

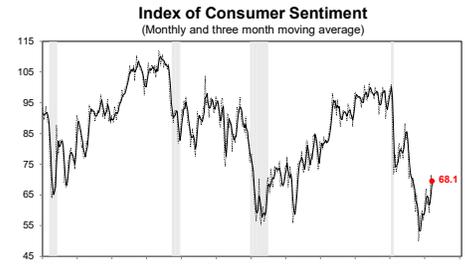


September 2023 survey results

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Consumer sentiment confirmed its early-month reading and was little changed this month, slipping a mere 1.4 index points from August and remaining 16% higher than a year ago. A small decline in consumer expectations over their personal finances was offset by a modest improvement in expected business conditions. Consumers are understandably unsure about the trajectory of the economy given multiple sources of uncertainty, for example over the possible shutdown of the federal government and labor disputes in the auto industry. Until more information emerges about these developments, though, consumers have reserved judgement on whether economic conditions have materially changed from the past few months.



Year-ahead inflation expectations moderated from 3.5% last month to 3.2% this month. The current reading is the lowest since March 2021 and is above the 2.3-3.0% range seen in the two years prior to the pandemic. Long-run inflation expectations came in at 2.8%, 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. The moderation in short-run inflation expectations was attributable to a sharp drop among college-educated consumers, while for long-run inflation those with a high school diploma or less education showed stronger declines in expectations.

Living standards of consumers fell by 6.5% but remained above June 2023 levels as incomes weakened and expenses rose. Signs of rising worries about income and employment appeared throughout the survey. While a majority of consumers expect their incomes to rise next year, the median change fell from 2.4% annual growth in August to 1.7% in September, the lowest reading since April of this year. These declines were seen across all demographic subgroups, with the exception of consumers aged 65 and older. Expectations of the trajectory of consumers’ own personal finances fell as well. Looking at labor markets more broadly, 36% of consumers expected unemployment rates to rise in the year ahead up from 32% last month. Here, older consumers joined all other demographic subgroups in their views of a weakening labor market. Still, though, only 16.7% believed that unemployment will pose greater problems for the economy than inflation in the upcoming year; this is the lowest reading since November 2022.

Buying conditions for vehicles sharply dropped 15%, primarily on the basis of the UAW strike that began midway through the survey period. Consumers recognized that production stoppages generated by the UAW strike could increase vehicle prices or otherwise make it more difficult to buy a car. At the same time, those who spontaneously mentioned strikes during interviews—about 10% of consumers—exhibited substantially higher sentiment levels than those who did not. This pattern held for Democrats, Republicans, and Independents alike. However, it is not necessarily the case that these consumers believe that strikes themselves generate a stronger economy; more likely, these attitudes reflect the perception that a strong economy empowers workers to strike. Consumers mentioning strikes recognized that labor disputes can pose risks to inflation, but many also believed that high corporate profits could absorb such pressure, or cited the overall importance of improving working conditions and worker pay.

	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 2023
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	68.1
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	71.4
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	66.0
Index Components													
Personal Finances - Current	80	78	77	75	89	91	88	84	85	85	96	93	87
Personal Finances - Expected	105	106	106	106	112	111	104	105	104	108	113	115	110
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	80
Buying Conditions - Durables	73	90	73	77	87	90	82	91	81	92	101	102	97