



# Sentiment and Expectations: Insights from an Election Year

Joanne Hsu

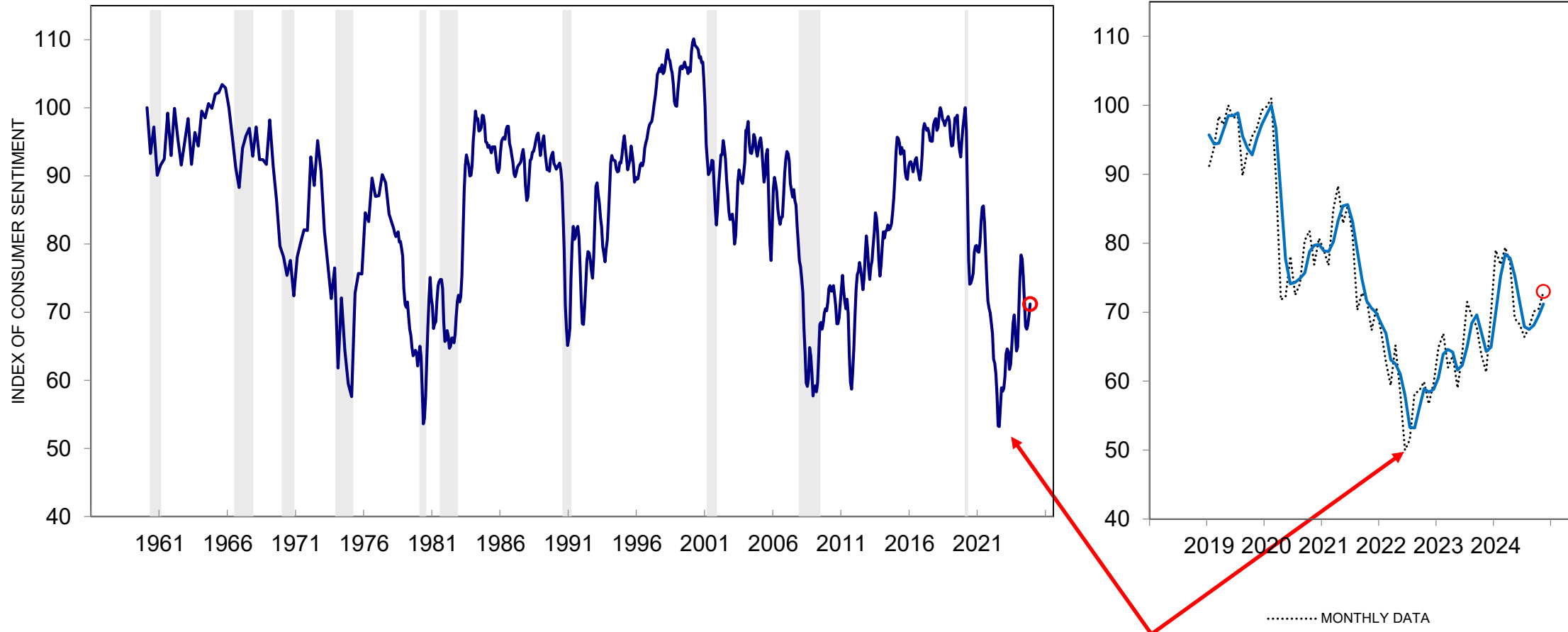
Director, Surveys of Consumers

Research Associate Professor, Institute for Social Research

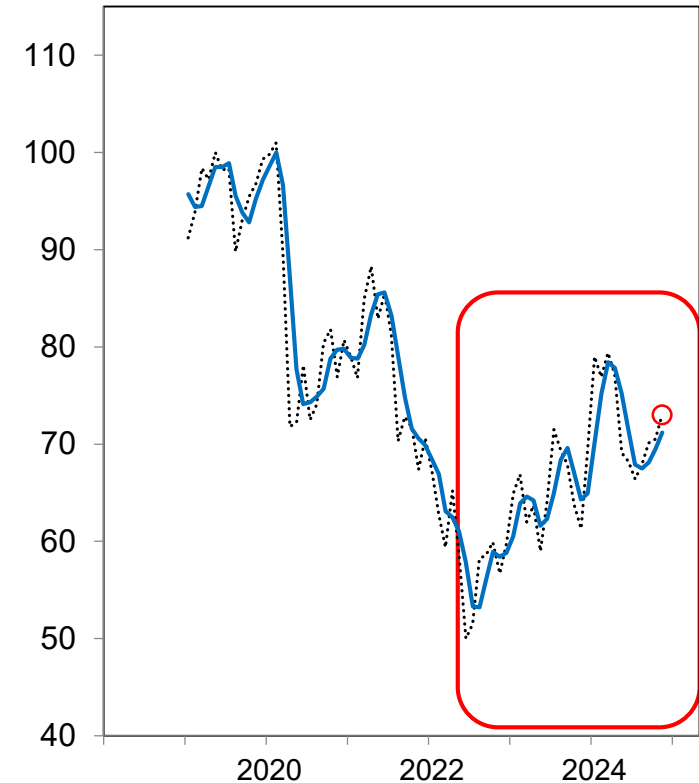
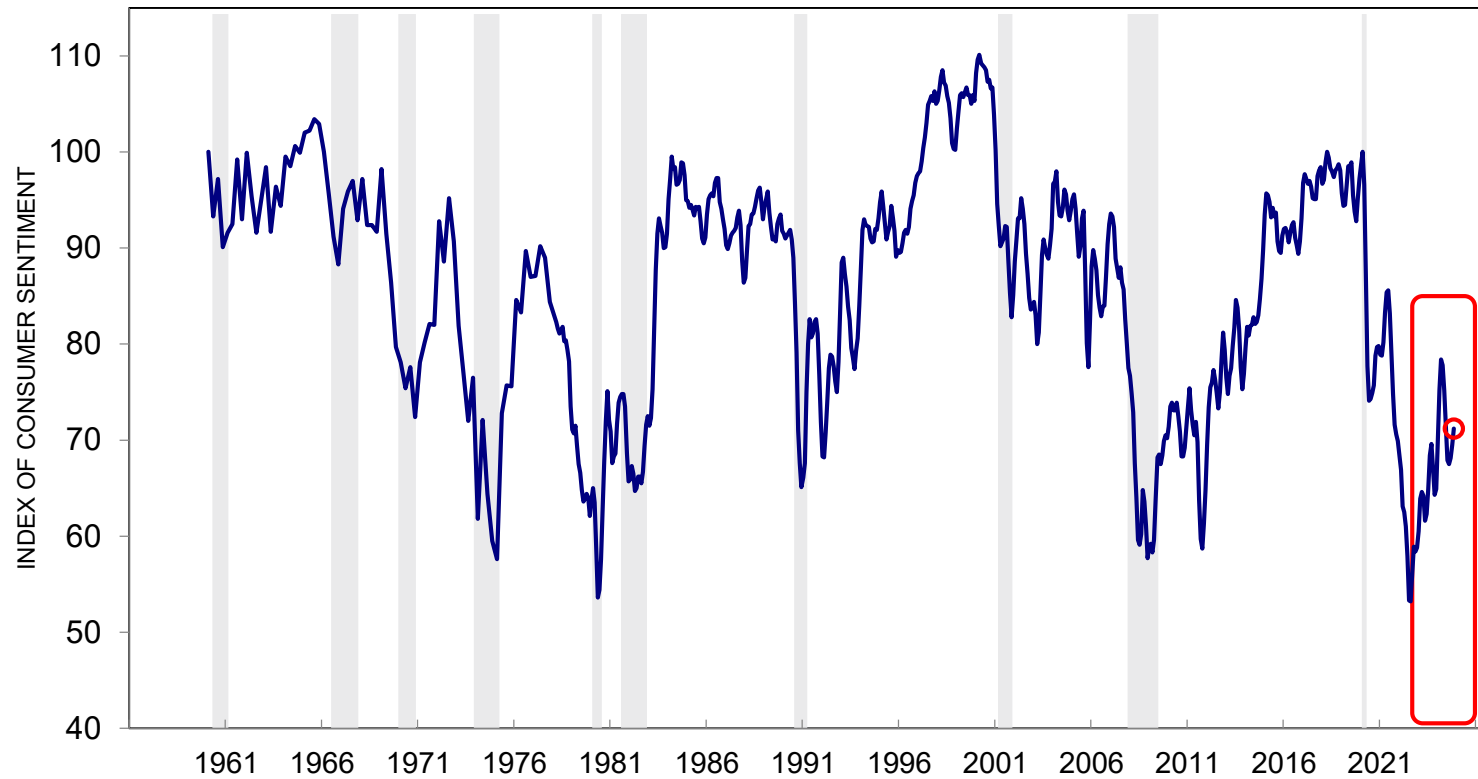
# Recent trends in consumer sentiment

Note: All data presented today based on interviews collected **prior to election**;  
Data from post-election interviews will be released **tomorrow at 10am**

# Sentiment reached an **all-time low in 2022**, as inflation grew

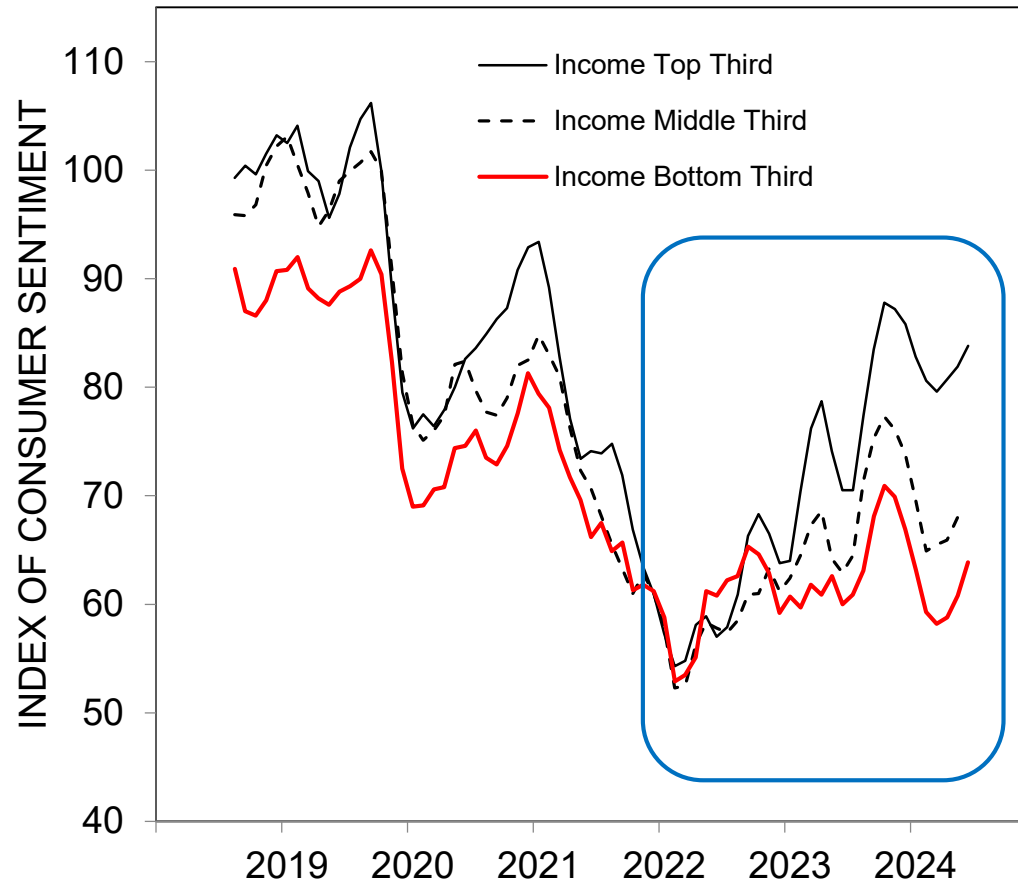


# Sentiment **lifted almost 50%** from its all-time low in 2022 as inflation softened



..... MONTHLY DATA

# But this recovery has been uneven across the income distribution

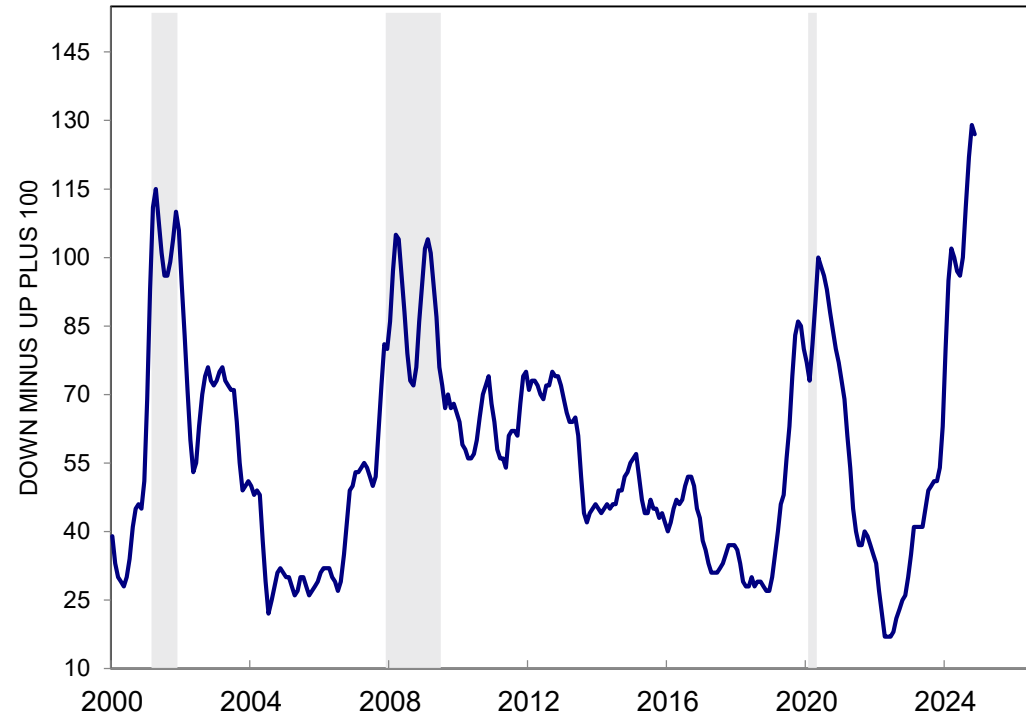


Relative to June 2022, sentiment is up about:

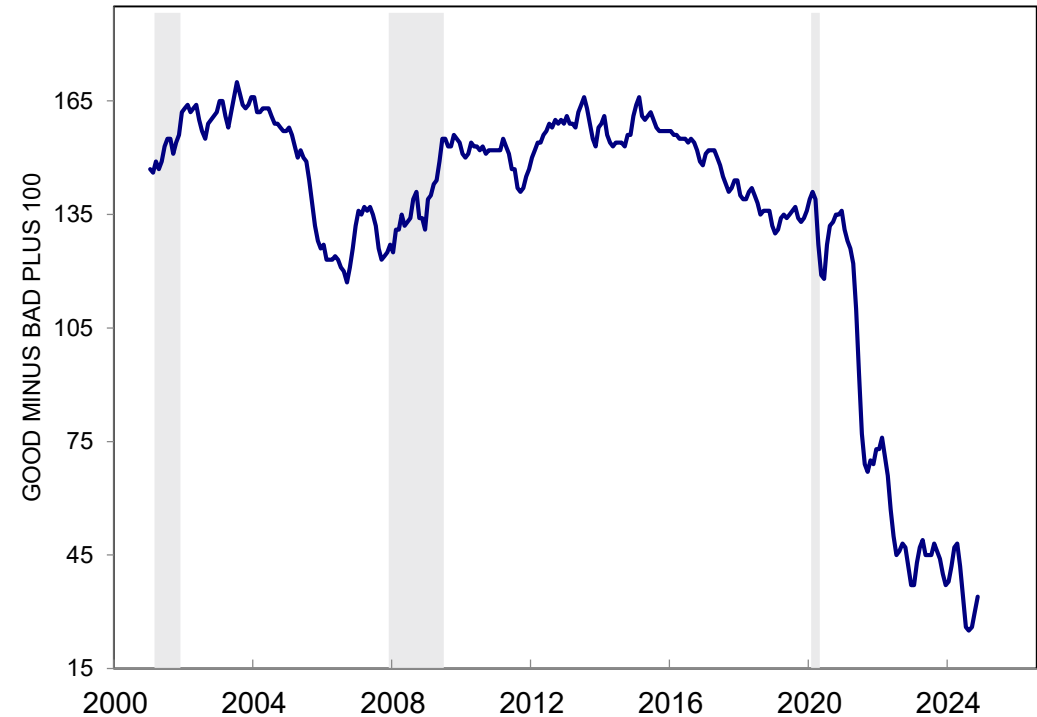
- 70% for top tercile of income
- 40% for middle tercile
- **Only 20% for bottom tercile**
  - Despite gains in real wages, not lifted by surges in asset values enjoyed by wealthier consumers

# Interest rates expected to fall, potentially providing some relief for prospective borrowers

**Year-Ahead Expected Change in Interest Rates**  
(Higher index value indicates lower expected interest rates)



**Home Buying Conditions at Historic Lows Amid High Prices and Interest Rates**



Even though inflation has cooled,  
sentiment is still below average

Have consumers lost touch with reality?

# Consumers noticed the slowdown in inflation since mid-2022

Consumers broadly expect inflation to continue stabilizing

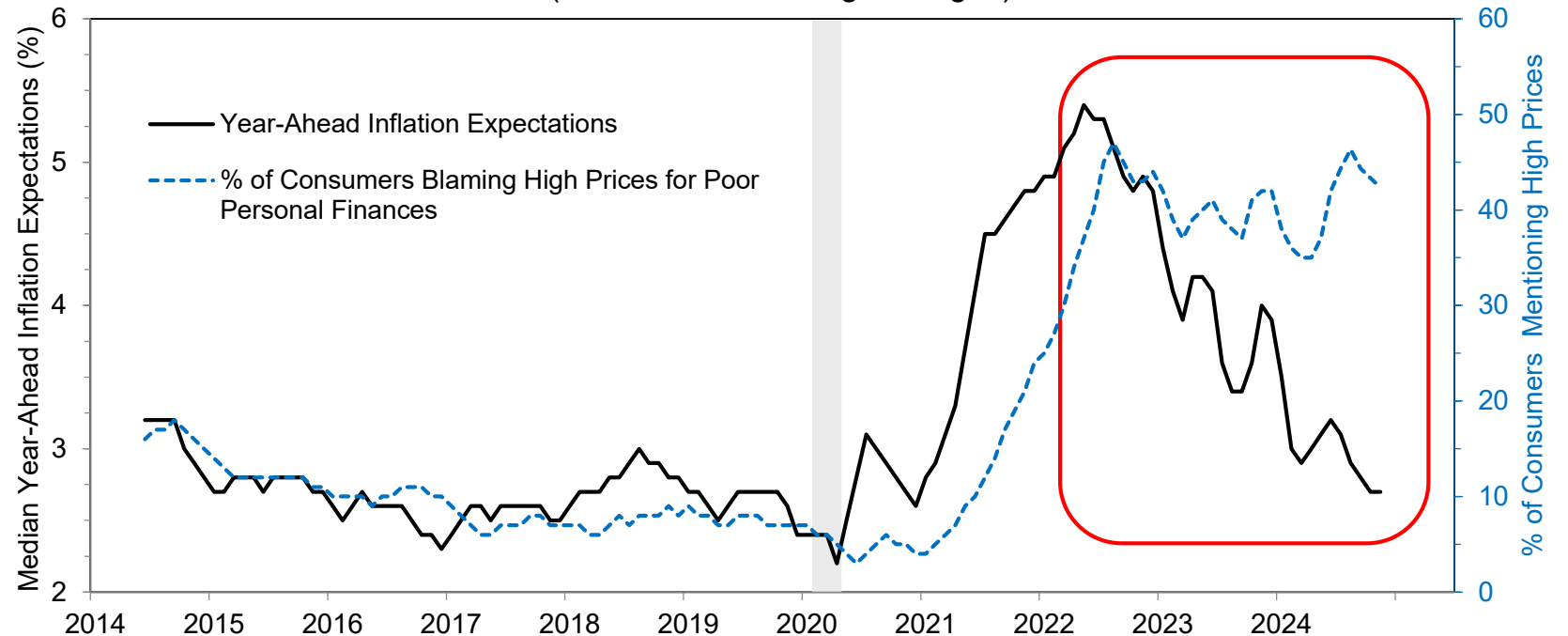




# But consumers remain frustrated by prices that remain higher than pre-pandemic

Not a contradiction:  
noticed slowing  
inflation, but high  
prices still painful

**Inflation Expectations Soften Since 2022 While High Price Concerns Persist**  
(Three month moving averages)



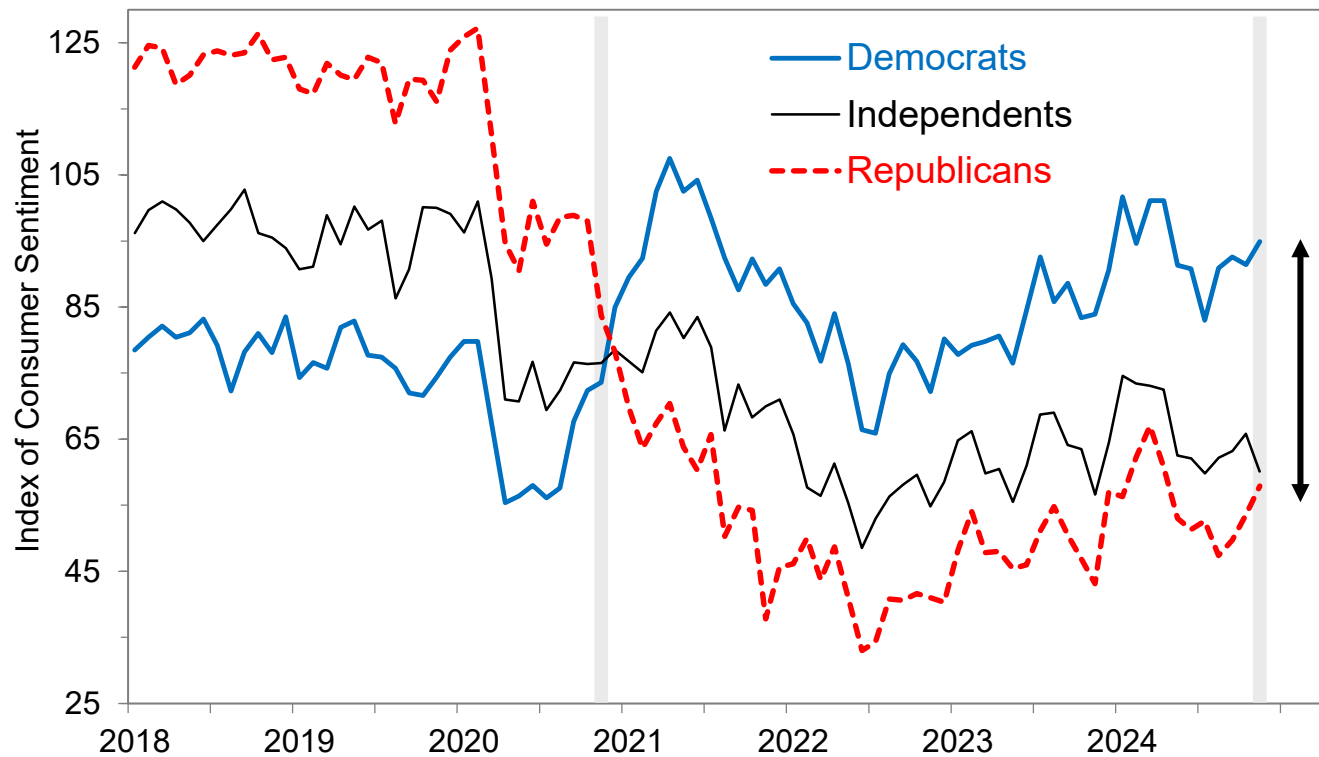
# Presidential Election Loomed over 2024

How do election factors influence consumer attitudes toward the economy?

# Political polarization remains prominent, with higher sentiment for consumers whose party is in the White House

**Sentiment by Political Affiliation**

(Nov 2024 preliminary data closed prior to election)



Bush: 20 point difference

Obama: 20 point

Trump: 40 point

Biden: 36 point

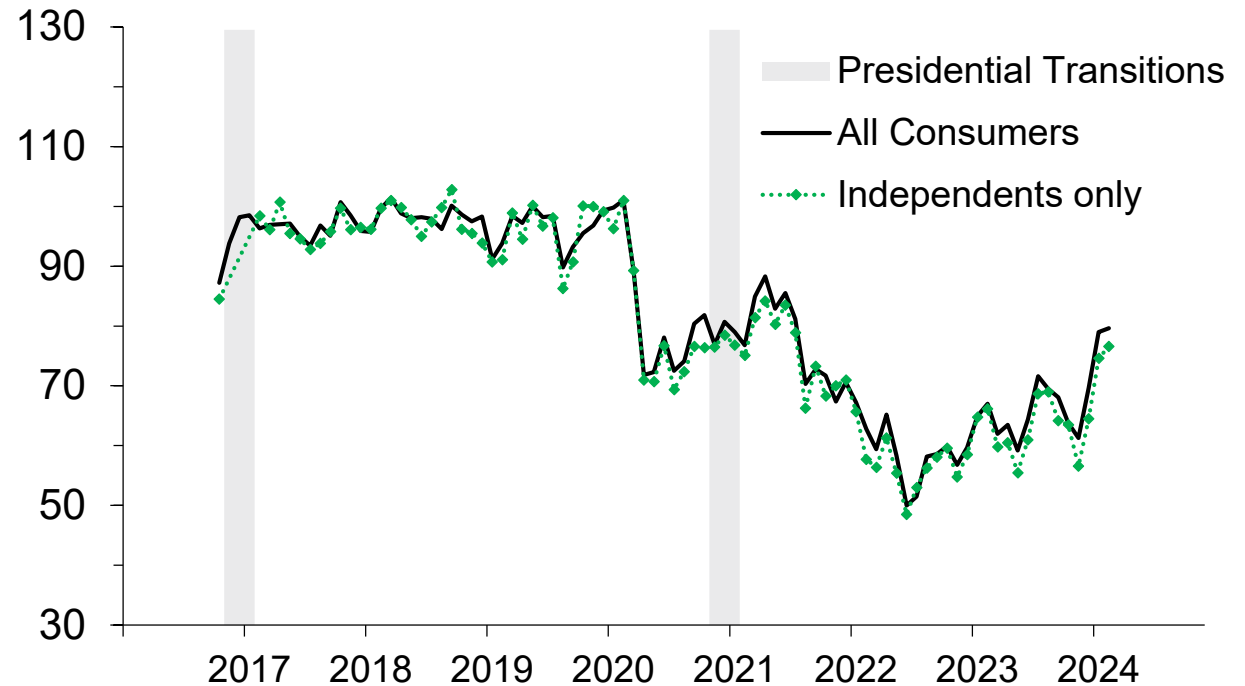
Last 6 months: 38 points

Month-to-month changes generally parallel for the three political groups (outside of elections)

# Independents hold views that reflect national averages

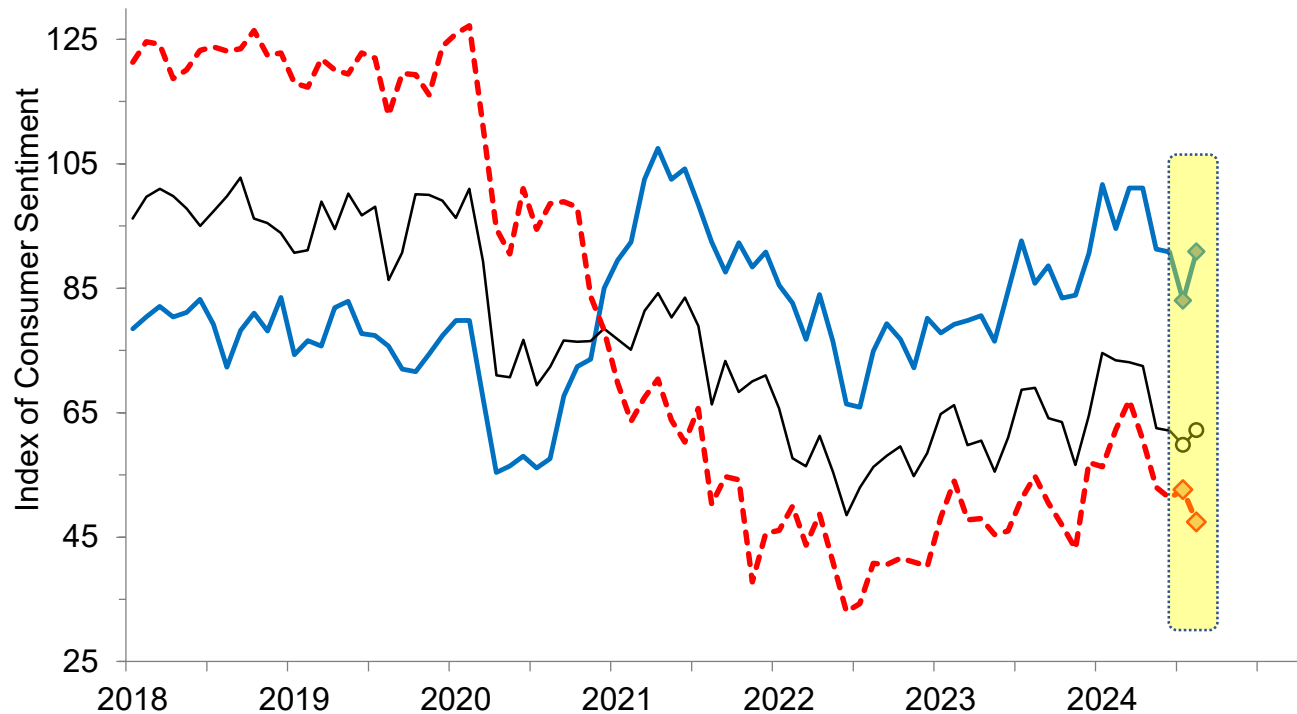
Coming months: consumers will re-calibrate views; Independents will be critical

**Index of Consumer Sentiment**  
All Consumers and Independents Only



# Focus on Aug 2024: Democrats and Republicans diverge after Harris replaced Biden

## Sentiment Rose for Democrats, Fell for Republicans in August 2024



**Democrats: up 10%**  
**Independents: up 4%**  
**Republicans: down 10%**

Divergence reflects major change in election expectations

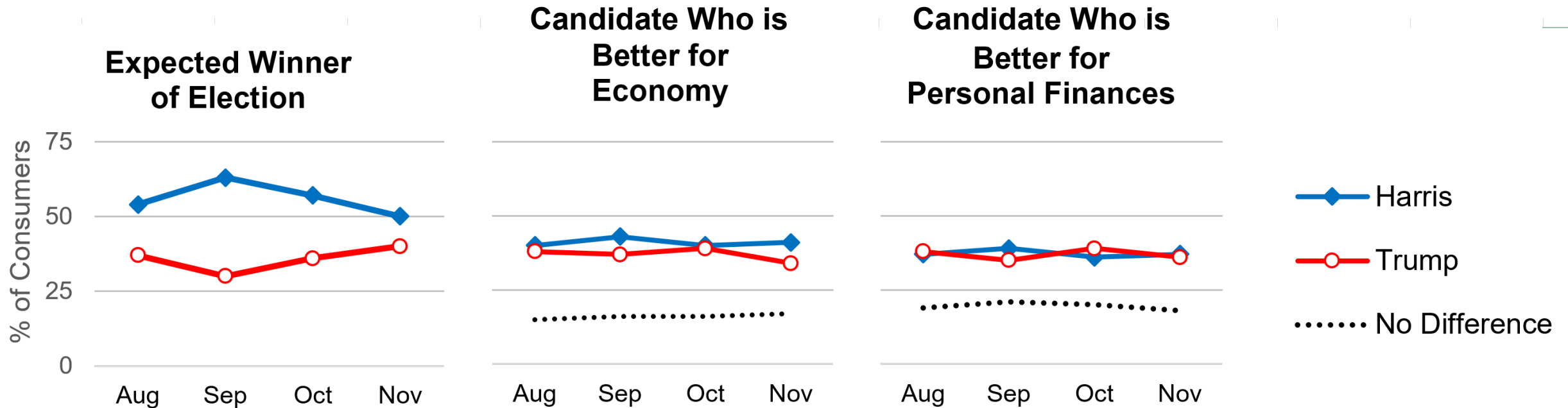
# Each general election year since 1972: measure election expectations

- Regardless of how you intend to vote, **who do you think will actually be elected President** – (Donald Trump, the Republican, or Kamala Harris, the Democrat)/(Kamala Harris, 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/Harris) were elected**, would economic conditions be better if (Harris/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 would be better off financially if (Trump/Harris) were elected**, would you be better off financially if (Harris/Trump) were elected, or wouldn't it make much difference?

# Why do election expectations matter?

- Many consumers tell us trajectory of the economy depends on who is in the White House
- Consumers are forming their expectations of the economy based on who they believe will win the election
  - Comments along the lines of: “My responses assume <candidate> will win. If the other candidate wins, all my responses would flip”
  - Other consumers believe there won’t be much difference in the economy regardless of the winner of the presidential election
- We never ask which candidate the consumers will vote for

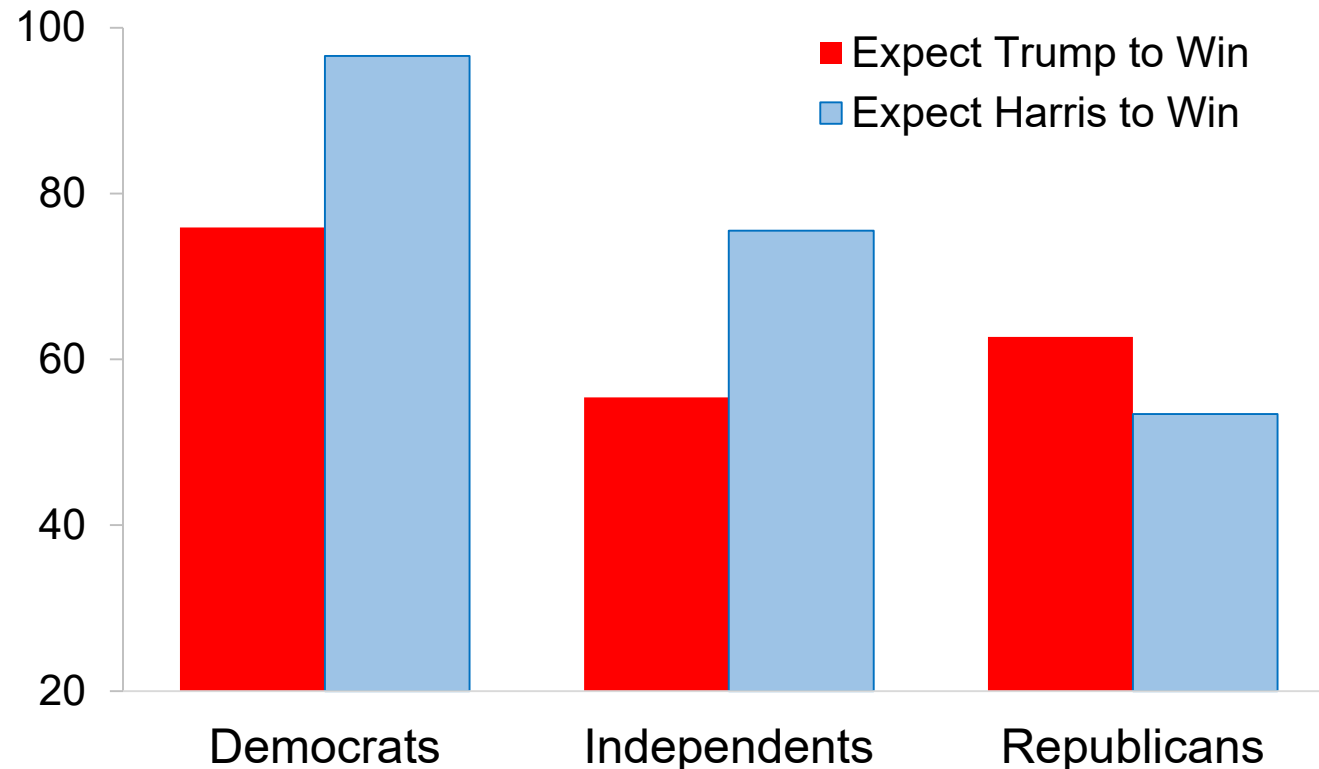
# Election expectations tilted toward Trump in final weeks leading into the election





# Consumers incorporate election expectations into economic expectations

**Index of Consumer Expectations, by  
Expected Election Winner**

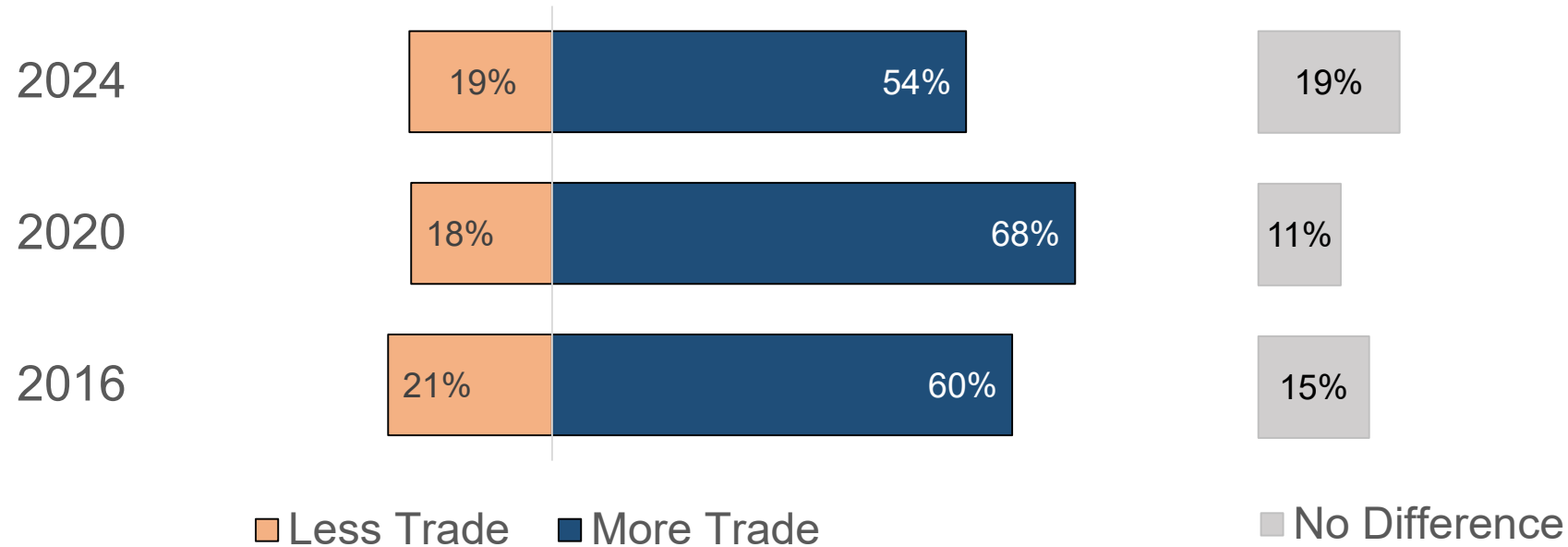


Consumers who expect their party's candidate to win the election report have stronger economic expectations

# Influence of proposed policies

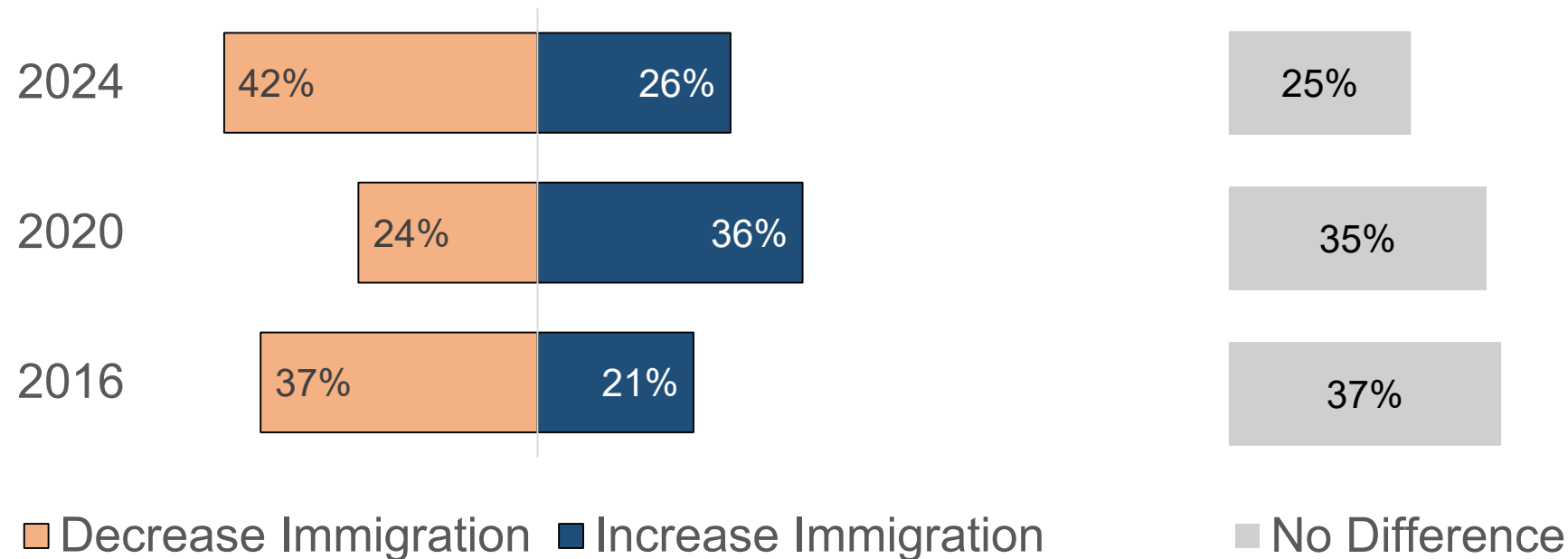
Do consumers believe that policies are good or bad for the economy?

# Which is Better for the Economy: Increasing or Decreasing Trade?



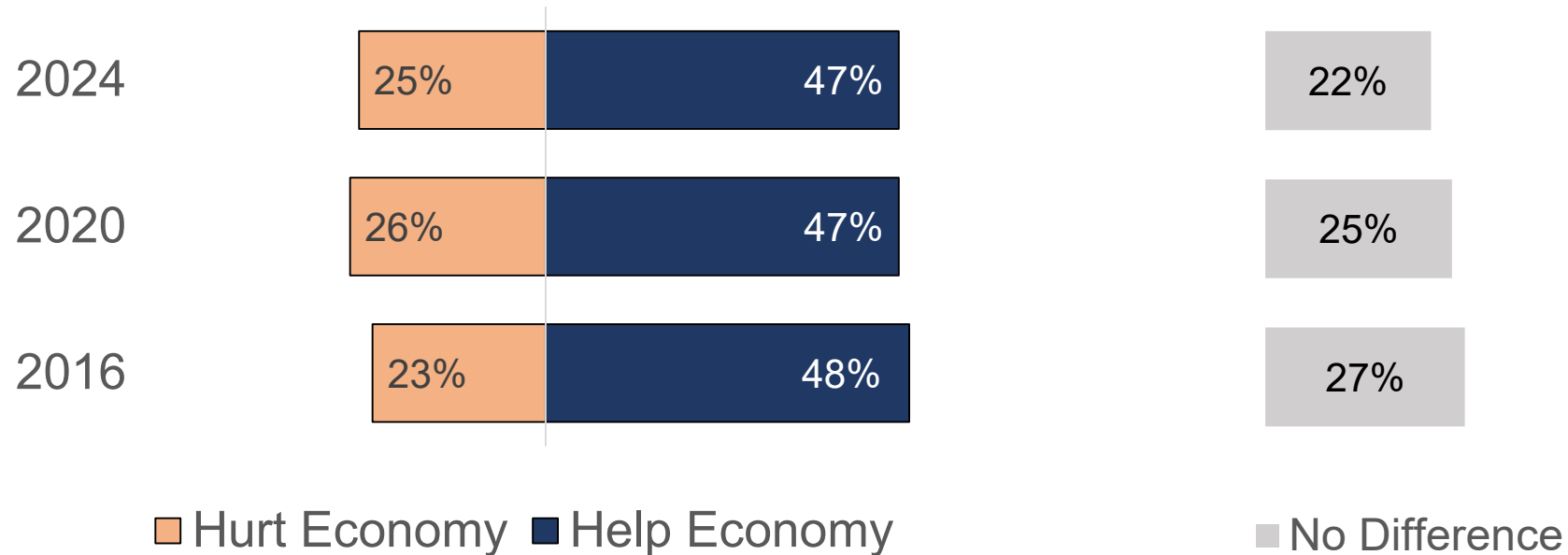
- Somewhat less favorable views of trade this year

# Which is Better for the Economy: Increasing or Decreasing Immigration?



- Between 2016 and 2020: views shifted away from Trump's policies
- This year, nearly all socio-demographic groups view immigration less favorably than 2020

# Would Taxing Wealthy Help or Hurt the Economy?



- Consumer views little changed from past 2 election years

# Summing up

- Consumers recognize inflation has slowed, but remain very frustrated by high prices
  - Sentiment is much improved since mid-2022, though primarily for higher-income consumers
- For many consumers, economic expectations were contingent on election outcomes
- As more information emerges about the next president's economic policies, consumers will update their views of the trajectory of the economy

# Where to find the Survey

- Most up to date headline data posted <http://www.sca.isr.umich.edu>
  - Links to data archive and analytical tools
  - Links to special reports, including
    - [Partisan Perceptions and Expectations](#)
    - [Presidential Election Expectations](#)
    - [Impact of Proposed Policies on Economy](#)
    - [Sources of Economic News and Information for Consumers](#)
- For questions or data inquiries, email [umsurvey@umich.edu](mailto:umsurvey@umich.edu)

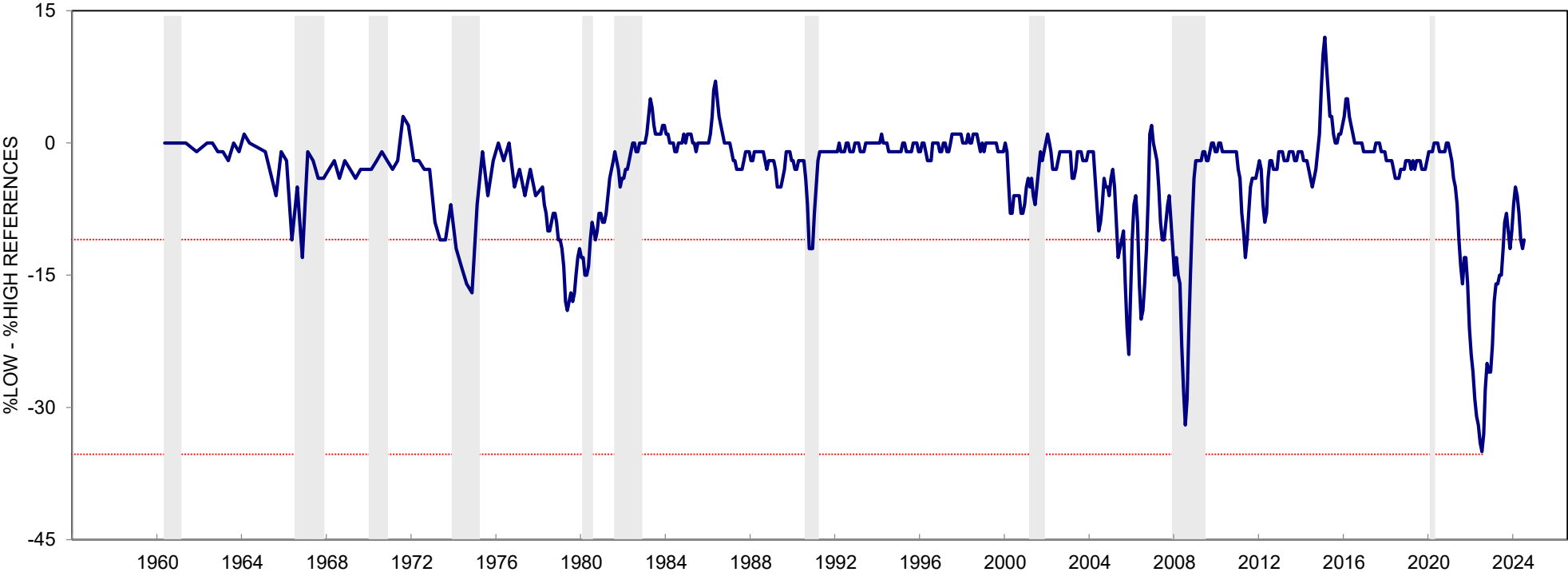
# Bonus slides



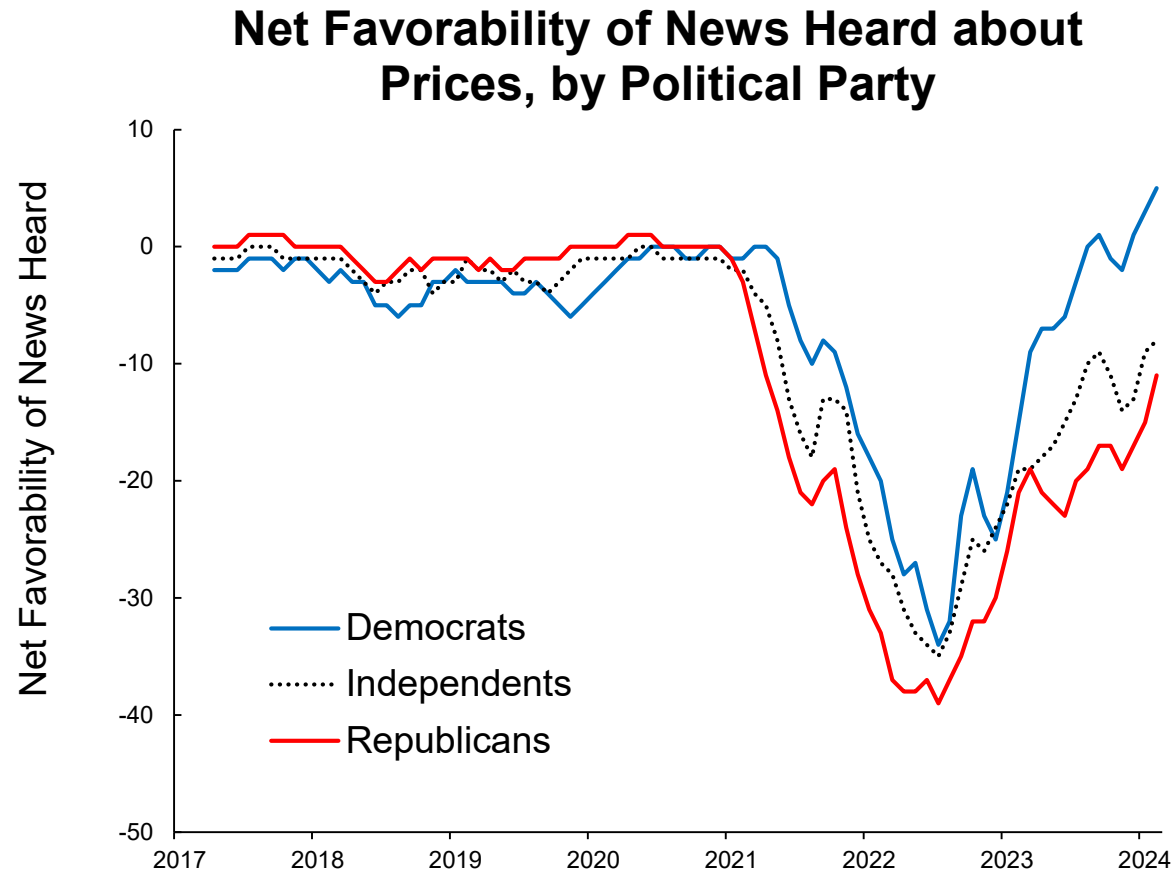
# Sources of News on the Economy

# Tenor of inflation news heard in 2022 worse than earlier periods of very high inflation

Net Favorability of News Heard about Prices

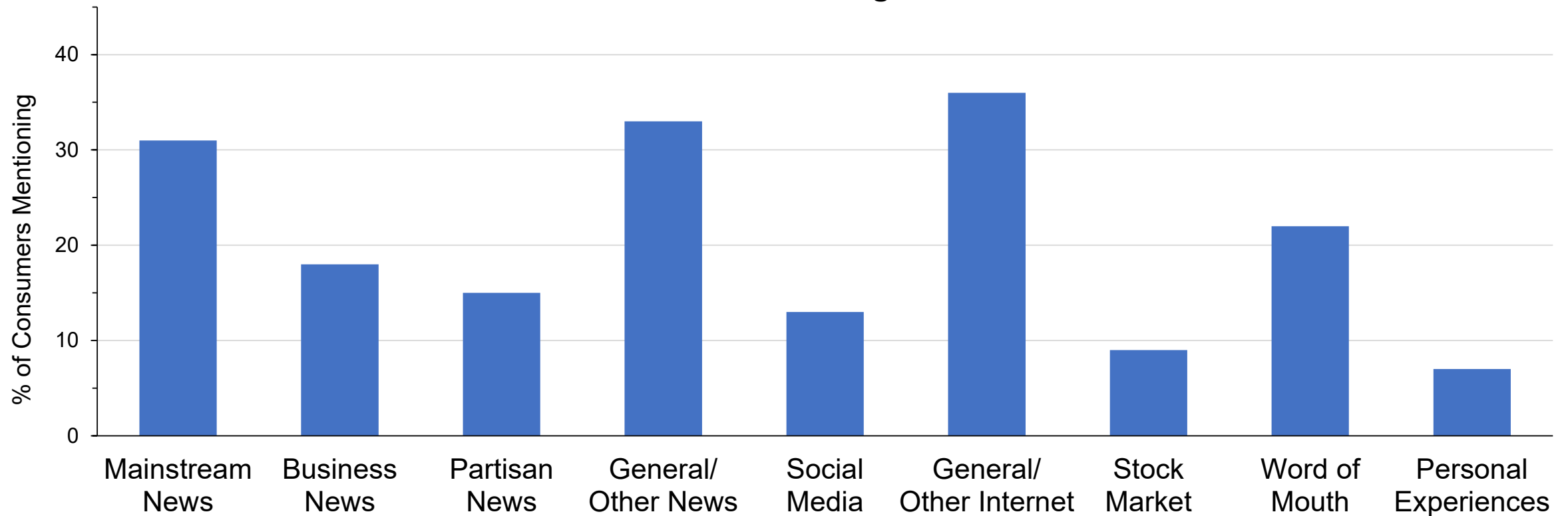


# Partisan differences in inflation news heard widened in last two years

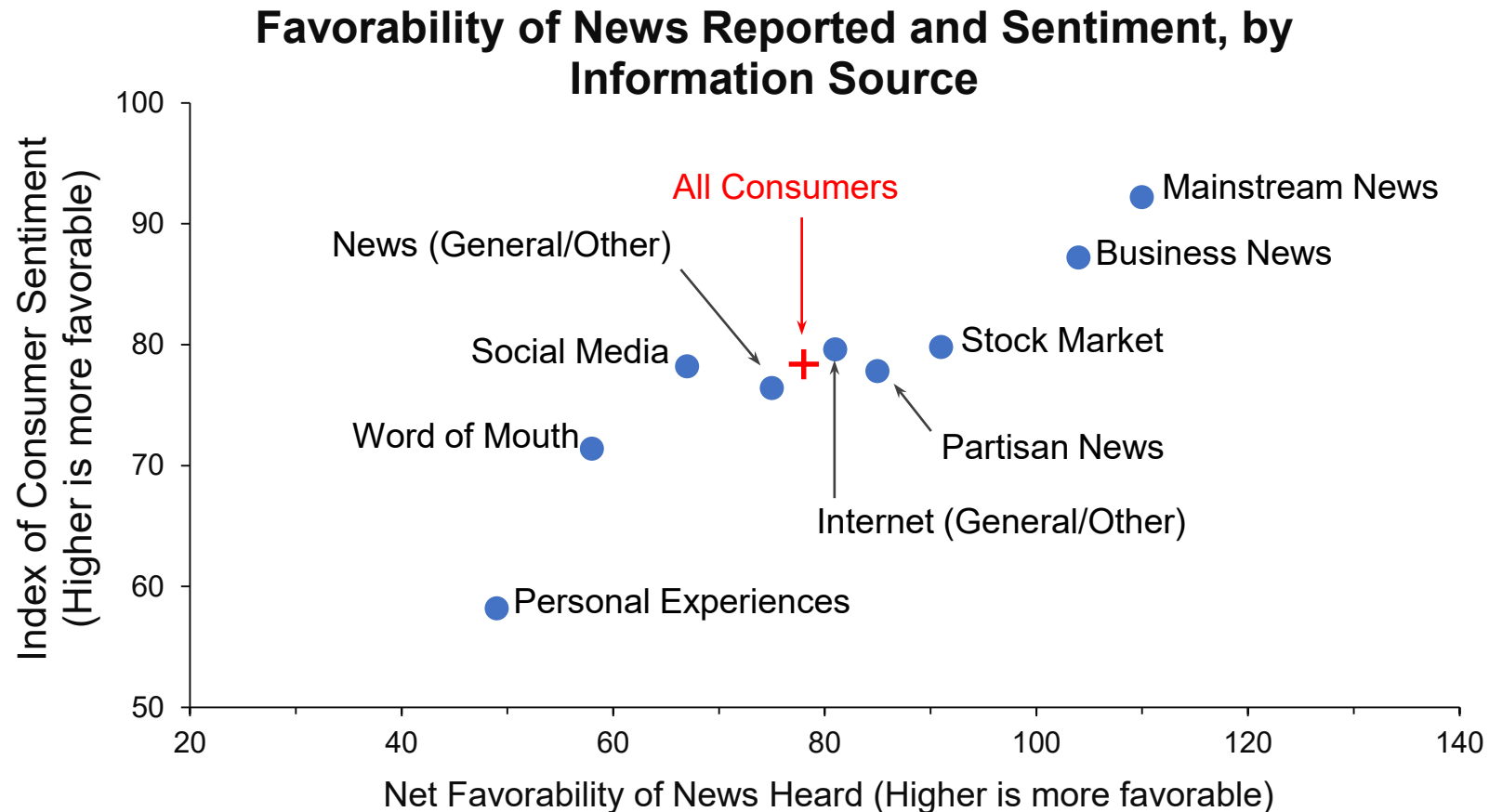


# Consumers draw from a wide variety of sources when forming their economic news

Shares of Consumers Mentioning Information Source



# Some information sources are associated with more favorable levels of sentiment than others



# Partisan news is associated with more negative views for Rs; more positive views for Ds

**Table 1: Average Sentiment and News Heard, by Partisan News and Party Affiliation**

Mentioned Partisan News?	Democrats		Independents		Republicans	
	Yes	No	Yes	No	Yes	No
Net Favorability of News Heard	143	123	99	68	31	47
Consumer Sentiment	109.5	98.9	83.3	72.7	52.7	64.5

**Sources of Economic Information, by Political Party**

