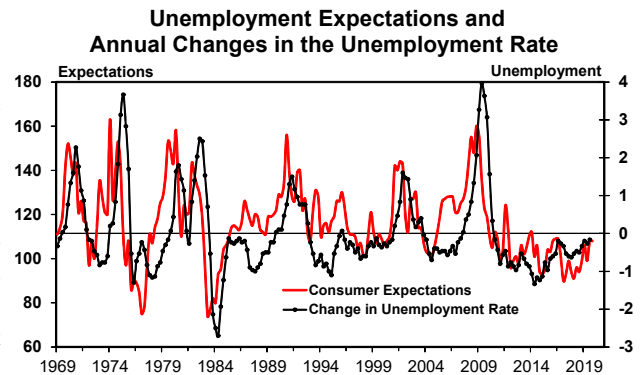


Subject: Preliminary results from the November 2019 survey

November 8, 2019

From: Richard Curtin, Director

The early November reading on consumer sentiment was nearly identical to last month's and the average 2019 level (95.6). Consumers did voice a slightly more positive outlook for the economy, which was offset by a slightly less favorable outlook for their own personal finances. Spontaneous negative references to tariffs were still mentioned by one-in-four consumers in early November. References to the impact of impeachment on economic prospects were virtually non-existent, mentioned by less than 2% in October and November. The lack of impact on economic prospects is broadly similar to the data during Clinton's but not Nixon's impeachment inquiry. The critical difference was that during Clinton's impeachment, economic conditions remained very favorable; indeed consumer sentiment was at its most favorable levels ever recorded. In contrast, Nixon's impeachment inquiry started at the same time as the oil embargo in October 1973, with oil prices quadrupling over the next six months. While consumers voiced a rapid collapse in optimism, many believed Nixon was too distracted to attend to their concerns about escalating inflation and unemployment, or that the economy would fall into recession in late 1973. The current performance of the economy, in contrast, is neither as bleak as Nixon's nor as good as Clinton's. Nonetheless, the strongest part of the economy has been job and wage gains. Although consumers have become somewhat more cautious spenders, they see no reason to engage in the type of retrenchment that causes recessions. While most consumers do not anticipate year-to-year increases in the unemployment rate, the majority of consumers expect the unemployment rate to remain largely unchanged at its lowest level in 50 years (see the chart).



The early November data found that consumers were more likely to anticipate good rather than bad times in the overall economy during the year ahead and were more likely to expect a continuous expansion rather than a downturn sometime in the next five years. Both of these views tilted in the opposite direction in last month's survey. The latest cut in interest rates by the Fed did not have an appreciable impact on expected changes in the year ahead; consumers were still twice as likely to anticipate higher rather than lower interest rates in late 2020, which is still a vast improvement from last November.

The year ahead inflation rate was unchanged at 2.5% in early November from October, but below last November's 2.8%. Negative tariff mentions were associated with somewhat higher year-ahead inflation rates. Long term inflation expectations rose to 2.4% in November, up from 2.3% in October, which was the lowest long term inflation rate ever recorded.

An improved financial situation was reported by 55% of all consumers in early November. A higher proportion has been recorded in only four other surveys in over a half century. Moreover, the all-time peak was barely higher at 57%. When asked to explain how their financial situation had recently changed, 43% of consumers cited income gains and 19% cited gains in financial assets and lower debt. When asked about the year ahead, however, 38% of consumers expected their finances to improve, below last month's 43% and equal to last year's reading. Income gains of 2.2% were expected across all households in November, which was just above the 2019 and 2018 average of 2.1%. Householders below age 45 anticipated annual gains in household incomes of 4.4% in early November, up from 3.9% in last November's survey.

Buying conditions for household durables, vehicles, and homes posted very small declines in early November from the October levels. References to attractive prices rose slightly for each market, although the positive impact was diluted by consumers who no longer anticipated any advantage of buying-in-advance of rising interest rates. Overall, the data continue to indicate that buying decisions are mainly influenced by strong job and income prospects rather than prices or interest rates.

	Nov 2018	Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	June 2019	Jul 2019	Aug 2019	Sept 2019	Oct 2019	Nov Prelim
Index of Consumer Sentiment	97.5	98.3	91.2	93.8	98.4	97.2	100.0	98.2	98.4	89.8	93.2	95.5	95.7
Current Economic Conditions	112.3	116.1	108.8	108.5	113.3	112.3	110.0	111.9	110.7	105.3	108.5	113.2	110.9
Index of Consumer Expectations	88.1	87.0	79.9	84.4	88.8	87.4	93.5	89.3	90.5	79.9	83.4	84.2	85.9
Index Components													
Personal Finances—Current	130	133	127	124	138	133	134	131	131	127	131	134	134
Personal Finances—Expected	129	129	131	133	131	136	135	134	137	123	128	134	129
Economic Outlook—12 Months	117	118	92	108	124	115	130	121	122	104	109	108	112
Economic Outlook—5 Years	109	102	97	99	102	100	112	104	106	93	98	96	104
Buying Conditions—Durables	161	169	155	158	156	159	151	160	156	146	150	160	153