



Subject: Confidence in Financial Institutions
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Confidence in financial institutions is critical for ensuring financial and economic stability, as well as the success of monetary policies. The Surveys of Consumers have monitored consumer confidence in various financial institutions for over thirty years. The questions were initiated after Black Monday in 1987, when stock markets plunged sharply. Additional measurements were taken during the Great Recession and periodically thereafter. The latest data were collected this year in the wake of high inflation. Interviews were conducted between July 27th, following the Federal Reserve’s fourth interest rate hike of the year, and September 26th, a few days after another rate hike was announced.

Table 1: Net Change in Confidence in Financial Institutions: Balance Scores (% More - % Less)

Confidence Compared with	Nov/Dec	Apr	Oct/Nov	Sep/Oct	Oct/Nov	Oct/Nov	Jan/Feb	Nov/Dec	Sep/Oct	Sep/Oct	Aug/Sep
Five Years Ago	1987	1991	2008	2009	2010	2011	2015	2017	2019	2021	2022
Federal Reserve	-10	-18	-50	-37	-40	-53	-26	-26	-23	-35	-41
Commercial Banks	-13	-29	-59	-59	-49	-57	-19	-24	-13	-21	-22
Brokerage & Mutual Funds	-29	-21	-63	-55	-50	-49	-16	-17	-14	-14	-23
Credit Unions	8	2	-7	1	6	15	22	22	22	15	7
Insurance Companies	-15	-33	-45	-40	-34	-29	-22	-33	-26	-26	-29

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, or has your confidence in <financial institution> remained about the same?

Net change in confidence declined between 2019 and 2022 for all institution types (Table 1). Declines were even visible for credit unions, the only institution with net favorable ratings over most of the analysis periods. That said, views of commercial banks and insurance companies fell only modestly in the last year. Of the different institution types asked about in the survey, consumers this year expressed the least confidence in the Federal Reserve, in contrast to earlier periods during which the Fed was more trusted than most other institution types.

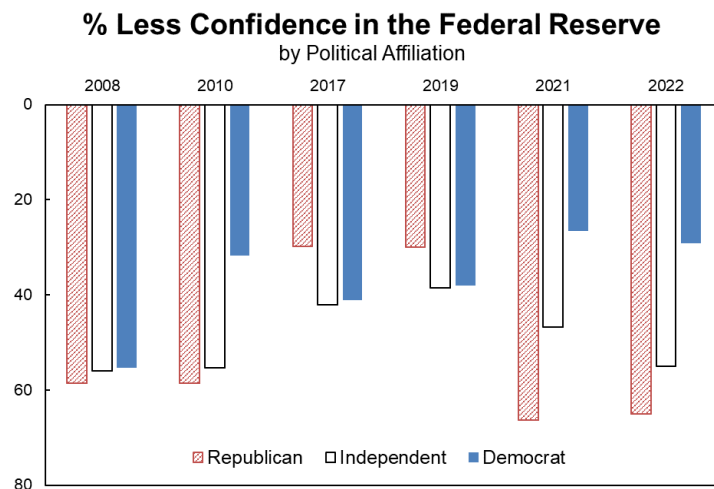
More consumers reported that their confidence in the Federal Reserve had declined, rather than increased, in all 11 surveys from 1987 to 2022 (Table 2). Currently, 49% of consumers report declining confidence, matching the the low readings previously seen during the Great Recession. That said, all consumers expect higher interest rates in the year ahead – 84% of those with less confidence in the Fed, and 76% of those with more confidence. This consensus over future rate hikes indicates that the lack of confidence does not stem from expecting inaction from the Fed. However, it is not possible to discern from the data if these consumers broadly believe the Fed’s policies are too weak, too aggressive, or simply that today’s economic challenges cannot be addressed by Fed policy.

Table 2: Change in Confidence in the Federal Reserve, 1987 - 2022

Confidence Compared with	Nov/Dec	Apr	Oct/Nov	Sep/Oct	Oct/Nov	Oct/Nov	Jan/Feb	Nov/Dec	Sep/Oct	Sep/Oct	Aug/Sep
Five Years Ago	1987	1991	2008	2009	2010	2011	2015	2017	2019	2021	2022
More confident now	9	7	7	12	9	6	15	12	13	10	8
Same	67	63	33	38	40	33	42	47	49	43	39
Less confident now	19	25	57	49	49	59	41	38	36	45	49
DK/NA	5	5	3	1	2	2	2	3	2	2	4
Total (%)	100	100	100	100	100	100	100	100	100	100	100
Cases	1001	501	1008	1001	1017	1004	1011	1210	1211	1212	1213
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	32.9	15.2
Less Confident in Fed	-15.1	-14.0	-5.7	-12.9	-10.5	-6.2	-20.0	-10.0	-8.9	-21.3	-24.6
Difference	33.7	24.7	27.8	39.4	25.2	17.1	40.1	27.1	17.3	54.2	39.8

Overall, consumer expectations for the economy are consistently more favorable for those who express more confidence in the Fed, and less favorable for those expressing less confidence, but this gap has varied over time. In the latest reading, the gap is about 40 points, less than the all-time high 54 point wedge from 2021 but still high from a historical standpoint. With the usual assumption that a high level of confidence in the Fed would be associated with more favorable prospects for the national economy, consumer views suggest there may be headwinds that may dampen the outlook for the economy.

As seen in the chart, in 2008 Republicans and Democrats had similarly negative views of their confidence in the Federal Reserve. A partisan gap in confidence was visible in 2010 during the Obama administration, with Democrats expressing more positive views than Republicans, and vice versa in 2017 and 2019 during the Trump presidency. Under Biden, Republicans again shared more negative views of the Fed than Democrats. In 2021, the absolute value of the partisan gap reached an all time high, with 67% of Republicans reporting less trust compared with 27% of Democrats and 47% of independents. In 2022, Republicans and Democrats were little changed from the year prior (at 65% and 29% less trust), while the reading for independents deteriorated to 55%.



Over the last 12 years, Republicans have had more confidence in the Fed under a Republican president, and vice versa for Democrats, albeit to a somewhat lesser extent.

Differences in net confidence for each institution type by age, income, and stock holdings are shown in Tables 3a through 3e below. Older consumers expressed less confidence in the Fed than younger consumers. Consumers who do not hold stocks expressed more confidence in commercial banks as well as brokerages and mutual funds in the last year, while stock holders reported less confidence in those institution types.

	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	Aug/Sep 2022
All	-10	-18	-50	-37	-40	-53	-26	-26	-23	-35	-41
Age											
18 - 34	-5	-13	-48	-43	-40	-64	-28	-30	-20	-34	-30
35 - 54	-11	-23	-52	-37	-46	-56	-26	-26	-27	-39	-42
55 or older	-13	-17	-46	-37	-35	-49	-25	-24	-22	-34	-47
Household Income											
Bottom third	-8	-9	-48	-30	-35	-51	-18	-30	-21	-39	-35
Middle third	-13	-18	-50	-36	-47	-53	-29	-34	-25	-38	-49
Top third	-10	-24	-51	-43	-38	-55	-27	-15	-22	-29	-42
Stock Holdings											
Does not own	--	--	-46	-31	-37	-51	-25	-28	-21	-33	-31
Bottom third	--	--	-54	-41	-39	-58	-33	-41	-27	-39	-44
Middle third	--	--	-53	-37	-47	-64	-20	-24	-21	-44	-49
Top third	--	--	-48	-44	-39	-41	-20	-12	-25	-23	-38

Table 3b: 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	Aug/Sep 2022
All	-13	-29	-59	-59	-49	-57	-19	-24	-13	-21	-22
Age											
18 - 34	-7	-23	-56	-50	-34	-55	-5	-25	-16	-16	-16
35 - 54	-17	-29	-60	-59	-52	-56	-18	-20	-9	-24	-24
55 or older	-16	-32	-58	-62	-51	-57	-27	-26	-15	-22	-22
Household Income											
Bottom third	-10	-25	-48	-52	-42	-48	-18	-26	-14	-25	-23
Middle third	-12	-24	-57	-53	-58	-60	-22	-22	-14	-25	-24
Top third	-19	-34	-69	-72	-51	-63	-18	-23	-12	-17	-17
Stock Holdings											
Does not own	--	--	-48	-50	-39	-47	-16	-23	-13	-24	-18
Bottom third	--	--	-58	-47	-49	-70	-26	-32	-13	-27	-29
Middle third	--	--	-65	-68	-49	-55	-16	-21	-17	-17	-20
Top third	--	--	-66	-74	-63	-62	-18	-22	-7	-14	-17

**Table 3c: 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	Aug/Sep 2022
All	-29	-21	-63	-55	-50	-49	-16	-17	-14	-14	-23
Age											
18 - 34	-21	-17	-58	-62	-48	-47	-4	-10	-1	-9	-18
35 - 54	-35	-24	-67	-56	-57	-53	-20	-17	-20	-17	-24
55 or older	-31	-22	-60	-53	-44	-45	-19	-20	-14	-15	-26
Household Income											
Bottom third	-19	-11	-45	-44	-44	-42	-14	-19	-17	-24	-21
Middle third	-28	-20	-65	-56	-51	-48	-14	-19	-10	-13	-28
Top third	-40	-33	-75	-67	-53	-53	-19	-12	-13	-7	-21
Stock Holdings											
Does not own	--	--	-50	-50	-47	-40	-21	-26	-22	-26	-21
Bottom third	--	--	-66	-64	-50	-57	-13	-17	-6	-16	-28
Middle third	--	--	-71	-58	-54	-59	-12	-13	-7	-16	-23
Top third	--	--	-69	-62	-47	-46	-9	-9	-9	7	-19

Table 3d: Change in Confidence in CREDIT UNIONS: 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	Aug/Sep 2022
All	8	2	-7	1	6	15	22	22	22	15	7
Age											
18 - 34	17	2	-12	-4	8	-1	30	23	25	13	7
35 - 54	8	3	-5	3	5	22	23	29	19	17	9
55 or older	0	0	-8	2	5	12	17	17	22	15	8
Household Income											
Bottom third	8	3	-17	-1	-1	9	19	14	20	9	7
Middle third	8	6	-1	7	12	22	30	30	26	19	8
Top third	9	-4	-3	1	6	14	22	27	20	17	10
Stock Holdings											
Does not own	--	--	-17	-2	-4	9	17	10	17	8	5
Bottom third	--	--	-4	4	6	14	29	37	24	23	9
Middle third	--	--	6	0	10	26	37	27	23	20	19
Top third	--	--	-9	5	11	14	16	21	24	18	4

Table 3e: Change in Confidence in INSURANCE COMPANIES: 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	Aug/Sep 2022
All	-15	-33	-45	-40	-34	-29	-22	-33	-26	-26	-29
Age											
18 - 34	-13	-35	-36	-25	-20	-18	-12	-26	-25	-19	-17
35 - 54	-18	-32	-51	-42	-42	-35	-28	-34	-24	-33	-30
55 or older	-14	-32	-42	-43	-31	-26	-23	-36	-28	-24	-35
Household Income											
Bottom third	-7	-22	-39	-27	-27	-20	-12	-34	-23	-24	-24
Middle third	-17	-43	-44	-42	-42	-27	-26	-35	-28	-30	-31
Top third	-19	-32	-51	-51	-33	-40	-27	-30	-26	-26	-34
Stock Holdings											
Does not own	--	--	-40	-27	-30	-21	-13	-33	-27	-23	-20
Bottom third	--	--	-45	-38	-32	-30	-29	-43	-20	-28	-36
Middle third	--	--	-46	-45	-39	-36	-30	-32	-23	-30	-33
Top third	--	--	-53	-60	-33	-33	-26	-28	-27	-23	-35