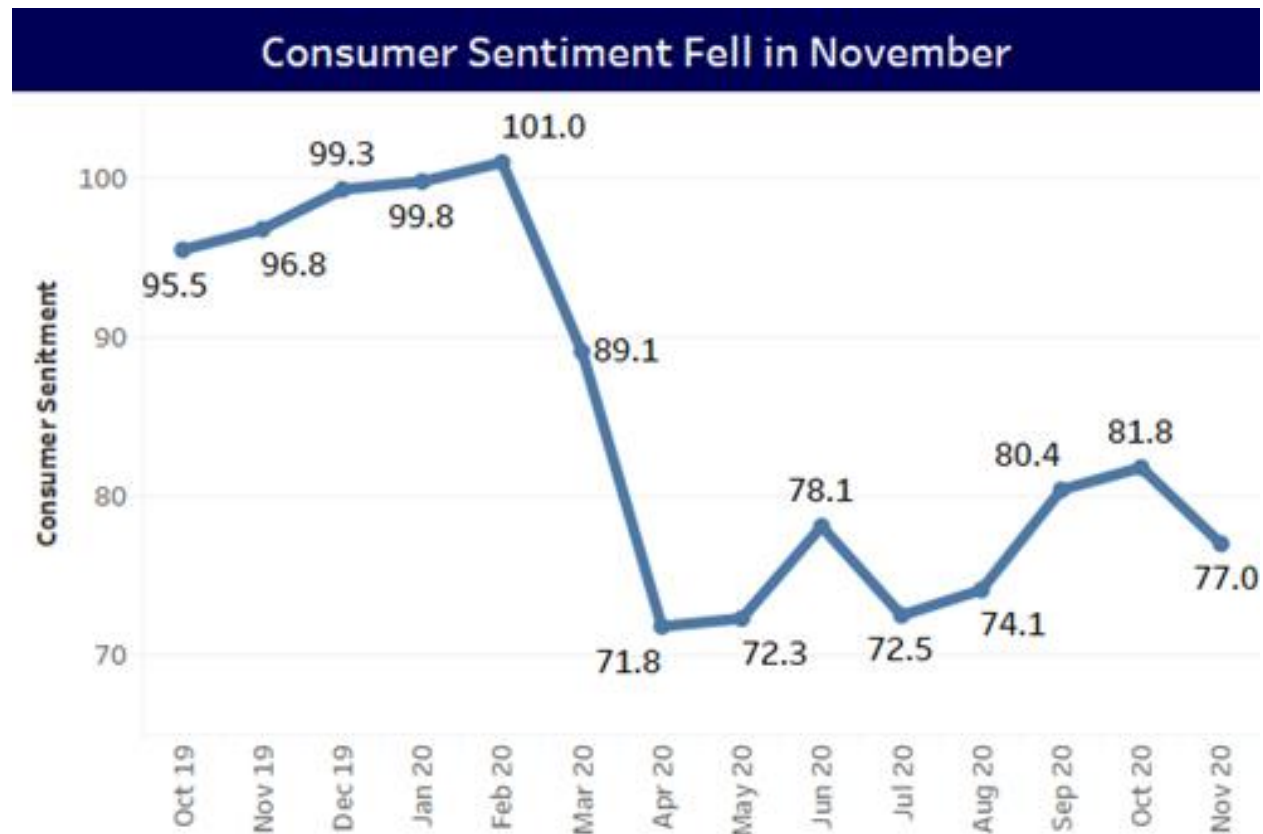


A Closer Look at Consumer Sentiment

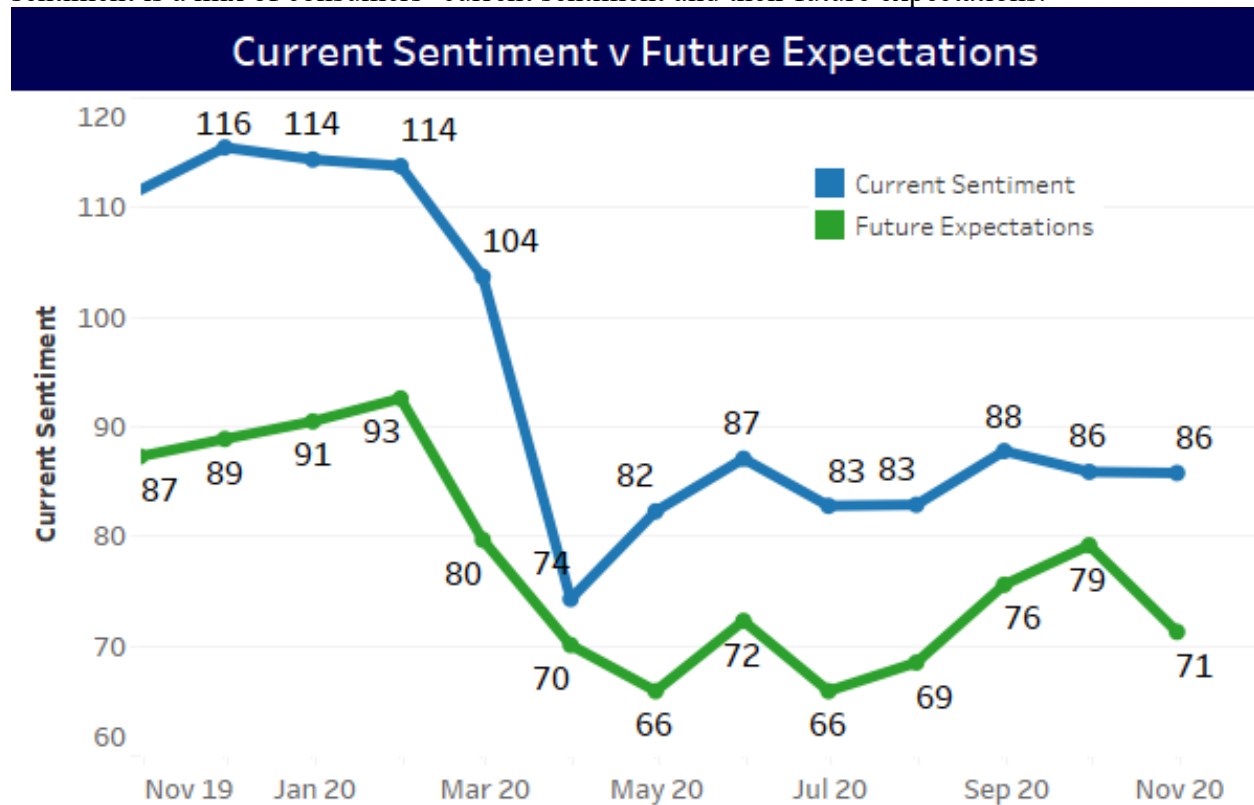
On Friday, the University of Michigan released its preliminary reading of [consumer sentiment](#) for November. It showed a concerning drop, but this was expected because the economy has been mirroring the virus since March. With the virus surging again, it made sense sentiment would fall. But a closer look at the data reveals it may not have been the virus that made consumers less optimistic.

Sentiment fell to a reading of 77 in November from 82 in October. Prior to the pandemic, in February sentiment was 101. It had fallen all the way below 72 in April, meaning as of October it had rebounded by one-third. The initial November decline has set back that progress.



Interestingly though, with the virus surging now, it was not current sentiment that fell. It was future expectations that dropped sharply and caused the decline in the overall number. Consumer

sentiment is a mix of consumers' current sentiment and their future expectations.



Current sentiment remained stable from October. It was future expectations that dipped from 79 to 71 in November. Future expectations are important because they give us a sense of whether consumers may be willing to buy bigger ticket items, such as homes, cars, appliances, electronics, and furniture. When consumers feel better about the future, they are more willing to make those big purchases.

Future sentiment had increased for three straight months—more so than current sentiment. The fall in November is a bit surprising because it seemed that consumers were starting to look past the pandemic. The virus surge may have dampened those expectations. The survey was mostly conducted before the announcement of two effective vaccines. That news should boost both current and future sentiment when the survey is finalized later this month.

Furthermore, future expectations measures what consumers think the economy will be like in the next one to five years. Republicans' expectations fell sharply early this month with President-elect Biden's victory. They may rise after the disappointment of the election passes.

—Curtis Dubay, Senior Economist, U.S. Chamber of Commerce