



# Economics Group

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## Consumer Sentiment Improved Modestly in Late July

*After tumbling 4.0 points in the wake of the Brexit vote, consumer sentiment rebounded modestly in late July. Sentiment was still down for the month as a whole, falling 3.5 points to 90.0, indicating growing caution.*

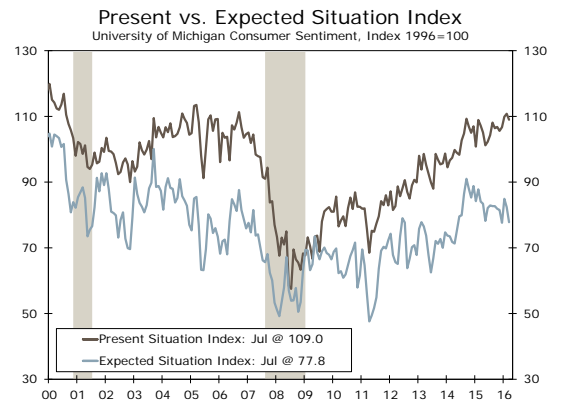
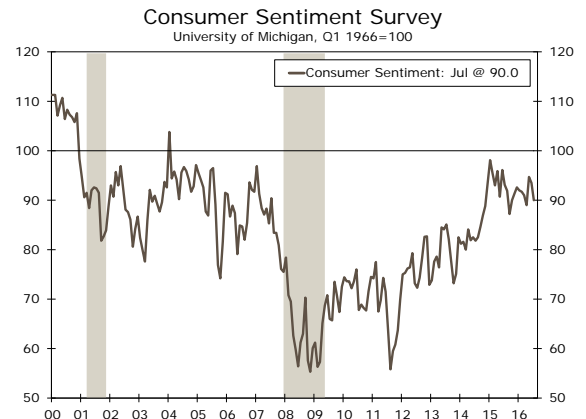
### Global Concerns Cloud Consumer Sentiment

The University of Michigan's Consumer Sentiment Index rebounded slightly during the latter part of July, partially reversing the slide that took place following the surprising Brexit vote and turmoil unleashed in the financial markets. The rebound in the stock market, which took place sooner and was surprisingly stronger than expected, did bolster expectations, which rose 0.7 percentage points in late July. The better news from the stock market was offset somewhat by a succession of unnerving events, including the terrorist attack in Nice and the attempted coup in Turkey. Worries about Brexit and global economic concerns likely weigh heaviest on confidence of upper incomes more than they do on an overall basis, which may explain why consumer sentiment has not improved more since the impact of Brexit has waned.

Consumers were asked in June and July who they expected to win the presidential election and whether their personal finances would be better if Clinton or Trump were elected. The overwhelming majority of consumers, 58 percent, noted they expected Hillary Clinton to win in November. Consumers were fairly evenly split as to which candidate would be best for their personal finances and which candidate would be best for the economy. The most common response to both questions was that it would make no difference. The large number of respondents stating that economic conditions would unlikely be meaningfully improved by either candidate might also explain why consumer confidence has had such a hard time breaking through the low nineties.

Consumers' assessment of current economic conditions rose 0.3 points in late July but remains 1.8 points below its June reading at 109.0. That level is roughly consistent with where the current conditions survey was near the top of the last cycle. The underlying details, however, are not as strong. The proportion of consumers stating that their finances improved over the past year fell 4 points in July to 45, while the number that stated they were unchanged rose by that same amount to 30. The biggest improvement over the past year is in the falling proportion of consumers that said their finances were worse than they were a year ago, which fell 1 point in July to 24 percent, which is the lowest proportion since the Great Recession.

There also seems to be some lingering anxiety hanging over the economy, which weighs on expectations and also makes it harder for current conditions to move any higher. The series that measure the proportion of consumers expecting the country to have continuous good times over the next 12 months fell 13 points in July to 91. With this index, the proportion of consumers stating that they expect bad times over the next 12 months rose 11 points in July to 47 percent, with the proportion actually worsening during the latter part of the month.



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