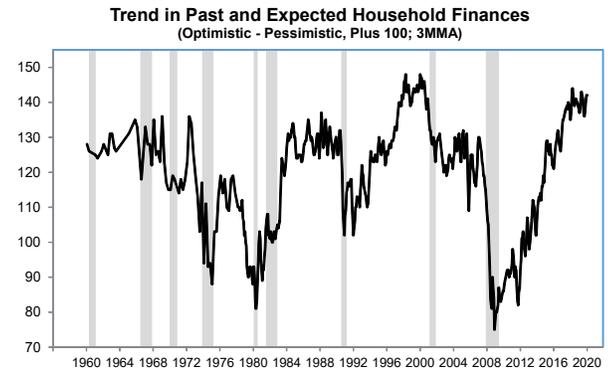




Subject: Preliminary results from the January 2020 survey
From: Richard Curtin, Director

January 17, 2020

Consumer sentiment remained virtually unchanged in early January, differing by just 0.2 Index-points from December. This stability extended to all components, both current assessments as well as future economic prospects. Impeachment was barely mentioned—just by 1% of consumers. While those that mentioned impeachment were also somewhat less optimistic than other consumers, the small numbers had a negligible impact on the overall stability in consumer sentiment. It is of some interest to note that during the Clinton impeachment, sentiment similarly rose: the Sentiment Index rose from 100.5 in the December 1998 survey when the House voted for impeachment, to 108.1 in February 1999, when the Senate voted to clear Clinton. Importantly, the economic expansion lasted another two years, with the economy peaking in March 2001, setting the prior record for the longest expansion since the mid-1950s. The current expansion owes its record length largely to consumer spending. Consumers will continue to sustain the expansion due to their favorable judgements about their current and prospective financial situation (see the chart). Of course, whether that strength will last another two years is uncertain given the election season has begun and will feature fundamental changes in taxes and spending programs.



Consumers have judged their current personal financial situation quite favorably. Improving finances were reported by 53% of all consumers in early January, exactly equal to the 2018 and 2019 averages—the highest two years in the past half century. Income gains were reported by 40% of all households and net increases in household wealth by 17%. When asked about their prospects for future income gains, the median across all households was 2.4%, up from 2.2% a month and year earlier. Consumers under age 45 expected wage gains of 4.4% in 2020, between last month’s 3.8% and last year’s 4.6%.

Year-ahead inflation expectations rose to 2.5% in January, between last month’s low of 2.3% and last January’s 2.7%. The recent data have remained in last year’s narrow range; if the one-month high (2.9%) and low (2.3%) are excluded, the range is reduced to just 2.5% to 2.8%, with the current reading still in the middle of that range. Long term inflation expectations also rose to 2.5% from last month’s all-time low of 2.2%, although below last year’s 2.6%. Among households with incomes in the top third, an annual rate of inflation of 2.1% was expected for the year ahead as well as over the next five years.

News reaching consumers about recent changes in the economy grew somewhat more favorable in early January. Improving conditions in the economy were reported by 57%, marginally above last month’s 55%, but substantially ahead of last year’s 43%. Consumers were more likely to expect an uptick in economic growth rather than a weakening; although the margin was just 30% versus 22%, it was the best in nine months. Overall, 53% expected good financial conditions in the country as a whole in January, well above last year’s 40%; moreover, 48% expected no interruption in the economic expansion over the next several years. The economic expansion is expected to be strong enough to continue to push the unemployment rate to new lows in 2020, although the majority anticipated the jobless rate to remain largely unchanged in 2020.

Home buying attitudes improved in early January, mainly among younger and middle income households, with middle income households basing their judgements on more attractive mortgage rates. Home selling conditions moved in an offsetting direction, although middle income households voiced less positive views on selling due to less attractive market values of their homes. Vehicle buying conditions slipped due to concerns about pricing, voiced mainly by households under age 45. Gas prices were expected to go up by 5.1 cents in the year ahead, up from 0.3 cents last month, mainly due to the military events in the Middle East. Finally, buying conditions for household durables remained virtually unchanged in January.

	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	June 2019	Jul 2019	Aug 2019	Sept 2019	Oct 2019	Nov 2019	Dec 2019	Jan Prelim
Index of Consumer Sentiment	91.2	93.8	98.4	97.2	100.0	98.2	98.4	89.8	93.2	95.5	96.8	99.3	99.1
Current Economic Conditions	108.8	108.5	113.3	112.3	110.0	111.9	110.7	105.3	108.5	113.2	111.6	115.5	115.8
Index of Consumer Expectations	79.9	84.4	88.8	87.4	93.5	89.3	90.5	79.9	83.4	84.2	87.3	88.9	88.3
Index Components													
Personal Finances—Current	127	124	138	133	134	131	131	127	131	134	134	137	135
Personal Finances—Expected	131	133	131	136	135	134	137	123	128	134	131	131	132
Economic Outlook—12 Months	92	108	124	115	130	121	122	104	109	108	116	120	116
Economic Outlook—5 Years	97	99	102	100	112	104	106	93	98	96	105	106	107
Buying Conditions—Durables	155	158	156	159	151	160	156	146	150	160	156	164	166