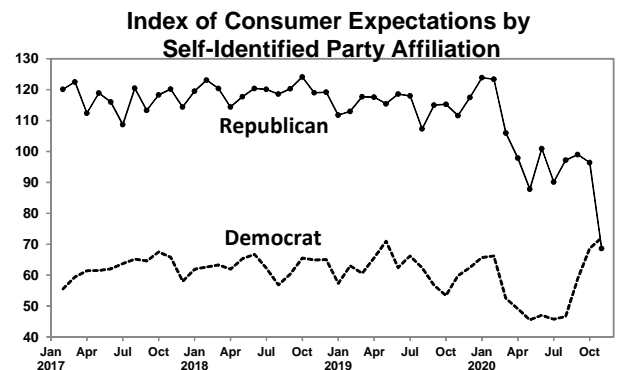




Subject: November 2020 survey results
From: Richard Curtin, Director

November 25, 2020

Consumer sentiment was unchanged in late November—a difference of just 0.1 points from mid-month—although there was a significant decline in the Expectations component which was offset by more favorable assessments of current economic conditions. Importantly, the November data were less optimistic than last month due to the resurgence in covid infections and deaths as well as partisan shifts due the outcome of the presidential election. For the first time since Trump entered office, Democrats rather than Republicans held a more optimistic economic outlook (see the chart). The steep rise in covid infections had a greater impact on Democrats as 59% of Democrats reported that the coronavirus had changed their lives to a great extent compared with just 36% among Republicans. In the months ahead, if infections and deaths rise as anticipated, further declines in optimism are likely. The anticipated declines, however, will be tempered by the approval of several vaccines by the end of the year. The approval of vaccines will heighten concerns about vaccination priorities, especially when accompanied by the expected increase in deaths in the next several months. These events are likely to promote more closures and stay-at-home orders in addition to mandatory masks and social distancing. Widespread closures would incur a heavy toll on the entire economy and cause escalating hardships among some households. A delay in federal aid until next year would allow great harm and permanent damage to occur to many firms, local governments, and households.



Consumers' judgements about their current finances erased the small gains in the prior two months, falling back near the lows recorded seven months ago and well below the pre-pandemic peaks. Net increases in household incomes were slightly higher in frequency than net declines (31% versus 28%), the smallest margin of gains since June and July. The largest net declines were reported by lower income households (-6 points) and those aged 65 or older (-9 points). Expected median income gains during the year ahead fell to just 1.6% across all households, down from last month's 2.0% and last year's 2.3%; among those with incomes in the top third, expected income gains were unchanged at 2.5% from last month, and slightly below last year's 2.6%. Among households under age 45, expected income gains fell to 3.3%, from last month's 3.5% and last year's 4.6%. Consumers anticipated a year-ahead inflation rate of 2.8% in November, unchanged from mid-month, and above the 2.6% in the prior two months, but was still below the mean of 3.1% from May to August 2020. Inflation expectations increased across all income groups, with middle income households posting the largest change from last month (+0.5 points). Long term inflation expectations drifted upward to 2.5% in November from last month's 2.4%, but remained below the levels recorded from July to September, which averaged 2.7%. Just 14% of all consumers anticipated further declines in interest rates. The economic news heard by consumers was still dominated by changing employment conditions, although about half as negative as six months ago. While overall business conditions are expected to improve rather than worsen by a two-to-one margin, it is still true that a majority of consumers (55%) anticipated bad times financially to persist in the year ahead and the majority (51%) expected recurrent economic downturns over the next five years. The chief cause of these more pessimistic views is the current and expected escalation of covid infections. Just 29% anticipated declines in unemployment in the year ahead in November, down from last month's 38% and 42% in September and the 2020 peak of 48% in June.

Recent trends in prices and interest rates will impact sales differently, with homes benefitting most, followed by vehicles and household durables. As a counter to the favorable impact of interest rates, internet shopping will benefit purchases that can be ordered and delivered, having the most favorable impact on household durables, home furnishing, and recreation goods.

	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 2020
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	76.9
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	87.0
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	70.5
Index Components													
Personal Finances—Current	134	137	134	141	128	106	107	110	108	108	113	113	111
Personal Finances—Expected	131	131	133	133	124	126	117	132	123	127	127	129	122
Economic Outlook—12 Months	116	120	121	127	83	58	58	67	60	65	83	88	75
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