

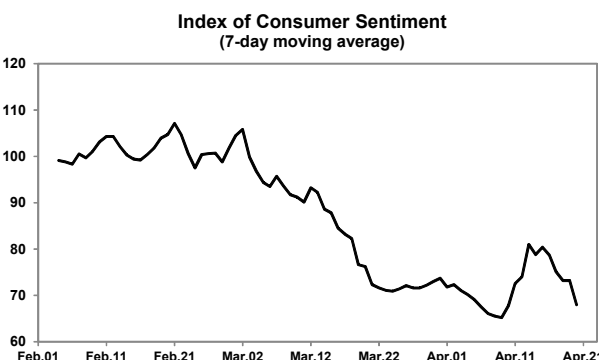


Subject: April 2020 survey results
From: Richard Curtin, Director

April 24, 2020

April's final Sentiment Index reading remained largely unchanged from the mid-month figure (+0.8 points), and households with below median incomes expressed the same level of confidence as those with above median incomes (71.9). This merging reflects somewhat larger April declines among households with above median incomes (-19.8 points) compared with those with below median incomes (-14.0).

The seven-day moving average of the Index of Consumer Sentiment indicated a second larger improvement that was quickly reversed; its cause could not be linked to any direct judgements about the coronavirus. The notable divergence between the two main components of the Sentiment Index remained large. The Current Conditions Index fell by 29.4 points in the past month and by 40.5 points in the past two months, whereas the Expectations Index has posted smaller declines of 9.6 points in the past month and 22.0 points from February. While the decline in both indices indicates an ongoing recession, the gap reflects the anticipated cyclical nature of the coronavirus. In the weeks ahead, as several states reopen their economies, more information will reach consumers about how reopening could cause a resurgence in coronavirus infections.



Consumers' reactions to relaxing restrictions will be critical, either putting further pressure on states to reopen their economies, or exerting added pressure to extend the restrictions even if it has negative consequences for economic prospects.

The proportion of households who reported improved finances fell to 38% in April from the all-time peak of 58% in February, due to losses in jobs, incomes, and household wealth. Financial prospects for the year ahead, however, improved slightly, as 39% expected improved finances, up from last month's 36% and just below February's 41%. Despite the small gain, when asked about expected income increases in the year ahead, the median expected gain in household income was just 0.4%.

Consumers anticipated a falloff in inflation in the near term, but expected prices to rise at a higher rate over the longer term. In April, a year-ahead inflation rate of 2.1% was expected, the lowest rate recorded since March 2009. A zero or negative inflation rate was anticipated by 40% of all consumers in April, the highest level since 41% was recorded, also in March 2009. Rather than entering a deflationary period, consumers anticipated that the annual inflation rate would rise to 2.5% over the next five years, with just 10% expecting a zero or negative long term inflation rate. There was no consensus about future changes in interest rates, with about one-third expecting rates to rise, to fall, or to remain unchanged by this time next year.

A worsening economy was reported by 89% of all consumers, only below the peak of 96% in February 2009 at the recession low point. When asked if they expected the economy to improve in the year ahead, 58% anticipated gains; this was twice as many as in February 2009. Despite the expected gains, the majority of consumers anticipated that this still meant that bad financial times would persist in the year ahead, with the balance of opinion expecting another downturn in the next five years.

Of all of the questions asked, the collapse in favorable buying conditions for large household durables was by far the largest: negative views of buying conditions were voiced by a near all-time record of 55% of all consumers in April, twice last month's 27% and three-times February's 18%. The collapse was triggered by surging job and income uncertainty, cited spontaneously by 53% of all consumers when asked to explain their views in their own words. Home buying conditions were judged less favorable than anytime since 1984, as job and income uncertainty was cited by 39% of all consumers. Vehicle buying conditions declined, but not nearly as sharply, as greater job and income uncertainty was partially offset by steep price discounts. Nonetheless, overall views of vehicle buying conditions were at the lowest levels in nearly a decade.

	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 2020
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	71.8
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	74.3
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	70.1
Index Components													
Personal Finances—Current	133	134	131	131	127	131	134	134	137	134	141	128	106
Personal Finances—Expected	136	135	134	137	123	128	134	131	131	133	133	124	126
Economic Outlook—12 Months	115	130	121	122	104	109	108	116	120	121	127	83	58
Economic Outlook—5 Years	100	112	104	106	93	98	96	105	106	110	111	112	96
Buying Conditions—Durables	159	151	160	156	146	150	160	156	164	163	157	141	86