

---

# Making Sense of Consumer Confidence: IBD/TIPP Economic Optimism Index

---

August 2016

---



70 Hilltop Road, Suite 1001, Ramsey, NJ 07446  
Phone: 201.986.1288 | Fax: 201.986.0119  
[www.technometrica.com](http://www.technometrica.com)

# U.S. Consumer Sentiment Outlook

---

- Driven by a number of positive developments exhibited by the U.S. economy recently, such as lower gas prices and an improving labor market, Americans displayed more optimism regarding economic conditions in the country this month. The **Economic Optimism Index** for August grew by 2.9 points, or 6.4%, to attain a score of 48.4, its highest reading since May. In terms of demographics, six of the 21 groups that TechnoMetrica tracks each month posted Index scores in positive territory (above 50): Northeastern Americans, Midwestern Americans, those aged 18 to 24, 25 to 44 year olds, African Americans and Hispanic Americans, and Democratic voters.
- August's Index score surpassed each of its short and long-term averages, indicating that economic confidence among consumers will accelerate in the near future. The Index is 1.6 points above its 12-month average of 46.8, and outdoes its 3-month average (47.4) by one point. In addition, this month's Economic Optimism Index is 1.1 point above the 6-month average of 47.3.
- A variety of recent economic developments have contributed to this month's improvement in consumer confidence. For instance, as fears over the Brexit vote have waned, the stock market has recovered from heavy losses to reach record highs recently. In addition, consumers have been encouraged by indications of a strengthening labor market, due to recent jobs gains. The most recent jobs report revealed that the U.S. economy added 255,000 jobs in July, and wages grew by 2.6%, compared with 2.2% last year. Further, the average price of gasoline has been declining. According to statistics from the American Automobile Association (AAA), just in the past month, the national average has dropped from \$2.25 per gallon to \$2.12 per gallon.
- Americans' sentiment regarding the condition of the U.S. economy in the next six months improved sharply in August, as the **6-Month Economic Outlook** component gained eight points to register a score of 44.7. The component reading, the highest since June 2015, is 3.1 points above its 12-month average of 41.6, and three points greater than its 3-month average (41.7), which signals positive shift in momentum for the 6-Month Economic Outlook in the near future. Among demographics, Democratic voters, Millennials aged 18 to 24, and Northeastern Americans displayed the greatest optimism regarding economic conditions in the next six months.

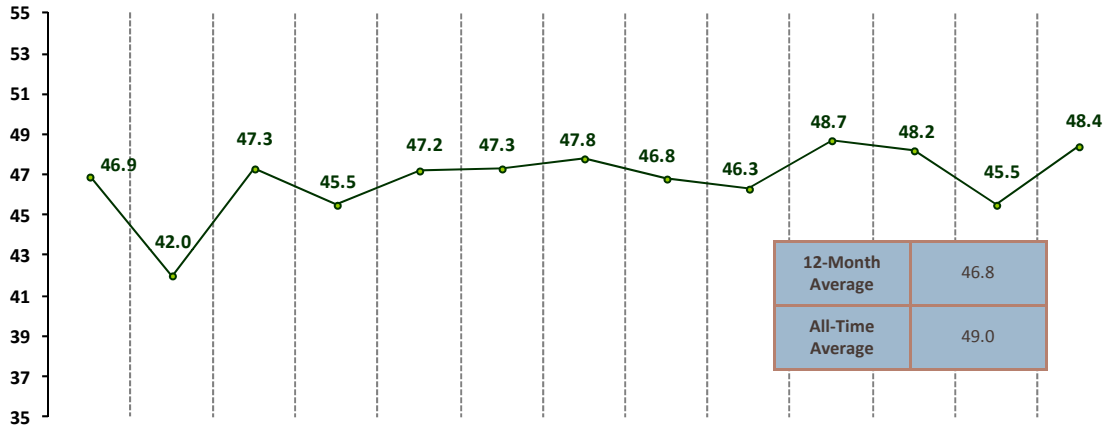
# U.S. Consumer Sentiment Outlook

---

- Besides displaying greater optimism for the overall economy, consumers have also shown increased confidence in the outlook for their personal finances this month. After posting two straight months of decline, the **Personal Financial Outlook** measure increased by 0.8 point in August, to a score of 58.0. This month's gain puts the component score above both its 12-month average (57.7) and 3-month average (57.6), suggesting that Americans' optimism concerning their outlook for their personal financial situation will remain strong. The demographic groups with the highest levels of confidence are African Americans and Hispanics, Americans between the ages of 18 and 24, and the 25 to 44 age group.
- For the second month in a row, Americans were slightly less satisfied with the federal government's economic policies, as the **Confidence in Federal Economic Policies** indicator declined by 0.2 point this month to attain a score of 42.5. However, because the indicator is 1.6 points greater than its 12-month average (40.9), we expect that confidence in the government's economic policies should improve among consumers. When comparing the segments' component scores with their respective 12-month averages, nearly every demographic groups displayed gains in confidence levels. Further, Democrats, consumers aged 18 to 24, and Black and Hispanic Americans represented the segments that conveyed the greatest satisfaction with the government's economic policies.
- As the U.S. labor market shows signs of improvement, and fears over the Brexit decision calm, financial stress among Americans eased somewhat in August. The **Financial Related Stress Index** declined by 0.6 point this month to a score of 56.5, marking the second straight month in which the Index has dropped. August's reading is nearly one-half of a point below its 12-month average, indicating that Americans' levels of stress regarding their personal finances may decelerate further in the coming months.
- Consumers held a more positive view about the current state of the U.S. economy in July. The share of Americans who believe that the U.S. economy is no longer in a recession grew by four points to a rate of 59%, while the percentage of consumers who say that the economy is in a recession declined one point, to 37%. At the same time, however, nearly half of Americans (49%) think that the economy is not improving, possibly due to concerns over the nation's slow rate of economic growth

# Economic Optimism Index Trends Over 13 Months

Americans' confidence in the overall U.S. economy brightened in August, as recent positive developments indicate a strengthening economy. After losing ground last month due to fears over the Brexit vote, the **Economic Optimism Index** grew by 2.9 points, or 6.4%, in August to attain a score of 48.4. A number of economic factors have contributed to the improvement in Americans' sentiment regarding the U.S. economy, including steady jobs growth, lower gas prices, and recent gains in the stock market. We anticipate that, in the months ahead, economic confidence among Americans will continue to accelerate, as the Index is above all three of its monthly averages.



<b>Highest Score</b>	March 2002	62.9
<b>Lowest Score</b>	August 2011	35.8

<b>12-Month Average</b>	46.8
<b>All-Time Average</b>	49.0

	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	16-Jul	16-Aug
<b>Economic Optimism</b>	46.9	42.0	47.3	45.5	47.2	47.3	47.8	46.8	46.3	48.7	48.2	45.5	48.4

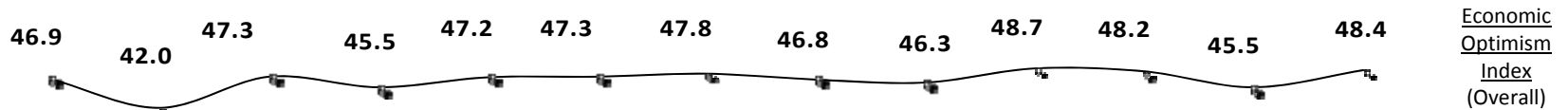
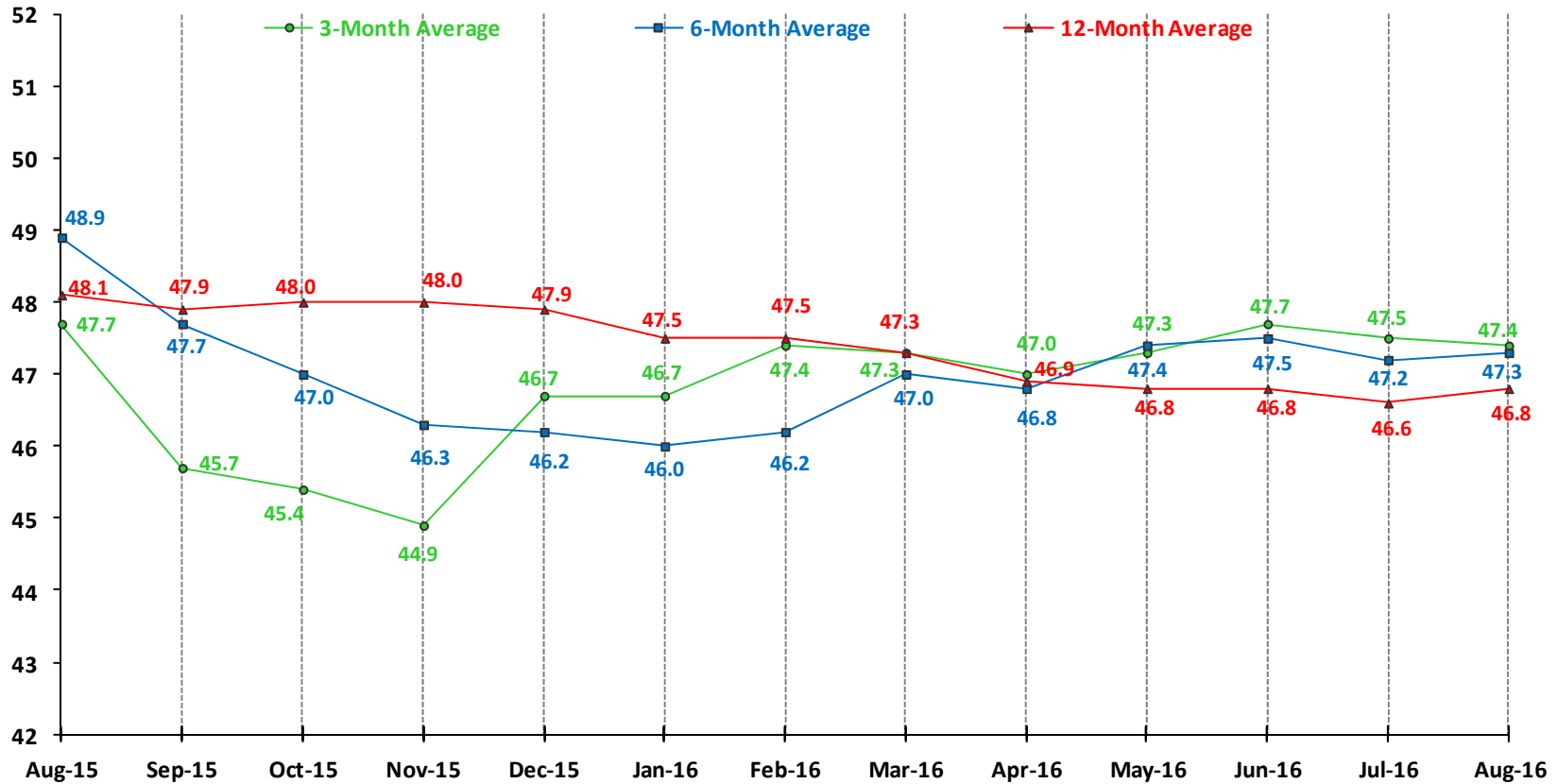
Demographic Groups	Index (Aug 2016)	12-Month Average
<b>Region</b>		
Northeast	50.2	48.5
Midwest	50.3	46.2
South	47.5	46.4
West	46.6	46.4
<b>Age</b>		
18-24	55.8	54.4
25-44	50.3	50.1
45-64	44.6	44.2
65+	44.6	41.7
<b>Gender</b>		
Male	47.3	46.0
Female	49.4	47.5
<b>Race</b>		
White	46.2	43.9
Black/Hispanic	55.3	56.9

Demographic Groups	Index (Aug 2016)	12-Month Average
<b>Income</b>		
Under \$30K	49.0	47.9
\$30K-\$50K	48.4	46.3
\$50K-\$75K	46.9	46.7
\$75K+	49.3	47.4
<b>Investing</b>		
Investors	48.7	46.6
Non-Investors	48.7	47.2
<b>Political Party</b>		
Democrats	59.3	59.0
Republicans	37.8	35.4
Independents	46.9	44.4

\*Note: An Index reading above 50 indicates optimism, while an Index reading below 50 indicates pessimism. A reading of 50 is neutral.

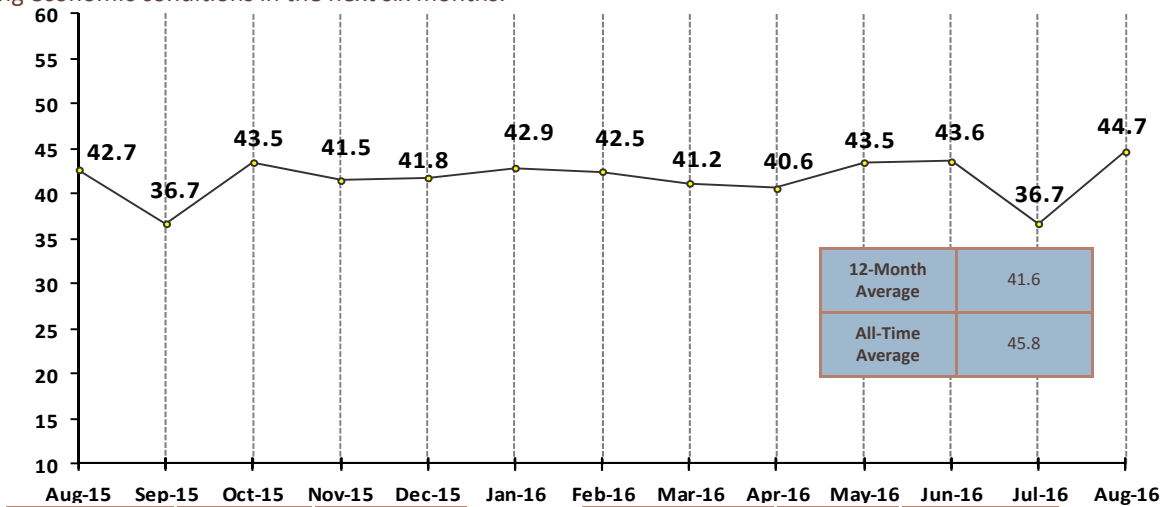


# Economic Optimism Index Averages



# 6-Month Economic Outlook Tracking

In August, Americans' displayed increased optimism regarding the outlook for economic conditions in the next six months. The **6-Month Economic Outlook** component registered its highest reading since June 2015 this month, gaining 8 points to reach a score of 44.7. The component reading is 3.1 points above its 12-month average of 41.6, indicating a positive shift in momentum for the 6-Month Economic Outlook in the near future. In terms of demographics, Democratic voters, Millennials aged 18 to 24, and Northeastern Americans displayed the greatest optimism regarding economic conditions in the next six months.



<b>Highest Score</b>	March 2002	64.8
<b>Lowest Score</b>	September 2005	29.0

<b>12-Month Average</b>	41.6
<b>All-Time Average</b>	45.8

Demographic Groups	Index (Aug 2016)	12-Month Average
<b>Region</b>		
Northeast	50.1	45.2
Midwest	48.6	41.1
South	42.3	40.3
West	40.8	41.5
<b>Age</b>		
18-24	50.8	45.5
25-44	44.3	43.0
45-64	41.1	40.0
65+	44.4	39.7
<b>Gender</b>		
Male	44.8	41.5
Female	44.6	41.7
<b>Race</b>		
White	43.2	39.4
Black/Hispanic	49.8	49.6

Demographic Groups	Index (Aug 2016)	12-Month Average
<b>Income</b>		
Under \$30K	42.7	43.1
\$30K-\$50K	45.2	40.2
\$50K-\$75K	40.2	40.6
\$75K+	46.8	42.2
<b>Investing</b>		
Investors	45.2	41.7
Non-Investors	43.9	41.6
<b>Political Party</b>		
Democrats	54.7	53.7
Republicans	35.1	30.9
Independents	43.1	38.9

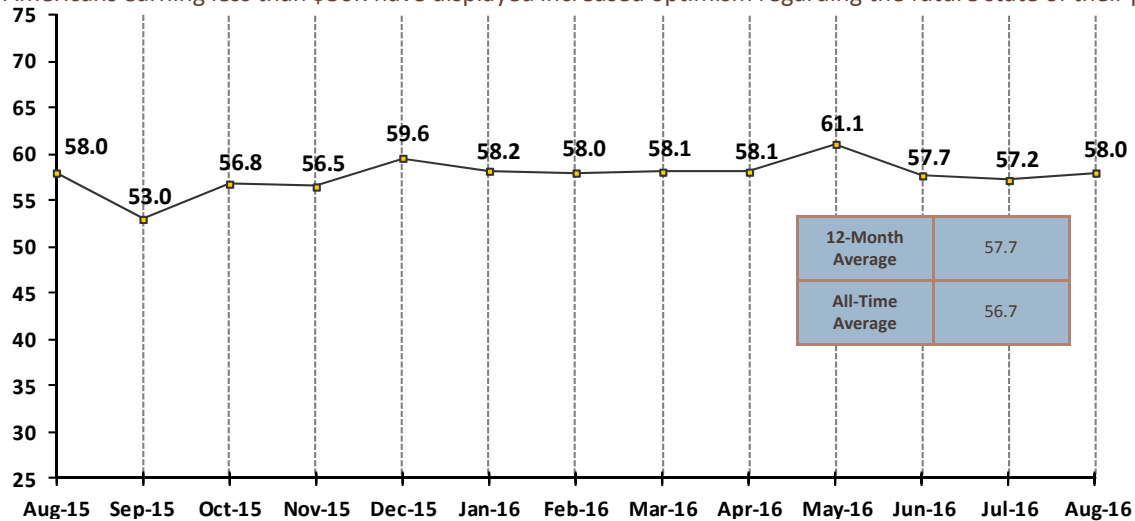
\*Note: An Index reading above 50 indicates optimism, while an Index reading below 50 indicates pessimism. A reading of 50 is neutral.

Q5. In the NEXT 6 MONTHS, do you think that ECONOMIC CONDITIONS in the country will be better, worse, or about the same as now?



# Personal Financial Outlook Tracking

Consumers continue to exhibit high levels of confidence regarding the outlook for their personal finances, as the **Personal Financial Outlook** measure increased by 0.8 point in August, to a score of 58.0. This month's increase puts the component score above its 12-month average of 57.7, suggesting that Americans' optimism concerning their outlook for their personal financial situation will remain strong. While African Americans and Hispanics, Americans between the ages of 18 and 24, and those aged 25 to 44 represent the groups with the highest levels of confidence, Republicans and Americans earning less than \$30K have displayed increased optimism regarding the future state of their personal finances.



<b>Highest Score</b>	January 2004	65.3
<b>Lowest Score</b>	August 2011	46.8

<b>12-Month Average</b>	57.7
<b>All-Time Average</b>	56.7

Demographic Groups	Index (Aug 2016)	12-Month Average
<b>Region</b>		
Northeast	55.5	57.1
Midwest	58.3	57.3
South	59.4	58.5
West	57.3	57.2
<b>Age</b>		
18-24	65.4	69.7
25-44	62.7	64.1
45-64	53.8	54.1
65+	49.7	47.3
<b>Gender</b>		
Male	58.4	58.2
Female	57.6	57.2
<b>Race</b>		
White	54.6	54.8
Black/Hispanic	67.0	67.7
<b>Income</b>		
Under \$30K	60.5	58.4
\$30K-\$50K	58.3	57.7
\$50K-\$75K	59.4	58.7
\$75K+	57.1	58.6
<b>Investing</b>		
Investors	57.9	56.5
Non-Investors	58.9	59.4
<b>Political Party</b>		
Democrats	61.1	63.7
Republicans	53.4	50.7
Independents	58.7	57.8

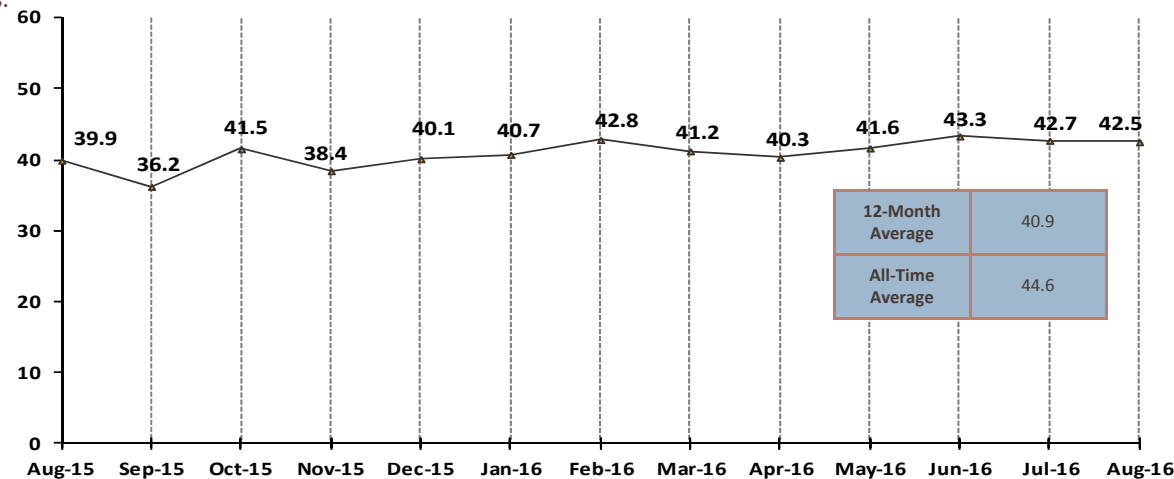
\*Note: An Index reading above 50 indicates optimism, while an Index reading below 50 indicates pessimism. A reading of 50 is neutral.



Q6. In the NEXT 6 MONTHS, do you think that YOUR PERSONAL FINANCIAL SITUATION will be better, worse, or about the same as now?

# Federal Economic Policies Confidence Tracking

This month, Americans were slightly less satisfied with the federal government’s economic policies, as the **Confidence in Federal Economic Policies** indicator declined by 0.2 point to attain a score of 42.5. At the same time, because the indicator beats its 12-month average by 1.6 points, we expect that confidence in the government’s economic policies should improve among consumers. Regarding demographics, when comparing the segments’ component scores with their respective 12-month averages, nearly every demographic groups showed a growth in confidence levels. Further, Democrats, consumers aged 18 to 24, and Black and Hispanic displayed the greatest satisfaction with the government’s economic policies.



<b>Highest Score</b>	October 2001	70.2
<b>Lowest Score</b>	August 2011	28.8

<b>12-Month Average</b>	40.9
<b>All-Time Average</b>	44.6

Demographic Groups	Index (Aug 2016)	12-Month Average
<b>Region</b>		
Northeast	45.0	43.2
Midwest	44.1	40.2
South	40.9	40.4
West	41.6	40.6
<b>Age</b>		
18-24	51.1	47.9
25-44	43.9	43.2
45-64	38.8	38.4
65+	39.7	38.0
<b>Gender</b>		
Male	38.7	38.2
Female	46.1	43.4
<b>Race</b>		
White	40.8	37.6
Black/Hispanic	49.0	53.4

Demographic Groups	Index (Aug 2016)	12-Month Average
<b>Income</b>		
Under \$30K	43.9	42.4
\$30K-\$50K	41.8	41.0
\$50K-\$75K	41.2	40.8
\$75K+	44.1	41.3
<b>Investing</b>		
Investors	43.0	41.6
Non-Investors	43.3	40.6
<b>Political Party</b>		
Democrats	62.1	59.7
Republicans	24.9	24.7
Independents	38.9	36.6

\*Note: An Index reading above 50 indicates optimism, while an Index reading below 50 indicates pessimism. A reading of 50 is neutral.

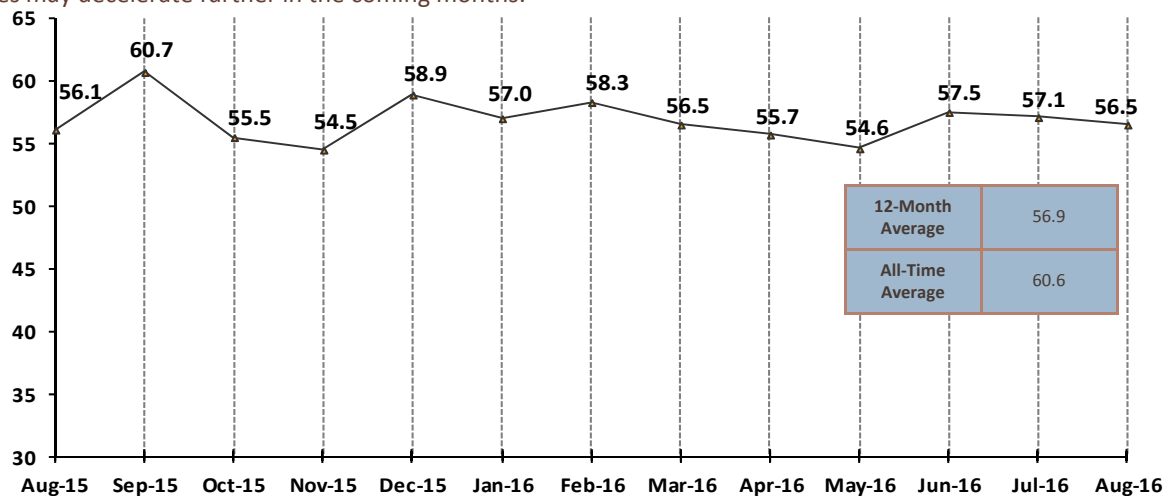


Q7. How SATISFIED are you with the current FEDERAL ECONOMIC POLICIES meant to keep the economy going in the right direction?



# Financial-Related Stress Index Tracking

As Brexit fears wane, financial stress among Americans eased somewhat in August, due primarily to lower gas prices, recent gains in the stock market, and signs of improvement in the U.S. labor market. The **Financial Related Stress Index** declined by 0.6 point this month to a score of 56.5. Although Americans continue to display relatively high levels of stress regarding their personal finances, August marked the second straight month in which the Index has dropped. In addition, the reading is nearly one-half of a point below its 12-month average, suggesting that Americans' levels of stress regarding their personal finances may decelerate further in the coming months.



<b>Highest Score</b>	October 2008	74.0
<b>Lowest Score</b>	May 2015	54.0

<b>12-Month Average</b>	56.9
<b>All-Time Average</b>	60.6

Demographic Groups	Index (Aug 2016)	12-Month Average
<b>Region</b>		
Northeast	59.1	58.0
Midwest	56.8	56.2
South	56.0	57.2
West	54.9	56.3
<b>Age</b>		
18-24	48.3	53.4
25-44	56.4	55.5
45-64	58.4	58.7
65+	58.0	57.8
<b>Gender</b>		
Male	56.2	57.0
Female	56.8	56.9
<b>Race</b>		
White	58.2	58.7
Black/Hispanic	52.6	49.8

Demographic Groups	Index (Aug 2016)	12-Month Average
<b>Income</b>		
Under \$30K	60.8	60.1
\$30K-\$50K	57.3	57.5
\$50K-\$75K	52.5	55.3
\$75K+	54.8	54.6
<b>Investing</b>		
Investors	54.9	55.3
Non-Investors	57.0	58.2
<b>Political Party</b>		
Democrats	49.8	49.8
Republicans	62.2	63.3
Independents	57.9	58.0

**Important**

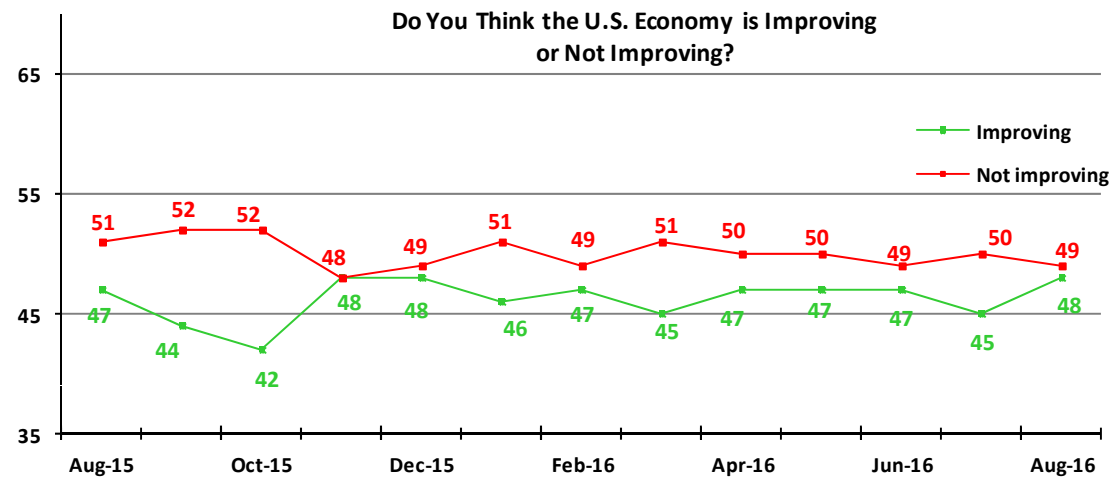
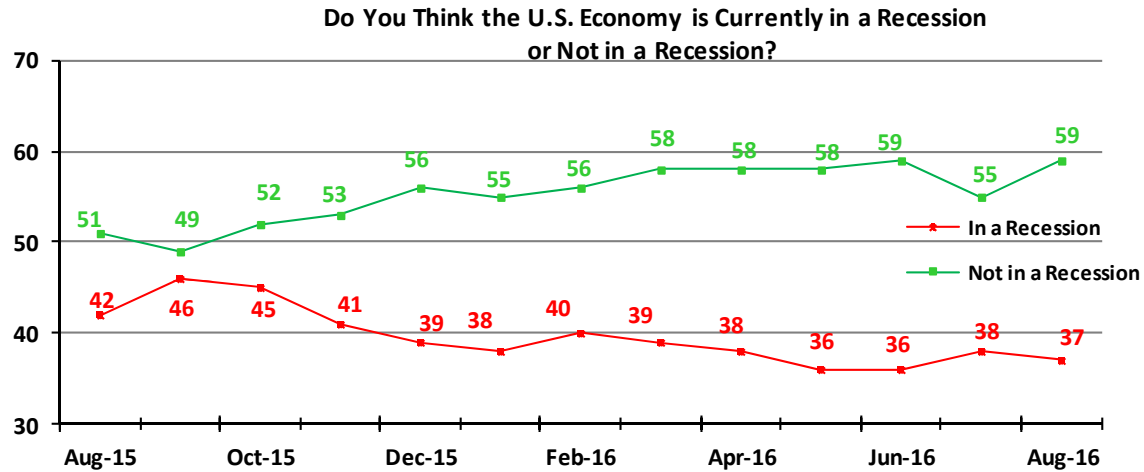
\*Note: An Index reading above 50 indicates more stress, while an Index reading below 50 indicates less stress. A reading of 50 is neutral.



Q11. Thinking of your personal finances, compared to the past three months, do you feel MORE stressed these days, LESS stressed these days, or feel the same level of stress?

# Sentiment Regarding Current Economic Conditions

Although consumers hold a more positive view of current economic conditions in the country, nearly half of Americans (49%) believe that the U.S. economy is not improving, possibly due to concerns over the nation's slow rate of economic growth. On the other hand, close to three in five consumers (59%) do not think that the economy is currently in a recession, an increase of four points from July.



# Project Background

---

- Since February 2001, in order to gauge Americans' sentiment regarding the nation's current economic and political state of affairs, TIPP has produced three highly regarded and anticipated readings – the Economic Optimism Index (EOI), the Presidential Leadership Index (PLI), and the National Outlook Index (NOI).
- In this report, we provide a detailed analysis of the three Index readings and how they have performed over the past 12 months, with special focus given to the Economic Optimism Index.
- Our Economic Optimism Index represents the earliest take on consumer confidence each month and has a proven track record in foreshadowing the confidence indicators published later each month in surveys by The University of Michigan and The Conference Board.
- The Economic Optimism Index is comprised of three key components:
  - The **Six-Month Economic Outlook** measures consumer sentiment regarding the state of the U.S. economy in the near future.
  - The **Personal Financial Outlook** provides insight into how Americans foresee their own financial situation in the next six months.
  - The Confidence in **Federal Economic Policies** component assesses Americans' views on the effectiveness of the government's current economic policies.
- We monitor the indexes for 21 demographic categories such as gender, age, race, region, party affiliation, and income.
- Further, through the development of the Financial-Related Stress index, our survey also measures the levels of stress that Americans have displayed in regards to their personal finances.
- Each month, TechnoMetrica uses a monthly Random Digit Dial (RDD) telephone survey to collect the survey data, with a sample size of approximately 900 respondents. The margin of error is +/- 3.2 percentage points. The most recent survey was conducted between July 29<sup>th</sup> and August 4<sup>th</sup>, 2016.

# About TechnoMetrica and TIPP

---

- TechnoMetrica is a full-service Market Research consultancy that helps businesses identify, develop and capitalize on growth opportunities. In every project we undertake, TechnoMetrica is passionately committed to spotting trends and synthesizing insights that are well-defined, accurate, and forward-thinking is our passion.
- Since our founding in 1992, our mission has been to provide clients with the most effective and innovative research solutions, through the development of customized study designs that best answer your research objectives.
- TechnoMetrica founded TIPP (TechnoMetrica Institute of Policy and Politics), our firm's public opinion research division, in 1996. Each month, TIPP publishes and tracks a series of national indicators for consumer confidence based on a national survey of 900 adults.
- TIPP publishes the following metrics for the country each month:
  - Six-month economic outlook
  - Personal financial outlook
  - Federal economic policies
  - Economic optimism
  - Financial-related stress index
  - Quality of life
  - Standing in the world
  - Presidential leadership
  - Direction of the country
- TIPP works in conjunction with *Investor's Business Daily*, its media partner, to bring these indices and their implications to the public.
- **Contact:** Raghavan Mayur  
Address: 70 Hilltop Road, Suite 1001  
Ramsey, NJ 07446  
Phone: 800-328-TECH (8324)  
201-986-1288  
Fax: 201-986-0119  
Email: [mayur@technometrica.com](mailto:mayur@technometrica.com)

