.0%).

Given the widespread selective perception of economic news, it should be no surprise to find extreme partisan differences. Indeed, when asked if they anticipated the economy to improve or worsen during the year ahead, an improved economy was expected by 66% of Republicans but by just 18% of Democrats—although that 48 percentage point gap was a significant improvement over last month's 68 point difference. Unemployment expectations were the most favorable since 1984, primarily due to the 59% of Republicans that anticipated that the unemployment rate would fall below its already low rate of 4.5%. The partisan gap was nowhere larger than for long term prospects for the economy: 75% of Republicans anticipated a continuous expansion over the next five years, and 68% of Democrats expected a renewed downturn in the economy.

Home sales will benefit from more favorable views of home buying conditions, and more importantly, the supply of available homes for sale will rise due to more favorable views of home selling conditions (the best since 2005). Favorable perceptions of home selling prices were cited by 35% of all homeowners, up from 20% last April, reaching the highest level in a decade. Rising home values during the past year were reported by 62% of all homeowners, the highest since 2006. Rising home values during the year ahead was anticipated by 58% of all owners, the highest proportion in a decade, with the largest gains expected by owners who were 65 or older, by those with incomes in the top third, and those with home values in the top third.

	Apr 2016	May 2016	Jun 2016	July 2016	Aug 2016	Sept 2016	Oct 2016	Nov 2016	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Apr 2017
Index of Consumer Sentiment	89.0	94.7	93.5	90.0	89.8	91.2	87.2	93.8	98.2	98.5	96.3	96.9	97.0
Current Economic Conditions	106.7	109.9	110.8	109.0	107.0	104.2	103.2	107.3	111.9	111.3	111.5	113.2	112.7
Index of Consumer Expectations	77.6	84.9	82.4	77.8	78.7	82.7	76.8	85.2	89.5	90.3	86.5	86.5	87.0
Index Components													
Personal Finances—Current	118	123	124	121	118	113	111	117	126	124	128	132	126
Personal Finances—Expected	121	128	125	126	119	126	127	126	131	130	123	128	131
Economic Outlook—12 Months	95	107	104	91	97	104	91	109	119	121	112	116	113
Economic Outlook—5 Years	95	106	102	95	99	101	90	107	110	112	112	103	106
Buying Conditions—Durables	158	162	164	162	159	158	157	162	164	165	161	162	166