

Subject: July 2017 survey results
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Consumer confidence remained largely unchanged at the same favorable level recorded at mid-month. The overall Sentiment Index has declined by 5.1 Index-points since the January peak, which was the highest figure in a dozen years. The relatively small decline still left the Sentiment Index higher in the first seven months of 2017 than in any other year since 2004. The size of the decline was tempered by a record favorable views of Current Economic Conditions, which rose to its highest level since July of 2005. These gains were mainly due to recent improvements in consumers' personal finances. At the same time, consumers expressed less optimism about future prospects for the overall economy as well as their own personal finances. The Expectations Index fell from 90.3 in January to a still positive 80.5 in July; if it continues to decline by another 10 points in the second half of 2017, the loss would become more worrisome. Moreover, while current conditions were judged strictly on the performance of the economy, expectations continue to be significantly influenced by partisanship: the difference on the Expectations Index between Democrats and Republicans was 45 Index-points (63.7 versus 108.7); among self-identified Independents, in contrast, the Expectations Index was exactly equal to the weighted difference between the partisan extremes (80.5). Importantly, the partisan gap has narrowed in the past six months, mostly due to Republicans tempering their optimism. The recent declines among Republicans were somewhat predictable, but the continuation of extreme pessimism among Democrats is more surprising; although, a partisan pessimism is easier to maintain when personal finances are at the highest levels recorded since 2000. Overall, the data continue to indicate a gain of 2.4% in personal consumption in 2017.

Just over half of all consumers (51%) reported that their finances had recently improved in both the June and July surveys, which was the highest level since November of 2000. There have only been 16 other months when the proportion reporting improved finances topped the current level, all recorded in the all-time record 1990's expansion. When asked to explain how their finances had changed, 43% spontaneously mentioned income gains, the highest level since 2000. When asked about their future financial prospects, however, the proportion that expected financial gains fell to 34% in July down from 42% in June and 41% in January. The overall decline was mostly among lower and middle income households. Expected year-ahead income increases fell to 1.8% in July, just below 1.9% in June, with the largest recent declines among younger households.

The year-ahead inflation rate was expected to be 2.6% in July, for the third consecutive month, and just below last July's 2.7%. The longer term inflation rate was also expected to be 2.6% in July, up from 2.5% and 2.4% in the prior two months, and equal to last July's figure. Households with incomes in the bottom third expected a higher inflation rate over the near and longer term (both 2.9%), while those in top third expected a lower inflation over the near and longer term (both 2.3%).

Partisan perceptions of recent economic developments have lessened, although the change was mainly due to less extreme Republican views. Overall, fewer consumers anticipated an improved economy in the year ahead, falling to 28% from 42% three months ago. Long term prospects for the economy were still dominated by partisanship, as 70% of Republicans expect a continuous expansion and 66% of Democrats expect a renewed downturn sometime in the next five years. Unemployment, a top concern of consumers, was expected to fall from its current low level by 52% of Republicans, and to increase by 43% of Democrats. The only partisan consensus was by the three-quarters of consumers that expected interest rates to increase.

Favorable vehicle buying attitudes fell to the lowest level in six months; among households with incomes in the top third, who account for the majority of new vehicle purchases, it fell to its lowest level in three years as did favorable perceptions of vehicle prices. Gas price expectations fell to their lowest levels in a decade, which will continue to favor light truck sales. Rising home prices continue to depress home buying and to brighten home selling. Non-home owners among the millennial generation (ages 18 to 34) reported less favorable home buying plans from May to July of 2017 than in the first four months of 2017: favorable home buying attitudes fell to 55% from 67%, and unfavorable views rose to 43% from 32%.

	July 2016	Aug 2016	Sept 2016	Oct 2016	Nov 2016	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Apr 2017	May 2017	June 2017	July 2017
Index of Consumer Sentiment	90.0	89.8	91.2	87.2	93.8	98.2	98.5	96.3	96.9	97.0	97.1	95.1	93.4
Current Economic Conditions	109.0	107.0	104.2	103.2	107.3	111.9	111.3	111.5	113.2	112.7	111.7	112.5	113.4
Index of Consumer Expectations	77.8	78.7	82.7	76.8	85.2	89.5	90.3	86.5	86.5	87.0	87.7	83.9	80.5
Index Components													
Personal Finances—Current	121	118	113	111	117	126	124	128	132	126	126	131	132
Personal Finances—Expected	126	119	126	127	126	131	130	123	128	131	129	132	122
Economic Outlook—12 Months	91	97	104	91	109	119	121	112	116	113	119	110	111
Economic Outlook—5 Years	95	99	101	90	107	110	112	112	103	106	105	95	89
Buying Conditions—Durables	162	159	158	157	162	164	165	161	162	166	164	161	163