



Subject: Confidence in Financial Institutions
From: Joanne Hsu, PhD, Director

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Confidence in financial institutions is critical for ensuring financial and economic stability, as well as the success of monetary policies. The Surveys of Consumers have monitored consumer confidence in various financial institutions for over thirty years. The questions were initiated after Black Monday in 1987, when stock markets plunged sharply. Additional measurements were taken during the Great Recession and periodically thereafter. The latest data were collected this year following the banking turmoil that began with the failure of Silicon Valley Bank and the extraordinary policy measures taken by the Federal Reserve, Treasury, and the FDIC to limit the impact on the wider economy. Interviews were conducted between March 29th, about two weeks after the collapse of SVB and four days after the Federal Reserve announced a 25 basis point rate hike, and April 24th.

Net change in confidence in commercial banks, unsurprisingly, plummeted since last fall (Table 1), a consequence of the recent well-publicized failures of SVB and other banks. Note, though, that the survey grouped all commercial banks together and did not distinguish between large and medium-sized or regional institutions. In contrast, confidence in the Federal Reserve fell only slightly, though it remains quite low overall. The decline was much more modest compared with the general downward trend in confidence in all institution types since 2019. Note that any differences in confidence in the Fed between 2022 and 2023 are likely attributable not only to its response to bank failures but also its ongoing policies addressing high inflation.

Table 1: Net Change in Confidence in Financial Institutions: Balance Scores (% More - % Less)

Confidence Compared with	Nov/Dec	Apr	Oct/Nov	Sep/Oct	Oct/Nov	Oct/Nov	Jan/Feb	Nov/Dec	Sep/Oct	Sep/Oct	Aug/Sep	Apr
Five Years Ago	1987	1991	2008	2009	2010	2011	2015	2017	2019	2021	2022	2023
Federal Reserve	-10	-18	-50	-37	-40	-53	-26	-26	-23	-35	-41	-44
Commercial Banks	-13	-29	-59	-59	-49	-57	-19	-24	-13	-21	-22	-48
Brokerage & Mutual Funds	-29	-21	-63	-55	-50	-49	-16	-17	-14	-14	-23	-29
Credit Unions	8	2	-7	1	6	15	22	22	22	15	7	-2
Insurance Companies	-15	-33	-45	-40	-34	-29	-22	-33	-26	-26	-29	-34

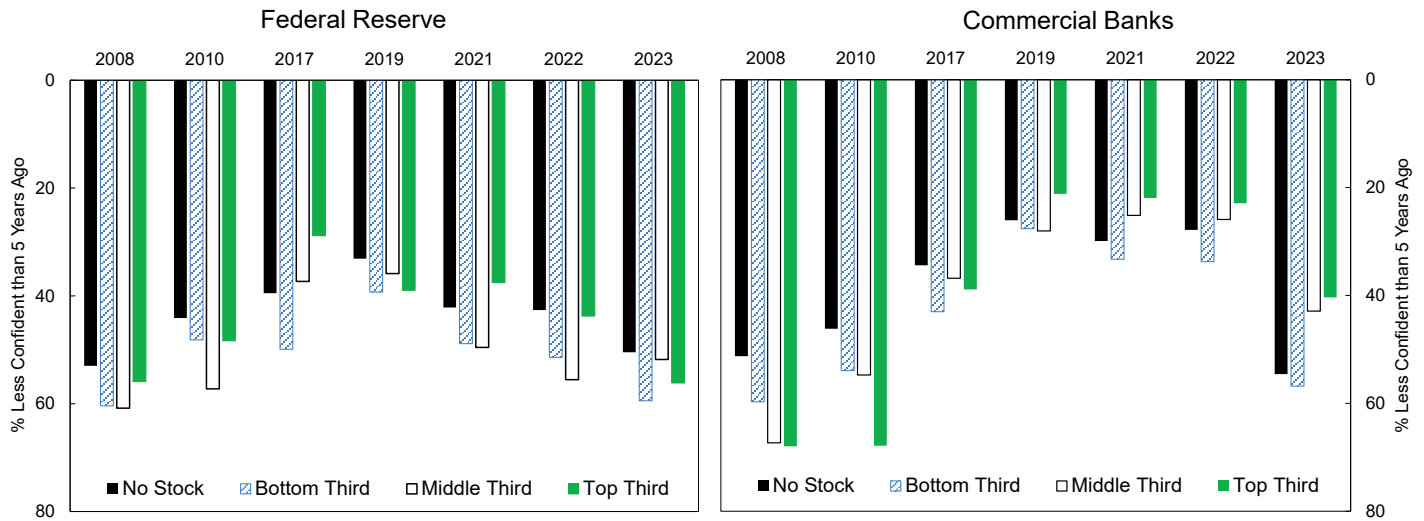
The next few questions are about the trust and confidence people have in this country's financial institutions. What about <financial institution> – compared with five years ago, do you have a lot more confidence now, a little more confidence now, a little less confidence now, or has your confidence in <financial institution> remained about the same?

The fact that only commercial banks experienced a strong loss in confidence, while other institutions saw modest declines, is consistent with recent trends in consumer sentiment, which was not measurably affected by March’s financial turbulence. Overall, consumer expectations for the economy are consistently more favorable for those who express more confidence in the Fed, and less favorable for those expressing less confidence, but this gap has varied over time (Table 2). The gap was little changed from 2022; while less than the all-time high 54 point wedge from 2021, the gap is still high from a historical standpoint. With the usual assumption that a high level of confidence in the Fed would be associated with more favorable prospects for the national economy, consumer views suggest the policy response to the banking sector turbulence has not amplified the existing headwinds for the overall economic outlook.

Table 2: Change in Confidence in the Federal Reserve, 1987 - 2023

Confidence Compared with	Nov/Dec	Apr	Oct/Nov	Sep/Oct	Oct/Nov	Oct/Nov	Jan/Feb	Nov/Dec	Sep/Oct	Sep/Oct	Aug/Sep	Apr
Five Years Ago	1987	1991	2008	2009	2010	2011	2015	2017	2019	2021	2022	2023
More confident now	9	7	7	12	9	6	15	12	13	10	8	9
Same	67	63	33	38	40	33	42	47	49	43	39	34
Less confident now	19	25	57	49	49	59	41	38	36	45	49	53
DK/NA	5	5	3	1	2	2	2	3	2	2	4	4
Total (%)	100	100	100	100	100	100	100	100	100	100	100	100
Cases	1001	501	1008	1001	1017	1004	1011	1210	1251	1216	1203	601
Addenda	Index of Consumer Expectations: Differences in Index Points from corresponding full sample means											
More Confident in Fed	18.6	10.7	22.1	26.5	14.7	10.9	20.1	17.1	8.4	32.5	24.8	26.9
Less Confident in Fed	-15.1	-14.0	-5.7	-12.9	-10.5	-6.2	-20.0	-10.0	-8.9	-21.7	-15.0	-15.4
Difference	33.7	24.7	27.8	39.4	25.2	17.1	40.1	27.1	17.3	54.2	39.8	42.3

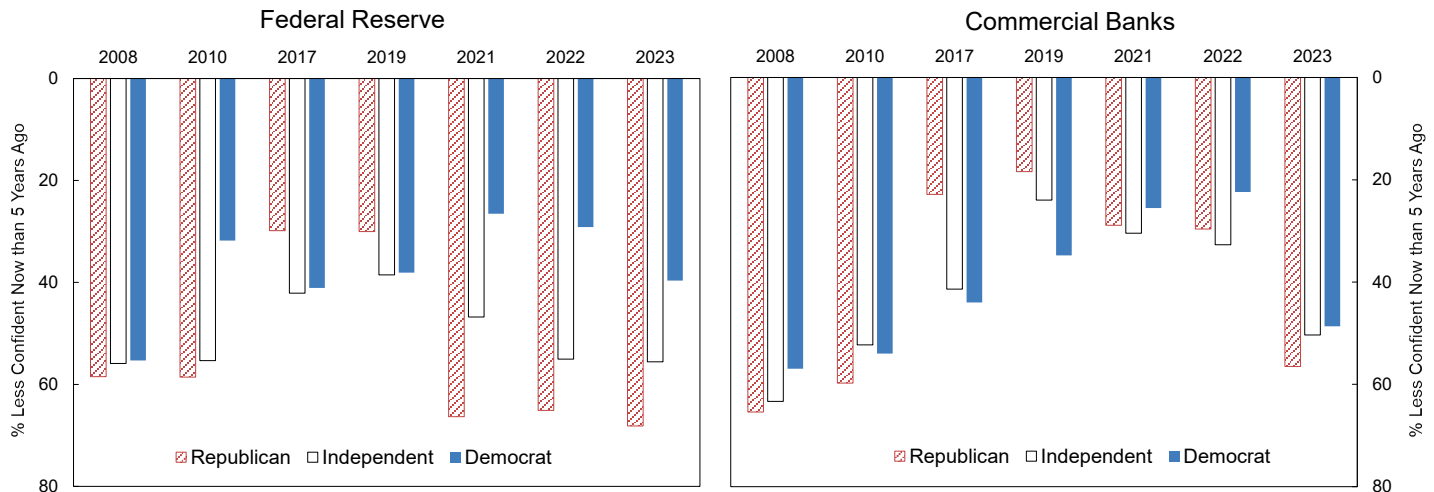
Figure 1: % Less Confident in Financial Institutions, by Terciles of Stock Holding



Reactions to financial market developments have historically varied depending on consumers’ portfolio exposure to those developments. Figure 1 displays the share of consumers reporting less confidence in the Fed and commercial banks, split by tercile of stock holdings. As seen on the right panel, consumers with the largest holdings of stocks lost more confidence in commercial banks than other groups in 2008, during the Global Financial Crisis. However, this year, consumers with little or no stock holdings at all lost the most confidence in commercial banks. Of course, the nature of financial market developments this year are completely different than during the GFC. The possible loss of deposits is salient for a much broader swath of the population, while risky assets are less widely held. Indeed, those with higher stock wealth have fewer concerns about commercial banks. Still, the dramatic plunge in confidence in banks is striking; the share of these consumers with little or no stock wealth reporting declining confidence in banks doubled since 2022, and those in the middle and top third of stock wealth declined in confidence as well, albeit to a lesser extent.

In contrast, for the Federal Reserve (Figure 1 left panel), there are few differences in confidence across stock holdings. Meanwhile, some groups even saw improvements in confidence in the Federal Reserve between 2022 and 2023, such as those in the middle tercile of stock holdings, older consumers and middle-income consumers (Table 3a), though on net their views of the Fed are still negative. The most striking heterogeneity in confidence in the Fed is along political lines

Figure 2: % Less Confidence in Financial Institutions, by Political Affiliation





(Figure 2 left panel), continuing historical trends over the last 13 years. In 2008, Republicans and Democrats had similarly negative views of their confidence in the Federal Reserve. During the Obama administration, a partisan gap in confidence emerged with Democrats expressing more positive views than Republicans, and vice versa in 2017 and 2019 during the Trump presidency. Under Biden, Republicans' views of the Fed were considerably more negative than that of Democrats. In 2021, the absolute value of the partisan gap reached an all time high, with few changes in confidence a year later in 2022. The partisan gap slightly narrowed in 2023, primarily due to further deterioration in confidence among Democrats, with little change for Republicans and independents.

The right panel of Figure 2 shows that with the exceptions of 2017 and 2019 when confidence among Republicans improved, partisan gaps in confidence in commercial banks have been negligible. Republicans, Democrats, and independents were all in agreement and lost substantial confidence in commercial banks this year.

Differences in net confidence for each institution type by age, income, and stock holdings are shown in Tables 3a through 3e below. Younger people lost more confidence than older consumers, for both the Fed and commercial banks.

	Nov/Dec 1987	Apr 1991	Oct/Nov 2008	Sep/Oct 2009	Oct/Nov 2010	Oct/Nov 2011	Jan/Feb 2015	Nov/Dec 2017	Sep/Oct 2019	Sep/Oct 2021	Aug/Sep 2022	Apr 2023
All	-10	-18	-50	-37	-40	-53	-26	-26	-23	-35	-41	-44
Age												
18 - 34	-5	-13	-48	-43	-40	-64	-28	-30	-20	-34	-30	-43
35 - 54	-11	-23	-52	-37	-46	-56	-26	-26	-27	-39	-42	-46
55 or older	-13	-17	-46	-37	-35	-49	-25	-24	-22	-34	-47	-44
Household Income												
Bottom third	-8	-9	-48	-30	-35	-51	-18	-30	-21	-39	-35	-41
Middle third	-13	-18	-50	-36	-47	-53	-29	-34	-25	-38	-49	-46
Top third	-10	-24	-51	-43	-38	-55	-27	-15	-22	-29	-42	-48
Stock Holdings												
Does not own	--	--	-46	-31	-37	-51	-25	-28	-21	-33	-31	-41
Bottom third	--	--	-54	-41	-39	-58	-33	-41	-27	-39	-44	-52
Middle third	--	--	-53	-37	-47	-64	-20	-24	-21	-44	-49	-40
Top third	--	--	-48	-44	-39	-41	-20	-12	-25	-23	-38	-48

Table 3b: Net Change in Confidence in COMMERCIAL BANKS: Balance Scores (% More - % Less)

	Nov/Dec 1987	Apr 1991	Oct/Nov 2008	Sep/Oct 2009	Oct/Nov 2010	Oct/Nov 2011	Jan/Feb 2015	Nov/Dec 2017	Sep/Oct 2019	Sep/Oct 2021	Aug/Sep 2022	Apr 2023
All	-13	-29	-59	-59	-49	-57	-19	-24	-13	-21	-22	-48
Age												
18 - 34	-7	-23	-56	-50	-34	-55	-5	-25	-16	-16	-16	-49
35 - 54	-17	-29	-60	-59	-52	-56	-18	-20	-9	-24	-24	-44
55 or older	-16	-32	-58	-62	-51	-57	-27	-26	-15	-22	-22	-49
Household Income												
Bottom third	-10	-25	-48	-52	-42	-48	-18	-26	-14	-25	-23	-49
Middle third	-12	-24	-57	-53	-58	-60	-22	-22	-14	-25	-24	-47
Top third	-19	-34	-69	-72	-51	-63	-18	-23	-12	-17	-17	-48
Stock Holdings												
Does not own	--	--	-48	-50	-39	-47	-16	-23	-13	-24	-18	-51
Bottom third	--	--	-58	-47	-49	-70	-26	-32	-13	-27	-29	-54
Middle third	--	--	-65	-68	-49	-55	-16	-21	-17	-17	-20	-42
Top third	--	--	-66	-74	-63	-62	-18	-22	-7	-14	-17	-38

Table 3c: Net Change in Confidence in BROKERAGES & MUTUAL FUNDS: Balance Scores (% More - % Less)

	Nov/Dec 1987	Apr 1991	Oct/Nov 2008	Sep/Oct 2009	Oct/Nov 2010	Oct/Nov 2011	Jan/Feb 2015	Nov/Dec 2017	Sep/Oct 2019	Sep/Oct 2021	Aug/Sep 2022	Apr 2023
All	-29	-21	-63	-55	-50	-49	-16	-17	-14	-14	-23	-29
Age												
18 - 34	-21	-17	-58	-62	-48	-47	-4	-10	-1	-9	-18	-14
35 - 54	-35	-24	-67	-56	-57	-53	-20	-17	-20	-17	-24	-33
55 or older	-31	-22	-60	-53	-44	-45	-19	-20	-14	-15	-26	-34
Household Income												
Bottom third	-19	-11	-45	-44	-44	-42	-14	-19	-17	-24	-21	-35
Middle third	-28	-20	-65	-56	-51	-48	-14	-19	-10	-13	-28	-28
Top third	-40	-33	-75	-67	-53	-53	-19	-12	-13	-7	-21	-24
Stock Holdings												
Does not own	--	--	-50	-50	-47	-40	-21	-26	-22	-26	-21	-34
Bottom third	--	--	-66	-64	-50	-57	-13	-17	-6	-16	-28	-30
Middle third	--	--	-71	-58	-54	-59	-12	-13	-7	-16	-23	-29
Top third	--	--	-69	-62	-47	-46	-9	-9	-9	7	-19	-28

Table 3d: Net Change in Confidence in CREDIT UNIONS: Balance Scores (% More - % Less)

	Nov/Dec 1987	Apr 1991	Oct/Nov 2008	Sep/Oct 2009	Oct/Nov 2010	Oct/Nov 2011	Jan/Feb 2015	Nov/Dec 2017	Sep/Oct 2019	Sep/Oct 2021	Aug/Sep 2022	Apr 2023
All	8	2	-7	1	6	15	22	22	22	15	7	-2
Age												
18 - 34	17	2	-12	-4	8	-1	30	23	25	13	7	-4
35 - 54	8	3	-5	3	5	22	23	29	19	17	9	-2
55 or older	0	0	-8	2	5	12	17	17	22	15	8	-2
Household Income												
Bottom third	8	3	-17	-1	-1	9	19	14	20	9	7	-17
Middle third	8	6	-1	7	12	22	30	30	26	19	8	4
Top third	9	-4	-3	1	6	14	22	27	20	17	10	7
Stock Holdings												
Does not own	--	--	-17	-2	-4	9	17	10	17	8	5	-15
Bottom third	--	--	-4	4	6	14	29	37	24	23	9	-4
Middle third	--	--	6	0	10	26	37	27	23	20	19	13
Top third	--	--	-9	5	11	14	16	21	24	18	4	10

Table 3e: Net Change in Confidence in INSURANCE COMPANIES: Balance Scores (% More - % Less)

	Nov/Dec 1987	Apr 1991	Oct/Nov 2008	Sep/Oct 2009	Oct/Nov 2010	Oct/Nov 2011	Jan/Feb 2015	Nov/Dec 2017	Sep/Oct 2019	Sep/Oct 2021	Aug/Sep 2022	Apr 2023
All	-15	-33	-45	-40	-34	-29	-22	-33	-26	-26	-29	-34
Age												
18 - 34	-13	-35	-36	-25	-20	-18	-12	-26	-25	-19	-17	-32
35 - 54	-18	-32	-51	-42	-42	-35	-28	-34	-24	-33	-30	-28
55 or older	-14	-32	-42	-43	-31	-26	-23	-36	-28	-24	-35	-38
Household Income												
Bottom third	-7	-22	-39	-27	-27	-20	-12	-34	-23	-24	-24	-38
Middle third	-17	-43	-44	-42	-42	-27	-26	-35	-28	-30	-31	-30
Top third	-19	-32	-51	-51	-33	-40	-27	-30	-26	-26	-34	-33
Stock Holdings												
Does not own	--	--	-40	-27	-30	-21	-13	-33	-27	-23	-20	-41
Bottom third	--	--	-45	-38	-32	-30	-29	-43	-20	-28	-36	-32
Middle third	--	--	-46	-45	-39	-36	-30	-32	-23	-30	-33	-36
Top third	--	--	-53	-60	-33	-33	-26	-28	-27	-23	-35	-27