



Consumers Turned More Optimistic on Eve of Election

The University of Michigan's consumer sentiment survey showed optimism about the economy in November just a day before votes were cast.

By Tim Smart Nov. 8, 2024

Consumers were in a happy mood just prior to the election that saw a changing of the guard in Washington, the latest sentiment survey from the University of Michigan released Friday shows.

Although the survey responses for November concluded Monday, the day before Election Day, they suggest that Americans believed better times were ahead. Consumer sentiment posted its fourth consecutive increase, rising by 3.5% to its highest level in six months.

Expectations over personal finances climbed 6% in part due to strengthening income prospects, and short-run business conditions soared 9% in November," said Joanne Hsu, the Michigan survey director. "Long-run business conditions increased to its most favorable reading in nearly four years."

Sentiment is now 50% better than it was in June 2022 when inflation raged, but it still remains below pre-pandemic readings. Expectations for the future rose to their highest levels since July 2021. Inflation expectations dipped slightly in November, down to 2.6% for the next 12 months from 2.7% previously, but they edged up to 3.1% from 3%.

The report comes three days after Americans gave Donald Trump and the Republican Party a resounding victory as voters punished the Biden administration and Vice President Kamala Harris for the last three years of inflation and high living costs. The vote came even as the economy has remained strong and jobs plentiful.

The change in power in Washington poses a quandary for the Federal Reserve as it seeks a "recalibration" of interest rates that were hiked to levels not seen in two decades to combat inflation.

The Fed lowered rates by a quarter point on Thursday, with some analysts predicting another similar decrease in December. Beyond that, it remains unclear what the central bank will do given economic proposals that Trump campaigned on – including tariffs on

imported goods, more restrictive immigration and tax cuts – considered inflationary by many economists.

“Prior to the election, I felt confident policymakers would vote for another quarter-point cut in December,” said **Bernard Baumohl**, chief economist at the Economic Outlook Group. “But that now appears less likely.”

“The prospect of another reduction this year will depend on how stable inflation expectations remain in the weeks ahead,” he added. “Yet I foresee the winds of inflation picking up again next month in anticipation that Trump’s promises to expand tariffs, slash taxes and limit immigration will materialize in 2025.”

With control of the White House and the Senate, along with the possibility of keeping the House – the GOP will have the votes to enact many of Trump’s proposals. But what moves come first and how quickly even a compliant Congress will act is an open question as it will also be dealing with a host of new confirmations to various Cabinet posts. And Trump will not actually take office until late January. One move that came quickly Thursday was the announcement that Susie Wiles, a veteran political operative who managed Trump’s campaign, will be his chief of staff.

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