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Rise in Consumer Sentiment Bodes Well for Trump's Reelection

Once again, U.S. consumers have surprised forecasters with their resiliency and positive economic outlook. Polls of economists showed them expecting consumer sentiment, according to the Consumer Sentiment Index published by the University of Michigan every month, to drop to 92 in October from September's 93.2. Instead, consumers' positive outlook [rose to 96](#).



Forecasters continue to be flummoxed with their penchant for looking out the rear-view mirror. In August, the index dropped to nearly a three-year low of 89.8 and naturally many thought this a harbinger of collapsing consumer sentiment. Accordingly, they expected just a modest rebound to 92 for October.

Not only did the index exceed their predictions, the consumers' current outlook ("economic conditions index") jumped to 113.4 in October from 108.5 in September, while their expectations for the future also were higher.

A week earlier the university published a study comparing consumer sentiment and presidential elections going back to 1952 (the start of the Eisenhower administration). According to Director Richard Curtis, "The data indicate that most incumbents won reelection near cyclical peaks in confidence; when confidence was near cyclical troughs, the winning candidate was usually from the opposite party that last held the presidency.... There is no question that the near fifty year low in unemployment, the modest gains in personal income, and persistently low inflation have in the past favored incumbents."

If past patterns remain true to form, the economy is likely to reelect the president in 2020. Add in the improving chances for a trade agreement with China, the increasing likelihood of lower tariffs as a result, and the Trump administration's continued determination to reduce excess government regulation and red tape (not to mention rumors of additional tax cuts), and the U.S. consumer is likely to continue to outperform the economic forecasters for the foreseeable future. And reelect the president along the way.

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