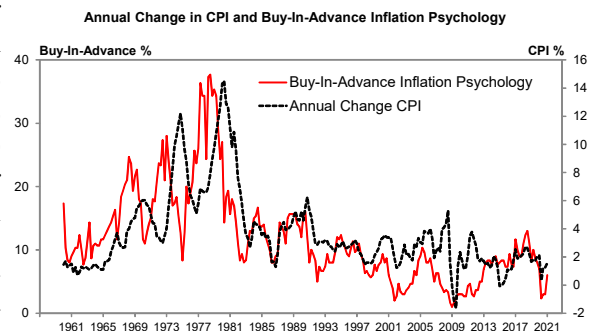




Subject: March 2021 survey results
From: Richard Curtin, Director

March 26, 2021

Consumer sentiment continued to rise in late March, reaching its highest level in a year due to the third disbursement of relief checks and better than anticipated vaccination progress. As prospects for obtaining vaccination have grown, so too has people’s impatience with isolation, as those concerns were voiced by nearly one-third of consumers in March, the highest level in the past year. The majority of consumers reported hearing of recent gains in the national economy, mainly net job gains. The data clearly point toward robust increases in consumer spending. The ultimate strength and duration of the spending surge will depend on the rate of draw-downs in savings since consumers anticipate a slower pace of income growth. Despite the vast decline in precautionary motives sparked by the easing of pandemic fears, those precautionary motives will not completely disappear. Importantly, the two contrasting policy recommendations both find support in the data: the recovery is far from complete as only 45% of the fall in the Sentiment Index has been recovered, and the current and prospective stimulus and infrastructure spending has the potential to spark an inflationary psychology. The reestablishment of an inflationary psychology will not occur immediately. Buy-in-advance psychology preceded actual inflation by about two years prior to 1980, with the lead time more variable and with no resurgence in the low inflation era. The key issues are not to underestimate the ultimate impact of policies on employment and inflation, and not to overestimate the ability of economic policies to bring any excesses to a painless soft-landing.



Year-ahead inflation expectations remained elevated at 3.1%; below last month’s 3.3%, but well ahead of last March’s 2.2%. This is the second time in the past year that the annual expected inflation rates were in the 3.0% to 3.3% range. The first time was from May to August 2020, before falling back to 2.5% in December 2020, rising again to the 3.0% level from January to March 2021. Consumers continued to anticipate a lower long term inflation rate of 2.8% in March. While this was just above the 2.7% set in the prior two months (and in five of the past twelve months), the small increase does not indicate any significant lessening of well-anchored inflation, even if the 2.8% was the highest long-term rate since the July 2015 survey.

Consumers reported much more favorable assessments of the national economy in March. Favorable economic developments were cited by 57% of mentions in March, up from 38% last month. For the first time in the past year, more consumers expected good rather than bad times in the national economy during the year ahead (49% vs. 41%), a significant improvement from last month when negative views were held by the majority (36% vs. 53%). Expected job gains were a critical component. Declines in the unemployment rate during the year ahead were anticipated by 45% in March, up from last month’s 36%.

Although financial expectations were expected to improve due to a stronger economy and stimulus payments, few consumers reported improved financial expectations: just 33% in March, down from 36% last month, and just above the May 2020 low of 32%. Notably, among households with incomes in the top third, just 32% expected improved finances and 16% expected worsening finances, this was the worst overall reading since June 2014; the low came despite one-in-five reporting wealth gains, mainly rising stock and home values. When asked about expected income gains during the year ahead, the overall figure fell to 1.1% from last month’s 1.5%. Inflation adjusted income expectations were the lowest in March since January 2017.

Buying conditions for large household durables improved, with favorable views rising to 61% from last month’s 54%, largely due to declining income uncertainty. In contrast, favorable vehicle buying attitudes improved only slightly, to 54% from last month’s 53%, with most of the gains recorded among older adults and those in the bottom third of the income distribution. Favorable home buying attitudes remained largely unchanged, although they did improve among top-third income households.

	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 2021
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	84.9
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	93.0
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	79.7
Index Components													
Personal Finances—Current	128	106	107	110	108	108	113	113	111	114	109	110	112
Personal Finances—Expected	124	126	117	132	123	127	127	129	122	122	121	118	118
Economic Outlook—12 Months	83	58	58	67	60	65	83	88	75	76	87	83	108
Economic Outlook—5 Years	112	96	88	90	80	81	92	100	85	100	88	82	94
Buying Conditions—Durables	141	86	105	115	106	106	114	109	114	119	115	113	128