

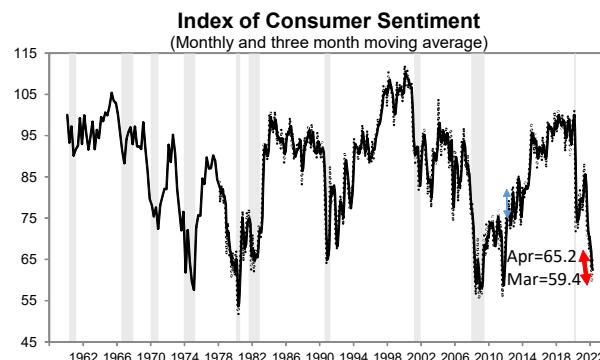


Subject: April 2022 survey results
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April 29, 2022

Starting in May, the Surveys of Consumers will be directed by Dr. Joanne Hsu. Details to come on our [website](#).

The final April reading confirmed the early April surge in consumer sentiment, rising 9.8% above March. Most of the surge was concentrated in expectations, with gains of 21.6% in the year-ahead outlook for the economy and an 18.3% jump in personal financial expectations. The cause was a sharp drop in gas price expectations, falling to just 0.4 cents from last month's 49.6. The declines in gas prices may be reversed by the ongoing war in Ukraine. The overall impact on sentiment trends, however, was quite small: other than the last two months, the Sentiment Index in April was still lower than in any prior month in the past decade. The 1st quarter decline in GDP was no surprise (see chart). Unlike past swings in sentiment, the situation cannot be described as shifts along an optimism-pessimism dimension. Rather, the downward shift represents the impact of uncertainty, which began with the pandemic and was reinforced by cross-currents in the economy, including the negative impact of inflation and higher interest rates, and the positive impact of a persistently strong labor market and rising wages.



The global economy has added even more uncertainties about prospects for the U.S. economy, including the growing involvement in the military support for Ukraine, renewed supply line disruptions from the covid crisis in China, among other global instabilities. Who would not be apprehensive about future conditions, even if on balance they anticipated a continued expansion? Moreover, consumers have lost confidence in economic policies, with fiscal actions increasingly hampered by partisanship in the runup to the Congressional elections. Monetary policy now aims at tempering the strong labor market and trimming wage gains, the only factors that now support optimism. The goal of a soft landing will be more difficult to achieve given the uncertainties that now prevail, raising prospects for a halt, or even a temporary reversal, in the Fed's interest rate policies. The probability of consumers reaching a tipping point will increasingly depend on prospects for a strong labor market and continued wage gains. The cost of that renewed strength is an accelerating wage-price spiral.

Interest rates were expected to increase by 88% of all consumers in April, the highest proportion ever recorded. One might have anticipated that home purchases would initially benefit from advance buying, but just the opposite occurred: 21% thought it was better to postpone purchases versus 9% who favored borrowing-in-advance of future increases. Strength in the labor market was not diminished, as consumers were more likely to anticipate additional declines in the unemployment rate than increases in April (32% versus 23%), although this proportion has narrowed greatly from a year ago (52% vs. 21%). Even anticipated wage gains remained strong, with gains averaging 2.6%—the last time a larger increase was recorded was in March 2007. Moreover, an expected annual income increase of 5.3% by those under 45 was the highest since May 1990.

The median expected year-ahead inflation rate was 5.4% in April, unchanged from last month, and well above last year's 3.4%. The most vulnerable consumers, those with the least education and low household incomes, expected a much higher inflation rate of about 7.0% during the year ahead. The median long term inflation rate remained at 3.0% for the third month. Evidence of well-anchored inflation was present for the median (5.4% vs. 3.0%) and the mean estimates (8.2% vs. 3.8%). Prospects for personal finances improved in April, reversing last month's negative balance of opinion. Importantly, the gains were widely shared across income and age groups largely due to the notion that gas prices had peaked. Inflation was seen as the overwhelming problem facing the nation as well as causing eroding living standards among households. Inflation was the cause given by 36%, with consumers facing difficult choices of which normally purchased items to eliminate.

	April 2021	May 2021	June 2021	July 2021	Aug 2021	Sept 2021	Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022	Mar 2022	April 2022
Index of Consumer Sentiment	88.3	82.9	85.5	81.2	70.3	72.8	71.7	67.4	70.6	67.2	62.8	59.4	65.2
Current Economic Conditions	97.2	89.4	88.6	84.5	78.5	80.1	77.7	73.6	74.2	72.0	68.2	67.2	69.4
Index of Consumer Expectations	82.7	78.8	83.5	79.0	65.1	68.1	67.9	63.5	68.3	64.1	59.4	54.3	62.5
Index Components													
Personal Finances—Current	126	120	117	116	109	116	115	110	109	106	96	93	98
Personal Finances—Expected	124	113	119	120	111	112	112	106	110	114	102	93	110
Economic Outlook—12 Months	115	110	119	109	74	84	81	73	80	67	66	51	62
Economic Outlook—5 Years	93	93	97	88	75	76	78	73	83	75	68	72	77
Buying Conditions—Durables	126	111	112	102	94	90	85	79	82	79	78	80	80