



Subject: Preliminary results from the April 2020 survey

April 9, 2020

From: Richard Curtin, Director

Consumer sentiment plunged 18.1 Index-points in early April, the largest monthly decline ever recorded. When combined with last month's decline, the two-month drop of 30.0 Index-points was 50% larger than the prior record. Of the two Index components, the Current Conditions Index plunged by 31.3 Index-points, nearly twice the prior record decline of 16.6 points set in October 2008.

In contrast, the Expectations Index fell by 9.7 points, a substantial decline, but not nearly as steep as the record 16.5 point drop in December of 1980. This suggests that the free-fall in confidence would have been worse were it not for the expectation that the infection and death rates from covid-19 would soon peak and allow the economy to restart. As noted in last week's special report, anticipating a quick and sustained economic expansion is likely to be a failed expectation, resulting in a renewed and deeper slump in confidence. Indeed, the peak decline in the Expectations Index recorded in December 1980 reflected a relapse following the end of the short January to July 1980 recession, signaling the start of a longer and deeper recession that lasted from July 1981 to November 1982.

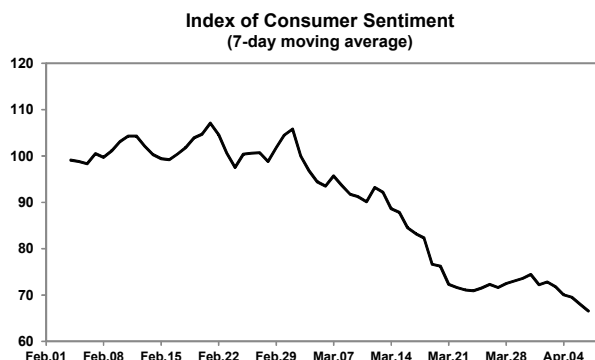
Consumers need to be prepared for a longer and deeper recession rather than the now discredited message that pent-up demand will spark a quick and robust economic recovery. Continued declines in the seven-day average Sentiment Index can be expected in the weeks ahead. Sharp additional declines may occur when consumers adjust to a slower expected pace of the economic recovery.

There is no sharper divide between current and expected conditions than on questions about the economy. Worsening current conditions in the national economy were voiced by 86% of all consumers, while 57% anticipated improved conditions during the year ahead. Surging unemployment was spontaneously mentioned by 67% of consumers, just below the all-time record of 74% in February 2009. When directly asked about expected trends in unemployment, 56% anticipate increases, more than twice February's 23%; expected declines rose slightly to 31% from 21%, with the fewest expecting no change ever recorded.

The proportion of households who reported improved finances fell to 36% in early April from the all-time peak of 58% in February, due to losses in jobs, incomes, and household wealth. When asked about prospects for income gains during the year ahead, the expected median change in income was a negative six-tenths of a percent, the largest decline ever recorded. The current and widespread income declines were not expected to persist. When consumers were asked about their financial prospects for the year ahead, 38% expected improvement, barely below February's 41%, suggesting a temporary virus impact.

Year-ahead inflation expectations plunged in early April, as consumers anticipated an overall rate of 2.1%, down from last month's 2.2% and last year's 2.5%. A zero or negative inflation rate was anticipated by 39% of all consumers in early April, the highest level since 41% was recorded in March 2009. In addition, year-ahead inflation expectations differed substantially across incomes, with those with incomes in the lowest third anticipating an inflation rate twice the size of those in the upper third of the income distribution. In contrast, long term inflation expectations rose, as consumers expected an annual rate of 2.5% in early April, up from last month's and last year's 2.3%. Moreover, just 10% expected zero or negative inflation rates, and there was no more than one-tenth of a percentage point difference in long term inflation rates across income groups.

Durable buying conditions were judged quite unfavorably in early April, only exceeded by one other monthly survey in May 1980. When asked to explain their views, the proportion that mentioned income uncertainty totaled 53%, the highest ever recorded. While the declines in vehicle and home buying attitudes were not as steep, the share of consumers who cited income uncertainty as the primary cause for postponing purchases of vehicles and homes was also the highest level ever recorded.



	Apr 2019	May 2019	June 2019	Jul 2019	Aug 2019	Sept 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020	April Prelim
Index of Consumer Sentiment	97.2	100.0	98.2	98.4	89.8	93.2	95.5	96.8	99.3	99.8	101.0	89.1	71.0
Current Economic Conditions	112.3	110.0	111.9	110.7	105.3	108.5	113.2	111.6	115.5	114.4	114.8	103.7	72.4
Index of Consumer Expectations	87.4	93.5	89.3	90.5	79.9	83.4	84.2	87.3	88.9	90.5	92.1	79.7	70.0
Index Components													
Personal Finances—Current	133	134	131	131	127	131	134	134	137	134	141	128	104
Personal Finances—Expected	136	135	134	137	123	128	134	131	131	133	133	124	123
Economic Outlook—12 Months	115	130	121	122	104	109	108	116	120	121	127	83	62
Economic Outlook—5 Years	100	112	104	106	93	98	96	105	106	110	111	112	94
Buying Conditions—Durables	159	151	160	156	146	150	160	156	164	163	157	141	82