



Subject: December 2021 survey results
From: Richard Curtin, Director

December 23, 2021

T’was the night before Christmas, as I pen a final yuletide poem,
After forty-five plus years, I’ll soon celebrate with a jeroboam.
Sentiment’s mix of reason and emotion, the decision milieu,
To all of my worldwide followers, I bid you a fond adieu.

Who could imagine all that occurred? At such a dizzying rate!
Nine Presidents. Seven Fed Chairs. Keepers of the policy gate.
Six recessions! Financial crises! An unending pandemic!
Rates to zero. Dispense trillions. A new theory polemic!

Partisans were all nestled, very smug in their beds,
With visions of victory, dancing in their heads.
Rather than the dry statistics of economic debates,
Policy choices now depend on political dictates.

Partisanship rose to become the chief determinant,
All economic correlates were held subordinate.
Convinced that the facts favored their partisan ideology,
Is this the new age version of theory and methodology?

Each party designed an exacting virtual metaverse,
To provide followers with a cancel free path to traverse.
Both sides believed that their economic aspirations,
Would be best fulfilled by their partisan motivations.

Economic equity. Biden said it would be achieved,
Shifting all taxes and spending. Everyone would be relieved!
Trillions-and-trillions meant so little to voters by the millions,
But once it’s endowed, it will justify tax hikes for all civilians!

And then, in a twinkling, I could hear on the roof,
The advancing of each inflationary hoof.
It spread so lively and quick, juiced by stimulus cash.
Prices and wages soared, reaching new heights in a flash.

Jay whistled and shouted: Can’t follow Uncle Milty no more,
He zeroed rates! Inflated stocks! Up inequality did soar.
Preaching inflation was transient, it would quickly self-correct,
Was preferable to rate hikes, with their toxic jobs side-effect!

Stimmies are now expected at the first sign of recession,
Covering nearly every economic loss and transgression.
Inflation’s erosion of living standards is so regressive,
Full protection will now be desired by voters progressive.

When what to my wondering eyes should now appear, Omicron!
How many more variants will there be in this covid marathon?
Holiday gatherings should have relieved some stress,
But the first hors d’oeuvre is likely to be a covid test.

Happy holidays to all and to all a good year.

The Sentiment Index improved in December, primarily due to significant gains among households with incomes in the bottom third of the distribution. Indeed, incomes during the year ahead among the bottom third were expected to rise by 2.8%, up from 1.8% last December, and the highest level since 2.9% was recorded in 1999. There have only been five times in nearly the past half century that income expectations among low income households have exceeded the December level. The announced increase in Social Security payments of 5.9% in 2022 was partly responsible for the gain, in addition to expected wage increases among the youngest workers of 5.0%. Importantly, too few interviews were conducted to capture the impact of the rapid spread of the Omicron variant in the U.S. Confidence and spending are likely to be depressed in January, but it is too early to know the eventual impact of Omicron.

A year-ahead inflation rate of 4.8% was anticipated for 2022, just below last month’s 4.9%, remaining in the tight range of 4.6% to 4.9% in the past six months. Over the longer term, an annual inflation rate of 2.9% was anticipated in December, just below last month’s 3.0%, and staying in the narrow range of 2.8% to 3.0% in the past six months. While age and income subgroups showed only small differences in expectations, Democrats anticipate much lower inflation rates than Republicans for the year ahead (3.0% vs. 6.8%) and over the longer term (2.3% vs. 4.4%).

Consumers’ evaluations of their current finances remained unchanged at lower levels due to the erosion of their living standards from rising inflation. One-in-four households specifically cited the negative impact of inflation on their living standards. Consistent with partisan differences in inflation expectations, three times as many Republicans as Democrats cited the negative impact on their finances from inflation (47% vs. 16%). Sharp differences in expected gains in nominal incomes were also found by partisanship, as Democrats anticipated much higher gains than Republicans (2.7% vs. 0.4%). It should be noted that Independents, those least likely to be influenced by partisanship, equaled the average response across partisan subgroups and their income expectations were equal to the overall average (2.2%). This finding has been widely replicated across many other expectations, and indicates that partisan extremes generally offset, approximating the views of Independents.

The majority of consumers believe overall economic conditions have worsened in the past year, but were slightly more likely to expect the economy to improve rather than worsen during the year ahead (34% vs. 28%). Importantly, consumers believe the economic gains in 2022 will be sufficient for the unemployment rate to post some small additional declines rather than increases in the year ahead (34% vs. 22%).

Buying conditions for homes, vehicles and household durables posted slight gains in December due to lessening resistance to price increases, except for vehicles. While it is likely that prices will continue to rise in the months ahead, there is only scant evidence of advance buying.

	Dec 2020	Jan 2021	Feb 2021	Mar 2021	April 2021	May 2021	June 2021	July 2021	Aug 2021	Sept 2021	Oct 2021	Nov 2021	Dec 2021
Index of Consumer Sentiment	80.7	79.0	76.8	84.9	88.3	82.9	85.5	81.2	70.3	72.8	71.7	67.4	70.6
Current Economic Conditions	90.0	86.7	86.2	93.0	97.2	89.4	88.6	84.5	78.5	80.1	77.7	73.6	74.2
Index of Consumer Expectations	74.6	74.0	70.7	79.7	82.7	78.8	83.5	79.0	65.1	68.1	67.9	63.5	68.3
Index Components													
Personal Finances—Current	114	109	110	112	126	120	117	116	109	116	115	110	109
Personal Finances—Expected	122	121	118	118	124	113	119	120	111	112	112	106	110
Economic Outlook—12 Months	76	87	83	108	115	110	119	109	74	84	81	73	80
Economic Outlook—5 Years	100	88	82	94	93	93	97	88	75	76	78	73	83
Buying Conditions—Durables	119	115	113	128	126	111	112	102	94	90	85	79	82