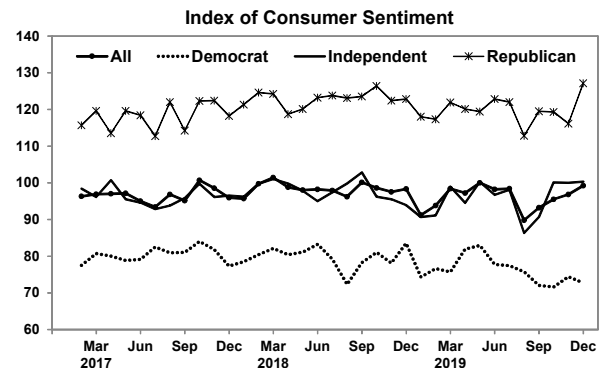


Subject: Preliminary results from the December 2019 survey

December 6, 2019

From: Richard Curtin, Director

Consumer sentiment rose to the upper end of the favorable range it has traveled since the start of 2017. The Sentiment Index has averaged 97.0 in the past three years, the highest sustained level since the all-time record in the Clinton administration. Nearly all of the early December gain was among upper income households, who also reported near record gains in household wealth, largely due to increased stock prices and mainly benefitting retirement accounts. Indeed, among households with incomes in the top third of the distribution, their overall assessment of their current finances was the third highest in the past twenty years. These gains were helped by declining inflation expectations, with long term inflation expectations returning to an all-time low. In addition, the availability of price discounts on household durables rose and gasoline price expectations edged downward. While impeachment has dominated the media, virtually no consumer spontaneously mentioned impeachment in response to any question in early December—just 1%. Nonetheless, the data indicate the strong impact of partisanship on economic expectations, which has widened in the past few months. Moreover, the gap has grown considerably in the past decade. The average gap between Democrats and Republicans was 18.7 points in the Obama administration and 41.6 points since Trump took office, with the more favorable views held by the President's party. Importantly, the views of Independents closely track the overall Sentiment Index since Trump took office, with a mean of 96.6 versus 97.0 for all consumers (see the chart). While the implications of the economic expectations of Democrats and Republicans are clearly exaggerated, the Independents, who represent the largest group and are less susceptible to maintaining partisan views, hold very favorable expectations, indicating the continuation of the expansion based on consumer spending.



Personal finances have remained at last month's very positive levels, with only nine other surveys in the past half century that have recorded a higher percentage whose finances had improved; the all-time peak was only three percentage points higher at 57%. Expected annual income gains were 2.4% in December, just above last month's 2.3%; annual gains of 4.6% were expected by those aged under 45, unchanged from last month. Gains in household wealth, including net changes in assets and debts, were reported by 27% of those with incomes in the top third, just below the all-time peak of 32% in 2007.

The year ahead inflation rate was 2.4% in December, down from 2.5% in November and 2.7% last December. Long term inflation expectations fell to 2.3% in December, the all-time low which has been recorded in five other surveys, four of which occurred in the past 12 months. Interest rate expectations remained lower and largely unchanged from last month's reading.

The near and longer term outlooks for the national economy improved slightly in early December, with the data tilting toward the expectation of a continued expansion. While consumers twice as frequently reported hearing news of job gains than news of job losses (22% vs. 11%), they were not as optimistic about the future course of the national unemployment rate. Consumers in early December expected a rising rather than a falling unemployment rate during the year ahead by the margin of 32% versus 22%, although 45% of consumers expected no significant change above its recent lows during 2020.

Buying attitudes toward household durables and vehicles improved in early December. Renewed price discounts were the main driver of improved durable buying plans, cited by 45%, up from a low of 27% in September. Gains in vehicle buying plans were due to greater confidence in future job and income prospects, although declines in interest rates were particularly attractive among upper income households, the primary buyers of new vehicles. Home buying conditions drew slightly fewer mentions of attractive mortgage rates, although those references remained well above last year's level—39% vs. 24%.

	Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	June 2019	Jul 2019	Aug 2019	Sept 2019	Oct 2019	Nov 2019	Dec Prelim
Index of Consumer Sentiment	98.3	91.2	93.8	98.4	97.2	100.0	98.2	98.4	89.8	93.2	95.5	96.8	99.2
Current Economic Conditions	116.1	108.8	108.5	113.3	112.3	110.0	111.9	110.7	105.3	108.5	113.2	111.6	115.2
Index of Consumer Expectations	87.0	79.9	84.4	88.8	87.4	93.5	89.3	90.5	79.9	83.4	84.2	87.3	88.9
Index Components													
Personal Finances—Current	133	127	124	138	133	134	131	131	127	131	134	134	136
Personal Finances—Expected	129	131	133	131	136	135	134	137	123	128	134	131	131
Economic Outlook—12 Months	118	92	108	124	115	130	121	122	104	109	108	116	121
Economic Outlook—5 Years	102	97	99	102	100	112	104	106	93	98	96	105	106
Buying Conditions—Durables	169	155	158	156	159	151	160	156	146	150	160	156	163