



Subject: Preliminary results from the April 2018 survey  
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Consumer sentiment slipped in early April, largely reversing the gains recorded in the prior two months. The small decline was widely shared by all age and income subgroups and across all regions of the country. Importantly, confidence still remains relatively high, despite the recent losses that were mainly due to concerns about the potential impact of Trump’s trade policies on the domestic economy. Uncertainty surrounding the evolving trade policy has caused many small (and at times inconsistent) changes in expectations. Spontaneous references to trade policies were made by 29% of all consumers in early April, with nearly all the mentions negative (27% out of 29%). Negative references to trade policies were more common among Democrats than Republicans (40% versus 15%), with Independents near the overall average (25%). The Expectations Index was just 64.2 among those who made negative comments about trade policies, while among those who made no mention of trade policies, the Expectations Index was 93.9, a substantial difference. Consumers who negatively mentioned trade policies also anticipated that the year-ahead inflation rate would be 0.4 percentage points higher than among those who did not spontaneously mention Trump’s trade policies; there was a differential of 0.2 percentage points for long term inflation expectations. It could be presumed that assessments of government economic policies would also decline, but they did not. Indeed, unfavorable views of economic policy fell to just 27% in April, down from last month’s 33% and 36% at the start of 2018. Negative judgements about government economic policies were only slightly less common in two prior months in the last decade: in the month after Trump took office and in May 2009 after Obama introduced his stimulus package. Surprisingly, all of the April gain was among Democrats and Independents. There were other factors responsible for the small overall April decline, the most important was the expectation of rising interest rates, which slightly slowed the anticipated pace of growth in the economy. Overall, the data are consistent with a growth rate of 2.7% in consumption over the next year. A year-ahead inflation rate of 2.7% was expected in early April, just below last month’s 2.8% but well above last year’s 2.5%. The longer term expected annual inflation rate was 2.4% in April, down from 2.5% in the three prior months, and equal to last April’s reading. Long term inflation expectations have remained at 2.4% or 2.5% in eleven of the last twelve months, representing a strong and persistent anchor. Strong fiscal stimulus, and to a lesser extent tariffs, will test this stability.

Fewer households reported recent net income gains in early April than March (22%, down from 34%), but the median annual income increase consumers anticipated for the year ahead rose to 2.1%, up from 1.7% in March and 1.6% last April. Expected annual income gains exceeded 3% among those under age 45 and among households with incomes in the top third. Net gains in household wealth, including changes in both assets and debts, rose in April, with net wealth gains reported by 15%, which was just below the 40-year peak of 16% set in January 2007. Increases in home values were reported by 60% of all homeowners, just below last month’s 62% and the 2017 peak of 68%, but next year’s home value was expected to increase by 1.7%, between last month’s 1.4% and last year’s 1.8%. Such inconsistent shifts are typical during periods of uncertainty. Negative economic developments were reported more frequently than positive economic changes for the first time since last July. Negative economic news was cited by 66% in early April, up from 55% last month and 45% in January. Most of the negative news involved references to government and trade policies: the net fell to -15 in April from +16 in January 2018. Consumers anticipated that the expansion would continue but at a slow pace as improving conditions in the economy were expected by 31%, down from 42% last year. More consumers still anticipated good economic times in the year ahead than bad times, although by a slimmer margin than last month. In contrast, the longer term outlook improved slightly in April. When asked about buying conditions, views toward household durables inched downward while vehicle and home buying attitudes inched upward. The stability of buying conditions at relatively favorable levels reflected small shifts in how consumers viewed current pricing (somewhat more favorable and less prone toward buying-in-advance) and current interest rates (a greater willingness to take advantage of presently low rates and slightly less favorable toward borrowing-in-advance).

	Apr 2017	May 2017	June 2017	July 2017	Aug 2017	Sept 2017	Oct 2017	Nov 2017	Dec 2017	Jan 2018	Feb 2018	Mar 2018	Apr Prelim
Index of Consumer Sentiment	97.0	97.1	95.0	93.4	96.8	95.1	100.7	98.5	95.9	95.7	99.7	101.4	97.8
Current Economic Conditions	112.7	111.7	112.4	113.4	110.9	111.7	116.5	113.5	113.8	110.5	114.9	121.2	115.0
Index of Consumer Expectations	87.0	87.7	83.8	80.5	87.7	84.4	90.5	88.9	84.3	86.3	90.0	88.8	86.8
Index Components													
Personal Finances—Current	126	126	131	132	130	128	135	127	127	126	133	142	130
Personal Finances—Expected	131	129	132	122	134	133	132	132	127	131	133	132	131
Economic Outlook—12 Months	113	119	110	111	119	110	123	123	119	121	124	120	108
Economic Outlook—5 Years	106	105	95	89	100	97	110	103	93	95	105	105	109
Buying Conditions—Durables	166	164	161	163	158	162	168	168	168	160	166	173	168