

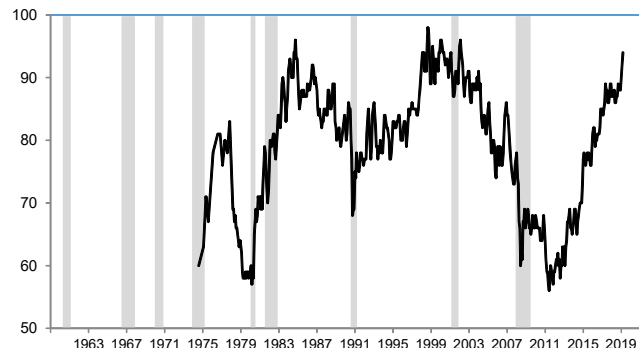
Subject: March 2019 survey results

March 29, 2019

From: Richard Curtin, Director

Consumer confidence rebounded in March to 98.4 from last month's 93.8, slightly above the average of 97.2 recorded in the past 26 months. The March gain in the Sentiment Index was entirely due to households with incomes in the bottom two-thirds of the income distribution, posting a gain of +7.1 Index-points, while households with incomes in the top third fell by 1.1 Index-points. Middle and lower income households more frequently reported income gains than last month, although income gains were still widespread among upper income households. Indeed, the last time a larger proportion of households reported income gains was in 1966. Rising incomes 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 favorable growth prospects for the overall economy. While no further decline in interest rate expectations was recorded in March, the data suggest that consumers anticipated additional increases in 2019. Finally, it should be noted that too few interviews were conducted following the summary release of the Mueller report to have any impact on the March data; if there is any, it may affect the April data. As noted in last week's special report on the politicization of economic expectations, the divergence between Democrats and Republicans has remained substantial. It is unlikely that the average level of sentiment, however positive, has the same impact on consumer spending given the sharp political differences. Nonetheless, the data do not indicate an emerging recession but point toward slightly lower unit sales of vehicles and homes during the year ahead.

Expected Change In Real Income
(%Real Income Up - %Real Income Down, Plus 100)



Recently improved finances were cited by 56% of all consumers in March, just below the all-time record of 57% recorded last March and in February 1998. The recent strength was due to households in the bottom two-thirds of the income distribution, with 55% citing improved finances, the highest level ever recorded. Reported income gains were cited by 47% of all consumers, matching the June 2018 reading; a higher proportion was last cited in 1966 (50%, the all-time peak). Again the March strength was among the bottom two-thirds in the income distribution. When asked about how they anticipated their income to change during the year ahead, the all-household gain was the highest since 2007; the gain among those with incomes in the bottom two-thirds rose to 2.2% from last month's 0.9%, while among those with incomes in the top third it was barely higher, at 3.1% from last month's 3.0%. It is not uncommon that lower and middle income households benefit in the later stages of an expansion. Declines in the year-ahead inflation rate also meant that real income expectations rose to their highest level; the last time real income expectations were more favorable than at present was in the January 2000 survey.

The expected year-ahead inflation rate was 2.5% in March, down from 2.6% in the prior month and 2.8% in last March's survey. The current reading represents the lowest year-ahead inflation expectation since 2.4% in October 2017. The annual long term inflation rate was also expected to be 2.5% in March, up from 2.3% in February and equal to last March's reading. A significant difference between the CPI and inflation expectations is that consumers do not adjust for quality differences.

Interest rates were expected to increase by 63% of consumers, down from 80% last March. Prospects for the overall economy improved in 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 22%. 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 52% 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 2019 |
|--------------------------------|----------|----------|----------|-----------|-----------|----------|-----------|----------|----------|----------|----------|----------|----------|
| 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 | 98.4 |
| 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 | 113.3 |
| 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 | 88.8 |
| Index Components | | | | | | | | | | | | | |
| Personal Finances—Current | 142 | 133 | 130 | 136 | 133 | 133 | 135 | 130 | 130 | 133 | 127 | 124 | 138 |
| Personal Finances—Expected | 132 | 131 | 129 | 128 | 134 | 131 | 135 | 131 | 129 | 129 | 131 | 133 | 131 |
| Economic Outlook—12 Months | 120 | 113 | 122 | 117 | 116 | 118 | 123 | 123 | 117 | 118 | 92 | 108 | 124 |
| Economic Outlook—5 Years | 105 | 111 | 108 | 102 | 101 | 101 | 106 | 105 | 109 | 102 | 97 | 99 | 102 |
| Buying Conditions—Durables | 173 | 165 | 160 | 166 | 164 | 154 | 164 | 163 | 161 | 169 | 155 | 158 | 156 |