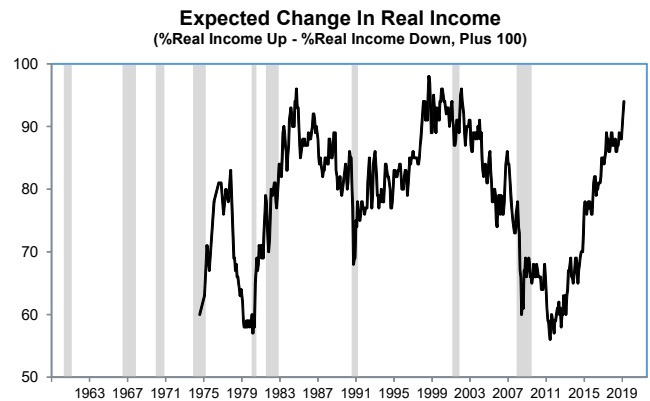


Subject: Preliminary results from the March 2019 survey  
From: Richard Curtin, Director

March 15, 2019

The early March gain in sentiment was entirely due to households with incomes in the bottom two-thirds of the distribution, whose sentiment rose to 97.4 from 90.0 in February. Sentiment fell among households with incomes in the top third to 98.5 in early March from 101.7 in February. The difference that accounted for the divergence was how households evaluated their personal finances, as lower income households expressed much more positive assessments. The divergence was due to a monthly jump of one-percentage point in income expectations among middle and lower incomes compared to a change of just one-tenth of a percentage point among those with incomes in the top third. Rising income expectations were accompanied by lower expected year-ahead inflation rates, resulting in more favorable real income expectations (see the chart). Moreover, all income groups voiced more positive prospects for growth in the overall economy during the year ahead. Since households with incomes in the top third account for more than half of all consumer expenditures, cautious observers will conclude that the latest data are another indication that the end of the expansion is on the distant horizon. While that may well be true, the current level of consumer sentiment at 97.8 hardly indicates an emerging downturn; even among households with incomes in the top third, the Sentiment Index is 98.5, and 97.4 in the bottom two-thirds. The data indicate that real consumption will grow by 2.6% in 2019 and that the expansion will set a new record length by mid year.



The expected year-ahead inflation rate was 2.4% in early March, down from 2.6% in the prior month and 2.8% in last March's survey. The current reading represents the lower bound since the expansion began; the low of 2.2% was recorded in only two surveys since 2009. The annual long term inflation rate was expected to be 2.5% in early March, up from 2.3% in February and equal to last March's reading. The early March data return long term expectations to the midpoint of the range they have traveled in the past several years. Households with incomes in the top third reported higher inflation rates over the near (+0.3 percentage points) and long terms (+0.6), while those in the bottom two-thirds reported declines (-0.4) and (-0.2).

Nearly equal proportions of income groups reported improved finances in early March, but the factors underlying those gains were distinct. Households with incomes in the bottom two-thirds were more likely to cite net income gains compared with last month (+11 percentage points); in comparison, upper income households were more likely to report declines (-4 percentage points) from last month. When asked about expected income gains during the year ahead, households with incomes in the bottom two-thirds reported larger gains from last month (1.9%, up from 0.9%) compared with those in the top third (3.1%, up from 3.0%). This had the impact of improving inflation-adjusted income expectations among lower income compared with upper income households in March, although upper income households still expected higher real incomes.

Interest rates were expected to increase by 62% of consumers, down from 80% last March. Prospects for the overall economy improved in early March, especially for economic conditions during the year ahead. The expected improvement in the economy had the impact that fewer consumers expected increases in the unemployment rate during the year ahead, falling from 31% to 21%. Further declines in the unemployment rate were less frequently anticipated than last March, falling to 25% from 32%; consumers that anticipated an unchanged unemployment rate rose to 53% in March from last year's 45%.

	Mar 2018	Apr 2018	May 2018	June 2018	July 2018	Aug 2018	Sept 2018	Oct 2018	Nov 2018	Dec 2018	Jan 2019	Feb 2019	Mar Prelim
Index of Consumer Sentiment	101.4	98.8	98.0	98.2	97.9	96.2	100.1	98.6	97.5	98.3	91.2	93.8	97.8
Current Economic Conditions	121.2	114.9	111.8	116.5	114.4	110.3	115.2	113.1	112.3	116.1	108.8	108.5	111.2
Index of Consumer Expectations	88.8	88.4	89.1	86.3	87.3	87.1	90.5	89.3	88.1	87.0	79.9	84.4	89.2
Index Components													
Personal Finances—Current	142	133	130	136	133	133	135	130	130	133	127	124	136
Personal Finances—Expected	132	131	129	128	134	131	135	131	129	129	131	133	129
Economic Outlook—12 Months	120	113	122	117	116	118	123	123	117	118	92	108	127
Economic Outlook—5 Years	105	111	108	102	101	101	106	105	109	102	97	99	103
Buying Conditions—Durables	173	165	160	166	164	154	164	163	161	169	155	158	153