

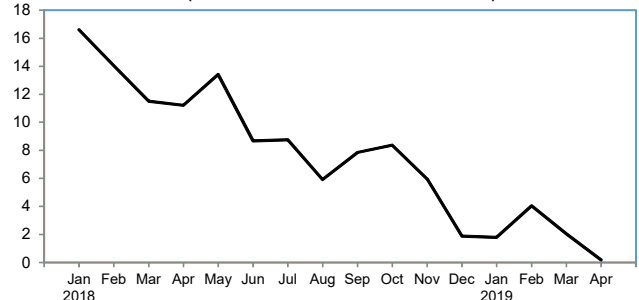
Subject: Preliminary results from the April 2019 survey

April 12, 2019

From: Richard Curtin, Director

Consumer confidence continued its sideways shuffle in early April, posting an insignificant decline following the small gain recorded last month. Overall, the level of the Sentiment Index during the past 30 months was higher than any other time since 1997 to 2000, the final phase of the record 10-year expansion; a record that will be soon overtaken by the current expansion. Interestingly, the impact of the tax reform legislation on consumer confidence has all but disappeared (see the chart). Spontaneous references to the tax reform program were on balance favorable in January 2018 (22% favorable minus 6% unfavorable). Since then, however, unaided references declined sharply so that by early April the net balance was zero (4% favorable minus 4% unfavorable). The data do not imply that consumers were pleased or displeased with the reforms, especially the limitations on SALT deductions. The data do suggest that consumers thought that its stimulative impact on the overall economy has now run its course. What has been of increasing

Spontaneous References to Tax Reform Legislation
(%Favorable - %Unfavorable References)



importance to consumers are rising nominal incomes, and low inflation, producing strong gains in inflation adjusted incomes. Unfortunately, vehicle and home buying have not benefitted from low prices, but consumers have increasingly voiced complaints about rising vehicle and home prices, and slight declines in unit sales of both markets are anticipated in 2019.

Recently improved finances were cited by 53% of all consumers in early April, equal to the average level recorded during the past year and the highest average since 1999. Income gains remained widespread and reports of increases in net household wealth rose among middle and upper income households. When asked about their financial prospects for the year ahead, 43% anticipated improvements compared with just 7% who expected worsening finances. This was the best overall reading since 2004. Across all households, a median income increase of 2.3% was anticipated in early April, between last month's 2.6% and last year's 2.2%. Among those under age 45, an annual income gain of 4.6% was expected. Offsetting the slightly slower income gains, were declines in year-ahead inflation, meaning that very favorable inflation-adjusted gains were still expected.

The expected year-ahead inflation rate fell to 2.4% in early April, down from 2.5% in March, and 2.7% in last April's survey. In the past ten years, the expected year-ahead inflation rate was only lower in three surveys (at 2.2% in 2009, 2010, 2016). The annual long term inflation rate was expected to be 2.3% in early April, down from 2.5% in March and last April. This was the lowest long-term inflation expectation recorded in the past half century, recorded just twice before, two months ago in February and in December 2016. Importantly, the April low in long-term expectation was achieved with very few consumers who expected deflation, just 2% in April—1% has only been recorded in seven surveys in the past quarter century.

Interest rates were expected to increase by 55% of consumers, down from 63% last month and 74% last year, and the smallest percentage since mid 2016. Consumers were somewhat less likely to hold favorable prospects for the national economy, especially longer term prospects, although most of the shift has been sideways at positive levels during the past few years. Perhaps the most followed gauge of the health of the economy is job growth. While half of all consumers anticipated no change in the national unemployment rate, the other half was split between expecting increases and anticipating declines.

More consumers judged vehicle prices unfavorably in early April, down from a positive balance of opinion last month and last year. Twice as many consumers judged home prices unfavorably as favorably in April. Recent decline in interest rates did not completely overcome higher prices. Just 16% mentioned lower vehicle interest rates, unchanged from last month and below last year's 18%, and for homes, low mortgage rates were cited by 30% down from 33% last month and 32% last year.

| | Apr 2018 | May 2018 | June 2018 | July 2018 | Aug 2018 | Sept 2018 | Oct 2018 | Nov 2018 | Dec 2018 | Jan 2019 | Feb 2019 | Mar 2019 | Apr Prelim |
|--------------------------------|----------|----------|-----------|-----------|----------|-----------|----------|----------|----------|----------|----------|----------|------------|
| Index of Consumer Sentiment | 98.8 | 98.0 | 98.2 | 97.9 | 96.2 | 100.1 | 98.6 | 97.5 | 98.3 | 91.2 | 93.8 | 98.4 | 96.9 |
| Current Economic Conditions | 114.9 | 111.8 | 116.5 | 114.4 | 110.3 | 115.2 | 113.1 | 112.3 | 116.1 | 108.8 | 108.5 | 113.3 | 114.2 |
| Index of Consumer Expectations | 88.4 | 89.1 | 86.3 | 87.3 | 87.1 | 90.5 | 89.3 | 88.1 | 87.0 | 79.9 | 84.4 | 88.8 | 85.8 |
| Index Components | | | | | | | | | | | | | |
| Personal Finances—Current | 133 | 130 | 136 | 133 | 133 | 135 | 130 | 130 | 133 | 127 | 124 | 138 | 136 |
| Personal Finances—Expected | 131 | 129 | 128 | 134 | 131 | 135 | 131 | 129 | 129 | 131 | 133 | 131 | 136 |
| Economic Outlook—12 Months | 113 | 122 | 117 | 116 | 118 | 123 | 123 | 117 | 118 | 92 | 108 | 124 | 113 |
| Economic Outlook—5 Years | 111 | 108 | 102 | 101 | 101 | 106 | 105 | 109 | 102 | 97 | 99 | 102 | 96 |
| Buying Conditions—Durables | 165 | 160 | 166 | 164 | 154 | 164 | 163 | 161 | 169 | 155 | 158 | 156 | 160 |