

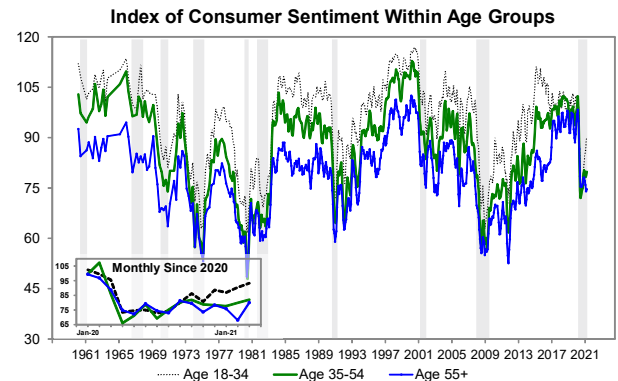


Subject: Preliminary results from the March 2021 survey  
From: Richard Curtin, Director

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Consumer sentiment rose in early March to its highest level in a year due to the growing number of vaccinations as well as the widely anticipated passage of Biden’s relief measures. The gains were widespread across all socioeconomic subgroups and all regions, although the largest monthly gains were concentrated among households in the bottom third of the income distribution as well as those aged 55 or older. Over the past fifty years, the key age group that consistently led recoveries, but was the last age group to indicate a pending recession, was consumers under age 35 (see the featured chart).

The early March gains were not equally shared across all Index components, with consumers voicing no improvement in some key facets of consumer finances. In particular, consumers’ judgements about their own financial situation posted no gains in early March, largely due to very small expected gains in household incomes over the next year. In contrast, prospects for the national economy improved significantly. Another important distinction involved greatly improved views of buying conditions for large household durables, but only marginal gains for vehicles and homes. Inflation expectations for the year ahead remained elevated, but consumers thought the inflation rate would fall back to lower levels over the longer term. Importantly, consumers thought that the interest rates they faced for mortgages and vehicle loans would rise during the year ahead. Overall, the data indicate strong growth in consumer spending during the year ahead, with the largest percentage gains for services, including travel and restaurants, and the smallest increases for vehicles and homes. Half of all consumers in early March reported hearing of favorable economic developments, with the largest positive gains involving jobs. For the fourth consecutive month, half of all consumers expected the economy to improve during the year ahead. The anticipated gains meant that the proportion who anticipated good times financially rose to 47%, up from 36% last month and the highest in a year. Consumers were more cautious about longer term economic prospects, with continuous good times rising slightly to 39% from last month’s 36%, reoccurring downturns declined to 48% from last month’s 54%. A year-ahead inflation rate of 3.1% was anticipated in early March, between last month’s 3.3% and January’s 3.0%. While these figures were well above last year’s 2.2%, they were comparable to the 3.1% recorded from May - August 2020. Perhaps the most important takeaway is that during both episodes of 3% inflation, long term inflation expectations remained lower, indicating a solid anchor. In early March, consumers anticipated an annual inflation rate of 2.7% over the next five years for the third consecutive month; this was the same peak level set in 2020. Other survey data confirmed that few consumers now fear an escalating inflation rate will develop, or have caused them to change their shopping behavior or wage demands. Judgements about their own finances remained cautious. Evaluations of their current finances were understandably muted from the strains of the pandemic. Financial expectations for the year ahead stand to benefit from an improving economy and the stimulus payments. Nonetheless, an improved financial situation was expected by just 31% in early March, down from 36% last month, marking the lowest percentage since August 2016. When asked about expected income gains during the year ahead, the overall figure fell to just 0.9%, the lowest pandemic level set in April was 0.4%. The largest decline was among households with incomes in the top third, with their expected income change falling to 1.5% from last month’s 2.6%. Buying conditions for large household durables improved markedly, with favorable views rising to 61% from last month’s 54%, with most of the gains among older and upper income households. In contrast, vehicle buying attitudes improved only slightly, to 55% from last month’s 53%, along with large increases in expected year ahead gas prices (24.8 cents).



	Mar 2020	April 2020	May 2020	Jun 2020	July 2020	Aug 2020	Sept 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Feb 2021	March Prelim
Index of Consumer Sentiment	89.1	71.8	72.3	78.1	72.5	74.1	80.4	81.8	76.9	80.7	79.0	76.8	83.0
Current Economic Conditions	103.7	74.3	82.3	87.1	82.8	82.9	87.8	85.9	87.0	90.0	86.7	86.2	91.5
Index of Consumer Expectations	79.7	70.1	65.9	72.3	65.9	68.5	75.6	79.2	70.5	74.6	74.0	70.7	77.5
Index Components													
Personal Finances—Current	128	106	107	110	108	108	113	113	111	114	109	110	109
Personal Finances—Expected	124	126	117	132	123	127	127	129	122	122	121	118	115
Economic Outlook—12 Months	83	58	58	67	60	65	83	88	75	76	87	83	104
Economic Outlook—5 Years	112	96	88	90	80	81	92	100	85	100	88	82	91
Buying Conditions—Durables	141	86	105	115	106	106	114	109	114	119	115	113	128