

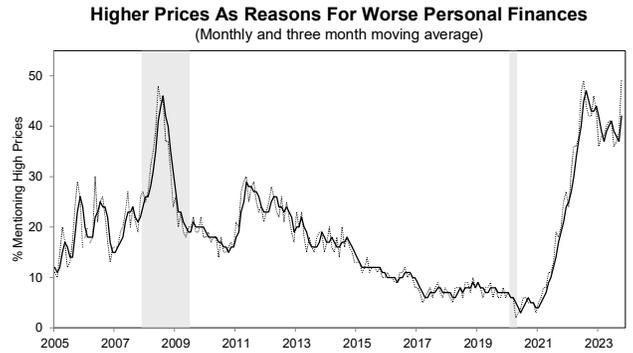


**Preliminary results from the October 2023 survey**

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Consumer sentiment fell back about 7% this October following two consecutive months of very little change. Assessments of personal finances declined about 15%, primarily on a substantial increase in concerns over inflation, and one-year expected business conditions plunged about 19%. However, long-run expected business conditions are little changed, suggesting that consumers believe the current worsening in economic conditions will not persist. Nearly all demographic groups posted setbacks in sentiment, reflecting the continued weight of high prices. Still, experiences vary across the population. Consumers with a high school diploma or less education exhibited a particularly large 18% decline this month; their sentiment is now 12% below a year ago. In contrast, sentiment for college graduates fell only 6% this month, and their sentiment is currently 14% more favorable than October 2022.



Year-ahead inflation expectations rose from 3.2% last month to 3.8% this month. The current reading is the highest since May 2023 and remains well above the 2.3-3.0% range seen in the two years prior to the pandemic. Long-run inflation expectations edged up from 2.8% last month to 3.0% this month, again staying within the narrow 2.9-3.1% range for 25 of the last 27 months. Long-run inflation expectations remain elevated relative to the 2.2-2.6% range seen in the two years pre-pandemic.

After stabilizing earlier this year, concerns about inflation have grown again. These concerns underpin the sharp 15% deterioration in consumers’ assessments of their personal finances in this month. About 49% of consumers reported that high prices are eroding their living standards, up substantially from 39% last month and matching the all-time high last recorded in July 2022 (see chart). Consumers pointed specifically to prices of food and groceries (highest share in over a year) as well as gas and fuel (highest in 2023). Those who mentioned the high prices of food or gas reported sentiment that was more than 30% lower than those who did not. If these concerns continue to grow, consumer attitudes will keep deteriorating as well. Given the high-frequency and widespread nature of these purchases across American families, it is no surprise that concerns over the prices of these goods loom large in the minds of consumers. At the same time, consumers are aware that goods and services vary considerably in their price trends. Indeed, spontaneous mentions of high prices for larger purchases like durables and vehicles have been relatively flat this month.

Given recent developments at home and abroad with potential implications for the US economy—including the historic removal of the Speaker of the House, looming budget showdown, violence in Israel and the Gaza Strip, and labor strikes—it may be surprising that consumer sentiment did not fall even more dramatically in October. However, consumers remain focused on ongoing economic factors. The index of economic news heard by consumers worsened about 20% between last month and this month, reaching its lowest reading since May 2023. The most common negative topics mentioned were unemployment and higher prices, cited spontaneously by 20% and 16% of consumers, respectively. With considerable uncertainty around current events, consumers are likely reserving judgment on how severe the economic consequences may be.

	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct Prelim
Index of Consumer Sentiment	59.9	56.8	59.7	64.9	67.0	62.0	63.5	59.2	64.4	71.6	69.5	68.1	63.0
Current Economic Conditions	65.6	58.8	59.4	68.4	70.7	66.3	68.2	64.9	69.0	76.6	75.7	71.4	66.7
Index of Consumer Expectations	56.2	55.6	59.9	62.7	64.7	59.2	60.5	55.4	61.5	68.3	65.5	66.0	60.7
Index Components													
Personal Finances - Current	78	77	75	89	91	88	84	85	85	96	93	87	74
Personal Finances - Expected	106	106	106	112	111	104	105	104	108	113	115	110	104
Economic Outlook - 12 Months	48	49	61	60	67	58	60	50	64	73	70	74	60
Economic Outlook - 5 Years	69	65	71	78	79	73	76	66	73	86	76	80	77
Buying Conditions - Durables	90	73	77	87	90	82	91	81	92	101	102	97	97