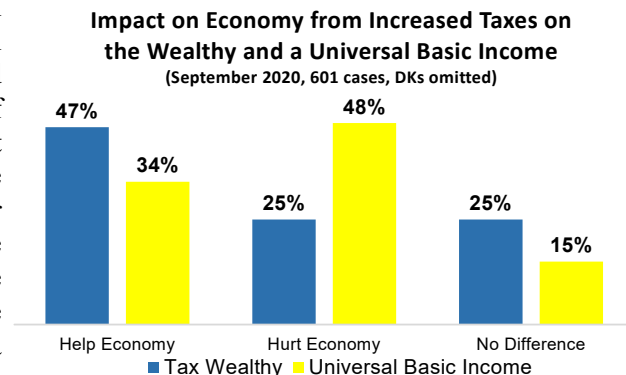




Subject: September 2020 survey results
From: Richard Curtin, Director

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Consumer sentiment continued to improve in late September, with the Sentiment Index reaching its highest level in six months. The gains were mainly due to a more optimistic outlook for the national economy. While consumers have anticipated gains in the national economy ever since the April shutdown, the September survey recorded a significant increase in the proportion that expected a reestablishment of good times financially in the economy. While the level of sentiment remains well below the peak levels recorded at the start of 2020, the recent gains are encouraging even though they were largely due to upper income households. Indeed, the data indicate that lower income households face continued income and job losses compared with the modest gains expected by upper income households. Also, lower income households more frequently anticipated real income declines. Without a renewed federal stimulus and enhanced unemployment payments, the income gap will widen. The economy will benefit from the increasing pace of spending among households with incomes in the top third. Nonetheless, two non-economic issues still represent the primary sources of uncertainty and could cause volatile shifts in confidence: how and when the election is decided, and delays in obtaining and administering the vaccine. Although the survey ended before the Presidential debate, it is likely that the chaotic debate has already added to these uncertainties.



Opinions about a range of economic policies were repeated in the September 2020 survey. The questions asked whether consumers thought each of the policies would help, hurt, or would make no difference to the pace of growth in the national economy. Increases in trade were judged to improve the economy by two-thirds of all consumers, somewhat higher in 2020 than in 2016; increases rather than decreases in immigration were more often favored in 2020, the opposite of the 2016 data. Increasing taxes on the wealthy to reduce inequality was largely unchanged in 2020 from 2016. A new question was added on the anticipated impact on the economy from a universal basic income, which surprisingly tilted in the opposite direction: nearly half of all consumers thought higher taxes on the wealthy would have a favorable impact on growth prospects, and nearly half thought a universal basic income would have a negative impact on the economy (see chart). This may imply that consumers favor more targeted rather than universal transfers. A more detailed report on these economic policy preferences, including demographic and partisan differences in trends since 2016, will be available in next Friday's special report.

Following the shutdown of the economy, it was natural for consumers to anticipate improved conditions but didn't soon expect the reestablishment of good economic times. That cautious view has begun to change, although those gains have still left conditions in the national economy less favorable than their pre-pandemic peaks in early 2020. One-in-five consumers reported hearing news of job gains in September, the highest proportion since January. Moreover, prospects for the year ahead were more positive than last month, as those who anticipated renewed increase in job losses fell to 24% from 32%.

Consumers' assessments of their finances indicated a widening gap that favored those households with incomes in the top third. Net income gains were reported by 24% of those in the top third compared with net declines reported by 13% by those with incomes in the bottom third. The same split occurred when asked about expected income changes in the year ahead: households in the bottom third anticipated gains of 0.5% while those in the top third expected gains of 2.1%. Although inflation expectations declined to 2.6% across all households, the first month below 3.0% since April, among those with incomes in the bottom third, the expected inflation rate was 3.5%, compared with 2.2% for those with incomes in top third. This difference was pandemic related since long term inflation expectations differed by just 0.3 points across income groups.

	Sept 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020	April 2020	May 2020	Jun 2020	July 2020	Aug 2020	Sept 2020
Index of Consumer Sentiment	93.2	95.5	96.8	99.3	99.8	101.0	89.1	71.8	72.3	78.1	72.5	74.1	80.4
Current Economic Conditions	108.5	113.2	111.6	115.5	114.4	114.8	103.7	74.3	82.3	87.1	82.8	82.9	87.8
Index of Consumer Expectations	83.4	84.2	87.3	88.9	90.5	92.1	79.7	70.1	65.9	72.3	65.9	68.5	75.6
Index Components													
Personal Finances—Current	131	134	134	137	134	141	128	106	107	110	108	108	113
Personal Finances—Expected	128	134	131	131	133	133	124	126	117	132	123	127	127
Economic Outlook—12 Months	109	108	116	120	121	127	83	58	58	67	60	65	83
Economic Outlook—5 Years	98	96	105	106	110	111	112	96	88	90	80	81	92
Buying Conditions—Durables	150	160	156	164	163	157	141	86	105	115	106	106	114