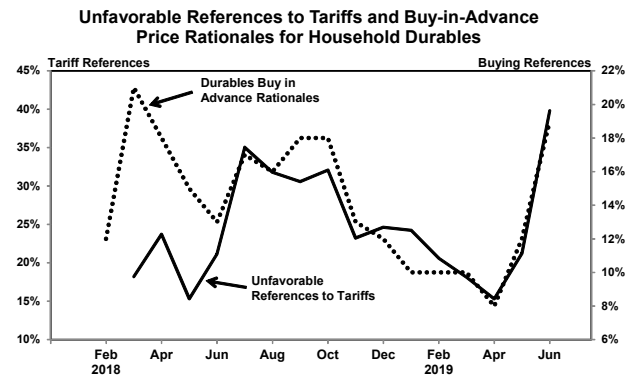


Subject: Preliminary results from the June 2019 survey
From: Richard Curtin, Director

June 14, 2019

In early June, consumer sentiment reversed the May gain due to tariffs as well as slowing gains in employment. Some of the decline was due to expected tariffs on Mexican imports, which may be reversed in late June, but most of the concern was with the 25% tariffs on nearly half of all Chinese imports. Consumers responded by lowering growth prospects for the national economy, and as a consequence, reduced the expected gains in employment. Inflation expectations were also impacted by tariffs. Among consumers who negatively cited tariffs, they expected a significantly higher inflation rate during the year ahead, but voiced the same expected long-term inflation rate. Indeed, consumers anticipated an average long-term inflation rate of just 2.2%, the lowest rate the surveys have recorded since the question was introduced forty years ago. The sole component of the Sentiment Index that improved in early June was buying plans for large household durables. That improvement, however, was due to consumers favoring tariff induced buy-in-advance price rationales. In the past year, spontaneously unfavorable references to tariffs moved in tandem with unaided mentions of buy-in-advance rationales for household durables. Negative mentions of tariffs were spontaneously made by 40% of all consumers in early June, up from 21% in May and the prior high of 35% in July 2018; unaided references to buy-in-advance price rationales were mentioned in early June by 19%, up from 12% in May, and just below the 21% in March 2018 (when Trump first announced tariffs on home appliances). Overall, the data indicate that real personal consumption expenditures will advance by 2.5% in the year ahead.



Consumers mentioned hearing more negative news about the economy in early June, with the shift largely concentrated among those with incomes in the top third. Majorities still reported an improving economy and expected that good times in the economy as a whole would persist during the year ahead. Slightly more consumers expected a continuous expansion during the next five years as anticipated a downturn (47% versus 43%). Unemployment shifted from a positive to negative expectation, with increases now expected slightly more frequently than further small declines (29% versus 25%).

The expected year-ahead inflation rate was 2.6% in early June, down from 2.9% in May and last June's 3.0%. The annual long term inflation rate was expected to be 2.2% in early June, down from 2.6% in May and last June's 2.6%. Along with the expected weakness in the economy and employment, the decline in inflation expectations was associated with fewer consumers expecting increases in interest rates, falling to 48%, from last year's 75%, and the lowest proportion in six years.

One-in-three households, an all-time record, reported that their finances had improved in the past year and expected continued improvement in the year ahead in both May and early June. Recent financial gains were reported by 54%, just below the all-time peak of 57% in 1998 and 2018. Gains in their financial situation during the year ahead were anticipated by 44%, below the all-time peak of 49% in 1998. Across all households, a median income increase of 1.9% was anticipated in June, down from 2.1% in the prior two months; for those under 45, income gains of 3.5% were anticipated during the year ahead.

Buying attitudes toward durables, vehicles, and homes all improved in early June. Favorable buying plans for household durables were voiced by 78%, up from last month's 72%, but remaining just below last year's 80%. Favorable vehicle buying attitudes were held by 66%, up from 62% in May, and just below last June's 68%. The gain in both durable and vehicle buying was due to an increase in favorable attitudes toward buying-in-advance of expected price increases. Home buying attitudes also improved due to more favorable views of mortgage rates, cited by 34%, the highest level since November 2017.

| | June 2018 | July 2018 | Aug 2018 | Sept 2018 | Oct 2018 | Nov 2018 | Dec 2018 | Jan 2019 | Feb 2019 | Mar 2019 | Apr 2019 | May 2019 | June Prelim |
|--------------------------------|-----------|-----------|----------|-----------|----------|----------|----------|----------|----------|----------|----------|----------|-------------|
| Index of Consumer Sentiment | 98.2 | 97.9 | 96.2 | 100.1 | 98.6 | 97.5 | 98.3 | 91.2 | 93.8 | 98.4 | 97.2 | 100.0 | 97.9 |
| Current Economic Conditions | 116.5 | 114.4 | 110.3 | 115.2 | 113.1 | 112.3 | 116.1 | 108.8 | 108.5 | 113.3 | 112.3 | 110.0 | 112.5 |
| Index of Consumer Expectations | 86.3 | 87.3 | 87.1 | 90.5 | 89.3 | 88.1 | 87.0 | 79.9 | 84.4 | 88.8 | 87.4 | 93.5 | 88.6 |
| Index Components | | | | | | | | | | | | | |
| Personal Finances—Current | 136 | 133 | 133 | 135 | 130 | 130 | 133 | 127 | 124 | 138 | 133 | 134 | 131 |
| Personal Finances—Expected | 128 | 134 | 131 | 135 | 131 | 129 | 129 | 131 | 133 | 131 | 136 | 135 | 132 |
| Economic Outlook—12 Months | 117 | 116 | 118 | 123 | 123 | 117 | 118 | 92 | 108 | 124 | 115 | 130 | 120 |
| Economic Outlook—5 Years | 102 | 101 | 101 | 106 | 105 | 109 | 102 | 97 | 99 | 102 | 100 | 112 | 104 |
| Buying Conditions—Durables | 166 | 164 | 154 | 164 | 163 | 161 | 169 | 155 | 158 | 156 | 159 | 151 | 161 |