DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

January 22, 2020

RE: 2016-12-087

John Greenewald, Jr.
[redacted]

Email: john@greenewald.com

VIA EMAIL

Dear Mr. Greenewald:

This is the Department of the Treasury's (Treasury) final response to your Freedom of Information Act (FOIA) request dated December 13, 2016. You sought:

"...copy of records, electronic or otherwise, of all e-mails sent to or from, Secretary of the Treasury Jacob Lew, which contain the word "TRUMP..."

There are no fees assessed at this time since allowable charges fell below $25.

Your request has been processed under the provisions of the FOIA, 5 U.S.C. § 552.

Upon review of your request, I have determined that 122 pages of a total 210 pages of records responsive to your request originated from the Federal Reserve Bank Of New York (FRBNY).

Accordingly, I have routed your request to FRBNY, who will reply to you directly with a final decision regarding those 122 pages.

Further inquiries regarding these 122 pages should be directed to FRBNY at the address below:

Office of the Corporate Secretary
Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045

A review was conducted on the remaining 88 pages, and sections of 5 pages will be withheld pursuant to Exemption 6 of the FOIA as described below.

FOIA Exemption 6 exempts from disclosure personnel or medical files and similar files the release of which would cause a clearly unwarranted invasion of personal privacy. This requires a balancing of the public's right to disclosure against the individual's right to privacy. The privacy interests of the individuals in the records you have requested outweigh any minimal public interest in disclosure of the information. Any private interest you may have in that information does not factor into the aforementioned balancing test.

Since Treasury's partial denial response constitutes an adverse action, you have the right to appeal this determination within 90 days from the date of this letter. By filing an appeal, you preserve your rights under FOIA and give the agency a chance to review and reconsider your request and the agency's decision. Your appeal must be in writing, signed by you or your representative, and should contain the rationale for your appeal. Please also cite the FOIA reference number noted above. Your appeal should be addressed to:

Ryan Law, Deputy Assistant Secretary for Privacy, Transparency and Records
FOIA Appeal
FOIA and Transparency
Privacy, Transparency, and Records
Department of the Treasury
1500 Pennsylvania Ave., N.W.
Washington, D.C. 20220

If you submit your appeal by mail, clearly mark the letter and the envelope with the words "Freedom of Information Act Appeal." Your appeal must be postmarked or electronically transmitted within **90 days** from the date of this letter.

If you would like to discuss this response before filing an appeal to attempt to resolve your dispute without going through the appeals process, you may contact Paul Levitan, the FOIA Public Liaison, for assistance via email at FOIAPL@treasury.gov, or via phone at (202) 622-8098.

A FOIA Public Liaison is a supervisory official to whom FOIA requesters can raise questions or concerns about the agency's FOIA process. FOIA Public Liaisons can explain agency records, suggest agency offices that may have responsive records, provide an estimated date of completion, and discuss how to reformulate and/or reduce the scope of requests in order to minimize fees and expedite processing time.

If you are unable to resolve your FOIA dispute through our FOIA Public Liaison, the Office of Government Information Services (OGIS) also mediates disputes between FOIA requesters and federal agencies as a non-exclusive alternative to litigation. If you wish to contact OGIS, you may contact the agency directly at the following address, emails, fax or telephone numbers:

Office of Government Information Services
National Archives and Records Administration
8601 Adelphi Road – OGIS
College Park, MD 20740-6001
Email: ogis@nara.gov
Telephone: 202-741-5770
Toll free: 1-877-684-6448
Fax: 202-741-5769

Please note that contacting any agency official (including the FOIA analyst, FOIA Requester Service Center, FOIA Public Liaison) and/or OGIS is not an alternative to filing an administrative appeal and does not stop the 90-day appeal clock.

If additional questions arise concerning this action, please contact Scott Longenhagen at (202) 622-2234; or via email at FOIA@treasury.gov. Please reference 2016-12-087.

Sincerely,

Paul Levitan

Digitally signed by Paul Levitan
Date: 2020.01.22 13:41:04 -05'00'

Paul Levitan
Director, FOIA & Transparency

Enclosures
Copy of original FOIA Request
2 Responsive Document Sets

From:	Econ Policy
Cc:	Engel, Rozlyn
Subject:	Updates on Blue Chip Forecast in December and the Monthly Treasury Statement
Date:	Monday, December 12, 2016 3:15:22 PM
Attachments:	Blue Chip 2016-12-12.pdf Monthly Treas Stmnt 2016-12-12.pdf

BLUE CHIP FORECAST

Forecasters surveyed for the Blue Chip consensus on December 5 and 6 bumped up forecasts for **projected GDP**. On a Q4/Q4 basis, forecasters now expect GDP to grow 1.9 percent in 2016 and 2.3 percent in 2017.

A weak first half for 2016, partly attributable to inventory declines and weak exports due to a strong dollar, is projected to be followed by a stronger second half (see accompanying chart). Real GDP rose 3.2 percent at an annual rate in Q3, revised up from 2.9 percent growth. The acceleration in GDP growth primarily reflected favorable contributions from private inventory investment, net exports, and government. The boost from net exports was likely transitory as soybean exports surged due to a poor harvest in Brazil. Although consumption spending in Q3 was weaker than in Q2, growth was revised up in the second estimate of GDP.

Looking forward, forecasted GDP growth in Q4 was bumped up 0.1 percentage point to 2.2 percent, while growth rates in Q1 and Q2 of 2017 were left unchanged at 2.2 and 2.3 percent, respectively. Forecasters expect real personal consumption expenditures to rise about 2½ percent per quarter through the end of 2017. Projections for nonresidential fixed investment slipped to -0.6 percent in 2016 and 2.7 percent in 2017 (previously -0.5 percent and 2.8 percent). Projections of the real net export deficit have narrowed slightly to $549.9 billion in 2016 (revised from $551.4 billion) but widened to $587.0 billion in 2017 (previously $579.2 billion). Nominal corporate profits were projected to retreat 0.2 percent in 2016 (previously a 1.9 percent contraction) and to expand 4.2 percent in 2017 (previously 3.0 percent).

Projections for inflation this year were unchanged while the consensus forecast for 2017 was up slightly. The projection for **CPI inflation** on a year-over-year basis was 1.3 percent in 2016 and 2.4 percent in 2017 (up from 2.3 percent in the November survey). Expectations for interest rates were also revised upward. The expected **3-month Treasury bill rate** for 2016Q4 was 0.5 percent (up 0.1 percentage point). For 2017, the 3-month rate was 0.9 percent on average (also up 0.1 percentage point). The projected yield for the **10-year Treasury note** in 2016Q4 increased to 2.0 percent (previously 1.8 percent) while the average yield for 2017 is expected to be 2.5 percent (up 40 basis points). The **unemployment rate** was projected to average 4.7 percent in 2016Q4 and to tick down to 4.5 percent by 2017Q4. Most respondents would have had access to the labor market report released on December 2, which indicated that nonfarm payroll employment rose 178,000 in November while the unemployment rate declined 0.3 percentage point to 4.6 percent.

Blue Chip forecasters were also asked special questions about 1) the effect of the U.S. national elections on their economic growth and 2) the likelihood that President-Elect Trump's economic agenda could achieve sustainable economic growth of 3-4 percent. Panelists were roughly split about whether they raised their respective 2017 economic and inflation forecasts as a result of the November election. Roughly 47 percent raised their forecast of GDP. However, inflation forecasts were less changed: 56 percent did not raise projections as a result of the election. In addition, only 18 percent of respondents anticipated the President-Elect's proposals to create sustainable growth of 3-4 percent. Meanwhile, all forecasters expect that the FOMC will raise the **federal funds** rate in December, with nearly 46 percent expecting a

50 basis point increase. The probability of a U.S. recession beginning in 2017 was put at 19.0 percent (previously 22.0 percent). The average monthly increase in nonfarm payrolls is expected to average 160,000 during 2017, and the consensus for core personal consumption expenditure price inflation in 2.0 percent for 2017 (the Fed target).

MONTHLY TREASURY STATEMENT

According to the **Monthly Treasury Statement** (MTS), the Federal Government posted a monthly deficit of $137 billion in November, a $72 billion increase from November 2015. Although no calendar-related timing shifts happened in November 2016, $49 billion in adjustments to November 2015 were needed to make the two months comparable. The deficit for November 2016 would have been $23 billion larger than the adjusted deficit in November last year. For the 2017 fiscal year to-date (October to November), the deficit totaled $181 billion, down $20 billion relative to FYTD 2016. However, the decrease was solely due to a $40 billion shift in benefit payments out of FY 2017 into FY 2016. The adjusted deficit for FYTD 2017 was $221 billion, up $19 billion compared to last year. Meanwhile, the twelve-month rolling deficit (December 2015 to November 2016) was $567 billion, or $105 billion (23 percent) higher than the twelve-month deficit through November 2015.

In November, monthly **net outlays** were $337 billion, $67 billion (25 percent) more than in November 2015. Calendar-related timing shifts decreased outlays in November 2015, and net outlays in November 2016 were up $18 billion (6 percent) over the year. On a fiscal year-to-date basis, net outlays totaled $602 billion – down $15 billion (2 percent) relative to the same period in FY 2016 – while adjusted net outlays were $642 billion, up $25 billion (4 percent). Net interest payments, primarily based in TIPS inflation adjustments, rose $14 billion (35 percent) and were the largest contributor to the increase in adjusted net outlays. Adjusted health care outlays were up $8 billion (4 percent), due primarily to Medicaid and Medicare. Meanwhile, outlays at the Social Security Administration were up $5 billion (3 percent), due in part to increased enrollment. Social Security beneficiaries are scheduled to have a 0.3 percent cost of living adjustment in the 2017 calendar year.

Monthly **receipts** were $200 billion in November 2016, down $5 billion (2 percent) relative to 2015. Fiscal year-to-date receipts were $422 billion, up $6 billion (1 percent) than receipts in the first two months of fiscal year 2016. Withheld and FICA taxes were up $16 billion (5 percent) due to moderate employment and wage growth. However, gross corporate taxes were down $3 billion (18 percent) and excise and customs taxes declined $2 billion (6 percent). Meanwhile individual refunds increased $3 billion (15 percent) and corporate refunds were up $2 billion (23 percent).

Treasury users can also find these and other economic indicator updates on the Treasury portal: http://thegreen.treas.gov/do/econpol/offices/MER/SitePages/Home.aspx

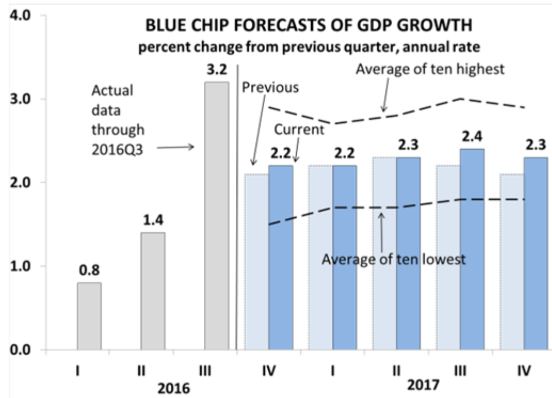
ECONOMY UPDATE

Blue Chip Consensus Forecast — *December 12, 2016*

FACTS

	Real GDP Growth							
	2016	2017			Q4/Q4		Year/Year	
	Q4	Q1	Q2	Q3	2016	2017	2016	2017
December	**2.2**	**2.2**	**2.3**	**2.4**	**1.9**	**2.3**	**1.6**	**2.3**
November	**2.1**	**2.2**	**2.3**	**2.2**	**1.8**	**2.2**	**1.5**	**2.2**

INTERPRETATION AND OPINION



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Treasury Office of Economic Policy

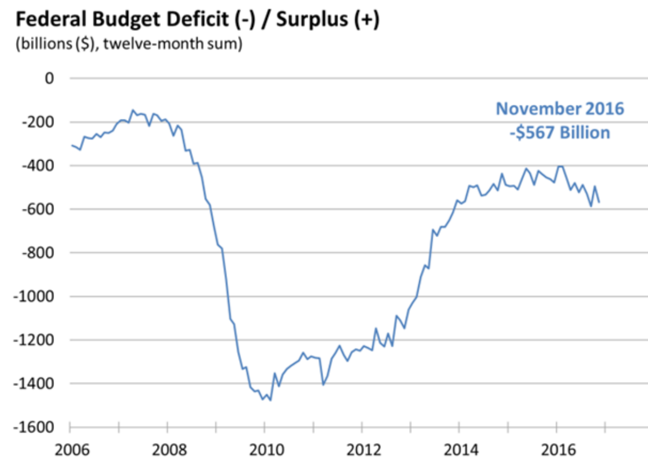
U.S. ECONOMY UPDATE

Monthly Treasury Statement ***December 12, 2016***

FACTS

Budget Results for Fiscal Year through November
(Billions of Dollars)

	FY-2016	FY-2017	Percent Change
Receipts - Total	416	422	1.3
Withheld Individual Income Taxes	189	202	6.8
Other Individual Payments	31	32	1.0
Individual Refunds	17	20	15.0
Corporate Income Taxes	8	3	-63.2
Other	171	166	-3.0
Outlays - Total	617	602	-2.4
Defense	104	100	-3.7
Social Security	149	154	3.3
Medicare	99	81	-17.8
Other Health	80	84	5.2
Income Security	65	58	-11.2
All Other	78	76	-3.0
Interest	41	49	17.5
			Change
Surplus (+) or Deficit (-)	-201	-181	20



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Treasury Office of Economic Policy

From: Secretary Jack Lew
Subject: Presidential Transition
Date: Wednesday, November 9, 2016 7:21:07 PM

Colleagues,

The Treasury Department has long played a key role in ensuring the successful transition of administrations, and with the culmination of yesterday's election that important tradition will continue.

In the coming days, we will welcome President Elect Trump's Agency Review Team to the Department. This group will spend several weeks between now and the Inauguration gathering information about Treasury, including its operations, the state of its affairs, and potential future considerations.

This is a great opportunity to highlight Treasury's many accomplishments and capabilities. And it is important to the continued work of the Department, and the people and nation we serve, that we do our part to ensure the team's success.

Coordination with the Agency Review Team will be led by the Treasury Transition Team. Because members of the Agency Review Team are not federal employees, it is important that we work through the appropriate process when engaging them. Please direct questions to [redacted] (b) (6) or [redacted] (b) (6). We also encourage you to visit the Treasury Presidential Transition SharePoint site to learn more about efforts already underway.

A Presidential transition brings personal and professional change on many fronts and can be challenging as we all face an element of the unknown. But it is also a moment when each of us plays a crucial role in the peaceful transfer of power, which is an essential part of our democracy. As we work together to ensure a seamless transition to the next administration, the vital day-to-day work of the Treasury must also continue. I am confident that each of you will remain focused on the many important efforts we continue to undertake each day on behalf of the American people.

Thank you for your service, and for exemplifying the very best of our democratic tradition.

Secretary Lew

From: McClease, Krista on behalf of Slater, Rodney
Cc: Slater, Rodney
Subject: Squire Patton Boggs 2016 Post-election Analysis: A New Administration and a New Congress - What to Expect
Date: Tuesday, November 15, 2016 10:34:04 AM

Secretary Slater asked that I forward you the below Squire Patton Boggs 2016 Post-Election Analysis. Thank you.

2016 Post-election Analysis // Read PDF

A New Administration and a New Congress: What to Expect

November 2016

On November 8, the American public elected Donald Trump as the 45th President of the United States, while casting their ballots as well for one third of the 100 Senators and all of the 435 House Members who will make up the 115th Congress that convenes in January 2017 under continued Republican control.

We expect President-Elect Trump to approach the presidency with the same tenacity and audacity he brought to the presidential campaign. After repeatedly seeing him defy expectations and prove conventional wisdom wrong, one cannot discount the possibility that the Trump approach, when applied to actual governing, could produce results. It seems a reasonable possibility that the Trump presidency could eventually take on the now-familiar characteristics of a Trump political campaign: chaotic, messy, divisive, controversial and often outrageous – but, in the end, surprisingly effective.

We are mildly optimistic about the potential for President-Elect Trump, a Republican Senate and a Republican House to address some of the most pressing needs of the country, starting early next year, including on such major issues as infrastructure spending, international tax reform and immigration reform.

In our post-election analysis, we offer our thoughts on the major policy areas that will drive the agenda in Washington DC for the next two years, as the White House and the leadership take stock of what the public expressed through their ballot decisions and what it means for the 2018 elections.

As we look ahead to the next two years, we look forward to using our global reach to help our clients achieve their public policy-driven

Contacts

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+1 202 457 6514

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Follow: **Share:**

From: UVA"s Miller Center
To: Secretary Of The Treasury
Subject: Event Invite: December 12th at Brookings: "Presidential Leadership in the First Year"
Date: Monday, December 5, 2016 5:02:36 PM

Presidential Leadership in the First Year

Monday, December 12, 2016, 3:00–6:00 p.m.
The Brookings Institution, Falk Auditorium
1775 Massachusetts Avenue, NW
Washington, DC 20036

Dear Friend,

You are cordially invited to an upcoming half-day conference in Washington. We will consider the many challenges facing the Trump administration and make recommendations for the next president in his first year. Scholars and practitioners will examine the lessons of history and offer contemporary analysis to inspire and guide the new administration's early decisions.

The event is part of the Miller Center's **First Year Project**, a three-year initiative that is developing bipartisan insights and recommendations to guide the next president in his first year.

Seating is reserved on a first-come, first-served basis. There is no charge for attending; however, we ask that all attendees please register **here**.

3:00 p.m. Welcoming remarks

Martin S. Indyk, executive vice president, The Brookings Institution
William Antholis, director and CEO, The Miller Center, University of Virginia

3:10 p.m. First principles for the first year

Josh Bolten, White House chief of staff, George W. Bush administration
Elaine Kamarck, senior fellow and founding director, Center for Effective Public Management,

The Brookings Institution
Chris Lu, deputy secretary, U.S. Department of Labor; former executive director, Obama-Biden Transition
Moderator: Barbara Perry, White Burkett Miller Center Professor of Ethics and Institutions, University of Virginia; director of presidential studies, The Miller Center

4:10 p.m. Advancing an opportunity agenda for 2017

Dan Crippen, assistant to the president and domestic policy advisor, Reagan administration
Jen Psaki, White House communications director, Obama administration
Dan Meyer, director of legislative affairs, George W. Bush administration
Moderator: Nicole Hemmer, assistant professor, The Miller Center, University of Virginia; columnist, Vox

5:10 p.m. Organizing for global challenges: People and process

Eric Edelman, undersecretary of defense for policy, George W. Bush administration
Bruce Jones, vice president and director, Foreign Policy, The Brookings Institution
Philip Zelikow, former director, The Miller Center; White Burkett Miller Professor of History, University of Virginia
Moderator: Martin Indyk, executive vice president, The Brookings Institution

Questions? Contact Tony Lucadamo, The Miller Center's lead policy analyst at a.lucadamo@virginia.edu.

The Miller Center is a nonpartisan affiliate of the University of Virginia that specializes in presidential scholarship, public policy, and political history and strives to apply the lessons of history to the nation's most pressing contemporary governance challenges.

2201 Old Ivy Road, Charlottesville, VA 22904

From: UVA"s Miller Center
To: Secretary Of The Treasury
Subject: From election to transition: First Year Project news
Date: Monday, November 21, 2016 8:16:36 AM

From election to transition: First Year Project news

In this issue:

- Five keys to President-elect Trump's first year
- Embracing the not so bully pulpit
- A "prosper in place" strategy for cities
- Post-election perspective from Guian McKee

First Year 2017 is the Miller Center's ambitious project to help our next president navigate the make-or-break first year in office.

Five keys to President-elect Trump's first year

Miller Center Director and CEO Bill Antholis summarized First Year Project learnings in a 20-minute talk for TEDx Charlottesville and an op-ed for *US News & World Report*.

The not so bully pulpit

In an era of unlimited entertainment choices, Jeff Shesol, a former speechwriter for President Bill Clinton, outlines how our next president can advance, not undermine, his agenda using the powerful tools of digitial and social media.

This essay is part of First Year Project Volume 7: Seizing the Bully Pulpit.

City strategy

Miller Center National Fellow David Dagan uses Baltimore as a case study a to assess strengths and weaknesses in urban policymaking.

Managing post-election emotions

The Miller Center's Guian McKee, a social and urban historian as well as an expert on Lyndon Johnson, offers a thoughtful reflection on the outcome of the 2016 election—and where we go from here.

Review our volumes on presidential communications, the American dream, broken government, immigration, fiscal policy, and national security.

First Year Project Videos

First Year Project Video: Overview

Questions about the First Year Project? Contact Miller Center Managing Editor Howard Witt at howardwitt@virginia.edu.

Follow First Year events and essays as they happen via Facebook and Twitter.

From:	UVA"s Miller Center
To:	Secretary Of The Treasury
Subject:	From Inauguration Day forward: First Year Project news
Date:	Monday, January 23, 2017 8:03:49 AM

Inauguration Day: First Year Project news

In this issue:

- Holder to headline summit on race at Carter Library
- Memories of Inauguration Day
- Institutional restraints on the presidency
- Talking infrastructure with UVA's Peter Norton
- Why the media (still) matters

First Year 2017 is the Miller Center's ambitious project to help the 45th president navigate the make-or-break first year in office.

Race and the presidency

In advance of the March launch of the First Year Project volume on race, we are partnering with the Jimmy Carter Presidential Library for a National Summit on Race and the Presidency on Wednesday, Feb.15 in Atlanta.

Memories of Inauguration Day

The First Year Project team partnered with UVA Today to search through our Presidential Oral History archives and discover some great memories from inaugurations past. Then we found even more to read or listen to.

Presidential constraints

Former Miller Center national fellow Daniel Galvin, now a professor at Northwestern University, explores how structural and institutional realities can limit a president's successes—and failures.

Ike and Trump

How can President Eisenhower's success in building our interstate highway system inform President Trump's infrastructure plans, despite their seemingly opposing personalities? We talked with First Year essay author and UVA Professor Peter Norton live on Facebook.

Norton's essay is part of First Year Project Volume 8: Rebuilding a crumbling nation.

Lessons on new media from old presidents

Purdue's Kathryn Cramer Brownell shows how past presidents offer Trump lessons on communications strategy even in the age of Facebook and Twitter.

Review our volumes on infrastructure, presidential communications, the American dream, broken government, immigration, fiscal policy, and national security.

First Year Project Videos

First Year Project Video: Overview

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2201 Old Ivy Road Charlottesville, VA 22904

From: Bill Antholis
To: Secretary Of The Treasury
Subject: From the Director: What can history teach President-elect Trump about infrastructure?
Date: Tuesday, January 10, 2017 8:32:24 AM

President-elect Trump's historic road ahead . . . and behind

The Miller Center's First Year Project, Volume 8

Presidential history is filled with big dreams of national roads, bridges, and ports. And many of those dreams have come true.

Donald Trump has promised "to rebuild infrastructure—which will become, by the way, second to none, and we will put millions of our people to work." His is the latest in a line of great plans that, when completed, have bound our nation together. Presidents have played a considerable role in how we move and connect people, goods, and ideas.

That's been the case from the 19th century's ribbons of roads, canals, and railroads, to the 20th century's electricity, telephone and interstate grids, to today's digital superhighways.

George Washington—a veteran of backcountry of western Virginia and Pennsylvania—had a grand vision for a connected canal system to the inner wilds of the nation's frontier.

Abraham Lincoln passed the Pacific Railroad Act, which helped connect and settle the west.

Franklin Roosevelt's Tennessee Valley Authority brought rural electrification to the distressed South, helping to industrialize the region.

Dwight Eisenhower went one step further, building the interstate highway system that for decades made America the envy of the western world.

Ronald Reagan, Bill Clinton, and Barack Obama each had major infrastructure bills—all filled with ups and downs, from how they were financed to whether the projects led to hoped-for jobs.

Now comes President-elect Trump, who may be tempted to quote New York's famous mayor Fiorello La Guardia: "There's no Democratic or Republican way to fix a pothole."

Trump's team will seek support of Democratic senators as wide ranging as Minority Leader Chuck Schumer and failed presidential candidate Bernie Sanders. Both agree that infrastructure should be the highest priority. Where they seem to potentially disagree with the president-elect is how to pay for it.

And then there are Republicans. Some may embrace the idea—particularly in the industrial Midwest, where creating jobs is a priority. Yet other Republicans are skeptical, wondering whether a major spending bill is needed at this moment.

How best can President Trump invest in the nation's roads, ports, bridges, airports, railways, and power grid? To help guide these discussions, the Miller Center's First Year Project releases *Rebuilding a crumbling nation*, five essays to help our next commander in chief take advantage of this critical opportunity to lay a foundation for future prosperity. Written by a team of authors that includes a former Republican congressman, a former Democratic mayor, a historian, an engineering professor, and a technologist, together they're a roadmap a stronger, better-connected nation.

November's contentious election may have burned a lot of bridges, but the moment is now ripe to build new ones. The urgent need to address the nation's crumbling infrastructure offers a rare opportunity for bipartisanship in a divided Washington.

Read the essays

One giant pothole

Years of neglect have led to a dramatic slide in the economic value of our infrastructure, says former U.S. Secretary of Transportation Ray LaHood. He outlines the principles and practices required for America to pull itself out of the hole.

Funding is the foundation

Antonio Villaraigosa, the former mayor of Los Angeles, recommends six funding strategies to deliver the money needed to shore up our transportation systems, and he offers guidance on staffing and other considerations to modernize our transportation policies.

Get smart

What is the "internet of things" and how can we embrace it? Robert Atkinson, founder and president of a top science and technology think tank, shows how the next president can use developments in information technology to create smarter road, rail, air, water, and power systems.

The century of cities

America's cities are a key to economic growth in the 21st century, says Mason Williams of Albright College. He looks at the history of cities to offer key lessons in urban infrastructure planning for President Trump.

Be like Ike

The University of Virginia's Peter Norton says meticulous planning in the first year can yield far-reaching success in rebuilding our infrastructure—if the next president follows the example of President Eisenhower's work on the interstate highway system.

Read and comment on the infrastructure essays.

Review our volumes on communications, upward mobility, broken government, immigration, fiscal policy, and national security.

First Year Project videos

First Year Project Video: Overview

Questions about the First Year Project? Contact Miller Center Managing Editor Howard Witt at howardwitt@virginia.edu.

Follow First Year events and essays as they happen via Facebook and Twitter.

The Miller Center is a nonpartisan affiliate of the University of Virginia that specializes in presidential scholarship, public policy, and political history and strives to apply the lessons of history to the nation's most pressing contemporary governance challenges.

2201 Old Ivy Road Charlottesville, VA 22904

From: NUSACC
To: Secretary Of The Treasury
Subject: NUSACC Congratulates President-Elect Trump
Date: Wednesday, November 9, 2016 3:22:46 PM

Having trouble viewing this email? Click here

NUSACC Header 1

For Immediate Release | November 9, 2016

U.S. -- ARAB CHAMBER CONGRATULATES PRESIDENT-ELECT TRUMP

"Our Chamber looks forward to working closely with the new Administration -- just as we have with all previous Administrations, Democratic or Republican

-- to promote American prosperity." -- NUSACC CEO

In the United States, "Every individual takes an equal share in sovereign power and participates equally in the government of the state."
-- Alexis de Tocqueville, 1835

Washington, D.C. -- The National U.S. -- Arab Chamber of Commerce (NUSACC) extended its congratulations today to Donald Trump on his election as President of the United States. "After this extraordinary campaign, we believe that it is time for all Americans to come together in support of our new President-elect, Donald Trump," said David Hamod, President & CEO of NUSACC. "Like most Americans, I think, I sincerely hope that our new President will quickly earn the trust and confidence that is so badly needed in the aftermath of this challenging election."

The United States has enjoyed a longstanding tradition of peaceful transitions after elections, a process that is admired throughout the world. After succeeding George Washington as America's second President, John Adams wrote, "The sight of the sun setting . . . and another rising (though less splendid), was a novelty." Without regard to the party or personality of the incoming President, uneventful succession in the White House has been a testament to the strength of American democracy.

President-elect Donald Trump
(Photo: InsideGov.org)

Hamod went on to say, "The Middle East and North Africa (MENA) region is of great importance to our country in terms of economic prosperity, security, and America's national interests. I hope that President-electTrump will strengthen commercial ties with the peoples of the MENA region, one of the most pro-American markets in the world. He concluded, "Our Chamber looks forward to working closely with the new Administration -- just as we have with all previous Administrations, Democratic or Republican -- to promote American prosperity."

* * *

Hamod was interviewed just before the elections by *Arabian Business* magazine, one of the most widely read English language business journals in the MENA region. Hamod suggested that President Obama's legacy will be a mixed one: "[Obama] largely kept his commitment to the American people to minimize the presence of U.S. troops in regional conflicts, but by 'leading from the rear', *reactively*, the Obama Administration allowed vacuums to be created in such places as Syria, Libya, Iraq, and Afghanistan," Hamod said. "These vacuums were filled very quickly by regional players and proxies whose visions for the region may not be aligned with those of the United States."

Recent developments in the MENA region are a staple on news outlets every day, so the new President is likely to have more Arab world issues with which to contend than has any other U.S. President during the past 50 years.

"For the first time in memory, MENA regional leaders and proxies are taking bold steps - *proactively*, without waiting for the United States - to safeguard their respective interests," Hamod observed. "It will be very difficult for the next President of the United States to manage all of these complicated relationships, some of which are evolving on a daily basis. There is a growing expectation that the new President will have to be more activist than Obama, and that means the USA, if called upon to do so, must be prepared to go toe-to-toe with certain players in the region, such as Russia, Iran, and others."

The White House

Security remains the biggest concern for U.S. citizens living in the region, Hamod suggested, as well as American companies looking to do business there. "Terrorism will continue to raise its ugly head across the MENA region and, sadly, extremism is not going away anytime soon," Hamod noted. "For example, *Daesh* may be losing some of its footholds in the Levant and North Africa, but what will happen when its fighters stealthily return to their homelands? Governments may not be prepared for this influx, which could get out of hand very quickly."

Hamod concluded, "Security and stability are essential for every country in the region. Without those, economic development will be hampered, and there will be little foreign direct investment."

You can read the full text of the article here.

* * *

For more information on NUSACC and its activities, please click here.

The National U.S.-Arab Chamber of Commerce, widely regarded as the voice of American business in the Arab world, is in touch with business communities across the United States and serves as the U.S. point of contact for the national chambers of commerce in the 22 Arab nations. On a daily basis, NUSACC works closely with leaders throughout the Arab world, as well as high-level decision makers in the U.S. business community, public policy research centers, multilateral institutions, nongovernmental organizations, media, and the U.S. Government.

From:	UVA"s Miller Center
To:	Secretary Of The Treasury
Subject:	Presidential First Year Project: The Economic Benefits of Income Equality
Date:	Monday, May 9, 2016 6:31:18 AM

The Miller Center's First Year Project: May 9 News

The latest news and insights from First Year 2017, the ambitious project from the University of Virginia's nonpartisan Miller Center devoted to helping the next president navigate the make-or-break first year in office....

The economic benefits of income equality

As politicians debate the moral implications of increasing income inequality—and programs to address it—former Miller Center fellow and University of Utah history professor Derek Hoff argues that there are solid economic reasons for policymakers to address the issue and that reducing inequality benefits us all.
Watch Hoff discuss his essay on Utah television.

The next step in health care legislation

Federal and state governments account for 60 percent of our nation's $3 trillion in rapidly rising health care spending, but Miller Center Senior Fellow Ray Scheppach says incentives to states may hold the key to bending the cost curve. *This essay is part of the First Year volume on fiscal policy: The critical first budget.*

Bill Clinton's first budget

After winning the 1992 election, President-elect Bill Clinton found himself confronted with a large and growing annual budget deficit. Seven years later, that deficit was gone. Listen as former OMB Director Alice Rivlin remembers the choices they made in a recording that is part of the Miller Center's William J. Clinton Presidential History Project.

By the Book: Jimmy Carter

"A businessman defies the conventional wisdom, challenges sacred cows, and comes out of nowhere to garner his party's nomination. The Donald

Trump story, right? Perhaps. But the first iteration of that narrative was forged by Jimmy Carter," writes the Miller Center's Brian Balogh as he assesses which books reveal the most about our 39th president.

First Words: Andrew Jackson

A president's first act is his Inaugural Address. In this ongoing series, we look at key phrases from Andrew Jackson's first speech as our 7th president.

Questions about the First Year Project? Contact Miller Center Managing Editor Howard Witt at howardwitt@virginia.edu.

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2201 Old Ivy Road Charlottesville, VA 22904

From: UVA"s Miller Center
To: Secretary Of The Treasury
Subject: Presidential First Year Project: The Supreme Court"s real immigration message
Date: Tuesday, July 5, 2016 6:01:58 AM

The Miller Center's First Year Project: July 5 news

The latest news and insights from First Year 2017, the ambitious project from the University of Virginia's nonpartisan Miller Center devoted to helping the next president navigate the make-or-break first year in office.

The Supreme Court's real immigration message

The Supreme Court's 4-4 split on President Obama's deferred action programs puts the broader issue of how to resolve the fate of about 10 million long-term unauthorized immigrants squarely back into the political arena. First year contributor and UVA law professor David A. Martin evaluates.

1965: A model for our next president

Although few presidents have been successful dealing with "one of the most dangerous issues in American politics," Lyndon Johnson's landmark 1965 immigration reform was the most successful of all, marking a "dramatic break from immigration policies of the past,"says the University of Oregon's Daniel Tichenor in an essay for the First Year Project volume on immigration.

A fiscal guide to the 2016 election

First Year contributor Maya MacGuineas, the President of the Committee for a Responsible Federal Budget, reviews the budget plans of Donald Trump and Hillary Clinton.

Elsewhere in the First Year Project

- **By the Book: Bill Clinton**—The Miller Center's Russell Riley recommends the best books on our 42nd president in this ongoing series.
- **First Words: John F. Kennedy**—We look back at one of the most memorable inaugural addresses in history.

Review our volumes on immigration, fiscal policy, and national security.

First Year Project Videos

First Year Project Video: Overview

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Charlottesville, VA | 22904 US

This email was sent to jack.lew@do.treas.gov.
To continue receiving our emails, add us to your address book.

From: UVA"s Miller Center
To: Secretary Of The Treasury
Subject: Recommendations for President Trump: First Year Project news
Date: Monday, December 12, 2016 8:32:31 AM

Recommendations for President Trump: First Year Project news

In this issue:

- The major challenges for POTUS 45: LIVE today at 3 p.m. on Facebook or in DC.
- Infrastructure: New technologies built on old foundations
- Generating support through "micro-moments"
- Transition decisions: Somalia
- The past and future of climate change policy
- A way forward on lead poisoning

First Year 2017 is the Miller Center's ambitious project to help our next president navigate the make-or-break first year in office.

First Year experts examine presidential leadership at the Brookings Institution

Today at 3 p.m. the **First Year Project** and the **Brookings Institution** team up for a half-day conference to examine the challenges facing the Trump administration.

Participants include **Chris Lu**, deputy secretary, U.S. Department of Labor and former executive director, Obama-Biden transition; **Josh Bolten**, White House chief of staff, President George W. Bush; **Jen Psaki**, White House communications director, President Barack Obama; **Dan Meyer**, former director of the White House Office of Legislative Affairs, President George W. Bush; **Eric Edelman**, former undersecretary for defense policy, President George W. Bush; **Barbara Perry**, director of Presidential Studies, Miller Center; and **Philip Zelikow**, former member of the National Security Council staff for President George H. W. Bush.

See the agenda here.

Join us in person at Brookings or LIVE on Facebook.

Old foundations for new technologies

"Today's now-aging highway infrastructure remains critical to U.S. economic health," says former Miller Center national fellow **Francesca Ammon**. "Continued investment in this infrastructure will help to sustain this built fabric as a foundation for further innovation."

Managing the "micro-moments"

Mary Kate Cary, a speechwriter for President George H.W. Bush, suggests a two-step strategy to meet a media-savvy public where they are—on their smart phones and other digital devices. *This essay is part of First Year Project Volume 7: Seizing the Bully Pulpit.*

Somalia and the 1992 transition

Through the **George H. W. Bush Oral History Project**, we look back at the December 1992 decision to launch "Operation Restore Hope" in Somalia and its ramifications for President Bill Clinton.

Elsewhere in the First Year Project

- The Miller Center's director and CEO, **Bill Antholis**, sat down with **Todd Stern**, former U.S. envoy for climate change, to discuss U.S. climate policy, the Paris climate agreement, and where we might go from here.
- One of our national fellows, **Leif Fredrickson**, looks at federal policies to dramatically reduce the threat of lead poisoning.

Review our volumes on presidential communications, the American dream, broken government, immigration, fiscal policy, and national security.

First Year Project Videos

First Year Project Video: Overview

Questions about the First Year Project? Contact Miller Center Managing Editor Howard Witt at howardwitt@virginia.edu.

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From: The Treasury Ticker
Subject: The Treasury Ticker for Thursday November 10, 2016
Date: Thursday, November 10, 2016 3:23:30 PM
Attachments: image001.png
image002.png
image003.png
image004.png

This is the Treasury Ticker for Thursday November 10, 2016.

Thursday November 10, 2016

Before you head out for the weekend and Veterans Day activities, don't forget to thank one of the 298 veterans at DO that you work with on a regular basis. Treasury Thank a Veteran at Work electronic postcards are available to use for a personal note to a colleague. Take a few minutes out of your day to visit the National Veterans Day Awareness page to get more ideas on how to honor veterans and to find Veterans Day events your area. We, at The Treasury Ticker, would like to THANK OUR VETERANS for your selfless service and for the courage you demonstrated in the pursuit of freedom and peace!

Welcome the President-Elect's Agency Review Team

In the coming days, we will welcome President-Elect Trump's Agency Review Team, a group that will be housed in the Main Treasury building for several weeks between Election Day and the Inauguration to gather information about Treasury, its current state of affairs, and future considerations. Agency Review Team members are not federal employees, so all materials to be shared with this team must be vetted through the Treasury Transition Team. The Agency Review Team members will have special purple badges and Presidential Transition Team (PTT.gov) email addresses. While we smoothly pass the baton from one Administration to the next, all agency operations will continue to be led by the current Administration until the Inauguration. If you have questions or are contacted directly by an Agency Review Team member, please direct the inquiries to your respective office's Transition Point of Contact or the Treasury Transition Team (or call [redacted]. We also encourage you to visit the Treasury Presidential Transition site to learn more about the transition efforts underway at Treasury.

EVENTS

7 Things You Probably Don't Know About Money

Wednesday, November 16
12:00 p.m.
Main Treasury Cash Room

Join Kabir Seghal, a New York Times bestselling author of *Coined: The Rich Life of Money and How Its History Has Shaped Us* and ex-J.P. Morgan Chase banker, as he takes us on a journey around the world, sharing insights about the history of money and clues to its future. Contact the Treasury Historical Association for additional information.

Got Ethics Questions?

Wednesday, November 16
2:15 p.m. – 3:15 p.m.
Main Treasury West Gable Room

Do you have questions about conflicts of interest? Are you looking for a new position? Are you participating in political activity? Join the Office of General Council for their Ethics Q&A session to get all of your questions answered.

Thinking About Updating your Health Benefits?

Thursday, November 17
10:00 a.m. – 2:00 p.m.
Main Treasury Cash Room

MAINTENANCE & OUTAGES

HR Connect Maintenance

November 11 – 14

HR Connect will be unavailable from 6:00 a.m. on Friday, November 11 until 6:00 a.m. on Monday, November 14. If you have questions, please contact the ARC HR Systems Help Desk via email or [redacted] (option 4).

1722 I St Maintenance Outage

November 20

Network maintenance will occur at 1722 I Street starting at 9:00 a.m. and lasting for approximately seven hours. During the maintenance window, voice and data services, including access to email, file shares, and the internet, will be unavailable. If you have any questions or concerns, please contact [redacted]

Visit theGreen for more information on planned outages. We apologize in advance for any inconvenience these outages may cause. Thank you for your patience and flexibility.

OTHER NEWS

Protect Yourself from the Flu

Join the Office of Human Resources to learn more about your health benefits options at the Health Benefits Open Season Fair. Open Season is from November 14 – December 12.

Zumbathon

Monday, November 21
2:00 p.m. – 4:00 p.m.
Main Treasury Cash Room

Come show off your dance moves and groove for a good cause. Treasury is hosting a Zumbathon to raise money for the Combined Federal Campaign (CFC).

Jump Start Session

Tuesday, November 22
10:00 a.m. – 12:00 p.m.
Main Treasury Media Rooms A & B

Did you recently join us at Treasury? Do you have questions about how to navigate Treasury? Come get your official Jump Start at Treasury at our next session. For more information, please contact [redacted] (b) (6)

Supervisory Lunch and Learn

Tuesday, November 22
12:15 p.m. – 1:15 p.m.
Main Treasury Media Room A

Does the idea of giving feedback or "constructive criticism" make you feel uncomfortable as a manager? Join us at the next Lunch and Learn, Performance Management: the Process.

Reliable metrics on flu-related deaths are hard to estimate (more info). But why risk it? Take some time out of your day to get your flu shot in your building for this season.

Combined Federal Campaign

Show Some Love by making pledge to one or more charities or causes by December 15. Visit CFC's page to search the catalog and to make a pledge.

Sammies Award

Do you know any outstanding federal employees who you want to nominate for a 2017 Sammies Award (aka the Grammys of government)? Then submit your nominees by the January 15, 2017 deadline.

For any event: If you require a reasonable accommodation, please contact [redacted] at [redacted] or [redacted] or [redacted] at [redacted] or [redacted] If you are requesting a sign language interpreter, please notify [redacted] or [redacted] at least five days prior to the lecture, if possible.

Follow on Twitter Friend on Facebook

To see your information in the headlines of the Thursday Treasury Ticker, send it to Karen.Burkes@treasury.gov on Tuesday by noon.

Real firmness is good for anything; strut is good for nothing. —Alexander Hamilton

From:	Bill Antholis
To:	Secretary Of The Treasury
Subject:	What history can teach an unprecedented president-elect
Date:	Wednesday, December 21, 2016 8:32:18 AM

What history can teach an unprecedented president-elect

Mark Twain is reported to have said that history doesn't repeat itself, but it does rhyme.

For the Miller Center, a research center that studies the presidency, the Trump administration could be the best of times for presidential rhyming.

Donald Trump's presidency is premised on being unprecedented, on smashing conventions. Trump seems eager to break gridlock, defy history, and embrace spontaneity and originality. Many Americans voted for him for that reason. At least as many Americans fear his no-holds-barred approach.

A Trump administration would do well to pay attention to where history might rhyme. That is, there may be patterns in presidential history that will contain, constrain, or even comfort a predictably unpredictable president. The Miller Center sees its role as providing nonpartisan advice to a new president on where the lessons of history, firsthand experience, and expertise can lead to outcomes that benefit all Americans.

Moving from the outside to the inside. Donald Trump will be an outsider president whose party controls both houses of Congress. That raises expectations. Possible first year initiatives include tax reform, infrastructure, trade, energy, immigration, and health care.

Similarly, three recent outsider presidents controlled both houses of Congress. Jimmy Carter, Bill Clinton, and Barack Obama all rode into office on a wave of optimism about their potential to shake up Washington. All picked issues similar to Trump's. Each struggled to move an agenda with Congress.

Carter most famously captured this in his own Miller Center Presidential Oral History Program interview:

> ***Very few of the members of Congress, or members of the major lobbying groups, or the distinguished former Democratic leaders, had played much of a role in my election. There wasn't that tie of campaign interrelationship that ordinarily would have occurred had I not been able to win the nomination by myself. I just didn't have that sort of potential tie to them, and I think they felt that they were kind of on the outside.***

George W. Bush also had big reform plans. Josh Bolten—Bush's final chief of staff and a policy aide for nearly ten years—recently told the Miller Center that Bush came into office with a clear policy agenda. But as the son of a president, he was no outsider and enjoyed working closely with Congress. First, he passed tax reform. Next, he reached across party lines early, working with Democrats such as George Miller and Ted Kennedy to pass No Child Left Behind. Bolten sees, in particular, a big opportunity for the Trump administration to pursue tax reform in a way that defies ideological convention.

Claiming a mandate. Like two recent predecessors, Trump enters office with questions about his mandate—trailing Hillary Clinton by nearly three million popular votes. Neither Bill Clinton nor George W. Bush won a majority of the electorate either. Each president struggled in his first year to solidify his legitimacy. Yet both also achieved major successes, especially when they reached across party lines and enacted major agenda items such as NAFTA and No Child Left Behind.

Whether Trump will do that remains to be seen, of course, because the president-elect also seems to relish conflict and controversy. As Chris Lu, who oversaw Obama's transition, said: "This appears to be a president-elect who wants to tear the playbook up." And even for the most popular new president, long-term success is not guaranteed. As Lu described it: "When presidents have governing majorities, they think those majorities will last forever." History teaches that the pendulum is always ready to swing back.

Building a team. Trump has nominated a combination of business leaders, governors, and former military and civilian officials to his cabinet. Some have received widespread praise, others blistering criticism. History shows both successes and failures for the kinds of experience these individuals bring to public service.

Congress can and will spend considerable time on appointments. Dan Meyer, a legislative affairs director for George W. Bush, neatly summarized the challenge. "Floor time in the U.S. Senate is a scarce resource. There are the things you *want* to do. There are also the things you *have* to do, like passing spending bills. And then there are nominations."

Even after the inevitable and time-consuming confirmation battles to come, White House alumni across administrations all say that teamwork is critical. The White House team can help steer the cabinet but also must empower it to work on behalf of the president. Here, the Trump transition seems a bit behind where the Bush team was in 2001. As Bolten recounted, "We were blessed to have a campaign staff that was itself ready to move into governance. My concern for the current transition is that . . . there is not a thick policy agenda with detail to it . . . and there's also not the big infrastructure of people to come in."

Defending the nation. Getting the team on one playbook is particularly important for the most sacred duty of any administration—protecting the American people. As the Miller Center's Eric Edelman—a former national security advisor to Vice President Dick Cheney—has said, it's not whether the president will face a crisis; it is how many crises, and how he responds to his first failure.

Each new president wants to steer foreign and defense policy toward new priorities. Yet each discovers that the diplomatic corps, the armed services, and the various intelligence agencies have their own long-standing priorities and grievances. Moreover, Congress also will want some say in the matter, particularly with respect to defense and intelligence spending. So while Trump will be the commander in chief, he will soon discover what John Kennedy said after his first year:

> ***I would say that the problems are more difficult, the responsibilities on the United States are greater than I imagined them to be, and the limitations on our ability to bring about a favorable result are greater than I imagined them to be.***

In that sense, the brewing fight between the president-elect and the CIA, the breaches of diplomatic protocols, and the roiling questions about conflicts of interest—whether or not they are well-chosen fights—suggest that this administration may care less about institutional practices. But that will make getting Washington to move far more difficult than the new team believes. If the past is any indication, Washington will work without fear or favor, regardless of who sits at 1600 Pennsylvania Avenue.

Our role. A Trump administration presents challenges for an organization like ours as we seek to be a constructive and useful resource. Some of those challenges come from the new president himself. As our Governing Council member Ann Compton termed it, this president-elect "shoots from the lip." Or, as one former Republican White House chief of staff said, he pushes the boundaries intentionally and "doesn't taste his words before speaking them." So for an organization steeped in the idea that rigorous study should guide contemporary practice, we may not have an interested customer.

That said, our wider target audience is likely to be White House staff, senior cabinet officials, and an educated and experienced Washington establishment. The first two groups are still forming, but it is at those inflection points—where the new administration meets the Washington establishment—that we have the greatest opportunity to advance the conversation. There appear to be many excellent people in the mix. There also appears to be an evolution of who is doing what. We hope and expect that will sort itself out by Inauguration Day.

In many ways, the Miller Center has been preparing for this moment for four decades—building a repository of presidential lessons learned and a network of practitioners. We will do our best to make sure our wealth of presidential expertise and experience can be a treasure trove for the new team.

From:	subscribers-bounces@sca.isr.umich.edu on behalf of subscribers@sca.isr.umich.edu
To:	Subscribers
Subject:	[Surveys of Consumers] December 2015 Surveys of Consumers, University of Michigan
Date:	Wednesday, December 23, 2015 10:04:39 AM
Attachments:	FF201512.pdf M-Booklet201512.pdf

Attached you will find PDF files of the December 2015 Summary Report and Data Tables from the Surveys of Consumers at the University of Michigan (www.umich.edu/~umsurvey).

Adobe Acrobat Reader is required for viewing or printing these reports. If you do not have Acrobat Reader, go to http://get2.adobe.com/reader to download it for free.

If you have any questions, please call 734-763-5224 or email umsurvey@umich.edu.
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surveys of consumers UNIVERSITY OF MICHIGAN

Monitoring trends for over 60 years

Subject: December 2015 survey results.
From: Richard Curtin, Director

December 23, 2015

T'was the week before Christmas, all eyes turned to Yellen,
The zero rate liftoff! That's what the Fed was sellin.
Was the takeoff too soon or too late? Who knew,
If their inflation forecasts would finally come true.

With a wink of her eye and a twist of her head:
"The goal of higher inflation is nothing to dread."
But near zero inflation helped consumers survive,
Without global price cuts, spending would nosedive.

The Fed hung their hopes on the bankers' door with care,
Placing bets on reverse repos and a higher reserve fare.
What is yet to be known is if these levers monetary,
Are the best way to curb the new impulses inflationary.

And then, in a twinkling, I heard on the roof,
Prancing and pawing of each banker's huge hoof.
Celebrating their reserve and loan rate increment,
Whether good times or bad, banks get the first stimulant.

Stock and bond markets ignored and quite frankly doubted,
That such a tiny hike could do all the Fed had touted.
The dots made it very clear. The increase door was ajar,
A planned pace of rate hikes was firmly in their repertoire.

Persistent wage stagnation! Optimism redefined and recreated.
Prosperity was downward relegated! Financial security elevated!
Growth? Recession? Either way it was a near zero estimation!
Rebuilding precautionary savings. That's their new aspiration.

Consumers were finally nestled, all snug in their beds,
Dreams of financial security dancing in their heads.
When losses from terrorist attacks caused such a clatter,
All sprang from their beds, to hear how to fix this matter.

When what to their wondering eyes should now appear,
A gaggle of candidates, all could jeer and cheer.
A modern soap opera crew, each sporting a tangled past.
The polls whistled and shouted and called out the cast:

Now Trump! Bush! now Rubio and Cruz!
On Clinton! On Sanders! Who to choose?
DC cynicism, then terrorism, changed the prequel.
Ranking reshuffled. Unlike income, fear is much more equal!

Confidence and safety share a common element critical,
Restoration comes from actions, not from talk political.
If privacy rights are surrendered, can liberty long endure?
Not Big Brother, but smarter detection is needed for sure.

Happy holidays to all and to all a good year.

Consumer confidence rose to its highest level since July, with the December reading nearly equal to the 2015 average of 92.9, which was the highest since 2004. Importantly, the gain was concentrated in current rather than expected conditions. The latest gain was largely due to lower inflation, which bolstered real incomes and brightened buying plans for household durables. Indeed, there have been only three surveys in more than the past half century in which a higher proportion mentioned the availability of price discounts for durables. Moreover, given the continued weakness in the global economy and the strong dollar, consumers can be expected to become even more demanding of price discounts in the year ahead. Overall, the data point toward gains of 2.8% in real personal consumption expenditures during 2016.

An improved personal financial situation was reported by 44% of all consumers in December, not much below January's peak of 48%. While the smallest proportion of consumers in more than ten years complained that inflation had eroded their living standards, favorable references to net household wealth were significantly lower at year-end than prior to the stock swoon in late August. Expected income gains continued to favor younger workers and those with incomes in the top third, although they were no more favorable at year-end than at the start of 2015. Real income expectations, however, recorded their best level since late 2002.

Although half of all consumers thought the economy continued to improve, consumers judged the pace of expected gains less positively than at the start of 2015. As a result, consumers judged additional reductions in the unemployment rate less likely than at the start of 2015.

Inflation expectations for 2016 remained low and well-anchored. The inflation rates expected for the year ahead as well as over the next five years were identical at 2.6%. There have been only two surveys in the past quarter-century that consumers anticipated a smaller long-term inflation rate; at 2.5% it was barely below the current expectation.

Attitudes toward purchases of household durables rose to their most favorable level in a decade. Half of all consumers cited the availability of price discounts when asked to explain their views; there have been only three other surveys in our long history that recorded barely higher levels with the peak of just 52% at the height of the Great Recession. Lower prices also sparked more favorable home buying plans, as home price reductions were cited by 35% in December, up from just 27% in the November 2015 survey. Moreover, low mortgage rates were cited by 45%, equal to the average of the prior three months. In contrast, just 8% cited the advantage of borrowing-in-advance of higher rates, which was also unchanged from the average during the prior three months.

	Dec 2014	Jan 2015	Feb 2015	Mar 2015	Apr 2015	May 2015	June 2015	July 2015	Aug 2015	Sept 2015	Oct 2015	Nov 2015	Dec 2015
Index of Consumer Sentiment	93.6	98.1	95.4	93.0	95.9	90.7	96.1	93.1	91.9	87.2	90.0	91.3	92.6
Current Economic Conditions	104.8	109.3	106.9	105.0	107.0	100.8	108.9	107.2	105.1	101.2	102.3	104.3	108.1
Index of Consumer Expectations	86.4	91.0	88.0	85.3	88.8	84.2	87.8	84.1	83.4	78.2	82.1	82.9	82.7
Index Components													
Personal Finances—Current	114	121	121	117	120	111	119	116	120	111	111	111	113
Personal Finances—Expected	123	122	126	122	124	123	125	122	124	121	127	122	124
Economic Outlook—12 Months	116	132	118	116	124	113	125	115	111	100	101	106	103
Economic Outlook—5 Years	108	112	109	105	109	102	104	101	100	93	101	105	105
Buying Conditions—Durables	158	162	156	155	158	150	163	161	152	151	154	160	167

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Subject:	[Surveys of Consumers] July 2016 Surveys of Consumers, University of Michigan
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Subject: July 2016 survey results July 29, 2016
From: Richard Curtin, Director

Although confidence strengthened in late July, for the month as a whole the Sentiment Index was still below last month's level mainly due to increased concerns about economic prospects among upper income households. The Brexit vote was spontaneously mentioned by record numbers of households with incomes in the top third (23%), more than twice as frequently as among households with incomes in the bottom two-thirds (11%). Given the prompt rebound in stock prices as well as the tiny direct impact on U.S. trade, it is surprising that concerns about Brexit remained nearly as high in late July as immediately following the Brexit vote. While concerns about Brexit are likely to quickly recede, weaker prospects for the economy are likely to remain. Importantly, the two main components of the Sentiment Index—the Expectations and Current Index—have diverged to a significant extent. Consumers' assessments of current economic conditions are now comparable to prior cyclical peaks, while expectations about future economic prospects are well below all but one prior cyclical peak. To be sure, the gap between current and expected economic conditions is not as extreme as it was in 1974, 1979, 1990, or 2006. Nonetheless, those prior gaps acted as a very early warning signal of potential future downturns. Of course, past trends may not predict the future since the Expectations Index has been held down by years of lackluster growth that has been well below the pace of past recoveries. The best antidote for the aging expansion would be for expectations for growth to strengthen in the 2nd half of 2016, a challenging task given the uncertainty surrounding global prospects and the presidential election. Based on the strength in personal finances and low interest rates, real consumer spending is now expected to rise by 2.6% to mid 2017.

Consumers were asked in June and July who they *expected* to win the presidential election—not who they intended to vote for or favored—to determine how the expected winner would influence their economic expectations. Clinton was expected to win by a large margin (58% versus 37%, with the balance uncertain), and those who expected a Clinton victory had a significantly higher Expectations Index (+9.7 points). When asked whether their personal financial prospects would be better if Clinton or Trump were elected, however, there was nearly an even split between the two candidates: Clinton 25% versus Trump 26%; the most common response was that it wouldn't make any difference who was elected, voiced by 48%. The same was true for who would be better for overall economy: Clinton 31%, Trump 30%, and no difference was cited by 36%.

Consumers remained upbeat about their current finances. The smallest proportion reported that their finances had worsened during the past year—24%—than anytime since the last peak in 2007. Past income gains were reported somewhat less often in July, mostly among upper income households. Positive financial prospects have hardly changed in the past year, although income expectations among households with incomes in the top third fell in July. The median income expectation of top income households fell to 1.8% from 3.1% in June, which lowered the overall expected gain to 1.4% from 1.6% in June.

Year-ahead inflation expectations rose to 2.7% in July, between last month's 2.6% and last year's 2.8%. Long term inflation expectations remained steady at 2.6% in July, the same as last month and down from 2.8% last July. Interest rates were expected to rise during the year ahead by 53%, down from 63% three months ago and the ten year peak of 69% in late 2015.

Prospects for the national economy weakened in July, especially the year-ahead outlook, which fell to its lowest level in two years. Consumers' primary concern was that a slower pace of economic growth would diminish the new job creation rate. When specifically asked about prospects for unemployment, 31% anticipated a higher jobless rate by this time next year, tying the April level, and the least favorable since February 2014. Importantly, the entire decline was among households with incomes in the top third and was correlated with concerns about Brexit, which can be expected to ease in the months ahead.

Buying attitudes remained favorable and dependent on low interest rates. Although net favorable references to prices were three times as frequent as net interest rates for durables (35% vs. 12%), net interest rate mentions were three times more frequent than price references for homes (43% vs. 14%), and twice as frequent for vehicle buying conditions (27% vs. 15%).

	July 2015	Aug 2015	Sept 2015	Oct 2015	Nov 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	Jun 2016	July 2016
Index of Consumer Sentiment	93.1	91.9	87.2	90.0	91.3	92.6	92.0	91.7	91.0	89.0	94.7	93.5	90.0
Current Economic Conditions	107.2	105.1	101.2	102.3	104.3	108.1	106.4	106.8	105.6	106.7	109.9	110.8	109.0
Index of Consumer Expectations	84.1	83.4	78.2	82.1	82.9	82.7	82.7	81.9	81.5	77.6	84.9	82.4	77.8
Index Components													
Personal Finances—Current	116	120	111	111	111	113	110	118	119	118	123	124	121
Personal Finances—Expected	122	124	121	127	122	124	124	128	127	121	128	125	126
Economic Outlook—12 Months	115	111	100	101	106	103	107	97	100	95	107	104	91
Economic Outlook—5 Years	101	100	93	101	105	105	102	104	100	95	106	102	95
Buying Conditions—Durables	161	152	151	154	160	167	166	159	155	158	162	164	162

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Subject: Preliminary results from the August 2016 survey August 12, 2016
From: Richard Curtin, Director

Confidence inched upward in early August due to more favorable prospects for the overall economy offsetting a small pullback in personal finances. Most of the weakness in personal finances was among younger households who cited higher expenses than anticipated as well as somewhat smaller expected income gains. Concerns about Brexit have faded amid rising references to the outcome of the presidential election as a source of uncertainty about future economic prospects. Increasing uncertainty probably reflects each candidate's focus on the negative economic outcomes if the other candidate is elected. Although consumers increasingly expect a Clinton victory, consumers are nearly equally split on whether either candidate would actually improve overall economic conditions or their own personal finances. Nonetheless, consumers who expected a Clinton victory also voiced much more positive economic prospects, which presumably would need to be quickly moderated after her election to more achievable near-term goals. Overall, the data remains consistent with real personal consumption expenditures improving by 2.6% through mid 2017, with new and existing home sales benefitting from low mortgage rates.

The surveys continued to track which candidate consumers *expected* to win the presidential election—not who they intended to vote for or favored—to determine how the expected winner would influence their economic expectations. Clinton was expected to win by a growing margin over Trump (+39 percentage point in August, up from +27 in July and +14 in June), and those who expected a Clinton victory had a significantly higher Expectations Index (+22.2 Index-points, up from +13.1 in July and +7.2 in June). When asked whether their personal financial prospects would be better if Clinton or Trump were elected, there was nearly an even split between the two candidates in early August as in past months: Clinton 30% versus Trump 31%; the most common response was that it wouldn't make any difference who was elected, voiced by 39%. The same was true for who would be better for overall economy: Clinton 34%, Trump 30%, and no difference was cited by 35%.

Consumers remained upbeat about their current finances. Among all households, 45% reported that their financial situation had recently improved, unchanged from one month or one year ago. One-third of all households reported recent income gains in early August, the same as in July. Financial prospects for the year ahead declined in August, as just 30% expected their finances to improve, the lowest level since late 2014, with all of the decline among those under age 45. The median expected income increase fell to 1.1% from 1.4% one month and one year ago, while inflation adjusted income expectations improved.

Inflation expectations fell to near record lows. Year-ahead inflation expectations fell to 2.5% in early August, from last month's 2.7% and last year's 2.8%. Long term inflation expectations remained steady at 2.6%, the same as last month and down from 2.7% last August. Importantly, just 4% anticipated deflationary trends in prices during the next five years or so.

Prospects for the national economy rebounded from last month but still remained below a year earlier. Good times financially were expected in the economy as a whole during the year ahead by 42% in early August, up from last month's 38% but still below last year's 48%. Unfortunately, nearly equal numbers of consumers anticipated bad economic times during the year ahead in early August (41%). A continuous expansion was expected slightly more frequently than a downturn sometime during the next five years (46% versus 44%), a slight improvement over last month and last August's survey. Importantly, the expected year-ahead unemployment rate improved in early August, as three-quarters of consumers anticipated no increase during the year ahead. Improved prospects for the economy were related to vanishing concerns about the impact of Brexit.

Buying attitudes remained at favorable levels. Home buying has become particularly dependent on low interest rates, with net references to low interest rates mentioned by 48%—this figure has been exceeded in only two months in the past ten years. In contrast, low housing prices were cited by just 25%, the lowest figure in ten years. For vehicle buying conditions, net favorable references to low interest rates were mentioned twice as often as net low prices (22% vs. 12%). Household durables were negatively affected by pricing rather than interest rates, with net price references falling to 29% from 35% last month.

	Aug 2015	Sept 2015	Oct 2015	Nov 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	Jun 2016	July 2016	Aug Prelim
Index of Consumer Sentiment	91.9	87.2	90.0	91.3	92.6	92.0	91.7	91.0	89.0	94.7	93.5	90.0	90.4
Current Economic Conditions	105.1	101.2	102.3	104.3	108.1	106.4	106.8	105.6	106.7	109.9	110.8	109.0	106.1
Index of Consumer Expectations	83.4	78.2	82.1	82.9	82.7	82.7	81.9	81.5	77.6	84.9	82.4	77.8	80.3
Index Components													
Personal Finances—Current	120	111	111	111	113	110	118	119	118	123	124	121	119
Personal Finances—Expected	124	121	127	122	124	124	128	127	121	128	125	126	120
Economic Outlook—12 Months	111	100	101	106	103	107	97	100	95	107	104	91	101
Economic Outlook—5 Years	100	93	101	105	105	102	104	100	95	106	102	95	102
Buying Conditions—Durables	152	151	154	160	167	166	159	155	158	162	164	162	156

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Subject: August 2016 survey results
From: Richard Curtin, Director

August 26, 2016

Confidence eased back in late August to register a trivial decline from the July reading. Less favorable personal financial prospects were largely offset by a slight improvement in the outlook for the overall economy. As mentioned at mid-month, most of the weakness in personal finances was among younger households who cited higher expenses than anticipated as well as slightly smaller expected income gains. Importantly, long term inflation expectations fell to the lowest level ever recorded, with near term inflation expectations anchored to that same low level. Just as low inflation has provided strong support for real income gains, low interest rates have increasingly become the sole driver of large discretionary expenditures. To be sure, references to the presidential election continue to be a source of uncertainty about future economic policies. Although consumers increasingly expect a Clinton victory, consumers remained nearly equally split on which candidate would actually improve overall economic conditions or their own personal finances. Consumers that anticipated a Clinton victory expressed more favorable economic expectations than those that expected Trump to win. Overall, the data remains consistent with real personal consumption improving by 2.6% through mid 2017, with large purchases sensitive to future interest rate trends.

The surveys continued to track which candidate consumers *expected* to win the presidential election—not who they intended to vote for or favored—to determine how the expected winner would influence their economic expectations. Clinton was expected to win by a growing margin over Trump (+43 percentage points in August, up from +27 in July and +14 in June), and those who expected a Clinton victory had a significantly higher Expectations Index (+17.4 Index-points, up from +13.1 in July and +7.2 in June). See the attached report for more details as well as the results by party and demographic subgroups.

Consumers remained upbeat about their current finances. Among all households, 44% reported that their financial situation had recently improved, unchanged from one month or one year ago. One-third of all households reported recent income gains in August, the same as in July. Financial prospects for the year ahead declined in August, as just 29% expected their finances to improve, the lowest level since late 2014, with all of the decline among those under age 45. The median expected income increase fell to 1.2% from 1.4% one month and one year ago, while inflation adjusted income expectations improved.

The annual rate of inflation expected over the next five years fell to 2.5% in August, down from last month's 2.6% and last year's 2.7%, and the lowest level in nearly a half century. Year-ahead inflation expectations also declined to 2.5% in August, from last month's 2.7% and last year's 2.8%. Interest rate expectations also fell, as the proportion that anticipated increases in interest rates during the year ahead declined to 52%, down from 63% last August and the lowest level in 22 months.

Current conditions in the national economy were less favorably evaluated than anytime in the last two years. When asked about what news they had heard, consumers were more likely to negatively than positively refer to government or elections (15% versus 2%), and slightly more likely to refer to job losses rather than gains (20% versus 18%). However, both showed little change from last month or a year ago. Given the easing of concerns about rising interest rates, consumers held a somewhat more positive outlook for the economy than last month, although it was still less favorable than a year ago. The key metric remains the labor market, and consumers held slightly more positive expectations for the jobless rate in August than last month, although consumers still anticipate some very small increases in unemployment by this time next year.

The source of favorable buying plans has shifted from attractive pricing to low interest rates. Home buying has become particularly dependent on low mortgage rates, with net references to low rates mentioned by 53%—this figure has been exceeded in only one month in the past ten years. In contrast, low housing prices were cited by just 26%, for the fourth time in the last 5 months, and the lowest figure in ten years. Just as important, home selling conditions rose to the most favorable level since 2005. Favorable views of vehicle buying have eased in the past three months largely in response to higher prices, mentioned by 17% of consumers in August; the last time more consumers complained about high vehicle prices was in 1998.

	Aug 2015	Sept 2015	Oct 2015	Nov 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	Jun 2016	July 2016	Aug 2016
Index of Consumer Sentiment	91.9	87.2	90.0	91.3	92.6	92.0	91.7	91.0	89.0	94.7	93.5	90.0	89.8
Current Economic Conditions	105.1	101.2	102.3	104.3	108.1	106.4	106.8	105.6	106.7	109.9	110.8	109.0	107.0
Index of Consumer Expectations	83.4	78.2	82.1	82.9	82.7	82.7	81.9	81.5	77.6	84.9	82.4	77.8	78.7
Index Components													
Personal Finances—Current	120	111	111	111	113	110	118	119	118	123	124	121	118
Personal Finances—Expected	124	121	127	122	124	124	128	127	121	128	125	126	119
Economic Outlook—12 Months	111	100	101	106	103	107	97	100	95	107	104	91	97
Economic Outlook—5 Years	100	93	101	105	105	102	104	100	95	106	102	95	99
Buying Conditions—Durables	152	151	154	160	167	166	159	155	158	162	164	162	159

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Subject: Preliminary results from the September 2016 survey September 16, 2016
From: Richard Curtin, Director

Confidence was unchanged in early September from the August final and barely different from the July reading. Small and offsetting changes have taken place in the third quarter 2016 surveys: modest gains in the outlook for the national economy have been offset by small declines in income prospects as well as buying plans. While income gains expected during the year ahead have edged upward, declines in inflation expectations were the main reasons future financial prospects improved, as both near and long term inflation expectations fell to near record lows. Nonetheless, buying plans suffered from the perception that no additional price discounts would be offered, and from the lack of a significant increase of buying in advance of expected interest rate increases. Even the more optimistic outlook for the economy had little if any impact on the expected growth rate in jobs. Importantly, all of these changes were relatively minor. Two thirds of all consumers still anticipated a Clinton victory, with consumers remaining about equally split on which candidate would actually improve overall economic conditions or be better for their own personal finances. Overall, consumers remain reasonably optimistic about their future economic prospects. Real personal consumption expenditures can be expected to grow by 2.6% through mid 2017.

The surveys continued to track which candidate consumers *expected* to win the presidential election—not who they intended to vote for or favored—to determine how the expected winner would influence their economic expectations. Clinton was expected to win, although by a slightly narrower margin over Trump in early September (+37 percentage points, down from +43 in August, but well above the +27 in July and +14 in June). Those who expected a Clinton victory had a significantly higher Expectations Index (+20.2 Index-points in September, up from +17.4 in August, +13.1 in July and +7.2 in June).

Consumers reported somewhat less favorable assessments of their current finances, largely due to fewer reports of income increases. Among all households, 42% reported that their financial situation had recently improved, down from 49% three months ago. When asked to explain how their financial situation had changed, 29% mentioned recent income increases in early September, down from 39% three months ago, while references to income declines rose to 25% from 20%. When asked about their financial prospects for the year ahead, consumers were more upbeat in early September, although higher income expectations played only a minor role: consumers anticipated income gains of just 1.3%, between last month's 1.2% and the 1.6% recorded three months ago. Lower food and fuel prices also helped to improve consumers' financial assessments.

The expected year-ahead inflation rate fell to 2.3% in early September, from 2.5% last month and last year's 2.8%, reaching the lowest inflation rate recorded other than during recessions. Importantly, there was no hint of expected deflation as just 2% expected overall price declines in September, down from 4% last month. The annual rate of inflation expected over the next five years was 2.5% in September, unchanged from August, and below last year's 2.7%, and the lowest level in the past half century. Indeed, in six of the past twelve months, consumers anticipated a long-term annual inflation rate of just 2.5%.

Business conditions were more frequently reported to have recently improved, and consumers were somewhat more likely to anticipate continued gains. Consumers were still equally as likely to expect good times as bad times over both the near and longer term horizons, perhaps because consumers were more likely to report hearing news of job losses rather than gains.

Buying plans for vehicles and household durables have become increasingly dependent on low interest rates. While vehicle buying conditions were still viewed favorably by consumers, these views fell in September to their least favorable level in two years. Just 21% cited attractively low vehicle prices, while 16% complained about high vehicle prices. The last time net references to vehicle prices were less positive than at present was in March 2000. Favorable references to the availability of low prices on household durables fell to 34% in early September from 40% in August. For both durables and vehicles, net references to attractively low interest rates remained largely unchanged in early September from August. Moreover, home buying has become particularly dependent on low mortgage rates, cited three times as frequently as attractive home prices.

	Sept 2015	Oct 2015	Nov 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	Jun 2016	July 2016	Aug 2016	Sept Prelim
Index of Consumer Sentiment	87.2	90.0	91.3	92.6	92.0	91.7	91.0	89.0	94.7	93.5	90.0	89.8	89.8
Current Economic Conditions	101.2	102.3	104.3	108.1	106.4	106.8	105.6	106.7	109.9	110.8	109.0	107.0	103.5
Index of Consumer Expectations	78.2	82.1	82.9	82.7	82.7	81.9	81.5	77.6	84.9	82.4	77.8	78.7	81.1
Index Components													
Personal Finances—Current	111	111	111	113	110	118	119	118	123	124	121	118	113
Personal Finances—Expected	121	127	122	124	124	128	127	121	128	125	126	119	125
Economic Outlook—12 Months	100	101	106	103	107	97	100	95	107	104	91	97	99
Economic Outlook—5 Years	93	101	105	105	102	104	100	95	106	102	95	99	101
Buying Conditions—Durables	151	154	160	167	166	159	155	158	162	164	162	159	155

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Subject: Preliminary results from the October 2016 survey October 14, 2016
From: Richard Curtin, Director

The Sentiment Index slipped in early October to its lowest level since last September and the second lowest level since October of 2014. The early October loss was concentrated among households with incomes below $75,000, whose Index fell to its lowest level in two years. In contrast, confidence among upper income households remained unchanged in early October from last month, and more importantly, at a level that was nearly identical to its average in the prior twenty-four months (98.3 vs. 98.2). Perhaps the most concerning figure was a decline in the Expectations Index, which fell to its lowest level in the past two years, again mainly due to declines among households with incomes below $75,000. It is likely that the uncertainty surrounding the presidential election had a negative impact, especially on low income consumers, and without that added uncertainty, the confidence measures may not have weakened. Prospects for renewed gains, other than a relief rally following the election results, would require somewhat larger wage increases and continued job growth as well as the maintenance of low inflation. While the expected December hike in interest rates is likely to be too small to appreciably influence credit costs to consumers, it could have a noticeable impact on spending if consumer loan rates move up by a multiple of the Fed's increase. Overall, real personal consumption can be expected to increase by 2.5% through mid 2017.

The surveys continued to track which candidate consumers *expected* to win the presidential election—not who they intended to vote for or favored. In every survey conducted since June, the majority of consumers expected a Clinton victory by wide margins—by +46 percentage point in October, up from +34 in September and +43 in August. When asked who would be better for their personal finances or for economic growth, Clinton also held an advantage over Trump, but it was still true that more consumers replied that neither Clinton nor Trump would make much of a difference to their finances or the economy.

Consumers assessments of their current financial situation have posted consecutive monthly declines since reaching their fifteen year peak in June. In early October, 40% reported that their finances had improved, down from 49% in June. Most of the decline in the past several months was due to fewer income gains, with the largest declines by households with heads under age 45. Negative shifts in household wealth were also cited by those in the bottom third of the income distribution. Despite these concerns about their current financial situation, consumers remained optimistic about the future, with 35% expecting improved finances next year, just below the 36% recorded one month and one year earlier and the 2016 peak of 37%. Income gains of 1.8% were anticipated in October, the largest increase since 1.9% was recorded in February of 2016.

The expected year-ahead inflation rate was 2.4% in early October, unchanged from last month's survey and down from last year's 2.7%. Just as important, the annual rate of inflation expected over the next five years was also 2.4% in October, down from 2.6% last month and 2.5% last year. While other surveys in the past half century have recorded as low or lower inflation rate for the year-ahead or for the next five-years, there has been no survey when both near and long term inflation expectations have been as low at at present. From the consumer perspective, the expected Fed hike may appear unjustified.

Half of all consumers reported that the economy had recently improved, but consumers were nearly evenly divided about whether it would continue to improve or start to worsen during the year ahead. When asked to evaluate the year-ahead outlook for the economy, just 37% expected good times in the economy, the lowest reading since August of 2014. The economic outlook for the next five years also declined, with the fewest consumers in two years that expected a continuous expansion.

Buying plans for household durables inched upward in early October, while vehicle and home buying plans remained largely unchanged. Vehicle buying attitudes remained at their lowest level in the past year, although still favorable enough to support sales rates at just below last year's levels. When asked to explain their views toward the vehicle market, as many consumers cited the appeal of price discounts as low interest rates, although the higher the income the greater the appeal of low interest rates. Home buying and home selling attitudes were unchanged in October, just below the 2016 peak recorded in August.

	Oct 2015	Nov 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	Jun 2016	July 2016	Aug 2016	Sept 2016	Oct Prelim
Index of Consumer Sentiment	90.0	91.3	92.6	92.0	91.7	91.0	89.0	94.7	93.5	90.0	89.8	91.2	87.9
Current Economic Conditions	102.3	104.3	108.1	106.4	106.8	105.6	106.7	109.9	110.8	109.0	107.0	104.2	105.5
Index of Consumer Expectations	82.1	82.9	82.7	82.7	81.9	81.5	77.6	84.9	82.4	77.8	78.7	82.7	76.6
Index Components													
Personal Finances—Current	111	111	113	110	118	119	118	123	124	121	118	113	111
Personal Finances—Expected	127	122	124	124	128	127	121	128	125	126	119	126	125
Economic Outlook—12 Months	101	106	103	107	97	100	95	107	104	91	97	104	92
Economic Outlook—5 Years	101	105	105	102	104	100	95	106	102	95	99	101	89
Buying Conditions—Durables	154	160	167	166	159	155	158	162	164	162	159	158	162

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Subject:	[Surveys of Consumers] October 2016 Preliminary Surveys of Consumers, University of Michigan
Date:	Friday, October 14, 2016 10:06:58 AM
Attachments:	M-Tables201610p.pdf PF201610.pdf

Attached you will find PDF files of the October 2016 Preliminary Summary Report and Data Tables from the Surveys of Consumers at the University of Michigan (www.umich.edu/~umsurvey).

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surveys of consumers
UNIVERSITY OF MICHIGAN

Monitoring trends for over 70 years

Subject: Preliminary results from the October 2016 survey October 14, 2016
From: Richard Curtin, Director

The Sentiment Index slipped in early October to its lowest level since last September and the second lowest level since October of 2014. The early October loss was concentrated among households with incomes below $75,000, whose Index fell to its lowest level in two years. In contrast, confidence among upper income households remained unchanged in early October from last month, and more importantly, at a level that was nearly identical to its average in the prior twenty-four months (98.3 vs. 98.2). Perhaps the most concerning figure was a decline in the Expectations Index, which fell to its lowest level in the past two years, again mainly due to declines among households with incomes below $75,000. It is likely that the uncertainty surrounding the presidential election had a negative impact, especially on low income consumers, and without that added uncertainty, the confidence measures may not have weakened. Prospects for renewed gains, other than a relief rally following the election results, would require somewhat larger wage increases and continued job growth as well as the maintenance of low inflation. While the expected December hike in interest rates is likely to be too small to appreciably influence credit costs to consumers, it could have a noticeable impact on spending if consumer loan rates move up by a multiple of the Fed's increase. Overall, real personal consumption can be expected to increase by 2.5% through mid 2017.

The surveys continued to track which candidate consumers *expected* to win the presidential election—not who they intended to vote for or favored. In every survey conducted since June, the majority of consumers expected a Clinton victory by wide margins—by +46 percentage point in October, up from +34 in September and +43 in August. When asked who would be better for their personal finances or for economic growth, Clinton also held an advantage over Trump, but it was still true that more consumers replied that neither Clinton nor Trump would make much of a difference to their finances or the economy.

Consumers assessments of their current financial situation have posted consecutive monthly declines since reaching their fifteen year peak in June. In early October, 40% reported that their finances had improved, down from 49% in June. Most of the decline in the past several months was due to fewer income gains, with the largest declines by households with heads under age 45. Negative shifts in household wealth were also cited by those in the bottom third of the income distribution. Despite these concerns about their current financial situation, consumers remained optimistic about the future, with 35% expecting improved finances next year, just below the 36% recorded one month and one year earlier and the 2016 peak of 37%. Income gains of 1.8% were anticipated in October, the largest increase since 1.9% was recorded in February of 2016.

The expected year-ahead inflation rate was 2.4% in early October, unchanged from last month's survey and down from last year's 2.7%. Just as important, the annual rate of inflation expected over the next five years was also 2.4% in October, down from 2.6% last month and 2.5% last year. While other surveys in the past half century have recorded as low or lower inflation rate for the year-ahead or for the next five-years, there has been no survey when both near and long term inflation expectations have been as low at at present. From the consumer perspective, the expected Fed hike may appear unjustified.

Half of all consumers reported that the economy had recently improved, but consumers were nearly evenly divided about whether it would continue to improve or start to worsen during the year ahead. When asked to evaluate the year-ahead outlook for the economy, just 37% expected good times in the economy, the lowest reading since August of 2014. The economic outlook for the next five years also declined, with the fewest consumers in two years that expected a continuous expansion.

Buying plans for household durables inched upward in early October, while vehicle and home buying plans remained largely unchanged. Vehicle buying attitudes remained at their lowest level in the past year, although still favorable enough to support sales rates at just below last year's levels. When asked to explain their views toward the vehicle market, as many consumers cited the appeal of price discounts as low interest rates, although the higher the income the greater the appeal of low interest rates. Home buying and home selling attitudes were unchanged in October, just below the 2016 peak recorded in August.

	Oct 2015	Nov 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	Jun 2016	July 2016	Aug 2016	Sept 2016	Oct Prelim
Index of Consumer Sentiment	90.0	91.3	92.6	92.0	91.7	91.0	89.0	94.7	93.5	90.0	89.8	91.2	87.9
Current Economic Conditions	102.3	104.3	108.1	106.4	106.8	105.6	106.7	109.9	110.8	109.0	107.0	104.2	105.5
Index of Consumer Expectations	82.1	82.9	82.7	82.7	81.9	81.5	77.6	84.9	82.4	77.8	78.7	82.7	76.6
Index Components													
Personal Finances—Current	111	111	113	110	118	119	118	123	124	121	118	113	111
Personal Finances—Expected	127	122	124	124	128	127	121	128	125	126	119	126	125
Economic Outlook—12 Months	101	106	103	107	97	100	95	107	104	91	97	104	92
Economic Outlook—5 Years	101	105	105	102	104	100	95	106	102	95	99	101	89
Buying Conditions—Durables	154	160	167	166	159	155	158	162	164	162	159	158	162

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To:	subscribers@sca.isr.umich.edu
Subject:	[Surveys of Consumers] Surveys of Consumers, University of Michigan - Presidential Race and Consumer Sentiment Report
Date:	Friday, October 21, 2016 10:00:28 AM
Attachments:	Pres201610.pdf

Attached you will find a PDF of the October 21, 2016 Presidential Race and Consumer Sentiment Report from the Surveys of Consumers at the University of Michigan.

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Monitoring trends for over 70 years

Subject: Presidential race and consumer sentiment — October 21, 2016

From: Richard Curtin, Director

Record numbers of consumers believe that Hillary Clinton will win the Presidency. Rather than estimating who are likely voters and which candidate they favor, the surveys asked a representative sample of adult Americans which candidate they expected to win the election. The primary objective was to investigate the potential impact of the election on their economic expectations. From the initial survey conducted in June to the latest October reading, Clinton was expected to win by ever-widening margins. The balance of opinion in Clinton's favor rose from +21 percentage point advantage for Clinton in the June-July surveys, to a +38 point advantage in August-September surveys, and a +47 percentage point advantage in October (see the table). Importantly, the shift toward Clinton was concentrated among Republicans and Independents as well as growing margins spanning across all income, age, and educational subgroups. Indeed, in all the subgroups listed below, the proportion who expected Trump to win reached a peak of just 39%—and that was among self-identified Republicans.

The survey asked identical questions about the presidential candidates before most of the elections since 1976. In every election, the candidate that was expected to win in the October survey actually won. Hillary Clinton's margin of victory was above all but Bill Clinton's +79 in his re-election bid and Bush's margin over Dukakis of +53. Reagan's initial victory over Ford had the smallest margin, of just +2 percentage points. Obama's two victories were expected by margins of +38 and +36.

In addition to the question on the expected winner, consumers were asked which candidate's policies would be better for their personal finances and to boost economic growth. Despite the dominant expectation of a Clinton victory, consumers were as likely to think that Clinton as Trump would be better on these economic issues—a difference of 1 percentage point. Perhaps more significantly, the most common answer was that neither candidate would make much difference. The "no difference" response dominated nearly every income, age and education subgroup for the potential policy impacts on personal finances. For impacts on the overall economy, Clinton only dominated among those over age 50 or who had incomes in the top third.

Consumers that expected a Clinton victory or who thought she would be better for their own finances or for the overall economy held much more favorable economic expectations. The Index of Consumer Expectations was significantly higher among those that favored Clinton rather than Trump. It would appear that those consumers who shifted from Trump to Clinton were more optimistic than those who remained Trump supporters. Indeed, the October readings among Trump supporters were near what would be recession lows. Once Clinton takes office, consumers may not view her policies as optimistically as when they were mainly comparing them to Trump's policies. Moreover, the new administration cannot simply ignore the significant economic disenchantment among the substantial number of Americans who now favor Trump.

	Who will be Elected						Who is Better for Your Personal Finance									Who is Better for the Economy								
	Clinton			Trump			Clinton			Trump			No Diff			Clinton			Trump			No Diff		
	Jun Jul	Aug Sep	Oct	Jun Jul	Aug Sep	Oct	Jun Jul	Aug Sep	Oct	Jun Jul	Aug Sep	Oct	Jun Jul	Aug Sep	Oct	Jun Jul	Aug Sep	Oct	Jun Jul	Aug Sep	Oct	Jun Jul	Aug Sep	Oct
All Households	**58**	**67**	**71**	**37**	**29**	**24**	**25**	**28**	**29**	**26**	**29**	**28**	**48**	**43**	**42**	**31**	**34**	**33**	**30**	**32**	**32**	**36**	**33**	**34**
Expectation Index	84.5	86.5	83.7	74.8	69.4	58.9	94.0	100.1	98.2	67.7	66.1	56.3	79.7	78.8	75.7	96.7	100.2	98.7	70.0	69.0	57.2	74.5	72.6	75.2
Party																								
Democrat	86	89	88	11	9	9	50	59	59	5	7	6	45	34	35	61	67	66	5	6	9	33	27	23
Independent	52	66	67	41	29	26	19	20	23	22	25	30	57	54	47	25	29	25	29	27	31	44	43	43
Republican	34	43	56	62	53	39	4	4	5	58	60	54	38	35	41	6	7	5	65	70	63	28	23	31
Income																								
Bottom Third	51	69	63	40	26	31	22	28	29	19	22	24	57	49	44	26	35	32	26	26	30	46	38	36
Middle Third	58	64	70	39	33	23	26	25	28	27	33	28	46	42	44	31	32	31	35	36	32	32	31	37
Top Third	65	68	80	32	28	17	29	29	33	30	33	31	40	38	36	38	35	36	30	35	33	32	28	30
Age																								
Under 35	56	70	77	38	26	19	23	30	30	18	27	18	59	43	50	31	41	35	22	24	20	44	35	44
35 to 49	60	68	72	37	26	23	28	23	28	27	28	31	45	47	39	34	31	28	29	33	31	37	34	40
50 to 64	59	66	68	34	30	26	27	28	29	30	31	31	42	40	40	31	31	33	35	36	37	32	32	30
65 or older	54	63	67	40	33	26	22	28	30	28	28	31	48	43	38	30	35	35	34	34	39	34	31	23
Education																								
High sch or less	50	61	59	44	36	37	19	20	24	24	31	33	56	48	42	21	24	21	31	39	38	46	36	40
Some college	47	57	64	46	36	27	22	21	23	28	32	30	49	46	46	26	26	29	34	37	35	36	35	34
College degree	69	75	81	27	21	15	31	35	36	25	26	24	44	39	40	40	44	40	27	26	28	32	29	31

Note: Table entries are percentages of the group indicated in the left column. Percentages do not add to 100% since they do not include "Don't knows." The questions were: Regardless of how you intend to vote, who do you think will actually be elected president (Donald Trump, the Republican, or Hillary Clinton, the Democrat / Hillary Clinton, the Democrat or Donald Trump, the Republican)? Looking ahead to the next two years or so, do you think economic conditions in the country as a whole would be better if (Trump/Clinton) were elected, would economic conditions be better if (Clinton/Trump) were elected, or wouldn't it make much difference? Now thinking about your (family's) financial situation over the next two years or so, do you think that you (and your family living there) would be better off financially if (Trump/Clinton) were elected, would you be better off financially if (Clinton/Trump) were elected, or wouldn't it make much difference? Cases: June - July = 1,048, August - September = 1,130, and October = 513. October interviewing was through Wednesday evening, but only a few interviews were conducted following the end of the Presidential debate.

From:	subscribers-bounces@sca.isr.umich.edu on behalf of subscribers@sca.isr.umich.edu
To:	subscribers@sca.isr.umich.edu
Subject:	[Surveys of Consumers] November 2016 Surveys of Consumers, University of Michigan
Date:	Friday, November 11, 2016 10:03:45 AM
Attachments:	PF201611.pdf M-Tables201611p.pdf

Good morning,

Attached you will find PDF files of the November 2016 preliminary Summary Report and Data Tables from the Surveys of Consumers at the University of Michigan (www.umich.edu/~umsurvey).

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Thank you,

Subject: Preliminary results from the November 2016 survey — November 11, 2016

From: Richard Curtin, Director

The Sentiment Index in early November erased the small October decline to climb to its highest level since mid 2016 and rise slightly above the 2016 average of 91.1. The recent gain in sentiment was driven by an improved outlook for the economy. The most striking finding in early November was that both near and long-term inflation expectations jumped to 2.7% from last month's record lows of 2.4%. These increases must be replicated before they can be taken to indicate a troublesome development; thus far, the data simply repeated the March 2016 peaks. Nonetheless, it may be viewed as added justification for next month's expected interest rate hike. The expected small increase in interest rates had little impact on favorable buying attitudes, and still supports a 2.5% increase in real consumer spending during 2017. Unfortunately, the November data must be accompanied by the proviso that it was collected before the result of the Presidential election was known late Tuesday.

The surveys in the past few months have asked consumers who they expected to win the election; in the October survey, 70% expected a Clinton victory compared with just 24% who expected Trump to win. The purpose of these questions was not to provide an election forecast, but to determine the potential impact of the candidate's policies on people's economic expectations. Needless to say, a large majority of consumers based their economic expectations in part on the policies of Clinton. Those expectations now need to be revised. Since those who expected a Clinton victory were more optimistic, the fear is that their expectations may be revised downward in a manner that extends beyond a temporary reaction to Clinton's loss. President elect Trump will play a crucial role in guiding the evolving reaction of consumers to his economic policies. Unlike other winning candidates whose economic policies have in general represented more marginal changes, Trump needs to provide more details about his policies sooner than other past President-elects in order to prevent a rise in uncertainty that could strain confidence and produce a more lasting downward shift in consumer spending which has kept the expansion alive.

Consumers' assessments of their current finances rebounded in early November. Among all households, 45% reported that their finances had recently improved, up from last month's 41%, although still below the 2016 peak of 49%. The rebound was due to more frequent reports of income gains. However, when asked about income prospects for the year ahead, a median increase of 1.1% was reported by consumers in November, down from 1.5% last month and 1.8% last year. Overall, 35% of all consumers expected their finances to improve during the year ahead, between last month's 36% and last year's 34%.

The expected year-ahead inflation rate rose to 2.7% in November, up from 2.4% in October, and equal to last year's level. Interestingly, the annual rate of inflation expected over the next five years also rose to 2.7% in early November from 2.4% in October and 2.6% last year. While last month's near and long-term inflation expectations were at a half-century low, the November near and long-term inflation expectations equaled the March 2016 levels, which were the highest in the past year.

Consumers anticipated that the national economy would continue to slowly improve during the year ahead. Overall, 44% anticipated good times financially in early November, a significant increase from the 35% in the prior month. Over the next five years, consumers were nearly equally divided between those who expected a continuous expansion and those who anticipated an economic downturn. Unemployment was expected to inch upward from its current low during the year ahead.

Home and vehicle sales are still quite dependent on low interest rates. Favorable views of home buying conditions were held by 74% of all consumers in early November, between last month's 72% and last year's 78%. Net favorable references to mortgage rates rose to +39 in early November, up from last month's +36, while the appeal of borrowing in advance of rising rates fell to 7% from last month's 8%. Favorable buying conditions for vehicles were held by 67% in early November, between last month's 64% and last year's 70%, with the recent strength more dependent on references to net interest rates (+22) than net prices (+9). Buying conditions for household durables remained largely unchanged at favorable levels, and were more dependent on favorable references to low net prices (+34) than on references to low net interest rates (+15).

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Buying Conditions—Durables	160	167	166	159	155	158	162	164	162	159	158	157	161

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To: subscribers@sca.isr.umich.edu
Subject: [Surveys of Consumers] University of Michigan-- Special report on consumer outlook for 2017
Date: Thursday, November 17, 2016 10:02:16 AM
Attachments: EOC2016_Curtin.pdf

Good morning,

Attached you will find a PDF of a presentation from the Surveys of Consumers at the University of Michigan on consumer outlook for 2017. The presentation is titled "Consumer Outlook: Goldilocks and the Bears" and will be delivered at the Economic Outlook Conference later today.

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Economic Outlook Conference November 17, 2016
Ann Arbor, Michigan

Consumer Outlook: Goldilocks and the Bears

Richard Curtin
Director, Surveys of Consumers
University of Michigan

Introduction

I will begin my discussion of the current state of consumer confidence with the familiar fable of Goldilocks. During the past few years, Goldilocks believed that the economy had moved in her favor. Record lows in inflation and interest rates had persisted longer than anyone expected, unemployment returned to record lows, wages began to increase, and rising home and stock prices improved the balance sheets of households. These positive developments kept consumer spending advancing, and by avoiding the excesses of booms and busts, kept the economy on its long expansionary path. This was Goldilocks' economy. An economy that was neither too hot nor too cold, but one that she judged to be just right for her purposes. Rather than the usual ending, however, this turned out to be a new age version of the traditional children's story. In a surprise twist, the outcome that counted was the reaction of the three bears. When they returned to their rural home, they found their porridge had been eaten and their once secure livelihood in tatters. Enraged at their desperate predicament, the bears chased Goldilocks and her party far into the woods, yelling "it's the economy!, it's the economy!"

Like most everyone else, I expected (and hoped) that Hillary Clinton would easily defeat Donald Trump. In the past eleven presidential elections, I have included questions about which candidate consumers expected to win the election. I have never asked which candidate they favored or for whom they intended to vote, but who they expected to actually win. Candidates have typically distinguished themselves by the economic policies they favored, and I have always been interested in how the policies of the eventual winner might influence expectations immediately following the election. Consumers have correctly anticipated in the month prior to the election the eventual winner in every election except one: in this October's survey, 70% expected Clinton to win and just 24% expected a Trump victory (see Chart 1). Note that the proportion who expected a Clinton victory grew as the election neared. That erroneous assessment was essentially similar to the predictions of nearly all presidential polls. Interestingly, this disaster was a repeat of the first polling fiasco captured by the famous 1948 photo of a jubilant Truman holding a copy of the Chicago Tribune with its headline declaring "Dewey Defeats Truman." Rather than embark on a review of survey methodology, although I will note that the surveys are based on equal probability selections from an all cell phone sample. Instead, I will begin this presentation by discussing the economic causes that favored the disruptive influence of Trump over the reassuring experience of Clinton.

First, I need to dispense with the most common question that I have been asked since Trump's election. Will consumer confidence plunge or will it improve? The simple answer is that I have no data as yet that could answer that question. The preliminary data for November excludes any interviews conducted after it became known that Trump would win on election eve. Unfortunately, the data collected prior to the election provides mixed signals. To be sure, those who expected Clinton to win were much more optimistic about future economic conditions (see

Chart 1). The difference of nearly 24 Index-points on the Expectations Index in October was extremely large as it represented nearly half of its entire peak-to-trough range. Moreover, optimism among those that expected Clinton to win grew substantially over the past several months. Nonetheless, when specifically asked which candidate would be better at improving their own finances or better at improving the overall economy, there was no difference between Clinton and Trump in the October survey; the most common response was that it would make little difference for either their personal finances or economic growth regardless of which candidate was elected. Overall, these data provide no clear indication of how consumers will react, and more importantly, provide no basis for anticipating an emerging preference for disruption rather than consistency.

Eight years ago at this conference as the 2008 financial crisis was unfolding, I detailed five stages of economic discontent. The first three stages involved consumers' reactions to rising inflation, high unemployment, and losses in household wealth. The fourth stage occurs when economic discontent is translated into political discontent. This stage has been commonly observed in the past, with consumers repeatedly advocating for changes in economic policies and entire administrations. Only if the desired economic improvements were not forthcoming do consumers enter the final stage of discontent, when people relinquish any hope for improvement and simply focus on economic survival. At last year's conference, I advanced the notion that persistent secular stagnation meant that people's economic aspirations were receding, and their dreams for a better life for themselves and their children were fading. I did not fully appreciate the anger and resentment that accompany these losses, nor the impact of the resulting blind rage that would be expressed by favoring a disruptive candidate, even if he was a very unpleasant choice. Trump provided a conduit to express their outrage while the other candidate advocated acceptance of the status-quo. Luckily, I am not a political scientist nor a psychologist so I do not need to explain Trump's victory beyond the economic factors.

I need to make one more detour before beginning my usual presentation, which is to assert that consumers hold more rational views than the candidates professed on the major economic issues.

Economic Policy Preferences

In the July to October 2016 surveys, consumers were asked about their preferences for policies involving international trade, immigration, income inequality, and entitlement programs. Two aspects of the preference questions should be kept in mind. First, the questions asked whether changes in these policies would have a positive or negative influence on the overall economy. No other aspects of the various policies were considered. Second, the questions asked consumers about their basic views about each policy, avoiding any reference to how the policy would be implemented. For example, the question on international trade read: "Which would be better for the economy as a whole –- more trade with other countries, less trade with other countries, or wouldn't it make much difference to the national economy?"

Compared with the campaign rhetoric, 60% favored more international trade and just 21% of all consumers thought less trade would be better for the U.S. economy (see Chart 2). Another 15% thought more or less trade would not make much difference to the economy. If inequality were reduced by higher taxes on the wealthy, nearly half of all consumers (48%) thought it would help the overall economy, while just one-quarter expected it to hurt the economy and another one-in-four thought it would not make much difference. On immigration, the mix of opinion was quite different. Only 21% thought increased immigration from other countries would benefit the economy, while 37% thought it would be better to decrease immigration. Notably, another 37% thought neither an increase nor a decrease would make much difference to the national economy. Finally, consumers thought the better solution to covering the increasing costs of Social Security and Medicare was to raise taxes, favored by two-thirds of all consumers, while about one-in-four favored cutting benefits. Overall, the data suggest ample room for compromise. This conclusion is supported by an examination of demographic differences in these preferences, although sharp differences do exist across political party affiliations.

Preferences for greater international trade rose from 50% among those with incomes in the bottom third to 69% among those with incomes in the top third, and to 77% among households with incomes in the top 10% (see Chart 3). Higher educational attainment went along with more positive views of trade, and consumers of all ages were favorably disposed toward more international trade. Note that Democrats were slightly more in favor of trade than Republicans. On immigration, the differences were more subtle, with generally more favorable assessments of immigration on the economy as income, education, and age rose (see Chart 4). A policy that increased taxes on the wealthy to reduce inequalities found, as might be expected, lower income groups were more in favor, but there were few differences across education and age groups (see Chart 5). That same pattern was also evident on assessments of Social Security and Medicare, with tax increases favored more frequently by lower incomes, and support for cutting benefits fell as people aged (see Chart 6).

Consumer Sentiment

The Index of Consumer Sentiment has drifted slightly lower during the past two years, although it has remained at a level comparable to prior cyclical peaks (see Chart 7). The recent peak was 95.5 in the 1st quarter of 2015, and the early November reading was 91.6, which was just below the two year average of 92.0. The slight downward drift reflects the fact that few consumers anticipated additional declines in inflation, unemployment, or interest rates, and only modest gains in incomes and household wealth. The relatively high level of overall consumer confidence is surprising given that the GDP has posted an average annual growth rate of just 2.1% during the seven year expansion and only 1.5% over the past four quarters. During the past year, it has been the continued strength of consumer spending that has offset the declines in business investments and enabled the economy to avoid a recessionary downturn.

I have shown the correspondence between the Sentiment Index and changes in GDP many times at this conference (see Chart 8). As usual, no attempt has been made to apply a statistical technique to smooth the rough edges of the correspondence. Note that in the past few years, consumer sentiment would have been more consistent with a faster pace of GDP growth, dropping back with each new disappointing performance, with most of the shortfalls, but not all, centered on business investments. Many people do not believe that the consumer sector could acquire and interpret the necessary information to accurately forecast economic outcomes, despite the evidence to the contrary. When compared with annual GDP growth rates, the Sentiment Index suggests a growth rate of about 2% during 2017.

Divergent Underlying Trends

The Sentiment Index has two main components: the Index of Current Conditions and the Index of Expected Economic Conditions. Those two indices have diverged to a significant extent during the past year (see Chart 9). Note that such a divergence has been a longstanding component of the cycles in these indices, and that the extent of the divergence has generally increased over the past half century. Importantly, the widest divergences have occurred just before an economic downturn. This divergence exemplifies the forward looking nature of the Expectations Index, as consumers change their economic forecasts while conditions in the economy are still quite favorable. In today's economy, the weaker Expectations Index is due to a growing consensus that interest rates and inflation will be higher in the year ahead. Needless to say, few anticipate that interest rates will rise very much, and its impact on spending depends on associated developments in wages.

Personal Finances

The gap between current and expected economic conditions is well demonstrated by consumers' views about their own financial situation. When asked to judge their current finances, consumers have given virtually identical responses in recent surveys as one year ago (see Chart 10). The data show a rapid rise from the recession lows, reaching a peak that was fully comparable to all other recoveries, except for the two longest expansions in the mid 1960's and late 1990's. To be sure, consumers' financial assessments have varied slightly in the past few years, recording slight declines at year end 2015 and 2016. When asked to explain how their finances had changed, income gains were reported by 33% of all households, compared with 24% who reported income declines (see Chart 11). Note that these references to income gains recorded the same pattern of small declines at year's end.

Another factor that has contributed to a greater sense of financial wellbeing has been the decline in household debt. Perhaps the best quantification of this is the ratio of required monthly debt payments to disposable income, a series calculated by the Federal Reserve (see Chart 12). The latest reading puts this repayment ratio near its lowest level since 1980, which was the first year that this series is available. As might be expected, most of the decline from recent peaks involved mortgage debt, falling to 4.5% from 7.2% of personal disposable income.

I have noted in the past few conferences that people's evaluations of current finances outperformed their judgements about future prospects. The same is true this year. Moreover, people's expected financial prospects are still viewed less favorably than at the peaks in most prior expansions (see Chart 13). The reason consumers' financial prospects have remained largely unchanged during the past few years has been the failure of income growth to move beyond very modest levels. Across all households, the preliminary 4th quarter estimate is that households anticipate a nominal income increase of just 1.3% (see Chart 14). This was just below the average expected income growth rate of 1.4% recorded since the start of 2015. To be sure, some of the slowdown in nominal incomes can be attributed to the prevailing low inflation rate. When asked about their inflation-adjusted income expectations, consumers in the latest survey gave the most favorable assessment since 2007 (see Chart 15). Nonetheless, it was still at a less favorable level than in the two prior expansions.

Unemployment Threatened
By Weaker Economic Growth

Prospects for the national economy weakened in the recent surveys. When asked about the economic outlook for the year ahead, nearly equal proportions expected good as bad times financially in the economy as a whole (see Chart 16). The same was true about the longer term outlook as consumers were nearly evenly divided between expecting a continuing expansion and a downturn sometime in the next five years. Of course, if the expansion did last another five years, it would establish a new record for the longest expansion in the past century and a half. While that prospect is not impossible, it is unlikely. The prime concern of consumers with the overall rate of economic growth is job creation. The Trump presidency may have a significant impact on prospects for the economy, as he has emphasized more expansive fiscal policies, with the intention of creating more jobs. Nonetheless, even if he undertakes these plans, these policies will have little impact on jobs and economic growth in 2017.

The national unemployment rate was just 4.9% in October, a bit above the low of 4.7% recorded earlier in 2016 (see Chart 17). The last time it was as low was in 2007 when it fell to just 4.4%. There were nonetheless sharp differences across education levels, with the unemployment rate among college graduates just 2.6%, about half the 5.5% among high school graduates. Note that those in the prime working age range of 25 to 54 had an unemployment rate of just 4.2% in October; in comparison, it reached a cyclical low of 3.4% during the last expansion ten years ago.

Consumers are asked about how they expect unemployment to change during the year ahead. In the most recent surveys, consumers anticipated a very marginal increase in the unemployment rate by the end of 2017. Consumers' unemployment expectations have continued to accurately forecast actual changes in the national unemployment rate (see Chart 18). These data suggest that the unemployment rate will change by a few tenths of a percentage point during the year ahead.

Unlike past years, when the unemployment rate fell due to declines in labor force participation rates, during the past year the declines have been due to rising employment rates (see Chart 19). Despite the employment gains, total employment as a percent of the population is still at levels last recorded in the early 1980's, with the labor force participation rate at levels last recorded in the late 1970's. As many of you might have anticipated from the reduced levels of unemployment among prime age workers, the gains in employment have been more substantial among those aged 25 to 54 (see Chart 20). Nonetheless, the employment ratio among prime aged workers is still at its lowest level in more than 20 years. Just as important, the participation rate has also begun to edge upward among those aged 25 to 54. Although the employment of those under 25 has significantly declined over the past decade, the employment of those aged 55 or older has continued to increase (see Chart 21). And among my age peers, one-third of those in their late 60's work, one-in-four of those in their early 70's are employed, and one-in-ten of those 75 or older still work.

Increasing employment was a major issue for the Trump campaign. Like every president before him, how employment changes during his administration will be a major factor in how his policies will be judged by consumers.

Inflation Edges Upward

Expected inflation rates rose significantly in the past few months. In the October survey, consumers expected the lowest combination of a year-ahead and five-year inflation rates. While the year-ahead expected inflation rate has been well below 2.4% in prior surveys, it was the first time in a half century that both the near and longer term expected inflation rates were that low. In early November, however, both near and long term expected inflation rates rose to 2.7%. While the year-ahead expected inflation rate has frequently moved more than three-tenths of a percentage point due to changes in gas prices, for example, there have only been a dozen surveys in the past quarter century that recorded a simultaneous increase in both near and long term inflation expectations of three-tenths of a percentage point or more. It will be very interesting to see how consumers' inflation expectations respond to Trump's election. Economists, mostly those on Wall Street, expect somewhat higher inflation as well as higher interest rates during the year ahead. The impact of such changes on consumer spending is the next topic I will discuss.

Spending Prospects Depend
On Low Interest Rates

As many of you know, the surveys have a series of questions about buying conditions for homes, vehicles, and large household durables. Following each question, consumers are asked to state, in their own words, the reasons underlying their evaluations. I will not report the overall evaluations—they are all slightly lower than a year ago, although still quite favorable. The pre-Trump data indicate that light vehicle sales are expected to be 17¼ million in 2017 and housing starts to advance by 1¼ million. Instead, I will concentrate on the reasons given by consumers for the evaluations of buying conditions. In particular, the role of prices and interest rates in their purchasing decisions. The quick summary is that consumers have judged prices less favorably, and interest rates more favorably over the past year.

Low and attractive pricing reached all-time peaks across all markets at the end of Great Recession (see Chart 22). The declines in attractive home prices plunged from a peak of 74% in 2009 to just 24% in the latest survey. For vehicle purchases, references to low prices fell from a peak of 64% in 2009 to a low of just 20% in 2016. For household durables, the decline from the 2009 peak of 52% has been much less, falling to a 2016 low of 32%, but rebounding to 40% in the latest survey.

The attractive power of low prices played a significant role earlier in the expansion as consumers were very cautious, and lenders were very hesitant, about adding to their debt burden. Those concerns have eased in the past year, but have hardly disappeared. Nonetheless, consumers have shifted from the appeal of low prices to the appeal of low interest rates. For all three markets, consumers have gradually increased their references to low interest rates since the end of the Great Recession (see Chart 23). You might have imagined that consumers' references to low interest rates would be at all-time peaks given how low interest rates fell, in nominal as well as real terms. In fact, much higher peaks were recorded in the prior twenty years. In part, this reflects both credit qualification standards as well as credit cost, with the availability much greater before the financial crisis. The difference in consumer assessments pre and post 1980 corresponds to a basic shift in policy, which I discussed at this conferences a few decades ago.

Although interest rates are widely anticipated to increase, the proportion of consumers that mentioned it was better to borrow-in-advance of the expected increases has remained very low. Even for home purchases, where mortgage interest rates can be anticipated to play a more important role, borrowing-in-advance of expected interest rate hikes were only mentioned by 7%. The appeal of currently low mortgage rates, in contrast, was mentioned by 38%, on balance. Moreover, it could be expected that even with a few quarter-point increases in the Fed rate, consumers would still be motivated more by their current low level rather than the expectation of future increases. In addition, a significant rise in buying-in-advance of home *price* increases is even less likely as most consumers still anticipate a long-term rate of appreciation to remain comparable to the expected inflation rate.

Summary Outlook

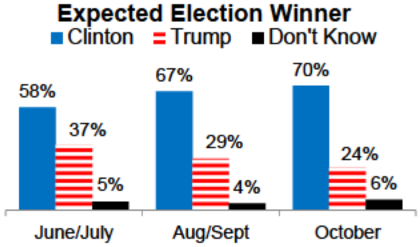
In closing, let me return to the fable of Goldilocks and the bears. The bears did not want to give up their cherished dreams of economic prosperity and security. When the achievement of those aspirations was no longer possible, the bears accepted, however begrudgingly, an unusual, and at times bazaar, method of redress. No one wants to give up their children's economic birthright without a fight. To be sure, the bears do not anticipate a solution would emerge anytime soon, but they want to feel that economic policies have their best interests in mind. Everyone loves an underdog, especially if they can relate to their economic predicament. Increasing numbers of the disaffected, at the last minute, decided to vote their primordial economic interests, even if they found all of the candidate's other views atrocious and frightful. Indeed, the more outrageous the candidate, the more forceful the message that the bears sent to the established interests.

The central issue is what new policies will the Trump administration propose, and how will those proposals be translated into official economic policies by Congress. Needless to say, like most other observers who are much more knowledgeable about these matter, I have no estimate of the final results. I suspect that the polices that eventually emerge will not be direct translations of Trump's campaign pledges. The dizzying array of Trump's economic policy statements makes that outcome impossible.

From the Goldilocks point of view, nearly all of the economic gains due to low inflation, unemployment, and interest rates have already been experienced. While no large up-tick is anticipated during the year ahead in any of these key economic factors, the best forecast is that they will inch higher but remain reasonably low. Wage gains will be the key; they are crucial to maintaining confidence at high levels as well as allowing higher inflation and interest rates to be accepted and not disrupt spending decisions. This implies that the current expansion comes one year closer to topping the current 10 year record. The outlook significantly worsens if the Trump presidency causes a sharp drop in consumer confidence, and that would also mean there would be a chance of a downturn starting in late 2017. Quite apart from the impact on the economy, the overall tenor of social discourse may be contentious and hardly civil. So even when we are enjoying an extended period of good economic times, public discourse may accentuate the negative. Nasty election campaigns may now extend from merely two years to cover the entire four year presidential term. Happy Thanksgiving!

Chart 1: Clinton Victory Widely Anticipated but Neither Candidate Expected to Resolve Economic Challenges

Expected Election Winner

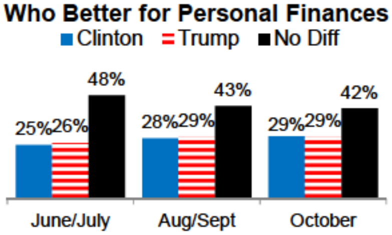


Growing Clinton Advantage in Index of Consumer Expectations

(Clinton – Trump)

	June/July	Aug/Sept	Oct
ICE	+9.7	+17.4	+23.8

Who Better for Personal Finances



Who Better for Economy

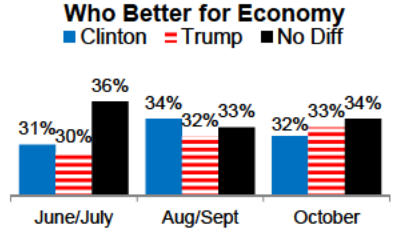
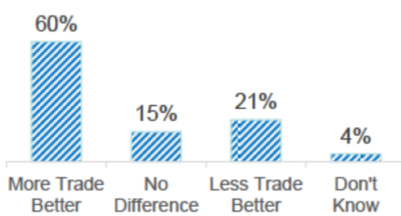
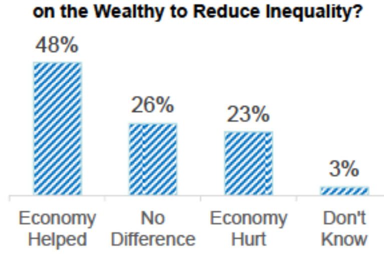


Chart 2: Economic Policy Preferences

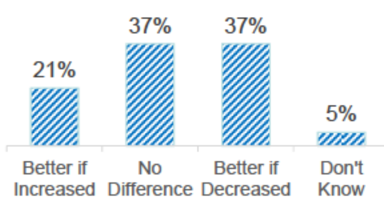
Would More Trade or Less Trade with Other Counties Be Better for the U.S. Economy?



Economy Helped or Hurt by Higher Taxes on the Wealthy to Reduce Inequality?



Better for the Economy If Immigration Into the U.S. was Increased or Decreased?



Better to Solve Social Security & Medicare Deficits by Cutting Benefits or Raising Taxes?

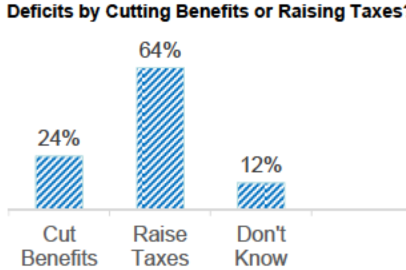


Chart 3: Would More Trade or Less Trade with Other Countries be Better for the U.S. Economy?

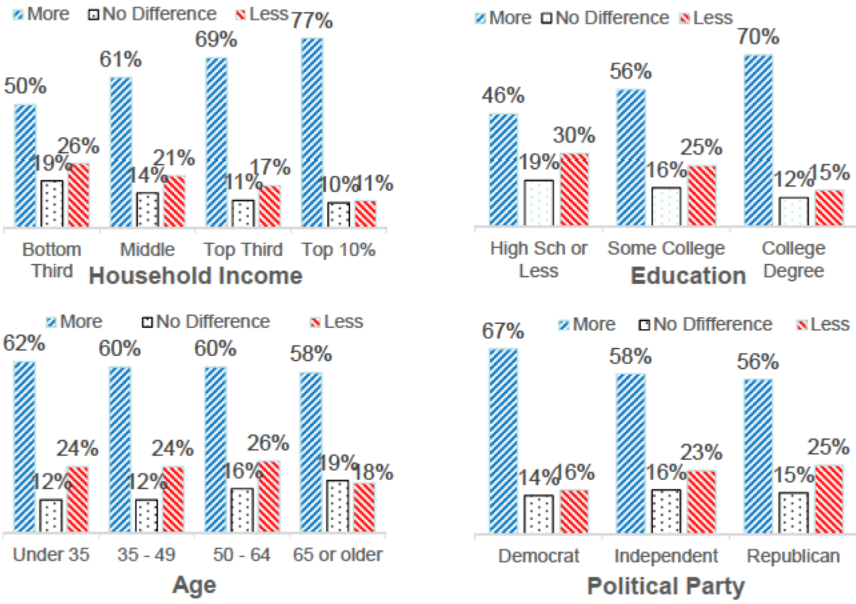


Chart 4: Would the Economy be Helped or Hurt by Higher Taxes on the Wealthy to Reduce Inequality?

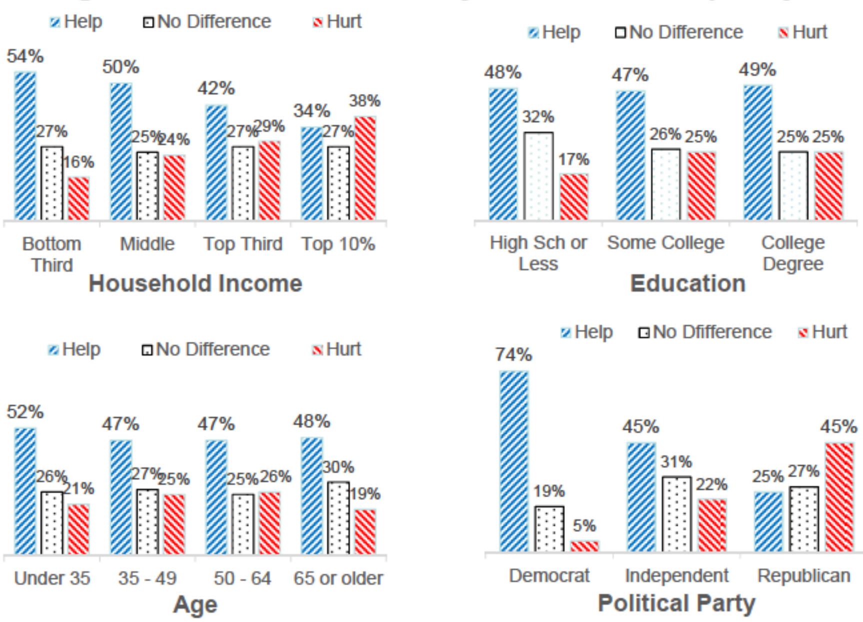


Chart 5: Would it be Better for the Economy If Immigration Into to U.S. was Increased or Decreased?

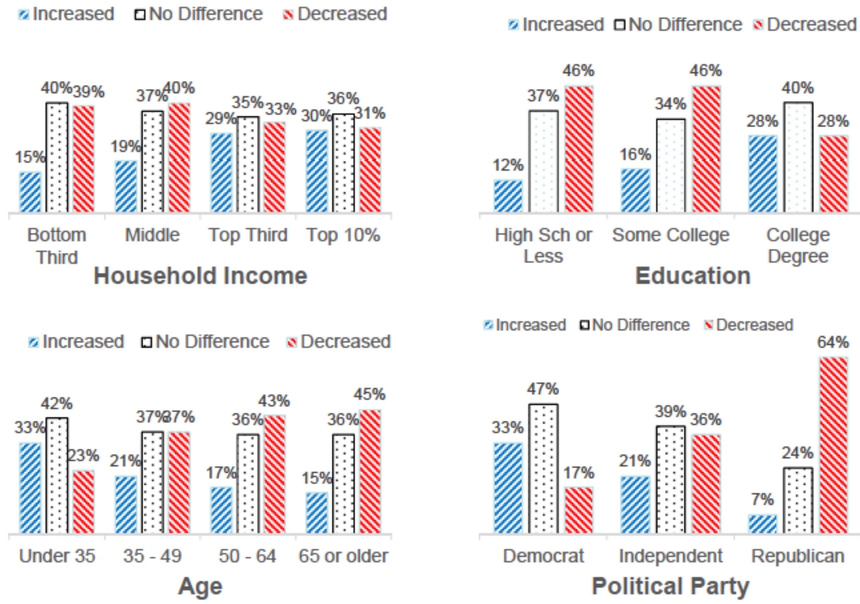


Chart 6: Better to Solve the Increasing Costs for Social Security and Medicare by Cutting Benefits or Raising Taxes?

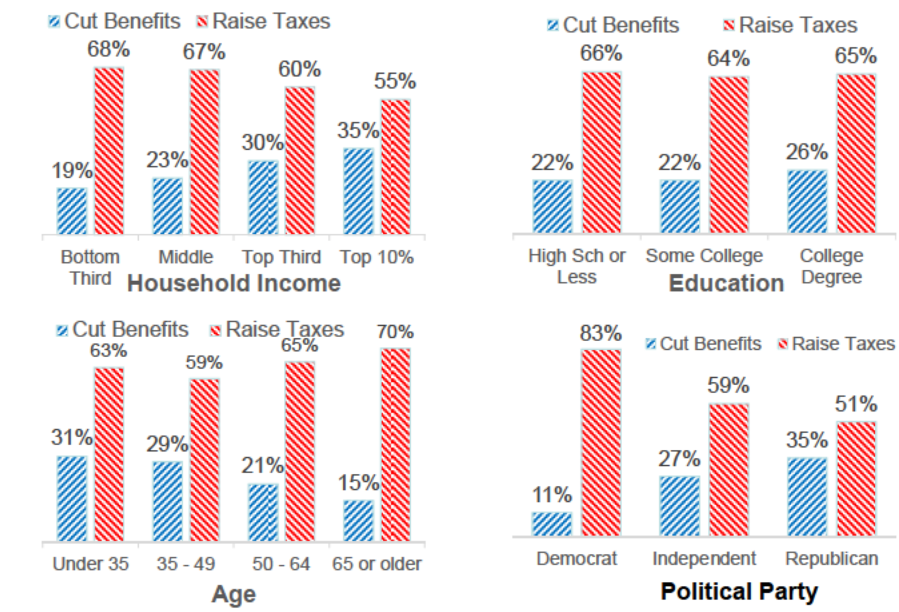


Chart 7: The Index of Consumer Sentiment: Small Retreat from 2015 Peak

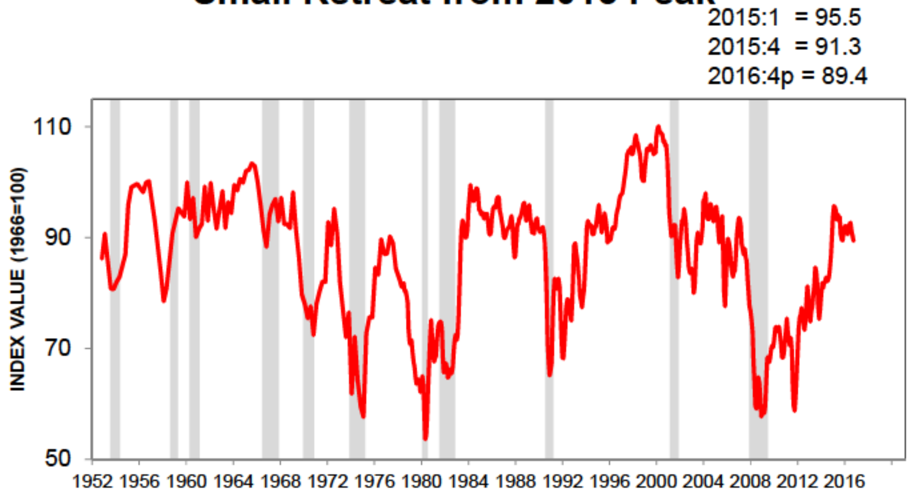


Chart 8: Sentiment Indicates Continued Slow GDP Growth During Year Ahead

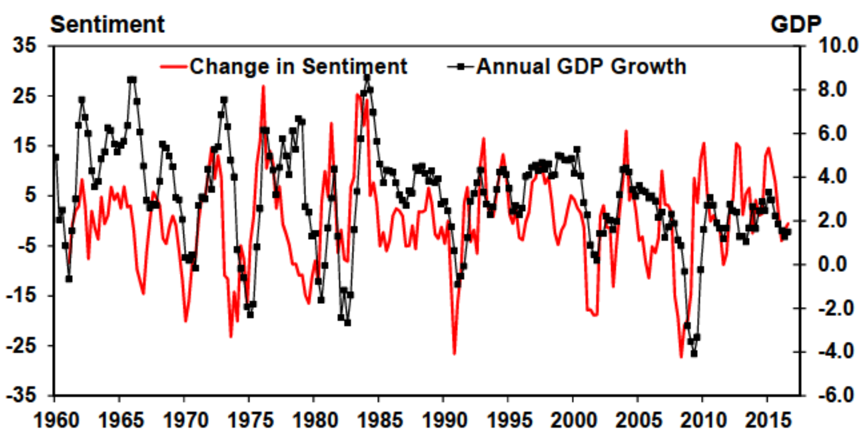


Chart 9: Current and Expected Components of the Index of Consumer Sentiment

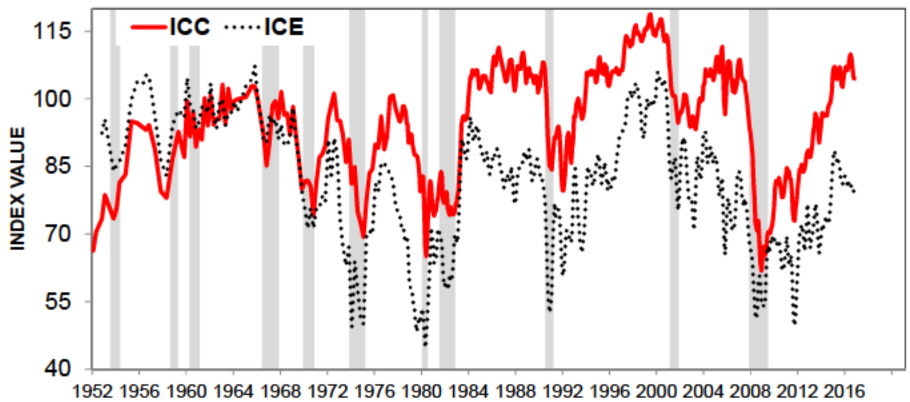


Chart 10: Current Finances Judged Favorably, Although With Small Retreats at Year-end 2015 & 2016

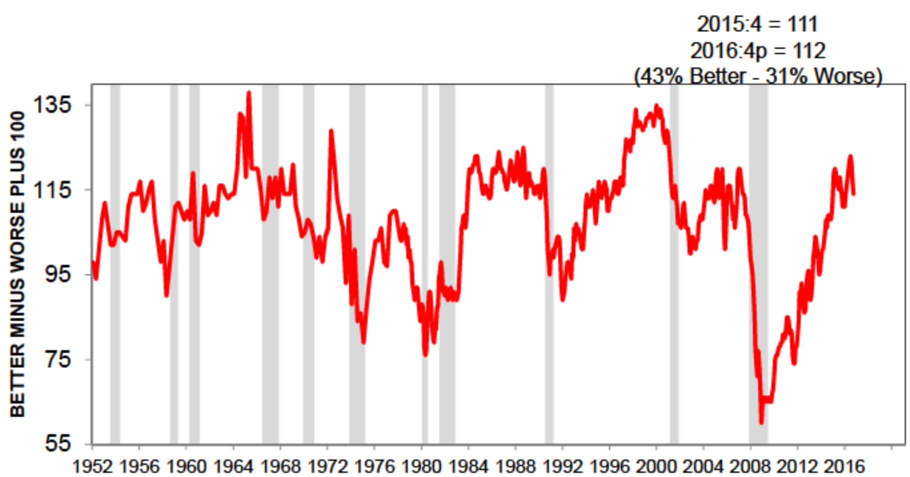


Chart 11: Recent Net Income Gains Remain at Improved Levels but Retreat in Late 2015 & 2016

(%Higher Income - %Lower Income)

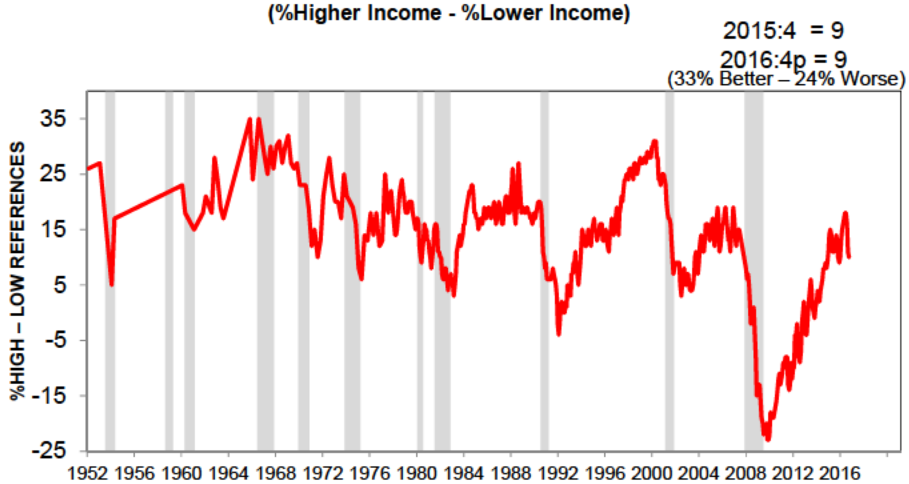
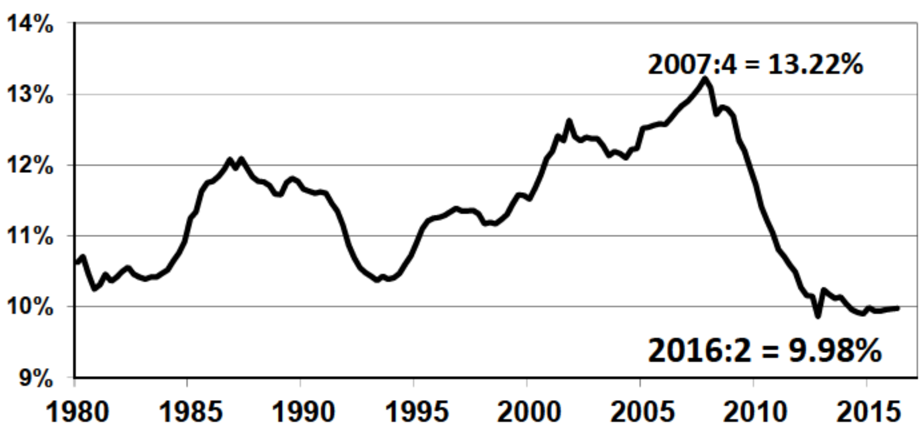


Chart 12: Debt Repayments as a Percentage of Personal Disposable Income Lowest Since 1980



Debt Service

	Peak	Latest	Difference
Mortgage	7.2%	4.5%	-2.7pp
Consumer	6.0%	5.5%	-0.5pp
Total	13.2%	10.0%	-3.2pp

Chart 13: Financial Prospects for Year Ahead Remain Largely Unchanged at Improved Levels

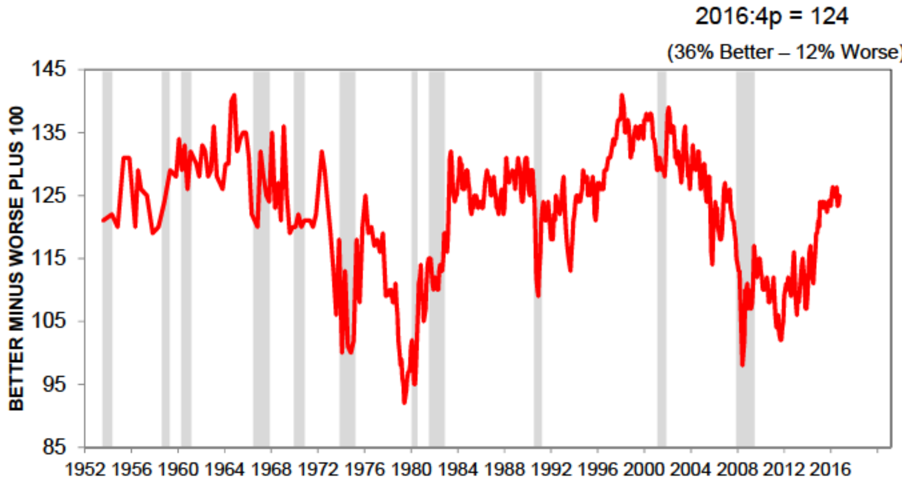


Chart 14: Expected Change in Household Income During the Next Year Shows No Further Gains

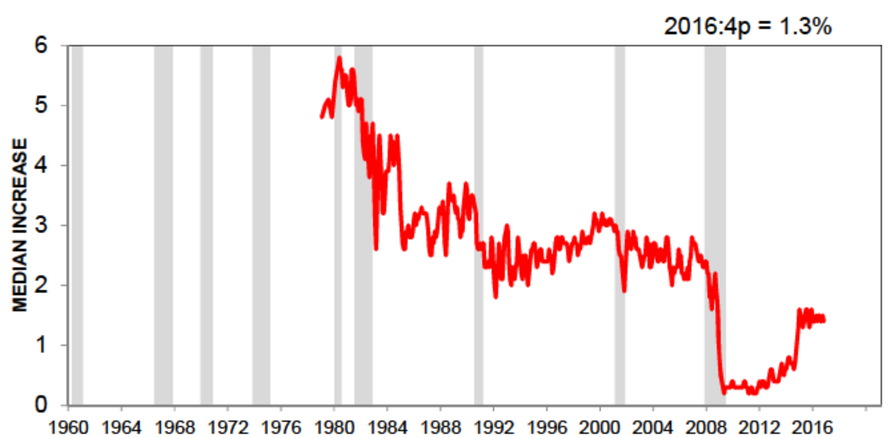


Chart 15: Low Inflation Improves Expected Change in Real Income During the Next Year

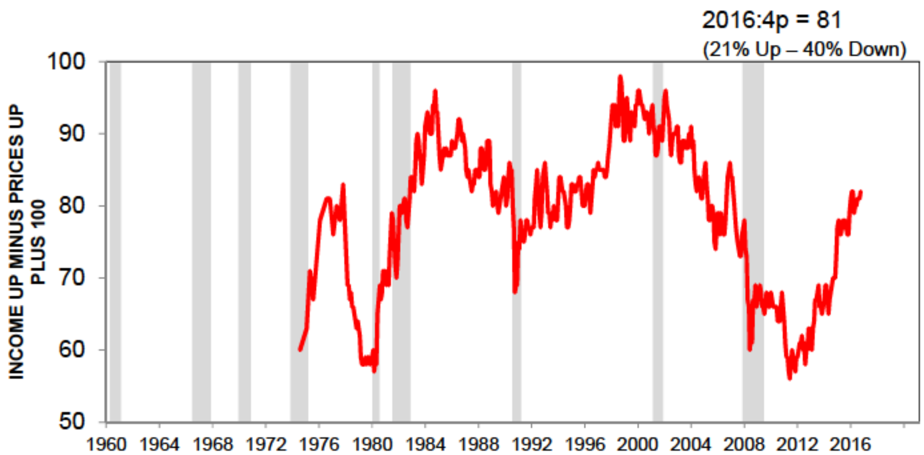


Chart 16: Weaker Economic Outlook Expected During the Next Year

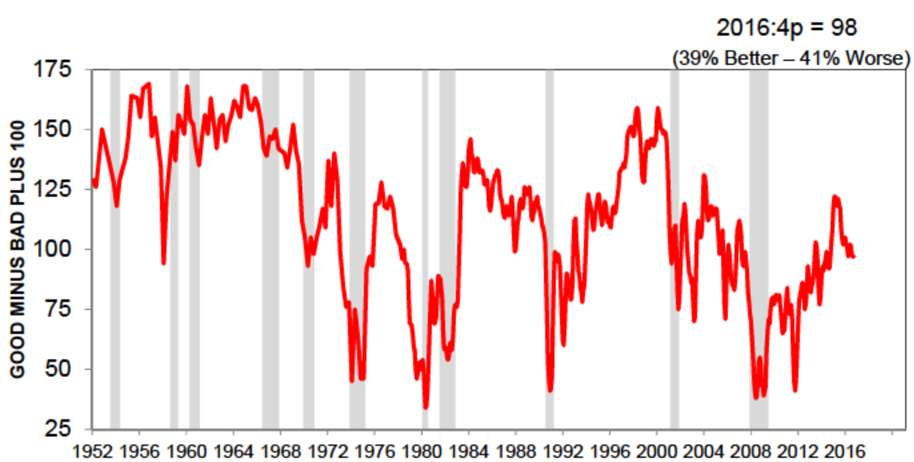
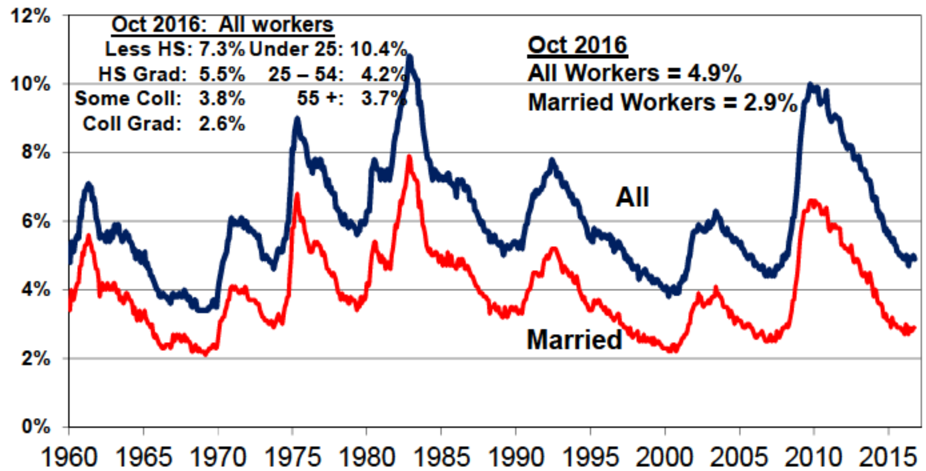


Chart 17: Unemployment Rate Remains Unchanged At Lowest Levels Since 2007



Decade Averages:

1950s = 4.5% 1960s = 4.8% 1970s = 6.2% 1980s = 7.3% 1990s = 5.8% 2000s = 5.5%

Chart 18: Consumers Expect Unemployment Rate to Remain Largely Unchanged During Year Ahead

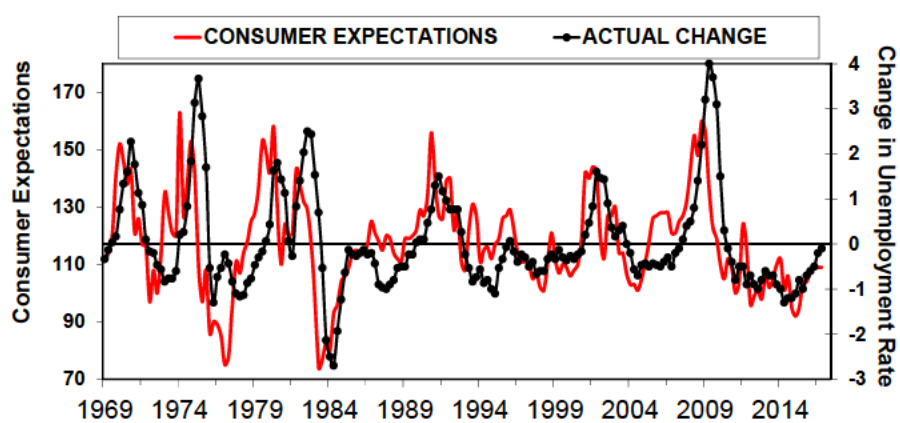


Chart 19: Unemployment Declines Due to Increasing Employment As Participation Rate is Largely Unchanged

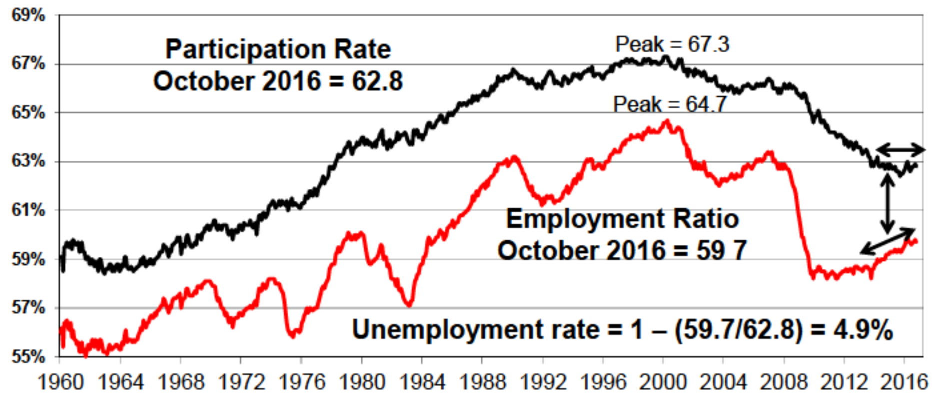
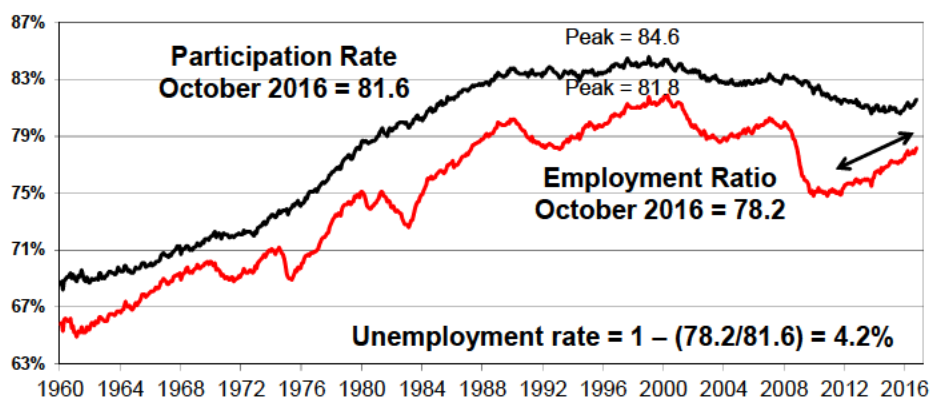
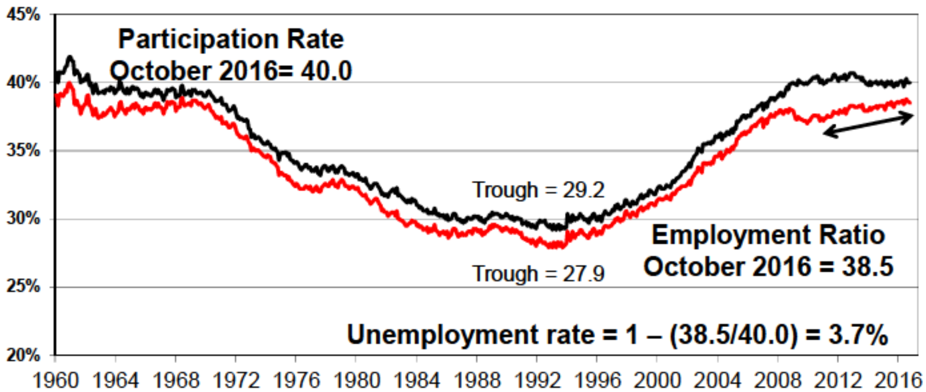


Chart 20: Employment Gains Larger Than Rising Participation Rates Among Prime Labor Force Aged 25 to 54



Under age 25 Employment Ratios
(October 2016)
Men = 49.7% Women = 48.6%
Pct Pt Change from 2000 Peak
Men = -12.3 Woman = -9.3

Chart 21: Rising Employment and Flat Participation Rates Among Those Over Aged 55 or Older

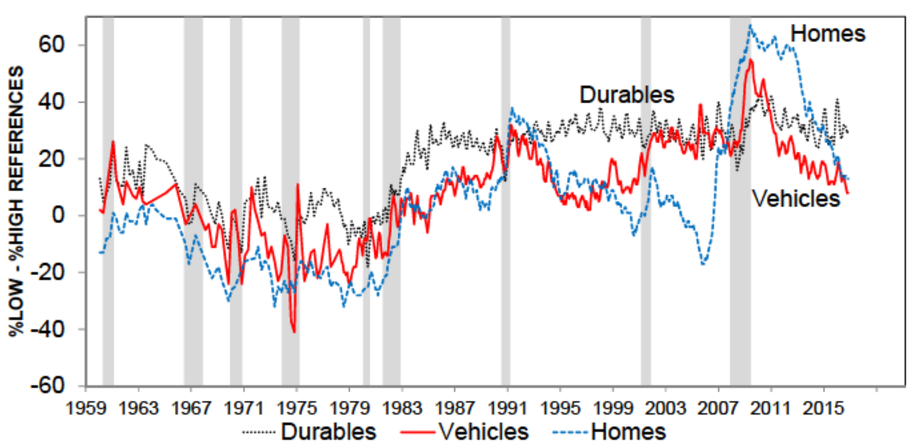


Employment Ratios (10-year ppt. change)

Age	Men	Women
65 – 69:	34.9 (-0.7)	26.1 (+1.2)
70 – 74:	24.9 (+2.7)	14.1 (+1.9)
75 +:	11.1 (+1.8)	6.5 (+2.1)

Chart 22: Net References to Prices in Evaluations of Buying Conditions

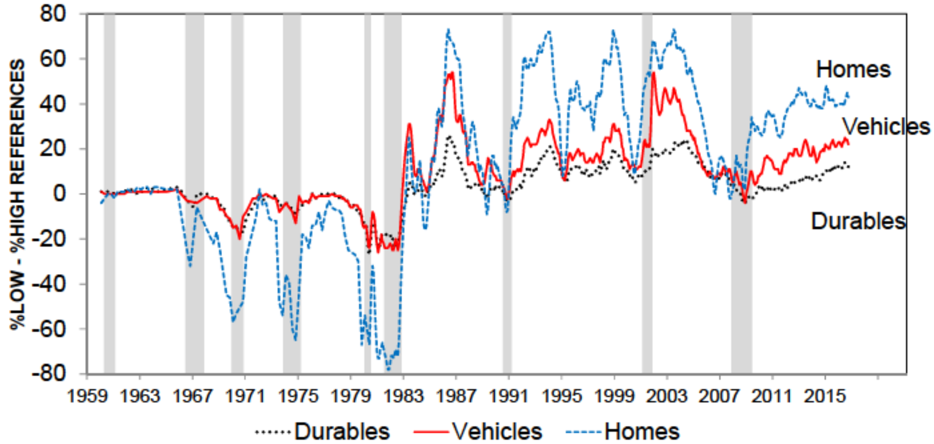
(%Low prices - %High prices)



2016:4p	+29	+8	+13

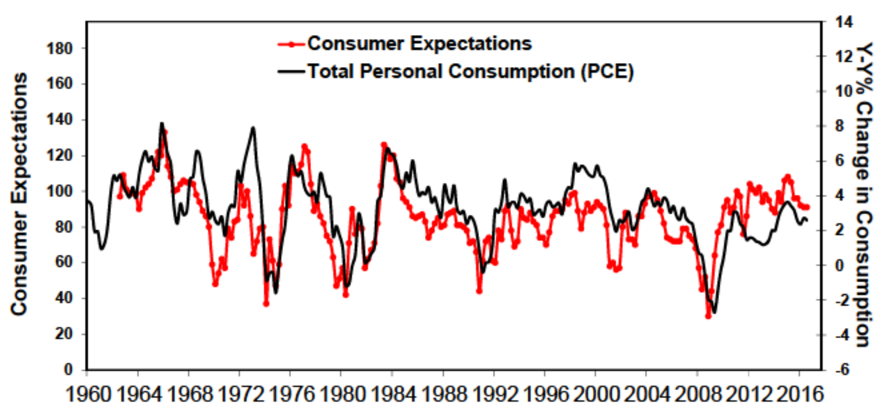
Chart 23: Net References to Interest Rates in Evaluations of Buying Conditions

(%Low interest rates - %High interest rates)



2016:4p	+12	+22	+42

Chart 24: Consumer Expectations Indicate Continued Expansion in Total Personal Consumption Expenditures



Declines in PCE:	1974	1980	2008	2009
	-0.8%	-0.3%	-0.3%	-1.6%

From: subscribers-bounces@sca.isr.umich.edu on behalf of subscribers@sca.isr.umich.edu
To: Subscribers
Subject: [Surveys of Consumers] Special topic on real income expectations
Date: Friday, December 16, 2016 10:03:08 AM
Attachments: RealIncome201612.pdf

Attached you will find the PDF file of a special report on real income expectations from the Surveys of Consumers at the University of Michigan (www.umich.edu/~umsurvey).

Adobe Acrobat Reader is required to view this document. If you do not have Acrobat Reader, go to http://get2.adobe.com/reader to download it for free.

If you have any questions, please call 734-763-5224 or email umsurvey@umich.edu

Thank you,

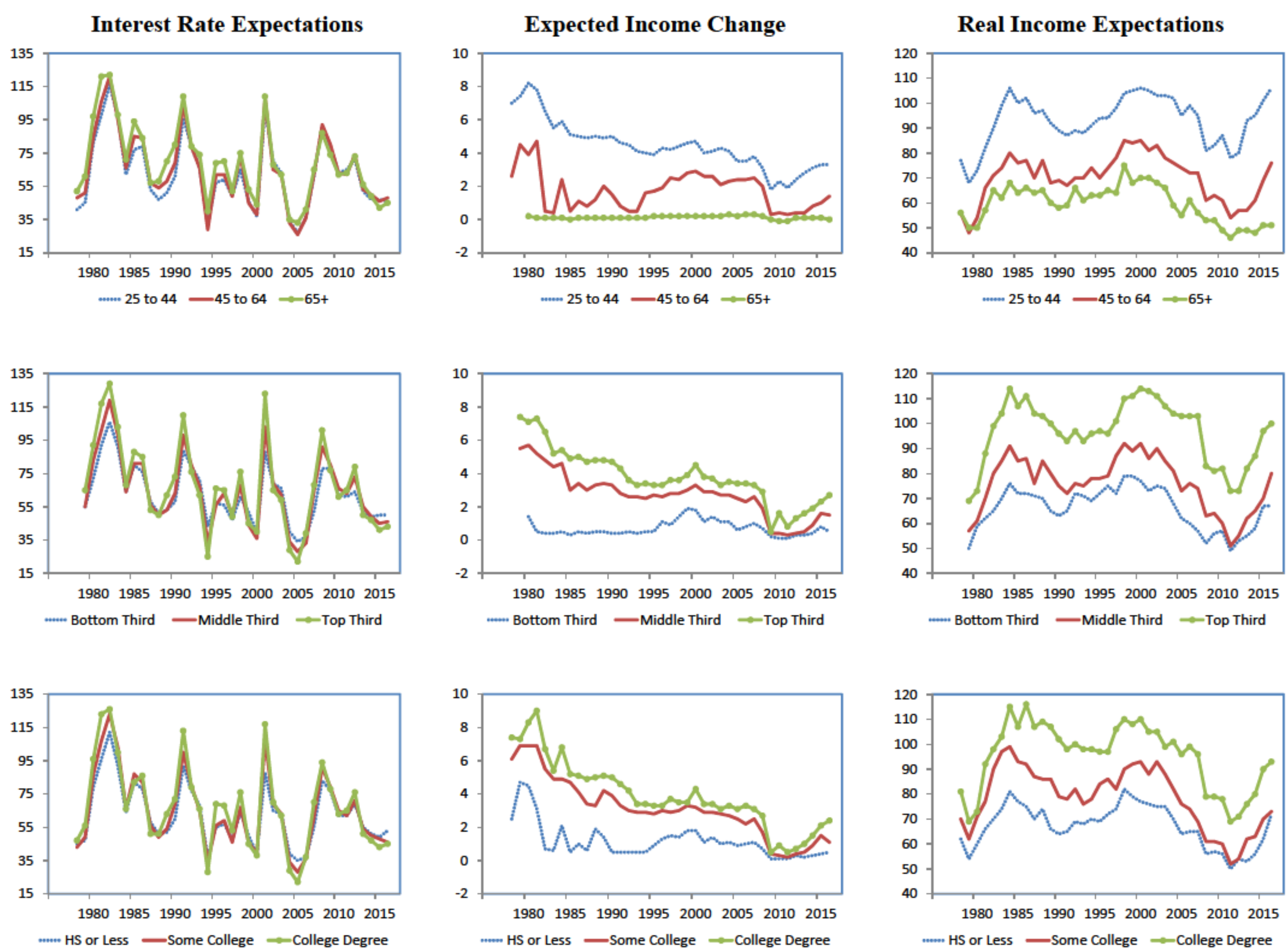
Subject: Real Income Dominates Evaluations December 16, 2016
From: Richard Curtin, Director

Trends in interest rates have been uniformly anticipated for decades by consumers of all ages, incomes, and levels of education. Two-thirds of all consumers expected higher interest rates in early December, and those rate increases were reflected in how consumers viewed buying conditions, especially for homes. Interest rates increase in every economic cycle, and despite those increases, consumer spending continued to expand due to improved real income expectations. Expected gains in nominal incomes have remained at low levels, however, with consumers expecting income gains of just 1.7% during 2017. Given that consumers also anticipated very low inflation rates, real income expectations have improved in 2016. Income expectations, unlike interest rate expectations, have displayed significant differences across demographic subgroups.

Interest Rate Expectations. The uniformity of trends in interest rate expectations is longstanding and reflects the dominant role of monetary policy starting in the late 1970's. Nearly identical trends in interest rate expectations were exhibited by consumers despite differences in income, age, and education. Even if Trump increases the emphasis on fiscal policies, it is still likely that monetary policy initiatives will dominate fiscal policies when consumers assess the health of the economy.

Expected Income Change. While the downward sloping trends in nominal income expectations reflect lower inflation rates, the differences between demographic groups have grown significantly smaller over time. Once consumers are asked about their inflation-adjusted income expectations, more pronounced cyclical trends become observable over the past decades.

Real Income Expectations. Consumers' evaluations of their financial situation have become increasingly dependent on the maintenance of low rates of inflation. Note that the time-series correlations are quite high among income (0.92), education (0.90), and age subgroups (0.79), even though the average levels across the past several decades are significantly different.



Note: Data are annual averages from 1978 to 2016. Chart entries represent net percentages (favorable minus unfavorable responses + 100) for interest rate expectations and real income expectations; the charts display income expectations as annual percentage changes in nominal dollars.

From:	subscribers-bounces@sca.isr.umich.edu on behalf of subscribers@sca.isr.umich.edu
To:	subscribers@sca.isr.umich.edu
Subject:	[Surveys of Consumers] December 2016 Surveys of Consumers, University of Michigan
Date:	Friday, December 23, 2016 10:02:03 AM
Attachments:	FF201612.pdf M-Booklet201612.pdf

Good morning,

Attached you will find PDF files of the December 2016 Summary Report and Data Tables from the Surveys of Consumers at the University of Michigan (www.umich.edu/~umsurvey).

Adobe Acrobat Reader is required for viewing or printing these reports. If you do not have Acrobat Reader, go to http://get2.adobe.com/reader to download it for free.

If you have questions, please call 734-763-5224 or email umsurvey@umich.edu.

surveys of consumers
UNIVERSITY OF MICHIGAN

Monitoring trends for over 70 years

Subject: December 2016 survey results.
From: Richard Curtin, Director

December 23, 2016

T'was the night before Christmas, and voters were still in a daze,
Pop'ism toppled the establishment. It was a surprise blaze.
Clinton expected to win. She didn't need the deplorable.
Trump wanted to disrupt, finding those voters adorable.

One campaign was crafted with the utmost of care,
The other one tweeted and appeared out of thin air.
Catching the elite pols and media by surprise,
Acting to put an end to their exclusive franchise.

When out in the mass media, there arose such a clatter,
Voters sprang from their beds to catch the latest email matter.
Russians hacked Clinton, but not her home server,
The details parsed out with a soap opera fervor.

With a wink of Trump's eye and a twist of his head,
Many soon thought they now had something to dread.
His social views! Some seemed too loathsome to be laughable,
But rust belt job losses made his election tractable.

Consumers were nestled, all snug in their beds,
Nightmares of stagnation, dancing in their heads.
Suddenly they awoke to the news of Trumponomics,
Hoping it would amount to more than just histrionics!

Trump whistled and shouted, and called them out by name,
Taxes! Immigration! Trade! Job growth was his aim.
To the top of his agenda, the first 100 days.
Create! Don't just dismantle! Or go down in a blaze.

Trump's plan will create many more stock market billionaires,
Including those who fix airports, bridges, and thoroughfares.
Creating jobs for the many, and wealth for the few,
His companies in the queue, so he could get his due.

When, what to my wondering eyes should suddenly appear,
Fiscal policies! A challenge for the Fed's chief cashier.
Fed policies now need a quicker pace of action,
And a plan for retreat, in case of a contraction.

Inflation, interest, and low jobless rates too,
For consumers, this was a trifecta coup.
Higher 'flation and interest are fine for the year ahead
As long as wages rise first, or the Fed's in the wood shed.

Then, in a twinkling, I heard out in the mall,
Shoppers were prancing and pawing, they told all:
Confidence soared when Trump was victorious,
Even among those who thought him inglorious.

Happy holidays to all and to all a good year.

While the surge in confidence following Trump's surprise election ended by mid December, it nonetheless led to the highest level of the Sentiment Index since January 2004. Compared with the rapid gains made in late November and early December, the Sentiment Index was barely higher than at mid month and barely higher than the January 2015 peak—in both cases, just two-tenths of a point—but that small difference was enough to establish a twelve year peak. An all-time record number of consumers (18%) spontaneously mentioned the expected favorable impact of Trump's policies on the economy. This was twice as high as the prior peak recorded in 1981 when Reagan took office. To be sure, nearly as many consumers referred unfavorably to anticipated changes in economic policies, but those references were less than half as frequent as the peak level recorded just three years ago (16% vs. 37%). Consumers anticipated that a stronger economy would create more jobs, although expected wage gains were quite meager. The smaller income gains were offset by record low inflation expectations. Needless to say, the overall gain in confidence was based on anticipated policy changes, with specific details as yet unknown. Such favorable expectations could help jump-start growth before the actual enactment of policy changes as well as form a higher performance standard that will be used to judge the Trump presidency. Until more is known about the timing and content of his proposals, the real personal consumption forecast remains at 2.7%.

Consumers held the most favorable personal financial outlook during the past ten years. An improved financial situation of the year ahead was expected by 40% of all consumers in December, the highest level since 2006. The gains were largely due to current income gains, which were also the most positive since 2006. Expected income growth during the year ahead, however, retreated to 1.5% from 1.8% last month and 1.6% last year. Inflation expectations also fell in December, in contrast to the consensus among economists. The year-ahead inflation rate was expected to be just 2.2%, the lowest since during the Great Recession. Moreover, consumers anticipated an annual rate of just 2.3% over the next five years, which was the lowest rate ever recorded in these surveys.

The proportion of consumers that expected the economy to improve in the year ahead rose to 42%, up from 31% last month and 23% in October. The strengthening economy was expected to create more new jobs, with more consumers expecting declines in the unemployment rate than increases in joblessness during 2017 for the first time in a year.

In contrast to the expected gains in the economy and personal finances, consumers did not express more positive attitudes toward vehicle and home buying conditions. Higher interest rates on purchases of vehicles and higher mortgage rates have kept these buying plans in check. Lower real interest rates due to higher inflation will not spark greater sales unless real incomes increase. Moreover, consumers anticipate lower rates of inflation and thus higher real interest rates during the year ahead.

	Dec 2015	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	Jun 2016	July 2016	Aug 2016	Sept 2016	Oct 2016	Nov 2016	Dec 2016
Index of Consumer Sentiment	92.6	92.0	91.7	91.0	89.0	94.7	93.5	90.0	89.8	91.2	87.2	93.8	98.2
Current Economic Conditions	108.1	106.4	106.8	105.6	106.7	109.9	110.8	109.0	107.0	104.2	103.2	107.3	111.9
Index of Consumer Expectations	82.7	82.7	81.9	81.5	77.6	84.9	82.4	77.8	78.7	82.7	76.8	85.2	89.5
Index Components													
Personal Finances—Current	113	110	118	119	118	123	124	121	118	113	111	117	126
Personal Finances—Expected	124	124	128	127	121	128	125	126	119	126	127	126	131
Economic Outlook—12 Months	103	107	97	100	95	107	104	91	97	104	91	109	119
Economic Outlook—5 Years	105	102	104	100	95	106	102	95	99	101	90	107	110
Buying Conditions—Durables	167	166	159	155	158	162	164	162	159	158	157	162	164

From:	subscribers-bounces@sca.isr.umich.edu on behalf of subscribers@sca.isr.umich.edu
To:	subscribers@sca.isr.umich.edu
Subject:	[Surveys of Consumers] Surveys of Consumers, University of Michigan - Presidential Honeymoons Report
Date:	Friday, January 6, 2017 10:01:21 AM
Attachments:	Honeymoon_201701.pdf

Attached you will find a PDF of the January 06, 2017 Presidential Honeymoons Report from the Surveys of Consumers at the University of Michigan.

Adobe Acrobat Reader is required for viewing or printing these reports. If you do not have Acrobat Reader, go to http://get.adobe.com/reader to download it for free.

If you have any questions, please call 734-763-5224 or email umsurvey@umich.edu.

Subject: Presidential Honeymoons January 6, 2017
From: Richard Curtin, Director

Over the past half century, presidential elections have repeatedly caused a post-election bounce in consumer confidence. This is not surprising since economic policy has been a prominent component of most presidential elections. Kennedy used the catch phrase that his administration would "get the economy going again" and for Bill Clinton, it was "it's the economy, stupid." Since presidential elections are in large part a referendum on the economy, presidents are accorded a so-called "honeymoon" which gives the new president an opportunity to demonstrate the effectiveness of new economic policies. While Trump's election was a surprise, the initial surge in optimism following his election was not. The honeymoon grant of optimistic expectations does not usually last past the first 100 days before some initial reinforcement from positive economic results is required. This time the honeymoon period may be different since Trump's opposition is less likely to be accommodative and more likely to actively resist his policies. Nonetheless, changes in the economy, whether favorable or unfavorable, cannot be denied or ignored for long. Given that the consensus points toward a modestly improved economic outlook for the year ahead, each side needs to adjust its economic assessments. The Michigan surveys are based on a rotating panel design, with one-third of any month's respondents having been initially interviewed six months earlier. Thus, the December 2016 survey included 200 consumers who were also interviewed in June. The rotating panel has statistical as well as substantive advantages for measuring change in expectations. This report highlights how consumers have changed their expectations over the past six months by whether they self-identified as Democrats, Republicans or Independents.

Consumers who self-identified as Democrats were the most optimistic and Republicans the least optimistic in June 2016, with Independents in between on the Sentiment Index as well as its components covering current and expected conditions. Following the election of Trump, the reverse was true as Republicans were the most optimistic and Democrats the least optimistic. The six-month differences among Republicans were far larger than for Democrats or Independents. Perhaps the most significant difference was in the Expectations Index, which fell to just 67.8 among Democrats in December, a 24.1 index point decline from June, while the Expectations Index among Republican was 121.4, about twice the level of Democrats, and represented a 50.5 index-point gain from June. The excessive gain among Republicans clearly represents "irrational exuberance" just as the excessive decline among Democrats represents "irrational pessimism." Note that among Democrats, year-ahead income expectations fell and year-ahead inflation expectations rose, and among Republicans, income expectations rose and inflation expectations fell. Perhaps the most drastic shifts were in unemployment expectations: rising unemployment was anticipated by 46% of Democrats in December, up from just 17% in June, but for Republicans, rising unemployment was anticipated by just 3% in December, down from 41% in June. The initial response of both Republicans and Democrats to Trump's election is as clear as it is unsustainable: one side anticipates an economic downturn, and the other expects very robust economic growth. It is a losing strategy for either side to promote such unrealistic economic prospects. Indeed, in the months ahead, it is more likely that economic optimism will improve among Democrats and decline among Republicans.

Change in Economic Assessments Among Identical Consumers From June to December 2016
By Political Party

	Political Party in June								
	Democrats			Independent			Republican		
	June 2016	Dec 2016	Diff	June 2016	Dec 2016	Diff	June 2016	Dec 2016	Diff
Index of Consumer Sentiment	101.2	88.4	12.8	88.1	96.6	+8.5	82.6	122.8	+40.2
Index of Current Economic Conditions	115.7	120.3	+4.6	109.1	108.8	0.3	100.9	124.8	+23.9
Index of Consumer Expectations	91.9	67.8	24.1	74.6	88.7	+14.1	70.9	121.4	+50.5
Year ahead Income Expectations (median %)	1.6%	0.3%	1.3	1.2%	2.2%	+1.0	0.3%	2.6%	+2.3
Year ahead Inflation Expectations (median %)	2.1%	2.4%	+0.3	3.0%	2.3%	0.7	2.3%	1.6%	0.7
Year ahead unemployment									
More Unemployment (percentage)	17	46	+29	33	16	17	41	3	38
Less Unemployment (percentage)	28	10	18	13	31	+18	4	57	+53

Note: Data differs from the official published data since these data were based on 200 cases that were interviewed in both June and December 2016.

From:	subscribers-bounces@sca.isr.umich.edu on behalf of subscribers@sca.isr.umich.edu
To:	subscribers@sca.isr.umich.edu
Subject:	[Surveys of Consumers] January 2017 Surveys of Consumers, University of Michigan
Date:	Friday, January 13, 2017 10:02:03 AM
Attachments:	PF201701.pdf M-Tables201701p.pdf

Good morning,

Attached you will find PDF files of the January 2017 Preliminary Summary Report and Data Tables from the Surveys of Consumers at the University of Michigan (www.umich.edu/~umsurvey).

Adobe Acrobat Reader is required to view this document. If you do not have Acrobat Reader, go to http://get2.adobe.com/reader to download it for free.

If you have any questions, please call 734-763-5224 or email umsurvey@umich.edu

Thank you,

Subject: Preliminary results from the January 2017 survey January 13, 2017
From: Richard Curtin, Director

Consumer confidence remained unchanged in early January at the cyclical peak levels recorded in December. The stability was remarkable as only insignificantly small changes were recorded. The Current Conditions Index rose 0.6 points to reach its highest level since 2004, and the Expectations Index fell 0.6 points which was lower than only the 2015 peak during the past dozen years. The post-election surge in optimism was mainly due to Trump's election, although current conditions in the economy, especially wages, have also improved. To be sure, the gains were accompanied by an unprecedented degree of both positive and negative concerns about the incoming administration. When asked what news they had heard of recent economic developments, more consumers spontaneously mentioned the expected positive impact of new economic policies than ever before recorded in the long history of the surveys. An equal number reported hearing that the new administration's policies would have a negative impact on economic prospects—although the 22% recorded in January was exceeded in eleven other surveys, peaking at 37%, with all being recorded between 2011 and 2014. The importance of government policies and partisanship has sharply risen over the past half century. From 1960 to 2000, the combined average of positive and negative references to government policies was just 6%; during the past six years, this proportion averaged 20%, and rose to new peaks in early January, with positive and negative references totaling 44%. This extraordinary level of partisanship has had a dramatic impact on economic expectations. In early January, the partisan divide on the Expectations Index was a stunning 42.7 points (108.9 among those who favorably mentioned government policies, and 66.2 among those who made unfavorable references), with the largest differences on the near and long term outlook for the economy. Needless to say, these extreme differences would imply either strong growth or a recession in the year ahead. Since neither is likely, one would anticipate that both extreme views will be tempered, with the relative movement dependent on changes during Trump's first 100 days. Nonetheless, it should be noted that among the majority of consumers who referred to neither positive nor negative views on government, the Expectations Index was a strong 90.9, supporting a real consumption growth rate of 2.7% in 2017.

The sharp partisan differences in the outlook for the economy meant that those who favorably mentioned government policies expected economic conditions to be twice as favorable as those who made negative references to policies. This difference also extended to the changes consumers expected in the labor markets. Among all consumers, 33% expected less unemployment during the year ahead, the highest proportion in more than thirty years, since 1984. Among those who favorably mentioned government economic policies, 56% expected declines, versus 22% who made unfavorable references.

Partisan views had the least impact on people's personal financial assessments. Consumers held slightly less positive assessments of their current finances, with references to recent income gains falling to 34% in early January from last month's 39% and November's 37%. When asked about financial prospects for the year ahead, 42% anticipated financial gains, the highest proportion since mid 2005. Expected gains in household income also improved, with an annual income gain of 1.8%, up from last month's 1.5%, regaining November's level, and substantially ahead of last January's expected gain of just 0.8%.

The median year-ahead expected inflation rate rose sharply to 2.6% in early January from 2.2% in December and 2.4% in the prior three months. The annual long term inflation rate was expected to be 2.5% in early January, between last month's 2.3% and last year's 2.7%. While the December lows may have been attributable to holiday discounts, those discounts typically heighten in January. Importantly, the January rise in inflation expectations was accompanied by increases in buy-in-advance rationales, although these rationales remained at quite low levels, and may indicate a more lasting upward shift. Interest rates were anticipated to increase by 75% of all consumers, finally rising to the highest percentage in ten years.

Consumers viewed buying conditions for household durables more favorably in early January than any other time since January 2006 survey, with no partisan differences. Vehicle and home buying conditions also improved in January, although both displayed small partisan differences, with unfavorable policy references associated with less favorable buying plans.

	Jan 2016	Feb 2016	Mar 2016	Apr 2016	May 2016	Jun 2016	July 2016	Aug 2016	Sept 2016	Oct 2016	Nov 2016	Dec 2016	Jan Prelim
Index of Consumer Sentiment	92.0	91.7	91.0	89.0	94.7	93.5	90.0	89.8	91.2	87.2	93.8	98.2	98.1
Current Economic Conditions	106.4	106.8	105.6	106.7	109.9	110.8	109.0	107.0	104.2	103.2	107.3	111.9	112.5
Index of Consumer Expectations	82.7	81.9	81.5	77.6	84.9	82.4	77.8	78.7	82.7	76.8	85.2	89.5	88.9
Index Components													
Personal Finances—Current	110	118	119	118	123	124	121	118	113	111	117	126	124
Personal Finances—Expected	124	128	127	121	128	125	126	119	126	127	126	131	130
Economic Outlook—12 Months	107	97	100	95	107	104	91	97	104	91	109	119	117
Economic Outlook—5 Years	102	104	100	95	106	102	95	99	101	90	107	110	110
Buying Conditions—Durables	166	159	155	158	162	164	162	159	158	157	162	164	168

From:	subscribers-bounces@sca.isr.umich.edu on behalf of subscribers@sca.isr.umich.edu
To:	subscribers@sca.isr.umich.edu
Subject:	[Surveys of Consumers] Special report on policy expectations
Date:	Friday, January 20, 2017 10:02:26 AM
Attachments:	PolicyExpectations_201701.pdf

Attached you will find the PDF of a special report on policy expectations from the Surveys of Consumers at the University of Michigan (www.umich.edu/~umsurvey).

Adobe Acrobat is required to view this document. If you do not have Acrobat Reader, go to http://get2.adobe.com/reader to download it for free.

If you have any questions, please call 734-763-5224 or email umsurvey@umich.edu.

Thank you,

Subject: Policy Expectations
From: Richard Curtin, Director

January 20, 2017

It has been long known that people's behavioral responses to economic policies begin with the anticipation of the change, and their response is amplified or reduced when the policy actually becomes effective. Anticipatory changes have been known to energize or sink policy initiatives. Typically, there are extensive public discussions of potential policy shifts, with the recent presidential election a prime example. Nonetheless, Trump's victory in the recent election was a surprise so people did not adjust their expectations in anticipation of his election, and the election was unique in that each side strongly held quite unfavorable views of the opposition. Once the election was decided, each side immediately revised their economic expectations, and revised them to align with their strongly held partisan views on prospects for the economy. The table below replicates the analysis reported two weeks ago with updated January data. All respondents were first interviewed in June or July 2016 and then re-interviewed in December 2016 or January 2017. The table highlights how consumers have changed their expectations over the past six months by whether they self-identified as Democrats, Republicans or Independents. The additional data did not change the basic finding that consumer expectations changed dramatically following Trump's election. Democrats become more pessimistic and Republicans held more optimistic expectations across a range of economic factors.

The large changes partly reflect an exaggerated enthusiasm or despair over the surprise election results, but that should not obscure the more important message that consumers expect fundamental shifts in economic policies. While Republicans' optimism rose more substantially than it fell among Democrats, both held levels on the Consumer Expectations Index that alternatively indicated either a looming recession or an imminent surge in economic growth. Neither is likely, although the average level across all consumers was 88.9 in early January, just below its 2015 cyclical peak of 91.0. The easiest prediction is that the levels will recede among Republicans and rise among Democrats, lessening their exaggerated enthusiasm and despair; moreover, these shifts could well leave the overall Expectations Index unchanged at positive levels. Of the two, the Republicans' rise appears more exaggerated in that their views of Current Conditions posted an unusually large jump.

Ultimately, consumers' expectations will be determined by ongoing changes in economic conditions. If economic conditions improve (as most observers now expect), the relative gains among Democrats will be larger than the declines among Republicans, although the total across all consumers may be left virtually unchanged. The largest risk to the Trump administration is economic expectations that are too aggressive and result in "failed expectations," which are more damaging than if consumers originally held more modest expectations that were met with success. For all new administrations, managing economic expectations represents a shift from campaigning to governing that is often mishandled. Similarly, if the opposition continues to emphasize dismal economic prospects, that approach could benefit Trump by allowing even small gains to be judged more favorably. The likelihood of a renewed recession during Trump's term in office is quite high; its avoidance would require the current expansion to be longer than any other in the past 150 years and by a substantial margin. While old age will not end the expansion, the current state of partisanship may contribute to its early termination. The timing of a recession early in his term and subsequent recovery may give Trump an advantage in a potential re-election campaign.

Change in Economic Assessments Among Identical Consumers in June/July 2016 and in December 2016/January 2017 by Political Party

	Political Party in June/July 2016								
	Democrats			Independent			Republican		
	Jun/Jul	Dec/Jan	Diff	Jun/Jul	Dec/Jan	Diff	Jun/Jul	Dec/Jan	Diff
Index of Consumer Sentiment	101.3	84.8	16.5	84.8	97.3	+12.5	81.0	122.5	+41.5
Index of Current Economic Conditions	115.0	116.5	+1.5	108.4	107.8	0.6	100.4	122.3	+21.9
Index of Consumer Expectations	92.6	64.5	28.1	69.6	90.6	+21.0	68.4	122.6	+54.2
Year ahead Income Expectations (median %)	2.0%	0.5%	1.5	0.5%	1.7%	+1.2	0.5%	2.3%	+1.8
Year ahead Inflation Expectations (median %)	2.3%	2.7%	+0.4	2.9%	2.2%	0.7	2.6%	2.0%	0.6
Year ahead unemployment									
More Unemployment (percentage)	22	45	+23	39	18	21	36	4	32
Less Unemployment (percentage)	24	12	12	12	33	+21	8	57	+49

Note: Data differs from the official published data since these data were based on only the 358 cases that were interviewed in June/July and re interviewed in December/January 2017.