

Consumer optimism surges after the presidential election

November 24 2016, by Kory Zhao

The initial reaction of consumers to Donald Trump's victory was to express greater optimism about their personal finances as well as improved prospects for the national economy, according to the University of Michigan Surveys of Consumers.

The post-election gain in the Sentiment Index was 8.2 points above the November pre-election reading, pushing the index 6.6 points higher for the entire month, according to U-M economist Richard Curtin, who directs the surveys.

The post-election boost in optimism was widespread, with gains recorded among all income and age subgroups and across all regions of the country, according to Curtin.

"The upsurge in favorable economic prospects is not surprising given the president-elect's populist policy views," he said. "And it was perhaps exaggerated by what most considered a surprising victory as well as a widespread sense of relief that the election had finally ended."

Overall, the data indicate that real personal consumption expenditures will advance by 2.5 percent in 2017.

Conducted by the U-M Institute for Social Research since 1946, the surveys monitor consumer attitudes and expectations. The data are available non-exclusively via Bloomberg.

"No surge in economic expectations can long be sustained without actual improvements in [economic conditions](#)," Curtin said. "Presidential honeymoons represent a period in which the promise of gains holds sway over actual economic conditions. Presidential honeymoons, however, can quickly end if they are unaccompanied by prospects that economic conditions will actually improve in the future.

"President-elect Trump appears to appreciate the importance of his first hundred days. The key issue is whether his economic policies will resonate with the nation's [consumers](#). The honeymoon may be shorter than usual given the intensity of the opposition, although President-elect Trump has proven himself to be a skilled communicator."

Personal Finances

More consumers expected their finances to improve during the year ahead than in any other survey during the past decade. Importantly, consumers also anticipated rising living standards as they expected the most favorable inflation-adjusted income gains since October 2006. Those anticipated gains were among households with incomes in the bottom third of the income distribution as well as among those with incomes in the top third.

Prospects for the Economy

More consumers anticipated an improving economy in the latest survey. Nearly half of all consumers expected good times in the economy as a whole during the year ahead. More importantly, nearly half anticipated an uninterrupted expansion over the next five years, an optimistic view that has only been exceeded in four other surveys in the past decade. As a result, the majority anticipated no change in the current low rate of unemployment.

Consumer Sentiment Index

The Sentiment Index was 93.8 in the November 2016 survey, up from 87.2 in October and 91.3 last November. The largest gains were in the Expectations Index, which rose by 10.9 percent from last month, with most of the gain recorded after the election. The Current Conditions Index also improved, rising by 4.0 percent in November from October. All indices recorded an annual gain of just under 3 percent in November.

More information: umich.edu/~umsurvey

Provided by University of Michigan

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