

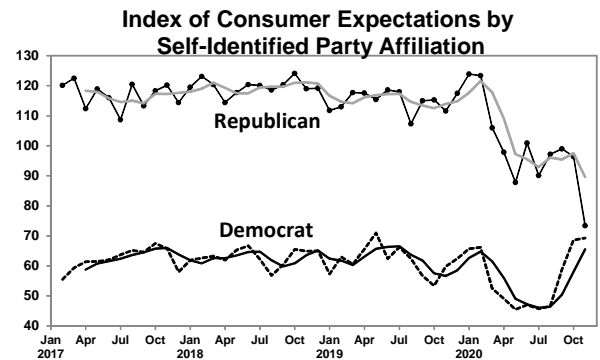


Subject: Preliminary results from the November 2020 survey  
From: Richard Curtin, Director

November 13, 2020

Consumer sentiment fell in early November as consumers judged future economic prospects less favorably, while their assessments of current economic conditions remained largely unchanged.

The outcome of the presidential election as well as the resurgence in covid infections and deaths were responsible for the early November decline. Interviews conducted following the election recorded a substantial negative shift in the Expectations Index among Republicans, but recorded no gain among Democrats. It is likely that Democrats' fears about the covid resurgence offset gains in economic expectations: 59% of Democrats reported that their normal life had changed to a great extent due to the coronavirus compared with just 34% among Republicans. The gap in expectations closed somewhat due to the coronavirus and the partisan shift in expectations that began well before the election. Note that Republicans now voice the least favorable economic expectations since Trump took office, and Democrats have voiced more positive expectations (see the chart). In the months ahead, the partisan gap is likely to enlarge, although the gains will be limited until a potential vaccine is approved and widely distributed.



Consumers' judgements about their current finances erased the small gains in the prior two months, falling back to the lows recorded six months ago and well below the pre-pandemic peaks. Net declines in household incomes were reported in early November for the first time since March 2014, with the largest net declines reported by lower income households and those aged 65 or older. Just 30% of all households anticipated their financial situation to improve during the year ahead, the fewest since August 2016. Annual gains in household incomes of just 1.5% were anticipated in early November, down from 2.0% last month and 2.3% last year. Those under age 45 expected annual income gains of 3.4%, below last year's 4.6%.

Consumers anticipated a year-ahead inflation rate of 2.8% in early November, up from 2.6% in the prior two months but still below the average of 3.1% recorded from May to August 2020. Importantly, the recent gain was entirely due to the prices faced by low and middle income households, as those with incomes in the top third expected a year-ahead inflation rate of just 2.2%. The annual inflation rate expected over the next five years was 2.6% in November, just above last month's 2.4% and last year's 2.5%. The range of long term inflation expectations was also large as those with incomes in the top third expected a long term inflation rate of just 2.3%, well below the 3.0% expected by those with incomes in the bottom third.

The initial and subsequent recurrences in covid infections and deaths have mirrored the variations in the strength consumers expected in future conditions in the national economy. The current resurgence has dampened the economic outlook, with half of all consumers expecting bad times in the year ahead and recurrent downturns over the next five years. If a vaccine received approval and vaccinations begin before the end of the year, people may express greater fears and more intensely focus on the distribution priorities. No one wants to be the last to die, and no business wants to be the last to go bankrupt.

Buying conditions for vehicles and large household durables edged upward in early November due to more favorable views among households with incomes in the top third, while modest declines were recorded among households with incomes in the bottom two-thirds. Job and income declines due to the covid resurgence will diminish holiday purchases among lower income households, especially since no extension in federal jobless benefits and other income supplements are expected before year-end. Even higher income households who have larger savings balances that could support more robust spending, must also deal with rising covid risks. The exception will be the outfitting and refurbishing of homes to accommodate multiple new home-based tasks, including uses as classrooms, offices, and centers for family recreation and exercise.

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	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020	April 2020	May 2020	Jun 2020	July 2020	Aug 2020	Sept 2020	Oct 2020	Nov Prelim
Index of Consumer Sentiment	96.8	99.3	99.8	101.0	89.1	71.8	72.3	78.1	72.5	74.1	80.4	81.8	77.0
Current Economic Conditions	111.6	115.5	114.4	114.8	103.7	74.3	82.3	87.1	82.8	82.9	87.8	85.9	85.8
Index of Consumer Expectations	87.3	88.9	90.5	92.1	79.7	70.1	65.9	72.3	65.9	68.5	75.6	79.2	71.3
Index Components													
Personal Finances—Current	134	137	134	141	128	106	107	110	108	108	113	113	108
Personal Finances—Expected	131	131	133	133	124	126	117	132	123	127	127	129	120
Economic Outlook—12 Months	116	120	121	127	83	58	58	67	60	65	83	88	80
Economic Outlook—5 Years	105	106	110	111	112	96	88	90	80	81	92	100	85
Buying Conditions—Durables	156	164	163	157	141	86	105	115	106	106	114	109	114