

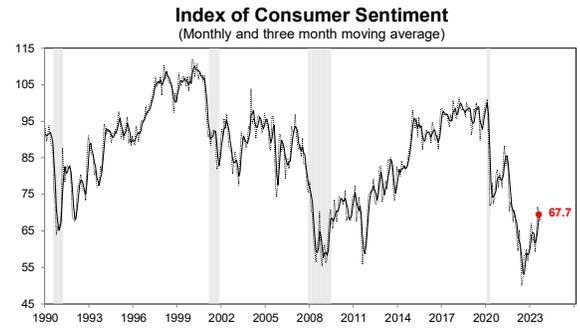


**Preliminary results from the September 2023 survey**

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Consumer sentiment inched down a scant 1.8 index points this month and has been essentially flat for the past two months. At 67.7 points, sentiment is currently about 35% above the all-time historic low reached in June of 2022 but remains shy of the historical average reading of 86. Sentiment this month was characterized by divergent movements across index components and across demographic groups with little net change from last month. Notably, though, both short-run and long-run expectations for economic conditions improved modestly this month, though on net consumers remain relatively tentative about the trajectory of the economy. So far, few consumers mentioned the potential federal government shutdown, but if the shutdown comes to bear, consumer views on the economy will likely slide, as was the case just a few months ago when the debt ceiling neared a breach.



Throughout the survey, consumers have taken note of the stalling slowdown in inflation. Buying conditions for durables, which have been particularly volatile over the past year, tumbled nearly 11% from last month to June 2023 levels, with consumers citing both high prices and interest rates. Relative to last month, a higher share mentioned high prices for poor buying conditions for durables and vehicles, as well as the erosion of their living standards. Consumers’ mentions of food or gas prices have risen since June. In spite of these recent upticks, though, consumer views are broadly similar to just a few months ago. Indeed, this month’s trends in gas prices did not pass through to expectations; one-year expectations over gas prices were little changed from August. In fact, consumers expect the slowdown in overall inflation to resume.

Year-ahead inflation expectations moderated from 3.5% last month to 3.1% this month. The current reading is the lowest since March 2021 and is just above the 2.3-3.0% range seen in the two years prior to the pandemic. Long-run inflation expectations came in at 2.7%, falling below the narrow 2.9-3.1% range for only the second time in the last 26 months. In comparison, long-run inflation expectations ranged between 2.2 and 2.6% in the two years pre-pandemic.

In contrast to the improvement in inflation expectations, labor market expectations weakened somewhat this month. The median expected change in household income was 1.7% growth, the lowest reading in six months. About 37% of consumers expect unemployment rates to rise over the next year, up from only 32% last month. Despite multiple signs of growing vulnerability this month, consumers continued to recognize that labor markets are currently still quite strong; nearly 80% of consumers still believe that inflation, not unemployment, is the more serious concern for the economy. So far this month, consumers have shown little evidence that they are concerned about widespread negative impacts of strikes, whether ongoing or planned. All told, these early perceptions of labor market risk are unlikely to generate a precautionary pullback in spending.

The plateau in sentiment is consistent with news that consumers report hearing about the economy. The index of economic news heard declined sharply by 12% this month and was visible across age, income, and political identification. Consumers reported hearing more negative news about inflation or the economy in September relative to last month. Similarly, consumers’ concerns over high interest rates rose this month but generally remained at similar levels as a few months prior.

	Sep 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep Prelim
Index of Consumer Sentiment	58.6	59.9	56.8	59.7	64.9	67.0	62.0	63.5	59.2	64.4	71.6	69.5	67.7
Current Economic Conditions	59.7	65.6	58.8	59.4	68.4	70.7	66.3	68.2	64.9	69.0	76.6	75.7	69.8
Index of Consumer Expectations	58.0	56.2	55.6	59.9	62.7	64.7	59.2	60.5	55.4	61.5	68.3	65.5	66.3
Index Components													
Personal Finances - Current	80	78	77	75	89	91	88	84	85	85	96	93	88
Personal Finances - Expected	105	106	106	106	112	111	104	105	104	108	113	115	112
Economic Outlook - 12 Months	59	48	49	61	60	67	58	60	50	64	73	70	74
Economic Outlook - 5 Years	66	69	65	71	78	79	73	76	66	73	86	76	79
Buying Conditions - Durables	73	90	73	77	87	90	82	91	81	92	101	102	91