



Subject: Confidence in Financial Institutions
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The confidence consumers have in the Federal Reserve is a critical element in ensuring the success of monetary policies, especially when their policies depend on a more diverse array of instruments. The Michigan surveys began monitoring confidence in financial institutions in 1987, just one month after Black Monday, and a few months after Greenspan was first appointed Chair. The financial crisis that accompanied the Great Recession prompted four measurements between 2008 and 2011, when Bernanke was Chair. The next two measures, in 2015 and 2017, occurred when Yellen was Fed Chair; the 2019 data with Chair Powell. The least variation over time occurred in the proportion citing more confidence in the Fed, with most of the movement between unchanged and lower confidence in the Fed. The proportion having less confidence in the Fed in 2019 (36%) was the lowest since 1991 (25%), and was well below the 2011 peak in falling confidence (59%). The data once again confirm that losses in confidence can be abrupt and deep, but the restoration of confidence is usually slow and halting. Nonetheless, Powell may benefit from the greatest relative degree of confidence in the Federal Reserve since the early 1990's.

The usual assumption is that a high level of confidence in the Fed would be associated with more favorable prospects for the national economy. The Index of Consumer Expectations has always exceeded the corresponding sample mean when consumers expressed more confidence in the Fed, and has always been below the sample mean when consumers expressed less confidence in the Fed. The size of the difference, however, has varied greatly over the years: the gap in the Expectations Index between those with greater compared with less confidence in the Fed was as high as 40.1 Index-points and as low as 17.1. In the 2019 survey, the deviations in the Consumer Expectations Index based on confidence in the Fed were nearly equally balanced (+8.7 versus -8.8) and the difference was 17.5, nearly equal to the lowest level recorded (17.1).

In comparison with other financial institutions, credit unions were the only institution in which consumer confidence was positive and growing over the entire period. Among the rest, 2019 net confidence in commercial banks (-13) was followed closely by brokerage and mutual fund companies (-14), with the least confidence in the Fed (-22) and insurance companies (-26). Trends over time were nearly identical for the Fed, commercial banks, and brokerage and mutual fund companies. Differences in net confidence in the Fed and brokerage/mutual fund companies by age, income, and stock holdings are shown on the next page. For the Federal Reserve, there were no distinctive differences in the trends in net confidence, with the 2019 data showing the largest differences from the overall mean of just 6 percentage points, for middle age and bottom third stock holdings. The breakdown of net confidence in brokerage and mutual fund companies showed no significant differences in trends, although non-stock owners shifted in relative position from the least to the most unfavorable views. The most net confidence in brokerage and mutual funds in 2019 was shown by younger consumers as well as all stock owners.

Change in Confidence in the Federal Reserve									
Confidence Compared With Five Years Ago	Nov/Dec 1987	Apr 1991	Oct/Nov 2008	Sep/Oct 2009	Oct/Nov 2010	Oct/Nov 2011	Jan/Feb 2015	Nov/Dec 2017	Sep/Oct 2019
More confident now	9%	7%	7%	12%	9%	6%	15%	12%	14%
Same	67	63	33	38	40	33	42	47	49
Less confident now	19	25	57	49	49	59	41	38	36
DK/NA	5	5	3	1	2	2	2	3	1
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%
Cases	1,001	501	1,008	1,001	1,017	1,004	1,011	1,210	1,162
Addenda	Index of Consumer Expectations: Differences from corresponding sample means								
More Confident in Fed	18.6	10.7	22.1	26.5	14.7	10.9	20.1	17.1	8.7
Less Confident in Fed	-15.1	-14.0	-5.7	-12.9	-10.5	-6.2	-20.0	-10.0	-8.8
Difference	33.7	24.7	27.8	39.4	25.2	17.1	40.1	27.1	17.5
Change in Confidence in Financial Institutions: Balance Scores (%More - %Less)									
Federal Reserve	-10	-18	-50	-37	-40	-53	-26	-26	-22
Commercial Banks	-13	-29	-59	-59	-49	-57	-19	-24	-13
Credit Unions	8	2	-7	1	6	15	22	22	22
Brokerage & Mutual Funds	-29	-21	-63	-55	-50	-49	-16	-17	-14
Insurance Co.	-15	-33	-45	-40	-34	-29	-22	-33	-26

The next few questions are about the trust and confidence people have in this country's financial institutions. What about—*financial institution*—compared with five years ago, do you have a lot more confidence now, a little more confidence now, a little less confidence now, a lot less confidence now, or has your confidence in—*financial institution*—remained about the same?

Change in Confidence in the FEDERAL RESERVE: Balance Scores (%More - %Less)

	Nov/Dec 1987	Apr 1991	Oct/Nov 2008	Sep/Oct 2009	Oct/Nov 2010	Oct/Nov 2011	Jan/Feb 2015	Nov/Dec 2017	Sep/Oct 2019
All	-10	-18	-50	-37	-40	-53	-26	-26	-22
Age									
18 - 34	-5	-13	-48	-43	-40	-64	-28	-30	-19
35 - 54	-11	-23	-52	-37	-46	-56	-26	-26	-28
55 or older	-13	-17	-46	-37	-35	-49	-25	-24	-20
Household Income									
Bottom third	-8	-9	-48	-30	-35	-51	-18	-30	-22
Middle third	-13	-18	-50	-36	-47	-53	-29	-34	-23
Top third	-10	-24	-51	-43	-38	-55	-27	-15	-22
Stock Holdings									
Does not own	--	--	-46	-31	-37	-51	-25	-28	-20
Bottom third	--	--	-54	-41	-39	-58	-33	-41	-28
Middle third	--	--	-53	-37	-47	-64	-20	-24	-19
Top third	--	--	-48	-44	-39	-41	-20	-12	-25

Change in Confidence in BROKERAGE AND MUTUAL FUNDS: Balance Scores (%More - %Less)

	Nov/Dec 1987	Apr 1991	Oct/Nov 2008	Sep/Oct 2009	Oct/Nov 2010	Oct/Nov 2011	Jan/Feb 2015	Nov/Dec 2017	Sep/Oct 2019
All	-29	-21	-63	-55	-50	-49	-16	-17	-14
Age									
18 - 34	-21	-17	-58	-62	-48	-47	-4	-10	-1
35 - 54	-35	-24	-67	-56	-57	-53	-20	-17	-21
55 or older	-31	-22	-60	-53	-44	-45	-19	-20	-15
Household Income									
Bottom third	-19	-11	-45	-44	-44	-42	-14	-19	-19
Middle third	-28	-20	-65	-56	-51	-48	-14	-19	-9
Top third	-40	-33	-75	-67	-53	-53	-19	-12	-13
Stock Holdings									
Does not own	--	--	-50	-50	-47	-40	-21	-26	-22
Bottom third	--	--	-66	-64	-50	-57	-13	-17	-7
Middle third	--	--	-71	-58	-54	-59	-12	-13	-7
Top third	--	--	-69	-62	-47	-46	-9	-9	-9