Interestingly, consumer reactions to the CPI inflation rate appear to have shifted in the past decade. When asked to explain the unemployment rate to stabilize at about its current low, with equal proportions expecting increases and decreases (24%). Wealth gains falling to 18%, down from last month’s 26% and last year’s 20%. The majority of consumers (51%) expected to net gains in household wealth declined slightly in May, with those in the top third of the income distribution citing net 3.5% and those with incomes in the top third expected income gains of 3.2%; all other subgroups were under 2%. References to net gains in household wealth declined slightly in May, with those in the top third of the income distribution citing net wealth gains falling to 18%, down from last month’s 26% and last year’s 20%. The majority of consumers (51%) expected the unemployment rate to stabilize at about its current low, with equal proportions expecting increases and decreases (24%).

The year-ahead expected inflation rate rose to 2.8% in May from 2.7% in April and 2.6% last May. This was the second time in three months that the expected inflation rate reached 2.8%, the highest since the start of 2016. Nonetheless, few consumers expected the inflation rate to accelerate over the longer term, as the expected long term inflation rate remained at 2.5% for the fifth consecutive month. The long awaited rise in wages was still absent, as consumers anticipated gains in household income of just 1.6%, down from last month’s 2.2% and last year’s 2.0%. Those under age 45 anticipated income gains of 3.5% and those with incomes in the top third expected income gains of 3.2%; all other subgroups were under 2%. References to net gains in household wealth declined slightly in May, with those in the top third of the income distribution citing net wealth gains falling to 18%, down from last month’s 26% and last year’s 20%. The majority of consumers (51%) expected the unemployment rate to stabilize at about its current low, with equal proportions expecting increases and decreases (24%).

Interestingly, consumer reactions to the CPI inflation rate appear to have shifted in the past decade. When asked to explain how their personal finances had changed, higher prices were cited to have worsened their financial situation by 8% in May, unchanged from last month and just above last year’s 7%. When examined over the past half century, these unaided references to inflation closely matched actual trends in the year-over-year change in the CPI—see the chart. That close relationship ended about a decade ago, and in the past year or so, as the CPI has risen, complaints about inflation have fallen. While gas price spikes could be cited as causing some of the recent divergence, those spikes were also widespread in the late 1970s and 1980s. While the reasons underlying the current divergence are unclear, it nonetheless signals a change in how consumers judge the impact of inflation on their personal finances. It may also suggest a change in their behavioral reaction to inflation.

Favorable views of buying conditions fell slightly for household durables, vehicles, and homes. Although the falloff still left buying plans at generally favorable levels, the widespread declines were due to how consumers assessed current market prices. Net price references were the least favorable for household durables since just prior to the Great Recession, for vehicles since 1997, and for homes since 2006—although higher home prices brightened prospects for selling homes. In past episodes, high and accelerating prices encouraged consumers to buy-in-advance of those increases. That response is largely absent in all markets except housing, where 17% of consumers mentioned this rationale, the highest since 1980. Moreover, as mortgage rates recently rose, the appeal of borrowing-in-advance of rising rates fell to 13% from 18% two months ago.