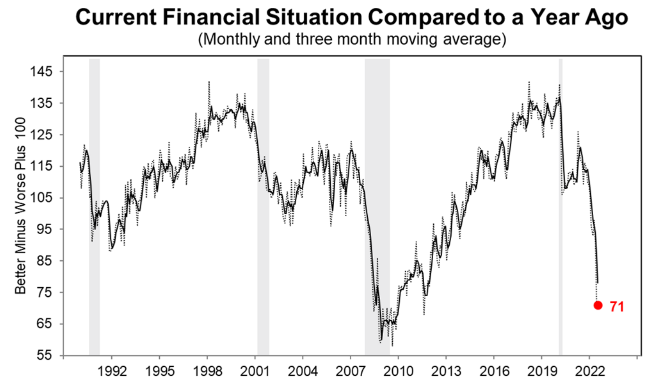
surveys of consumers
UNIVERSITY OF MICHIGAN

Monitoring trends for over 75 years

Subject: Preliminary results from the July 2022 survey July 15, 2022
From: Joanne Hsu, PhD, Director



Consumer sentiment was relatively unchanged, remaining near all-time lows. Current assessments of personal finances continued to deteriorate, reaching its lowest point since 2011. Buying conditions for durables adjusted upwards, owing both to consumers who cited easing supply constraints and those who believed that one should buy now to avoid future price increases, which would exacerbate inflation going forward. Even with the adjustment, buying conditions remained 26% lower than a year ago.

Consumers remained in agreement over the deleterious effect of prices on their personal finances, consistent with this week's CPI reading of 9.1%. The share of consumers blaming inflation for eroding their living standards continued its rise to 49%, matching the all-time high reached during the Great Recession. Consumers under the age of 45, lower-income consumers, and less-educated consumers—groups that tend to have less wealth to buffer against shocks—all reported substantial worsening of personal finances. These negative views endured in the face of the recent moderation in gas prices at the pump. Consumers updated their expectations of gas prices with median short and long-run changes of less than one cent, suggesting that they may believe gas prices have crested. However, gas prices remain painfully high and were spontaneously mentioned during interviews by nearly half of consumers.

At the same time, inflation expectations have held steady or improved somewhat. The median expected year-ahead inflation rate was 5.2%, little changed from the past five months. Median long run expectations fell to 2.8%, just below the 2.9-3.1% range seen in the preceding 11 months. Inflation uncertainty continued to grow, with 26% of consumers expecting prices to stay the same or fall over the next 5 to 10 years, up from 11% a year ago.

Amidst deteriorating sentiment over the past year, strength in the economy has centered on labor markets, but signs of weakness began to surface. Almost 40% of consumers expected unemployment to rise in the year ahead, up from 32% last month and 14% a year ago. When asked about their own incomes, the median expected change was only an increase of 0.6%, reaching its lowest value since May of 2020. At the same time, consumers do not perceive greater risks to their own employment; their expected probability of job loss over the next 5 years has changed little over the past 6 months.

Mixed patterns in overall sentiment emerged across demographic groups: modest increases in sentiment for those with higher incomes and greater purchasing power were offset by declines for lower-income consumers. Similarly, falling sentiment for those under the age of 45 was offset by rising sentiment for older consumers. Broadly, the historically low sentiment readings suggest that consumers anticipate a downturn on the horizon. Downside risks to spending remain, particularly as consumers' income expectations come into alignment with their dismal views on their personal finances and the macroeconomy.

	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul Prelim
Index of Consumer Sentiment	81.2	70.3	72.8	71.7	67.4	70.6	67.2	62.8	59.4	65.2	58.4	50.0	51.1
Current Economic Conditions	84.5	78.5	80.1	77.7	73.6	74.2	72.0	68.2	67.2	69.4	63.3	53.8	57.1
Index of Consumer Expectations	79.0	65.1	68.1	67.9	63.5	68.3	64.1	59.4	54.3	62.5	55.2	47.5	47.3
Index Components													
Personal Finances - Current	116	109	116	115	110	109	106	96	93	98	91	72	71
Personal Finances - Expected	120	111	112	112	106	110	114	102	93	110	107	95	96
Economic Outlook - 12 Months	109	74	84	81	73	80	67	66	51	62	46	35	34
Economic Outlook - 5 Years	88	75	76	78	73	83	75	68	72	77	66	57	57
Buying Conditions - Durables	102	94	90	85	79	82	79	78	80	80	71	65	75