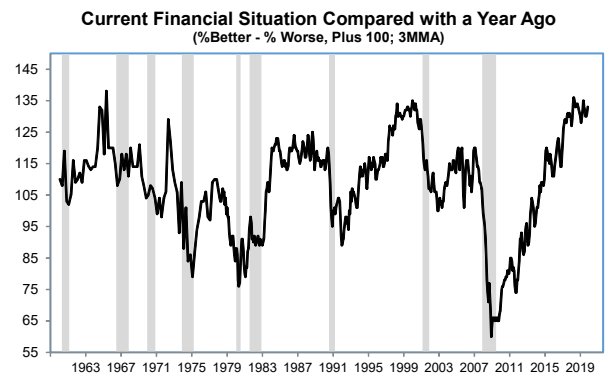




Subject: November 2019 survey results
From: Richard Curtin, Director

November 22, 2019

The November consumer sentiment figure was nearly identical to the average level recorded since the start of 2017 (97.0), and has shown only modest month-to-month variations. In 30 of the past 35 months the Sentiment Index was 95.0 or higher, a level of optimism second only to when the Index was above 100.0 for 34 out of 36 months from January 1998 to December 2000, averaging 106.0. Although impeachment proceedings occurred in both time periods, the current period is distinctive for the much sharper partisan divisions in the economic expectations among consumers as well as the wide gap in optimism between consumers and business firms. One side anticipates a recession, while the other side expects an uninterrupted expansion in the year ahead. To be sure, there is ample reason for both optimism as well as pessimism, but not the extreme differences voiced by these groups. Most consumers are not so naive as to anticipate continued declines in inflation, unemployment, and interest rates, but few consumers anticipate sizable increases in these key economic factors anytime soon. It is true that non-residential investment has continued to be weak, although improving in late 2019, and this weakness will be offset by sizable increases in residential investment and personal consumption. Personal spending will be energized by record favorable evaluations by consumers of their personal financial situation, with gains expected across the entire income distribution, net increases in household wealth, the renewed appeal of price discounting, and reduced mortgage rates. Nonetheless, there is little point in dismissing the significant risks from potential negative shocks, associated with tariffs, impeachment, global growth, or geopolitical events. It has been differences in how these risks have been assessed that underlie the partisan differences among consumers and the gap in sentiment between the business and consumer sectors.



When asked to assess their current finances, 54% of all households reported that their finances had recently improved. There have only been nine other surveys in the more than half century history of the surveys that recorded a higher percentage, with the all-time peak being just three percentage points higher at 57%. When asked about expected income gains during the year ahead, the most interesting result was that those gains were nearly equally shared by households across the income distribution. Among consumers aged under 45, who are most likely to be employed, the annual expected gain was 4.6%.

The year ahead inflation rate was unchanged at 2.5% in 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 2.5% in November, between last month's record low of 2.3%, and last November's 2.6%. Interest rate expectations have remained largely unchanged in the past four months, although well below last year's more universal expectation of hikes.

The near and longer term outlooks for the national economy improved in November, with the data tilting toward the expectation of a continued expansion. The unemployment rate was expected to remain largely unchanged at its current low level by half of all consumers; the other half were equally split between those who expected the jobless rate to fall as to rise. Interestingly, the proportion that negatively mentioned tariffs fell in November to 24% from last month's 27% and September's 36%. Spontaneous references to impeachment were made by less than 2% of the entire sample in November. Small shifts in overall buying attitudes toward household durables and vehicles were increasingly based on the availability of price discounts, indicating an earlier, and perhaps more intense, heightening of competitive pressures on retailers in the holiday season. Lower mortgage rates improved home buying attitudes, with net favorable references three times higher than last year. Overall, buying decisions remain strongly influenced by favorable job and income prospects.

	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 2019
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	96.8
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	111.6
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	87.3
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	131
Economic Outlook—12 Months	117	118	92	108	124	115	130	121	122	104	109	108	116
Economic Outlook—5 Years	109	102	97	99	102	100	112	104	106	93	98	96	105
Buying Conditions—Durables	161	169	155	158	156	159	151	160	156	146	150	160	156