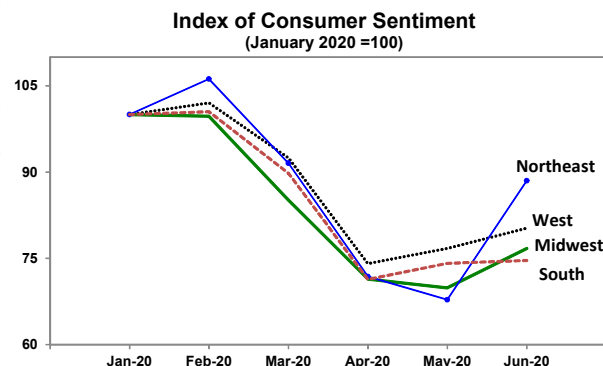




Subject: June 2020 survey results
From: Richard Curtin, Director

June 26, 2020

Consumer sentiment slipped in the last half of June, although it still recorded its second monthly gain over the April low. While most consumers believe that economic conditions could hardly worsen from the recent shutdown of the national economy, prospective growth in the economy is more closely tied to progress against the coronavirus. The early reopening of the economy has undoubtedly restored jobs and incomes, but it has come at the probable cost of an uptick in the spread of the virus. The Sentiment Index rose by just 0.5 Index-points among Southern residents in June, and by only 3.3 Index-points among Western residents. In contrast, the Sentiment Index among residents of the Northeast rose by an all-time record of 19.1 Index-points in June, with residents apparently expecting the later and more gradual reopening to produce at worst a negligible increase in infections. The resurgence of the virus will be accompanied by weaker consumer demand among residents of the Southern and Western regions and may even temper the reactions of consumers in the Northeast. As a result, the need for additional fiscal policies to relieve financial hardships has risen. Unfortunately, confidence in government economic policies has fallen in the June survey to its lowest level since Trump entered office. The need for new relief programs is urgent and would best be accomplished before the national elections dominate the debate.



Assessments of their current finances remained near the lows recorded since April, with the proportion of consumers who reported improved finances still 19 percentage points below the February peak. Reports of income gains fell to just 28% in June, the smallest proportion of consumers in six years, while reports of income declines stood at 26%, unchanged from April. The largest net declines from the February peak were among those under age 45 (down 40 percentage points) and households with incomes in the top third (down 38 percentage points). When asked about their income prospects for the year ahead, the expected median annual rate of gain was just 0.5% from April to June, the lowest quarterly figure in the past seven years.

The median expected year ahead inflation rate was 3.0% in June, just below last month's 3.2%, but above last year's 2.7%. The recent rise in inflation expectations reflects a shift in consumer purchases from the full range included in the CPI market basket to be more heavily focused on food purchases, which posted an annual gain of 4.8% in May—reflecting a basic thesis of my new book that consumers tailor their inflation expectations to the prices they actually face in the marketplace. Consumers do not expect a sustained increase, as long term inflation expectations fell to 2.5%, down from 2.7% last month.

It should be no surprise that record numbers of consumers have anticipated a resurgence in the economy and in employment following the shutdown. Improving economic conditions were expected by 55% of consumers in June (barely below April's all-time record 58%), and an all-time record 48% anticipated declines in unemployment. It was nonetheless true that when asked whether economic conditions would be good or bad, 63% expected bad times, twice the 31% in February. Economic policies were judged favorably by 26% and unfavorably by 39%, the worst net assessment since Trump entered office.

Some consumers view the currently low prices for household durables, vehicles, and homes as strong reasons to act before they vanish, and some consumers judge their future job and income prospects too uncertain at present and thus favor postponement. Recent shifts in the balance of opinion has marginally moved concerns from job and income uncertainty, which peaked during the shutdown, to the greater availability of low prices and available credit in the past month. While the ongoing shift will translate into higher month-to-month sales gains, the overall level of discretionary spending will remain depressed. Moreover, those gains are likely to be lessened by a slowdown in reopening the economy in the months ahead.

	June 2019	Jul 2019	Aug 2019	Sept 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020	April 2020	May 2020	June 2020
Index of Consumer Sentiment	98.2	98.4	89.8	93.2	95.5	96.8	99.3	99.8	101.0	89.1	71.8	72.3	78.1
Current Economic Conditions	111.9	110.7	105.3	108.5	113.2	111.6	115.5	114.4	114.8	103.7	74.3	82.3	87.1
Index of Consumer Expectations	89.3	90.5	79.9	83.4	84.2	87.3	88.9	90.5	92.1	79.7	70.1	65.9	72.3
Index Components													
Personal Finances—Current	131	131	127	131	134	134	137	134	141	128	106	107	110
Personal Finances—Expected	134	137	123	128	134	131	131	133	133	124	126	117	132
Economic Outlook—12 Months	121	122	104	109	108	116	120	121	127	83	58	58	67
Economic Outlook—5 Years	104	106	93	98	96	105	106	110	111	112	96	88	90
Buying Conditions—Durables	160	156	146	150	160	156	164	163	157	141	86	105	115