



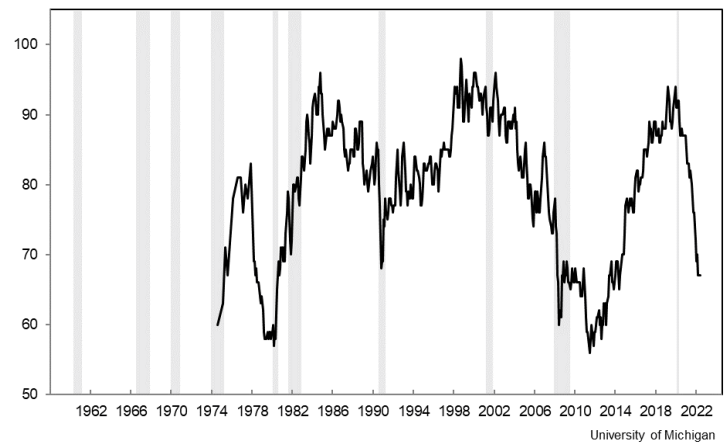
Subject: Preliminary results from the June 2022 survey

June 10, 2022

From: Joanne Hsu, PhD, Director

Consumer sentiment declined by 14% from May, continuing a downward trend over the last year and reaching its lowest recorded value, comparable to the trough reached in the middle of the 1980 recession. All components of the sentiment index fell this month, with the steepest decline in the year-ahead outlook in business conditions, down 24% from May. Consumers’ assessments of their personal financial situation worsened about 20%. Forty-six percent of consumers attributed their negative views to inflation, up from 38% in May; this share has only been exceeded once since 1981, during the Great Recession.

Expected Change in Real Income During the Next Year
(Income Up minus Prices Up plus 100)



Overall, gas prices weighed heavily on consumers, which was no surprise given the 65 cent increase in national gas prices from last month (AAA). Half of all consumers spontaneously mentioned gas during their interviews, compared with 30% in May and only 13% a year ago. Consumers expect gas prices to continue to rise a median of 25 cents over the next year, more than double the May reading and the second highest since 2015. In addition, a majority of consumers spontaneously mentioned supply shortages for the ninth consecutive month.

The median expected year-ahead inflation rate was 5.4%, little changed over the last four months, and up from 4.2% in June 2021. At the same time, the mean expected increase rose from 7.4% to 8.6%, reflecting the increasingly wide range of views on future prices held by consumers. Meanwhile, long term inflation expectations rose to a median of 3.3%, exceeding the 2.9 to 3.1% range seen over the preceding 10 months. These expectations rose despite, leading into the Federal Reserve’s policy-setting meeting next week, a record high 88% of consumers expecting interest rates to increase during the next year.

With continued labor market tightness, unemployment expectations are little changed from May. At the same time, income expectations have continued to soften. While consumers generally anticipated wage gains over the coming year, the median expected increase fell to less than 1% growth, the lowest reading since early in the pandemic in 2020. Those under the age of 45 continued to express more optimism about their incomes than older consumers, but they generally expected prices to rise even more. Indeed, across all consumers, only 13% expected their incomes to rise more than prices, the lowest share since 2013 (see chart). Throughout the survey, consumers signalled strong concerns that inflation will continue to erode their incomes, and the factors they cited are unlikely to abate soon. While consumer spending has remained robust so far, the broad deterioration of sentiment may lead them to cut back on spending and thereby slow down economic growth.

	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022 Prelim
Index of Consumer Sentiment	85.5	81.2	70.3	72.8	71.7	67.4	70.6	67.2	62.8	59.4	65.2	58.4	50.2
Current Economic Conditions	88.6	84.5	78.5	80.1	77.7	73.6	74.2	72.0	68.2	67.2	69.4	63.3	55.4
Index of Consumer Expectations	83.5	79.0	65.1	68.1	67.9	63.5	68.3	64.1	59.4	54.3	62.5	55.2	46.8
Index Components													
Personal Finances - Current	117	116	109	116	115	110	109	106	96	93	98	91	73
Personal Finances - Expected	119	120	111	112	112	106	110	114	102	93	110	107	94
Economic Outlook - 12 Months	119	109	74	84	81	73	80	67	66	51	62	46	35
Economic Outlook - 5 Years	97	88	75	76	78	73	83	75	68	72	77	66	55
Buying Conditions - Durables	112	102	94	90	85	79	82	79	78	80	80	71	69