While the preliminary January reading for the Sentiment Index was largely unchanged from last month (-1.5%), consumers evaluated current economic conditions less favorably (-4.6%). This small decrease in current conditions produced a small overall decline. Importantly, the survey recorded persistent strength in personal finances and buying plans, while favorable levels of buying conditions for household durables have reseed to preholiday levels in early January, largely due to less attractive pricing. The Expectations Index remained virtually unchanged at 84.8. Tax reform was spontaneously mentioned by 34% of all respondents; 70% of those who mentioned tax reform thought the impact would be positive, and 18% said it would be negative. The disconnect between the future outlook assessment and the largely positive view of the tax reform is due to uncertainties about the delayed impact of the tax reforms on the consumers. Some of the uncertainty is related to how much a cut or an increase people, especially high income households who live in high-tax states, face. Near and long term gas price expectations inched upward in early January but remained significantly below their peak. While long term inflation expectation remained at its 2017 average level and short term inflation expectation inched upward, consumers continued to remain very optimistic about the low national unemployment rate.

Improved finances were reported by half of all households in early January, equal to the average in 2017, the best year since 2000. When asked to explain recent changes in their finances, one third of consumers cited higher household incomes, equal to 2017's average. Improved household wealth, including both financial and nonfinancial assets, was also maintained at record levels. When asked about expected gains in household income during the year ahead, an annual gain of 2.0% was anticipated in early January, slightly up from the 2017 average of 1.9%.

The inflation rates expected for both the year ahead and over the next five years have slightly increased. Inflation expectation remained well-anchored and expected increases are still on the lower end of historical records. A year-ahead inflation rate of 2.8% was expected in early January, up from 2.7% in December and 2.6% last January. Year-ahead inflation expectations have been as high as currently in just seven surveys in the past 36 months, which was mostly due to energy prices. In early January, consumers expected a 2.5% annual rate of inflation over the next five years, equal to the 2017 average. 72% of consumers anticipated higher interest rates during the year ahead, up from 69% in the prior three months but below the 2017 peak of 77% recorded in April.

The near and long term business outlook remained largely unchanged from December 2017. Six-in-ten consumers reported that the pace of economic growth had recently improved in early January. While the majority expected good economic times during the year ahead, half of all consumers anticipated a growth slowdown during the next five years.

Although buying conditions for household durables, vehicles, and homes are all at high favorable levels, consumers reassessed their intentions after holiday season pricing. Only 37%, down from December's 47% spontaneously mentioned the availability of attractive pricing in early January. Favorable vehicle buying attitudes continue at the same favorable levels as 2017. Home buying and selling conditions are at the same favorable level and remained largely unchanged from last month. Two thirds of consumers reported good times to buy or sell a house. Mostly low mortgage rates and greater income certainty continue to influence consumers assessment of house buying conditions. Home price gains and income certainty influence record-high favorable home selling conditions.