

Subject: June 2017 survey results  
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Although confidence slipped to its lowest level since Trump was elected, the overall level still remains quite favorable. The average level of the Sentiment Index during the first half of 2017 was 96.8, the best half-year average since the second half of 2000, and the partisan gap between Democrats and Republicans stood at 39 Index-points in June, nearly identical to the 38 point gap in February. The partisan divide still meant that June's Sentiment Index of 95.1 was nearly equal to the average (95.7) between the optimism of Republicans and the pessimism of Democrats and the value for Independents (94.6). Surprisingly, the optimism among Republicans and Independents has largely resisted declines in the past several months despite the decreased likelihood that Trump's agenda will be passed in 2017. The most important policies to consumers are those that directly or indirectly affect jobs and incomes. Fortunately, increasing uncertainty about future prospects for the economy has thus far been offset by the recent strength in jobs and incomes. The combination of continuing improvements in personal finances and increasing concerns about the economic outlook is typical around cyclical peaks. Nonetheless, the data provide no indication of an imminent downturn nor do the data provide any indication of a resurgent boom in spending. Even with a much improved 2<sup>nd</sup> quarter, personal consumption spending is expected to advance during 2017 by about 2.3%.

When asked about recent changes in their finances, 51% of all consumers reported improvement, the highest figure recorded since November 2000. Net income references were the highest in a decade largely due to the fewest consumers reporting income declines (15%). When asked about prospects for the year ahead, 42% anticipated gains compared with just 10% who expected worsening finances, the best net prospects in more than a decade. Income gains of 1.9% in the year ahead were expected by all households, between last month's 2.0% and last June's 1.6%; the highest anticipated gains were among those under 45 (4.8%) and those with incomes in the top third (3.0%), the two groups that account for the majority of spending.

Year-ahead inflation expectations rose slightly to 2.6% in June, unchanged from last month and last June. Long term inflation expectations also increased in June. Among all consumers, an annual inflation rate over the next five years of 2.5% was anticipated in June, up from 2.4% in the prior three months. The higher long term inflation rate was entirely due to Democrats and Independents, which rose in June to 2.7% for both groups, while Republicans expected a long term rate of 2.0%.

When asked to identify recent economic developments, selective perception of news still dominated: 80% of Democrats reported hearing of negative economic developments and 87% of Republicans reported hearing of positive developments. Importantly, while Democrats reported negative references to government economic policies at about the same rate as last month, Republicans in June voiced half as many positive references as they did in the prior month (but reported more positive job developments). When directly asked to evaluate economic policies of the Trump administration, just 19% of all consumers rated them favorably, down from 26% three months ago, with the decline due to a falloff among Republicans.

Prospects for the national economy recorded the greatest loss in June. For the first time since Trump was elected, more consumers anticipated a downturn sometime in the next five years than expected an uninterrupted expansion. Importantly, the economy was expected to continue to expand in the year ahead, although in June somewhat fewer consumers expected good times in the economy than since Trump was elected. Unemployment expectations remained largely unchanged from last month and still indicate that consumers anticipate some small additional declines in the jobless rate in the year ahead.

Small recent variations have been recorded in buying conditions for household durables, vehicles, and homes. In all markets, however, households with incomes in the top third consistently reported less favorable buying attitudes. Since these households account for more than half of all spending, this pullback is of concern, although the prevailing levels are still favorable. Home selling conditions were more favorable as gains in home values were reported by 62% of all homeowners for the third straight month. Importantly, homeowners still anticipate meager appreciation of just 2.4% over the next 5 years.

	Jun 2016	July 2016	Aug 2016	Sept 2016	Oct 2016	Nov 2016	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Apr 2017	May 2017	June 2017
Index of Consumer Sentiment	93.5	90.0	89.8	91.2	87.2	93.8	98.2	98.5	96.3	96.9	97.0	97.1	95.1
Current Economic Conditions	110.8	109.0	107.0	104.2	103.2	107.3	111.9	111.3	111.5	113.2	112.7	111.7	112.5
Index of Consumer Expectations	82.4	77.8	78.7	82.7	76.8	85.2	89.5	90.3	86.5	86.5	87.0	87.7	83.9
Index Components													
Personal Finances—Current	124	121	118	113	111	117	126	124	128	132	126	126	131
Personal Finances—Expected	125	126	119	126	127	126	131	130	123	128	131	129	132
Economic Outlook—12 Months	104	91	97	104	91	109	119	121	112	116	113	119	110
Economic Outlook—5 Years	102	95	99	101	90	107	110	112	112	103	106	105	95
Buying Conditions—Durables	164	162	159	158	157	162	164	165	161	162	166	164	161