



Subject: Confidence in Financial Institutions
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October 22, 2021

Confidence in financial institutions is critical for maintaining economic stability. The Michigan surveys have monitored confidence in financial institutions over the past thirty years. This report highlights findings on three financial institutions from 1987 to 2021: the Federal Reserve, commercial banks, and brokerage and mutual fund companies. The questions were initiated in 1987 just after Black Monday, when the Dow Jones stock index plunged by 23%, the Great Recession prompted four measures from 2008 to 2011, and the last measure was taken in 2021 in the hopefully late stages of the covid pandemic.

Federal Reserve. More consumers reported that their confidence in the Federal Reserve had declined rather than increased in all ten surveys from 1987 to 2021 (see the table below). The largest declines came during the Great Recession, with less confidence in the Fed reported by 49% to 59% during 2008 to 2011. The most recent survey also indicated a renewed loss in confidence in the Fed, with the losses in confidence reported by 43% of all consumers in 2021. Greater confidence in the Fed never reached more than 15% across the ten surveys, with the most recent figure of 10% in the middle of the range from 6% to 15%. Given the importance of Fed policy on the economy, whether consumers reported that their confidence in the Fed increased or declined acted to amplify the corresponding impact on the Index of Consumer Expectations. Note that the most recent measure contained the largest gains or losses in the Expectations Index depending on consumers' assessments, and the largest net gap (55.9). This gap may reflect the impact of the pandemic as well as the more general rise in partisanship.

Indeed, partisan identification was a significant correlate of consumer assessments of the Federal Reserve, treating the Fed as part of the administration rather than an independent body. Less trust in the Fed was reported in 2021 more frequently by Republicans than Democrats (67% versus 27%), while in the first year of the Trump administration, less trust in the Fed was reported by Democrats than Republicans (41% versus 30%). In contrast, there were no significant differences by political party identification in recent changes in confidence for commercial banks and for brokerages and mutual fund companies.

Commercial Banks. The proportion of consumers that had less confidence in commercial banks stood at 28% in 2021, slightly above the 26% in 2019, but lower than any other year except 1987 (20%). When net changes in trust of commercial banks were examined, massive declines in trust were recorded during the Great Recession and its aftermath, extending from 2008 to 2011; unfortunately, since the questions were not asked in the next three years, the timing of the recovery is unknown. The next measure was taken in 2015, and by that date it is clear that a recovery in net confidence in commercial banks had been recorded. Moreover, only small variations in consumers' confidence in commercial banks has been recorded since 2015.

Brokerages and Mutual Fund Companies. The net level of confidence in brokerages and mutual fund companies reached its most favorable level in 2021—although still negative on balance. Greater confidence in brokerages and mutual fund companies was reported by 14% in 2021 and less confidence by 28%, with the net balance of opinion unchanged from 2019. This pales in comparison to the 2008 loss in confidence, when increased confidence was dominated by declines by the margin of 3% versus 66% in 2008, and importantly, these very negative views remained commonplace in the 2011 survey. In contrast, households who held stock portfolios in the top third of the overall owner distribution shifted toward a net positive gain in confidence: 25% reported more confidence in brokerages and mutual funds versus 16% who reported less confidence. It should be noted that this was the only instance where the frequency of “more confidence” exceeded “less confidence” across all age, income, and stock ownership groups for all three types of financial institutions (see table on the next page).

Change in Confidence in the Federal Reserve, 1987 - 2021										
Confidence Compared with	Nov/Dec	Apr	Oct/Nov	Sep/Oct	Oct/Nov	Oct/Nov	Jan/Feb	Nov/Dec	Sep/Oct	Sep/Oct
Five Years Ago	1987	1991	2008	2009	2010	2011	2015	2017	2019	2021
More confident now	9%	7%	7%	12%	9%	6%	15%	12%	13%	10%
Same	67	63	33	38	40	33	42	47	49	43
Less confident now	19	25	57	49	49	59	41	38	36	45
DK/NA	5	5	3	1	2	2	2	3	2	2
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Cases	1,001	501	1,008	1,001	1,017	1,004	1,011	1,210	1,251	1,158
Addenda	Index of Consumer Expectations: Differences in Index points from corresponding full sample means									
More Confident in Fed	18.6	10.7	22.1	26.5	14.7	10.9	20.1	17.1	8.4	34.4
Less Confident in Fed	-15.1	-14.0	-5.7	-12.9	-10.5	-6.2	-20.0	-10.0	-8.9	-21.5
Difference (%More-%Less)	33.7	24.7	27.8	39.4	25.2	17.1	40.1	27.1	17.3	55.9
Net Change in Confidence in Financial Institutions: Balance Scores (%More - %Less)										
Federal Reserve	-10	-18	-50	-37	-40	-53	-26	-26	-23	-35
Commercial Banks	-13	-29	-59	-59	-49	-57	-19	-24	-13	-22
Brokerage & Mutual Funds	-29	-21	-63	-55	-50	-49	-16	-17	-14	-14

The next few questions are about the trust and confidence people have in this country's financial institutions. What about—*financial institution*—compared with five years ago, do you have a lot more confidence now, a little more confidence now, a little less confidence now, a lot less confidence now, or has your confidence in—*financial institution*—remained about the same?

Change in Confidence in the FEDERAL RESERVE: Balance Scores (%More - %Less)										
	Nov/Dec 1987	Apr 1991	Oct/Nov 2008	Sep/Oct 2009	Oct/Nov 2010	Oct/Nov 2011	Jan/Feb 2015	Nov/Dec 2017	Sep/Oct 2019	Sep/Oct 2021
All	-10	-18	-50	-37	-40	-53	-26	-26	-23	-35
Age										
18 - 34	-5	-13	-48	-43	-40	-64	-28	-30	-20	-34
35 - 54	-11	-23	-52	-37	-46	-56	-26	-26	-27	-38
55 or older	-13	-17	-46	-37	-35	-49	-25	-24	-22	-35
Household Income										
Bottom third	-8	-9	-48	-30	-35	-51	-18	-30	-21	-38
Middle third	-13	-18	-50	-36	-47	-53	-29	-34	-25	-39
Top third	-10	-24	-51	-43	-38	-55	-27	-15	-22	-31
Stock Holdings										
Does not own	--	--	-46	-31	-37	-51	-25	-28	-21	-33
Bottom third	--	--	-54	-41	-39	-58	-33	-41	-27	-41
Middle third	--	--	-53	-37	-47	-64	-20	-24	-21	-45
Top third	--	--	-48	-44	-39	-41	-20	-12	-25	-22

Change in Confidence in COMMERCIAL BANKS: Balance Scores (%More - %Less)										
	Nov/Dec 1987	Apr 1991	Oct/Nov 2008	Sep/Oct 2009	Oct/Nov 2010	Oct/Nov 2011	Jan/Feb 2015	Nov/Dec 2017	Sep/Oct 2019	Sep/Oct 2021
All	-13	-29	-59	-59	-49	-57	-19	-24	-13	-22
Age										
18 - 34	-7	-23	-56	-50	-34	-55	-5	-25	-16	-17
35 - 54	-17	-29	-60	-59	-52	-56	-18	-20	-9	-24
55 or older	-16	-32	-58	-62	-51	-57	-27	-26	-15	-23
Household Income										
Bottom third	-10	-25	-48	-52	-42	-48	-18	-26	-14	-25
Middle third	-12	-24	-57	-53	-58	-60	-22	-22	-14	-26
Top third	-19	-34	-69	-72	-51	-63	-18	-23	-12	-17
Stock Holdings										
Does not own	--	--	-48	-50	-39	-47	-16	-23	-13	-25
Bottom third	--	--	-58	-47	-49	-70	-26	-32	-13	-29
Middle third	--	--	-65	-68	-49	-55	-16	-21	-17	-18
Top third	--	--	-66	-74	-63	-62	-18	-22	-7	-13

Change in Confidence in BROKERAGES & MUTUAL FUNDS: Balance Scores (%More - %Less)										
	Nov/Dec 1987	Apr 1991	Oct/Nov 2008	Sep/Oct 2009	Oct/Nov 2010	Oct/Nov 2011	Jan/Feb 2015	Nov/Dec 2017	Sep/Oct 2019	Sep/Oct 2021
All	-29	-21	-63	-55	-50	-49	-16	-17	-14	-14
Age										
18 - 34	-21	-17	-58	-62	-48	-47	-4	-10	-1	-9
35 - 54	-35	-24	-67	-56	-57	-53	-20	-17	-20	-16
55 or older	-31	-22	-60	-53	-44	-45	-19	-20	-14	-15
Household Income										
Bottom third	-19	-11	-45	-44	-44	-42	-14	-19	-17	-22
Middle third	-28	-20	-65	-56	-51	-48	-14	-19	-10	-13
Top third	-40	-33	-75	-67	-53	-53	-19	-12	-13	-8
Stock Holdings										
Does not own	--	--	-50	-50	-47	-40	-21	-26	-22	-27
Bottom third	--	--	-66	-64	-50	-57	-13	-17	-6	-17
Middle third	--	--	-71	-58	-54	-59	-12	-13	-7	-15
Top third	--	--	-69	-62	-47	-46	-9	-9	-9	9