surveys of consumers
UNIVERSITY OF MICHIGAN

Monitoring trends for over 70 years

Subject: September 2019 survey results — September 27, 2019

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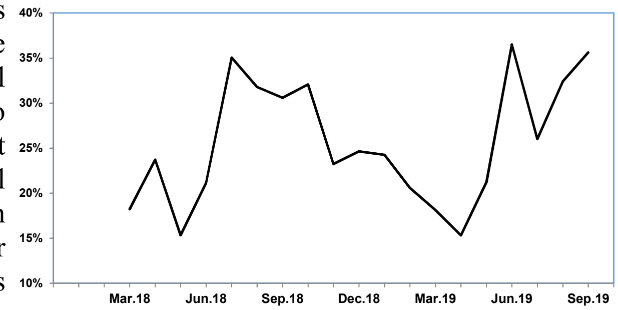
Consumer sentiment continued to post small increases throughout September due to more favorable income trends, especially among middle income households. The overall trends in the Sentiment Index remain quite favorable, but show signs of a slow erosion. The Sentiment Index for the 3rd quarter of 2019 (93.8) was only slightly below the averages for the first half of 2019 (96.5) as well as for 2017 and 2018 (97.6). Despite the high levels of confidence, consumers have also expressed rising levels of economic uncertainty. Some of these concerns are rooted in partisanship, some due to conditions in the global economy (Brexit, Iran, Saudi Arabia, China), and some are tied to domestic economic policies. Trade policies have had the greatest negative impact on consumers, with a near record one-third of all consumers negatively mentioning trade policies in September when asked to explain in their own words the factors underlying their economic expectations (see the chart). These and other policy concerns have so far been held in check by positive finances, although fewer consumers now anticipate higher wages or lower rates of unemployment in the year ahead. Impeachments divert the attention of the President and Congress away from economic policies, and may become conflated with partisan strategies. Moreover, the Fed has reduced discretion to counter a downturn, and consumers have recently expressed less rather than more trust and confidence in the Fed by a two-to-one margin. While the outlook is for a slower but positive growth in consumption, that outlook is contingent on only modest impacts on jobs and wages from the array of potential issues facing the economy.

Spontaneous Unfavorable References to Tariffs
(Percent of total sample)



The expected year-ahead inflation rate was 2.8% in September, up from 2.7% in both the month and year earlier surveys. The annual long term inflation rate was expected to be 2.4%, down from last month's 2.6% and last year's 2.5%. The data suggest that the rise in the year-ahead inflation rate was due in part to tariffs, as those who negatively mentioned tariffs expected an inflation rate of 3.3%. Importantly, there was no impact from tariffs on long term inflation expectations. Increasing interest rates were anticipated by 33% in September, down dramatically from 75% in last September's survey. Declines in interest rates were expected by 26% of all consumers, the largest percentage recorded in a decade, since February 2009.

More consumers reported unfavorable news about the economy in September than in eight years, since September 2011. While a good share of the news involved tariffs and other economic policies, nearly as many reports on job losses as job gains were reported in September (11% vs. 13%); last year, references to more jobs exceeded fewer by more than two-to-one (21% vs. 9%). While a downturn is not anticipated, slower economic growth is widely anticipated. The national unemployment rate was expected to increase by 31% compared with just 20% who anticipated some further declines during the year ahead.

Financial gains were reported by 51% of all households, between last month's 50% and last year's 56%. Most of the net gains were recorded by middle income households (32%), who more frequently cited income gains than those in the top third (29%). Expected annual gain in income was 2.0% across all households, but rose to 2.4% for the middle third in incomes.

Overall buying attitudes toward household durables and homes remained unchanged from last month, while vehicle buying attitudes rose slightly. Vehicle buying views benefitted from slightly more favorable net references to prices, and although overall references to interest rates were largely unchanged, positive references rose among middle income and middle age consumers and generally declined among the balance of the population. Importantly, expected gas price increases during the year ahead remained unchanged and quite low at less than one cent. References to lower mortgage rates were unchanged in September from last month; mortgage rates, however, were viewed more favorably than last year (38% up from 27%).

	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 2019
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	93.2
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	108.5
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	83.4
Index Components													
Personal Finances—Current	135	130	130	133	127	124	138	133	134	131	131	127	131
Personal Finances—Expected	135	131	129	129	131	133	131	136	135	134	137	123	128
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	98
Buying Conditions—Durables	164	163	161	169	155	158	156	159	151	160	156	146	150