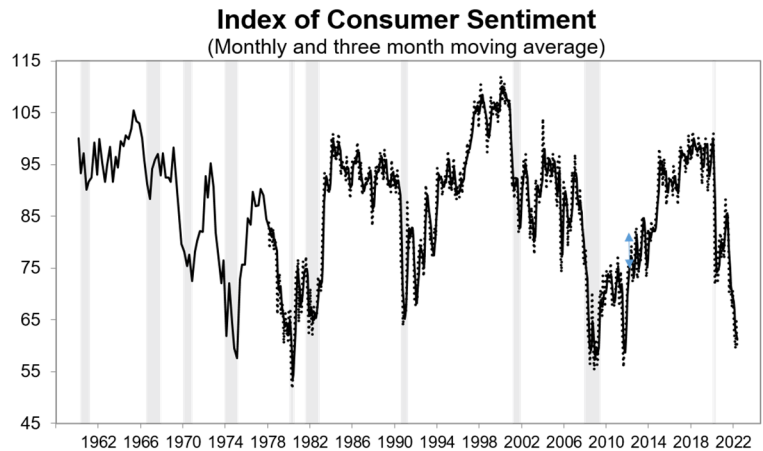




Subject: Preliminary results from the May 2022 survey  
From: Joanne Hsu, Director

May 13, 2022

Consumer sentiment declined by 9.4% from April, reversing gains realized that month. These declines were broad based—for current economic conditions as well as consumer expectations, and visible across income, age, education, geography, and political affiliation—continuing the general downward trend in sentiment over the past year. Consumers’ assessment of their current financial situation relative to a year ago is at its lowest reading since 2013, with 36% of consumers attributing their negative assessment to inflation. Buying conditions for durables reached its lowest reading since the question began appearing on the monthly surveys in 1978, again primarily due to high prices.



The median expected year-ahead inflation rate was 5.4%, little changed over the last three months, and up from 4.6% in May 2021. The mean was considerably higher at 7.4%, reflecting substantial variation in price changes across types of goods and services, and in household spending patterns. At the same time, long term inflation expectations remain well-anchored with a median of 3.0%, settling within the 2.9 to 3.1% range seen over the last 10 months.

Still, inflation remains on the forefront of consumers’ minds. They mentioned inflation throughout the survey, whether the questions referred to their own personal financial situations, their outlook for the economy, or buying conditions. While consumers generally anticipate wage gains over the coming year (median 2% rise), about 48% of consumers overall expect their incomes to rise less than prices. Global factors continue to weigh on their inflation outlook: about 59% of consumers spontaneously mentioned supply shortages, though a falling share brought up Ukraine or Russia (13%, down from 20% in April).

Interest rates are expected to increase during the next year by 87% of all consumers, little changed from the all-time high of 88% recorded in April. With the unemployment rate near historic lows at 3.6%, strength in the labor market softened somewhat, as consumers are now more likely to anticipate increases in the unemployment rate (29%) than continued decreases (26%). In contrast, a year ago under the backdrop of a 6% unemployment rate, over half of consumers expected declines in unemployment.

	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May Prelim
Index of Consumer Sentiment	82.9	85.5	81.2	70.3	72.8	71.7	67.4	70.6	67.2	62.8	59.4	65.2	59.1
Current Economic Conditions	89.4	88.6	84.5	78.5	80.1	77.7	73.6	74.2	72.0	68.2	67.2	69.4	63.6
Index of Consumer Expectations	78.8	83.5	79.0	65.1	68.1	67.9	63.5	68.3	64.1	59.4	54.3	62.5	56.3
Index Components													
Personal Finances - Current	120	117	116	109	116	115	110	109	106	96	93	98	90
Personal Finances - Expected	113	119	120	111	112	112	106	110	114	102	93	110	108
Economic Outlook - 12 Months	110	119	109	74	84	81	73	80	67	66	51	62	48
Economic Outlook - 5 Years	93	97	88	75	76	78	73	83	75	68	72	77	68
Buying Conditions - Durables	111	112	102	94	90	85	79	82	79	78	80	80	72