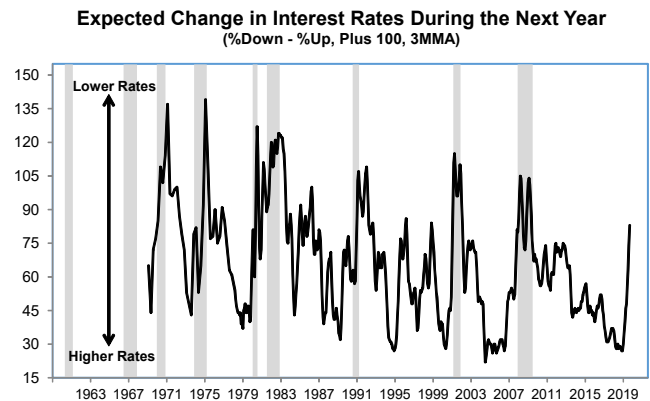


Subject: Preliminary results from the September 2019 survey

September 13, 2019

From: Richard Curtin, Director

Consumer sentiment posted a small rebound from the sharp August decline, marking the third lowest level since Trump's election. While the uptick was across both current and expected economic conditions, the early September rebound was not widespread across age and income subgroups as it only fell among consumers under age 45 and among households with incomes in the top third. Since these two groups account for about half of all spending, the data do not suggest a stronger pace of spending in the months ahead. The data do indicate that consumers anticipate that the Fed will cut interest rates next week, with net declines in interest rates more frequently expected at present than anytime since the depths of the Great Recession in February 2009 (see the chart). These expectations are likely to diminish the impact on spending from a quarter-point rate cut, but if rates remain unchanged, it may increase negative reactions by consumers. Concerns about the impact of tariffs on the domestic economy also rose in early September, with 38% of all consumers making spontaneous references to the negative impact of tariffs, the highest percentage since March 2018. Those who negatively mentioned tariffs also held more negative views on the overall outlook for the economy as well as anticipated higher inflation and unemployment in the year ahead. While a recession is not anticipated in the year ahead, neither is a resurgence in personal consumption. The outlook for consumption is for a slower but positive growth, keeping the expansion going for another year.



The expected year-ahead inflation rate was 2.8% in early September, up from 2.7% in both the month and year earlier surveys. The annual long term inflation rate was expected to be 2.3%, down from last month's 2.6% and last year's 2.5%. The long term inflation rate was the lowest ever recorded, although it has been recorded four times in 2019 and once at the close of 2016. The data suggest that despite the rise in inflation during the year ahead, which was associated with negative mentions of tariffs, the longer run expectations not only suggest that inflation is well anchored but at the lowest level ever recorded. Increasing interest rates were expected by 32% in early September, less than half of last year's 75%. When expected declines as well as increases were taken into account, the net interest rate expectation was the most positive since February 2009.

Compared with a year ago, consumers judged current conditions in the economy slightly less favorably, and anticipated the pace of economic growth would slow slightly during the year ahead. The main concern with this outlook was that consumers more frequently anticipated small increases in unemployment rather than continued declines in the unemployment rate.

Recent financial gains were reported by 52% of all households, between last month's 50% and last year's 56%. Most of the late gains were recorded by those over age 45 and among households in the bottom two-thirds of the income distribution. Expected annual gains in household income rose to 2.4% in early September, from last month's 1.8% and last year's 2.1%.

Overall buying attitudes toward appliances, home electronics and other household durables fell to their lowest level in five years, with net price references at the lowest level since June 2008. Vehicle buying attitudes improved in early September, with 64% holding favorable views, up from last month's 58% but below last year's 67%, with the recent gain due to more favorable views on vehicle pricing. Home buying attitudes remained near recent lows and home selling attitudes were near last month's record high, mostly reflecting continued increases in home prices. References to lower mortgage rates remained unchanged, mentioned by 38%, although this was above last year's 27%, and will have its largest impact on refinancing.

	Sept 2018	Oct 2018	Nov 2018	Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	June 2019	Jul 2019	Aug 2019	Sept Prelim
Index of Consumer Sentiment	100.1	98.6	97.5	98.3	91.2	93.8	98.4	97.2	100.0	98.2	98.4	89.8	92.0
Current Economic Conditions	115.2	113.1	112.3	116.1	108.8	108.5	113.3	112.3	110.0	111.9	110.7	105.3	106.9
Index of Consumer Expectations	90.5	89.3	88.1	87.0	79.9	84.4	88.8	87.4	93.5	89.3	90.5	79.9	82.4
Index Components													
Personal Finances—Current	135	130	130	133	127	124	138	133	134	131	131	127	132
Personal Finances—Expected	135	131	129	129	131	133	131	136	135	134	137	123	125
Economic Outlook—12 Months	123	123	117	118	92	108	124	115	130	121	122	104	109
Economic Outlook—5 Years	106	105	109	102	97	99	102	100	112	104	106	93	97
Buying Conditions—Durables	164	163	161	169	155	158	156	159	151	160	156	146	145