



Subject: December 2017 survey results.

December 22, 2017

From: Richard Curtin, Director

T'was the night before Christmas, tweets were flying about,  
Twixt Tweedle-dum and Tweedle-dee, t'was nearly a daily bout.  
In histrionic rants and hyperbole, both sides were explicit:  
Extremism to defend party is no vice! Both were complicit.

Blues charged conspiracy! The fake news spread by Putin,  
Investigate! Impeach! Trump played his Rasputin.  
All were shocked! Just shocked! Election dirty tricks?  
Who knew fake stories would be the most crazed clicks!

Trump whistled and shouted, calling them out by name:  
Immigration! World trade! Lower taxes was his aim.  
America First! The rally cry of his whirlwind campaign.  
No one doubted we'd be first. But first in gain or pain?

A surprise reuniting of political-economy.  
That was its name before economics claimed autonomy.  
The separation was due to the ease of counting cents,  
And the inability to define a true moral sense.

And then in a twinkling, I heard on the roof,  
The prancing of each new regulator's hoof.  
Regs were toppled. Replaced at a head-spinning pace.  
Firms cheered! Profits soared! Dodd-Frank was put in its place.

Trump finally won a one-sided tax victory,  
A strategy that would make partisan history.  
To increase state fairness: Curb SALT loopholes,  
Shift taxes to Blues with high local tax rolls.

When out in the country, there arose such a clatter,  
All sprang from their beds to see what was the matter.  
Was the malaise fading? Had stagnation come to an end?  
Just 3% growth! Celebrated relief from the 2% trend.

The early rise in Sentiment was discounted but proved true,  
Despite the record divergence between the Red and the Blue.  
Rather than disaster, the economy was in decade high gear.  
Stocks soared! Jobless rate sank! Consumers let out a cheer.

Economists predict that this expansion will outlast,  
All expansions since the mid-1800s in the past.  
Fiscal policy now joins its monetary sibling,  
If recession hits, added incentives would be piddling.

And then in a twinkling, I heard on the policy beat,  
The prancing arrivals of the Fed Board's new fleet.  
Fiscal expansion may solve Janet's misses on inflation,  
And make overshooting inflation Jay's constant vexation.

Happy holidays to all and to all a good year.

Consumer confidence continued to slowly sink in December, with most of the decline among lower income households. The extent of the decline was minor, with the December figure just below the average for 2017 (95.9 versus 96.8). Indeed, the average in 2017 was the highest since 2000, and only the long expansions of the 1960's and 1990's were significantly higher. The strength was due to assessments of current economic conditions that were the second highest since 2000, offset by a slight increase in uncertainty about future prospects. Tax reform was spontaneously mentioned by 29% of all respondents, with a nearly equal split between positive and negative impacts on economic prospects. Party affiliation was the dominant correlate of people's assessments of the tax legislation. The long term outlook for the economy was most affected, with three-quarters of Republicans expecting a stronger economy and three-quarters of Democrats expecting a downturn. Surprisingly, the tax legislation had much less of an impact on personal financial prospects over the longer term. Buying plans for durables and vehicles remained unchanged at favorable levels. Changes in home buying and selling showed little immediate impact; it is likely that in the coming months the impact of limited SALT deductions will increasingly vary by local areas and for high mortgage levels. Overall, the data indicate that real personal consumption expenditures will expand by 2.6% in 2018.

Consumers reported the most favorable assessments of their current finances in seventeen years. In the December survey, and for 2017 as a whole, 50% of all consumers reported that their finances had improved. Improved financial prospects for the year ahead was expected by 40% of all consumers in December, equal to the average 2017 reading. This was only marginally below the yearly peak since 1960 of 43% recorded in 2000. Consumers were somewhat more concerned about real income advances as they anticipated slightly lower income gains and a slightly higher inflation rate. The year-ahead inflation rate was expected to be 2.7% in December, up from 2.5% last month and 2.2% last year. Expectations are still well anchored as consumers anticipate a 2.4% annual inflation rate over the longer term, unchanged from last month and barely above last December's 2.3%.

The unemployment rate was expected to continue to slowly decline during the year ahead. Job gains are supported by favorable prospects for the overall economy during the year ahead. Over the next five years, however, a downturn has been increasingly anticipated by consumers: 49% in December, up from 44% last month and 39% last year.

The continued strength in buying plans for household durables has been due to a rebound in price reductions, while the vehicle market has equally benefitted from price discounts and low interest rates. Home buying conditions drew as many positive as negative references to prices, although higher prices benefitted home sellers. Changes in tax laws are expected to have the greatest impact on high-end homes.

	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Apr 2017	May 2017	June 2017	July 2017	Aug 2017	Sept 2017	Oct 2017	Nov 2017	Dec 2017
Index of Consumer Sentiment	98.2	98.5	96.3	96.9	97.0	97.1	95.1	93.4	96.8	95.1	100.7	98.5	95.9
Current Economic Conditions	111.9	111.3	111.5	113.2	112.7	111.7	112.5	113.4	110.9	111.7	116.5	113.5	113.8
Index of Consumer Expectations	89.5	90.3	86.5	86.5	87.0	87.7	83.9	80.5	87.7	84.4	90.5	88.9	84.3
Index Components													
Personal Finances—Current	126	124	128	132	126	126	131	132	130	128	135	127	127
Personal Finances—Expected	131	130	123	128	131	129	132	122	134	133	132	132	127
Economic Outlook—12 Months	119	121	112	116	113	119	110	111	119	110	123	123	119
Economic Outlook—5 Years	110	112	112	103	106	105	95	89	100	97	110	103	93
Buying Conditions—Durables	164	165	161	162	166	164	161	163	158	162	168	168	168